



4TH INTERNATIONAL
CONFERENCE ON
**Small Island
Developing States**
27-30 MAY, 2024
ST. JOHN'S, ANTIGUA AND BARBUDA

SIDS4 Conference Side Event

How to Use Debt-for-Climate and Debt-for-Nature Swaps as Tool of Financing and Aid Effectiveness through collaborative Partnerships

Date: 27 May 2024 - Monday | Time: 16:00 - 17:30 – Room 7

**Organized by: UN Joint SDG Fund, World Bank and The
Nature Conservancy**

Background on the event (one paragraph)

The side event convened development partners and countries to frame the conversation around the role of the United Nations Joint SDG Fund in supporting Governments overcome impediments to financing the SDGs. We showcased the example of bilateral debt swap between Portugal and Cabo Verde and examples covered by The Nature Conservancy Nature Bonds Program that combines commercial debt refinancing and robust conservation planning and implementation to help countries protect ecosystems, address climate change challenges and support their communities without increasing, or at times even reducing, their debt burden and present the case studies of Belize and Barbados debt conversions for ocean conservation.

Key Issues discussed (5-8 bullet points)

1. Opportunities presented by Debt-for-Climate and Debt-for-Nature swaps to help debt-burdened countries address their climate and nature commitments while gaining crucial fiscal space.

2. The role of Debt-for-Climate and Debt-for-Nature swaps as a mechanism for Annex II countries to fulfill their obligations under the Paris Agreement, showcasing how these swaps can contribute to global climate action.
3. Examples of Debt-for-Climate and Debt-for-Nature negotiations, illustrating successful models and best practices that can be replicated between developing economies and Annex II countries.
4. Challenges faced by SIDS in accessing capital markets solutions due to prohibitive transaction costs, and explore strategies to overcome these barriers.
5. Innovative approaches, such as bundling multiple SIDS Debt-for-Climate and Debt-for-Nature swaps as a means to decrease transaction costs and address the diverse climate needs of island nations more efficiently.
6. Research on SDG investment approaches and private sector capacity to support the mission of facilitating Debt-for-Climate and Debt-for-Nature swaps, aiming to attract investors and stakeholders to participate in this critical endeavor for global sustainability.

Key recommendations for action (5-6 bullet points)

1. Understanding that debt for nature/climate swaps is but an important and innovative tool to support developing countries, contributing to debt sustainability, while also assisting in the achievement of the SDGs and the Paris Agreement goals.
2. A debt-for-climate swap has an intensive negotiation process and a very complex agreement. Commercial debt tends to be the most expensive one. Therefore, these types of agreements will remain unicorn events.
3. The importance of DFIs in supporting countries during the consideration and preparation of these transactions complements the usual collaboration and portfolio relationship after the transactions are completed.
4. The reporting of milestones and conservation gains based on the conservation commitments and requirements involved in the swaps are to be highlighted by partners involved.
5. The US Joint SDG Fund is organizing a Stakeholders Rally to explore next steps following SIDS4 and ensure we leverage the momentum generated by the conference before the end of June.