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GRAY/21/1042

April 22, 2021

**Statement by Mr. Mohieldin, Mr. Alhosani, and Mr. Al-Kohlany on Kiribati
(Preliminary)
Executive Board Meeting
April 26, 2021**

We commend the Kiribati authorities for the early measures taken to mitigate the adverse effects of the COVID-19 containment measures, and for providing the necessary support to vulnerable businesses and households, while maintaining macroeconomic stability. To this end, the authorities' measures to help the most vulnerable must be temporary, well-targeted, and cost-efficient. We take positive note that output growth is expected to recover from -0.5 percent in 2020 to 1.8 percent in 2021 and 2.5 percent in 2022, supported by improved demand as both domestic and external conditions normalize. Growth outlook, however, is still uncertain and dependent on the evolution of the pandemic. We encourage the authorities to seek early procurement and distribution of vaccines, including utilizing support from the international community. As Staff's report only discusses vaccines availability for 20 percent of the population, *staff's comments on securing vaccine supply for the remaining population is welcome.*

As a small island state, Kiribati is assessed to be among the first countries to experience the most devastating impacts of the rising sea levels, according to the UNDP. The discussion of Kiribati' sustainability and climate change cannot be separated. Here, we welcome Staff Annex V on reaching SDGs and improving climate resilience. Staff assess that additional annual spending of about 6 percent of GDP will be needed by 2030 to meet the SDGs and increase climate resilience of Kiribati physical infrastructure. The costs of SDGs and climate adaptation will need to be gradually integrated into the national budgeting process and development programs. The creation of the Climate Finance Unit is a welcome first step toward coordinating climate-related financing, including from multilateral climate financing. *We would appreciate further information on staff recommendation for the authorities to step up efforts to gain greater access to financing from the Green Climate Fund?*

Public debt is sustainable, but at high risk of debt distress, and we take good note of the authorities' commitment to reducing public debt to more sustainable levels. Fiscal policy should be incorporated within a medium-term strategy focusing on fiscal consolidation and

improving spending efficiency, with the objective of bringing down the fiscal deficit to appropriate levels and placing public debt on a downward trajectory. Further progress in structural and fiscal reforms, such as improving public financial management is also necessary to ensure adequate fiscal space. To this end, we welcome the authorities' commitment to strengthening tax compliance, reviewing recurrent expenditure items, and tightening expenditure controls and procurement processes.

We missed in staff report an assessment of the Kiribati financial sector. While noting that Kiribati does not have a designated supervisory authority for financial institutions, we would have appreciated further information on the banking system in Kiribati and the state of financial inclusion and access to credit. Financial sector development is important, and we welcome the planned new financial sector act which aims to foster competition, facilitate access to credit, and reduce the cost of borrowing, as necessary requirements for a more dynamic private sector. We welcome that the draft acts on the financial sector are being prepared with technical support from the Fund. *Could staff elaborate on the main aspects of the draft legislation?*

With these comments, we wish the authorities continued success in their future endeavors.