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Statement by the Hon. **ODO TEVI**,
Governor of the Fund for **VANUATU**,
on Behalf of the Federated States of Micronesia, Kiribati, Marshall Islands,
Samoa, Solomon Islands and Vanuatu,
at the Joint Annual Discussion

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It is with great pleasure that I address these 2007 Annual Meetings of the International Monetary Fund and the World Bank Group, on behalf of the Pacific Constituency comprised of Kiribati, Republic of the Marshall Islands, the Federated States of Micronesia, the Republic of Palau, Samoa, the Solomon Islands and Vanuatu. Let me at the outset convey my utmost appreciation to you, Mr. Chairman, for the excellent arrangements for this year's meetings. We also welcome the appointment of Mr. Zoellick as the President of the World Bank, and also congratulate the outgoing Managing Director of the Fund, Mr. Rodrigo de Rato for the outstanding leadership over the last two years in office. At the same time, we look forward to working with the new Managing Director, Mr. Dominique Strauss-Kahn.

Over the last decade, most of our member countries have been undertaking substantial reform, to strengthen their economies in order to minimise the impact of external shocks, while also preparing for greater adaptation to globalization. Admittedly, the pace of reforms has been slow for some of our member countries, reflecting the varying strengths and capacities of our local institutions, and the need to ensure strong ownership and support by our people.

Our growth prospects, however, are encouraging, and it is worth noting some of the following features:

- boost in remittance receipts from the newly introduced Recognised Seasonal Employer scheme by New Zealand that took effect at the beginning of 2007. The scheme will progressively allow some 5000 workers from Vanuatu, Tonga, Samoa, Tuvalu, and Kiribati to enter and work in New Zealand;
- development funding is also due to rise through a renewed Compact of Free Association between the Micronesian countries of FSM, RMI, and, potentially, Palau with the United States. There is a potential impact anticipated from the new institutional arrangements put in place to improve the effectiveness of these transfers;
- Samoa, Tonga, and Vanuatu are in the process of establishing, or in some cases have commenced, more reliable airline services, in partnership with an international airline – this is certainly seen as an impetus for tourism growth; and

- tourist numbers to the Pacific have the potential to continue to grow due to favourable growth in Australia and New Zealand and an economic rebound in Japan.

Representation and Presence

We acknowledge the presence of the World Bank and the Fund, through its offices in Sydney and Suva respectively, and express our appreciation for their ongoing efforts to further expand their services to member countries in our region. This arrangement may even draw on local expertise reinforcing the Bretton Woods institutions' understanding of the special needs of the Pacific region. Innovative approaches like the co-location of the World Bank and IMF staff to the offices of PFTAC is welcomed and we believe this will help bring Bank and Fund expertise closer to where it is really needed.

Quota and Voice Reform

On the quota and voice reform, we welcome the progress made so far, but note that fundamental challenges still remain. While we agree with the Fund's Board that the quota and voice reform would need to enhance the representation of dynamic economies, many of which are emerging market countries that have become underrepresented, we would like to underscore that such increase should not come at the expense of other developing countries, such as our own.

Climate Change

The visible effects of climate change we are now witnessing on a global scale is frightening for all of us and in particular, the low-lying, small Pacific island countries. Without immediate, comprehensive and concerted action, the future of some of our countries such as the low-lying atoll countries of Kiribati, Tuvalu and Marshall Islands among others, are greatly at risk. In fact, some of our members are seeing increases in cyclone intensity, drought and change in sea levels. In that context, we strongly encourage the Bank and the Fund to support clean energy initiatives through projects that will encourage the use of renewable resources as well as those raising greater energy efficiencies.

Effective development and implementation of mitigation and adaptation initiatives are matters of national survival, not only for Pacific states but also for other developing member countries. We are hopeful therefore that the Bank and the Fund can assist by exploring the relevance of the Caribbean Catastrophe Risk Insurance Facility to the Pacific region to mitigate against the devastating impact of natural calamities on our communities.

Replenishment of International Development Association (IDA)

Let me emphasize that access to concessional resources is a key measure in achieving the national priorities of our Pacific constituency. We note, with much concern, the low level of commitment of IDA lending to the Pacific, especially in the context of helping to achieve the Millennium Development Goal of halving poverty by 2015, which requires

significantly higher resources, especially in key sectors such as education, health and infrastructure.

In this regard we are very much encouraged by the prospect of an scaled-up IDA replenishment, and especially, if access to resources are also improved significantly.

It is important in the context of the ongoing IDA15 negotiations that the Bank examine how best to maximize the Pacific's share of IDA resources. We also urge the Bank, in its review of the criteria used for performance assessment to take into account the special circumstances and vulnerabilities of small island states not shared by larger countries. There should be no disparity in access between weakly performing countries and those enjoying better economic conditions, in our view, as these criteria inherently ignores the problems of smallness, isolation and vulnerabilities, not shared by larger countries.

Integrated Medium Term Strategy (MTS)

Mr. Chairman, I wish to welcome the Bank's steps towards an integrated medium term strategy. This framework is very important and an opportune one, as most of the other multilateral institutions in which we, small island states, affiliate, such as the United Nations, are also reviewing regional strategies. Given our shared concern on issues such as poverty, it makes economic sense to work together with other institutions and development partners to develop appropriate solutions to such problems.

In this context, we recognize that the current Pacific Strategy runs until 2009 and therefore preparations for the next phase will be undertaken shortly. In this regard, we would like to see the Bank and Fund play a greater role in supporting individual country and regional programs in the next strategy.

World Bank Group Engagement and Knowledge Products

The World Bank has comparative advantage in its cross-country experience in a number of sectors and because of this we would like to see more integrated and enhanced engagement of the Bank Group in the Pacific Region. I cite the example of the assistance that the IFC granted to Samoa in successfully restructuring its airline industry. This experience has become the platform for further engagement of the IFC to look into the Air Vanuatu case. I also cite the new focus by the Bank on the northern Pacific Island members.

While smallness remains an issue that brings with it an economic cost, we believe that the diagnostic survey that the World Bank is carrying out towards reducing the costs of doing business is going to provide a useful tool for addressing transaction costs in small states, including the Pacific, to encourage private sector development and growth as well as direct foreign investment.

We commend the advocacy role played by the Bank and the Fund in trade and globalisation matters focusing in particular on trade as a crucial element to development. To this end, we thank the Bank for its study of labour markets and labour mobility in the Pacific which has helped facilitate a seasonal labour mobility scheme for members in our region. Its advocacy work on the reduction of transaction costs of remittance transfers will be invaluable to our communities and we look forward to the changes which are likely to occur to further assist our people in obtaining the full benefit of such transfers.

Private Sector Development

Private investment trends in the Pacific region over the last few decades have been relatively poor. Many of our countries have undertaken reforms in a bid to address these issues. Thus, while good governance undertaken through these programs is necessary, private sector investment, particularly in the context of the small size of our markets, high transportation costs and in some cases labour, remain a problem.

We would therefore welcome the World Bank working with the other multilateral and bilateral development partners, to work together on this important sector.

Building Institutions and Technical Capacity

Economic Ministers in my region, at their annual meeting this year considered the issue of strengthening the level of macroeconomic and microeconomic technical assistance mechanisms in the Pacific. Our deliberation recognized the important role of the International Financial Institutions, particularly the Bank and the Fund together with other development partners to continue to focus on enhancing capacity for improved policy formulation.

We believe that existing TA providers, such as the World Bank and the Fund must work together, as recommended in the recent *Malan* Report, which highlighted the costs to members of insufficient collaboration between the Fund and the Bank, which can result in poor and conflicting advice, wasted resources, and unmet needs.

In this respect, Economic Ministers have endorsed the implementation of a pilot arrangement to expand the Pacific Financial Technical Assistance Centre capacity. This will be done by drawing in staff from other International Financial Institutions, Forum Island Countries and development partners, to allow for expansion of economic advice that will include microeconomic and macroeconomic technical assistance to our countries.

We are strongly encouraged by the commitment of the World Bank and the IMF to the Pacific by working together in partnership to ensure efforts are complementary to those of other development partners, to strengthen technical assistance capacity. In this context, we welcome the commitment of the World Bank to increase their presence in the

Pacific, co-located with the good offices of PFTAC in addition to sharing resources with the Asian Development Bank for representation in the field.

Regional Cooperation

One cornerstone of these improvements is greater co-operation between the Pacific Island Countries themselves. This is being done through a course of action devised and expressed as the Pacific Plan. The Plan complements national efforts in pursuit of economic growth for the Pacific region. I therefore urge the Fund and Bank to continue your support for the Pacific Plan and, in particular, those initiatives agreed upon by recent meetings of the Pacific Islands Forum Economic Ministers', which include customs harmonization, labour mobility, financial sector supervision and strengthening of economic regulation.

Common approaches and sharing of resources and capacity offer the hope of sustained improvements in governance among members whose resources and capacity are limited by their small size and their geographical isolation. We urge the Bank and Fund to continue to give prominence to this work. The Pacific Plan—the Pacific's own strategy for fostering growth and cooperation in the region — includes regional approaches as a central element. The Pacific Constituency looks forward to the support of the Bank and the Fund in helping to progress the relevant initiatives of the Pacific Plan.

Small States

In the last few years the World Bank has played a major role with other development partners in organizing a forum for small states. To this end, we commend the efforts by the Maltese Government with the assistance by the World Bank to establish a secretariat as well as a Network in Malta to facilitate communications between members. This is a tremendous step forward to further consolidate our association of small states with common problems and challenges, we may be able to resolve together.

Conclusion

Finally let me express our appreciation to the management and staff of the Bank and the Fund for their ongoing commitment and support of our development objectives. We continue to benefit from the financial and technical assistance that have augmented our limited resources and enhanced our efforts to improve growth, and to achieve better outcomes for sustainable development of our small island economies.

Thank you, Mr. Chairman