



**Manila**  
2018  
51<sup>st</sup> ADB ANNUAL MEETING  
3-6 MAY



## **Pacific Developing Member Countries**

**Teuea Toatu**, Governor for Kiribati

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

**Mr. Chairman**

**President Takehiko Nakao**

**Fellow Governors**

**Ladies and Gentlemen**

On behalf of my fellow Governors from the fourteen Pacific Developing Member Countries, let me extend to you and your delegations warm greetings from the Pacific.

We congratulate the ADB on for the hosting of the 51st Annual Meeting. We would also like to express our gratitude to the Government and people of the Philippines for their warm welcome and hospitality.

We would like to thank the President and management team for meeting with PDMC Governors earlier in the week, and for their unwavering support in facing the unique challenges of Pacific member countries. We also want to thank ADB for its efforts to date for an increase in the base allocation, and appreciate that the proposal was discussed with ADF donors during the AGM sideline meeting.

While each country is different, many small Pacific states face common challenges.

- We are among the most vulnerable in the world to natural disasters, losing on average 1% of GDP per year – and in some cases much more. In just the past few years, we have faced cyclone Pam in Vanuatu and Tuvalu in 2015, cyclone Winston in Fiji in 2016, and cyclone Gita in Samoa and Tonga in 2018.
- We are on the front line in dealing with climate change. Atoll countries like Kiribati have a maximum height above sea level of about 3 meters. Climate change will increase risks of extreme weather such as cyclones and droughts. Adapting to climate change will carry significant costs.
- We continue to face common challenges of distance and dispersion, with small populations scattered across an ocean that, in total, makes up about a quarter of the world's surface.

Pacific countries continue to work hard to overcome these formidable challenges, and to deliver better services for our people. In recent years, for instance, Pacific island countries have significantly increased revenues from fisheries, helping to conserve the world's last great fishery and ensuring we have more resources to deliver services for the betterment of the lives of our people. We are welcoming increasing number of tourists visiting our beautiful islands. And we are undertaking bold reforms to provide a solid platform for future growth and development.

Mr. Chairperson;

Pacific Governors greatly appreciate ADB's growing engagement with the Pacific region. ADB's total portfolio of investments has been doubling every 5 years; from \$500 million in 2005, to \$1 billion in 2010, \$2 billion in 2015, \$2.6 billion today, and, we hope, to \$4 billion by 2020.

ADB has successfully supported Pacific countries to undertake transformative investments. To list just a few examples:

- ICT cables landed in Palau, Samoa, and Tonga (and underway in Cook Islands, FSM, Kiribati, Nauru) have significantly increased speed and reduced costs – connecting our communities to the global economy.
- Over 2 million people have benefitted from 1,000 km of ADB financed roads, including in Kiribati, Fiji, PNG, and Solomon Islands;
- ADB has been the largest single source of financing to help Pacific countries meet ambitious renewable energy targets, supporting over 120 MW of new generation – almost 15% of the total installed capacity in the region.

As well as financing, we appreciate ADB's analysis, advice, and technical support. ADB now has a presence in every one of the Pacific member countries – allowing you to better understand our needs and engage with us on a daily basis as a true partner.

Mr. Chairperson;

Last year, Pacific Governors highlighted 8 priorities for ADB engagement in the Pacific. I'm pleased that there has been progress on a range of fronts:

- We acknowledge ADB's efforts to increase financing for the Pacific, as evident in the rapidly growing portfolio. This has been supported by increases in base allocations, as well as significant funding from ADB's regional cooperation and integration (RCI) facility.
- Recognizing the fragility and vulnerability of small states, we appreciate ADB's efforts to provide increasingly concessional funds to avoid risks of debt distress. Since the Annual Meetings in Yokohama last year, both Samoa and Tonga have become eligible for 100% grants (along with FSM, Kiribati, Marshall Islands, Nauru, and Tuvalu).
- ADB continues to scale up support for countries to build resilience to natural disasters and climate change. We acknowledge your commitment to double ADB's own financing for climate change and, in the Pacific, Vice President Groff's commitment at the Pre-COP meetings in Fiji last year that ADB would double climate change financing over the 4 years from 2017 to 2020 to at least \$500 million.
- ADB continues to support Pacific island member countries in the – unfortunately still overly complicated and difficult task – of mobilizing climate resources. In the last 12 months, ADB signed the first project agreement with the Green Climate Fund for the Suva urban water project in Fiji. ADB also secured GCF Board agreement for financing to the Nauru port last October, and we expect project agreements for this and the renewable energy investment in Cook Islands agreed in 2016 can be signed soon. Governors look forward to ADB securing additional GCF resources this year for Kiribati and Tonga.

- ADB is introducing flexible new mechanisms to Pacific countries build resilience to disasters. The contingent credit facility for Cook Islands approved in 2016 was the first time ADB has provided such financing globally. ADB's new Pacific disaster resilience facility approved in December 2017 was effective in providing fast disbursing funds to Tonga within 3 days of cyclone Gita in February 2018.
- ADB's private sector department in September 2017 approved an investment to increase renewable energy in Samoa – ADB's first ever private sector investment in the Pacific outside PNG. We hope that this will be the start of a significant increase in private sector investments across the Pacific.

Mr. Chairperson;

While Pacific Governors greatly appreciate ADB's growing engagement and partnership with the region, we would like to highlight some continuing priorities for the ADB.

First, the size of our islands, diseconomies of scale and geographical isolation from large markets have collectively weakened our ability to leverage and benefit from the global economy and limit our ability to self-finance many of the critical investments needed for our development. While the recent increases go some way towards bridging this financing gap in infrastructure, we are still well short of what would be required. This becomes even more challenging when we incorporate the disproportionate impacts of climate change.

As mentioned in the recent Pacific Possible report, a significant financing gap exists with inadequate infrastructure investment presenting a major constraint to long term growth prospects. For leaders in PDMCs, this creates an impossible policy choice: which communities do we invest in and which communities do we allow to have little or no access to basic services? For island nations, this is the reality the infrastructure financing gap creates when we consider what equitable growth looks like in the Pacific.

Mr President, we are grateful for your decision to start a discussion with ADF deputies this week about increasing base allocations from \$6 million per year to \$13 million. This will enable discussions about key infrastructure investments that were simply not possible previously. As has been shown in several projects around the region, the constraint to implementation of these projects has not been our ability to mobilise, but rather, our ability to arrange adequate financing. The increase in allocations works towards somewhat alleviating this constraint, and further strengthens the transformational role that the ADB can play in the Pacific, including in the provision of increased Technical Assistance in the areas of Public Financial Management and Disaster Risk Management. We hope that this increase in allocation is the start of a process, rather than the end.

Even with the proposed increase, ADB base allocations will remain about 60% of the World Bank. The small island states are the only set of ADB countries where ADB provides fewer concessional resources than the World Bank. Strategy 2030 and the graduation of several large concessional borrowers provide an opportunity for ADB to be even more ambitious.

Further, we strongly value the technical guidance and leadership shown by ADB staff, and would welcome associated increases in staffing resources to further strengthen the ADB analytical contribution.

We very much hope that further increases in base allocation can be considered in the lead up to the Annual Meetings in Fiji in 2019.

Second, Pacific Governors would encourage ADB, as part of Strategy 2030, to consider trigger-based mechanisms, where countries can access concessional financing in the event of adverse climatic events. Embedding vulnerability and fragility into Multilateral Development finance is essential for our adaptation, prudent fiscal management, meeting the sustainable development goals by 2030.

We welcome the strong focus that ADB intends to place in Strategy 2030 on building resilience to climate change and natural disasters. Even singular, high intensity and erratic climatic behaviour can set back our economies for decades.

At this juncture, we the Pacific DMC Governors would like to highlight our complementary regional initiatives approved last week by Forum Economic and Finance Ministers, with strong, unanimous support given to progressing the proposal for establishing a Pacific Resilience Facility. It will ensure that we equally invest in ex-ante preparedness to climate change and disaster risks and will require development partner commitment and support.

In addition, the Pacific DMCs are also working on developing a proposal for a Pacific Islands Climate Change Insurance Facility and leveraging investments from our regional super- and provident funds for greater investment in regional resilient infrastructure.

Further, we strongly encourage ADB to extend eligibility for concessional resources for highly vulnerable countries currently only eligible for regular OCR lending for the specific purposes of building resilience and responding to disasters and other climate events. I cannot emphasise the huge impact that these events can have on economic development across all Pacific countries.

For instance, in the case of severe natural disasters when damage and losses exceed a particular threshold – perhaps 10% of GDP – we consider that it would be appropriate for ADB to extend concessional resources and TA to all Pacific member countries, including those that may not otherwise regularly have access to such resources.

Further, we note that ex-ante resilience and adaptation measures often represent better value for money than reconstruction, and that this has been the focus for other multilateral organisations. We also note that cumbersome administrative processes can be counter-productive in the case of disaster response, highlighting the need for bespoke arrangements that are customised to Pacific countries. With this in mind, we strongly encourage the ADB to explore this same concessional treatment for investments in disaster and climate resilience for non-concessional Pacific Islands countries in preparation for the potentially severe impacts of climate change. We also call on the ADB to support the classification of vulnerable island nations to access grant resources not only within the ADB, but also in other international forums.

Third, we note the recent assessment by the Australian Transaction Reports and Analysis Center (AUSTRAC) declaring the Pacific as a low risk region for money laundering and counter terrorism financing (AML-CTF). We call on the ADB to collaboratively work with other partners such as the IMF and World Bank to find practical solutions to the de-risking of money transfer operators' agents licensed abroad. We also encourage ADB and other partners to ensure that US correspondent banking relationships for locally-owned commercial banks continue to effectively participate in the international payment system.

Mr. Chairperson,

Let me conclude my remarks by thanking you for granting the opportunity to Fiji to host the 2019 ADB Annual Meeting in the Pacific region – the first time ever in a small island developing state. This is a unique opportunity for Governors from across the world to view first-hand the challenges in the Pacific, as well as the efforts we are making to build resilience. It is also an opportunity for ADB to demonstrate its leadership role in supporting transformative growth backed by scaling up concessional resources available to small developing island states.

We look forward to seeing you all in the Pacific next year.

Thank you.