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WBG Governor's Statement No. 12

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Statement by the Hon. **JOHNNY KOANAPO RASOU**,
Governor of the Bank for **VANUATU**, **ON BEHALF OF THE FEDERATED STATES OF
MICRONESIA, KIRIBATI, MARSHALL ISLANDS, NAURU, PALAU, SAMOA, SOLOMON
ISLANDS AND TUVALU**

Statement by the Hon. Johnny Koanapo Rasou,
Governor of the Bank for Vanuatu,
on Behalf of the Federated States of Micronesia, Kiribati, Marshall Islands, Nauru, Palau,
Samoa, Solomon Islands and Tuvalu

Mr. Chairman,

Fellow Governors,

Ladies and Gentlemen,

It is an honor for me to present this statement on behalf of the nine Pacific Island Countries (PICs) of the Federated States of Micronesia, Kiribati, Marshall Islands, Nauru, Palau, Samoa, Solomon Islands, Tuvalu and Vanuatu.

I would like to take this opportunity to thank the World Bank Group and International Monetary Fund for the organization of this annual event in a virtual format, during this unprecedented time in our history.

Impact of COVID19 on our Economies

The PICs are facing an unprecedented social and economic crisis as a result of COVID-19. The collapse in our tourism sector, falling commodity prices and declining remittances have contributed to the increase in poverty and unemployment. This is further exacerbated by the impact of natural disasters such as Tropical Cyclone Harold, which causes widespread damage in several of our countries earlier this year. This demonstrates the magnitude of vulnerabilities that the PICs are facing, especially, when trying to marshal resources to revamp our health systems in preparation of containing COVID-19 and at the same time sustain our economies.

It is expected that growth in the PICs will contract in 2020 as travel restrictions severely impact tourism, trade in goods and services and remittance. Whilst most of the PICs remain free from COVID-19, the health measures imposed by health authorities to control the transmission of the virus has resulted in restrictions on travel, business operations and people-to-people interactions have brought the economy to a standstill. The decline in tourist arrivals meant a lot of small businesses supporting the tourism industry are also

affected, leading to thousands of our citizens without jobs. This has placed additional pressure on our governments to mobilize our limited resources to support livelihoods and social protection, while at the same time increase health spending for preparedness and containment response.

Against this backdrop, we commend the Bank for its speedy response to our member countries through the COVID19 Fast-Track Facility. The financial resources and knowledge provided by the Bank has strengthen our preparedness and containment response to the pandemic. We encourage the Bank to continue to engage with our governments to implement existing projects and those in the IDA19 pipeline, as this will create job opportunities for our citizens, while waiting for our economies to fully recover from the impact of this pandemic.

In order to stimulate recovery, we encourage the Bank and IMF to provide policy advise and increase financial support to help countries strengthen their social safety nets and facilitate the movement of capital and labor toward sectors that will be productive and sustainable post-pandemic. We will need resources and expertise from the Bank and IMF to invest in new sectors of our economy such as the knowledge economy and fisheries. The digital economy can be a driver of innovation, competition and growth for our entrepreneurs and small and medium-sized enterprises after this pandemic. Furthermore, we encourage the Bank to support the mobilization and crowding in of private capital and finance, with innovative products from IFC and MIGA, to create markets and promote investments and quality infrastructure for a broad-based recovery and long-term growth.

COVID Vaccine

We commend the Bank for its recent effort in providing additional financial resources through IDA and IBRD to support countries to purchase vaccines and its deployment. We encourage the Bank to ensure that PICs have fair, equitable, and affordable access to these additional resources to enable us to purchase vaccines and therapeutics in a timely manner. It is equally important for the Bank to support countries to strengthen their health systems in preparation for effective distribution of vaccines when they become available.

We recognize the global public good nature of Covid19 vaccine and the intense competition to have access to the vaccines. Due to our limited knowledge of the international market for drugs and vaccines, PICs are partnering with UNICEF and ADB

for the bulk procurement of vaccines. Therefore, we encourage the Bank to coordinate its efforts with those of UNICEF, ADB and COVAX to ensure that there is fair and equitable access for PICs. This will also eliminate any duplication of efforts and ensuring that no country is left behind.

Debt Service Suspension Initiative

Debt sustainability remains a challenge for PICs, especially in the face of COVID-19 and the effects of natural disasters and climate change. The wrath of climate change and natural disasters has forced us to borrow frequently to rebuild our economies, but the impact of COVI-19 will worsen the situation for some of our countries. As such, we welcome the G20 ingenuity to provide Debt Service Suspension Initiative to eligible countries, as it provides some breathing space for governments to redirect freed up resources to combat COVID19.

We acknowledge the active support and work that the Bank and IMF are doing in implementing DSSI to free up fiscal space to increase deployment of resources to tackle COVID-19 for participating countries. While this is a great initiative, the number of participating countries in the Pacific is limited, as most of our member countries have debts with MDBs. To this end, we encourage the World Bank Group and other MDBs to participate in this initiative. This will enable most of our countries to participate and benefit from this initiative.

Furthermore, we support any extension of the current debt service suspension moratorium. We encourage the Bank and IMF to work with G20 to persuade private creditors to also participate in the DSSI. Whilst, we appreciate the efforts of the Bank and IMF on this initiative, the challenge for many countries is the issue of insolvency and inability to pay for their debts no matter how long the moratorium last. Therefore, it is crucial that the multilateral financial institutions consider debt forgiveness and debt swap for climate change and environmental protection initiatives as options. In exchange for debt forgiveness, PICs will commit to invest the accrued savings in conservation initiatives and climate change related expenditures. Debt swaps can mobilize resources to protect our natural environment, while at the same time reduce the debt burden for PICs. These measures will ensure that countries have adequate fiscal space to weather not only the current crisis, but also to finance the implementation of sustainable development priorities.

Climate change

Climate change continues to be an important agenda for PICs owing to many of its it low-lying islands. It is the single greatest threat to our generation as it affects livelihoods, security and the wellbeing of our people. The severity and frequency of natural disasters has gigantic implications for our economies, including its disproportional impact on the poor and vulnerable, in particularly women, who lack sufficient social safety nets to rebound after each crisis. The COVID crisis has only exacerbate the impact of the climate crises on the poor and vulnerable, including the diversion of resources away from improving infrastructure resilient and other adaptation initiatives.

We are pleased to note that the Bank remains committed to tackling climate change as it affects most of the world's poorest and most vulnerable by ramping up its financial and technical support to countries to step up climate action as part of its climate change action plan. The gradual increase in the Banks climate finance from 20 percent of lending in 2016 to 28 percent in 2020 is commended. Despite this assurance, access to climate finance continues to be a challenge for PICs due to the complexities and administrative requirements of accessing the different instruments for climate financing. Therefore, we call on the Bank to work with PICs to build our capacity to navigate the fragmented international climate finance architecture and strengthening financial planning and building government capacity to prepare for natural hazards and climate-induced disasters.

IDA19

We welcome the Banks' initiative to frontload IDA19 to help developing countries address the impact of COVID-19. We also welcome the expanded eligibility criteria for IDA19 private sector window to support IDA Gap countries and small state blend countries which a disproportionately impacted by COVID19. While most of our IDA member countries have access to the private sector window, we continue to implore the Bank to find ways to assist our IBRD member countries that do not have access to Bank resources due to their lack of creditworthiness, in order for them to address issues related to COVID19, thereby fulfilling the Banks objective of "leaving no one behind".

Human Capital

We commend the Bank for the inclusion of all our member countries in the updated Human Capital Index, as it will serve as a snapshot of human capital development in the Pacific before the COVID-19 crisis. Human capital continues to be our most valuable asset. Therefore, it is essential that the Bank continues to work with our governments to develop our human resources.

In order for us to reignite our economies and raise the standard of living of our citizens after this pandemic, we encourage the Bank to bolster its efforts by making sure that small countries such as ours have equitable access to COVID-19 vaccines and therapeutics. Similarly, to mitigate the impact of the pandemic on education, we encourage the Bank to assist our member countries through its resources and knowledge to help our schools reopen quickly and safely. We also encourage the Bank to assist our countries implement remote-learning strategies, including the use of online resources and printed materials for the most vulnerable. We can only sustain our economic growth and reduce poverty if our population are healthy and well educated.

To conclude, I would like to thank management and staff of the World Bank Group and IMF for their continued support to our member countries. We look forward to continuing our collaboration with them to advance our development aspirations.