Building a Resilient Pacific

ADB’s partnership approach toward reducing risks from shocks, delivering sustainable services, and supporting inclusive growth

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Outline

• A highly uncertain setting
  ✓ COVID-19, conflict, and the Pacific’s near-term prospects

• ADB’s support for building resilience in the Pacific
  ✓ Tailored modalities, flexible approaches
  ✓ Corporate priorities
  ✓ Refinements for fragile SIDS

• Concluding remarks

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Pacific Prospects: Recovery and Risks

Just as the Pacific is set to return to **GDP growth** in 2022 after 2 years of economic decline...

... rising **inflation**, along with recent COVID-19 outbreaks, pose heightened uncertainty and risks to recovery.

ADB’s support for building resilience in the Pacific
Tailored modalities, flexible approaches: CDF (1)

Contingent disaster financing (CDF): Rapid support in the aftermath of disasters

• Supports policy reforms to strengthen disaster risk management and provides quick-disbursing budget support strengthening the financial preparedness of countries to deal with shocks

• CDFs allow for rapid disbursement in the immediate aftermath of disasters:
  ✓ Tonga: funds disbursed within 4 days after Cyclone Gita in February 2018
  ✓ Tuvalu: drew down funds following the impacts of Cyclone Tino in February 2020
  ✓ Tonga drew down from replenished CDF after the Hunga Tonga-Hunga Ha'apai volcanic eruption in January 2022
Tailored modalities, flexible approaches: CDF (2)

Expanded scope to cover health emergencies

- As part of ADB’s comprehensive response to the COVID-19 pandemic, the coverage of CDFs was expanded in April 2020 to cover health emergencies
  - The Cook Islands, the FSM, Marshall Islands, Palau, Samoa, Solomon Islands, and Tonga drew down from their CDFs to help fund pandemic response in 2020
- Later in 2020, ADB replenished CDFs (Pacific Disaster Resilience Program Phase 3) while also covering Kiribati and Vanuatu for the first time
  - Disbursed to Kiribati, Solomon Islands, and Vanuatu in early 2022 amid COVID-19 community transmission
- ADB considering simplified CDF replenishment
Tailored modalities, flexible approaches: Climate resilience (1)

A green (& blue) inclusive resilient recovery

- Once-in-a-lifetime opportunity to make bold choices that set a path to green, resilient, inclusive and sustainable recovery

- Keys to operationalization:
  - Include measures in stimulus packages to promote shift towards climate- and disaster-resilient societies
  - Invest in data and evidence base for upstream adaptation planning as well as the design of climate resilient infrastructure
  - Design high quality investments in infrastructure, tourism, health and education focusing on resilience and adaptation outcomes
Tailored modalities, flexible approaches: Climate resilience (2)

✓ Scale-up regional action and climate finance for adaptation and resilience including for the blue economy; coastal resilience; nature-based infrastructure design solutions; sustainable use and restoration of natural assets
✓ Policies to provide the right long-term economic incentives and market signals to sustain a resilient green recovery

• ADB is supporting climate adaptation, ocean management, knowledge sharing, while informing policy-making
Tailored modalities, flexible approaches: Budget support

Budget support for pandemic response

- In 2020, ADB supported Pacific governments’ assistance packages through its COVID-19 Pandemic Response Option (CPRO), totaling $378 million for 8 DMCs

Further budget support for economic recovery

- Follow-on policy-based operations amounted to $220 million in 2021, supporting critical actions around:
  - Public sector management (e.g., PFM, SOE reforms)
  - Private sector development (e.g., business environment)
  - Other growth-enhancing reforms (e.g., labor policies)

- Sustained budget support in the near-term, with at least $430 million in ADB’s 2022–2023 Pacific pipeline
Tailored modalities, flexible approaches: Managing debt

Debt sustainability analyses (DSA) critical to design of budget support operations

• Each CPRO and follow-on policy-based loans informed by DSAs to ensure that ADB financing does not contribute to unsustainable accumulation of debt

Greater availability of concessional resources

• Mobilized grant resources through cofinancing for members that otherwise would have no access to grants

• Amid COVID-19 impacts, ADB reclassified Fiji as a Group B country in 2022, opening access to concessional loans

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ADB’s corporate priorities for reducing risks to recovery (1)

ADB as Asia and the Pacific’s Climate Bank

• In 2015, ADB committed to double climate financing from its own resources, becoming the first MDB to set clear climate finance investment targets

• ADB further announced in October 2021 a target of providing a cumulative $100 billion in climate finance during 2019-2030:
  ✓ For example, the Community Resilience Partnership Program (CRPP) to scale up local climate adaptation investments with links to broader social development objectives
  ✓ Mainstreaming resilience in policy-based operations (e.g., forthcoming Fiji program supporting PFM for fiscal resilience; public policy for community resilience; enabling environment for resilient private sector recovery)

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ADB’s corporate priorities for reducing risks to recovery (2)

**Domestic resource mobilization (DRM)**

- ADB launched the Asia Pacific Tax Hub in May 2021 to promote policy dialogue, knowledge sharing, and stronger coordination on tax policy and administration

- The Hub’s focus is on strengthening DRM and international tax cooperation (ITC) in ADB DMCs

- In the Pacific, ADB has provided TA support for:
  - Implementing international tax transparency standards in the FSM, Marshall Islands, Palau, PNG, Samoa, and Vanuatu
  - MTRS preparation in PNG

- ADB Solomon Islands DRM Project approved in 2021
The Fragile (and conflict-affected) situations and SIDS Approach or FSA

- Fragile situations and SIDS face unique development challenges, including greater need for governance and institutional capacity building, geographic isolation, small populations, and narrow resource bases.

- Released in June 2021, the FSA allows for an improved way of doing business for ADB in its most vulnerable DMCs, by introducing flexible processes and procedures toward the goal of improving project results, and ultimately, boosting the population’s livelihoods.
Fine-tuning for the Pacific (2)

The Pacific Approach 2021–2025

- Serves as ADB’s operational framework in the Pacific and its partnership strategy for 12 small Pacific island countries (PIC-12)

- The Pacific Approach guides ADB in supporting a resilient Pacific by focusing on 3 strategic objectives:
  - Preparing for and responding to shocks
  - Delivering sustainable services
  - Supporting inclusive growth
Concluding remarks

- The Pacific, as with the rest of the world, continues to face an uncertain environment, now with further elevated risks.
- ADB has been providing tailored solutions, with flexible approaches and applications, in helping Pacific governments to manage the economic and social impacts of the ongoing downturn and spur sustainable recovery.
- Over the medium- to long-term, ADB’s corporate priorities, further fine-tuned to the Pacific context, will continue to support the subregion in reducing climate vulnerability as well as macro-fiscal and debt risks.

**Discussion point:** How can ADB help the Pacific further in managing emerging risks?
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