

## **Savenaca Narube: Working in close collaboration with the Asian Development Bank**

Welcoming remarks by Mr Savenaca Narube, Governor of the Reserve Bank of Fiji, at the Regional Workshop on the Asian Development Bank's Performance Based Allocation of Asian Development Fund Resources, Suva, 12 April 2005.

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### **Salutation**

Mr Robert Siy, Officer in Charge of the Pacific Department in the ADB  
The Director of the Suva Sub Regional Office, Ms Jarvenpa

Mr Harrigan  
Distinguished Participants:

### **Welcome**

It is my pleasure to welcome you to this three-day Regional Workshop.

I specially welcome to our shores all the participants from our neighbouring Pacific Developing Member Countries (PDMCs). I hope you will enjoy your stay in Suva during the course of the workshop.

I would like to thank the Asian Development Bank and the Sub Regional Office in Suva for organising this workshop. As you know, the former President Chino of the ADB officially opened this Sub Regional Office in Fiji last year and I must say that we are already seeing the benefits of this office already in our closer collaboration with ADB.

As you know, the ADB is the most active of multilateral lenders in Fiji and I believe also in the region. It is therefore very important that we exploit what ADB can offer to us and a workshop such as this goes a long way in meeting this objective.

We all know that resources are not limitless. They are scarce. On the national level, our government budgets are an important tool for allocating these resources. On the global level, we look to donors and multilateral institutions such as ADB to assist us achieve our development goals. Their resources too are limited. Hence, while, as borrowers, we would like to have access to all resources that we want and the cheaper the better, the reality is that this will not be possible. We must therefore ensure that we use the resources that are available to us wisely. Otherwise, the opportunity costs are high and nobody gains. It becomes a loose-loose situation. To turn this partnership into a win-win situation the lenders must align its assistance to the priorities of the borrowers and for the borrowers to use this assistance as effectively as possible.

### **Objective of workshop**

I am told the objective of this workshop is to examine the rationale and scope of the ADB's Policy on the Performance-Based Allocation (PBA) of Asian Development Fund (ADF) Resources. This policy is an important graduation from the ADB's past practices on resource allocation to a new approach based on results that tries to create incentives for better performance. This policy is an important tool to strengthen the effectiveness of the use of ADF through a more focused policy dialogue, improved country planning processes and better operations. Holding this regional workshop was an important resolution of the Review undertaken last year to examine the sufficiency of the Bank's PBA Policy and looking at ways to improve and strengthen it.

### **What is the role of the ADF in the region?**

The ADB in partnership with donor organisations, the international community, and member countries, is committed to designing and implementing a set of actions, which will eradicate policy, institutional and technical constraints to equitable development. The overarching objective is the reduction of

poverty and improvement in the quality of life of our peoples. In this regard, the ADF is a key instrument in the pursuit to reducing poverty in the region.

Poverty in the region may not be the same as the abject poverty of some countries in Asia. We lack proper measurement of poverty. But nevertheless I have a sense that indicators at least in Fiji point to increasing poverty. Therefore, the overarching poverty reduction strategy of the ADB is increasingly becoming relevant to the region.

I again wish to emphasise that the ADF operations and indeed any program in the region should continue to reflect the priorities of our individual economies. Let me say that while Fiji does not qualify for ADF, the region is fortunate and grateful that the ADB has been successful in replenishing this pool of concessional funds. The commitment by donors last year to a total replenishment of the ADF of US\$7 billion, and the decision to introduce grants, is a symbol of the Bank's commitment and support towards the mission of fighting poverty in our region. This financial assistance has gone and will continue to go a long way, in helping us realise sustained improvements in our nations' economic and social welfare.

Projects funded from the ADF have included the reform and improvement of education, health and sanitation. They also include projects designed to improve the status of women, micro-finance, environment protection, and capacity building, as well as the rehabilitation and building of physical infrastructure. Moreover, the ADF is also directed towards regional cooperation for the promotion of further social and economic development.

### **What are some recent issues and developments relating to ADF operations?**

The increasingly vital role played by the ADF in the development of PDMCs has brought to the fore important issues such as the need to raise the development effectiveness of ADF operations. While making a firm commitment in the fight against poverty, donors, in their meeting last year stressed some key requirements for stakeholders.

In particular, against the uncertainty in achieving the Millennium Development Goal of reducing non-income poverty in the region, ADF operations and assistance need to focus sharply on sustainable economic growth, inclusive social development, and good governance. This means there is a need to firmly focus on results and development effectiveness.

The establishment of the ADB's new Results Management Unit (RMU) provides a monitoring device, which will focus closely on results, at the project, sector, country and regional levels. Paying close attention to results under this framework is expected to bring benefits including greater accountability, and more effective resource use. Results-based country strategies are also expected to align themselves to national priorities for poverty reduction. I must stress again that it is in our own interest that results are achieved.

May I deviate a little here to share what Fiji is doing in terms of a resultsbased monitoring system at the sector level. The Fiji Government in November last year, endorsed the outcome of a mid-term review of its Strategic Development Plan (SDP) 2003-2005, the Government's plan to achieving the vision of a "Peaceful and Prosperous Fiji".

This review was aimed at assessing the progress made in implementing the Plan's policies and identifying implementation constraints, as well as re-examining the Plan's Policy Objectives and its Key Performance Indicators (KPIs). Wide consultations and regular discussions between the government and representatives of the private sector and civil society, revealed that while some KPIs have been achieved – through timely implementation of SDP policies – other KPIs need to be modified based on the new challenges we now face. The review also emphasised the need to move ahead quickly in areas such as public sector reform, to lift productivity and thus improve efficiency and effectiveness in service provision, while raising investment quality as well as growth potential. Moreover, the review highlighted the inadequacy of resources to meet Fiji's development needs. With Fiji's commitment to the achievement of the MDGs, and I'm sure the same goes for the rest of the PDMCs, the determined efforts between us and our development partners is essential if we will achieve our goals.

I believe it is commendable that good governance carries a bigger weight in country performance in the consideration for ADF allocation under the PBA system. Further enhancements to the PBA scheme include the allocation of grants and future disclosure on country performance ratings in the

interest of greater transparency. However, a word of caution. Governance is such a broad subject that we must try to specifically define its measurement under a case-by-case approach.

### **How have our countries performed and what are some development challenges we face?**

The mixed performances of PDMCs poses special challenges to our development partners such as the ADB.

The vulnerabilities in our small island states due to reasons such our smallness in size, our large distances from each other and our remoteness from international markets are important considerations in our development efforts. Our islands often also suffer from natural disasters, which can have large adverse impacts on the economy as in the recent cases of the Cook Islands, Samoa and Tokelau.

Economic performances in our PDMCs over the past decade have been varied with some countries recording positive growth rates and some contracting or even sharply declining. Moreover, social indicators also show the major variances in our progress towards achieving the Millennium Development Goals (MDGs).

An additional challenge for us is to keep a more balanced and sustainable growth while grappling with the issue of globalisation. The role of the public sector to build a supportive policy and regulatory framework for infrastructure investments is essential, irrespective of the source of financing.

Investment is another hurdle for us. It is extremely difficult to attract investment to our small islands in the vast blue Pacific Ocean. The global competition for this investment dollar is intense. It may be true that even with the right economic policies, foreign direct investment may still be elusive. But essentially we do not have a choice. In light of the declining trend of foreign direct investment to our region, it is imperative that our countries promote institutions and policies that would attract new business flows into our economies. For a few of us who have a large private sector, we may be able to get domestic investors to do more.

But we cannot afford to totally rely on others. We must do what we need to do ourselves. With increasing regional economic integration, we need to promote more regional cooperation to ease capacity constraints and other problems that we face. The decision by Pacific Leaders recently to develop a "Pacific Plan" may help with bolstering regional cooperation.

The effective and efficient use of official development aid and private sector investments for development calls for the establishment strong domestic institutions. We must eliminate corruption from our society. We must build up our human resources and improve administrative capacity and governance. Corruption does not necessarily mean more regulations. It means a more transparent way of doing business under an agreed accountability structure. We must cultivate a culture of zero tolerance for corruption amongst our societies.

### **What can the ADB do better towards achieving our common goals?**

Given the challenges faced by our countries, we must continue to highlight our special needs in the international arena. I urge the ADB to continue to strengthen its capacity to respond to the region's needs in a flexible and timely manner.

An important focus for the ADB in relation to vulnerabilities of small island states is disaster management. In this regard, ADB assistance towards putting in place the needed infrastructure to help preparedness for disasters in countries would be helpful. An associated need is financial support to help rebuild the economies of disaster- stricken countries. I am of the view that in general, multilateral organisations, can do more to help finance our economic reconstruction following a disaster.

In such a situation, the provision of loans may simply burden us further when our position is already weak. In this regard, the grants facility now available under ADF IX is an encouraging development.

I understand the reasons why countries in the region are treated collectively by multilateral institutions like ADB. But I see a few dangers of over extending this collective treatment. While we may be small and our vulnerabilities are similar, our needs may be very divergent and our priorities different. In fact in some cases our diversity may be the same as comparing New Zealand with say Fiji. In this light, I urge the ADB to focus on formulating country-specific development strategies that is tailor made to the

needs of each PDMC. As the leading lender in this area, a catalytic role by the ADB in raising regional integration and improving regional cooperation is also desirable.

I was pleased to note the positive suggestions and comments expressed by the new ADB President, Mr Haruhiko Kuroda, in his address to the ADB institution in February this year, on how the Bank can move forward to meet the challenges of our developing countries. I thought his statement augur well for us in the Pacific during his leadership.

It may be relevant to highlight a few issues that the new President alluded to in his address.

- He referred to a client-oriented strategy to help the ADB respond appropriately and efficiently to the diverse needs of the region;
- Putting in place a results-based system would facilitate better performance and improve the effectiveness of ADB operations;
- As our lead development partner, the ADB needs to be proactive as well as strengthen its coordination with other donor organisations and agencies;
- A more effective external relations strategy is needed to ensure better dissemination of information on the ADB's activities to external stakeholders;
- Other propositions include a strengthening of the ADB's financial risk management system and better utilisation of the latest information and technologies; and
- Consistent with the extensive and widening scope of its role in the region, the ADB must lift its knowledge base and strengthen its position as the information leader in our region.

### **Concluding remarks**

In conclusion, we need to work at realising our full economic potential and raise the standard of living of everyone. Sustainable economic development is an essential prerequisite to reducing poverty everywhere. The ADB is the leading international partner in our region. Its role in assisting our countries achieve our goals, is critical. Equally important is the supportive efforts of donor organisations and the international community. Needless to say, we must ourselves put in our own efforts to secure a brighter future by ensuring that we reap the maximum benefits from this assistance.

Today's workshop provides an opportunity to examine a new way of thinking aimed at gaining better results in the use of ADF resources. I hope you will find the course useful and perhaps take home you practical solutions that may be of help to you.

I wish you the very best in your deliberations.

I have much pleasure in declaring open this ADB workshop open.

Thank you.