



PERMANENT MISSION OF BARBADOS

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Statement delivered by Barbados 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

Mister Chairman

Barbados welcomes the opportunity to be able to participate in a dedicated discussion on debt, environmental vulnerability and the middle-income trap as they pertain to small island developing states, and particularly as they relate to small island developing states in the Caribbean region. Often, the discussion surrounding the data presented at the international level is aggregated to reflect developing countries or middle-income countries, and though it is useful at a macro level, it does not adequately reflect the realities of the smallest and highly vulnerable small island developing states within these groupings.

We therefore thank UNCTAD for its foresight in envisioning this session, the panellists for their stimulating presentations and the Secretariat for the background paper they have prepared to facilitate our discussion here today.

Mister Chairman, Barbados can relate to many of the elements highlighted by the panellists and in the Secretariat background paper, "Climate Change and Debt Sustainability in the Caribbean: Trouble in Paradise".

Like many others in the Caribbean, Barbados, a small island developing state is faced with the inherent characteristics associated with small size and vulnerability, particularly economic vulnerability but even more acutely environmental vulnerability and has been classified as a middle-income developing country.

Although we remain highly vulnerable to environmental shocks, our classification as middle-income countries does not allow us to benefit from access to concessionary funding which is necessary to build capacity and resilience, and mitigate and adapt to climate change. The argument which outlines the shortcomings of utilising income per capita as a sole determinant in identifying

those who are eligible to receive concessional loans or have access to climate financing without paying due regard to vulnerability is not new. It is one which small island developing states have made at the international level for some time now. We take note that the catastrophic impacts of the 2016 and 2017 tropical hurricane season has caused some to pause and reflect on the environmental vulnerabilities of the small island states in the Caribbean. However, what is needed now is a concerted discussion at the international level on how our lived realities in terms of our environmental vulnerability coupled with our need to ensure that we can adequately implement our climate change adaptation and mitigation strategies and provide the necessary comfort to be able to look after our people in the event of natural disaster, without having to divert funds to cover debt financing.

Mister Chairman, Barbados welcomes the development of the Environmental Vulnerability Index. The application of this index to our own circumstances demonstrates the stark realities that the countries in the Caribbean are confronted with. It has revealed that ten (10) of the fifteen (15) Caribbean islands examined in the UNCTAD background paper have been deemed to be highly and extremely environmentally vulnerable countries. Barbados is deemed to be an extremely environmentally vulnerable country and among those countries in the region with debt to GDP ratios of between 41 and 133 percent. It should be noted that the apparent overlap between environmental and financial vulnerabilities in the Caribbean is also significant, with “7 out of the 10 countries that are in a situation of high or extreme environmental vulnerability” also score above the 60 percent mark with regard to “public debt to GDP ratio threshold used by the IMF’s Debt Sustainability Analysis (DSA) to identify signs of financial stress in Emerging Markets”.

Mister Chairman, we too are supportive of the recommendations identified for multilateral and donor level action in support of small island developing states including 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; a joint review by multilateral agencies and donor countries of the insurance mechanisms available to environmentally vulnerable countries; and the acceleration of the establishment of the Green Climate Fund.

Mister Chairman,

We are hopeful that through our discussions today the issues of debt, environmental vulnerability and middle-income country status as they relate to small-island developing states are better understood and we look forward to our discussions on the agreed policy recommendations.

I thank you Mister Chairman.

Permanent Mission of Barbados at Geneva
8 November, 2018