Statement delivered by Barbados on behalf of the Group of Small Island Developing States in UNCTAD on the occasion of the Second Session of the Inter-Governmental Group of Expert (IGE) on Financing for Development (FfD)

8 November 2018

Session 3: The middle income trap, environmental vulnerability and sovereign debt sustainability: Experiences and policy responses

Thank You Mister Chairman,

It is a distinct honour for me to deliver this statement on behalf of the Group of Small Island Developing States (SIDS) in UNCTAD during this session of the Inter-Governmental Group of Experts (IGE) on the Financing for Development (FfD). We are particularly pleased to be able to participate in this dedicated discussion on issues of critical import to our countries - the middle income trap, environmental vulnerability and sovereign debt sustainability. We thank the panelists and discussant for their presentations and summary respectively, and the UNCTAD Secretariat for their informative background paper with regard to this topic.

Mister Chairman,

During the opening session yesterday, we were reminded that a decade after the global financial crisis total global debt levels have continued to reach new highs. The total global external debt stocks reached $247.2 trillion at the end of March 2018. In terms of developing countries, the total external debt stocks grew on average of about 8.5 percent between 2008 and 2017 having reached an estimated $7.64 trillion in 2017. These figures coupled with the destabilizing effects and the evidence of the systemic fragility of the global financial system have been characterized as worrying.

The situation for small island developing states, many of which have been categorized as "middle-income", however, outlines an even more disturbing reality for these countries as they face additional constraints arising from the increasing number, scale, intensity of, and devastation caused from climate change and natural disasters. The total external debt stocks of these States more than doubled between 2008 and 2017, with their average debt-to-GDP ratios increasing from 28.3 per cent in 2008 to 58.2 per cent in 2017, and well above 100 per cent in some individual cases.

For SIDS, high debt levels further negatively exacerbates the economic circumstances of these countries as debt servicing costs oftentimes divert the focus and financing away from climate adaptation and mitigation efforts. It is therefore critical for the international community to acknowledge the need to confront in parallel, the issues of investment in adaptation and mitigation of climate change and debt sustainability in a conclusive way. These are issues which SIDS actively sought to bring to the attention of the international community and therefore form a core part of the SAMOA Pathways - the blueprint for sustainable development for Small Island Developing States - and in the Nairobi Maafikiano.

The Group, has within UNCTAD consistently outlined the shortcomings of GDP per capita alone as a criterion as it does not take into consideration factors like vulnerability, which would allow for a more inclusive assessment given the unique circumstances of SIDS. Given the narrow focus of GDP per capita as a measure, many small island developing states that are highly vulnerable to environmental and economic shocks are unable to access concessional loans or adequate amounts of climate financing owing to our "middle-income" status. The SIDS Group in UNCTAD therefore welcomes the development of the Environmental Vulnerability Index jointly by the South Pacific Applied Geoscience Commission (SOPAC) and UN Environment Programme (UNEP) and hopes that the inclusion of such an index could be part of a wider conversation at the global level.

We therefore believe that UNCTAD, given its mandate and leadership in these issues has a critical role to play in their partnerships with other international organizations.

Mister Chairman,

In light of the challenges faced by Small Island Developing States in sovereign debt sustainability, environmental vulnerability and the middle-income trap, the SIDS Group in Geneva is therefore supportive of the recommendations to:

1. Conduct a joint evaluation by multilateral agencies of the criteria used to target Official Development Assistance (ODA) and concessional lending facilities to move beyond a narrow approach based on gross national income per capita considerations to include environmental and economic vulnerability criteria.;

   Our Group believes that a revision in this respect would not only lead to an increase in resources available to address the climate change adaptation and mitigation needs of environmentally vulnerable small island developing states but also to enable them to reduce the prospects of debt crises in these countries;

2. Carry out a joint review by multilateral agencies and donor countries of the insurance mechanisms available to environmentally vulnerable countries. The main aim should be devising affordable options that provide our countries effective protection against catastrophic risks, particularly those associated to climate change and our susceptibility to natural disasters;

3. Develop specific measures to address the debt vulnerabilities in the Caribbean while taking into account the need for adequate fiscal and policy space; and

4. In addition of accelerating the process of establishment of the Green Climate Fund, move forward towards the establishment of a Global Disaster Mechanism (GDM) under the auspices of the United Nations for "large-scale" disaster relief.

Mister Chairman,

The issues of debt, vulnerability particularly our environmental vulnerability places small island developing states in a uniquely precarious circumstance in terms of the achievement of our sustainable development and in many instances our future existence. We therefore hope that through our deliberations today can arrive at agreed recommendations which allow for meaningful consideration and change in the division of rules and criteria as they relate to small island developing states.

I thank you Mister Chairman.