2000 Speech

GOVERNOR'S STATEMENT AT THE LAUNCHING OF THE CBSI 2000 ANNUAL REPORT

On 23 May 2001, at the SIBC Conference Room

I. Introduction

Honourable Ministers, Members of parliament, representatives of the diplomatic corps, permanent secretaries and senior government officials, heads of statutory authorities, bank managers, Directors of the Central Bank, officials of non-government organisations, representatives of the private sector, representatives of the media, ladies and gentlemen!

It is a pleasure and an honour to warmly welcome you all today to this official launching of the Central Bank's 2000 Annual Report. The launching of the Central Bank Annual Report is a special event in the Bank's calendar and I therefore I would like to thank you for making the time available from your busy schedules to accept our invitation. This occasion provides an opportunity for me to fulfil a responsibility of the Central Bank in presenting an assessment of economic conditions and prospects for Solomon Islands and to account for the Bank's actions in 2000.

I would like, at the outset, to register the Bank's gratitude to all the government departments, statutory authorities, the banks, private sector companies, NGOs, diplomatic offices and individuals who have provided data and information used to complete this report. In addition, I would like to acknowledge the useful comments provided by the Board of CBSI and other individuals on earlier drafts of this report. The assessments and comments in the report are entirely the responsibility of the Bank.

I will present my talk in three parts: in the first part, I will describe the Solomon Islands economic background prior to the year 2000. In the second part, I will take us through the developments in the economy during the year and I will highlight the main policy issues and challenges. Thirdly, 1 will end by suggesting some measures to pave the way ahead.

II. Background

Since independence two and half decades ago, Solomon Islands has experienced some progress in certain areas, but on the whole, the economy has sustained serious set backs in the fundamentals. In terms of its economic and social indicators, SI is rated very low in the region. Some of the reasons for this performance are exogenous factors, such as natural disasters of the seventies and 1980's, persistent low commodity prices for Solomon Islands exports in the eighties and late 1990's, the Asian financial crisis, and rising oil prices. However, it should also be recognised that much of this out come is due to self-inflicted perils: those things, which SI either simply ignored or brought upon itself. For example, two fundamental problems of the past decade are firstly, the excessive exploitation of the natural forest as well as the squandering of the windfall from this resource, and secondly, the continuing expenditure driven fiscal imbalance. Also, the lack of public policy direction resulted in opportunities for social and economic advancement have been either under-utilised or largely foregone. Besides, the absence of a coherent policy environment has contributed to the slow growth in the economic base and in private sector development. Lack of foresightedness has resulted in the geographical imbalance in economic development, which is one of the main causes, if not the only reason, for the current social unrest – another self-inflicted peril.

For the past ten years, economic management in SI has been handicapped by these same factors. During the first five years, despite apparent misguided policy directions, the private sector, particularly the export sector, was robust. This is partly due to having learnt to be resilient, and partly as a result of a boom in commodity prices, especially in logging. During that period substantial foreign capital inflows have provided major sources of economic activity, whilst government cash flow problems continue to be critical. Consequently government borrowing overtook domestic savings, and thereby stifled private sector development. This culminated in 1995 when the government securities market collapsed due to the inability of government to support the market. The subsequent two years, up to and including 1997, saw the government built up its debt and creditors arrears on a fast track. These fiscal problems have persistently cast a cloud over the economy, until in 1997 when the Asian financial crisis took with it SI main exports markets, especially for logs. Despite a resilient private sector, evidence suggested that the impact from the crisis had a serious setback to the economy and caused a dampening impact, especially on the production sector as local companies tried to adjust.

Notwithstanding that, the economy had enjoyed growth rates averaging up to 5% during the first seven years of the 1990's. However, following the Asian financial crisis, SI economy started sliding into recession. With a simmering social unrest, business and economic activities declined. In 1999, the economy had contracted further. This trend continued into 2000 and the events in June only accelerated this downward slide. The current situation: a subdued investment climate, weakened private sector, depressed economic activities, persistent government cash flow problems, large budget deficits, increasing government debt, and a weakened balance of payments position, have been the stigma to SI economic management in the last decade.

Actions on other policy fronts have by and large been muted by developments on the fiscal side. Monetary policy, for example, has been reactionary and defensive, mainly to cushion the after effects of an expansionary fiscal policy. The increasing government domestic debt situation – especially government advances from the Central Bank1[1] – has dominated monetary policy decisions and actions. Given government's increasing appetite for credit, all actions have been diverted to guard against crowding out of the private sector. Changes in the definition and the level of the liquid assets ratio (LAR), the introduction and withdrawal of the Banks policy instrument (the Bokolo Bills), and the establishment of the current auctions Treasury Bills market, were all in response to developments in the fiscal arena. Conduct of monetary policy in the past ten years has therefore been subdued largely by the persistent financial stress experienced by the government.

Having said that, as in the past, opportunities to address these underlying problems came in the late 1990's. Among other things, global economic conditions, particularly in Asia, were favourable, as most of the economies important to SI rebounced from the crisis. Domestically, the new administration, which assumed power in 1997, quickly instituted necessary policy actions in terms of a reform program. In 1998, the government's Policy & Structural Reform Program (PSRP) was put into motion. By the end of 1999, it had already impacted positively on most of the important indicators: inflation declined to 8%; the balance of payments swung to an overall surplus; and the external reserves rose to the equivalent of more than three months of import cover. Apart from that, government finances were under control: government debt was normalized with all arrears settled; overall deficit was reduced to less than 3% of GDP, and government accounts were produced on a timely basis. Actions to ensure a strong and effective revenue stream also showed positive outcomes, and developments to strengthen and enhance private sector growth have already shown encouraging signs. Sadly, the effects of the social tensions have reversed these positive developments and effectively derailed any possibilities of curtailing the economic trends and fundamentals earlier discussed.

III. Developments in the economy in 2000

I will now turn to survey the main highlights of the Solomon Islands economy during 2000.

Domestic Economy

Year 2000 opened with the policy settings, which encapsulate the objectives to normalise government debt servicing, rebuild the external reserves, reduce the inflation rate to below 10%, and to harness a stable economic platform for private sector investment. These objectives were to be achieved through tight fiscal and monetary policies, a wage freeze, and by pursuing exchange rate stabilisation.

The outturn for the economy in 2000 was however, a decline by 14% in real terms, a trend that actually started in 1996. The dramatic contraction in 2000 is the result from a general slowing down in the economy. The main reason is that the underlying causes remained unattended to, a situation, which was punctuated only by the effects of the social unrest, especially after the June events.

Real sector

Investment in Solomon Islands was dealt the biggest blow by the repercussions of the ethnic tensions. By regional standards, due to various inherent impediments, the investment climate in this country has not been very attractive. Struggling with such a burden, attempts to induce vigour and interest into the private sector have been reversed by the crisis. The repercussions of the unrest impacted negatively on all the sectors of the economy, with significant drops in agriculture (25%), mining (51%), fisheries (42%), construction (31%), and energy (30%). In addition, the cancellation and postponement by donors of a number of development projects, mass redundancies, and general decline in economic activities have contributed to the slow down. Even in the forestry sector, which was to have been least affected showed that production fell by 14% and in terms of exports value; it fell to $200 million, the lowest in seven years. This underpins the vulnerability for the economy in relying on a handful of export commodities, and hence the need to diversify.

Inflation

Inflation data for the whole year are not available from the Statistics Division. Nevertheless, data up to May showed the inflation rate was at 6%. This is a significant fall, given that inflation rates up to end of 1999 were above 10% on average. An important contributing factor to this fall is the effect from the stability in the exchange rate. Following the events in June however, there was a general shortage of items in Honiara, and consequently some rise in prices. Towards the end of the year the supply of items increased again. It is expected that prices would have risen above 6%. The deceleration of inflation in the earlier part of the year could have continued had it not been interrupted by the repercussions of the unrest.

While the SI inflation is still high in comparison with its major trading partners and neighbours, the rate of inflation in the first quarter of the year has indicated very positive signs for the economy. Keeping inflation lower is crucial to investment decisions as it reflects the cost of doing business and investing in the country. Lower inflation will ensure international competitiveness of Solomon Islands production sector. This will require an effective coordination between monetary, fiscal, exchange rate, wages and investment policies. It will also require timely production of data. In this connection the government must get the Statistics Division office to function.

External Sector

Up to 1999, Solomon Islands has had four consecutive years of balance of payments surpluses. However, in 2000 the position swung to a staggering $101 million deficit, the highest deficit ever recorded in Solomon Islands economic history. This significant downturn was largely driven by the trade account, which saw exports fell faster than imports during the year - that led to prevalent capital flight. Exports fell by 51% to $352.5 million while imports by only 11% to $469.9 million at end of the year. The weakening of the export sector was attributable to impacts of the social unrest on the major exporting companies in the country. Preliminary figures for the first quarter of this year show that this trend is still continuing.

External Reserves

The negative development in the Balance of Payments resulted in the gross external reserves to plunge by nearly 40% to $156 million at the year-end, from $255 million in the previous year. This is the lowest the external reserves have been in three years. Throughout the year the reserves were falling at the monthly rate of 4%. The exchange controls which were imposed mid year, combined with receipt of some foreign exchange from logging, mitigated what would have been a more dramatic decline. The exchange controls are intended to be temporary only, but in the current circumstances facing the country, they appear to be the only useful instrument. The level of reserves at the year-end represents about two months of import cover compared to the 3 months cover in 1999. As noted earlier, given that exports continue to decline, the reserves have now fallen to just under $118 million at the end of the first quarter of 2001, a further decline of 24%.

Exchange Rate

Exchange rate policy is a very important policy instrument in a small open economy like SI. The policy aim in 2000 was two-fold: first, to pursue the need to protect the competitiveness of the traded goods sector, and secondly, to ensure stability of the exchange rate with the aim to contain inflation. This policy stance was on track for most of the year. However, after June it was impossible to maintain the first policy aim in light of the near-extinction of the export sector, making any action on the exchange rate of no effect. In regards the second aim, the policy has been proven to be successful – as inflation was declining. But after June, another reason for exchange rate stabilisation was adopted: to provide some confidence against a run on the currency.

The Solomon Islands dollar depreciated against the basket. However, cross currency movements were mixed against the individual currencies: against the Japanese Yen and the US$, it depreciated by 9% and 4% respectively, whilst it appreciated by 10% against the New Zealand dollar and 5% and 3% against the Australian dollar and the British Pound respectively. Recently, the Solomon Islands dollar has appreciated against most currencies in the basket. That is due to those individual currencies experiencing significant depreciation against the US dollar, rather than anything to do with the local currency.

Monetary Sector

Developments during the year in the monetary sector were dominated by performance on the external sector and fiscal operations. Offsetting movements between domestic credit and the balance of payments resulted in money supply remaining stable during the year.

Domestic Credit

Total domestic credit increased markedly by 22.7%. All of this is accounted for by net credit to the government from the Central Bank, which grew by 44.8% to $258 million. Net credit to government is a result of changes in holders of Government's auction Treasury Bills stocks unloaded onto the Central Bank, and direct advances by the government, which took the dramatic climb in July. Most of these advances were for payments related to the peace process and ethnic crisis. Private sector credit however, took a lull during the year. This would be explained by the commercial banks' being cautious about further lending, as well as a general decline in demand for credit as a result of the current social and economic situation. Consequently, liquidity in the banking system rose to $61 million at the end of the year.

Interest Rate

The interest rates margin between average deposit and lending rates widened during the year as banks reduced deposit rates but increased lending rates. By the year-end commercial banks' interest rates margins have increased to 12.45% from 10.7% in 1999. This increase is partly explained by the rise in cost of funds to the banks – emanating mainly from the rise in excess liquidity, which could not be, converted to higher yielding assets, and partly due to the inactive loan portfolios of the banking system during the year. The reason is the same as explained above. Interest rates in Solomon Islands are deregulated and the banks are free to set their own rates. The Central Bank is however, concerned about the high interest rate margins and is anxious to see them reduced, and to see real deposit rates increased.

Government Finance

Many of you here are already familiar with the problems in government finances so I do not have anything new to tell you, except that the situation is not improving. It is not very clear how much the recently passed 2001 Budget has done to alleviate the situation.

As expected, due to the adverse repercussions emanating from the social unrest, there was immense pressure, during 2000, on the Government Budget both on the revenues and expenditures. This became very obvious in the latter half of the year as expenditures shot up while revenues nose-dived. The reasons for the decline in revenues, and perhaps even the increase in some expenditures items, can be appreciated. However, as is widely known, an important reason for the present cash flow situation is the widespread granting of discretionary tax exemptions. Also, there have been uncollected revenues from a number of sources due mainly to administrative problems in the revenue departments and other ministries concerned. Expenditures, overtook budgeted estimates in the second half of the year on account of large compensation payments, payment of various danger allowances and other expenses related to the peace process. The resulting substantial fiscal imbalance was financed by cash grants from the Republic of China, targeted assistance by other donors, as well as borrowings from the Central Bank, which consequently exceeded the statutory ceilings under the law. These difficulties further complicated any chances to address chronic inefficiencies in public finances, and thereby appropriate remedial actions to address the fiscal management problems have had to be postponed yet again.

Government Debt & Arrears

Total government debt increased from the previous year by almost $90 million, mostly accounted for by borrowings from the Central Bank. As government revenues faltered, debt servicing also waned during the year. Nevertheless, at year-end debt arrears had been reduced further, except for some build up in external debt arrears, which amounted to $23. 5 million.

Government Securities Market

The government securities market, mainly the weekly auction Treasury Bills market, had been quite active up to and during the first six months of the year. However, in the second half of the year, it began to wobble as the major participants, namely the financial institutions, began to withdraw. The reason for this exit was the loss of confidence in public finances as there was an absence of direction in fiscal policy and it was obvious that there was no management control on fiscal operations.

CBSI Operations

I would like now to say a word about CBSI's activities during 2000.

In earlier sections I have already discussed the Bank's activities on the policy front. A detailed discussion on the Bank's operations can also be found in Chapter 8 (pp52 – 57) of the annual report.

Beginning in 1999, the Bank's operations for 2000 had been geared towards continuing with strengthening and upgrading of our supervisory skills, preparation for extending supervisory oversight of DBSI and NPF, upgrading of the physical security in and around the Bank's headquarters building and preparations for the

Bank's silver jubilee celebrations. However, the events in June had largely dealt a blow to these plans: some of these activities have been scaled down while others have had to be suspended.

On supervision most of the training had been completed. However, in relation to oversight of DBSI and NPF, necessary skills training as well as a number of legal and administrative issues are still outstanding. The Bank is already host to the Office of the Controller of Insurance, although the government's plans to integrate the functions of that office with the Bank's activities have remained unattended to. These will be pursued again this year.

Perhaps of great importance, and requiring urgent attention by the government, is the concern over the exposure of the financial system to the government. At the end of 2000 the position is as follows: commercial banks 40% of their assets; NPF 30% of its members' contributions; and CBSI 32% of its assets. From a supervisory perspective, the prevailing problems in the government's cash flow pose a very real risk to these institutions and the financial system as a whole. In the case of NPF, its real cash flow and balance sheet is yet to be ascertained, but indications are that the Fund is already under enormous cash flow strains.

Meanwhile, another important component of the financial system – the credit union movement – continues to experience hardships. Most credit unions, particularly urban-based unions, have been affected by the social unrest. However, the problems with the umbrella body, the Solomon Islands Credit Union League (SICUL), have yet to be overcome. The Bank has devoted a lot of resources during the year in revitalising SICUL, but these are being recalled, as the Bank cannot be expected to both manage and supervise credit unions.

According to the Bank's calendar, we are due to celebrate the Bank's silver jubilee in June this year. Given the current situation, plans to celebrate this event have been significantly reduced. However, we are going ahead with certain activities, which in any case are necessary. For example, the upgrading of the physical security of the Bank headquarters is paramount, especially during these times. This job was halted for more than seven months but work has resumed and is due to be completed in a few weeks. The building is also undergoing a recoat of painting, which had been due last year. On currency, the long term plan for adding more security and durability to bank notes has began with the $2 and $50 notes. The new versions of these banknotes will be released during the 25th anniversary, when the Bank is also hoping to launch a small currency museum for the public to visit.

You will agree that economic information is vital to decision-making, not only for public policy but also for private investment decisions. Provision of the appropriate information on a timely basis is therefore of essence. We, in the Bank believe that the timely provision of these reports is an important contribution. To this end, we attempt to meet this need by producing a Monthly Bulletin and a Quarterly Review, beside the Annual Report. In that vein also, we will be introducing the Bank's own website to enhance information dissemination. However, the Bank cannot be expected to be substitute for other agencies whose primary responsibility is to provide economic and social data. Sadly, but truly, public policy has lost vision and direction as a result of lack of appropriate information for policy formulation. In this regard, I again urge that necessary steps should be taken to get the Statistics Office in the Ministry of Finance to function again quickly.

IV. Policy Issues and Challenges

In summary, the main developments and policy issues during the year 2000 are as follows:

(a) The economy contracted during 2000, mainly accounted for by a widespread decline in the production sector: this was caused primarily by the social unrest.

(b) The security situation and the subsequent low level of confidence in the enforcement of law and order persisted during the year. This has remained so.

(c) Inflation declined to below double digits, but remained higher than that of our main trading partners and neighbours.

(d) Balance of payments performance deteriorated during the year with falling reserves and a weakening export sector. The downward trend in the external reserves still persists.

(e) Public finances have continued to be weak in the light of falling government revenues as against rising expenditures. This situation is deteriorating; even payroll cannot be met by revenue collections.

(f) The government securities market performed well in the first part of the year, but has started to experience problems in the second half of the year.

(g) Government domestic borrowing rose dramatically, all on account of SIG Advances with Central Bank, leading to the statutory ceiling being exceeded

(h) The banking system remained liquid but there was very little movement in credit as the banks and their clients continue to be cautious.

(i) Investment climate remained subdued due to the persistent law and order situation

(j) Stability of the financial system is at risk in light of the increase in exposure of these institutions to the government. In particular, the NPF situation needs to be taken seriously.

V. Challenges and Future Directions

Year 2001 therefore opened with more challenging circumstances than ever before. To date, all economic indicators have shown that the negative trends still persist: if anything, Solomon Islands circumstances have grown worse. Earlier projections for some recovery in the economy must now be revised downwards. The external reserves continue their downward slide, while government debt arrears are climbing weekly. In the meantime, the government's finances have reached a critical stage where even payroll is being postponed weekly. Security remains a concern to all sectors of the community, while the public and business community is yet to be confident in the enforcement of law and order. All these have a direct negative impact on restoration and prospects for the rehabilitation of the economy and the country as a whole.

Recent developments on the international scene do not bring a lot of hope in an already desperate situation. The Asian Development Bank has forecasted that the next two years, Asia as a region, will experience a down turn in its economy. Much of that is due to the economic and financial woes that are being experienced in Japan, the third largest economy in the world. Similar projections have been made of the US and Australian economies. These are very important economies to Solomon Islands in terms of aid assistance as well as trade. That being the case, Solomon Islands cannot continue to pretend it is exempt from these global developments. SI cannot expect its case to be treated as exceptional. It cannot insulate itself, or else suffer the consequences of being isolated. As the region braces itself to meet these challenges, the SI will have to be prepared to meet these challenges head-on.

Solomon Islands economic circumstances have indeed deteriorated to a critical stage and the prospects are not very bright. However, as evidence has indicated in the 1999 outcomes, with vision and determination, it is possible to stabilise the situation and to revitalize the economy. As alluded to already, the current economic and financial situation has resulted from a legacy of self-inflicted problems, namely, fiscal irresponsibility and the two years ethnic tensions. Without understating the complexities and sensitivities of the two issues, it has to be said that since these two problems were caused on ourselves, it should require us to make the repairs. On the ethnic crisis, while a lot of progress has already been made, there is undoubtedly much yet to be done. Work on this is continuing, and showing progress as well as gaining momentum. However, on the fiscal front, very little headway has been made.

In addressing the prevailing situation, a new approach will be required: one, which will ensure against the usual piece-meal strategies of the past. It will require a program, which will address the fundamentals. There is no doubt in my mind that we know what is wrong, and we know what needs to be done. For too long, there has not been any appropriate policy response. Actions to date have been targeted at the symptoms, not the root cause. In order to deal with the issues comprehensively, it has to be done in the context of a reform program. The creation of the new Ministry of Economic Reforms and Structural Adjustment, is an indication of the government's commitment to resume the reforms agenda. A lot of important lessons can be derived from the previous PSRP and as indicated earlier, some headway has been achieved. Besides, I know that ministry has already taken a lot of initiatives to draw up the agenda. I would encourage Hon Minister Ngele and his staff to press on with the reform agenda.

Ladies and gentlemen, the scope for such a program is a matter for the government of the day to decide on, but the Bank would recommend the following areas as essential items of such an agenda.

Law and order: Restoration of law and order is the first priority because it is most essential to providing a stable environment. The primary objective is to restore public and business confidence in the enforcement of law and order. The current security situation must come under control. All weapons still out at large must be handed in. Criminals must not only be apprehended, but also sufficiently dealt with under the law. The regular police must regain public confidence. Actions and developments on the peace process have been positive to date, but the situation is still fragile hence, current activities to normalize the situation should continue and increased.

Fiscal responsibility: Evidence has shown that a major problem in macro-economic management in SI over the years has been excessive government expenditure, chronic unsustainable deficits and persistent debt accumulation. Actions here will entail in re-prioritisation of expenditures, cap on payroll, strengthen budget process, strict adherence to budget, and revenue enhancement including avoid discretionary forfeiture of important government revenues, ensure efficient and effective collection mechanisms, and apply tax administration on a level playing field. Steps should also be taken to address accountability and transparency objectives.

Restoration of Investor confidence: As noted already, the priority is to bring law and order under control. It is important that the police and judiciary regain the confidence of the public and business sector: that crime is effectively and efficiently dealt with under the law. Steps should be taken to reopen those exporting companies, which are still closed. Some of them may need certain incentives to be able to open, but such incentives should be awarded as packages and across the board. Remove all impediments to investment processing: approval process; laws and regulations need to be streamlined; simplified tax administration applied on a level playing field; establish better land tenure system; encourage SMEs by awarding incentive packages by sector.

Development Partner support. It should be recognized and realized that in the present circumstances, SI will need all the external resources it can get. That will entail maintaining the confidence of development partners, their goodwill and support. If SI is serious about making a change, some of the conditions required by donor partners are actions that SI has to take upon itself anyway. Open dialogue must be established in order to create better understanding and full appreciation of the circumstances. This partnership concept should be extended also locally: at different levels of government, with the private sector, NGOs, churches and local communities.

Tight Monetary policy: This is to ensure against further deterioration in the external sector, by holding on domestic credit, especially central bank lending to government, which will be targeted to reduce. Interest rates will be induced through the auctions market. And appropriate actions will be taken to target lower inflation rates.

Restoration of debt servicing: Government Debt stock should be closely monitored, and steps must be taken to ensure all arrears are regularized. Debt servicing will have to be normalized: to return to the original weekly transfers from the Revenue Account into the Debt Servicing account at the Central Bank. Servicing of SIG Advances with CBSI will be a priority in this exercise. In due course the SIG Security Market is going to be used more actively for monetary policy objectives.

Financial Sector stability: The financial sector is currently heavily exposed to the government: apart from the commercial banks, CBSI and NPF balance sheets and their financial condition are already affected by this overexposure. There is an urgent need now to start the dialogue with the major holders. Aim to bring confidence to the financial sector by making some principle repayments, pay up the debt arrears and continue to service the interest. Confidence must be restored so that the banks can resume lending to the private sector.

Restore government role: The government machinery must be restored so as to ensure it resumes its proper role - of governing. The government will espouse the principles of democracy: good governance; accountability and transparency. It will reassert itself again to providing effective service delivery to the population, and aim to provide an efficient regulatory framework for the private sector. The government machinery will be restored, where the principles of good governance will be practised: a high quality standard in public service cadre; high quality political leadership; corruption and nepotism has been eradicated; where the legal and regulatory framework is effective and efficient; and where the rule of law prevails.

Wage policy: Wage rises in Solomon Islands has become a very important concern, especially for the production sector. Actions here will be to ensure rewarding those who deserve to be rewarded are duly recognised. This will entail the establishment of a policy that ensures wages is tied to productivity rather than being indexed to the CPI.

Establish policy framework: The primary objective here would be to ensure cohesion between all policy arms of government. That will entail identifying the role and functions of each department as well as statutory body, are streamlined. The framework will ensure policies are targeted at the enhancement and strengthening of different sectors of the economy. This will require continuous dialogue and consultation.

Ladies and gentlemen, the foregoing is by no means conclusive. But what I am advocating is the need for policy redirection. Twelve months ago on this occasion, while pointing to some positive developments, I raised concerns regarding the vulnerability with the fundamentals; particularly in light of the simmering ethnic crisis. I am beginning to think that there is too much blame on the social unrest, and the crisis is being used as a convenient excuse not to address the real issues. As I have pointed out earlier, the economy could not recover because the fundamentals have yet to be corrected. I am therefore urging that the reform agenda should be resumed more aggressively. What I am advocating requires real political will and commitment to taking decisive actions. I realise that this is even more demanding on the eve of an election. However, I want to reiterate that the need is not only necessary but also, urgent. We have a problem on hand, which needs to be attended to with seriousness. We cannot afford the time for political bickering and point scoring.

Perhaps we should remind ourselves that the typical man on the street, and those hard working people in the rural areas are fully aware of the country's economic and financial problems. In fact, unlike some people who are thriving on government handouts, they know that the government is already living beyond its means. They do not need to be reminded.

That being the case, they are also aware that there are no easy solutions. I am sure you will agree with me too, that there are no shot-cuts to becoming successful in business or in life except through hard and honest work. This is the drive that we must all have for our country. There are those who preach easy fix-methods to SI problems. Those who go around with promises of millions of dollars from schemes and loan deals, being on offer to individuals, private companies, and including the government. Let me warn us all that SI current circumstances are a fertile ground for activities of con artists. We must be alert and vigilant against these people who are in great supply both locally and overseas. If history can teach us a lesson, SI should have a wealth of experience with quick-fix-schemes and multi million loan proposals.

In conclusion, I would like to acknowledge the contributions of certain people in the final production of the report: firstly, Price Waterhouse Coopers, our external auditors, who made sure the accounts, are properly done. Secondly, the printers for accepting to reschedule the printing after our first schedule last week, and to have the report completed in time for this morning. Thirdly, my thanks, on behalf of the Bank, to the management of the SIBC for availing this venue to us this morning. And lastly, my thanks to my own staff, in particular, those in the Economics Department and the accounting unit, who have tirelessly and relentlessly worked on the various sections of the report over the last several weeks, to make sure we have the 2000 Annual Report completed and available for this occasion.

Ladies and gentlemen, I think I have already overrun your patience, but may I now commend the 2000 CBSI Annual Report to your reading.

May God bless you and thank you for listening.