

2025 FORUM ECONOMIC MINISTERS MEETING

OPENING FORMALITIES KEYNOTE ADDRESS VICE PRESIDENT ASIAN INFRASTRUCTURE INVESTMENT BANK Mr Ajay Bhushan Pandey

Honourable Chair, the Prime Ministers, Deputy Prime Ministers, your Excellencies, distinguished Ministers, Secretary General, colleagues, and friends.

It is indeed my privilege to be here representing the Asian Infrastructure Investment Bank (AIIB), which is committed to the development of this entire region. Our President, President Jin, wanted to be here, but because of some pressing engagement he couldn't be here. And because this is very important, I am standing here in front of you at this conference.

I extend my deepest gratitude to the Pacific Islands Forum Secretariat for your gracious invitation to the Asian Infrastructure Investment Bank, and for your tireless leadership in advancing a shared vision for the Blue Pacific. The theme of this year's FEMM, *Stronger Together*, couldn't be more timely or more resonant.

At AIIB, we believe that the challenges of our era, such as climate change, economic instability, and systemic inequities, are not just regional concerns but global imperatives. In the Pacific, these challenges are met with unparalleled determination and ingenuity. Today I wish to reflect on how AIIB can amplify your efforts, learn from your wisdom, and stand beside you as a committed partner in building a sustainable and resilient future.

The Pacific Islands face a paradox: natural wealth versus climate vulnerability. The Pacific Island nations hold 30 percent of the world's exclusive economic zones, and yet rising seas and cyclones threaten their very existence. The estimated climate-related disasters cost Pacific Island countries an average of 4 percent of GDP annually, which is a burden disproportionate to your 0.03 percent contribution to global emissions. While tourism-dependent economies like Fiji and the Cook Islands rebounded in the post-COVID scenario with GDP growth rates of 7.5 percent and 10.9 percent respectively, there are other countries still struggling.

The decline in correspondent banking exacerbates financial exclusion, stifling SME growth. Yet Pacific resilience shines through traditional knowledge. Vanuatu's community-led mangrove restoration and Fiji's cyclone-resistant housing demonstrate the power of local solutions. The Pacific's collective advocacy at previous COPs secured unprecedented climate finance commitments, that is a very big thing. How can we, as global partners, honor this resilience while addressing systemic vulnerabilities?

AIIB, as you know, was founded on the principle of fostering sustainable infrastructure. In the Pacific, this mission takes on renewed urgency given the infrastructure gap in the region. It is not just about quantity, but quality as well. Roads, ports, and energy systems must withstand the storms of tomorrow and not just serve the needs of today. This means prioritizing low-carbon, climate-resilient projects, from Fiji's climate-proof roads to Samoa's renewable energy grids. Let us create a Pacific Climate Infrastructure Accelerator Platform to fast-track projects, share best practices, and mobilize green finance.

Pacific financial inclusion is also a barrier to growth. Without access to capital, SMEs cannot thrive, and families cannot weather crises. AIIB is exploring partnerships to stabilize cross-border transactions and reduce reliance on cash economies. Our digital infrastructure initiative in AIIB can transform e-governance, digital payments, and telemedicine.

In this regard, I will also be very delighted to share my personal experience in leading India's digital public infrastructure program, which enabled 1.4 billion people to access digital identity and digital payment.

In fact, before I joined AIIB, I used to head India's digital identity program, the Aadhaar program. I worked for 9 years, and in 9 years we covered the entire 1.4 billion population, giving them all digital identity. On top of this digital identity, the entire digital payment infrastructure was built. Today, almost 90 percent of transactions are being done through the Unified Payment Interface (UPI). These are successful examples which could be replicated in Pacific countries as well. In fact, I would suggest that we initiate some kind of pilot for a specific digital ID and a payment system to unlock financial inclusion for unbanked populations.

To further support the Pacific's unique needs, AIIB can also structure innovative financial instruments tailored to the region. For instance, ocean bonds. Recently we issued an ocean bond for Vietnam, and similarly in the Pacific Ocean, which is our greatest asset covering 30 million square kilometres of biodiverse waters, such bonds could be applied.

Yet marine ecosystems face threats from overfishing, pollution, and climate change. An ocean bond to protect Moana, the world's largest marine park, would be able to create jobs in sustainable tourism. Second, sustainability-linked loans incentivize green transition. For example, a solar farm in Fiji that reduces diesel dependence, if the project meets agreed CO2 reduction, then the interest rate could be brought down. Third, debt-for-climate swaps can convert debt obligations into investments in renewable energy, such as PNG's hydropower projects.

The macroeconomic outlook report underscores three critical challenges: growth uncertainties, tariff uncertainties, and debt pressures. Regional GDP growth is forecast at 3.9 percent in 2025, but global tariff uncertainties and geopolitical tensions could dampen recovery. Inflation risks are projected at 3.7 percent in 2026, driven by volatile oil prices. Fiji's debt-to-GDP ratio of 80 percent remains sustainable, but other countries face challenges in realizing the 2050 Strategy for the Blue Pacific Continent.

The Pacific future demands bold and immediate steps. For example, blended finance at scale can combine grants, guarantees, and commercial capital to unlock projects like off-grid solar in Tuvalu or water security in the Marshall Islands. AIIB's Project Preparation Special Fund can help governments design bankable projects. Similarly, we also have climate-based policy loans which can help develop appropriate policies to bring in reforms and generate projects.

Local ownership must be the standard practice, the projects must be by and for the communities. Vanuatu's community-based adaptation, where villagers lead mangrove replanting, shows the power of grassroots leadership. We will embed traditional knowledge into AIIB's environmental and social frameworks. Through multilateral coalitions, without silos, duplication, or wasted resources, AIIB will deepen collaboration with other MDBs and DFIs to harmonize standards and pool expertise.

Excellencies, the Pacific future hinges on urgency and unity. The time for incremental steps is over. In the spirit of Talanoa, I invite your counsel in the next couple of days. How can AIIB better serve the Pacific? We are here to serve you. Together we can build a legacy that honors past wisdom while embracing future possibilities.

Thank you.