



PACIFIC DEVELOPING MEMBER COUNTRIES

Brenson S. Wase, Governor for the Republic of Marshall Islands

(On behalf of Governors from Cook Islands, Federated States of Micronesia, Kiribati, Republic of Marshall Islands, Nauru, Niue, Papua New Guinea, Republic of Palau, Samoa, Solomon Islands, Timor-Leste, Tonga, Tuvalu, and Vanuatu)

President Takehiko Nakao
Fellow Governors
Ladies and Gentlemen

Bula, lokwe, and welcome. On behalf of my fellow Governors from the 15 Pacific Developing Member Countries, I extend to you and your delegations our warmest greetings.

We congratulate Fiji for hosting this 52nd ADB Annual Meeting, the first ever in our Pacific region. We welcome this opportunity to showcase our unique development landscape and to share our warm Pacific hospitality.

This is the first time since ADB's establishment in 1966 that these meetings are being held in a Pacific island developing member country. It is an opportunity for the Pacific as a whole to highlight to Ministers from around the world the unique challenges faced by the region, as well as the successes that have been achieved.

We welcome and thank the President and management team for their unwavering support for our island nations and region.

We also take this opportunity to recognize and welcome ADB's newest member, Niue. Niue joined ADB in March of this year, bringing the total number of member countries to 68, with the number of Pacific Governors now increasing to 15.

Mr. President, Pacific countries strongly support your planned announcement of an ADB Action Plan for Healthy Oceans and Sustainable Blue Economies at these Annual Meetings. We welcome ADB's intention globally to commit \$5 billion in new financing over 5 years to: (i) promote blue economy opportunities, (ii) reduce marine pollution, (iii) protect and restore key marine ecosystems; and (iv) for greening ports and marine infrastructure.

The Pacific islands are custodians of the world's largest ocean and are making major efforts to reduce pollution through actions such as banning plastic bags, strengthening recycling programs, establishing marine protected areas, and requiring more sustainable use and better returns from our tuna fishery, the world's last great tuna resource. The Pacific calls on all countries globally to reduce marine pollution, help us sustainably manage our marine resources, and improve ocean health.

Small island states need help from the global community to strengthen our resilience to growing climate and disaster risks. While we can all see first hand here in Fiji the natural beauty of the Pacific, small island states are also the most vulnerable in the world to natural disasters and climate change. We are already seeing the effects of more frequent and severe weather events and conditions are likely to worsen. Cyclone Pam in Vanuatu in 2015 and Cyclone Winston in Fiji in 2016 were the two strongest cyclones on record in the southern hemisphere. The drought in Marshall Islands in 2016 was the worst ever experienced.

For communities in atoll countries like Kiribati, Maldives, Marshall Islands, and Tuvalu – with a maximum height of 2-3 meters – sea level rise as a result of climate change is a direct threat to our very survival. And for all small island countries, the impact of climate change on our oceans and fisheries will affect our way of life.

We appreciate our strengthening partnership with ADB to respond to climate change, and accelerate adaptation and disaster risk reduction efforts. Mr. President, we acknowledge ADB's commitment in Strategy 2030 to increase new climate financing to \$80 billion between 2019 and 2030. Consistent with this, we appreciate ADB's commitment to at least double climate change financing for the Pacific to \$500 million between 2017 and 2020, as part of the institutions growing engagement with the region.

Innovative ADB instruments, such as the contingent disaster financing mechanisms now in place for Cook Islands, Samoa, Tonga, and Tuvalu, allowed ADB to respond to Tonga within four days of Cyclone Gita in 2018. We look forward to this facility being extended to other Pacific countries in 2019.

ADB has been a leader in mobilizing over \$130 million in financing for five Pacific countries from the Green Climate Fund (GCF) since 2015. As well as helping Fiji access the first GCF grant for the Pacific, ADB has helped more Pacific countries mobilize more GCF resources than any other partner. We hope that ADB can become an even more significant partner – including by helping the 5 Pacific countries¹ that have not yet been able to access GCF resources to do so.

Pacific DMCs recognize the important role of blended finance globally and would encourage ADB to consider appropriate blended finance options for the small and vulnerable Pacific economies. The ADB can assist Pacific countries in effectively mobilizing and managing resources for their long-term development and debt sustainability.

Pacific Leaders and Finance Ministers note several “home grown” regional initiatives to build resilience, which will be critically discussed further at the Pacific Islands Forum Economic Ministers Meeting next week. These include:

- establishing a Pacific Resilience Facility to build preparedness to climate change and disasters,
- encouraging greater investments by Pacific provident and sovereign wealth funds in commercially viable infrastructure projects in the region; and

¹ Federated States of Micronesia, Niue, Palau, Papua New Guinea, and Timor-Leste.

- Pacific Island Countries' Climate Change Insurance Facility, which complements regional resilience and insurance facilities.

The core focus of the meeting next week will be on the viability and fit for purpose of these facilities for the Pacific DMCs. These initiatives, once critically assessed and supported by the PDMCs, will require support from development partners, including ADB.

In addition to our extreme vulnerability to disasters and climate change, Pacific island small states face significant structural constraints to development as a result of our small size, distance from markets, and high cost of service delivery for dispersed populations.

Despite these and other challenges, development in the Pacific continues. Our people are living longer, healthier, and more productive lives compared to when each country joined ADB.

External support from partners such as ADB, however, remains critical. ADB estimates that infrastructure needs alone across the Pacific small island states are likely to exceed \$3 billion per year. At over 9% of GDP, this is the highest for any region. In addition, delivering critical social services such as health and education will carry significant additional costs. These needs cannot be met from domestic resources alone.

We recognize and thank ADB for its growing engagement with the Pacific:

- We appreciate Strategy 2030's focus on client differentiation and recognition of the specific needs of small island developing states.
- ADB's portfolio of Pacific investments continues to grow. From the first \$2.4 million loan to Samoa in 1969 for Faleolo airport, ADB's Pacific portfolio now stands at a record \$2.8 billion. We hope that ADB will be able to maintain momentum and increase the portfolio to \$4 billion by the end of 2020.
- The increase in ADF base allocations to \$13 million per annum for 2019 and 2020, as agreed by ADB shareholders in late 2018, has especially helped smaller and more vulnerable Pacific countries.
- To pre-emptively address debt distress for highly vulnerable SIDS, ADB now provides 100% grants for 7 countries and 50% grants for a further 2.
- To strengthen coordination, ADB agreed in 2018 to expand its staff presence to 14 Pacific countries by 2020. This will be critical to ensure dialogue and coordination with governments and stakeholders.

Working closely together, Pacific countries and ADB have achieved real results:

- ICT cables to Palau, Samoa, and Tonga have reduced internet costs by almost two thirds,
- ADB has worked with Pacific countries to expand water supply for over 400,000 people.

- ADB has been the largest source of financing for renewable energy in the Pacific, financing 62 MW of new generation in the region – about 7% of total installed capacity – in the past decade and connecting over 10,000 households to power.

Pacific Ministers hope that ADB will continue to scale up and innovate in order to maintain its traditional leadership role among the MDBs in the Pacific.

First, consistent with Strategy 2030, and recognizing the extreme vulnerability and needs of small island states, we consider it critical that ADB further increase ADF grant and concessional financing from current levels for the smallest and most vulnerable members.

We are committed to supporting ADB management in its engagement with shareholders in the ADF13 replenishment discussions, and would like to see ADB match the World Bank's grant and concessional resources to the Pacific DMCs.

Second, we hope that ADB may be able to recognize the vulnerability of even relatively better off small island states to climate change, disasters, and exogenous economic shocks.

In just the past 5 years, we have seen two disasters that have caused damage and losses in Pacific countries of between one third and two thirds of GDP. These shocks can set our economies back years.

We strongly encourage ADB to consider options to extend more concessional resources for highly vulnerable small states current eligible only for OCR lending. This might be considered through some combination of:

- (i) differential OCR pricing;
- (ii) country reclassification, as the World Bank has recently announced for Fiji and special consideration should be given to extremely vulnerable Pacific non-World Bank Pacific members, or;
- (iii) extending concessional resources to build ex-ante climate resilience in vulnerable countries or after a major shock or disaster, similar to the way ADB agreed last year to provide grant funding to help Bangladesh respond to the Rohingya crisis.

Further to these issues, Mr. President, we would like to finish with two important emerging issues of the region:

1. the Pacific member countries wish to strongly express their concerns on the EU's unilateral and non-transparent black-listing of a number of Pacific countries. This undermines development aspirations of vulnerable and small Pacific DMCs. This rating also derails our sovereign effort to meet international requirements set by the OECD; and
2. We encourage the ADB to continue to work collaboratively with Pacific DMCs and development partners amicably resolve issues of de-risking and withdrawal of correspondence banking relationships.

Mr. President,

Let me conclude by thanking you for continuous and earnest support over the years and we firmly believe that ADB and its' Governors will appreciate the efforts of small Pacific island countries to build resilience.

We hope that this year's annual meetings will translate into a commitment by shareholders to support ADB to maintain its traditional leadership role in the Pacific by further scaling up concessional resources and considering options to ADB to continue recognizing the needs of small island states consistent with Strategy 2030.

Thank you very much, Kommooltata, Vinaka vakalevu.