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April 22, 2021

**Statement by Mr. Buissé, Mr. Rozan, and Ms. de Waziers on Kiribati  
(Preliminary)  
Executive Board Meeting  
April 26, 2021**

We thank staff for their informative reports and Mr. Huh and Mr. Yoo for their helpful Buff statement. We broadly share the staff's assessment of the current economic and financial situation, as well as recommendations formulated to address Kiribati's challenges. We wish to offer the following comments for emphasis.

**We commend the authorities for their prompt and decisive response to the Covid-19 pandemic and we agree with staff that support measures should be well-targeted and focused on social spending to boost the recovery.** Kiribati successfully limited the outbreak and we encourage their authorities in their efforts to keep Kiribati COVID-free and to vaccinate the adult population this year. We commend the authorities for taking timely fiscal policy measures to mitigate the adverse effects of the pandemic. Despite these successful efforts, we take note that, like in every other country, the containment measures put strains on economic activity and near- and medium-term growth outlook will remain weak and subject to downside risks. We agree with staff that fiscal support measures should be better targeted to the most vulnerable to limit the increase in expenditures and should be maintained until the economic recovery is firmly entrenched. Despite capacity constraints and geographical challenges, we are encouraged by the authorities' commitment to carefully ensure that supportive measures are well-targeted and improve the newly introduced unemployment benefit scheme.

**We note that Kiribati's debt is sustainable but remains at high risk of distress.** Despite several mitigating factors listed in the DSA report, including government cash buffers, we agree with staff on the need to rationalize and improve the efficiency of spending, formulate

a sustainable medium-term fiscal framework, improve public financial management and intensify domestic revenue mobilization efforts once the recovery is underway. Given Kiribati's high vulnerability to natural disasters and climate change, we value the incorporation of climate costs and risks in the DSA and we concur that climate adaptation costs should be incorporated in the medium-term budget. In parallel, we welcome the authorities' efforts to source and manage green financing, with the creation of a Climate Finance Unit, and we encourage staff assistance to improve capacities in leveraging multilateral climate financing.

**Going forward, we concur with staff that strong structural reforms will be needed to underpin a durable and inclusive recovery.** We are pleased that the authorities have affirmed their commitment to increase economic diversification and improve the business environment. We welcome the recent laws regarding financial sector and governance reforms which will both be key to foster private sector development. We encourage further efforts to establish an independent supervisor of financial institutions and to pursue a comprehensive SOE reform strategy to reduce pressure on public finances and ensure financial viability.

**As capacity constraints could become bottlenecks in advancing the reform agenda, we strongly agree with staff that strengthening institutional capacities, especially in statistics, is essential.** We commend the authorities for their strong engagement with the IMF on TA despite the challenging virtual context. We very much appreciate the integration in the report of information and tables on the provision of TA and CD to align surveillance and capacity development issues and to improve coordination among donor agencies. Like staff, we strongly believe that a holistic approach in TA delivery is essential given current capacity constraints and we value peer-review initiatives. We encourage staff to continue these efforts in other country reports.