



Statement by Rebeca Grynspan, Secretary-General of UNCTAD

## World Investment Forum 2023: High-level round table on small Island developing States and investment guarantees

Abu Dhabi, United Arab Emirates  
17 October 2023

*[As prepared for delivery]*

Excellencies, distinguished delegates, esteemed colleagues,

It is my great pleasure and honor to welcome you this morning to our joint MIGA-UNCTAD roundtable on small island developing states and investment guarantees. I am particularly pleased to be joined by my dear friend, Hiroshi Matano, the Executive Vice-President of the World Bank in charge of MIGA. We are honored by the presence of H.E. Mr. José Manuel Ramos-Horta, President of Timor Leste, and we look forward to hearing his keynote address.

Excellencies – I have three key messages to share this morning at the start of this important roundtable.

The first is to recognize the unique challenges that SIDS face in terms of mobilizing finance for climate action.

Rising temperatures and sea levels mean that mobilizing SDG finance is a matter, quite literally, of survival for SIDS. And yet, the data is not encouraging. Collectively, SIDS attracted \$7.8 billion of FDI in 2022 – only about 0.6 per cent of global FDI, a figure that has hardly changed over the past five years.

Moreover, most of this investment is concentrated in a handful of countries, and especially in the top five recipients (Dominican Republic, the Bahamas, Maldives, Jamaica and Timor-Leste), with the top two attracting close to three quarters of this amount.

Several structural impediments contribute to this problem, including logistical hurdles, a modest market size, elevated risk ratings, and especially SIDS exposure to natural disasters. According to a recent UNCTAD study, SIDS face triple the per capita costs of the rest of the world in their SDG transition pathways.

This takes me to my second point: adaptation finance in SIDS.

Infrastructure sectors bear the brunt of the scarcity of FDI in SIDS. And yet, these are the very sectors crucial for achieving SDGs.

For SIDS, adaptation in particular poses a unique challenge. Attracting private investment in adaptation is daunting, not only here but globally. Many vital needs, such as flood defenses, lack clear revenue streams, making them less attractive to private investors. International private finance leans towards sectors like energy and physical infrastructure, including ports.

To solve this problem, we can for example create portfolios of climate action projects in SIDS, bundling both adaptation and mitigation projects, which also tackled the issue of scale. Furthermore, investment insurance, guarantees, and other risk-mitigating instruments will be indispensable, especially for foreign exchange risk. We are eager to learn more from the business executives present on how best to utilize these and other de-risking instruments to mobilize private investment in SIDS, especially for adaptation projects.

But we also call on the international community to design the necessary financial instrument to support the SIDS what takes me to my last point: the international financial architecture.

Most of the SIDS have the additional problem of being classified as MICs by the international community. A measurement that has been challenge many times. SIDS have insisted, and we support their demand, that a

vulnerability index be developed to better capture the real nature of their challenges. Several efforts on this direction are underway. In the UN for example a Vulnerability Index is being developed together with a “beyond GDP” measure trying to overcome the shortcomings we all know the GDP measure has.

The second thing the international community can do refers to debt and the lack of a mechanism to deal with unsustainable debt burdens, perhaps the most pressing economic challenge that SIDS face today. Here there has been interesting progress on the inclusion of contingency clauses in sovereign bond issuing and the new President of the World Bank has expressed his willingness to do so in their loans, too – a lot of the SIDS debt comes from the natural disaster cycle of losses and rebuilding that hit SIDS so badly over time. As emergency liquidity is too often lacking, countries are forced into ever more expensive debts. As debts mount, they crowd out development spending and investment into adaptation and mitigation.

This is a vicious cycle that is particularly vicious in SIDS. Shock after shock, natural disaster after natural disaster, money runs out, debts pile up, and SIDS are failed by our current system.

This is a structural issue that requires a structural solution. Action at the margins will not be enough to deliver the investments that SIDS need to save themselves from the rising seas. This takes me to my last point.

The reform of the MDBs to provide SIDS with the necessary flow of resources for their investment needs crowding in private investment. I am sure our MIGA colleague will refer to this later on.

Your excellencies, ladies and gentlemen,

In this session, I invite speakers to outline a package of actions that SIDS can take, together with the international community, to tackle these important questions.

It is my hope that, after this meeting, together we can achieve an action-oriented outcome that can feed into the Fourth International Conference on Small Island Developing States (SIDS4) which will be held in May next year in Antigua and Barbuda.

In closing, we gather today because we believe in possibility and responsibility.

Let us be the bearers of hope and the architects of a future defined not by the scale of the challenge but by the depth of our commitment to overcoming it.

Thank you for your engagement, your dedication, and the invaluable contributions I know you will bring to our discussions today and into the actions we take tomorrow.

Thank you.



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