



# 1<sup>st</sup> Session of the Intergovernmental Preparatory Committee for the 4<sup>th</sup> International Conference on Financing for Development (FFD 4)

*Statement by*

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**Date:** 22-26 July 2024

**Venue:** Abyssinia Hall of the Ethiopian Skylight Hotel, Addis Ababa, Ethiopia

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**Duration: 3 minutes**

Bismillaahir Rahmaanir Raheem

Honorable Speakers, Distinguished Delegates, Ladies and Gentlemen, “Assalaamu Alaikum”.

Let me begin by expressing my gratitude to the Government of Ethiopia for hosting this preparatory event for FfD4 and your warm hospitality. Also, I would like to commend UNDESA and the Bureau for the meticulous preparations and arrangements to make this event possible.

The Addis Ababa Action Agenda (AAAA) adopted at the 3<sup>rd</sup> International Conference on Financing for Development in 2015 is a crucial framework designed to integrate diverse financial resources, technological advancements and innovative approaches while emphasizing trade and sustainable debt management. This is pivotal for a country like Maldives that faces acute climate and economic vulnerabilities.

As a Small Island Developing State, the Maldives faces constraints imposed by its physical characteristics, including geographic isolation, small size, limited natural resources, low altitude and a small population. Climate change poses existential threats through rising sea levels and extreme weather events, compounding economic challenges predominantly reliant on tourism and fisheries as well as new emerging social issues.

This adds to the challenges posed by high debt levels that the country is coping with, fuelled by the crucial developmental needs, elevated interest rates, and the composition of public debt and external debt financing.

**Distinguished Delegates, Ladies and Gentlemen,**

Over the last 20 years, Maldives has shown impressive progress and is fully committed to achieving the SDGs. As an island nation, Maldives has ambitious targets such as Net Zero Carbon



emissions and reducing 26% of our emissions by 2030. Even more ambitious is the pledge by the current government to increase the energy source from 4% to 33% by the end of 2028.

However, the challenges that must be overcome are immense in terms of financial sustainability, socio-economic and environmental concerns, human resource capacity, statistical capacity, vulnerability to external shocks, and political challenges.

Maldives' graduation to a Middle-Income Country status in 2011 led to the loss of specific incentives available to Least Developed Countries (LDCs), particularly affecting industries like fishing, which rely heavily on exports to Europe. Additionally, the country faced challenges such as reduced access to affordable finance, resulting in decreases in grants and credit ratings.

The current fiscal and economic situation with a high level of debt has resulted in “Fitch” to downgrade our long-term foreign currency issuer rating from B- to CCC+ primarily due to the increased risks associated with external financing and liquidity.

The escalation of public debt poses an increasing global challenge, especially among SIDS countries with low income levels. The Global Financial Architecture (GFA) conceived in the 1940s struggles to meet contemporary global development needs. Despite numerous adaptations and reforms, particularly following the global financial crisis, debt levels in the Global South and Small Island Developing States (SIDS) have surged at a significantly faster pace compared to those of developed nations.

Therefore, we must urge the Multilateral Development Banks, the EU, and its member states to take a leading role in restructuring the Global Financial Architecture (GFA). This restructuring should aim for improved debt resolution mechanisms, inclusive governance, and increased financial contributions from wealthier countries. It must be equitable, just, and responsive to emerging crises.

### **Distinguished Delegates, Ladies and Gentlemen,**

We acknowledge the pressing need to achieve the SDGs by 2030. Last year, global leaders convened at the UN High-Level Dialogue on Financing for Development to propose innovative and practical strategies to secure improved financing and address financial disparities.

Many Small Island Developing States (SIDS), particularly low-income countries, are at risk of failing to achieve the Sustainable Development Goals (SDGs) due to various factors, including a lack of resources for financing. This financing gap is further exacerbated by climate risks, as most developing countries, especially among the SIDS group, are highly vulnerable to socio-economic and environmental changes. Their infrastructure and economic systems often lack the resilience needed to withstand such unprecedented effects.



However, greater action is required at the grassroots level, as nearly 40% of developing countries, such as the Maldives, face significant debt challenges, leading to high borrowing costs and an inability to finance the SDGs.

Hence, countries like Maldives, and other SIDS, should be able to seek resilience in financial sustainability through the reformation of the Global Financial Architecture and strengthened global financial safety nets.

### **Distinguished Delegates, Ladies and Gentlemen**

As we approach the midpoint of the 2030 Agenda, there are ample opportunities for countries to take action towards achieving the SDGs. We as an island state, have identified focusing on a long-term sustainable Regional Development Strategy, which will focus on reducing poverty and increasing socio-economic well-being of the people. To achieve this, we are focusing on developing policies and strategies that are backed by evidence. Effectively leveraging data and implementing essential systemic changes are crucial to address the needs of the entire Maldivian community. Despite the many challenges we face, such as technical capacity and financial burdens, we are committed to achieving resilience and sustainability throughout the country. To this effect, we value the Addis Ababa Action Agenda for providing a robust framework to advance the implementation of the 2030 Agenda.

In conclusion, it is essential to prioritize the development of innovative financial mechanisms to address financial sustainability challenges and bridge funding gaps. This can be by increasing the operational efficiency of multilateral development banks to better respond to global challenges, allocating more resources to concessional lending, and improving debt resolution mechanisms. Furthermore, we call for reforming the international tax system to be more inclusive and fair, canceling or restructuring debt in distressed countries, and fully operationalizing the Loss and Damage Fund to address climate change risks in Small Island Developing States (SIDS).

**I thank you.**