



2015
L I M A
ANNUAL MEETINGS
WORLD BANK GROUP
INTERNATIONAL MONETARY FUND

Governor's Statement No. 34

October 9, 2015

Statement by the Hon. **BARRY WHITESIDE**,
Governor of the Bank and the Fund for the **REPUBLIC OF FIJI**

Statement by the Hon. Mr. Barry Whiteside,
Governor of the Bank and the Fund for the Republic of Fiji

Mr. Chairman,
Fellow Governors,
Distinguished Delegates,
Ladies and Gentlemen,

I am honored to deliver this address on behalf of the delegation from the Republic of Fiji, to the annual meeting of the International Monetary Fund (Fund) and the World Bank (Bank). Let me express my appreciation to Madame Christine Lagarde and Dr. Jim Yon Kim for their leadership at the helm of our Bretton Woods institutions, in guiding their valuable contribution to global growth and financial stability.

Global Economic Outlook

Mr. Chairman, global growth continues to moderate as emerging economies slow down further and advanced economies recover slowly. This was reflected in a lower expansion in the world economy during the first half of this year when compared to a year ago. Ongoing rebalancing in emerging economies and the negative impacts from lower commodity prices, geopolitical tensions and conflicts have affected emerging economies, while slower exports and lower domestic demand, together with weak productivity, have dampened activity in advanced economies. Growth prospects for low income developing countries have also diminished. With growing volatility in financial markets, falling commodity prices, declining capital inflows, and depreciation in emerging market currencies, downside risks to the global outlook have increased. As such, strong

collaborative efforts are needed to appropriately calibrate policies to alleviate these risks while raising growth.

The supportive role of macroeconomic and structural policies remains critical in achieving strong sustainable and inclusive growth. In many advanced economies, monetary policy should remain accommodative to alleviate the substantial output gaps and low inflation situation. At the same time, fiscal policy should support growth while preserving fiscal and debt sustainability within credible medium term fiscal frameworks. Reduced policy space needed for growth in many emerging economies, particularly commodity exporters, call for relevant adjustments in deficit and spending levels and exchange rates depending on initial conditions and the necessary buffers for shocks. Implementation of key structural reforms is needed to increase global output and improve growth potential and productivity in many countries. Challenges brought about by population aging, labor market rigidities, and improper functioning of product markets necessitate determined efforts to carry out labor and product market reforms aimed at removing these impediments to achieve higher and sustainable growth. In this connection, we welcome the recent pledge by the G20 Finance Ministers and Central Bank Governors in Turkey, to take decisive action to keep the global recovery on track and continue to monitor developments, assess spillovers and address emerging risks as needed to foster confidence and financial stability.

Fiji Economy

Mr. Chairman, moving on to recent developments in Fiji, the economy continues to benefit from political stability, greater international engagement, growing confidence and rising investments following the successful national elections twelve months ago.

GDP growth for 2014 has been revised up to 5.3 percent from 4.5 percent earlier reflecting an improvement in the GDP compilation methodology, and compares favorably with a 4.7 percent expansion in 2013 as strong contributions particularly from the transportation, finance and public transportation and defense sectors boosted overall output. The growth

momentum is expected to continue this year and next year, with forecasts of 4.0 percent and 3.5 percent respectively, supported by public and private investment and consumption. Despite higher fiscal deficits projected, the external position remains strong with adequate reserves owing to tourism, remittances, and FDI inflows, while the financial sector is sound. Overall positive growth although subdued in our major trading partners and low oil prices on the international front, as well as favorable domestic conditions should continue to support the robust economic outlook. Nevertheless, we are mindful of the risks facing the economy particularly those associated with a more difficult external environment, slower development spending by the government, and natural disasters. As such, we are committed to calibrating appropriate macroeconomic policies and the timely and effective implementation of structural reforms that will protect against the realization of risks, safeguard macroeconomic stability and fiscal and debt sustainability while supporting sustainable and inclusive growth.

Monetary policy continues to be targeted at maintaining adequate reserves and low and stable inflation, while supportive of growth. Reserves levels, currently around five months of import cover are expected to remain comfortable during the remainder of this year while the year-end inflation forecast been revised down to two percent. Nevertheless, given the rapid growth of credit and negative real policy rate in the context of strong growth in the economy, the monetary policy stance will continue to be reviewed and adjusted appropriately to ensure its objectives remain in line with macroeconomic stability. Fiscal policy was expansionary in 2014 with the fiscal deficit recorded at four percent of GDP, mainly reflecting higher government spending on infrastructure, education, health and resource-based sectors. Despite a shortfall in asset sales this year, the national budget is expected to remain supportive of investments while maintaining a robust fiscal position.

We welcome the findings of the recent IMF Staff Visit in June this year, which acknowledges the positive impact of government policies on the economy. We agree that continued structural reforms are critical to maintain robust, sustainable and inclusive growth. As such, we will continue to pursue necessary steps to further improve the civil

service, public finance management, and SOEs. The new Development Plan will provide the opportunity to further diversify Fiji's economic base that will bring about better job opportunities and higher growth. We will continue to closely monitor credit developments for signs of emerging financial sector risks and will further strengthen the supervisory and regulatory framework. We note the importance of creating fiscal space, maintaining debt sustainability while supporting revenue-generating efforts. In this regard, we are implementing the recommendations of the TADAT (tax administration and diagnostic tool, the first for Pacific Island Countries) to further enhance tax administration and compliance efforts and will continue to improve the efficiency and allocation of public expenditures to support private sector-led growth. The recent successful rollover of our international bond of \$200 million at a lower coupon rate than the previous issue ensures that debt sustainability and sound fiscal and external positions are maintained.

International Monetary Fund

Mr. Chairman, amidst the growing uncertainties and risks facing the global economy and the difficult policy challenges confronting many countries, the Fund remains consistent in its efforts to assist members pursue policies that will strengthen their resilience and deliver durable and inclusive growth. We welcome the Fund's commitment through its surveillance, lending and capacity building activities to provide the membership with critical policy advice, resources and training needed to implement reforms necessary to bolster countries' growth potential. Given the heterogeneity of Fund members, we encourage the Fund to appropriately account for country specificities in the calibration of macroeconomic policy advice to members, to ensure that optimal policy outcomes are achieved. The Fund's readiness and ability to lend adequate resources in a timely manner to meet greater demand for assistance from its affected members is critical to ensure the effective resolution of crises. At the same time, capacity building efforts by the Fund should focus on priority areas of fiscal, debt and public investment management, financial supervision and data limitations. In particular, we urge the Fund to enhance its engagement with small developing states by improving its visibility, strengthening its relationship and

trust among these member countries, and fostering a work culture that values work on small states. To this end, we welcome the Executive Board's Small States Working Group's ongoing initiatives to work with Fund management and staff on these issues.

We welcome the Fund's close engagement with Fiji through the annual Article IV consultations and technical assistance provided through the PFTAC. The success of recent AIV missions, publication of staff reports, and ongoing TA programs are testament to our effective policy implementation and improved traction of Fund policy advice. We commend the Fund and donor financial support towards the High-Level Dialogue on Enhancing Macroeconomic Resilience to Natural Disasters and Mid-Career Level Workshop on Strengthening Fiscal Frameworks in the Pacific Islands, held in Fiji this year. The event provided an avenue for sharing experiences and peer learning among our Pacific Island Countries, while encouraging greater integration in the region. Nevertheless, we would like to see continuity in key areas of TA particularly in macroeconomic analysis training and modelling where progress has lagged recently. We encourage the Fund to continue its efforts in aligning TA to country needs and policy priorities while taking into account absorptive capacity. At the same time, we remain appreciative of ongoing Fund engagement through the PFTAC and the Resident Representatives Offices located in Fiji. We remain committed to strengthening our partnership with the Fund through the implementation of quality Fund advice to help our economy improve its future potential.

World Bank

Mr. Chairman, I would like to express the Government's appreciation on the Bank's formal re-engagement with Fiji in March this year. We thank the Executive Directors and management for your support in making this possible.

The reengagement has opened up new opportunities for project lending, advisory and analytical support to address our key development challenges. We are appreciative of the resumption of lending after a lapse of twenty years. Our first Transport Infrastructure

Investment Project loan of \$US50 million is critical to improving the resilience and safety of our land and maritime transport infrastructure, including roads, bridges, jetties and wharves, which are all essential to the daily lives of Fijians. It will also address the backlog of urgent repairs caused by the deferral of regular maintenance over the past years. This investment in infrastructure is critical to keep pace with the demands of Fiji's growing economy and population.

Mr. Chairman, we thank the Bank for its continued support in the provision of technical assistance through advisory and analytic support towards the reform of our public sector. The Bank's support towards the reform of our civil service is most welcomed. As Government's principal instrument of service delivery, the civil service needs to be reformed and modernized to meet international standards and practices and enable it to play a more effective role in national development. Similarly, IFC's advisory support in Government's planned divestment program is appreciated given the complexity of such exercises.

Mr. Chairman, we commend the Bank for its work on addressing the unique development challenges of small island states. The Pacific represents one of the regions that is seriously impacted by climate change and natural disasters, to the extent that the very existence of some island states are under threat. The Bank's work on the Small Island States Resilience Initiative (SISRI) is commendable as it is specifically designed to address the unique needs of small islands to build resilience and deal with the impacts of climate change. Given the multitude of donor support and work in this area, it is imperative that donors coordinate effectively to avoid fragmentation and putting undue pressure on local authorities.

The implementation of the 2030 Agenda for Sustainable Development will demand the scaling up of financial resources to achieve the Global Goals. The development financing landscape is also changing with new modalities and actors providing financial support. For Fiji, domestic revenue resources will continue to be a key source of development finance. As such we would welcome the Bank and IMF's support in providing analytical support and diagnostic tools to strengthen revenue policy and administration, institutional capacity,

addressing illicit financial flows and international tax issues. Monitoring our progress towards the Global Goals warrants that countries develop their statistical capability to generate quality data and evidence for policy making, accountability and improving governance. This is also an area that could benefit from World Bank assistance.

Finally, Mr. Chairman, we congratulate the Bank on its reform progress. Ongoing works on the Shareholding Review will ensure that the Bank remains responsive, representative and reflective of global economic changes. Likewise, the new Safeguard Policy will raise standards for sustainable development and address new development demands and challenges. These developments will ensure that the Bank remains relevant and at the forefront of development.

Conclusion

Mr. Chairman, let me once again thank the Fund and Bank for their leadership and guidance and wish both institutions success in the year ahead.