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April 22, 2021

**Statement by Mr. Azal and Ms. Nagyne Boda on Kiribati
(Preliminary)
Executive Board Meeting
April 26, 2021**

We thank staff for the informative reports and Mr. Huh and Mr. Yoo for their helpful Buff statement. We commend the authorities for their prompt health and containment measures that limited the impacts of the pandemic which saved lives and livelihood. Containment driven domestic economic contraction and lower external demand put strains on economic activity especially in in the services sector including fishing which shrunk by 16 percent in revenues. The strong economic performance, subdued inflation and improved fiscal position of the recent past ensured that the pandemic hit the Kiribati economy in a relatively favorable position. The decline of growth in 2020 was therefore less severe than in other peers in the region. We broadly concur with the thrust of staff’s appraisal and would like to emphasize the following points.

We share staff’s view that despite the milder disruption caused by the pandemic, Kiribati still faces multiple challenges, most importantly the long-term effects of climate change. The impact of warmer water on the fishing industry, which is the country’s main source of food and revenue, is a significant vulnerability. In this context, building resilience to climate change is crucial to ensure water, food and energy security. We agree with staff that this should be complemented with increased support from the international community.

Since Kiribati is at high risk of debt distress, we agree with staff that strengthening the fiscal framework and fiscal discipline should remain at the top of the authorities’ priority agenda to preserve macroeconomic stability. Given Kiribati’s high dependence on the fishing sector and development partners’ assistance we take positive note that the authorities agree on the merit in formulating a medium-term fiscal consolidation, while addressing critical social and economic infrastructure needs. Revenue mobilization including broadening the tax base and collecting dividends from state-owned enterprises, developing a MTFE that integrates rules based RERF withdrawals rather than supplementary budgets will play a key role in this

regard. We also welcome staff's advice and the authorities' intention to explicitly account for climate change costs in the budget.

We share staff's view that a stronger and more dynamic private sector is of great significance to achieve a more inclusive growth. A greater private sector participation by enhancing the business climate will help the needed economic diversification and lead to a more job rich growth. We take positive note of the legislation to foster competition, facilitate access to credit, and reduce the cost of borrowing.

We commend the authorities for the significant progress made with rationalizing and strengthening SOEs during the past years and we welcome their commitment to continuing to reform SOEs to enhance their efficiency.

We urge the authorities to continue to fight corruption and address governance deficiencies. In this regard, we appreciate the recently adopted legislation on customs and public procurement which helps to implement the anti-corruption strategy.

Last, we welcome the authorities' strong engagement with the IMF including in capacity development and technical assistance activities as the current crisis highlights that compiling accurate and timely statistics is inevitable for evidence-based policy making. *Can staff elaborate more on the CD needs and the progress made so far for the already delivered TA facilities.*