Outreach Luncheon on the follow-up and implementation of the SIDS Accelerated Modalities of Action (S.A.M.O.A) Pathway

31 October 2019 (1:15pm – 2:45pm)
West Terrace, Delegates Dining Hall

Concessional Financing (Ambassador Richardson)

1. A central theme of both the SAMOA Pathway and the Addis Ababa Action Agenda is the need to strengthen international cooperation and support for SIDS so that they can effectively address their vulnerabilities and advance their sustainable development efforts.

2. The international community recognised in 2015 that the ambitious agenda we agreed to would place increasing demands on public budgets and capacities, which would in turn require scaled-up and more effective international support, including both concessional and non-concessional financing. It is now estimated that countries would require annual growth rates of around 12% to meet the SDGs. Not even the best placed countries are meeting those rates. SIDS are definitely not.

3. The multifaceted nature of the SIDS situation places us in an increasingly precarious situation. We contend with largely intractable structural challenges daily – limited fiscal space, narrow markets, distance from global markets. These challenges are in the DNA of SIDS.
And now we are facing the real prospect of no reprieve from the constant battery of more intense and extreme natural disasters, accelerating sea level rise, coastal and ocean acidification and other slow onset events associated with climate change.

4. The magnitude of the losses both economic and non economic that these challenges pose for SIDS is in an order that we have never before seen. What country, let alone a small island or low-lying coastal developing state, can ever expect to recover from economic losses calculated at 200 percent of its GDP and still continue to make progress on achieving SDGs? And if, as the science tells us, our countries will be facing more of these extreme events including what used to be centennial events, then how will we survive?

5. Our situation is worsened by the fact that the international financial system does not recognize the SIDS special case. Yes indeed we may be mostly middle and high-income. On paper, we look like we are model economies. But that is a veneer, obscuring the real situation. The truth is our vulnerabilities are increasing. And our per capita income levels preclude us from accessing low-cost, long-term resources, especially in times when they are most needed. This year’s second committee reports speak clearly on this growing challenge – the inability to access sufficient affordable financing to rebuild and reconstruct in post-disaster situations is crippling our economies.

6. And the statistics to back-up these claims are alarming. The total external debt stocks in SIDS rose 200-fold between 2000 and 2018, with a step change occurring in 2003, when external debt rose from $40 billion to $161 billion in a single year.
The growth in external debt has not abated, peaking in 2018 at $742.7 billion. Over past three years, external debt as a share of export earning has averaged 108.7 per cent.

7. In addition to the human and social impact of devastating natural disasters, the immediate economic impact can be staggering. It is estimated that Hurricane Maria caused losses of $1.37 billion in a matter of hours in Dominica, amounting to no less than 226 per cent of its 2016 GDP. Hurricane Dorian in the Bahamas affected its second and third largest population centres, which also happen to be the second and third largest contributors to the Bahamian economy. Moody’s Analytica estimate that damages will amount to $3 to $5 billion USD. And so far, the Bahamas has been able to access $112 million to reinstate basic needs – electricity and water services and to meet social needs. Where will the remaining resources come from? Where are the solutions for the Bahamas?

8. The mechanisms that exist are good but not good enough. They are insufficient and ineffective for the current situation.

9. If SIDS are to meet the SDGs, finance reconstruction, build climate resilient States and meet the daily aspects of development, then undoubtedly, we need to reflect on the commitments we made in 2015 and propose avenues for SIDS to access affordable financing. We need to reflect on the way this financing is provided and to move beyond the archaic measures of income-only measurements. The reality of the SIDS-situation demands a nimble and effective system.

Thank you for your attention.