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Governor's Statement No. 14

October 12, 2018

Statement by the Hon. **DENTON RARAWA**,  
Governor of the Fund for the **SOLOMON ISLANDS**,  
on Behalf of the Federated States of Micronesia, Kiribati, Marshall Islands, Nauru,  
Palau, Samoa, Tuvalu, and Vanuatu

**Statement by the Hon. Denton Rarawa,**  
Governor of the Fund for the Solomon Islands,  
on Behalf of the Federated States of Micronesia, Kiribati, Marshall Islands, Nauru, Palau,  
Samoa, Tuvalu and Vanuatu

**Mr. Chairman,  
Fellow Governors, and  
Ladies and Gentlemen:**

1. At the outset, let me extend our heartfelt condolences to the people of Indonesia, especially the afflicted families, who are mourning the loss of their loved ones from the recent tragedy of the earthquake that recently hit Indonesia.
2. We converge here in Bali, Indonesia for the 2018 Annual Meetings of the World Bank Group and the International Monetary Fund with scores of accomplishments to demonstrate the power of international cooperation that is manifested through the successful works carried out by both of our prominent global development institutions. In appreciating our institutions' successes across the globe, we remain determined to carefully examine our development agenda to ensure that new and evolving development challenges faced by our developing countries are adequately and timely addressed. We, the group of developing Pacific island member-states, do acknowledge the tremendous contributions the World Bank and the IMF have lent to our development aspirations, renew our commitments to strengthen our partnership, and rely on this annual gathering to share our collective views on how we can best achieve the Sustainable Development Goals and realize the twin goals of the World Bank Group.

**IBRD and IFC Capital Increase**

3. We welcome the latest capital increase discussions and the associated effort to direct more IBRD and IFC resources toward the developing countries and look to delivering on our obligations in supporting the Bank's achievement of its twin goals. We support a successful implementation of the capital package commitments and urge subsequent resolution of Palau and Nauru's challenging position in the Bank with their unresolved quest to gain access to meaningful development financing from the Bank.

**IDA18 and Midterm Review**

4. We appreciate the IDA commitments to the Bank's Pacific IDA-eligible countries and note the active Pacific portfolio involving a growing number of projects with accompanying implementation capacity support to ensure optimal development outcomes for our member states. We look to the IDA Midterm Review in November and renewing our commitments to achieving maximal development outcomes for our countries.
5. The innovativeness and flexibility of IDA to correspond to clients' needs should continue to leave no one behind in the Pacific, especially those among us

considered to be gap countries that are stuck in the middle- classified as upper middle income (UMIC)- with similar development challenges the IDA-eligible Pacific member states are confronting. Just as IDA has been flexible and innovative to respond to provide transitional support for IDA graduates still grappling with poverty and prevailing vulnerabilities, we call on IDA to extend similar treatment to Palau and Nauru, who share common but differentiated vulnerabilities to economic and climate change shocks and simply lack access to WBG development financing.

### **Human Capital**

6. The Bank's Pacific countries are major migration senders whose contributions through remittances and skills repatriation home make up significant contributions to our socio-economic gains. We continually endeavor to scale up at home our human capital investments, and while we are nowhere near the ideal human capital indices exemplified by many of our neighboring Asian and the OECD economies, we recognize the limitations we have in fully nurturing our human capital. We continue to chase the daunting task of improving the “quality” and “quantity” tenets of our education and health sectors, while we still struggle to create meaningful jobs for our people. At the same time, pressures from technological advancements and climate change threats are also at our doorsteps to impose additional adaptation challenges.
7. With that perspective in mind, we welcome the launch of the World Bank's Human Capital Project (HCP) and look to partaking in it. We welcome the development of the Bank's Human Capital Index and will work to provide consistent data support to this important exercise. The Bank, as well as the Fund, in its decades of development support has always worked to improve human wellbeing, but this HCP should evolve to become the institution's cornerstone for the adoption of a strong human capital approach to development. We commend the Bank for pioneering this important work to human development outcomes and reiterate our commitment to engaging the Bank to refine our national strategic approaches to elevating our human capital outcomes.

### **Enhancing Connectivity and Financial Technology (FinTech)**

8. For over a decade the Bank had supported and continues to support international broadband connectivity of many of its member states, offering them a gateway to the digital economy. We can anticipate that in the coming decade or less, the entire Pacific community of World Bank member states will be all connected through the global broadband system. The onset of this technological gateway has offered greater opportunities for many of our Pacific states to accelerate their access to and attain affordability in a range of essential services in critical sectors like health and education. However, the essential broadband connectivity infrastructure on the ground across the Pacific has yet to be fully developed to capture such opportunities. We call on the Bank to work with our Pacific member states to take an integrated approach to ensure that the broadband connectivity investments come with the necessary “hard” and “soft” infrastructure components that would allow for optimal realization of digital economy across the Pacific member states. The surge in investments in telecommunications backbone

infrastructure is being complemented with widespread reforms in the related legal and regulatory environments, and further investments are needed in the connectivity agenda to develop stronger ICT sector of knowledge and application capacity that support entrepreneurial ecosystem across the Pacific.

9. Our Pacific member states' investments in international broadband connectivity offer opportunity to develop stronger digital components of our economy, whether it be e-commerce or financial technology. On the latter we welcome the Bali FinTech agenda and look to undertaking the necessary collaboration with the Bank and the Fund to create the necessary environment in our economies to gain the rapid advances in digital technology and their transformative effects on our economic and financial landscapes. We look to working with both the WBG and the IMF to realize the greater potential of FinTech in supporting development of our financial sectors, including possible solutions it holds for our correspondent banking and remittance transfer challenges.

### **Debt Sustainability**

10. Furthermore, on debt sustainability, while many of our member countries have strengthened debt management strategies, the risk of debt distress remains elevated due to structural factors. However, an improvement in the Debt Sustainability Analysis (DSA) methodology that incorporates the effects of natural disasters into the baseline forecasts provides a more realistic outlook for the likely path of our economies.

### **Climate Change and Threat to Natural Disaster**

11. Finally, despite positive developments seen in many of member countries over the recent years, PICs continue to face risk of persistent threat to climate change and natural disaster. The Pacific is one of the World's most disaster-prone regions, and PIC's are highly vulnerable to storms, earthquakes, volcanic activity, floods, droughts, and landslides. Natural disasters often have devastating economic impacts; they can reduce annual GDP by more than 10 percent and affected country can take years to fully recover. On this regards, we welcomed the support rendered by the World Bank to the PICs on disaster risk management through early warning systems: critical to protecting lives, livelihoods and assets and the Building Back Better: for long term resilience initiative. We also welcomed the Bank to mobilize other sources of development financing mechanisms for climate and disaster response.
12. To conclude, our Pacific group of island-states would like to express its gratitude to the Government of Indonesia for hosting the Annual meetings. We also wish to thank Minister (Ms.) Sri Mulyani Indrawati for her stewardship as Chair of the Development Committee the last two years and welcome the succeeding Chairman, Mr. Ken Ofori-Atta, Minister of Finance of Ghana. Finally, we would like to extend our collective gratitude to the Bank and the IMF management and staff for their endless commitment and support to our Pacific member countries. We look to continually working with them to further advance our development agenda.