



2012 TOKYO ANNUAL MEETINGS

INTERNATIONAL MONETARY FUND
WORLD BANK GROUP

Governor's Statement No. 33

October 12, 2012

Statement by the Hon. **SIOSI COCKER MAFI**,
Governor of the Fund and the Bank for **TONGA**

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Governor of the Fund and the Bank for Tonga**

Mr. Chairman, Madame Managing Director of the International Monetary Fund, Mr. President of the World Bank, Ladies and Gentlemen.

It is indeed my pleasure to have the opportunity to address the 2012 Board of Governors' Annual Meetings of the International Monetary Fund (IMF) and the World Bank Group (WBG) here in Tokyo, Japan.

In this regard, I wish to extend my appreciation to the Government of Japan for their extraordinary hospitality and excellent arrangements and organization of this important gathering.

From the outset, we congratulate Dr. Kim on his appointment as the new President of the World Bank Group and welcome him on his first Annual Meetings. We value his strong commitment in driving the WBG's mission to focus on better deliveries towards eradicating poverty and boosting shared prosperity, as well as his foresight for the WBG to become a "Solutions Bank." We also thank President Kim's predecessor, Mr. Robert Zoellick, for five years of strong leadership and unrelenting efforts in transforming the WBG.

This annual gathering provides another opportunity for us to come together as one Bretton-Wood family to reflect on the global effort to counter further impacts of the global crises, and more importantly to chart the way forward in the midst of prolonged global uncertainties.

Today, the global recovery has suffered new setbacks with uncertainty weighing heavily on confidence and prospects. The international community and international financial institutions have strengthened their collaboration more than ever to secure a lasting recovery, but this has come against the backdrop of a world economy that has slowed further than anticipated at the time of our last meeting.

Tongan Economy

Tonga's small island economy continues to be affected by the impact of the prolonged global financial and economic crises and the slow recovery of the United State economy. These spillover effects have been mainly through significant decline in private remittances and rising prices of imported food and oil. Private remittances have fallen by an equivalent of 15 percent of GDP since 2008 and the absence of this large amount of income has constrained the ability of Tongan families to maintain, let alone improve their livelihoods. The rising trend in the price of food and oil also threatens Tonga's developmental efforts through higher costs of production and higher cost of living.

The recent downgrade of the global economic growth and spillover effects on Tonga's main trading and development partners will further dampen Tonga's prospect to reduce poverty and promote inclusive and sustainable economic growth.

The domestic economy has been supported by donor-funded projects in construction and infrastructure, tourism, and agriculture to a small extend. We acknowledge with appreciation this assistance and given the significant spillover effects of the world economic and financial crises and the slow recovery in the US economy, Tonga's future economic growth will continue to depend on this partnership including the WBG and the IMF.

The Government has called for a collective effort from all stakeholders to work together towards growing the economy in a sustainable, inclusive and well distributed manner. The 2012/13 budget was built on the theme "Creating Opportunity in Extraordinary Times" which is premised on the effort to correct imbalances in resource distribution. The Government recognizes the importance of allocating resources to areas that will bring about effective and productive services from both the public and private sectors to support inclusive and sustainable economic growth.

The government continues to improve the quality of its expenditures in order to create fiscal space necessary to address Tonga's debt situation and to strengthen public and private sectors partnership in promoting a better standard of living for all Tongans.

The government remains committed to achieving the Millennium Development Goals hence the recent launching of the social welfare scheme by government for elderlies.

Tonga will continue to be highly vulnerable to climate change and natural disasters. As such, Tonga acknowledges with appreciation the commitment made by President Kim to the Small States Forum that the World Bank will dedicate closer attention to the issues of climate change.

Tonga maintains its commitment to the global initiative pertaining to the green economy. Tonga requests for stronger attention to oceans and fishery issues - the so-called blue economy - as they make up a large part of our economic zones and play a key role in the livelihood of our small island population. Provision of technical and financial assistance to small island states like Tonga is required to develop appropriate institutions and regulatory frameworks to provide necessary incentives to maximize return and reduce the threat that externalities pose on the blue economy.

The World Bank Group

The severity of the global crises is still intact and evidenced by the reduction of employment opportunities thus blurs the drive for global prosperity. This has confirmed that jobs should be the cornerstone of policy prescriptions to advance poverty reduction and drive the transformation that leads to sustainable development and social cohesion. In this context, we welcome the policy directions stipulated by the 2013 World Development Report on Jobs and moreover, the inspiring message by President's Kim's speech at the Annual Meetings Plenary.

The ability of the private sector in Tonga to stimulate economic activity and create jobs has been significantly weakened by the tight bank lending which is a result of the significant decline in private remittances. In this regard, we would appreciate efforts by the WBG towards providing an appropriate mechanism such as the "risk sharing facility" to encourage financial institutions to lend and make use of the excess liquidity in the banking system.

We appreciate the WBG's catalytic role in helping member countries, through packaging of global development knowledge that builds on cross cutting evidenced based analysis and policy prescriptions around jobs and knowledge sharing through south-south co-operation.

Given the upcoming IDA mid-term review, we encourage the WBG to build more flexibility into the IDA allocation modalities for small island states like Tonga to enable us to build our resilience to external shocks.

We commend the WBG's focus on strengthening disaster risk management (DRM) for a resilient future, and we thank the Government of Japan for sharing relevant lessons from its experience through the Sendai Report. We encourage the WBG to integrate both DRM and adaptation to climate change into its work with special consideration to better access to global funds by small island states.

We are also encouraged that the WBG-supported Global Partnership Oceans (GPO) creates a sense of urgency for actions to restore oceans to productive health and for sustainable aquaculture. This GPO is relevant to our small island states in the Pacific with its vast ocean.

International Monetary Fund

The experience of the past few years demonstrates beyond doubt that we need an IMF that is dynamic, co-operative, well-resourced, and effective. The progress made in achieving these goals is acknowledged.

Tonga welcomes the significant reforms that the IMF has carried out in past years including the quota review to recognize the growing contributions by Middle and Low Income Countries to the global economy while at the same time preserving the voice and representation of the poorest members.

We laud the progress that the IMF has made in strengthening its surveillance toolkit and mobilizing resources to support adjustments, particularly in strengthening stability, enhancing safety net, and improving governance. We note that the IMF is committed to do more to improve the relevance and effectiveness of its surveillance, with

a particular focus on helping governments to deal with current challenges in order to restore confidence and to provide a more secure basis for future growth.

Looking Forward

We thank both the WBG and the IMF for their continuous support to Tonga over the years. We appreciate that international cooperation through both institutions is essential to secure inclusive growth, create jobs and improve living standards. Tonga is firmly committed to such cooperation and looks forward to continuing active engagement with both institutions to achieve these objectives.