



The Commonwealth

Interventions on Behalf of the Commonwealth by Miss Samantha Attridge, Head Finance and Development Policy, The Commonwealth to the United Nations, at the First Drafting Session of the Preparatory Process for the Third International Conference on Financing for Development, 27 -29 January 2015

Sovereign Debt

Thank you co-facilitator,

Much attention has been focused on the debt problems and deteriorating fiscal positions of advanced economies and threats to debt sustainability in Low Income countries. This focus has obscured the deeper seated debt sustainability challenges faced by many small vulnerable developing states, especially in the Caribbean region, where the problem is pronounced. My intervention is focused on this problem.

31 out of our 53 Commonwealth member countries are classified as Small States and many of these are facing crippling debt burdens, in addition to poor access to finance on affordable terms.

This has long been a concern of ours. The high debt burden is hampering growth prospects in Small States, whilst exacerbating their vulnerability to economic shocks. Together this fragility is hindering their achievement of important development objectives.

For example, in the Caribbean, 9 of our Commonwealth members have debt burdens in excess of 60% of GDP, and some as high as 100% of GDP. A number of small island developing states in Asia and the Pacific are also facing looming debt problems.

Despite several debt restructuring operations undertaken in these states, most continue to struggle with high and unsustainable debt. This illustrates quite clearly, that existing debt resolution mechanisms are not working for tackling present debt challenges. This is a major gap in the financial architecture and so the Commonwealth welcomes the focus on debt crisis resolution in the elements paper.

However, we would like to stress that this is by no means a silver bullet. The debt challenge is broad and complex. In many small vulnerable developing states there is a growth challenge, a financing challenge and a climatic challenge all which complicate the process of managing public debt.

At the national level these states will need to commit to address the growth issue, commit to fiscal responsibility and to reform policies and institutions. At the same time, however, small vulnerable states will need the strengthened support of the international community given their inherent structural vulnerability.

The Commonwealth has proposed a menu of options at the international level to help address the issue of high debt in small vulnerable states. We would urge the

co-facilitators to kindly consider a broader menu of options for debt crisis prevention and the debt challenge facing many small vulnerable states.

The Commonwealth would like to put forward the following for consideration:

- development and broader use of counter-cyclical loans to mitigate against debt accumulation and growth challenges for example when a natural disaster strikes;
- innovative use of debt SWAPs for climate change adaption for reducing debt stocks and accessing climate finance;
- vulnerability as a criterion for access to IFI concessional resources; and
- resilience building as a policy condition for IFI Lending.

In due course we will submit for consideration more detail on our proposals.

Thank you.