

STATEMENT
By
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Governor for Tonga
On behalf of
COOK ISLANDS, FIJI ISLANDS, KIRIBATI, MARSHALL ISLANDS,
FEDERATED STATES OF MICRONESIA, REPUBLIC OF NAURU,
PAPUA NEW GUINEA, SAMOA, SOLOMON ISLANDS, TONGA,
TUVALU, AND VANUATU

It is indeed an honor and a privilege for me to have the opportunity this afternoon to speak on behalf of the Governors of the 12 Pacific developing member countries (PDMCs) at this 34th Annual Meeting of the Asian Development Bank (ADB). The 12 PDMCs that I represent are Cook Islands, Fiji Islands, Kiribati, Marshall Islands, Federated States of Micronesia, Republic of Nauru, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu.

I would like to start by expressing our sincere gratitude to the government and people of Hawaii for their warm hospitality and for the excellent organizational arrangements made for the meeting.

I would also acknowledge at the outset my fellow Governors' wish to commend President Chino for his continued and tireless effort to advance the overarching goal of poverty reduction and the role of ADB in fostering the process of development in close partnership with PDMCs. The chosen theme of this year's annual report "Develop a Child" for the year 2001, and the formulation of appropriate policy to translate this into action, is truly shared by PDMCs, as the concrete action step forward to address the need of vulnerable members of our societies.

I wish to record as well our gratitude to the donor countries for their generous contributions to the seventh replenishment of Asian Development Fund (ADF) resources.

For PDMCs, 2000 was a year of mixed economic performance. However, the overall balance-of-payment position improved for most of our countries, and the mixed fiscal and monetary policy frameworks were generally congruent with the broad objective of maintaining macroeconomic stability. While this shows some progress in the implementation of our respective public sector reform programs, much remains to be done. In this context, we continue to look to ADB and our other development partners for ongoing technical assistance and financial support with the development and refinement of our policy instruments.

Some PDMCs have recently experienced political instability and social tensions, which have serious implications to their respective economies, especially the progress of their reform programs. In this context, the governors request ADB to provide urgent assistance to restore normalcy and economic recovery to ensure the effective return to

the path of economic and social development. Given this conflict situation in the Pacific, it is perhaps timely that ADB considers a framework for engaging in post conflict management and strategies to resolve these types of situations.

The long-term strategic framework (LTSF) adopted by ADB after close consultation with member countries, is welcomed by PDMCs. We assure ADB that we will continue to play our part to complement ADB's effort to implement appropriate strategy that is compatible to our unique circumstances in order to realize the overall objective of poverty reduction.

With regard to the poverty reduction strategy, the PDMCs are committed to the consultation process thus ensuring ownership. This approach also needs to take into account the special social and economic circumstances of island countries. The developing partnership between ADB and the PDMCs will contribute to this process, and we believe that this process will be further enhanced by the specific skills provided by ADB.

The ADB initiative in the formulation of the Pacific Millennium Strategy is fully endorsed by PDMCs. This demonstrates to us ADB's commitment to assist the PDMCs. We believe that this is an important strategy for engaging the Pacific in a very constructive approach to realizing our economic development goals. It provides each country with a road map to achieve ADB's and our goal of poverty reduction.

The PDMCs note the emphasis on the performance-based allocation of ADF resources. While we recognize the underlying principle for having to ration scarce ADF resources, nevertheless, the PDMCs need to be clear of about ADB's rationing mechanism based on appropriate benchmarks for performance-based allocation in view of our limited capacity and fragile economic environment. We would also request that ADB reviews the impact of the hardening of the terms of ADF and ordinary capital resources loans on PDMCs.

Turning to public sector reform, it is fair to say that the experiences of PDMCs are mixed. The social costs linked to this process calls for careful consideration regarding the form and modalities used. The downsizing of the public sector has caused serious hardship on those affected, and in turn, has exacerbated the extent of poverty. This is due mainly to the limited capacity of the private sector to absorb the displaced workers from the public sector. Some PDMCs have a very minimal private sector. Given this situation, we share the view that priority should be placed on first improving the efficiency and effectiveness of service delivery, while at the same time developing the private sector for the purposes of job creation. In this context, ADB's current effort to review the existing modalities for developing the PDMCs' private sector, such as microfinance, is fully supported. In addition, as mentioned earlier, the public sector reform should be appropriately sequenced given the limited capacity and skills available.

We appreciate ADB's technical assistance program to help PDMCs to promote good corporate governance by reviewing commercial laws and regulations and

establishing credible accounting and auditing standards. However, we are concerned that there is a prospect for substantial reduction in ADB's ability to support this crucial instrument and would strongly urge ADB and our development partners to consider options for replenishment of this technical assistance fund. In this connection, we fully endorse the current review of this unique program by ADB in order to ensure that the TAs we get best fit our needs, that is, value for money.

The PDMCs acknowledge the special recognition that ADB has given to the special unique problems, vulnerabilities, and needs of small island countries in its Charter. While we recognize the many positive initiatives taken by ADB, much work remains to be done to realize our vision of a successful society achieving sustainable social and economic development. This also includes the development of a vulnerability index and a policy for small island states, including PDMCs. ADB plays a crucial role in the realization of our economic vision, as we see ADB as having a comparative advantage in growing as a premier regional partner in this development process, given their extensive experience in the region.

The PDMCs wish to acknowledge the continued assistance of ADB in facilitating the discussion on regional initiatives, including airspace cooperation, tuna resources conservation and management, live reef fish trade management, capacity building, and regional cooperation for economic statistics. Further, ADB's commitments to enhance cooperation and relations with PDMCs through setting up of another resident mission in the Pacific is appreciated.

In conclusion, we wish to thank President Chino, ADB Management and staff, our constituency offices, the Office of the Pacific Operations, and the South Pacific Regional Mission in Vanuatu for their continued commitment to the program of the Pacific. Their efforts on our behalf have made significant impact in our respective countries' national strategies for development. We wish ADB a successful year in progressing its poverty strategy.