

**FIJI ISLANDS\*****(Governor or Head of Delegation)**

It is my honor and pleasure to address the Thirty-Fifth Annual Meeting of the Board of Governors of the Asian Development Bank (ADB). On behalf of the Government of the Fiji Islands and its delegation, I join other governors in expressing our sincere gratitude to the Government of the People's Republic of China and the mayor and the people of Shanghai for their warm and generous hospitality and the excellent arrangements made for this meeting. I thank His Excellency President Jiang Zemin for gracing our opening ceremony and his excellent speech. I also wish to welcome Portugal on their membership to ADB.

Let me begin by providing an update on the political and economic developments in the Fiji Islands.

I am extremely pleased to report that the Fiji Islands has returned to parliamentary democracy. A general election was successfully conducted in August last year and was certified peaceful, fair, and free by both United Nations and Commonwealth observers. The new Government has been running the affairs of the country smoothly in the last 8 months. Law and order is back to normal. Tourists are returning to the Fiji Islands in large numbers.

Furthermore, our economy has weathered the political crisis extremely well. The Government continues to maintain financial stability through decisive fiscal management and proactive monetary policy. A resilient private sector has also contributed to the quick recovery of the economy. The country now enjoys favorable macroeconomic conditions with inflation below 2%; interest rates at historical lows; foreign exchange reserves at around 6 months of imports of goods; national debt at 42% of gross domestic product; and external debt servicing at 2% of export receipts. The country continues to meet all its obligations to the international community.

Looking ahead, the more promising global prospects will provide additional support to the economy in 2002. Economic growth is forecast to accelerate to over 4% this year, largely underpinned by strong consumer confidence. In addition, the upturn in the international economy is anticipated to boost our tourism and export sectors. Growth is projected to rise to above 5% in 2003.

I would like to express my Government's appreciation to ADB for the full resumption of its assistance program to the Fiji Islands. In our view, this clearly reflects

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\* Statement circulated but not delivered.

the rapid and significant progress that we have made to bring the country back to democracy and the rule of law. In this regard, the Government and its people would also like to thank countries and international development agencies that have maintained their support for the Fiji Islands. At this time, all our bilateral and multilateral development programs are back on track.

My Government is firmly committed to good governance and we fully support ADB's medium-term agenda and action plan. I would like to highlight the measures that the Government is taking to strengthen its performance in this important area. An International Monetary Fund (IMF) team has just submitted its review of the country's compliance with the IMF Code of Good Practices on Fiscal Transparency and its findings are being addressed. At the same time, the Asia-Pacific Group on Money Laundering completed its review of the country's anti-money-laundering practices and legislation, and they have confirmed that existing arrangements are generally adequate. Finally, the Government is resuming public financial management reform, which was abandoned by the previous government.

We agree that the most challenging issue confronting policymakers today is poverty reduction. We, therefore, commend ADB for formulating its strategies and tailoring its operations under the overall umbrella of poverty reduction. More specifically, ADB's focus on the three pillars of pro-poor sustainable growth, social development, and good governance will, in our view, go a long way to improve the livelihood of the poorest and most vulnerable groups in our societies.

Let me now turn to regional partnerships and cooperation between ADB and its Pacific developing member countries (PDMCs).

First, we welcome the introduction of the partnership agreements for poverty reduction between ADB and member countries. While, in general, the PDMCs have similar features and face common challenges, we should always keep in mind that there is still significant diversity in terms of economic structures, the relative size of the private sector, and the level of economic development. We therefore urge ADB to avoid prescriptive solutions to the problems of the PDMCs. In my view, while ADB can assist us to develop and articulate development priorities, member countries themselves must own these priorities. This ownership role of member countries and the facilitating role of ADB must be made very clear to ADB staff in the development of country programs.

While an integrated approach is important to the success of a country program, the greatest challenge remains that of its effective implementation to ensure that it does achieve its objective of poverty reduction. Faced with meager human resources and small institutional capacity, in our view, our greatest need in small Pacific countries like the Fiji Islands is for technical assistance (TA) from ADB for human resource development and institutional strengthening. We urge ADB to allocate sufficient resources to this area. At the same time, the pace and sequencing of any program must take into account the size of our economy, the relative distribution of our sectors, and the capacity of our institutions.

Second, the public sector constitutes a significant component of the economy in all the Pacific countries. This sector affects economic activity directly by generating its

own outputs and indirectly through its expenditure and revenue policies. We therefore support ADB's work on public sector reforms in the Pacific, which will improve public sector efficiency and raise growth potential. However, we are mindful of the huge social effects of these reforms on our small population and fragile economic structures, and we urge ADB to be innovative in helping member countries mitigate these short-term costs.

The third issue is that of vulnerability. The Fiji Islands, a small open economy with a narrow economic base and heavy reliance on a few export commodities, is particularly vulnerable. The World Bank ranks the Fiji Islands as the eighth most vulnerable country in the world. Perhaps more importantly, the Fiji Islands has virtually no control over most of these vulnerability factors. We are, therefore, again calling on ADB to take these vulnerabilities into consideration and allow the Fiji Islands access to Asian Development Fund (ADF) resources or at least a blend of ordinary capital resources (OCR) and ADF, particularly for loan assistance that focuses on poverty alleviation. At the same time, the Fiji Islands encourages ADB to explore approaches to reduce OCR costs to borrowers as the first priority in its review of the adequacy of ADB's resources.

Fourth, we welcome initiatives by ADB to enhance private sector development. This will help bolster the resilience of our economy and allow us to take full advantage of the opportunities of globalization. In this regard, the Government is implementing reforms to reduce distortions, improve the allocation of resources, and strengthen market incentives. We believe that these should help create a conducive environment for investment, better distribution of our meager resources, and ultimately, raise the country's potential growth rate to 5% per annum.

Before concluding, I would like to firmly support the resolution by all the PDMCs that ADB's commitment to the needs of the region will only be reinforced and made more effective when ADB establishes its second resident mission in one of the PDMCs.

Finally, I commend ADB for upgrading the Pacific to a separate regional department in its new organization structure. More specifically, I would like to thank ADB for its past and ongoing assistance to the Fiji Islands. A TA on debt management was recently completed and two TAs to address the restructuring of our sugar industry will be undertaken shortly. We also thank ADB for its support for the Pacific Financial Technical Assistance Center. In addition, we appreciate the recent approval of our port rehabilitation project and look forward to the timely completion of ADB's assessment of our water supply and sanitation project.

I wish ADB success in its future operations.