

**STATEMENT**

**By**

**TEREMOANA TAPI TAIO**

**Governor for the Cook Islands**

**On behalf of**

**COOK ISLANDS, FIJI ISLANDS, KIRIBATI, MARSHALL ISLANDS,  
FEDERATED STATES OF MICRONESIA, REPUBLIC OF NAURU, PALAU,  
PAPUA NEW GUINEA, SAMOA, SOLOMON ISLANDS, TIMOR-LESTE, TONGA,  
TUVALU, AND VANUATU**

I am indeed honored and privileged to deliver, on behalf of my Fellow Distinguished Governors from the Pacific Developing Member Countries (PDMCs), which include the Cook Islands, Fiji, Kiribati, Federated States of Micronesia, Marshall Islands, Nauru, Palau, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tonga, Tuvalu, and Vanuatu, our Integrated Pacific Statement of Progress, at this 37th Annual Meeting of the Board of Governors of the Asian Development Bank (ADB)

May I also at this time echo the sentiments made by previous speakers, in thanking the Government of the Republic of Korea and its people, for their very warm hospitality in hosting this unique event.

We wish to welcome Palau, the newest member of the PDMCs, and the state of Luxembourg to ADB.

May I also at this time acknowledge the generous contributions of the donor countries and congratulate President Tadao Chino, and ADB management and staff in securing a very successful replenishment of the Asian Development Fund (ADF) Facility. In particular we note that a part of this ADF replenishment will be provided as technical assistance which will benefit PDMCs.

### **Economic Performance of PDMCs**

The aggregate gross domestic product (GDP) of the PDMCs, excluding Palau, increased by 2.7%, as all economies, except Nauru and Timor-Leste, expanded. Global economic growth accelerated and was underpinned by generally higher international prices for PDMC primary exports. Higher oil, gold, and copper prices in particular benefited the largest economy—Papua New Guinea. Solomon Islands emerged from 3 years of recession as primary production grew rapidly and law and order were restored under a multi-country rehabilitation assistance mission. Tourism rebounded despite the conflict in Iraq and the outbreak of severe acute respiratory syndrome (SARS), stimulating service sector activity and encouraging investment in infrastructure, especially in the Fiji Islands.

Weak international financial markets kept returns on trust funds held by Kiribati and Tuvalu low, but these markets strengthened toward the end of the year. Timor-Leste's contraction mainly resulted from drought and from the scaling down of United Nations activities, while Nauru remained afflicted by economic and financial difficulties. Political uncertainty and poor governance continued to be concerns in several PDMCs. Renewed attention was given to pooling resources in governance, air transport, security, and international crime. The Pacific Island Countries Trade Agreement, which provides for a move toward free trade among 14 Pacific countries over a 10-year period, came into force in April, and at the subsequent forum for economic ministers, delegates agreed that a core of economic policies should address poverty. ADB's effort to assess the extent of poverty in the Pacific and to contribute to its reduction continued in 2003 through a regional technical assistance project that included interviews with the poorest segments of the population in several Pacific countries. Provision of basic social services, job creation, and access to markets were identified as the highest priorities of the poor in the region.

At the national level, the main policy focus in the majority of PDMCs was on maintaining macroeconomic stability through sound fiscal management as a key condition for encouraging private investment and economic growth. Government efforts to consolidate gains from economic and public sector reform programs varied. The governments of the Marshall Islands and the Federated States of Micronesia finalized negotiations for a new 20-year phase of the economic and financial conditions under the Compact of Free Association with the United States.

The donor community continued providing significant assistance to Timor-Leste, the newest country in the region, which is making slow but steady progress in building new institutions and capacity and in establishing a national legal and regulatory framework.

### **Asian Development Bank Operations**

We welcome the ongoing efforts by ADB to be an effective and dynamic development partner through continuing focus on achievement of impacts and outcomes. These initiatives can only improve and strengthen ADB to better respond to the needs of its borrowing member countries, and we are appreciative of these changes.

We noted from ADB's operations in 2003 there has been an improvement in the lending activities compared to 2002. We recognize there has been a decline in ADF operations of ADB, in the Pacific.

In terms of ADB's operations in the Pacific, we noted that only two loans were approved, at the value of \$54 million, which is lower than the average loan to the Pacific in the last 8 years. Technical assistance in the region received 27 country-specific TA amounting to \$10.2 million and about \$3.5 million for regional technical assistance. We anticipate that the loan portfolio in the Pacific will improve in number and quality in the future.

We welcome the initiative of ADB in forging closer ties with PDMC countries by opening offices in Suva and Sydney. This is to be commended as it is a very positive indicator of ADB's commitment to providing improved services to the PDMCs. We look forward to the improvements that will result and await with anticipation the extension of the service by providing liaison officers in all countries, as funding permits.

We are pleased to note that the assistance provided by ADB has been consistent with its overall strategy, particularly in supporting poverty reduction, good governance, capacity building, physical and financial management reform, and creating an environment for investment for private sector.

### **Way Forward**

ADB is currently preparing a new strategy to guide its operations in the Pacific for the period 2005–2009. We greatly acknowledge the consultative process ADB is undertaking in the formulation of this strategy with the theme "Responding to the Priorities of the Poor." This Pacific strategy is being formulated in the context of generally mixed performance among the PDMCs. We note that in accordance with its

overarching objective of poverty reduction in its member countries, ADB in this context is working hard and consulting widely to investigate and better understand the causes of our countries' weak performance and identify more effective approaches for the future.

Within the context of the two broad objectives of the new Pacific Strategy, the PDMCs ask ADB to be sensitive and take into consideration the following issues.

1. The existence of diverse cultural and traditional institutions in the different member countries must be recognized, particularly how these traditional institutions and cultures meet modern challenges.
2. The need to recognize that private sector involvement as the engine of growth in the region varies from country to country. Therefore, a balance must be struck between private and public sector involvement.
3. Related to 2 above is the issue of foreign direct investment. Despite genuine effort by member countries in putting into place an enabling environment, there is still limited investment in the Pacific. We would welcome ADB's assistance in this area.
4. A particular concern of some of our member countries has been the adverse impact of recent movements in exchange rates on the cost of borrowing and other costs associated with a particular project. We look forward to ADB's consideration of these issues and welcome ADB's assistance toward a more flexible approach, to allow adjustments to loans to compensate unforeseen cost increases.

We welcome the approach that has been adopted by ADB in the preparation of the Pacific Strategy through further consultation. We believe, through this consultation process before the strategy is finalized, it will address the issues that we have raised.

This approach will surely foster ownership of the strategy and ensure its successful implementation.

In concluding, I would like to reiterate once again our sincere thanks to the Government and people of the Republic of Korea for their hospitality and wonderful arrangements that made this meeting possible. We also like to thank President Chino and staff for their continued support of the PDMCs. The review of the strategy for the Pacific and the opening of new Regional Offices demonstrates the commitment of ADB to our region.

We look forward to another year of successful operations by ADB, under the leadership of President Chino.