



**Pacific High-level Policy Dialogue:
The Role of Macroeconomic Policy and Energy Security in supporting
Sustainable Development in the Pacific**

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Tanoa International Hotel, Nadi, Fiji

DRAFT KEYNOTE ADDRESS

DELIVERED BY HON DR JIKO F. LUVENI

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*(on behalf of Commodore Josaia Voreqe Bainimarama, Prime Minister and Minister for
Finance)*

Distinguished guests, and participants,

At the outset I would like to thank UN-ESCAP for organizing this meeting and inviting me to give the keynote address. I think that the topics you will be discussing during the course of next two days—macroeconomic policies and energy security—are highly relevant to countries in the Pacific region and I am glad that the organizers chose such a relevant topic.

In fact, I think the timing of this meeting could not be more appropriate. In the recently held Rio+20 meeting, world leaders, including myself, stressed the need to balance the three pillars of sustainable development—economic, social, and environmental. The recent global events such as the financial, food and fuel crises not only show the difficulty in balancing these three pillars, but also the urgency that is required for us to act to achieve that balance.

Our Pacific island countries are highly vulnerable to these crises which are beyond our control, and I believe that one of the ways in which we can reduce this vulnerability is through sound and well thought out macroeconomic policies that seek to create a harmony between the economic, social, and environmental pillars of development. Of course, these three pillars do not exist in vacuum. They are interrelated, connected, and are dependent on one other. Therefore it is very important to understand the mechanisms and linkages through



which economic policies can help improve environmental and social outcomes. In simple terms, it is important to know how macroeconomic policies, besides growing the economy, can also contribute to outcomes such as reducing fossil fuel consumption, preserving the environment, and improving social protection for our citizens.

I am happy to say that this meeting touches upon this important topic of how the three pillars of sustainable development are related to each other. In Fiji, I have observed that macroeconomic policies are a key tool to pursue our goal of sustainable development. Whether it is to induce investments in Fiji's outer islands and rural areas, or to improve productivity of our agriculture sector, or to encourage sustainable tourism, we have relied on these policies to support a broad based growth that is able to provide protection to all our citizens, including the most disadvantaged. These are important issues facing our countries, and it is imperative that you talk about them during your two days here. I am also very pleased to see the group of experts from Asia who will share their experiences with us. As anyone who has worked in policy knows, sharing experiences is an important aspect of learning and helps us to improve and better tailor our macroeconomic policy settings to our particular country circumstances. I hope that this meeting will facilitate a productive and vigorous exchange of ideas.

The link between macroeconomics and energy security—the focus of this meeting—is a strong one. At a time of high fossil fuel prices, too much dependence on imported fossil fuels has a large impact on our foreign currency reserves, and impacts other vital signs of our economy such as inflation and our competitiveness with other countries. This is especially true given that fuel prices have skyrocketed in the past couple of years, and the global political and economic climate has a great potential to exacerbate the situation. Therefore improving energy security and reducing reliance on fossil fuels contributes to a more stable macroeconomic environment that is beneficial for the long-term health of Pacific countries. This really highlights the need for our countries to focus on renewable energy and energy efficiency.

I believe that Fiji has a lot to show with regards to renewable energy and energy efficiency. I am very proud to say that a significant proportion of Fiji's energy consumption comes from renewable sources like hydropower. In the main island of Viti Levu, where we are currently having this meeting, most of the power is generated through hydroelectricity.



Fiji recently completed the \$300 million Nadarivatu Hydro Electrical Scheme which will generate 100 million units of electricity a year that will power Fiji's progress—extending power lines to homes in the villages, in the farming areas, in the cities, and to businesses everywhere. Projects like these reduce our dependence on imported fuel, protect our foreign exchange reserves, and insulate our countries from external shocks that are way beyond our ability to influence. Let me emphasize here that I support these projects not only because of the economic reasons that I just mentioned. The energy generated by this project is clean energy, and it is a clear reminder to all of us that powering economic growth and progress does not mean that we have to compromise our environment. More importantly, I think this project represents our country's strong commitment to sustainability and energy independence. Therefore, in a broader sense they highlight the commitment that I and other world leaders made in Rio earlier this year.

Fiji's rural electrification is one of my government's schemes that further enhance our work in balancing the three pillars of sustainable development. Under this scheme, the Fiji Electricity Authority and the Department of Energy find ways to bring electricity to those more remote villages and settlements on the main islands and the outer islands. Under the scheme, the FEA and Department of Energy have set aside budget allocations to help fund the costs of bringing electricity to these rural areas. Thousands of families have benefited from this scheme, and it recognizes the importance of improving the quality of life through electricity for all of the country's population. With access to sustainable energy comes other important economic and social opportunities - making projects like this a true amalgamation of the three pillars. I hope the discussions in this meeting will be able to highlight similar success stories across the region. Stories that show that economic progress does not necessarily imply a damaged environment, and stories that inspire us to believe that it is possible to grow without disconnecting the rural and most disadvantaged segments of our populations.

Along that line, I would like to talk a little more about resilience and how government policies can help build it. As building resilience is an important theme of this meeting, I would like to share of Fiji's experience in this area. Fiji's performance towards achieving the MDGs has been sound. While Fiji is still off-track in certain indicators within goals concerning poverty, gender, and combating HIV, there have been improvements in these



goals since 2011 as the recent 2012 Pacific MDG tracking report showed. Also, it is currently on track in the goals of achieving primary education, reducing child mortality, improving maternal health, and ensuring environmental sustainability. We have been able to achieve these goals through finely targeted interventions. For instance, getting education, depending where you are, can be quite costly, especially if you are from families with low income. Therefore our government is providing dedicated support through free tuition and funding for text books for children from disadvantaged families so that everyone has a fair chance of receiving a good education. Similarly, our public health system provides obstetrical services, integrated approach for antenatal care, and free antiretroviral medicines. It is through such interventions that we have been able to perform well in achieving our MDG targets, and I would really like to highlight the need for what I called for in my 2012 budget speech: the importance of “investing in our people”.

Investments in people help us progress towards the economic, social and environmental goals that make up sustainable development. As I have mentioned, economic, social and environmental goals are strongly interrelated. The more detail we look into how the economic, the social and the environmental work together, the more we realize how strongly they are related. Sound investment in education, for example, produces productive citizens who are able to contribute to a well-functioning economy, who are also well aware of environmental concerns at global, regional, and national levels. Similarly investment in health care produces a healthy citizenry that are better and more productive workers.

That is why in 2012, we increased our education budget by 9 million dollars, to \$257 million. We also set aside an additional \$1 million for Fee-Free Education for Classes 1 to 8. Through the “Differential Resourcing Formula” used by the Ministry, it would ensure that very remote and disadvantaged schools -- benefit proportionally. That is why in 2012, our Ministry of Health received an increase of \$16 million to its budget. Our goal is to dramatically improve the delivery of health services, while encouraging prevention at all levels of society. And that is exactly why we still continue investing in our citizens in programs that continue to work in areas such as youth development, poverty alleviation, and social protection. Our Family Assistance Allowance provides allowance to the elderly, chronically ill, and destitute families. The Food Voucher and Extended Food Voucher programmes provide assistance to all Family assistance recipients and or the elderly with no



income support in rural areas, for pregnant mothers who attend rural health clinics, and families with children who attend schools in remote rural areas. In fact, we committed \$12.6 million for this specific scheme in 2012. Similarly, our rural income generating project facilitates resettlement of squatter dwellers and engages them in income generating agricultural activities.

These investments might not yield immediate returns, but they do go a long way in building the resiliency of our nation. We are also undertaking other investments that will build our resilience - infrastructure development to improve connectivity of undeveloped regions and investments in renewable energy and in communication technologies. In addition we are building resilience through fair tax policies that encourage investments, increasing financing opportunities for small businesses, and improving investment incentives in rural areas. I am confident that these themes will emerge from this meeting's discussion of resilience, highlighting the need for us to focus on these areas.

I am very happy to see that two sessions of this meeting will focus on articulating Pacific perspectives that will be submitted to the Asian and Pacific Energy Forum in 2013. It is a well-recognized fact that small island developing countries face their own set of challenges in achieving sustainable development. This has been frequently discussed most recently in the Rio+20 meeting in Brazil. The most recent ESCAP commission also recognized the special case of the Pacific island countries. Therefore it is very commendable of ESCAP to discuss specific input from our part of the world to be represented in a broader Asia-Pacific Forum. I hope that there will be important insights which will form the basis for energy policies and frameworks in our region.

In articulating *The Future We Want* in Rio this year, we reaffirmed that international

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