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Statement by the Hon. **SAVENACA NARUBE**,
Governor of the Fund for **FIJI**,
at the Joint Annual Discussion

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Firstly, let me congratulate you for your appointment to the Chair for this annual meeting. It is a privilege and an honour for my delegation to be part of this year's annual meeting of the International Monetary Fund and the World Bank Group.

I also would like to congratulate and thank our gracious host, the government and people of Singapore for the excellent arrangements and warm hospitality extended to all of us attending this meeting. It is always a great pleasure to visit Singapore, because it showcases a modern economy which is characterised by its multicultural society, rich ethnic character, open economy, and strong commercial tradition. We look forward to a fruitful exchange of ideas and positive outcomes over the next few days.

We are meeting at a time of heightened uncertainty about the outlook for the global economy. Growth in the US is expected to slow modestly and the global economic prospects are heavily dependent on the extent of this slowdown. These prospects are further clouded by inflationary pressures and persistent global imbalances. This environment will pose new global challenges and will require effective global coordination among major economies if the imbalances are to be reduced and growth to be sustained.

The economic prospects on the domestic front remain stable but below potential and supported by strong domestic demand. This year, Fiji is expected to continue its sixth year of consecutive growth with favourable outlook in the medium term. This growth can be enhanced by strengthening our export performance which has been below potential while our import grows, widening our current account deficit. Inflation remains low and anchored by our fixed exchange rate regime.

Structural reform is an on-going challenge for small economies such as ours but we are nevertheless committed to move forward in this important area. At the same time we are placing more emphasis on reforming key sectors that underpin our export potential, particularly the resource based sectors through a combination of initiatives in the sugar industry, fisheries and forestry. The Government's medium term Strategic Development Plan (SDP) places special emphasis on increasing our exports and raising efficiency and productivity, particularly, in the public sector.

The rise in oil prices poses severe risks to the growth prospects of small economies like Fiji and we look to multilateral institutions to assist us in managing these risks. In this regard we commend the Fund for introducing the Exogenous Shock Facility (ESF) and would like to see that the ESF is effective. We call on the Fund to ensure full use of this facility and avoid weaknesses of past shock facilities. On the same note, we urge the Bank to enhance its facilities that support the development of non-renewable energy resources, specifically research funding and technical assistance.

Our financial system remains robust. We are pleased to announce that we have completed our first Financial Sector Assessment Programme in July this year. This extensive assessment confirmed that our financial system is generally sound and we are implementing the recommendations of the FSAP, which will further strengthen the ability of the financial system to withstand shocks.

Recently, the FSAP concluded that Fiji's compliance with international financial sector standards and codes is satisfactory. We have met most of the Basel Core Principles for Effective Banking Supervision, IMF Code of Transparency in Monetary and Financial Policies, and the International Association of Insurance Supervisors Core Insurance Principles.

Fiji supports the reforms on the structure of governance of the Fund and the proposal to reassess the quotas of several member countries of the Fund. We also call on the Fund to review the quotas of all member countries. A fair formula, in our view, should reflect the increasing prominence of developing member countries in the world economy. In supporting the review, we also call on more commitment from countries with increased quota to shoulder greater responsibility in amicably addressing global issues. We commend the Fund for introducing its new framework for multi-lateral consultations to ensure an orderly unwinding of the current global imbalances.

On the Bank side, we are encouraged by the proactive steps taken to strengthen engagement on governance and anticorruption at global, country and project levels. We pledge our full support to the focused and comprehensive three-pronged approach being proposed. At the global level we believe that the Bank is the appropriate institution to play a major role in strengthening partnerships and co-ordination with bilateral, multilateral and private sectors to promote good governance and fight corruption. At the country level, improving governance is critical in building effective, transparent and accountable states, all of which are integral to reducing poverty.

At the project level, we support a stronger partnership arrangement with better monitoring approaches by principal stakeholders. In this regard, we feel that reliable indicators of governance would sharpen the interpretation of governance standards and increase the consistency of Bank treatment across countries. We believe that this will

enhance understanding and partnership between the Bank and client countries. While we support the strengthening of governance we urge the Bank not to use governance to the exclusion of providing development finance to member countries.

We welcome the focus of the Bank in the medium term to strengthen partnership with Middle Income Countries (MICs). We believe that this increased emphasis will strengthen the flexibility and responsiveness of the Bank to client needs. Even though some MICs have consistently performed well economically, most still face development challenges, such as insufficient capacity in public institutions, lack of access to private finance, large income inequalities, underinvestment in infrastructure and low level of competitiveness - all of which drag our progress towards meeting the millennium development goals. Therefore, we call on the Bank to swiftly implement facilities tailored to meet country specific needs.

We acknowledge the measures being put in place over the years to increase the Bank's responsiveness, and view the recent pilot initiative driven by IFC and the Bank to lend directly to sub-national levels without a sovereign guarantee, as a significant leap in the right direction. We encourage similar synergies between World Bank Institutions and the Fund.

We also subscribe our support to the initiative of unbundling the Bank's products and services into key areas including providing knowledge and strategic and financial lending products and services. With its comparative advantage in knowledge and strategic services we believe the Bank should continue to provide cutting edge development solutions that would drive the modality and effectiveness of financial products and services that it provides to client countries.

For vulnerable small island economies like ours, intensifying the links between the Bank's research work and partnership with our governments can better identify where respective comparative advantages lie, and these can be enhanced by using local expertise. At the same time, we strongly support the intention in the medium term strategy to expedite progress in financial services innovations that would eventuate in financing vehicles for qualified borrowers with strong macroeconomic fundamentals and effective development programs, not only for MICs but also for small island states.

As in the case of Fiji, we do not qualify for concessionary funding from IDA or any multilateral funding institutions. Yet, we face severe vulnerabilities of the global trading environment, due to our smallness and isolation. Some of these vulnerabilities can impose severe damage to a substantial component of our economy. Yet, we have attempted to adopt many orthodox policy advice of the Bank and the Fund. Fiji would, therefore, like to see a framework developed to acknowledge these achievements and allow greater grant element to assistance programs and even allow us a blend of financing assistance.

Fiji supports the call to review the mandate of the World Bank as a development institution. The Bank, in our view, should return to the original mandate of supporting economic development and in particular building the infrastructure that are critically important for economic growth.

We view the suspension of the Doha round discussions as temporary as the failure of progress will adversely impact global economic prospects and in particular growth of small island states. We, therefore, urge the Bretton Woods Institutions to play a convening role in the resumption of the trade talks. We welcome the progress reports on the review of trade-related assistance by the Bank and Fund and options to support trade related regional projects. This includes the implementation of the recommendations to strengthen Integrated Framework for trade-related technical assistance.

We call on the international community, in particular, the Bretton Wood Institutions, to take the lead role in facilitating the move to improved rules and market access for all developing countries and quota free and duty free access for least developed countries, in particular small island states.

Finally I'd like to acknowledge the assistance that has been provided to Fiji by the Bretton Woods Institutions in promoting economic development and we wish them well in their future endeavours.