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Statement by the Hon. **SIOSIUA T.T. 'UTOIKAMANU**,
Governor of the Bank for **TONGA**,
at the Joint Annual Discussion

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Governor of the Bank for Tonga,
at the Joint Annual Discussion**

Mr. Chairman

Managing Director Rato

President Wolfensohn

Fellow Governors

Distinguished Delegates

Ladies and Gentlemen

It is an honor to attend the Annual Meetings of the Board of Governors of the International Monetary Fund and World Bank Group for 2004 on behalf of the Government of the Kingdom of Tonga. I would like to begin, by congratulating and welcoming Mr. Rodrigo de Rato to this annual meeting in his capacity as Managing Director of the IMF.

Although recent global economic growth remains strong not all regions have benefited. Some countries, such as those in the Caribbean, remain adversely affected by depressed tourism earnings, and by the most damaging hurricane season in many years while the growth prospects in Sub Saharan Africa appear unlikely to be sufficient for these countries to achieve the Millenium Development Goals.

It is important for policy makers to take appropriate action to sustain the current global economic recovery. These actions include addressing the fiscal and balance of payments imbalances in the US while implementing structural reforms to sustain stronger growth in Japan and the euro area. Developing countries policy makers ought to continue to implement policies needed to promote faster growth and poverty reduction and to improve the environment for domestic and foreign direct investment, supported by increased external resources. Furthermore, all countries need to work together to maintain stability in the international oil market with prices consistent with long term growth and

at the same time making rapid and substantial progress in agreeing and implementing the Doha Development Agenda, in particular on agricultural trade liberalization.

On credit arrangements, the efforts of the Fund to explore precautionary credit arrangements that include minimization of risks to the Fund's liquidity, debtor and creditor behavior are supported. The issue of representation at the Board calls for consideration of an appropriate revision of present quotas to ensure that the formula, variables and weights reflect positions representative of many countries profile in the world economy.

Furthermore, the Fund's strategy of remaining engaged with its low-income country members, and its recognition that in many cases their economic problems are deep seated, and require many years of successful macro-policy implementation to address, is particularly welcomed. We also support the forthcoming Fund review of its conditionality guidelines and at the same time, we encourage the Fund to further develop its capacity to support country-led intensive surveillance for those countries desiring enhanced Fund surveillance without the need for them to seek more Fund borrowing.

The work to date of the Bank in terms of enhancing the participation of developing countries in the decision making of the institution by separating the issues into administrative issues and structural issues is supported, as this will strengthen the capacity of developing countries to interact with the Bank. We hope that these changes will benefit small member countries like Tonga and we support further initiatives that the Bank will take to assist in strengthening our capacity for effective interaction.

We support the efforts being made towards a successful outcome of the 14th IDA Replenishment, as it continues to focus on helping developing countries to meet social and economic challenges, especially small island states which are vulnerable to frequent natural calamities and other external shocks.

Moreover, the Bank's efforts to improve the process of assessing the performance ratings of IDA eligible countries are supported especially through the use of transparent processes that ensure that members are fully involved and consulted throughout all stages of the process.

The Bank's regional office has been proactive in consulting the Pacific member countries in the preparation of the Regional Country Assistance Strategy and we commend the Bank's work in this respect. We express our gratitude to the Bank for its continued assistance to Tonga through providing credit lines and technical assistance.

Overall, the two Bretton Wood Institutions continue to be valued partners in Tonga's efforts to address the challenges of poverty and ensuring that essential services are made available to its citizens. Moreover, the Government of Tonga continues to take necessary steps to pursue its reform objectives, clearly recognizing that the most appropriate policies ought to be based on a market-based, outward-oriented private sector led growth. Tonga's reform program to date includes structural changes to the public service to achieve higher levels of efficiency and measures to enhance the strengthening of regulatory and supervisory skills and operational systems. Despite the progress made, the challenges of a lower than expected GDP growth, high inflation and fragile external and fiscal accounts remain. These economic indicators reflect the vulnerabilities and activities in the agriculture, tourism, transportation and construction sectors of the economy.

Finally, we would like to acknowledge with appreciation the technical and financial assistance that both institutions have provided to the government and people of Tonga. The assistance continues to improve the standard of living of our people and we look forward to a continued partnership for the future. May I conclude by wishing the Bank and the Fund continued success in resolving the difficult challenges that lie ahead.

Thank you, Mr. Chairman