



Summit of the Future Action Days Side Event

Building Resilient Futures: The SIDS Debt Sustainability Support Service

September 21, 2024 at 9:45 AM - 11:00 AM

Location: Room CR 5, UNHQ, New York

Organized by: Government of Antigua and Barbuda, Republic of the Maldives, in partnership with the Government of New Zealand, United Nations Department of Economic and Social Affairs (UN DESA) and International Institute for Environment and Development (IIED)

Background on the event

Co-chaired by H.E. Gaston Alphonso Browne, Prime Minister of Antigua and Barbuda, and H.E. Dr. Mohamed Muizzu, President of the Maldives, the side event brought together key stakeholders including representatives from the United Nations, the Government of New Zealand, finance experts and international organisations. The event focused on addressing the dual challenges of debt sustainability and climate resilience in Small Island Developing States (SIDS), which face disproportionate impacts from climate change despite contributing less than 1% of global greenhouse gas emissions. SIDS constitute two-thirds of countries experiencing the highest relative annual losses from such events, creating a ripple effect that manifests in escalating debt. This debt crisis impacts more than just finances; it limits investment in social services, social protection and resilience-building, exacerbating poverty and inequality. For the SIDS, breaking free from this vicious cycle is not just an economic imperative but a question of survival. To address these urgent needs, the SIDS Debt Sustainability Support Service (DSSS) (<https://www.iied.org/22426iied>) was launched at the SIDS4 conference and part of the Antigua and Barbuda Agenda for SIDS (ABAS). The discussions at the side event revolved around the operationalisation of the DSSS and to build a coalition of diverse stakeholders, fostering a unified approach to reforming the international financial architecture to be more responsive, and enabling SIDS to achieve the SDGs and the full implementation of the ABAS.

Key Issues discussed

- SIDS are at the forefront of the global climate crisis, facing rising sea levels, extreme weather events, and economic instability exacerbated by climate-induced disasters.
- SIDS account for two-thirds of the countries experiencing the highest relative annual losses from climate disasters, which push them further into debt, with 40% of SIDS nearing or in debt distress.

- The vulnerability of SIDS is compounded by high debt-to-GDP ratios, with several SIDS surpassing 100%, limiting their ability to invest in social services, resilience building, and progress toward the Sustainable Development Goals (SDGs).
- The need for a new financial architecture that includes more favorable credit ratings for SIDS, as traditional financial models often do not account for their unique climate vulnerabilities.
- The potential role of the DSSS in creating fiscal space for SIDS, allowing them to focus on long-term development and climate adaptation efforts.
- The importance of developing innovative financial tools, such as resilience bonds and climate finance mechanisms, to support SIDS' efforts in adapting to new and emerging climate shocks.
- The need for technical and legal expertise to support SIDS in debt negotiations and restructuring, as they often face challenges in navigating complex global financial systems.

Key recommendations for action

- Implement a tailored debt management framework for SIDS, combining debt relief, concessional financing, and innovative financial mechanisms like resilience bonds and green bonds, to create fiscal space for sustainable development.
- Develop insurance and funding mechanisms to provide rapid financial support in the aftermath of climate-related disasters, preventing debt escalation and allowing for quicker recovery.
- Reform international financial institutions and credit rating systems to more accurately account for the vulnerabilities of SIDS, ensuring more equitable access to financing.
- Integrate the Multidimensional Vulnerability Index (MVI) into financial support frameworks for SIDS, allowing for a more nuanced and accurate assessment of their vulnerabilities. This will ensure that financing and debt solutions are aligned with the unique risks and challenges that SIDS face.
- Increase investments in climate resilience projects, leveraging green bonds and climate finance to support sustainable infrastructure development in SIDS.
- Strengthen the legal and technical capacities of SIDS to enhance their ability to negotiate favorable terms in debt restructuring and access global financial resources.
- Position the DSSS as a model for other vulnerable countries, particularly Least Developed Countries (LDCs) and other developing nations, offering insights for the upcoming Fourth International Conference on Financing for Development (FFD4).

These recommendations highlight how the DSSS framework can serve as a blueprint for other vulnerable countries, addressing similar debt and climate challenges while contributing to global financial reform discussions. The outcomes of this event will be pivotal as input for the FFD4, shaping a more resilient and equitable financial future for SIDS, LDCs, and other developing nations.

Webpage to find more information: <https://www.iied.org/charting-comprehensive-financial-solution-for-resilient-prosperity>