



MSG Secretariat **Secretariat du GFLM**

Melanesian Spearhead Group | Le Groupe Fer de Lance Mélanésien

OPENING STATEMENT BY DIRECTOR GENERAL (DG) MR. PETER FORAU, MSG FINANCE MINISTERS AND GOVERNORS OF CENTRAL BANKS HIGH LEVEL CONSULTATION

29-30 August 2013, MSG Secretariat, Port Vila, Vanuatu

The Prime Minister of the Republic of Vanuatu, Hon. Moana Caracasses Kalosil
Madam Caroline Machoro, Chair of the Finance Ministers and Governors of Central Bank's
Meeting

Honorable Ministers of Finance;

Governors of Central Banks;

All our Distinguished Observers

Resource Persons

Secretariat staff;

Our Friends from the Media

Ladies and gentlemen;

I am honored to deliver this statement on behalf of the Secretariat to extend to you all a very warm welcome to this inaugural Finance Ministers and Governors of Central Banks High Level Consultation and to introduce the purpose and business of this august gathering.

May I hasten firstly to gratefully and respectfully acknowledge the presence of the Honourable Prime Minister of the Republic of Vanuatu, Honorable Moana. Caracasses Kalosil, MP. Thank you Sir for honoring us with your presence and for your inspiring statement which officially opens this high-level consultation. May I also thank the Chair of this august gathering, Madam Machorro for her wonderful statement, the Minister of Finance of the Independent State of Papua New Guinea, Honorable Marape, the Minister of Finance and Economic Management of the Republic of Vanuatu, Honorable Maki, Head of the Fiji Delegation, Permanent Secretary of Finance of Fiji representing the Minister of Finance, Permanent Secretaries and Director Generals of Finance, the Governors and Deputy Governors, Senior Government and Central Bank Officials, Representatives of the FLNKS, our distinguished observers, for availing time to participate in this inaugural high-level consultations. My staff and I are honored and delighted to receive you.

This is the inaugural meeting of the MSG Finance Ministers and Governors of Central Banks and it is designed to be consultative in nature. This High Level Consultation aims to bring Ministers and Central Bank Governors together for the purpose of discussing coherence in fiscal and monetary policies to reinforce and consolidate policy responses to manage external economic shocks. The Agenda of this high-level consultative meeting over the next two days is thus designed to be comprehensive and covers specific macroeconomic policy issues of relevance to the Group.

As small and open economies, we are part of the global interconnected economy therefore also bound to be affected in various ways by global economic crises. Keeping informed of external developments will ensure the right policy responses are applied at the right time to address particular economic perils. This is where economic surveillance is fundamentally important. The role of our central banks in monitoring economic performance and maintaining effective surveillance of emerging crises has always proven to be the difference between being plunged deeper into recessions when crises hit or leveraging buoyancy through policy buffers deliberately and quickly elaborated through access to accurate and complete economic data. I submit that they have and continue to do a good job in safeguarding the resilience of our economies. It is for this reason that there are sessions that will discuss the global economic outlook and how this will impact on MSG economies as well as the nature and difficulties faced in applying monetary and fiscal policy. At this point, it is necessary for us to acknowledge also the good work of the IMF in providing surveillance capacity for our economies to ensure the problems are properly identified and the right responses are applied.

In this world of constant changes and recurring turbulence knowing what is happening and what to do is inherently integral to reinforcing resilience. Hence the need to have data and for updated knowledge-sharing on frontier research in applied economics. Here at the Secretariat we are starting to develop our own capacity to manage our own database and we are seeking

to obtain the sanction of our Ministers to collaborate with the National Statistics Offices for provision of primary data to populate our database. This is covered in one of the sessions for the high-level consultations. In this regard too, we must recognize the excellent work of our higher learning institutions in the teaching of economics to ensure we continue to have a pool of economists to assist with economic surveillance and policy development.

But quite apart from all these noble undertakings which form part of MSG cooperation, whether intended or not, circumstances are suggesting that perhaps this is the time to commence discussion of some of the more politically unattractive tangible underpinnings of formation of clubs. That is the creation of economies of scale through cumulative critical mass. One of this is the proposal for a common legal tender for all MSG countries. I believe it will serve no purpose if I attempted to elaborate on what this entails and so we will leave this to one of our resource persons to lead the discussion. In the meantime, I can introduce one more exciting initiative which is the idea for the establishment of a stabilization fund that will provide optional resort for addressing balance of payment difficulties. There is sufficient funding capacity in Melanesia to resource this type of initiative and members may wish to consider this proposal as a sink for mopping excess liquidity that can be invested safely with assured return in addition to it being a resort for addressing BoP problems.

As MSG countries continue to develop, our conscience of what development brings has evolved. Sustainable development initiatives promoted internationally have begun to shed light on the importance of conservation of our bio-diversity, management of our natural resources and protection of our environment for our future generations. And as Pacific Island countries, the evidence of environmental degradation due to un-checked development is all the more worrisome. This growing awareness led to the MSG Declaration on Environment and Climate Change in March 2012 which set out to develop our very own MSG Green Growth Framework among the inclusion of other climate change and environmental initiatives. While our main concern must be to seek high levels of economic growth to generate jobs for our people, we must also be responsible in our strategies for managing and developing our economies. Hence the inclusion of green growth in the agenda of this high-level consultation focusing especially on transitional measures that members can consider in their economic planning towards eventually greening their budgets and modes of production. This is an initial discussion and logically members may wish to ponder the associated issues

Prime Minister, Ministers, Governors and friends, we fully acknowledge that you are more knowledgeable about the health of our economies and that inclusion of sessions in the agenda on discussing the state of our economies, the fiscal and monetary policy settings are intended to provide a space for members to share experiences and lessons on how we can do better in generating higher economic growth and managing our economies. The value in doing so is knowledge-sharing in anticipation that this will enhance the policy thinking in members' contexts

so that best practice can be shared for the benefit of all members. That in a nutshell is really the purpose of this high-level consultation.

Prime Minister, on behalf of the Chair, our Ministers, Governors, Permanent Secretaries and Director Generals of Finance, our distinguished observers and resource persons, all delegates, Secretariat Staff and media friends, I wish to thank you most sincerely for your presence and for officially opening this high level consultation.

Many thanks every one for your attention and patience.

MSG Secretariat
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