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

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

Mr. Chairman, Fellow Governors, Ladies and Gentlemen,

On behalf of the Pacific countries of FSM, Marshall Islands, Nauru, Palau, Samoa, Solomon Islands, Tuvalu, and Vanuatu – and my own country, Kiribati – it is my great honor to deliver the 2022 Pacific Statement to the Annual Meeting of the Boards of Governors.

I thank the World Bank Group and the IMF executive teams and staff for organizing this session.

Impacts of the COVID-19 & War in Ukraine

I want to begin with a discussion of how the compounding global crises of COVID-19 and Russia's war in Ukraine are affecting the small states in the Pacific.

As you can all appreciate, our isolation does not make us impervious to the outfall of major crises.

Peoples of the Pacific were indeed victims of World War II, so the current conflict in Ukraine is a cause of great trepidation and alarm among our citizens as it threatens global peace and stability and undermines the rules-based international order that the Blue Pacific relies upon.

The war is also causing widespread supply chain disruptions and shortages and inflation across our region, especially fuel and food prices.

The spillover effects from the war compound the ongoing impacts from the pandemic, which are still deeply felt across the region. Many of our countries managed to delay exposure to COVID-19 through the timely instigation of border closures, allowing precious time to roll out vaccines and prepare frontline workers, with support from partners, including the World Bank.

The pandemic eventually reached even the most isolated countries in our region, but these actions saved lives. However, the same policies have also had severe effects on Pacific economies, and increased poverty, including through its impacts on tourism, an important source of revenue and employment for many in the region.

Further, until very recently, the recruitment of seafarers and seasonal workers slowed almost to a stop, interrupting the flow of remittances that many families rely upon.

The pandemic has also affected the day-to-day running of governments and the delivery of essential public services. Budget deficits are common, as governments scale up expenditures to counter the economic downturn, while revenues are declining. Important infrastructure projects have been delayed, suspended, or cancelled.

These factors together have hampered efforts to completely vaccinate our combined 1.5 million citizens against the pandemic. We have seen a resurgence of the virus in some countries, including the Marshall Islands, which closed its borders briefly and reopened them recently.

Nationals abroad will be stranded, and as responsible governments, we have no choice but to subsidize their costs and to get them home as early as possible. In the process, we are adding unsustainably to public expenditure.

The combined impacts of the current crises can be overwhelming at the individual and societal level. Today, news of war, pandemics, and climate-related disasters can reach virtually anyone, anywhere, and can have profound mental health impacts. These impacts on our societies and the related productivity declines can harm the economy, something we tend to overlook when dealing with the more visible impacts of a crisis.

DSSI & Debt Forgiveness

Another challenge is debt sustainability for credit-eligible countries. Our fate lies in our smallness, lack of resources, and high vulnerability to natural disasters, especially those arising from climate change. After a disaster hits, we need to borrow money to rebuild our infrastructure and economies.

The G20's Debt Service Suspension Initiative is a blessing for eligible countries and would be more so if the moratorium could be further extended beyond FY22. As Pacific countries face increasing debt from the costs of climate change, we welcome debt forgiveness and debt swaps for climate change and environmental protection initiatives. We applaud those countries, including my own country Kiribati, which continue to refrain from resorting to loans despite their limited economic resources.

Climate Change

The various compounding crises have diverted attention and resources away from urgent needs. Climate change continues to be the single greatest threat to low-lying and narrow islands with rising sea levels, together with the increased frequency and intensity of tropical storms. Its impacts disproportionately affect the poor, women, and people with disabilities due, in part, to insufficient social safety nets.

Graduation Issue

These global calamities have also brought additional burdens on our limited human and fiscal resources impeding our ability and progress to deliver our national development goals and the 2030 agenda especially for the Least Developed Countries (LDCs) like Kiribati.

The LDCs' efforts and progress towards graduation have also been hampered by these external factors. Meeting the set timelines for graduation during these calamitous times has become a great challenge for the LDCs.

IDA20

We welcome and applaud the early launch of IDA20 this July, advancing it by one year, to further support the world's poorest and most vulnerable countries meet their urgent development needs.

We note and welcome the IDA20 policy framework's five special themes, including that the new theme of human capital along with the four cross-cutting issues

Human Capital

The Pacific small states share the notion that people are the world's most important asset, and inclusive human capital development is critical for economic growth, poverty reduction and well-being. As such, we encourage the Bank to assist our member countries deliver health and education programs.

We also appreciate the Bank for adding Pacific members to its Human Capital Index. The Index will be a valuable source of information to inform policymakers and respond to future global health crises.

Way Forward

Despite the bleak reality at hand, the Pacific has not lost all opportunities. We are certainly benefiting from innovative fisheries management, clean energy, and the digital economy. It is about time that we tapped into the Blue-Green Economy and Digital Financial Services initiatives, which are all the more relevant, given our geographic location and large EEZs.

Speaking of large EEZs, I would like to take this opportunity to seek the consideration of the Bank and fellow Governors with regards to the Natural Resources Defense Council's (NRDC's) 30 by 30 ocean conservation campaign. Agreeing to this proposal would significantly affect our main source of revenue especially those who are heavily reliant on Fisheries and compromise our efforts towards building back better.

Given the impacts of global crises on small island economies, greater support from the Bank Group to mobilize private capital and finance is needed. We look forward to better benefits from the innovative IFC and MIGA products in the areas of infrastructure development, market creation, and climate change adaption.

We recognize the Bank's support for small states, including the Small Island Economies (SIE) Exception and minimum country allocations. However, some members still have limited access to Bank support during this period of compounding crises. We call on the Bank to consider what additional support can be provided during these calamitous times.

Closing

In closing my statement, I wish to stress that no matter how resourceful we are or how sound our plans may be, without true partnership we will never fully realize our vision of lifting the welfare of our peoples.

I acknowledge and thank the Executive Directors of the World Bank and IMF, Management, and staff for their dedication to these global institutions' critical work to support member states.

Let's pray and hope for brighter days ahead.

Thank you very much, and may God bless us all.