STATEMENT

BY

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ON BEHALF OF
THE ALLIANCE OF SMALL ISLAND STATES (AOSIS0

AT THE

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Madam President, Excellencies, Ladies and Gentlemen,

I have the honor to deliver this statement on behalf of the Alliance of Small Island States (AOSIS), and I wish to align with the statement delivered by the State of Palestine on behalf of the Group of 77 and China.

On the surface, the outlook is positive. Small island developing States continue to do well in the human development index rankings, climate finance flows have increased, and tourism continues to boost economies. **But** a closer examination reveals a far more troubling position.

SIDS remain highly dependent on a limited natural resource base; social fissures persist; and climate change is already having severe impacts on countries.

The pace of economic growth in SIDS has been described as slow, restrained and inconsistent. In fact, most small islands developing States are not even meeting the SGD 8.1 target of growth of 7% or higher.

When these challenges are coupled with : declining overseas development assistance (ODA) that has waned and stagnated (OECD); unsustainable external debt that worsens as SIDS borrow to recover from more frequents intense disasters; and severe structural constraints and low savings rates; then the dismal reality of the development challenges for SIDS is clear.

It is also clear that a global solution is imperative and urgent.

Our development toolbox comprised of the Addis Ababa Action Agenda, the S.A.M.O.A. Pathway, the 2030 Agenda for Sustainable Development, the Paris Agreement and the Sendai Framework need to be operationalized, and synergized in order that SIDS can be enabled to overcoming the multiple complex challenges we face.

I wish to highlight key considerations that are unique to SIDS and that must therefore benefit from dedicated and bespoke solutions in this FFD Forum.

Madam President,

Grant based and concessional finance are a vital source of development funding for SIDS.

In their 2015 note on *SIDS and the Post-2015 Finance Agenda*, the OECD made three major observations on ODA to SIDS.

First, while total aid volumes increased in the years under examination, by 66% from 2000 to 2013, the share of aid flows to SIDS steadily declined. ODA to SIDS decreased from 3.5% in 2000 to well under 2% in 2013. Fluctuations in these rates were mostly observed around debt relief or aid in post-disaster scenarios.

Second, this aid was concentrated in only a few countries. While the bulk of ODA-eligible SIDS are classified as upper-middle income countries, 46% of concessional flows over 2012-2013 was channeled to the nine SIDS falling in the least-developed country category. And, where received, ODA was concentrated in a few sectoral areas reflecting the bilateral sources' preferences: governance, health and infrastructure.

And third, an examination of the vulnerable countries groupings shows that SIDS on average received the smallest share of ODA resources.

The OECD further emphasized that the share of ODA will remain stagnant and is unlikely to increase for SIDS. In its assessment – **"when compared to other vulnerable countries, it is clear that SIDS have lost out over the past decade."** The international community's focus remains elsewhere.

For ODA-eligible SIDS, the share of concessional loans has decreased over time, likely due to a combination of increased humanitarian aid and a response to already high levels of indebtedness.

In the absence of concessional financing, SIDS rely heavily on private finance to meet fiscal deficits and to aid development. The debt to GDP ratios are high in SIDS and are significantly higher than other developing economies. Being a middle-income economy does not aid this challenge: as it is unlikely that the will qualify for debt restructuring and relief. In fact, SIDS that have graduated from LDC status also find themselves at risk for debt distress.

Compounding the development financing challenges for SIDS is the matter of our particular vulnerability to climate change impacts. Although the impacts will not be the same for all SIDS, climate change will increase the challenges of meaningful development across all sectors of our economy and society. This has most recently been confirmed in the IPCC Special Report on 1.5°C.

SIDS have taken proactive measures to address this existential threat to their reality. We are actively pursuing adaptation finance. Some of us have undertaken bold commitments in our Nationally Determined Contributions under the Paris Agreement, and others have sought to institutionalize climate change action in their countries by designating ministries of climate change, establishing national committees, and developing national policies and sectoral plans. And yet, the gap between resources available and needs is abysmal especially for adaptation. In its 2018 biennial report on climate finance flows, the UNFCCC Standing Committee on Finance notes that SIDS received only 2% of bilateral flows in 2017. During this time, they also only received 13% of multilateral flows and 15% of multilateral development bank resources, together with LDCs.

The expected loss due to disasters, measured as a share of capital investment, is concentrated in low- and middle-income countries, in particular SIDS. Progressing in the fight against climate-induced disasters "will come at a high cost to SIDS". The OECD and World Bank sought to identify ODA financing for climate and disaster risk reduction in small island developing States during 2011 to 2014. They noted that concessional finance in support of climate and disaster risk reduction nearly doubled over the period, representing 14% of the total concessional finance for SIDS during this period, but this finance was largely dominated by investments in resilient infrastructure in just a few countries and tended to follow large disasters. Predictable, long-term financing is scarce, making it difficult for SIDS to integrate flows into longer-term planning for disaster risk reduction, in the broader context of an integrated national financing framework.

Madam President,

Even in the face of such adverse debt and development dynamics, AOSIS Members remain steadfast in our commitment to the sustainable development of our countries. We are never defeatist, even when the statistics paint such a bleak outlook. We have invested heavily in development prescriptions du jour doled out in many an international outcome only to come upon yet another roadblock, an unscable wall or an even narrower path.

Still, SIDS have made less progress than most other vulnerable groups, or even regressed, in economic terms, especially in terms of poverty reduction and debt sustainability. We have not achieved sustained high levels of economic growth owing in part to the ongoing negative impacts of external financial, economic and environmental shocks. Our small size, remoteness, narrow resource and export base, and exposure to global environmental challenges have worked against multiple efforts towards sustainable development in most small island developing States.

Madam President,

New tailored growth paradigms are needed to chart the course for SIDS.

Development partners will need to invest in more longer-term and impactful finance that support national capacities and address the absorptive capacity constraints our countries face.

We have proposed several avenues for action, including supporting enhanced regional and national mechanisms including for improved risk assessment capacity, resumption of budget support, green and blue bonds, investing in risk transfer facilities, and addressing highly indebted countries through debt moratoriums, debt-for-climate swaps and disaster debt-reliefs.

The fiscal space needs to be created if SIDS are going to have a chance to achieve sustainable development. Surely, we can agree that even in the midst of a global downturn and retreat from multilateralism, we can still create the space for the men, women and children of small island developing States to have a more equitable and more prosperous future.

At the launch of 2019 Financing for Sustainable Development Report, the DSG stated, “rather than retreating from multilateral cooperation, we must strengthen collective action to address global challenges in support of sustainable development”. The small island developing States agree.

Thank you.