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Opening Address by the Chairman of the Boards of Governors,
the Hon. **AIYAZ SAYED-KHAIYUM**,
Governor of the World Bank Group and the IMF for **THE REPUBLIC OF FIJI**
at the Joint Annual Discussion

2019 Annual Meetings
Address by the Chairman of the Boards of Governors,
Honorable Aiyaz Sayed-Khaiyum
Governor for the Republic of Fiji

Bula Vinaka and Good morning.

It is a pleasure to welcome you all to the 73rd Plenary of the Boards of Governors of the World Bank Group and International Monetary Fund – 75 years on from the Bretton Woods Conference, which marked the inception of these institutions and our multilateral system.

I would also like to welcome World Bank Group President David Malpass and IMF Managing Director Kristalina Georgieva to their first plenary session in their new roles. Let's put our hands together for them. And I want to extend our sincere gratitude to their predecessors, Jim Yong Kim and Christine Lagarde – who is here today.

Ladies and gentlemen, when our predecessors gathered in New Hampshire in the summer of 1944, the world was suffering from monumental failures of its political and economic systems. With the fires of the Second World War still raging and decades of devastating conflict behind them, those leaders rightfully shut the door on the painful folly of unilateralism. Instead, they looked to cooperation – through a visionary multilateral system – as the ultimate guarantor of global peace and economic stability.

But while multilateralism has shown impressive endurance over the past 75 years, recent trends have proven, it is only as strong as the faith world leaders hold in global solutions.

We've seen the damage that inward-looking policy-making is having on market sentiment and business confidence. As the growth of the global economy slows, those who turn away from multilateralism give way to the same forces that once drove our world into devastating conflict. We cannot dismiss the lessons of history. We cannot squander the power of global partnerships – we must harness that potential for the sake of our young people and to foster enduring cooperation between the nation-states of the world.

The truth is, multilateralism matters even more today than it did in 1944. We may not be in the throes of a world war, or just come out of one, but we face a threat of even deadlier potential: The intensifying fury of a changing climate.

The Bahamian and the Japanese people are the latest to suffer the tragic reality of climate change, following the suffering wrought by Hurricane Dorian and Typhoon Hagibis. In 2016, Tropical Cyclone Winston claimed the lives of 44 Fijians and, within 36 hours, wiped off one-third of the value of our GDP.

But existential threats posed by the climate crisis are not only contained by the shorelines of island states. As the Climate Action Summit last month made clear: this threat is global. Whether it is the super-storms wreaking havoc in Asia and the Southern-eastern regions of the United States of America, the desertification across Africa, changing weather patterns in the Mediterranean, the melting glaciers in Pakistan, or the rising seas lapping at the coastlines of cities from Miami to Jakarta and Dakha, the entire world is vulnerable. As the Fijian Prime Minister Frank Bainimarama often reminds us, “we are all in the same canoe” when it comes to dealing with climate change.

The growing severity of the climate threat has driven us into a complex and challenging landscape. But if we show the courage and creativity to evolve our global frameworks, there are opportunities waiting to be unlocked.

In the case of small states, tragedy has taught us that economic development and climate resilience must be one and the same. The investments we make in adaptation save lives and save us the costs of continuous rebuilds many times over – granting our economies the resilience to bounce back after climatic events without restarting and recharting our progress.

But adaptation investments are not conventional outlays. The upfront costs are far higher and the returns pay back over a far longer haul. We cannot build stronger bridges, bury electrical cables or relocate entire communities with the expectation of immediate financial pay-offs. These are investments that build long-term durability, stability and sustainability

into our economies, even as the seas rise, worsening storms bear down upon us and changing weather patterns diminish agricultural output and food security.

But the traditional metrics used to measure debt sustainability do not capture the intrinsic benefits of adaptation nor the opportunity costs of failing to build resilience now. This narrow focus has forced some states to make the impossible choice between what is currently considered debt sustainability and desperately needed investments in adaptation.

It is becoming clear that the old frameworks for measuring debt sustainability cannot stand the heat of a warming world. With every notch in global temperature rise, these systems will struggle to address climate realities they were never designed to solve.

We need to recalibrate and revamp the development finance architecture to keep pace with the rapid changes in our climate and the resulting effects on nation-states.

The indisputable benefits of adaptation must form the basis of new metrics and measures of debt sustainability. MDBs and financial institutions must sharpen the frameworks they employ to assess a nation's ability to service debt and recognise that debt-to-GDP ratio is never the full story. Asset values and other underlying indicators in our economies should be considered. And the system must accurately reflect the rising costs of climate impacts and the long-term value of effective adaptation. The World Bank Group and the IMF must keep those realities top of mind when re-designing finance frameworks. I urge the new leadership of the World Bank Group and the IMF to give this issue urgent attention.

The world's larger economies must also continue to play their role to grow the pool of accessible and affordable finance. And we look forward to the replenishment of IDA 19 and beyond.

But even the full weight of public-sector finance, coupled with MDB financing, cannot fill every gap in resilience. We must also enlist the resources, expertise and ingenuity of the private sector.

As ministers for finance and economy, and leaders of financial institutions, it is on us to bring innovation to this conversation. Our business-as-usual mentality has unlocked only a tiny fraction of private finance in the adaptation space. Let's re-engineer the conventions. Let's market the real opportunities in resilient investments. Let's ramp up liquidity support and credit guarantees. Let's create new markets for insurance. Let's develop new means of assessing risks. And let's build new tools and make smarter use of the ones already at our disposal.

International financial institutions can also wield their convening power to leverage support from new partners; investment funds, sovereigns, and philanthropic organisations to lighten the burden of the costs on nations without disrupting the securities market. We can also encourage conscientious investing that supports resilient sustainability.

These are vital pathways to a vibrant and resilient global economy. Only by building resilience can we bring certainty to economies, empower growth and create the stable and growing demand for goods and services that fuels domestic, regional and international markets.

My fellow Governors, the Bretton Woods System undoubtedly restored stability to the international economic order in the aftermath of World War Two. But we're not living in the world as it was in 1944. Our world is rapidly warming, new inequalities are arising, and the climate crisis is exposing those gaps and, in some cases, ripping them wide open.

We need to bring new tools, new perspectives and new mindsets in tackling our world's greatest development challenges. If we do so, we are confident that at the ripe age of 75, our rules-based multilateral system will still be agile enough to live up to its highest founding ideals and, indeed, leave no nation behind.

Vinaka vakalevu. Thank you very much.