Ms. Armida Salsiah Alisjahbana
Under-Secretary-General of the United Nations
and Executive Secretary of ESCAP

Welcome remarks

Pacific Regional Debt Conference

Co-convened by Fiji and Tuvalu and co-organized by PIFS and ESCAP

Tuesday, 5 April 2022
08:00 hrs. (Bangkok time)

(ES time slot after PIF Secretary General, Mr. Henry Puna, around 08:05 hrs.)
Zoom platform

Excellency, Mr. Seve Paeniu, Minister of Finance of Tuvalu,
Excellency, Ms. Sri Mulyani Indrawati, Minister of Finance of Indonesia,
Ms. Amina Mohammed, Deputy Secretary General of the United Nations,
Excellency Mr. Henry Puna, Secretary General of the Pacific Islands Forum,

Excellencies, distinguished participants, ladies and gentlemen,

Welcome to the Pacific Regional Debt Conference.

We are pleased to co-organize this important conference in collaboration with the Pacific Islands Forum Secretariat.

The COVID-19 pandemic created a major economic and financial disruption around the world.
Governments’ finances, in particular, have deteriorated as a consequence of additional health and social protection expenses and decreases in tax revenues.

In the case of the Pacific small island developing States or SIDS, revenue flows were reduced substantially due to the collapse of the global travel and tourism industry.

SIDS governments increased their borrowing to finance their deficits in some of the Pacific, and even some countries experienced the largest increases in the public debt-to-GDP ratio.

As a note, the majority of the Pacific SIDS already had heavy debt burdens even before the pandemic.

Having heavy debt burdens is challenging for policymakers because they reduce the financing available to recover from the pandemic, deal with future emergency situations such as natural disasters, and invest in the Sustainable Development Goals.

As such, the convening of this conference by the Governments of Fiji and Tuvalu to discuss and explore options for debt relief among debtors and creditors is extremely timely.

**Excellencies, ladies and gentlemen,**

Among the various possible options that will be discussed at the conference, I would like to highlight three topics for your further deliberations:

**The first topic is that,** debtor countries could consider undertaking reforms to make improvements in fiscal policy and debt management.
Important areas to consider:

To improve the effectiveness of their tax administrations and enhance the efficiency of public spending efficiency to reduce fiscal deficits and borrowing needs.

To implement prudent and effective public debt management practices to promote policy credibility and reduce financing costs.

To make greater use of risk-sharing disaster financing mechanisms to avoid fiscal shocks and sudden rises in debt sustainability risks.

**The second topic is that,** bilateral creditor and multilateral development partners can help the Pacific SIDS improve their debt sustainability in various ways. Issues to consider are:

Debt relief and strengthening of the global debt architecture so that it facilitates expedient, fair, and effective debt workouts when needed.

Accelerate the operationalization of the G20’s Common Framework for Debt Treatments.

A stronger Common Framework could include expanding its coverage to currently non-eligible but highly indebted countries that need debt relief and offering a standstill in debt service payments during the duration of debt restructuring negotiations.

Integrate debtor countries’ vulnerability to shocks into concessional loan decisions and debt risk assessments – for which a multidimensional vulnerability index could play a useful role.
Furthermore, the Ukraine crisis is pushing up energy and food prices around the world, increasing the cost of imports in the Pacific SIDS.

While there is considerable uncertainty on how the crisis will evolve, a prolonged disruption in energy and food markets can have a very detrimental impact on the debt situation in the Pacific SIDS and beyond.

As a result, the global community should be prepared to adopt emergency measures, including a possible reinstatement of the Debt Services Suspension Initiative for a period of three years.

The third topic is developing financing instrument such as debt for climate swaps.

A debt for climate swap is an agreement between a debtor and international creditor through which the creditor agrees to reduce future payments in debt services in exchange for a commitment by the debtor to invest the savings – in local currency – in climate action.

Debt-for-climate can be beneficial to debtors in creating resources to invest in climate action that would not be otherwise available. It can be beneficial to creditors in allowing them to fulfill climate finance commitments under the Paris Agreement.

To conclude, I am positive that these topics and other solutions will be thoroughly discussed and considered in the next four days.

I look forward to the outcome of this conference, as debt challenges extend beyond the Pacific SIDS, and the rest of the world can learn from your deliberations.
Thank you very much.