Statement by the Hon. 'OTENIFI AFU’ALO MATOTO,
Governor of the Bank and the Fund for TONGA,
at the Joint Annual Discussion
It is an honor for me to address the Boards of Governors of the International Monetary Fund and the World Bank Group on behalf of the government of the Kingdom of Tonga at the 2009 Annual Meetings. I wish to extend my appreciation to the government of the Republic of Turkey for their hospitality, excellent arrangements and organization of this important gathering. I also wish to take this opportunity to welcome the Republic of Kosovo as the newest member of the Fund and the Bank.

One year ago, the financial crisis started to unfold in the advanced economies and it was not long before it reached every corner of the globe. The landscape of the global economy has changed significantly. We have witnessed billions of financial assets that have been lost and millions of jobs had been shredded in the course of a few months. This has reversed major development gains that had accumulated over the last decades and the progress towards achieving Millennium Development Goals as well as poverty reduction in developing countries.

Although recent indicators show that the global economy is beginning to recover, uncertainties remain. We need to ensure that any form of complacency is avoided. We commend the action taken by the Bank to mitigate the impact of the crisis by establishing facilities under the Vulnerability Financing Framework. We also note the instruments introduced by the Fund to enable effective response to the needs of member countries. We appreciate the receipts of the general and special allocation of Special Drawing Rights (SDR) which provide much needed support. We acknowledge the continuing cooperation and coordination between these two institutions in their efforts to support financial stability and economic growth.
We note the demand for greater financial resources to be made available from both institutions. We support the strengthening of their capital adequacy and financial resources. We also note the progress report on the second phase of the voice and participation reform to achieve equitable voting power between developed countries and developing and transition member countries. We acknowledge the generosity of donor countries in contributing financial resources towards IDA, and we encourage member countries to subscribe to their IDA shares.

**Domestic Economic Development**

The revised GDP projection in September 2009 indicated that Tonga’s economy contracted by 0.4 percent in the financial year 2008/09. This is largely a result of the global economic crisis which came at a time when Tonga’s economy was struggling with the impacts of rising food and fuel prices. The global financial crisis caused remittances to decline by 16 percent which in turn impacted on the whole economy and adversely affecting government revenue.

The outlook for 2009/10 is a projected growth of 0.4 percent. The main drivers of this growth will be infrastructure development, construction and private sector activity. At the same time, a number of reform initiatives are continuing in the public and economic sectors as well as in social and political areas which should all contribute to maintaining macroeconomic stability, developing favorable business environment and achieving future economic growth.

The government of Tonga responded to the global economic crisis through fiscal and monetary stimulus measures. To encourage economic growth and full cooperation with its donor development partners, the government has developed a National Strategic Planning Framework (NSPF), which sets out its priorities for medium and long term development goals. This includes ongoing effort on structural reforms to improve
government efficiency and service delivery with greater participation by the private sector.

The government of Tonga recognizes the significant social and economic implications of climate change. Small island states like Tonga are very vulnerable to natural disasters and external shocks. The recent tsunami that struck Tonga, Samoa and American Samoa is a case in point for the vulnerability to natural calamities. The government has established a National Emergency Disaster Fund in order to better adapt and respond to natural disasters and national emergency situations. The current work undertaken by the Bank in developing the Pacific Catastrophe Risk Financing Initiative, in addition to other climate change initiatives, will provide a complementary support to our own effort.

Tonga is highly dependent on fossil fuel for its energy requirement. To reduce its vulnerability to adverse price movements of oil, the government has accorded high priority to developing an energy roadmap to reduce its dependency by 50 percent over the next three years. The World Bank and donor partners are all cooperating in assisting Tonga with this initiative.

The government of the Kingdom of Tonga acknowledges with gratitude all the assistance and support received from the Bank and the Fund and their agencies towards our development endeavors in order to achieve prosperity for all Tongans. In this regard, we acknowledge with pleasure the establishment of the joint Asian Development Bank/World Bank focal office in Tonga in April 2009, and report that it is now in full operation. This development is indeed deepening the working relationship between the government of Tonga and these two institutions.

To conclude, the government of Tonga highly values its partnership with the Bank and the Fund and appreciates all the support it has received from both institutions and their agencies. We look forward to the successful continuation of this partnership in
addressing our challenges, strengthening our institutions and building capacities, and supporting economic, social and political development.