



Statement on behalf of the Alliance of Small Island States (AOSIS)

at the

High-level Thematic Debate on Debt Sustainability and Socio-Economic Equality for All

Monday, 15 April 2024, 3 p.m. - 6 p.m.

General Assembly Hall, UN Headquarters, New York

I have the honour to deliver this statement on behalf of the members of the Alliance of Small Island developing States (AOSIS).

This year's Financing for Sustainable Development report notes, "challenges are particularly pronounced for countries that are most vulnerable to climate shocks. They face high borrowing costs and— when hit by extreme weather events—high recovery costs, which increase debt vulnerability."

The report goes on to note, "debt in small island developing States (SIDS) rose from 42.3 per cent of GDP in 2000 to around 60 per cent of GDP in 2022, after peaking around 2020, as these countries— many of which rely on tourism—were severely impacted by the pandemic. SIDS also saw liquidity buffers erode, making them even more vulnerable to external shocks.

It's not a new narrative; it's just a more pronounced one. It is a situation that grows more urgent. Countries are caught in a loop of crisis and recovery. Finance that would, and should, otherwise be focused on development instead pays for recovery, and after a time, higher borrowing costs occasioned by increasing perceptions of risk in these vulnerable countries.

Rather than risk default, tradeoffs are made. SIDS cannot finance their growing debt service payments and invest in development and adaptation. Difficult choices must be taken. At best, it is an unenviable position.

The solutions are also not new. We know what needs to be done. Countries need to prevent crisis, find solutions, and there must be debt workout mechanisms for the most at-risk.

In the newly agreed outcome for the Fourth International Conference on SIDS, a three-pronged approach is proposed. First, the reform of the international financial architecture ought to implement SIDS-tailored solutions, address gaps and shortfalls, and facilitate easier access to

affordable and concessional finance. Second, support towards effective development finance is needed and third, support that enables sustainable debt management is provided.

AOSIS supports these proposals. In respect of the latter, AOSIS intends to establish a dedicated SIDS Debt Sustainability Support Service to enable sound debt management and devise effective solutions for SIDS. There is really no way around solution finding without first getting a handle on where individual SIDS stand. SIDS are often resource and capacity constrained to enable effective debt management. This support service would be the first step towards sustainable debt management.

AOSIS, through the recently agreed outcome for the Fourth International Conference on SIDS, and indeed historically, have called for relief and restructuring, where needed; pursuing pause clauses; and, enabling a greater uptake of debt for climate and debt for SDG bonds. These innovative mechanisms allow for meeting debt obligations and pursuing climate action and development.

These emphasize a multi-faceted approach to addressing the debt challenges SIDS are facing and links debt action directly to broader economic stability and the achievement of sustainable development.

Age old solutions for age old problems. It's about time we get it right before debt challenges in SIDS become debt crises.

I thank you.