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Governor's Statement No. 5

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Statement by the Hon. **FAIZUL ARIFF ALI**,
Alternate Governor of the Fund for the **REPUBLIC OF FIJI**

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Alternate Governor of the Fund for the Republic of Fiji

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

1. I am honoured 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'). Mr Chairman, the Fund and Bank's assistance and support towards global recovery efforts amidst compounding crises has been commendable.
2. I would like to express the appreciation of our Prime Minister and the Fijian people to the Fund, the Bank, and other development partners, for its commitment through policy advice, international aid, during COVID-19 crisis and our recovery efforts.
3. On behalf of the Fijian Government and people, I would also like to express our condolences to people who have lost loved ones to COVID-19 as well to those affected by the war and natural disasters.

Fijian Economy

4. Mr Chairman, like the rest of the world, the COVID-19 crisis has had a devastating impact on the Fijian economy, its socio-economic conditions and public finances. After historic contraction over two consecutive years in 2020 and 2021, the Fiji economy is now on a recognisable path to recovery. Fiji's international borders reopened in December 2021, and tourism activity resumed with its notable and welcomed benefits reverberating across the economy.
5. Mr Chairman, exceptional fiscal and monetary policies have also been essential in supporting the ongoing recovery of the Fiji economy. Fiscal policy, which just a year ago was geared toward mitigating the impact of COVID-19, is now focused on providing some reprieve from the much higher cost of living. In understanding the compounding strain on our people from these shocks, the most recent National Budget put in place inflation mitigation measures while continuing social protection programs.
6. With the objectives of adequate foreign reserves and stable inflation intact, monetary policy has supported fiscal decisions, remaining accommodative throughout 2020 to date. To support economic recovery, the Central Bank has also expanded various concessional lending facilities and other quantitative easing measures.
7. Looking ahead, Fiji's economy is only expected to get back to pre-pandemic levels by 2024. However, the recovery is hinged on complicated trade-offs and the need for safe guarding policies, all amidst an era of shocks.

8. In this light, the Fijian Government is continuing to support economic recovery and stepped up its reform plans, particularly implementing lessons from COVID-19 around digitalisation and economic diversification.
9. Mr Chairman, digital development is now essential in every aspect of our lives becoming a critical infrastructure and social service. We understand that narrowing the '*digital divide*' will be important going forward, and for the Government, developing holistic policies around this will be key. On this note, we encourage the Fund and World Bank to look at ways to incorporate this aspect into their support programs to ensure that the digital transition is fair transition and inclusive.
10. With longer-term resilience, and green and inclusive growth in mind, the focus and efforts by the Government towards public-private partnerships, civil service and public enterprise reforms and mainstreaming the ease of doing business will also continue.

International Monetary Fund

11. Mr. Chairman, amidst the high uncertainty, risks and difficult policy challenges confronting many countries, the Fund remains consistent in its efforts to assist members.
12. On that note, Mr Chairman, I would like to reiterate our appreciation of the Fund's responses to the COVID-19 crisis, including temporarily doubling access to its emergency facilities — the Rapid Credit Facility (RCF) and Rapid Financing Instrument (RFI) — and the extended debt service relief through the Catastrophe Containment and Relief Trust (CCRT). We also welcome the approval to establish the Resilience and Sustainability Trust (RST) earlier this year and the plans to operationalise it this month. The Fund's newly proposed Food Shock Window under its emergency financing instruments countries for countries hit by the food crisis is also commendable.
13. In addition, Mr Chairman, the Fund Managing Director's 2021 Global Policy Agenda (GPA), appropriately addresses how the Fund can assist its member countries, particularly around debt, as countries navigate themselves post-pandemic. The Fund's strive to boost its support for its member countries is very positive.
14. Mr Chairman, we also commend the Fund's commitment to delivering tailored and enhanced surveillance, as well as the recent plans to increase climate coverage (mitigation and adaptation policies, transition risks) in Article IV and Financial Sector Assessment Programs. We applaud the Fund for the continuity of technical assistance (TA) and the provision of policy advice, which Fiji has greatly benefited from over the years. The Fund's increased capacity building and advice on climate change, gender, and digital money is welcomed. On the emerging topic of central bank digital currencies (CBDCs), members would also benefit from the Fund's surveillance, capacity building activity and advice in the transition to CBDCs.
15. Mr Chairman, Fiji remains appreciative of the ongoing Fund engagement through the annual Article IV consultations, the office of the Resident Representative, and the TA provided through the Pacific Financial Technical Assistance Centre (PFTAC). Fiji continues to show our commitment to the PFTAC by agreeing to contribute towards the ongoing funding operations of the offices in Suva, Fiji.

World Bank

16. Mr Chairman, we also commend the Bank for its contributions to tackling the COVID-19 crisis, and its move to building a resilient and inclusive recovery. Appreciated efforts include the forward looking newly set-up Financial Intermediary Fund (FIF) for Pandemic Prevention, Preparedness and Response by the Bank and the World Health Organisation. This Fund's long term financing benefit countries like Fiji, who will need to build better resilience to future pandemics through investment in better health systems.
17. The establishment of a Global Food Security Platform is a timely response to the ongoing food crisis. The provision of working capital and longer-term financing for sustainable agribusinesses and related sectors will play a key role in ensuring the development of food security and reduces the chances of another crisis.
18. On World Bank programs, Mr Chairman, we acknowledge the Bank's support towards Fiji's recovery from the impact of COVID-19 and natural disasters, through our first ever Country Partnership Framework (CPF) (2021 – 2024). Mr Chairman, the CPF marks a substantial intensification of development partnership between the Bank and Fiji. In addition, the CPF's focus areas of fostering private sector-led growth and inclusive economic opportunities, and building resilience is appropriate and welcomed. Reflecting Fiji's eligibility to borrow from both the International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA), the CPF is also aligned with the International Finance Corporation (IFC) 3.0 strategy. Mr Chairman, since 2020 the Fiji Government has negotiated over US400 million in loans from both the IBRD and IDA. While Fiji has borrowed significantly to maintain expenditure and support our balance of payments position during COVID-19, moving forward the financing gap will be much smaller as we embark on fiscal consolidation. Hence, financing will be price sensitive and Fiji will utilise only the most concessional sources of financing, especially its IDA allocation. Fiji looks forward to this continued support and possibilities of increasing IDA allocation to recovering economies.
19. Mr Chairman, the Bank's Fiji Recovery and Resilience First Development Policy Operation (DPO) with a Catastrophe-Deferred Drawdown Option (Cat-DDO) is expected to boost Fiji's recovery while providing support to promote a private sector-driven recovery, strengthen climate resilience, improve the management of public finances and mobilize tax revenue. Through the Bank DPOs, the Government has brought about hard reforms such as publishing its first ever medium term strategy, corresponding annual borrowing plan templates and a liability management operations policy. It has also led to the Amendment of the Financial Management Act, bringing about greater accountability and transparency.

Mr Chairman, we thank the Bank for its continuous support of Fiji's sustainable development. The Bank's technical assistance along with grants and loans provided to Fiji has been significant and timely.

Climate change

20. Mr Chairman, while Fiji navigates the current crises, climate change adaptation and mitigation remains high on our Government's development agenda.

21. Therefore, we acknowledge the Bank's significant increase in climate financing in the 2022 fiscal year and the global collaboration by multilateral organisations and developing partners, especially the key global policy priorities set out by staff from several international organisations (AFD, IEA, IMF, OECD, UNDP, and WTO) to cut emissions in line with the Paris Agreement.
22. Other partnerships between the Fund and Bank, such as the High-Level Advisory Group on Sustainable and Inclusive Development to address the twin crises of climate and the pandemic is applauded. The new Climate Change Indicators Dashboard, in collaboration with partners including the OECD, the World Bank, the UN, and the European Commission will narrow the information gaps faced by countries. We also welcome the launch of the new diagnostic Country Climate and Development Reports (CCDRs) and we look forward to a similar report done on Fiji.
23. We express appreciation to the World Bank, as with their assistance, Fiji in 2020, become the first small island developing state in the world to sign an Emission Reductions Payment Agreement with the Forest Carbon Partnership Facility unlocking up to US\$12.5 million in results-based payments for increasing carbon sequestration and reducing emissions from deforestation and forest degradation. This will enable Fiji to protect its beautiful forests while also benefitting from the global carbon market.
24. In addition, Mr Chairman, Fiji welcomes the World Bank Group Climate Change Action Plan 2021-2025 (CCAP). The shift from efforts to "green" projects, to greening entire economies, and from focusing on inputs, to focusing on impacts is very appropriate and practical.
25. Mr Chairman, Fiji has continued to do its part in the fight on climate change building on the gradual small wins. For example, in the most recent Budget, the Government demonstrated commitment to this agenda by introducing incentives around electric vehicles. Nonetheless as Fiji, like other countries transition towards a *zero-carbon* economy, we will need continued partnership, collaboration and innovation from the Fund and the Bank.

Conclusion

26. In closing Mr Chairman, let me thank the Fund and the Bank for their ongoing efforts to provide timely policy advice and support, especially through the establishment of new facilities. We also thank the Fund for strengthening collaboration and deepening partnerships which help achieve our national, regional and international developmental goals.
27. We wish the Fund and the Bank the very best in their future efforts and we look forward to closely working with both institutions. I also wish all participants fruitful discussions at this year's Annual Meeting.