



**ANNUAL
MEETINGS**
2019 | WASHINGTON DC
WORLD BANK GROUP
INTERNATIONAL MONETARY FUND

Governor's Statement No. 19

October 18, 2019

Statement by the Hon. **SEVE PAENIU**,
Governor of the Bank and the Fund for **TUVALU**,
on Behalf of the Federated States of Micronesia, Kiribati, Marshall Islands, Nauru,
Samoa, Solomon Islands and Vanuatu

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

It is with great honor that I present this statement to the 2019 Annual Meetings of the International Monetary Fund and the World Bank Group, representing the 9 Pacific Island Countries (PICs) of the Federated States of Micronesia, Kiribati, Marshall Islands, Nauru, Palau, Samoa, Solomon Islands, Vanuatu and Tuvalu.

Global Outlook

We congregate here at a critical moment when the global economy is growing at its lowest rate since 2010, and the outlook is precarious. This is a direct consequence of heightened trade tensions, prolonged policy uncertainties and adverse geopolitical developments. Multilateralism is increasingly being challenged in favor of nationalist principles at a time when the world must come together to mitigate risks and support growth. Business confidence, investment decisions and global trade are being negatively impacted, and have the potential to destabilize global financial markets.

Despite our geographic isolation from markets, PICs remain highly vulnerable to external economic shocks due to their distinctive features of narrow production bases, limited resources, inadequate institutional capacity and high dependency on imports and external assistance. In addition, exposure to environmental shocks like natural disasters and slow onset effects of climate change makes our island economies exceptionally fragile.

Against that backdrop, we come with high expectations that the focus should be on easing trade relations to safeguard economic growth, reigniting renewed commitment to multilateralism to collaborate on global challenges such as climate change, and emphasizing the roles IMF and the WBG in building the resilience of member countries. We believe the time to act together is now and there is no room for complacency.

Mr. Chairman, please allow me to highlight some key priorities of the PICs which we think align with the mandates of the Fund and the Bank.

The Blue Pacific Continent

Earlier this year leaders of the Pacific gathered in Tuvalu to renew their commitment towards securing the future of the Pacific through sturdier regionalism and the building of a strong Blue Pacific Continent, one that is grounded on the fundamental principles of inclusivity and equality. As custodians of the largest portion of the Pacific Ocean, blessed with some of the world's richest biodiversity and marine resources, we recognize the strategic value and unprecedented opportunities this natural endowment presents. We are very conscious of our shared responsibilities to protect and sustainably manage this regional asset for the benefit of our people. At this juncture, the Blue Pacific Continent is attracting a lot of external interest and we therefore seek genuine and durable partnerships in this space to help unlock the region's full growth potential, and they must be based on trust, mutual understanding, and a collective ambition to achieve sustainable outcomes for the region.

Climate Change

Climate change remains the single greatest threat to the livelihoods, security and wellbeing of the Pacific peoples, despite the region contributing the least to its root cause. For low-lying small island nations, the climate crisis poses a real existential threat. Increased severity and frequency of natural disasters can have large and long-lasting macroeconomic effects, often resulting in major output growth setbacks and significant rise in public debts. The very ocean that serve as the basis of livelihoods for Pacific peoples is most susceptible to the effects of climate change. We therefore welcome the continued commitment of the Fund and the Bank on adaptation efforts.

On the adaptation front, there has been notable progress made in building structural resilience in the region, but much remains to be done. In this respect we welcome the engagement by the Fund and the Bank in the adaptation space to help countries better understand the real cost of the resilience investment gaps. We call for the extension of the Climate Vulnerability Assessment (CVA) and Climate Change Policy Assessment (CCPA) pilots to other Pacific countries. These toolkits will greatly support in leveraging additional climate and development finance due to the high cost improving infrastructure resilience and lack of fiscal space as PICs are already in high risk debt stress situations.

We encourage the Bank and the Fund to build the capacity of Pacific Small States to improve access to global climate funds to meet their adaptation needs.

Debt Sustainability

Debt sustainability remains a challenge for our members countries, in the face of increased downside risks from the effects of natural disasters and climate change. The incorporation of the effects of natural disasters in the Debt Sustainability Framework provides a clear pathway for our economies. We understand that a new comprehensive framework on managing debt vulnerabilities in countries through the Sustainable Development Finance Policy is being developed. We note that a key consideration in operationalizing this approach is to strengthen linkages between the IDA allocation

framework and incentives for countries to enhance debt sustainability and vulnerabilities. Due to the vulnerabilities of our member countries we want to ensure that this new framework establish a path of sustainable development finance that enhances progress toward achieving the 2030 Development Agenda and strengthens capacity to manage debt vulnerabilities, but at the same time not restrain us from much needed development in our small economies.

Small Island Economies Exception

Mr. Chairman, we welcome the Bank's commitment to support small island economies by its approval of a refined framework for small island economies to access highly concessional IDA funding. The revised policy provides a pathway for entry and exit for IBRD small island economies to benefit from the exception based on their vulnerability to natural disasters and climate change. We support this new exception accorded to the small island economies, however we continue to seek the Bank's commitment to serving its most vulnerable members by finding an amicable way for Palau and Nauru to have access to bank resources to address their development challenges.

Corresponding Bank Relations (CBR)

Access to financial services in small states of the Pacific is still behind and need improvement. Corresponding banking and cost of remittances transfers remained on of the key priorities for many Pacific islands. There is concern among Pacific member countries on the withdrawal of corresponding relationships and the high cost of transfers on remittances and savings to the islands. As a result, there are opportunities for the IMF to build capacity in Pacific member countries, strengthen cooperation among banks and money transfer operators and also leveraging financial technology. The current dialogue to address on various solutions to address risk and profitability in CBRs banks and money transfer operators shall continue with concrete actions.

International Development Assistance 19 (IDA19)

We understand that progress is made on the IDA19 replenishments. We appreciate that climate change, gender and development are integral themes of the replenishments. We reiterate the importance of maintaining the level of allocation for our member countries and ensuring our members benefit from the crisis response window to facilitate trade, find regional solutions for challenges facing multiple countries, harmonize policies, and promote global public goods. We also encourage the Bank to work with our member countries to prioritize the IDA19 allocation to enable smooth implementation.

Capacity Development

PICs have continued to benefit from capacity development interventions by the Fund and Bank. Capacity development have positively contributed to building strong institutions that supports inclusive growth goals and productivity enhancing reforms. Characterized by small administrations facing continuous high staff turnovers, PICs will continue to need practical training and technical assistance from the Fund and the Bank. To maximize effectiveness and impact, we see merits in promoting the full involvement of authorities in

the design of capacity development interventions to ensure they are tailored to country specific circumstances, aligned with national priorities and paced according to the varying degrees of absorptive capacities of PICs. Complex technical advice needs to be unpacked and better translated for policy-makers to enhance ownership and implementation success.

I wish to conclude by reaffirming our confidence in the WBG and IMF and their ability to continue serving their smallest and most vulnerable member states, especially in these times of increased uncertainty in the global economy. We thank the Bank's and Fund's Boards, managements and staff for their continuous support to PICs.