

WORLD BANK GROUP

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INTERNATIONAL DEVELOPMENT ASSOCIATION  
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Statement by the Hon. **MAHENDRA PAL CHAUDHRY**,  
Governor of the Bank for **FIJI**,  
at the Joint Annual Discussion



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Mr Chairman, it is indeed an honour for me to address this distinguished forum on behalf of the delegation of the Republic of the Fiji Islands. I take this opportunity to offer my congratulations to you on your appointment as Chairman of this meeting.

May I also congratulate President Robert Zoellick on his appointment as head of the Bank, and welcome his statement on his appointment that globalisation must be founded upon inclusive growth, opportunity and respect for personal dignity.

I would also like to warmly welcome the new Managing Director Mr Dominique Strauss-Kahn, who will take over the helm of the Fund next month. I remain confident that he will continue his known commitment to all nations, both great and small.

Sir, it would be remiss of me not to acknowledge the significant contribution of the outgoing Managing Director of the Fund, Mr Rodrigo de Rato. I pay tribute to his exemplary leadership and dynamism in steering the Fund during a period of significant global challenges.

Sir, let me now turn to the agenda of the World Bank Group and the IMF. While many middle-income countries (MICs) have made progress, for the majority, significant challenges still remain. The need for accelerated action on these challenges is, therefore, obvious. The Bank and Fund's extensive experience, knowledge pool and financial resources can help these countries address difficult issues and take full advantage of the opportunities arising from globalization. Accordingly, we are pleased with the inclusion of middle-income countries agenda, as part of the World Bank's strategic direction.

On this note, we welcome the Bank's commitment to develop a competitive menu of "development solutions" that is responsive to the diverse needs of middle-income countries. In devising these development solutions, we call on the Bank to include in its strategic focus the plight of small island states, like Fiji, that are unable to access the Bank's concessional and grant financing, but continue to face many of the challenges confronting low income countries.

We, therefore, encourage the Bank to include instruments for capacity building, particularly for small and lower income MICs, as part of its package of solutions. In the meantime, we welcome the Bank's recent approval to simplify and reduce the pricing of IBRD loans. Addressing the non-financial costs associated with borrowing from IBRD remains a fundamental part of IBRD's loan pricing and competitiveness.

We would also like to commend the work of the Fund in the successful completion of its first multilateral consultation aimed at reducing imbalances in the global economy, while maintaining robust world growth.

Mr Chairman, let me now brief you on the developments in Fiji. On the political front, the Interim Government is in effective control of the country. Peace and stability has been maintained. Law and order is intact. The Interim Government is pursuing roadmaps to democracy and economic recovery. There is determination to rebuild and move the country forward. We are deeply committed to combating corruption and promoting good governance.

I would like to assure the Bank and Fund that necessary steps are being taken to enable general elections to be held. We appeal, therefore, to the international community and our development partners to understand our situation. We are grateful to all those who have engaged with us and are assisting us with our plans for economic recovery and return to constitutional rule.

We have suffered costly set-backs in two of our major export sectors in the recent years. The termination of preferential quota access to the US market has resulted in a substantial scaling down of our garment industry, at a cost of several thousand jobs.

Likewise, the difficulties experienced with our agricultural land tenure system over the last decade have seen a significant reduction in our sugar exports. However, this sector is now poised for recovery and growth under a reform and restructure programme being pursued jointly by Government with stakeholders in the industry. Receipts from sugar exports will, nonetheless, be at reduced levels as a consequence of price reductions initiated by the sugar sector reforms in the European Union.

Over the last four years Fiji's external position worsened critically as a result of declining export earnings and rising cost of imports - largely due to the escalation in oil prices and burgeoning budget deficits.

Despite these set-backs and challenges, we are determined to maintain financial stability through prudent economic management. Monetary policy has been tightened and the Ministry of Finance has consolidated its fiscal policy. The Interim Government

announced a revised 2007 budget containing the overall fiscal deficit to 2 percent of GDP and it intends to take further measures to reduce the level of future fiscal deficits.

I am pleased to advise that our policies have proved successful thus far. More importantly, the Ministry of Finance has been able to keep the fiscal deficit in check, in spite of shortfalls in revenue collections.

However, we are not out of the woods yet. Whilst our foreign reserves position has stabilised as a result of the policy measures in place, the challenge going forward is to sustain a healthy balance of payments position.

Mr Chairman, the valuable contribution and support of our development partners and multilateral institutions is critical to our development and in overcoming the challenges that we face. In this regard, we look forward to assistance and support of the Fund and the Bank through policy advice, financial resources, and technical assistance. In this respect, I wish to thank the IMF for the two Staff visits this year in the lead up to the upcoming Article IV Mission towards the end of November.

May I also state here, that Fiji was amongst the first of the small island nations in the Pacific region to undertake the Financial Sector Assessment Program (FSAP). However, there is need for prompt follow up of Technical Assistance to implement the recommendations and we look forward to this being facilitated by the Fund and the Bank. Fiji would welcome IMF assistance in improving statistics and policy guidance which is essential for meaningful assessment of the exchange rate during surveillance and to avoid dogmatic solutions.

Mr Chairman, we support the process of reform to update the representation of members and modernise the governance of the Fund. Furthermore, we agree with the proposed increase in basic votes in order to ensure that low income countries have a greater opportunity to participate in the Fund's governance. We wish to express our support for increasing the resources in the Executive Directors' office and the proposal to have two Alternative Executive Directors for the larger constituencies.

We welcome discussion on the Reserve Augmentation Line which will be particularly useful to emerging market economies. Fiji is in an interesting position of being subject to all the vulnerabilities of a small island state, yet not classified as a low income country. We have been waiting for a framework to be developed for emerging market economies with strong macroeconomic fundamentals and effective development programs – these countries however, may need contingent financing at reasonable cost to help prevent crises or reduce the costs of crises. We recognise that there are design challenges in

developing such an instrument but we call on the IMF to accelerate its work in this area as the need for such an instrument is sorely felt in an environment of heightened and growing capital and financial flows.

Developing and low-income countries, therefore, need all the assistance they can get from development partners and the multilateral community to integrate into the world economy. In this context, we fully support the Bank's Aid for Trade agenda, to develop assistance programs in support of developing countries' trade reforms. We acknowledge the continued involvement of the Bank and Fund in assisting countries to mainstream trade into country strategies and we encourage further support in areas of capacity building, technical assistance, advisory and analytical work as well as investment in infrastructure. We call on development partners to scale-up their assistance in these key areas.

Mr Chairman, climate change is a global challenge that has tangible impact on economic growth. Overexploitation of resources and unsustainable management practices have increased the vulnerability of water resources, agriculture, health, and major infrastructure to climate change. In fact, many vulnerable states have begun to experience the adverse effects of this phenomenon on their daily lives. Fiji is no exception. We therefore, welcome and support the Bank's commitment to scale-up resources devoted to combating climate change. We also appreciate the Bank's close cooperation with the Global Environment Fund (GEF) and other partners to advance the implementation of the Clean Energy for Development Investment Framework.

Fiji has been fortunate to benefit from a regional GEF funded project aimed at financing renewable energy (electricity) supply to rural communities. Through the Fiji Electricity Authority, we have also embarked on a comprehensive investment program aimed at full renewable energy supply by 2011. Given the Bank's technical expertise and experience, Fiji has sought its assistance in the implementation of this investment program.

Mr Chairman, we commend the Fund and the Bank for their support towards the Pacific Financial Technical Assistance Centre in Fiji. The centre has the potential to play a useful role in assisting the Pacific Island nations in their capacity building programmes. We therefore, request that the centre be adequately resourced and welcome the Bank's proposed contribution to its operations.

Finally, I would also like to express our appreciation to the management and staff of the Fund and Bank, as well as, the host government for the excellent arrangements made for these meetings. Fiji is grateful for the assistance provided by the Bank and Fund and we look forward to deepening our country's engagement with both institutions.