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Statement by the Hon. **CASMIR REMENGESAU,**
Governor of the Fund and the Bank for the **REPUBLIC OF PALAU,**
on Behalf of the Federated States of Micronesia, Kiribati, Republic of Marshall Islands, Republic of Nauru, Republic of Palau, Samoa, Solomon Islands, Tuvalu, and Vanuatu

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Governor of the Fund and the Bank for the Republic of Palau,
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Mr. Chairman,
Fellow Governors,
Ladies and Gentlemen:

The 2016 Annual Meetings of the International Monetary Fund and the World Bank Group presents the member-states of both institutions a rare and important occasion to address their development aspirations and challenges for both the Bank and the IMF to focus on addressing in the coming year. ***Our group, comprising the Federated States of Micronesia, the Republic of Kiribati, the Republic of the Marshall Islands, the Republic of Palau, the Independent State of Samoa, the Solomon Islands, Tuvalu, Republic of Nauru and the Republic of Vanuatu, makes up the largest group of Pacific Islands countries within the World Bank and the International Monetary Fund, and are a conglomeration of diverse but shared challenges and opportunities***.

Our countries in the Pacific region continue to face a combination of constraints, external shocks and internal challenges that render our ongoing attempts to achieve sustainable, inclusive growth, a constant far-fetched goal. Economic growth in the Pacific has been considerably slower than in our neighboring Asian countries, particularly with annual growth rates highly volatile in smaller Pacific economies such as ours. GDP growth has generally averaged around 2 percent. We have long recognized these inherent constraining structural factors such as small market size and geographical isolation, but our continued engagement and partnership with the Bank and the IMF has shown that innovation and more determination can overcome these constraints. Since 2000, the Pacific region has benefited from the economic surges of neighboring Asia and our traditional trading partners of Australia, New Zealand and the United States. The successes of the initial fifteen years of this century should be well learned from to further advance more economic opportunities for our Pacific economies, and we look to seeing more vibrant support from both the Bank and the IMF to exact more economic and social gains from trade and positive spillover effects of Asia's and the world's growth.

The Bank and the IMF have been working closely with our countries in supporting sustainable economic growth and long term reform. This has been done through a number of aspects and is widely appreciated. But, we still have an unfinished reform agenda. The momentum must be reinvigorated to extensively engage relevant specialized entities of the Bank and the IMF to truly detach the public sector's major role in our economies. There are potentials in transport infrastructure and ICT infrastructure where we are now seeing initial gains of reducing barriers to private investments that promote more efficient flow of goods and services. Foreign investment in general and investments in seaports and airports development or expansion works are crucial to facilitating trade in the Pacific region. The Pacific DMCs, through both regional and individual approaches, are committed to strengthening our policy and institutional environments and do call on more proactive engagements of the relevant entities of the World

Bank and IMF to elevate the reform agenda that can forge stronger linkages to reaping the positive spillovers of regional and global economic growth. Our members look forward to continuing to work with both the IMF and World Bank to address this agenda.

We aspire to bring innovation and more entrepreneurship to our Pacific economies, and we recognize the tradeoffs in terms of environmental impacts we must accept. However, the greatest barrier to our economic adaptation and innovation to generate wealth by finding new ways to adding value to our land, labor and natural resources comes with our environmental vulnerability. The financial cost and the long-term impact from climate induced disasters would be devastating to the small scale economies of pacific countries. Thus, we note the outreach and success of the Bank's work under the IDA Crisis Response Window and the Pacific Disaster Risk Financing and Insurance Program and would only urge the extension and affordable retrofitting of these programs to factor in the limited financial abilities of Pacific Developing Member Countries (PDMC) to subscribe to the PDRFIP or other related facilities under the Bank's Pacific Resilience Program (PREP). Also, we encourage the Bank and the Small States Task Force to actively leverage other development partners' potential contributions to implementing the initiative, including support from the Green Climate Fund or any climate financing mechanisms. Moreover, we would expect the Bank and the IMF to take a more proactive role in operationalizing the Pacific Island Forum's "*Framework for Resilient Development: An Integrated Approach to Address Climate Change and Disaster Risk Management (FRDP)*". The framework sets in the coming years a collective platform of guidance by which the Bank, the IMF and other development partners could effectively support the implementation of climate change and disaster risk resilience in the region's member countries and provides a framework for the Pacific Resilience Partnership. As more climate induced natural disasters become more frequent, the role of the Bank and the IMF will become more critical in realizing our long-term economic growth. As in the case in Vanuatu last year when recovering from devastation caused by a cyclone, the IMF stepped in to assist through the provision of funds to underpin reserves and hence confidence.

The PMDCs were a trailblazer in the formulation of the Sustainable Development Goal 14 and its associated targets. We note the Bank's budding role in supporting the ocean's health, particularly with its convening role in hosting the Secretariat of the Global Partnership for Oceans up until early 2015, and would urge a more profound role to adopt more programmatic and regional financing to prioritize and implement sustainable ocean investment.

The Bank notes in its Partnership Strategy with the Pacific that WBG lending in the region is second to the Asian Development Bank. While we can appreciate the complementary nature of that position, we would still call upon the Bank to substantially revisit its graduation policy in relation to financing access and associated requirements for the PDMCs. We welcome the historically high levels of IDA grant funding that have been extended to some PDMCs and would argue that their varying development contexts, despite their improving GNI grades used to transition them from low to middle income, still require much longer provisioning of IDA grants and additional different degrees of concessional lending. In terms of borrowing, we believe more concessionary lending of simpler requirements can further elevate PDMCs development. In a simple snapshot, many of our PDMCs are now classified as middle-income countries

(MICs) by the Bank, and yet have to meet the same degree of requirements as other bigger MIC economies in accessing IBRD financing.

The PDMCs of our Bank constituency are extremely delighted to have seen the Bank take a serious look into possible tourism sector development in the Pacific region, as evidenced in the commissioning of the Pacific Possible- Tourism. The Tourism edition of the Pacific Possible rightly states, "tourism is one of the few economically viable sectors for the 11 World Bank Pacific member countries." We are 10 of those 12 PDMCs, and we have been working hard to develop our tourism sector so we can eliminate poverty and increase shared prosperity. We note the comprehensive analysis on the transformational opportunities that can substantially enhance economic growth in the PDMCs and are prepared to work with the Bank and our development partners to realize the potentials of this sector in our respective countries and for the region. The Bank with its own pool of expertise, resources and convening powers can play an instrumental role in supporting tourism sector development in the PDMCs.

The PDMCs continue to recognize the important role played by the IMF in supporting regular macroeconomic monitoring for our PDMCs and the provisioning of important technical assistance through the PFTAC. We will continue to encourage this role to ensure technical assistance provided for capacity building is an ongoing effort.

Finally, we recognize the leadership the IMF has taken to address the banking issues that most of our countries are facing, specifically the issues of de-risking and correspondence banking relationships. We encourage the IMF to continue to monitor de-risking in the context of its surveillance, collaborate with other international institutions to facilitate dialogue among stakeholders, and analyze and advance potential solutions.

Mr. Chairman, I would like to conclude by thanking the Bank's and the IMF's management and staff for their commitment and support to our member countries. We look to further nurturing the partnership for the benefits of our people.

Thank you all for your attention.