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April 22, 2021

**Statement by Mr. Rashkovan and Mr. Zedginidze on Kiribati  
(Preliminary)  
Executive Board Meeting  
April 26, 2021**

We thank staff for the informative reports and Mr. Huh and Mr. Yoo for the helpful Buff statement. We commend the authorities for their prompt response to prevent a greater outbreak. The pandemic negatively affected economic activity, adding to longer-term challenges stemming from the infrastructure gap, geographical location, and climate related risks. We broadly agree with staff's assessment and emphasize the following.

**Fiscal consolidation will be key once the shock subsides.** While widening fiscal deficit in the short-term is warranted to support growth, we agree that the authorities should prioritize fiscal consolidation in the medium-term. Given Kiribati's dependence on volatile fishing revenues, greater fiscal space is needed to support sustainable growth and enable meeting SDG goals. We share staff's advice to improve public financial management and undertake expenditure measures, including reining in recurrent spending and limiting copra subsidies. That said, we see merit in the authorities' view to focus more on revenue generation than expenditure control. We appreciate the authorities' continued commitment to fiscal prudence and unlocking green finance.

**Advancing governance reforms will improve macroeconomic outcomes and resilience of the economy.** We encourage the authorities to build consensus on implementing strong anti-corruption framework, strengthen SOE governance and design effective regulatory and supervisory systems for the financial sector. This will help Kiribati tackle long-term economic challenges, including by catalyzing donor financing and fostering private sector growth. We welcome the authorities' continued commitment to these reforms and particularly the roadmap provided in the Annex VI to fight corruption. We highlight that providing TA and continued donor support to strengthen institutional capacity remains critical. At the same time, we strongly agree with staff on the need to CD coordination to improve efficiency of the TA delivery.

**We agree with staff that fostering economic diversification is pivotal to limit scarring from the pandemic.** Given the relatively narrow economic base, reforms to foster private sector development is essential to increase economic resilience. These reforms may include reviewing tax policies to

ensure a level playing field and developing human capital along with other reforms to strengthen the private sector. We take positive note of the authorities continued commitment to economic diversification and to improve the business environment, as mentioned in the Buff statement.