

## Conference focuses on financial stability and prudential regulation in the Pacific

A conference entitled Financial Sector Stability and Development: The Case of the Pacific Island Countries was held in late February in Apia, Samoa. The conference was cosponsored by the IMF's Office in Tokyo and the Pacific Financial Technical Assistance Centre (PFTAC)—a United Nations Development Program (UNDP) regional project executed by the IMF with cofinancing from Australia, New Zealand, the Asian Development Bank, the Pacific Forum, and Japan—in collaboration with the Samoan authorities. It brought together senior financial officials from the 12 Pacific island countries and representatives of the multilateral and bilateral donors active in the region.

Participants exchanged views on financial sector issues confronting the region and familiarized themselves with the recently introduced international standards, codes, and best practices, as well as the IMF's Financial Sector Assessment Programs (FSAP) and Reports on Standards and Codes (ROSC) exercises. The conference was timely, because a number of Pacific island countries have experienced problems with various financial institutions in their jurisdiction, and some have been urged by the international community to strengthen the supervision of offshore banks and take measures against money laundering and related crimes. The conference thus provided an opportunity to develop a better mutual understanding of how these objectives might be achieved.

### Financial sector

Participants emphasized the importance of better policy coordination between governments and central banks and early restructuring of weak banks, including through equity sales to foreign partners, as some Pacific island countries had done recently. Most participants agreed that reform of provident funds and development banks should also be expedited. More generally, participants reaffirmed that sustaining financial sector soundness and stability is essential for economic development in Pacific island countries.

### Prudential and regulatory issues

Participants underscored the need for improved prudential regulation and supervision, complemented by better self-regulation and internal governance. These improvements are needed especially for financial institutions other than banks, because most banks in Pacific island countries are now foreign owned and supervised from abroad. Given limited resources, participants called for closer cooperation between supervisory bodies in the region and argued that the Pacific Islands

Prudential Regulation and Supervision Initiative should be made operational. This issue will be discussed further during the 2001 Forum Economic Ministers Meeting in June in the Cook Islands. PFTAC, which has been promoting this initiative and serves as its Secretariat, will be assisting the group in preparing discussion points and developing agendas.

### Offshore banking and money laundering

This topic sparked a particularly lively discussion. Financial officials from Pacific island countries with offshore financial centers generally accepted the need to meet international standards of regulation and supervision, including taking decisive action against money laundering and other illicit financial activities. However, they strongly objected to being “blacklisted” without being consulted and called for a more transparent and participatory discussion of their “wrongdoings,” in which they would be treated as equal partners in international arrangements. A representative of the Asia Pacific Group on Money Laundering helped explain the background to the “blacklisting” process and the roles of different organizations in this area.

### Standards and codes

An IMF presentation reviewed FSAPs, ROSCs, and related international codes, standards, and best practices. This was the first opportunity for many officials from the Pacific island countries to hear about these initiatives in detail and to consider the implications for their countries. While they generally supported the objectives of the initiatives, they indicated they would need greatly increased levels of technical assistance to understand the implications of these standards for their countries and to adhere to them.

### Review of technical assistance

The conference was followed by a one-day meeting to launch the Strategic Review of Technical Assistance in Economic and Financial Management in the Pacific. This review will assess the adequacy and appropriateness of current and planned economic and financial technical assistance to the region from all sources. Its findings will, among other things, help define the future responsibilities of PFTAC, for which all participants expressed strong support and which they see as



Conference hosts (from left): Kunio Saito, Director of the IMF's Regional Office for Asia and the Pacific; Hianauri Petana, Financial Secretary, Samoa; and Klaus Riechel, PFTAC Project Coordinator.

playing a critical role in the prioritization and coordination of technical assistance in the region. At its January 5 meeting, the IMF's Executive Board strongly supported the IMF's intention to expand the use of regional arrangements as a means of better prioritiz-

ing technical assistance, fostering greater ownership of technical assistance operations, and ensuring more effective planning and implementation of technical assistance in coordination with others. ■

Nigel Bradshaw, IMF Technical Assistance Office

Members drawing on the IMF "purchase" other members' currencies or SDRs with an equivalent amount of their own currency.

### Stand-By, EFF, and PRGF Arrangements as of April 30

Member	Date of arrangement	Expiration date	Amount approved	Undrawn balance
(million SDRs)				
<b>Stand-By Arrangements</b>				
Argentina <sup>1</sup>	March 10, 2000	March 9, 2003	10,585.50	6,751.19
Bosnia and Herzegovina	May 29, 1998	May 29, 2001	94.42	13.99
Brazil <sup>1 2</sup>	December 2, 1998	December 1, 2001	13,024.80	5,155.65
Croatia	March 19, 2001	May 18, 2002	200.00	200.00
Ecuador	April 19, 2000	June 30, 2001	226.73	113.38
Estonia	March 1, 2000	August 31, 2001	29.34	29.34
Gabon	October 23, 2000	April 22, 2002	92.58	79.36
Latvia	April 20, 2001	December 19, 2002	33.00	33.00
Lithuania	March 8, 2000	June 7, 2001	61.80	61.80
Nigeria	August 4, 2000	August 3, 2001	788.94	788.94
Pakistan	November 29, 2000	September 30, 2001	465.00	210.00
Panama	June 30, 2000	March 29, 2002	64.00	64.00
Papua New Guinea	March 29, 2000	September 28, 2001	85.54	18.89
Peru	March 12, 2001	March 11, 2002	128.00	128.00
Sri Lanka	April 20, 2001	June 19, 2002	200.00	96.65
Turkey <sup>1</sup>	December 22, 1999	December 21, 2002	8,676.00	4,742.90
Uruguay	May 31, 2000	March 31, 2002	150.00	150.00
<b>Total</b>			<b>34,905.65</b>	<b>18,637.09</b>
<b>EFF Arrangements</b>				
Bulgaria	September 25, 1998	September 24, 2001	627.62	52.32
Colombia	December 20, 1999	December 19, 2002	1,957.00	1,957.00
FYR Macedonia	November 29, 2000	November 28, 2003	24.12	22.97
Indonesia	February 4, 2000	December 31, 2002	3,638.00	2,786.85
Jordan	April 15, 1999	April 14, 2002	127.88	91.34
Kazakhstan	December 13, 1999	December 12, 2002	329.10	329.10
Ukraine	September 4, 1998	August 15, 2002	1,919.95	1,017.73
Yemen	October 29, 1997	October 28, 2001	72.90	26.40
<b>Total</b>			<b>8,696.57</b>	<b>6,283.71</b>
<b>PRGF Arrangements</b>				
Albania	May 13, 1998	July 31, 2001	45.04	4.71
Benin	July 17, 2000	July 16, 2003	27.00	16.16
Bolivia	September 18, 1998	September 17, 2001	100.96	56.10
Burkina Faso	September 10, 1999	September 9, 2002	39.12	22.35
Cambodia	October 22, 1999	October 21, 2002	58.50	33.43
Cameroon	December 21, 2000	December 20, 2003	111.42	95.50
Central African Rep.	July 20, 1998	January 19, 2002	49.44	24.96
Chad	January 7, 2000	January 6, 2003	36.40	26.00
Djibouti	October 18, 1999	October 17, 2002	19.08	13.63
Ethiopia	March 22, 2001	March 21, 2004	86.90	69.52
FYR Macedonia	November 29, 2000	December 17, 2003	10.34	8.61
Gambia, The	June 29, 1998	December 31, 2001	20.61	6.87
Georgia	January 12, 2001	January 11, 2004	108.00	90.00
Ghana	May 3, 1999	May 2, 2002	191.90	120.85
Guinea-Bissau	December 15, 2000	December 14, 2003	14.20	9.12
Guyana	July 15, 1998	July 14, 2001	53.76	28.88
Honduras	March 26, 1999	March 25, 2002	156.75	64.60
Kenya	August 4, 2000	August 3, 2003	190.00	156.40
Kyrgyz Republic	June 26, 1998	June 25, 2001	73.38	28.69
Lao People's Dem. Rep.	April 25, 2001	April 24, 2004	31.70	27.17
Lesotho	March 9, 2001	March 8, 2004	24.50	21.00
Madagascar	March 1, 2001	February 29, 2004	79.43	68.08
Malawi	December 21, 2000	December 20, 2003	45.11	38.67
Mali	August 6, 1999	August 5, 2002	46.65	33.15
Mauritania	July 21, 1999	July 20, 2002	42.49	24.28
Moldova	December 15, 2000	December 20, 2003	110.88	92.40
Mozambique	June 28, 1999	June 27, 2002	87.20	33.60
Nicaragua	March 18, 1998	March 17, 2002	148.96	33.64
Niger	December 14, 2000	December 21, 2003	59.20	50.74
Rwanda	June 24, 1998	January 31, 2002	71.40	19.04
São Tomé and Príncipe	April 28, 2000	April 28, 2003	6.66	4.76
Senegal	April 20, 1998	April 19, 2002	107.01	28.54
Tajikistan	June 24, 1998	December 24, 2001	100.30	28.02
Tanzania	March 31, 2000	April 3, 2003	135.00	75.00
Vietnam	April 13, 2001	April 12, 2004	290.00	248.60
Yemen	October 29, 1997	October 28, 2001	264.75	94.75
Zambia	March 25, 1999	March 28, 2003	254.45	199.51
<b>Total</b>			<b>3,298.49</b>	<b>1,997.33</b>
<b>Grand total</b>			<b>46,900.71</b>	<b>26,918.13</b>

<sup>1</sup> Includes amounts under Supplemental Reserve Facility.

<sup>2</sup> The amount agreed and the undrawn balance include SDR 9,117.36 million and SDR 2,604.96 million, respectively, under the Supplemental Reserve Facility which expired on December 1, 1999.

EFF = Extended Fund Facility.

PRGF = Poverty Reduction and Growth Facility.

Figures may not add to totals owing to rounding.

Data: IMF Treasurer's Department