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April 22, 2021

**Joint Statement by Mr. Chikada, Mr. Mochtar, and Mr. Nagase on Kiribati  
(Preliminary)  
Executive Board Meeting  
April 26, 2021**

We thank staff for the informative report and Mr. Huh and Mr. Yoo for their insightful buff statement.

Thanks to the authorities' preemptive containment measures, Kiribati has successfully limited the risk of a domestic outbreak of the COVID-19 so far. However, at the same time, these measures put strains on economic activity in Kiribati contributing to a contraction of economic growth. We commend the authorities' commitment to continue providing necessary policy support to mitigate the adverse effects of the pandemic, while steadily tackling the medium- to long-term challenges. As we broadly concur with the thrust of the staff appraisal, we would like to limit our comments as follows.

***COVID-19 Responses and Fiscal Policy***

**The authorities' supportive fiscal measures should remain in place until the crisis abates with a well-targeted strategy.** The preemptive containment measures successfully limited the COVID-19 outbreak in Kiribati, but inevitably have negatively impacted the service sector and fishing industry. *Related to the containment measures, we find it encouraging that Kiribati remains COVID-free thus far, however would welcome staff's elaboration on the country's vaccination and border-reopening strategies going forward.* To support the economy and ensure inclusive recovery and better utilization of the limited fiscal resources, we encourage the authorities to continue to implement policy responses which are well-focused on

the most affected sectors and people. For instance, properly identifying those eligible for unemployment benefits will be important to efficiently and effectively help the vulnerable as staff recommended. Ensuring the transparency and accountability of the pandemic related spending will be also inevitable.

**Stepping up efforts to achieve fiscal consolidation by reinforcing the fiscal framework will be critical to buttress a resilient recovery.** Fiscal consolidation would underpin fiscal sustainability and effectively boost post-COVID recovery while preserving debt sustainability. In addition, we support staff recommendation to strengthen the efforts to formulate and implement a credible medium-term fiscal framework (MTFF). Improving public financial management (PFM) and enhancing revenue mobilization are also critical challenges for Kiribati, and we would like staff to provide necessary support on this front. In this context, it would be critical to carefully consider country specificities and ongoing unique challenges faced by Kiribati, as reflected on the authorities' views on staff's policy recommendations.

**A comprehensive financing package would be needed to address Kiribati's significant development and climate resilience building needs.** We note the estimation of the additional annual spending needs to meet Kiribati's sustainable development goals and climate adaptation costs which were made by staff and the World Bank. *Staff has pointed out that some of the annual costs would need to be financed by development partners, and we would like staff to elaborate this point and share their perspective. We also acknowledge the issues surrounding the access to the Green Climate Fund (GCF) and seek staff's views on what the Fund can do to help ease the process.*

### ***Structural Reforms and Financial Sector Policy***

**Steadily tackling medium- to long-term structural challenges is key to achieve sustainable growth.** We agree with staff's view that economic diversification will help Kiribati address future shocks. To this end, we support the authorities' continued efforts to improve the business environment and build human capital. Continuing to accelerate SOE reforms and developing a regulatory and supervisory framework for the financial sector are also needed to mitigate fiscal risks and promote financial stability. In this regard, we welcome the staff's analysis and discussion in Boxes 2 and 3. Well-tailored capacity development (CD) activities continue to be instrumental in supporting Kiribati's reform efforts. We also encourage ongoing efforts to strengthen

collaboration with other CD providers to avoid duplication and align the CD strategy with the authorities' absorption capacity.