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Statement by the Hon. **BARRY WHITESIDE**,
Governor of the Fund for **FIJI**

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Mr. Chairman, it is indeed an honor for me to deliver this address on behalf of the delegation of the Republic of Fiji, on the occasion of the International Monetary Fund and the World Bank Annual Meeting. I congratulate you on your appointment to Chair the joint annual discussions. I also warmly congratulate Dr. Jim Yong Kim for his appointment to the post of President of the World Bank Group.

The slow global recovery, Mr. Chairman, has shown signs of further weakness over recent months. Financial market and sovereign stress in the euro zone have heightened. Weaker activity in the euro area has led to the downward revision in growth in advanced economies to 1.4 percent whilst growth in emerging and developing economies is expected to moderate to 5.6 percent in 2012. Policy easing last year and early this year have supported activity in these economies in the near term.

Downside risks to the weaker global outlook continue to loom large Mr. Chairman. While we continue to project a gradual recovery, the global economy is expected to be weaker than earlier projected as growth forecasts trend downhill. Initiatives taken by major central banks such as the OMT bond purchasing program by the ECB, QE3 by the US Federal Reserve, and the expanded Asset Purchase Program by the Bank of Japan, are notable decisive turns in pointing the way forward during this crisis.

Mr. Chairman, given that the global economy is still fraught with uncertainty and there is a long way to go to reach our goal, much needs to be done through real actions by authorities. The negative impact of the current uncertainty on the global economy already seen through the increasing divergence of economic wealth in the Euro zone, tepid growth in the US, slowdown in emerging markets, rising food and volatile commodity prices, and growing tensions in the Middle East, implies the need for certainty on policy deliverance by policy makers.

Dealing with the challenges that are facing Europe and the US, Mr. Chairman, is most urgent, in light of the critical risks that any unfinished work there, would pose for the world economy. The June 29 commitments together with the undertaking of other reform programs by Euro area leaders need to be urgently implemented. On the US, deliverance on promise of action to avoid the fiscal cliff and undertake a debt-reduction program is critical to removing the serious threat that a worsening of the economy can have on the rest of the world.

The IMF's assistance and support towards global recovery efforts Mr. Chairman, has been commendable. We note that the recent instruments of the Flexible Credit Line (FCL) and Precautionary and Liquidity Line (PLL), which were designed specifically to provide assurance during times of uncertainty, have benefited the countries that took them up. The Fund's continued support for many countries through policy advice, technical assistance and financing, as well as the recent \$8 billion commitment to three countries, must be applauded. The Fund's actions Mr. Chairman, speak much about its understanding about what is at stake in this crisis and its concern for the global cause.

At the same time, Mr. Chairman, we are pleased to note that the IMF is continuing to adapt itself to the changing global economy so that it is able to better serve the needs of its member countries.

We note the enhancement of surveillance work on the IMF's core mandate of strengthening global stability through deeper analysis of spillovers and cross-border effects, a new report that sharpens the assessment of countries' policies from a multilateral perspective, including exchange rates and increased focus on analysis of the financial sector. We also note the recent increase in financial support from 37 countries of a total of \$456 billion, to strengthen the global financial safety net. The Fund's strive to boost its support for low-income countries through its Poverty Reduction and Growth Trust is very positive.

The Fund's commitment Mr. Chairman, to strengthen its governance through the ongoing reforms implemented since 2010, is very pleasing. The near-target achievement so far in regard to some of the most significant governance changes in the history of the IMF, is great news.

Importantly as well Mr. Chairman, is the need for everyone, that is, policymakers, countries, and institutions, to collectively cooperate for a global promise of helping restore certainty and confidence in our future.

On Bank programs, we support the current emphasis towards "Creating Jobs Good for Development" in its 2013 World Development Report (WDR). The WDR provides best practices and clear policy recommendations that target creating jobs. While we agree that private sector growth can be a conduit for job creation, government has a critical role of prioritizing and providing the enabling environment for employment creation. The role of government in less developed and low income countries is also significant. We therefore welcome the knowledge platform established by the Bank as well as capacity building initiatives for policy makers to conduct proper diagnostic analysis and develop and implement policy programs to address job creation more effectively at both country and regional level.

I applaud the extensive analysis in the WDR on "Gender Equality and Development". Although gender equality remains a complex agenda, it is pleasing to note that progress at the Bank has continued to gain momentum as it strives to eliminate gender disparity, which is espoused in the global Millennium Development Goals. Enhancing gender sensitive policy initiatives can be a catalyst to poverty alleviation.

Mr. Chairman, Fiji, being a small island developing country, recognizes the importance of lessening gender gap on account of improved productivity gains and living standards that filter to remote and rural areas. A testament to the Fiji Government's continued commitment to embrace gender equality is its adoption of the national Women's Plan of Action 2010 – 2019. The Plan ensures that adequate resource allocation is channeled towards targeted areas that enhance advancement of women, and the elimination of discriminatory practices against women.

Like most small island developing economies in tropical zones, Fiji also suffers from natural disasters such as flooding and cyclones which have had budgetary implications amounting to between 2-4% of GDP annually. Government contingency funds for such disasters pales in

comparison to the aggregate cost and, on most occasions, it is not uncommon to resort to cancellation of budgeted projects with funds diverted to accommodate reconstruction and rehabilitation work.

Disaster risk management is critical for development especially for countries that are known to be more prone to natural disasters. We support the Bank's work in "Managing Disaster Risks for A Resilient Future" and in emphasizing reducing disaster through quantifying risks and making informed prevention decisions whilst recognizing that many countries lack the tools, expertise and instruments to facilitate prevention decisions. The shift from emphasis on emergency response to prevention and preparedness is therefore critical in designing development goals. We welcome the Bank's work on disaster management tools and resources, concessional finance and the progress made in developing a comprehensive disaster risk management policy.

We support the enhanced partnerships between the Bank Group and development partners as seen in the Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI). The PCRAFI created the largest collection of geospatial information on disaster risks available for Pacific Island countries. Its platform includes detailed country information on assets, population, hazards, and risks which also help in quantifying potential disaster losses from earthquakes, tsunamis, and tropical cyclones. This assessment includes the most comprehensive analysis of building, infrastructure, and cash crop exposure ever conducted for the region. Resulting exposure, hazard, and risk maps and data are shared with policymakers and the public.

Mr. Chairman, I also wish to highlight the progress made towards achievement of MDGs outlined in the Global Monitoring Report 2012 – Food Prices, Nutrition and the Millennium Development Goals. While the first Millennium Development Goal of halving extreme poverty has been achieved well before the 2015 deadline we need to continue to focus on the great many people that remain poor and vulnerable. I am pleased to report that Fiji's progress has been up to par with the MDGs. According to the MDG Report for the Fiji Islands, fifteen out of the twenty one MDG targets can potentially be achieved by 2015. Chief among these, are elimination of gender inequality, universal primary education, reduction of child mortality, and improved maternal health. Fiji will continue to improve on these areas and address other areas such as eradication of extreme poverty and hunger in the future through proper public planning and provision of sufficient public resources to improve the livelihood of all Fijians.

Mr Chairman, we would like to see the Bank being more responsive and effective at the country level and we applaud the Bank for its ongoing modernization initiative through the corporate scorecard. Furthermore, simplification of procedures, making things work much more quickly so that loans and grants can reach countries more quickly is key to improving overall performance and results by its clients against the backdrop of global development challenges. I therefore commend the Bank's continued focus and support in sustaining development and growth through efforts to scale-up lagging sectors and countries, timely country diagnostic work, investments in knowledge sharing, policy dialogue, and backing of research and technical assistance, particularly in low and middle income economies. All these reassure that remedies are country specific.

Mr. Chairman, against a background of weak global recovery, slower trading partner growth and high oil and food prices, the Fiji economy has been picking up slowly, recording an estimated growth of 1.9 percent in 2011. In 2012, the economy is forecast to grow by around 2.7 percent led by the manufacturing; finance; forestry; construction; public; fishing; real estate & business services; and hotels & restaurants sectors. We are pleased to note such broad based growth. Despite being affected through damage to cane and non-cane crops following two major floods in the first quarter of 2012, quick turnaround in the agriculture sector is expected to still see a positive contribution to GDP this year.

Mr. Chairman, Fiji's vulnerabilities towards renewed risks of further deterioration in the global economy, and volatile commodity prices continue to pose huge uncertainties for the economy. As such, monetary policy has been focused on driving domestic economic recovery while ensuring that reserves and inflation levels remain within comfortable ranges. The Bank's Overnight Policy Rate was lowered three times in 2011 to help stimulate demand in the economy. This reduction has seen bank lending rates gradually decline over the year. Consistent with this, net domestic credit, driven mainly by credit to the private sector, recently grew at its highest rate since February 2010. Consumption activity has remained robust supported by improving labour market conditions, while investment demand has picked up and rising optimism prevails as business confidence shows signs of improving. The external sector performance continues to reflect buoyant tourism receipts on the one hand but declining remittances and lower growth from domestic exports, on the other hand. Imports have picked up in line with the domestic recovery, however, growth is moderate. A gradual widening of the trade deficit has not seriously impacted foreign reserves levels due to the strength of tourism and other positive service and capital inflows. Reserves currently stand around FJD\$1.6 billion, equivalent to over 5 months of imports cover. Inflation has been declining, supported by stable commodity prices during the year and modest domestic demand. Year end inflation is forecast at around 3.5 percent.

Concessional loan facilities provided by the Reserve Bank continue to aid and expedite the reconstruction efforts by businesses affected during periods of natural disasters, such as the floods earlier this year. In addition, an Import Substitution and Export Finance Facility, is also available to encourage businesses who are engaged in the sector. To support growth in priority sectors, the Reserve Bank implemented loan ratios requiring commercial banks to hold a certain percentage of their deposits and similar liabilities in loans to agriculture as well as to renewable energy. It has also just recently provided funding to support the Fiji Housing Authority in its efforts to provide low cost housing for those in the lower income brackets.

On fiscal policy Mr. Chairman, the reduction in personal income and corporate tax rates as well as certain fiscal and excise duties featured as the highlight of the 2012 National Budget. Despite the reduction in these revenue measures in 2012, the Government is expected to reduce the net deficit to 1.9 percent of GDP (\$135.1 million), from 3.5 percent (\$238.1 million) in 2011, via the introduction of additional revenue measures. During the first six months of 2012, despite a 1.9 percent annual growth in government expenditure, notable restraint was observed in government spending, which was 19.3 percent below budgeted levels. This is essential because it adds strength to the credibility of the commitment by the Government towards fiscal consolidation and reassures households and businesses on the sustainability of the income and corporate tax cuts in 2012, which is critical in rebuilding confidence in the economy.

A general election will be held by September 2014 with phase 1 of the electronic voter registration now completed. Approximately 80% of eligible voters have been registered during the period July-August. Fijian citizens living abroad will be registered under phase 2 of the voter registration programme. While we are thankful for the assistance and pledges from development partners, the 2013 Budget process to be finalized this November will ensure that adequate resources are put in place to support and cement our commitment to the elections process in 2014.

The Bainimarama Government has continued to stand by its promise to hold elections in 2014. Mr. Chairman, the review of the country's supreme law will be based on both the 2008 People's Charter for Change, Peace and Progress, the outcome of extensive consultations with political parties, NGOs, and ordinary citizens, and the consummation of wider consultations currently advanced by the Fiji Constitutional Review Commission. In an effort to have these encompassing values integrated into the new Constitution, the Commission is mandated to finalize a draft to be approved by the Constituent Assembly and subsequent Presidential approval in February 2013. Essentially Mr. Chairman, this would allow ample time for all Fijians to familiarize themselves with the new Constitution that will prepare them for the elections in September 2014. Accordingly, as part of the endeavor to rid discriminatory clauses within the old Constitution, the coming election will proceed on the principle of one-person-one-vote and will be non-ethnic based.

In line with the recommendations of Pillars 1 and 2 of the People's Charter there has also been positive engagement by Government with civil society and faith based organisations, the private sector and former politicians through the dialogue process, which is a confidence and trust building initiative that brings about gentle persuasion and honest discussions on key issues.

Mr. Chairman, in addition, the programme of reforms across government and in sectors like Sugar is proceeding at a moderate pace. These include the corporatisation of government departments into commercial entities such as the Water Authority of Fiji, Bio-security Authority of Fiji, and Maritime Safety Authority. Noteworthy cuts were made to the size of the civil service through measures such as the reduction in the civil service retirement age from 60 to 55. As of March 2012, the size of the civil service was reported at 27,119. In addition, ceilings have also been placed on civil service wages to ensure that personnel payments remain within the approved budgets of government departments.

A steering committee is currently in the process of reviewing the functional review of government ministries with the objective of strengthening efficiency. In line with this, the department of national roads is currently undergoing the process of corporatisation and should become operational by January 2013, in addition to the restructure of FEA¹, the corporatisation of the meteorological services department and the privatisation of select government companies, all of which are earmarked for 2013.

While the country is beginning to see tangible benefits of reforms, the Fijian Government remains focused on its course towards addressing systematic corruption in the country. This year, Fiji has gained recognition from the United Nations Convention against Corruption (UNCAC)

¹ This is mainly targeted at separating FEA's regulatory function from its commercial operation.

for its efforts in combating corruption and white collar crime in the country. This was supported by the successful convictions and closure of 30 court cases by the Fiji Independent Commission Against Corruption (FICAC).

Mr. Chairman, the Fijian Government is also focused on the path towards good governance, prosperity and peace and national unity. Consultations between the authorities and private sector and non-governmental organizations continue to determine policies that are best suitable to our country's current social and economic situation.

Mr. Chairman, we continue our concerted call to the international community and development partners, including the Fund and the World Bank, to support the efforts towards Fiji's growth and progress. The Government will continue to pursue greater engagement and dialogue with the region. Fiji's recent election by the United Nations (UN) to chair the G77 plus China in 2013, the largest intergovernmental organization of developing countries in the UN, is testament to the high regard for us as a small island nation, among the community of developing countries in the Asia Pacific Group in the UN.

Mr. Chairman, we call on the Fund and World Bank to boost its support towards our country and help it move forward quickly. Support towards research programs by the Bretton Woods institutions will continue to enhance understanding of our country situation and challenges and help with capacity building. This will help us design appropriate policies to achieve our development agenda.

Before concluding, I would like to sincerely thank the Fund for the Technical Assistance Fiji continues to receive, and the work done by the IMF Pacific Technical Assistance Centre in Suva. The Reserve Bank and the Finance Ministry continue to benefit from the ongoing training provided by the IMF Macroeconomic Adviser, and regular discussions between the IMF Resident Rep Office and the Reserve Bank continue to provide good insight to both parties. I also thank the World Bank for its assistance to Fiji and our island neighbours through its Regional Office in Sydney, Australia.

Finally, Mr. Chairman, my best wishes to the Fund and the Bank in their future efforts and we look forward to closely working with both institutions.

Thank you.