



## **OPENING REMARKS AT THE SMALL STATES FORUM**

**Hon. Aiyaz Sayed-Khaiyum  
Attorney-General and Minister for Economy**

**Saturday 13 April 2019, Washington DC**

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**Vice Prime Minister of Cape Verde, Mr Olavo Correia**

**Vice President of the OPCS, Ms Manuela Ferro**

**Various Vice Presidents of the World Bank and IMF**

**Governors of the World Bank and IMF**

**Excellencies**

**Ladies and Gentlemen**

1. Bula Vinaka and a very good morning to all of you. I normally like to make very short speeches but I thought I would say something a bit longer just to set the agenda because we've got a very good number of speakers in front of us today and I'd like to set some form of tone to it.
2. It gives me much pleasure to address this Forum for the first time as Chair. I want to begin by congratulating the Prime Minister of Grenada Honourable Keith Mitchell for his excellent leadership of the Small States Forum over the past two years.

3. We also want to acknowledge this Forum for entrusting Fiji to be its Chair over the next two years. We are grateful to be the first Pacific island country to have taken up the Chairmanship of this important Forum and we look forward to building upon the positive outcomes of previous meetings and with a focus on achieving tangible outcomes.
4. The members of this Forum, as we know, are a collection of countries with unique geographical, economic and cultural specificities. However, we are all connected by the common goal to create a sustainable, inclusive, resilient and prosperous future for all our people. Fiji plans to be proactive to realise the seven priority areas of the Small States Roadmap, adopted in May 2017 together with any other outcomes that we collectively agree on.
5. Your Excellencies, Ladies and Gentlemen, the global commitment to sustainable development and the continuing battle against climate change are creating increasing challenges and if you look at the glass half full, emerging opportunities for small states.
6. We are at a time when small states need to access and mobilise resources at a scale like never before. We must act and we must act now to ensure that there is a paradigm shift in the development arena that enables easier, larger and faster access to grant and concessional development finance for small states.
7. As we begin our discussions today, we must be reminded of the vulnerability of small states and the financial limitations

plaguing our ability to achieve our development aspirations, indeed our SDGs too.

8. We cannot continue to seek development finance without addressing the single greatest threat to our development – climate change. In 2016 for example, the Category 5 Tropical Cyclone Winston, the strongest cyclone recorded in the southern hemisphere, ravaged through Fiji causing 44 fatalities and economic losses amounting to one-third of the value of our GDP – all within a span of 24 hours. In 2017, hurricanes Irma and Maria ripped through the Caribbean, bringing numerous deaths and economic losses amounting to 200 per cent of GDP.
9. Cyclone Idai that cut a deadly swath through Malawi, Mozambique and Zimbabwe last month is a brutal reminder again of the growing ferocity of these types of storms. This climatic event is expected to cost the three countries more than \$2 billion according to World Bank estimates. Two of the countries, though not small states are also land-locked.
10. According to the IPCC 1.5 degree Special Report, climatic events will increase in frequency and intensity as global temperatures continue to increase due to climate change. This will not only bring about cyclones and floods but also perpetuate droughts, changes to agricultural patterns, El Niños, slow onsets such as rising sea levels, salt water intrusion and adverse health implications to name a few. And we will hear more of these challenges in the session on adaptation and resilience.

11. Suffice to say, the impacts of natural disasters perpetuated by climate change are reversing years of development progress in a matter of hours in some instances. Given our limited economic and infrastructure base, we need to protect our development gains. In addition to protecting existing infrastructure we need to ensure that new infrastructure and other developments and assets are climate resilient.
12. Most, if not all, in this forum are not responsible for the large carbon emissions, but we can spare ourselves from the grim realities of climate change through proactive planning and investing in adaptation and resilience and dramatically limiting the probability of climate-induced stressors and risks.
13. Adaptation to climate change and building resilience in all our facets of development must now be at the heart of all forms of development. As we say in Fiji, you cannot delink development from climate-centred development in the same way we cannot delink development finance from climate finance. They are the same.
14. We commend the World Bank for setting new climate targets for 2021 to 2025 that will see the doubling of its current five year investments to around US \$200 billion enabling countries to take ambitious climate action. Of this amount, US \$50 billion is allocated for climate adaptation to finance initiatives such as building better adapted homes, schools and infrastructure, and investing in climate smart agriculture, sustainable water management and responsive social safety nets.

15. While this initiative is highly welcomed by countries, it remains to be seen how this pot of finance will be made accessible to small states most vulnerable to climate change. As it stands, of the US \$200 billion, US \$100 billion will be mobilised through the IDA and IBRD mechanism while the remaining US \$100 billion will be mobilised through the International Finance Corporation or IFC, MIGA or Multilateral Investment Guarantee Agency or private capital mobilised by the World Bank Group.
16. Some small states that are most vulnerable to the adversities of climate change will be unable to access these funds as they simply do not qualify for IDA or IBRD due to their income status or do not meet the financial regulatory requirements set by the World Bank and its subsidiaries. Even though these constraints are not sinister or deliberately discriminatory, they still significantly hinder the ability for vulnerable small states to mobilise much needed climate finance. These are just some of the many limitations that we as small states need to address. As a group, the Small States Forum will need to be strategic in the programming for IDA 19 with an emphasis on vulnerability being a key access criteria.
17. Your Excellencies, Ladies and Gentlemen, frontier climate insurance solutions is fast becoming an option to address climate and disaster risks for small states. Climate insurance enables more timely and reliable post-disaster response. It helps better prepare for climate and disaster risk, reduce humanitarian impacts, help poor and vulnerable people recover more quickly, increase local adaptive capacity and

strengthen local resilience. Small states need to explore insurance solutions.

18. Domestic insurance providers know the market better than anyone else but the lack of reinsurance capacity to support the exponential risks associated with disaster insurance is a hindrance. In this regard, there is an immense need to develop financing modalities and accessibility that provide large scale reinsurance to domestic private sector insurance providers. The World Bank along with other Multilateral Development Banks and development partners have the capacity to provide such solutions and must do so to not only ease the disproportionate burden put on national governments to recover from natural disasters but to also reduce the need for countries to take on large scale debt to build back better.
19. However, as responsible nation states of this Forum, it becomes our responsibility, as individual nation states to engage in data collation required to develop effective risk models to better inform insurance product development. This will not only help reduce risk premiums but also improve national and regional planning to address climate vulnerabilities.
20. Fiji for example is currently working with the World Bank through the Pacific Catastrophe Risk Insurance Facility to develop parametric disaster insurance solutions for uninsurable households and farmers. We expect to administer this innovative insurance cover through a domestic insurance provider backed by international reinsurance. This of course can be replicated.

21. Over the next two years we, as a Forum, should work to secure greater support for adequate and affordable disaster risk solutions for our members through multilateral channels. We should catalyse greater support for domestic private sector insurance providers to enter the climate and disaster risk markets. We should also seek opportunities for flexible solutions for small states to access existing disaster contingency solutions such as the Catastrophe Deferred Drawdown Option (CATDDO) offered by the World Bank.
22. Ladies and Gentlemen, most small states have underdeveloped financial markets, relatively low levels of private sector involvement and lack economies of scale to develop bankable projects. This limits the ability to generate enough financial capital and market interest for investments in projects that address climate change and our ability to adapt to it. In this regard, there is an evident need to incentivise the market with innovative financial solutions with credible guarantees.
23. In November 2017, with the assistance of IFC, Fiji successfully marketed and utilised its first sovereign green bond worth a modest US \$50 million. We became the first developing country and the first small island developing state to issue a sovereign green bond. Our green bond, which is listed on the London Stock Exchange gave us an opportunity to attract unprecedented private sector investment in climate and environment related projects.

24. The success of this issuance has given Fiji the confidence to explore other innovative market solutions such as blue bonds and catastrophe bonds. I also encourage countries like Seychelles and Iceland to share their experiences and enlighten the Forum on opportunities and challenges available for small states during the discussion sessions later today.
25. We must also realise that the buy in from multilateral organisations into development projects carry immense marketing power to attract other bilateral, multilateral and private sector investors into innovative financing solutions. We, for example, employed a blended finance approach to secure funding from two major development banks for our Urban Water and Waste Management project by leveraging funding from the Green Climate Fund.
26. On the financing front, it is incumbent upon the Small States to be prudent in accessing credit and ensure debt levels are maintained at sustainable levels. From a liability management perspective, it is critical to ensure that all borrowings are consistent with a well-designed fiscal framework. This in turn will show an upbeat outlook of the debt sustainability indicators and more importantly provide buffer to fund any unforeseen expenditure mainly associated with adverse climatic events. We will hear more about debt sustainability from our panelists today.
27. As Chair of the Forum, we will work closely with the Forum Members, and in a very proactive manner, to advance innovative financing solutions aimed at enhancing

concessional credit and availability of counter cyclical options which eases the overall debt burden.

28. It is imperative that a proactive stance is taken to carry out the risk profiling as we did work with the World Bank in coming up with a Climate Vulnerability Assessment (CVA). In the next two years we would like to see this CVA tool replicated in other small states. We believe such an analytical tool will allow the holistic appraisal of projects and serve as the basis for a tangible private sector and multilateral engagement. This will also set the platform to access funding for the pipeline of IDA projects in a very sequenced and systematic manner.
29. There are also unique opportunities to leverage domestic funds to attract private sector investments that can be de-risked through mechanisms such as the Private Sector Window under IDA 18. This opportunity must be genuinely explored by us.
30. As part of the work programme for the next two years, we will work towards enhancing private sector access modalities for small states through IDA, IBRD, IFC and MIGA enabling better access to a comprehensive package of support and to encourage private sector involvement.
31. Your Excellencies, Ladies and Gentlemen, the Ocean and climate change nexus discussion is one that cannot be ignored in forums such as this one, particularly when some of our members' economies depend on the Ocean and ocean related activities. The Ocean, as we know is critical to livelihood sustenance and is a big reservoir of carbon sink.

The Ocean plays a fundamental role in regulating our climate as it sequesters more carbon than terrestrial sources. And we all know too well that the health of our Ocean is in a serious decline. For example, a recent World Economic Forum review reveals that 90% of large fish have disappeared in the last 50 years due to overfishing, pollution and warming in our Ocean.

32. We are at a tipping point and we need to take urgent action to save our Ocean. We are, for example, part of the group that is trying to draw the nexus between the Ocean and climate change through the Ocean Pathway Partnership. We want to work with the small states and the World Bank Group to take this agenda forward. We also welcome the PROBLUE initiative of the World Bank. This multi-donor trust fund initiative couldn't have come at a better time.
33. PROBLUE, as we know supports implementation of Sustainable Development Goal 14 and is part of the World Bank's overall Blue Economy program and focusses on four key themes and we will hear from Karin on the four pillars of the PROBLUE.
34. Ladies and Gentlemen, some of our member states including Fiji have already declared complete ban, for example, on single-use plastics that are choking our seas and oceans. We need to bolster these types of initiatives and through the PROBLUE programme unlock the opportunities for ocean-friendly investments in our economies because without a healthy and sustainable ocean, humanity's place on this planet will be actually in jeopardy.

## **Concluding remarks**

35. Excellencies, Ladies and Gentlemen, small states need to become smarter and more agile if we are to overcome the many development constraints that we face. Our size must not be seen as a disadvantage, rather we strongly believe that it is in the smaller states that the World Bank can demonstrate far greater impact.
  
36. Ladies and Gentlemen, I would like to reiterate the need for your continued strong support for the important work of the Small States Forum. It is a platform that provides significant value-adding; an opportunity for small states to come together to discuss common experiences and solutions, and ensure greater visibility on the international stage. At the same time, for development partners, it is providing a key forum for enhanced collaboration.
  
37. Let us all, Ladies and Gentlemen, capitalise on the strength in small states for mammoth outcomes which is only possible through our active participation in this Forum.

Thank you. Vinaka vakalevu.