



Government of
Antigua and Barbuda



Republic of Maldives

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Building Resilient Futures: The SIDS Debt Sustainability Support Service

Ritu Bharadwaj, Director, Climate Resilience, Finance and Loss and Damage

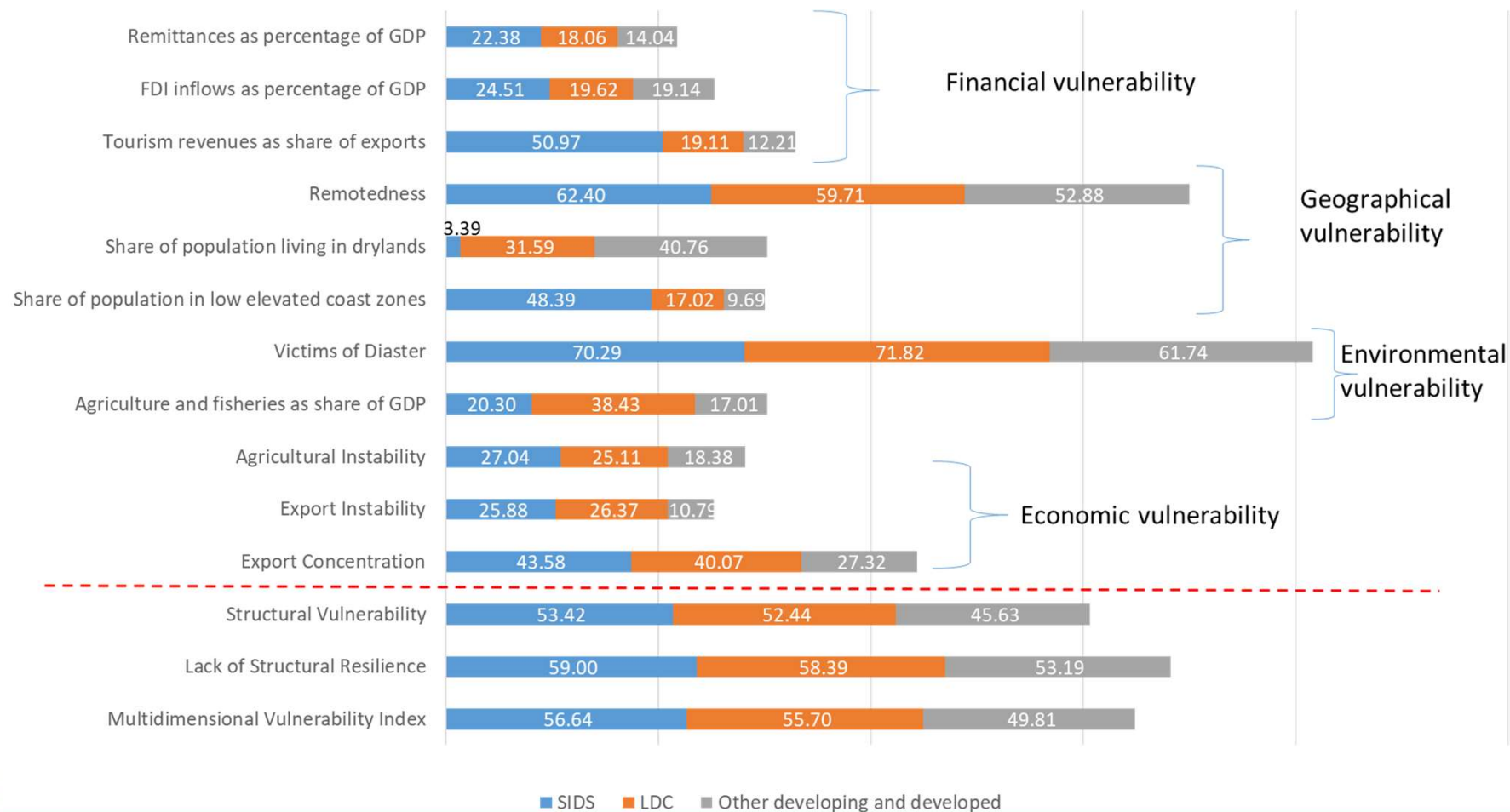
Email: Ritu.Bharadwaj@iied.org

9 December 2024

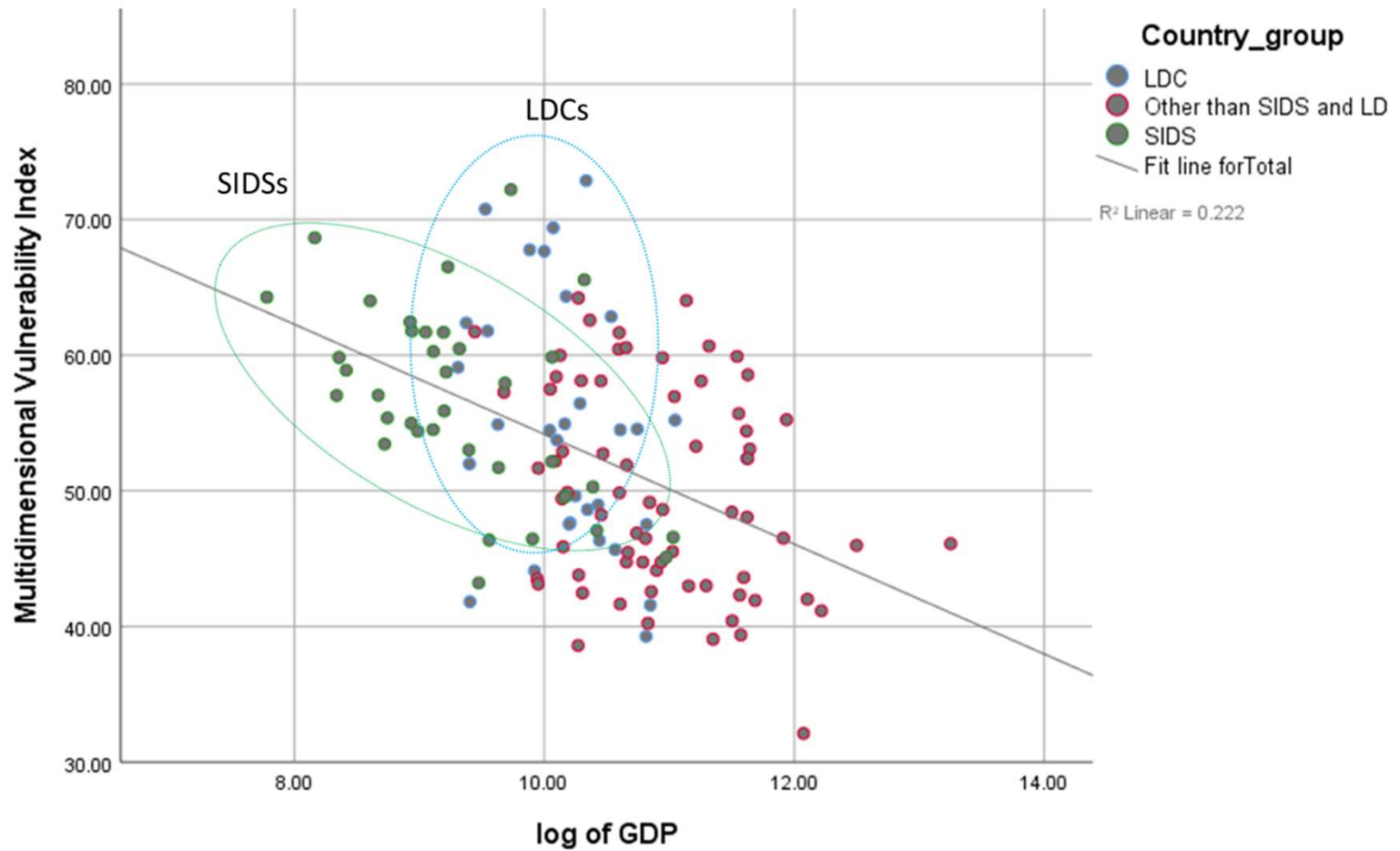


**Unique vulnerability and challenges
of SIDS: a multidimensional
perspective**

Multidimensional vulnerability of SIDS

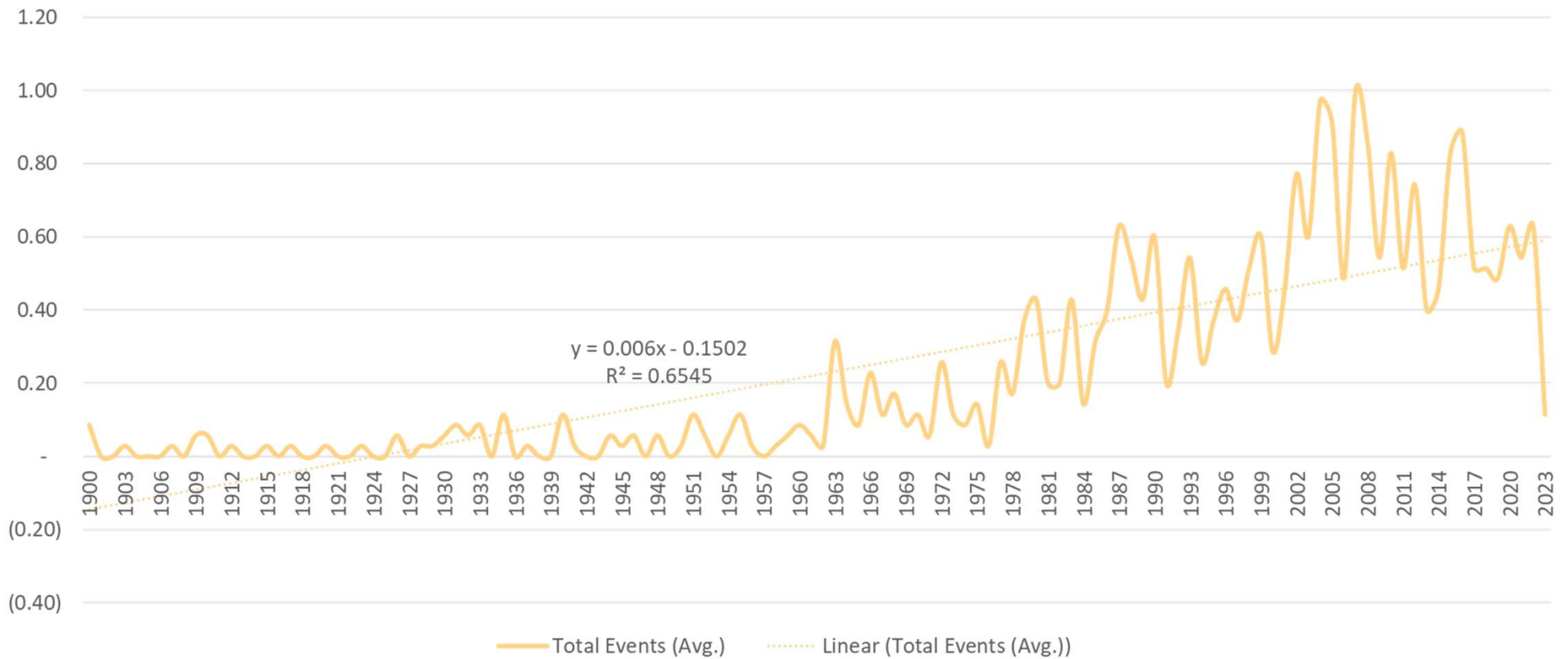


Multidimensional vulnerability of SIDS compared to other countries



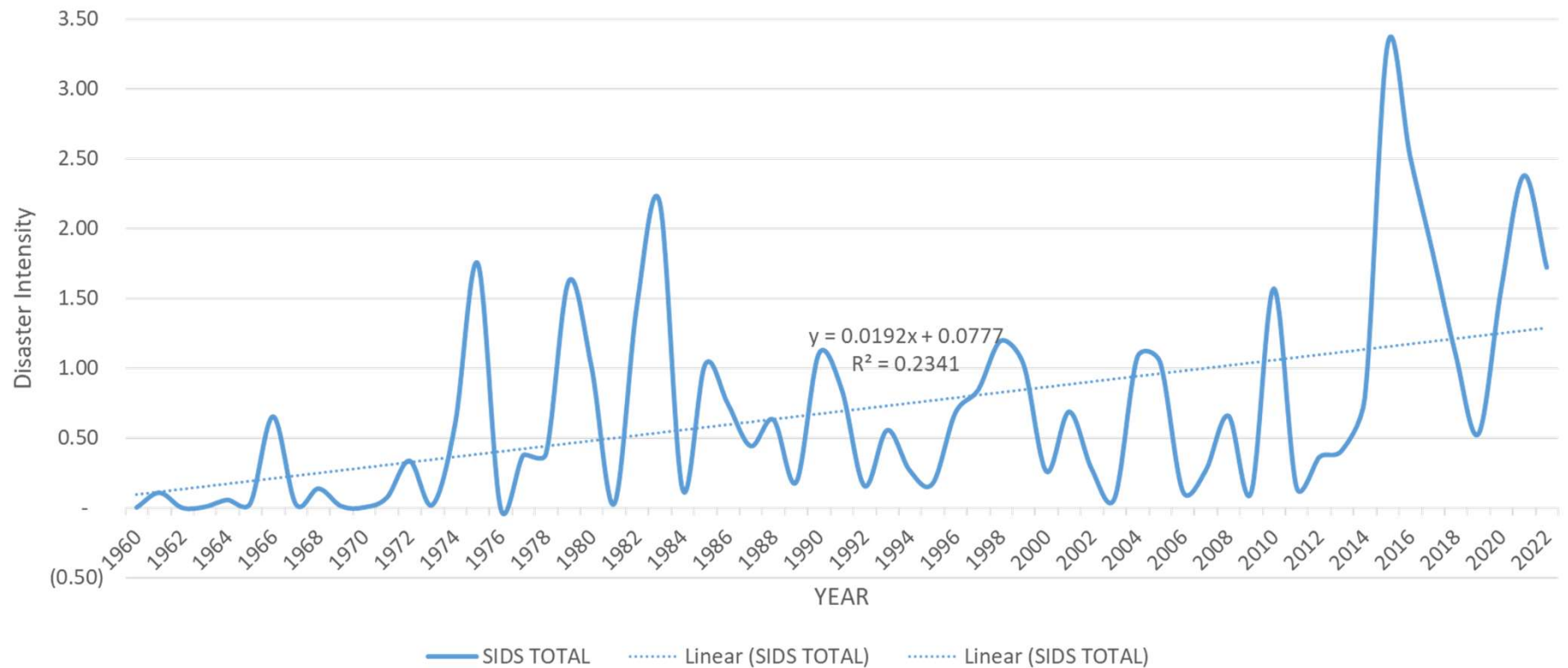
SIDS are becoming increasingly vulnerable to climate impacts

Disaster frequency in SIDS (1900-2023)

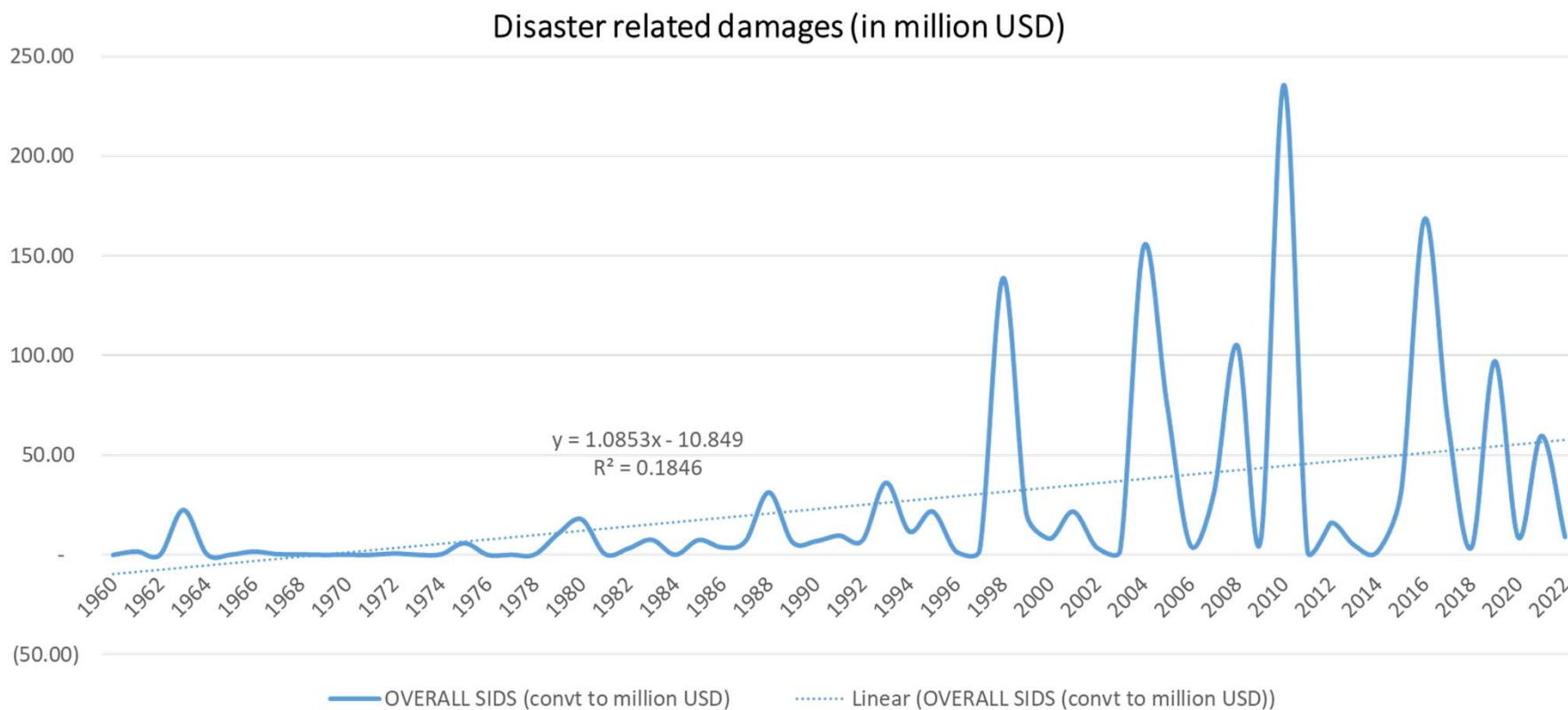


Increase in disaster intensity in SIDS (1900-2023)

Disaster Intensity in SIDS

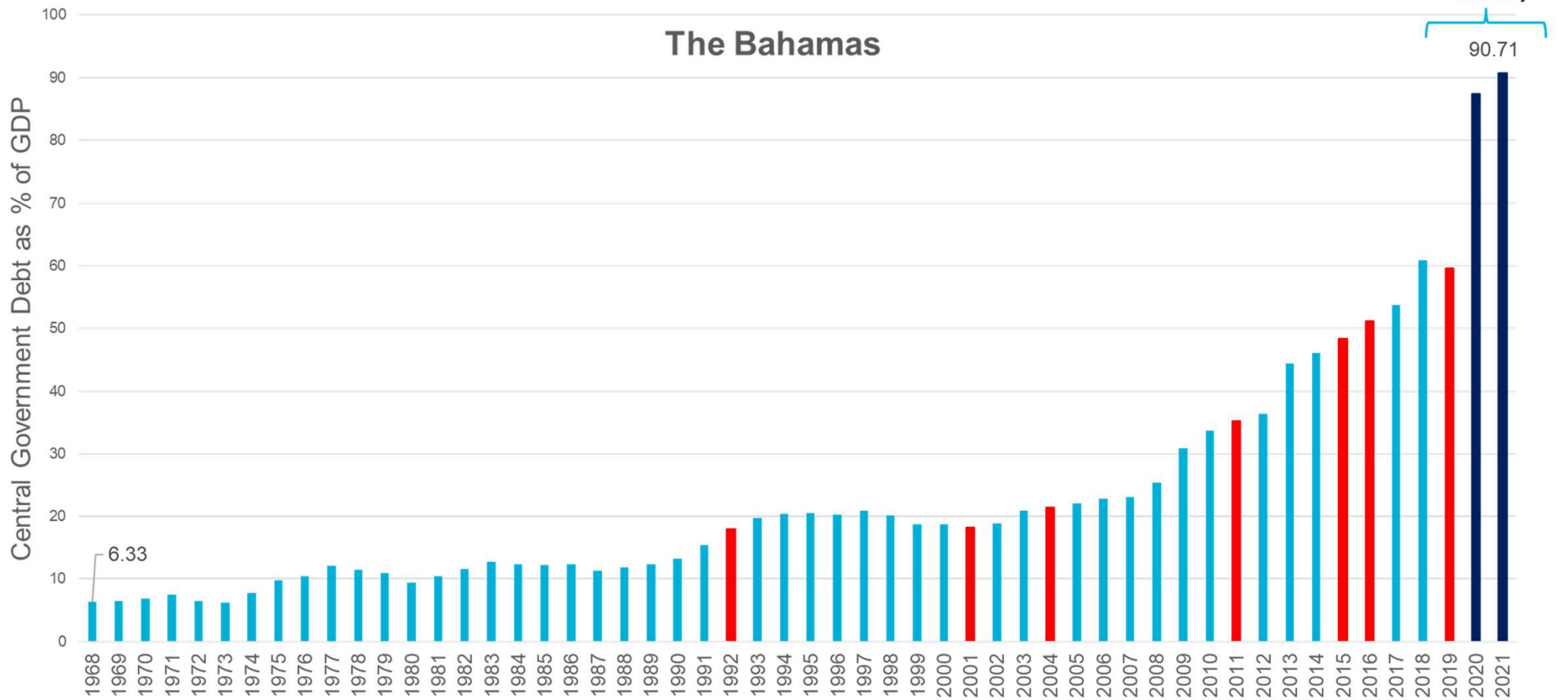


Disaster-related damages in SIDS in Million US\$ (1960-2022)



Climate disasters have devastating consequences for SIDS economy

Disaster events and sovereign debts for select SIDS countries

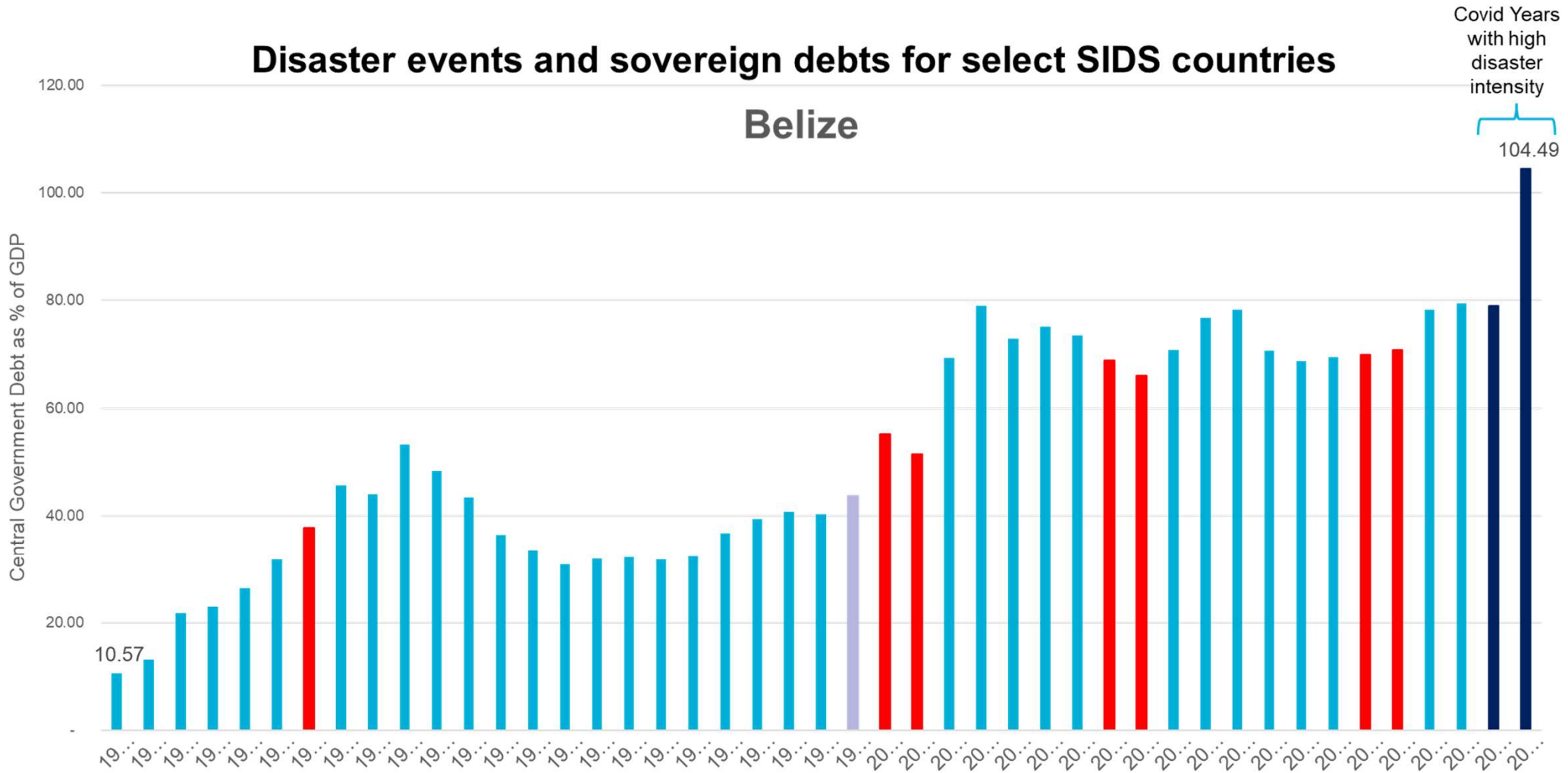


Note: Red coloured bars indicate the occurrence of major disaster events in the year

Source: Ritu Bharadwaj / @IIED

Disaster events and sovereign debts for select SIDS countries

Belize

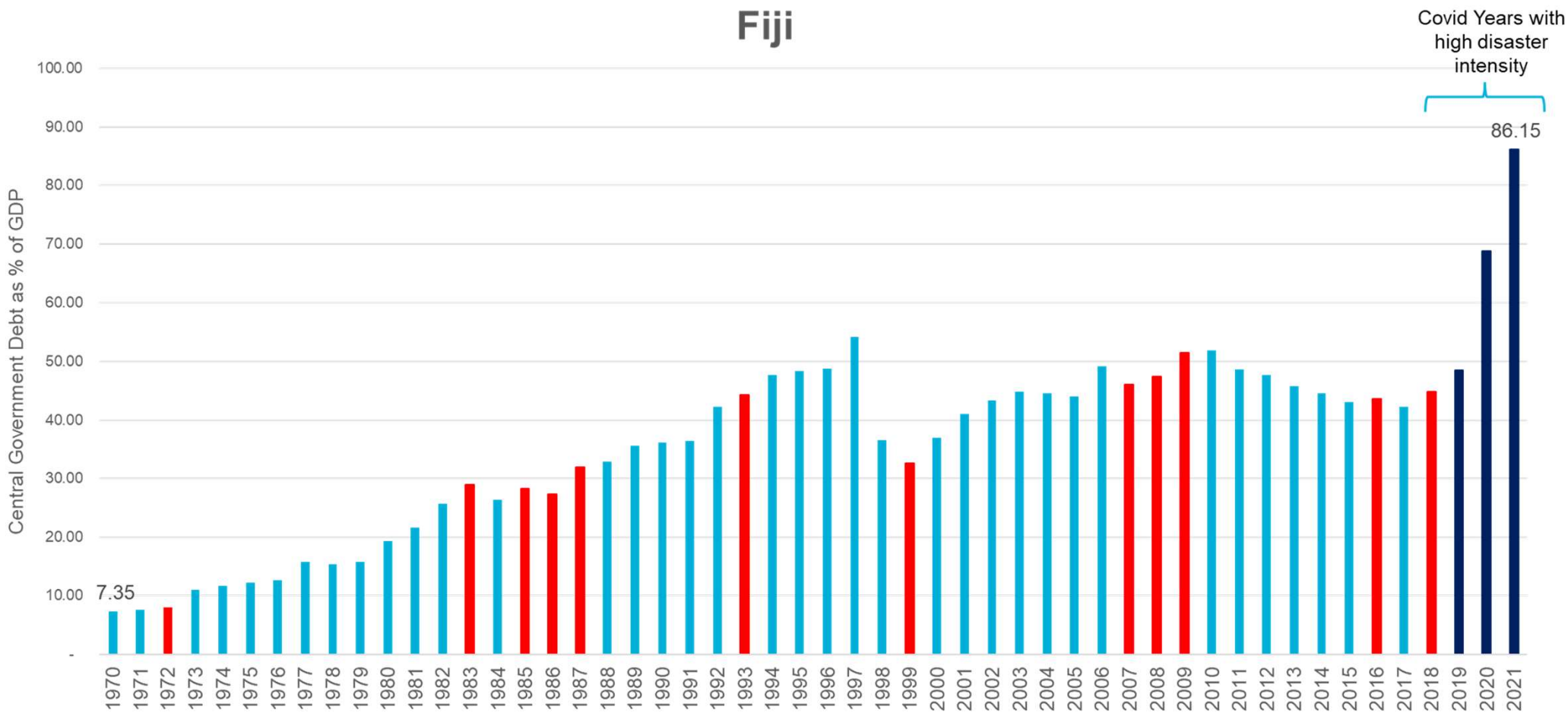


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Disaster events and sovereign debts for select SIDS countries

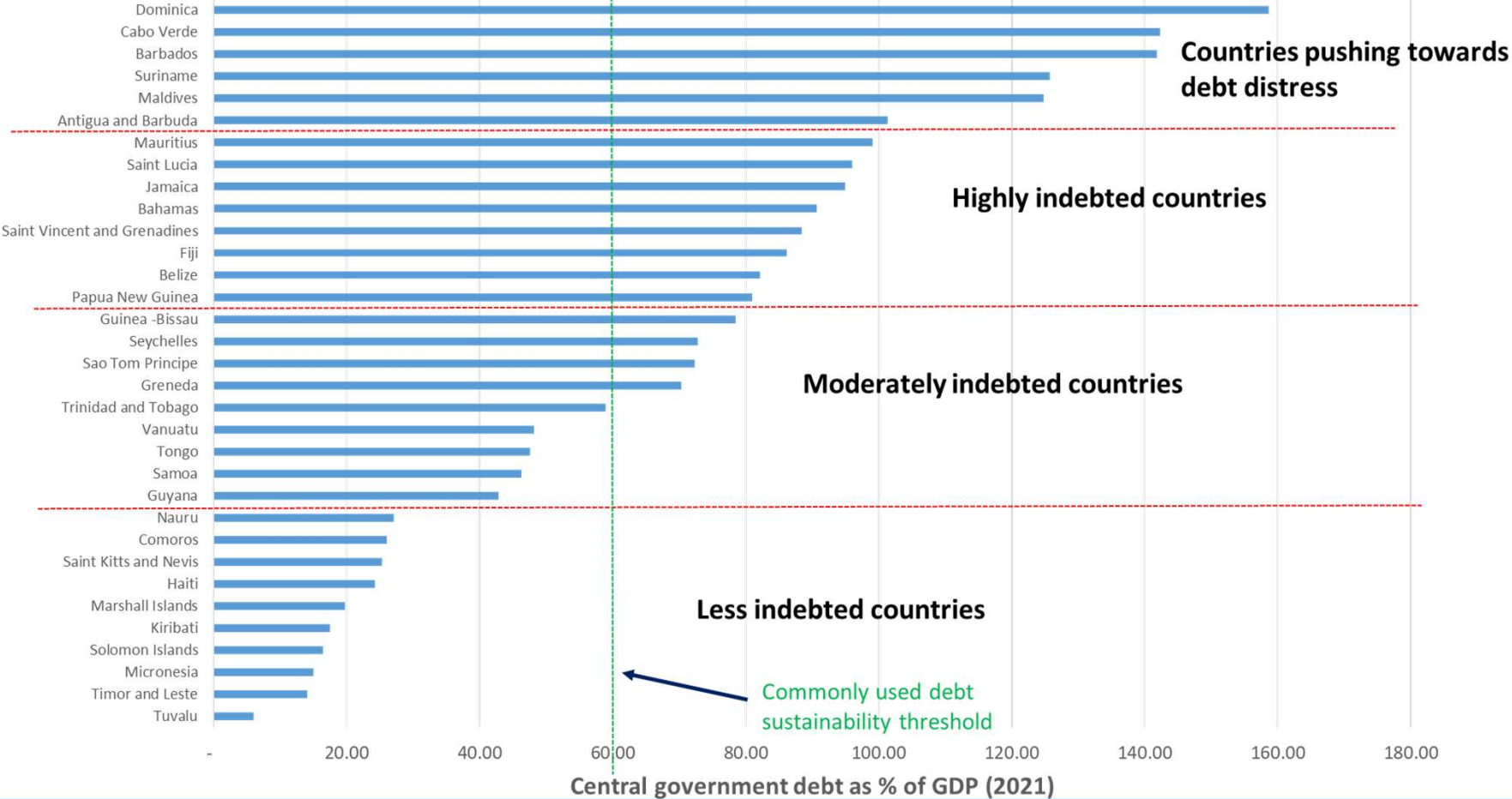
Fiji



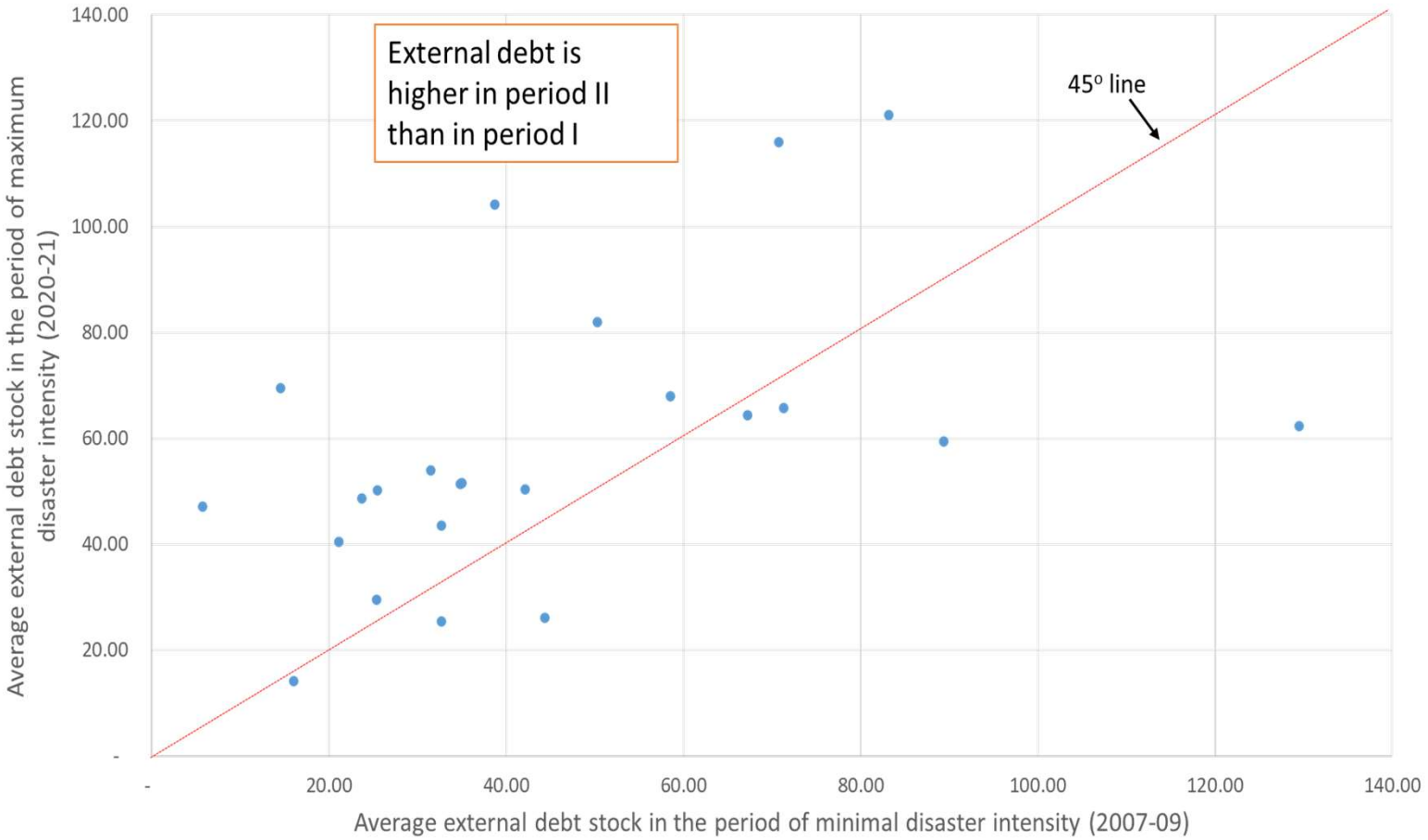
Note: Red coloured bars indicate the occurrence of major disaster events in the year

Source: Ritu Bharadwaj / @IIED

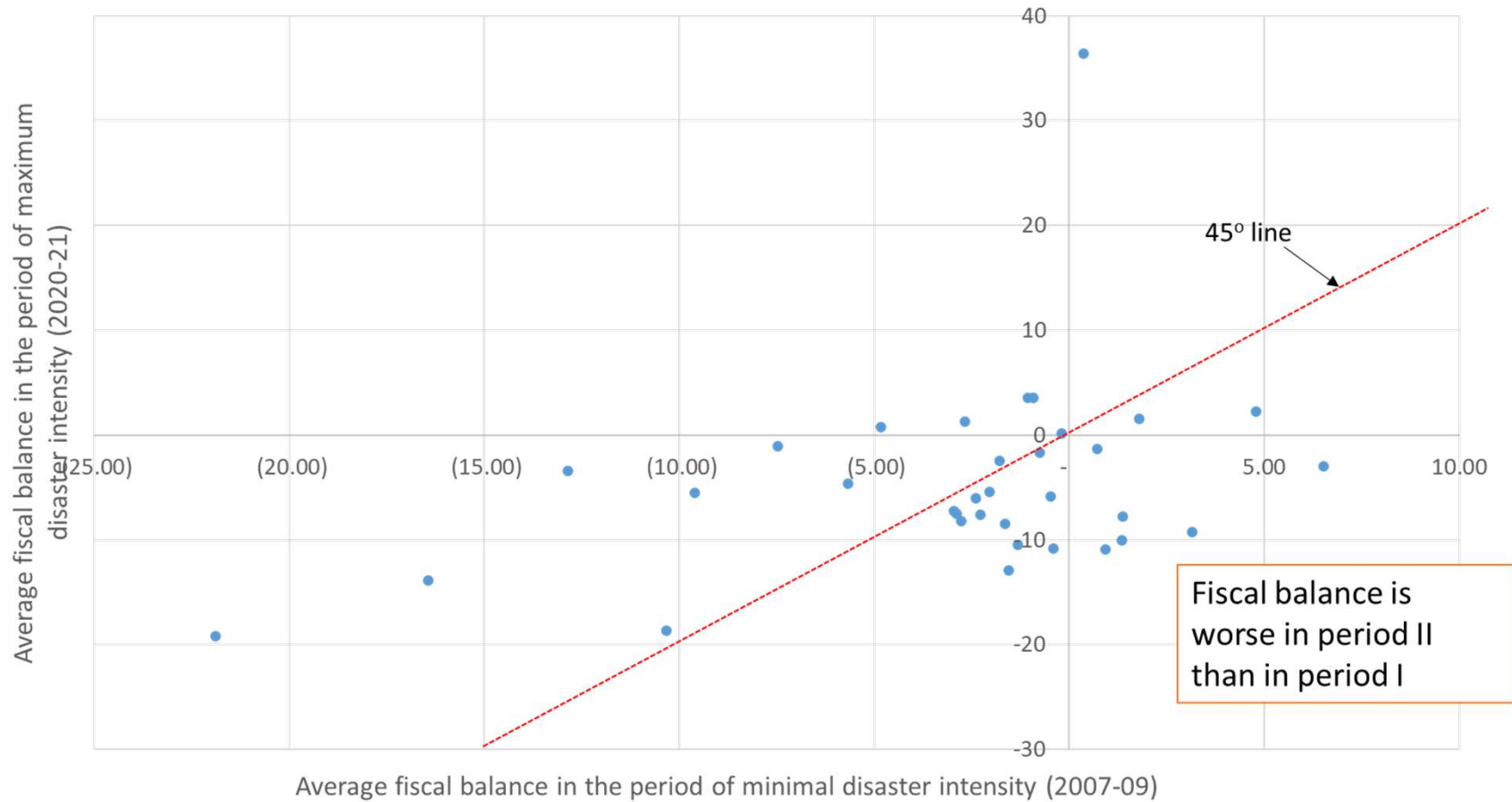
Classification of SIDS based central government debt as % of GDP



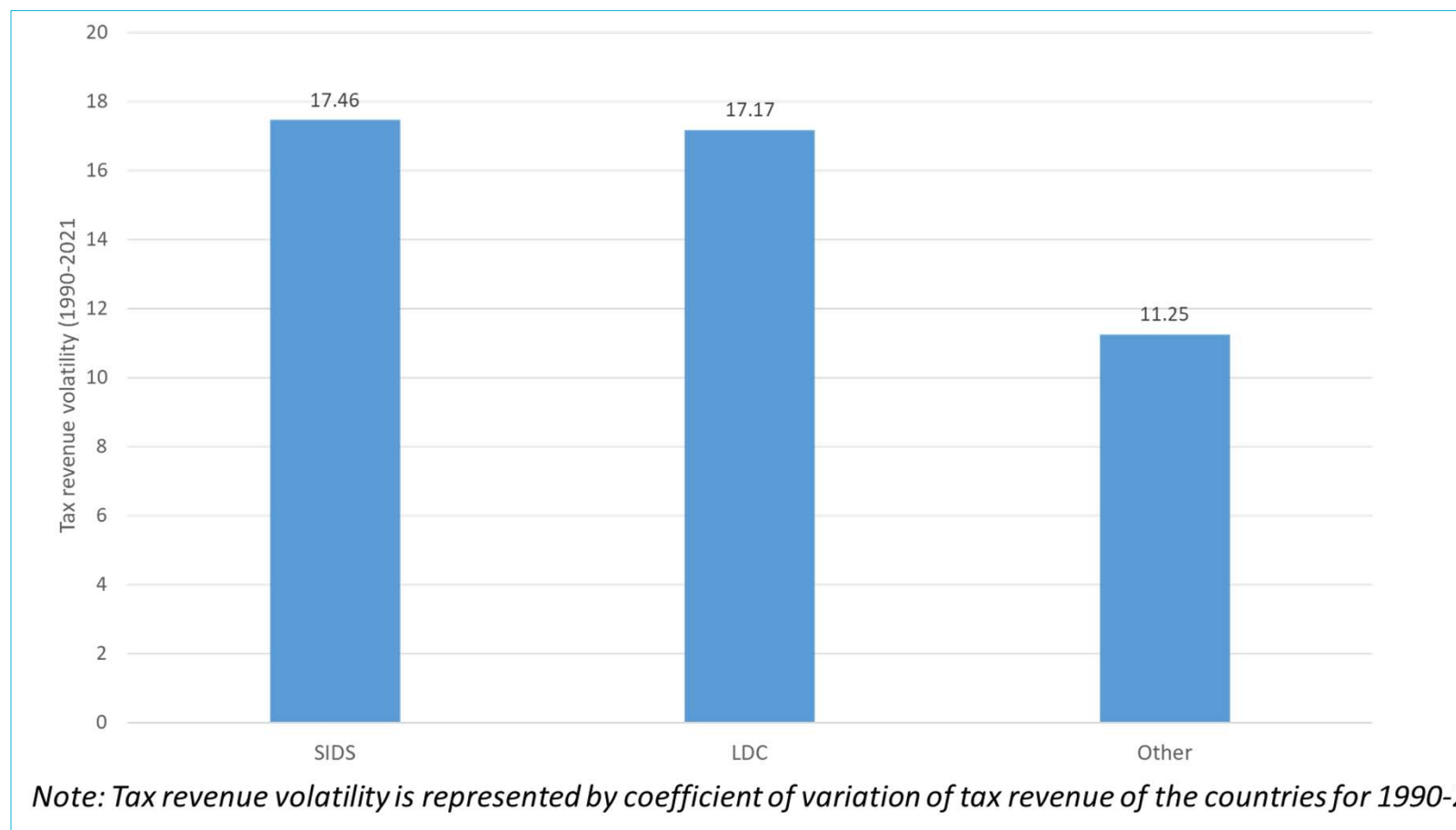
Comparing external debt as % of GDP in SIDS: Period of minimal disaster intensity (2007-09) vs. period of high disaster intensity (2020-21)



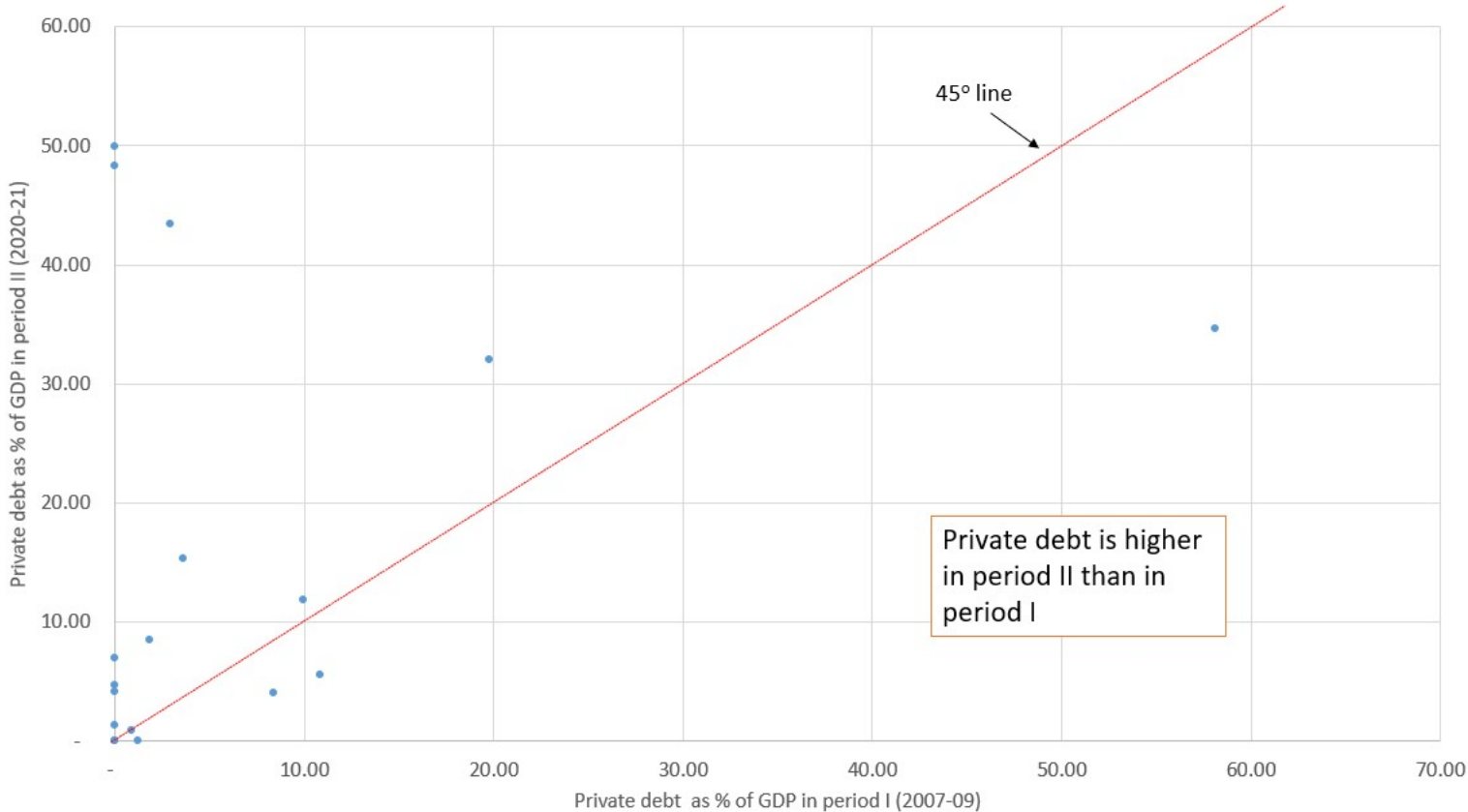
Comparing fiscal balance as % of GDP in SIDS: Period of minimal disaster intensity (2007-09) vs. period of high disaster intensity (2020-21)



Tax revenue volatility (1990-2021)



Comparing external private debt as a percentage of GDP in SIDS: period of minimal disaster intensity (2007-09) vs. period of high disaster intensity (2020-21)



Poor fiscal space have far reaching environmental and social consequences – impacting resilience

- Limited resources for climate adaptation and mitigation -Diverting resources related to environmental protection for debt service
- Reduced investment in community resilience (particularly in times of climate crisis)
- Slower achievement of SDGs
- Increased vulnerability of marginalised communities to current and future climate crisis

**Need for Global SIDS Debt
Sustainability and Investment
Support Service for resilient
prosperity of SIDS**

Creation of Strategic Advisory Group

To steer and guide the design and operational process, a Strategic Advisory Group (SAG) under the co-chairmanship of **H.E. Prime Minister Gaston Browne of Antigua and Barbuda** and **H.E. President Mohamed Muizzu of the Maldives** has been created.

The role of 'Strategic Advisory Group' in the design process is:

- To provide expert guidance and insights to shape the design of the Global SIDS Debt Sustainability and Investment Support Service.
- To contribute valuable perspectives and expertise in the areas of resilience investment
- To facilitate support and commitment from key stakeholders for the operationalisation of the SIDS platform.

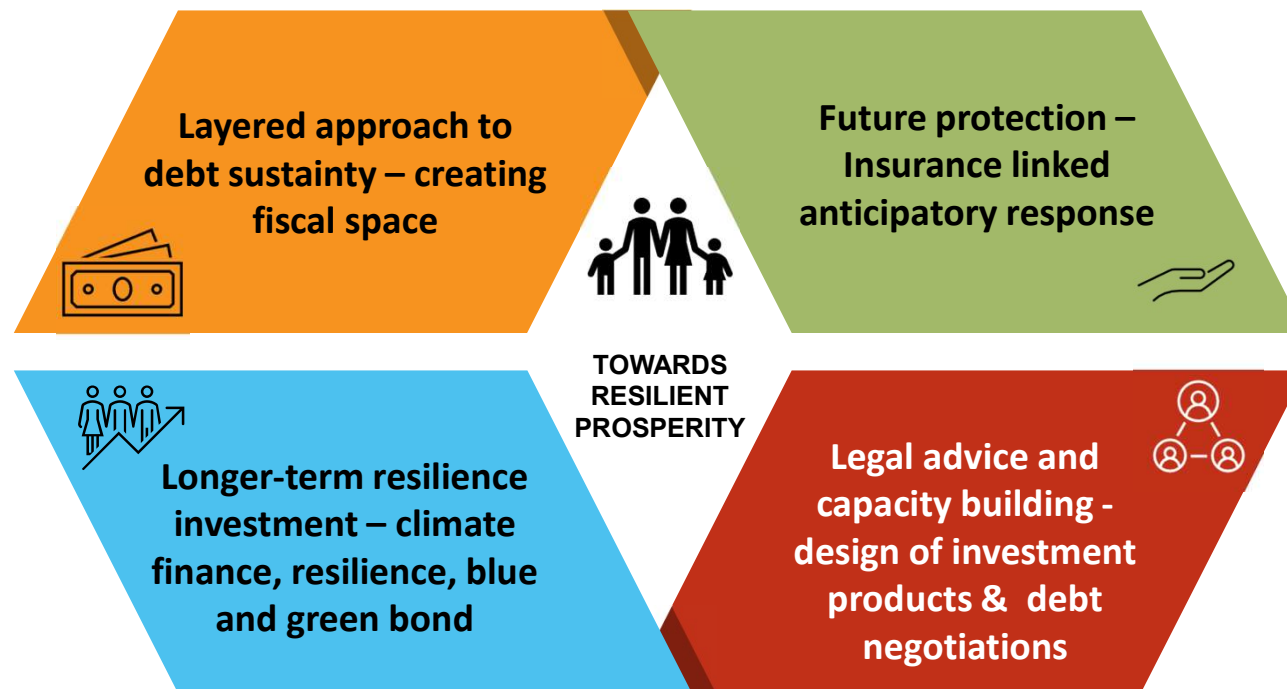
Strategic Advisory Group Members

- H.E. Fatumanava-o-Upolu III Dr Pa'olelei Luteru. Chair of Alliance of Small Island States (AOSIS) and Permanent Representative of Samoa to the United Nations
- H. E. Walton Webson, Ambassador, Permanent Representative, Permanent Mission of Antigua and Barbuda to the United Nations
- Santiago Lorenzo, Chief, Unit of Economics of Climate Change, United Nations Economic Commission for Latin America and the Caribbean
- Hyginus Gene Leon, President of Caribbean Development Bank (CDB)
- Baran Han, Senior Economist, Operations Policy and Country Services and Zehra Aslam, Economist, Development Finance at the World Bank, World Bank
- Noelle O'Brien, Director, Climate Change, Asian Development Bank (ADB) (or her Nominee)
- Rodrigo Olivares-Caminal, Professor of Banking and Finance Law, Queen Mary University of London, Commonwealth Lawyer Association
- Amit Prothi, Director General, Coalition for Disaster Resilient Infrastructure (CDRI)
- Ben Webster, Head of Secretariat, The Risk-informed Early Action Partnership (REAP) Secretariat
- Dr. Ruth Kattumuri, Senior Director, Economic, Youth & Sustainable Development Directorate affairs, Commonwealth Secretariat
- Pepukaye Bardouille, Bridgetown Initiative & Special Advisor on Climate Resilience, Prime Minister's Office - Government of Barbados
- Dr. Jeff Sachs, Director of the Center for Sustainable Development at Columbia University
- Simon Young, Senior Director, Disaster Risk Finance, Parametrics, Willis Towers Watson
- Emily Wilkinson, ODI Senior Research Fellow and Director - Resilient and Sustainable Islands Initiative (RESI)
- Frances Fuller, Director, North America / Senior Implementation Specialist, Climate Analytics
- Dr. Simona Anamaria Marinescu, Senior Advisor, Small Island Developing States, UN
- Wendy Miles, Net Zero Lawyers Alliance
- Eric LeCompte, Executive Director, Jubilee USA Network
- Georges Rebelo Pinto Chikoti, Secretary-General of the Organisation of African, Caribbean and Pacific States/ ACP
- Kishan Kumar, Head, Multilateral Environmental Agreements · Ministry of Planning and Development, Trinidad and Tobago
- H.E. Tiofilusi Tiueti, Minister of Finance, Tonga
- H.E. Seve Paeniu, Minister of Finance - Government of Tuvalu
- Jamie Dimon, Chairman and Chief Executive Officer, JPMorgan Chase & Co.

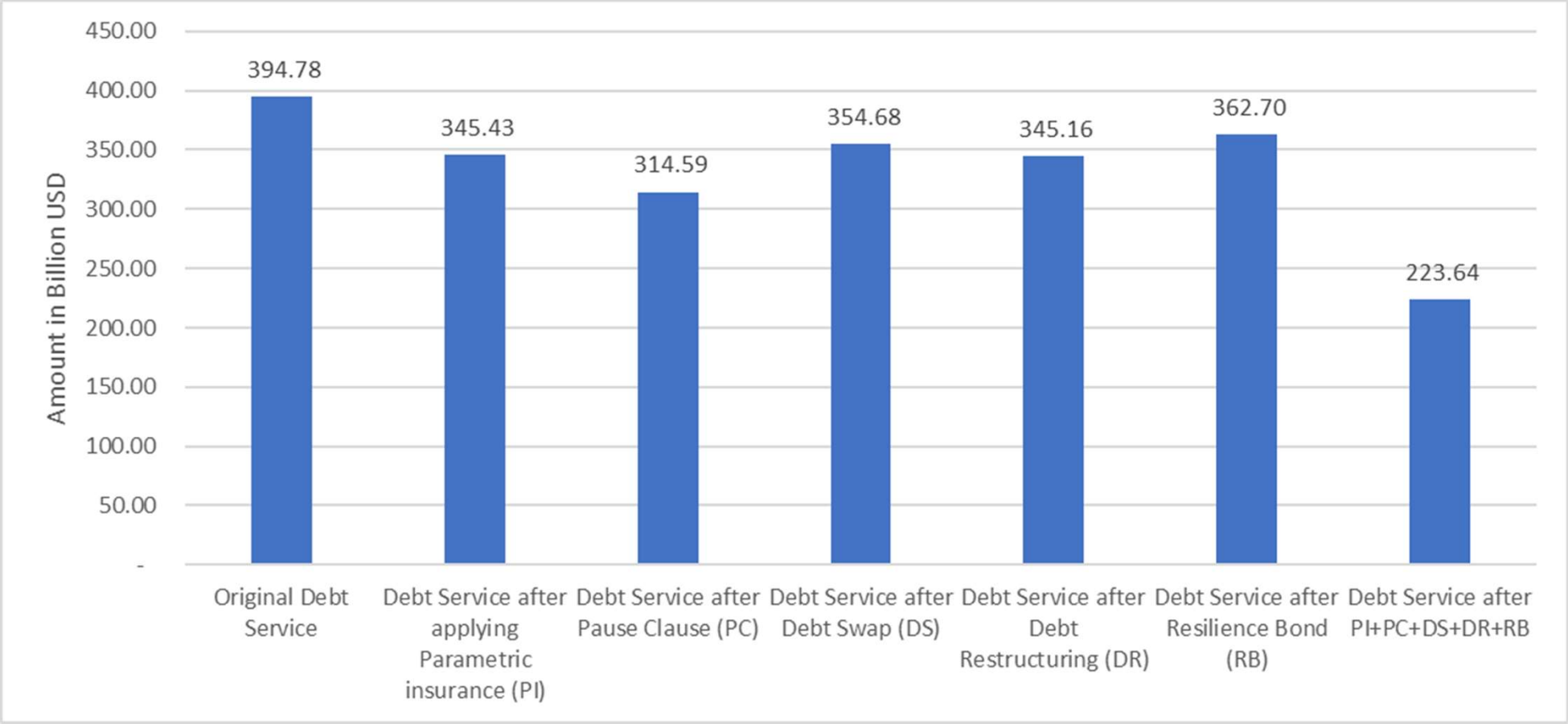
Design process



Beyond 'reactive fixes': a more comprehensive support would be needed for building longer term resilience prosperity

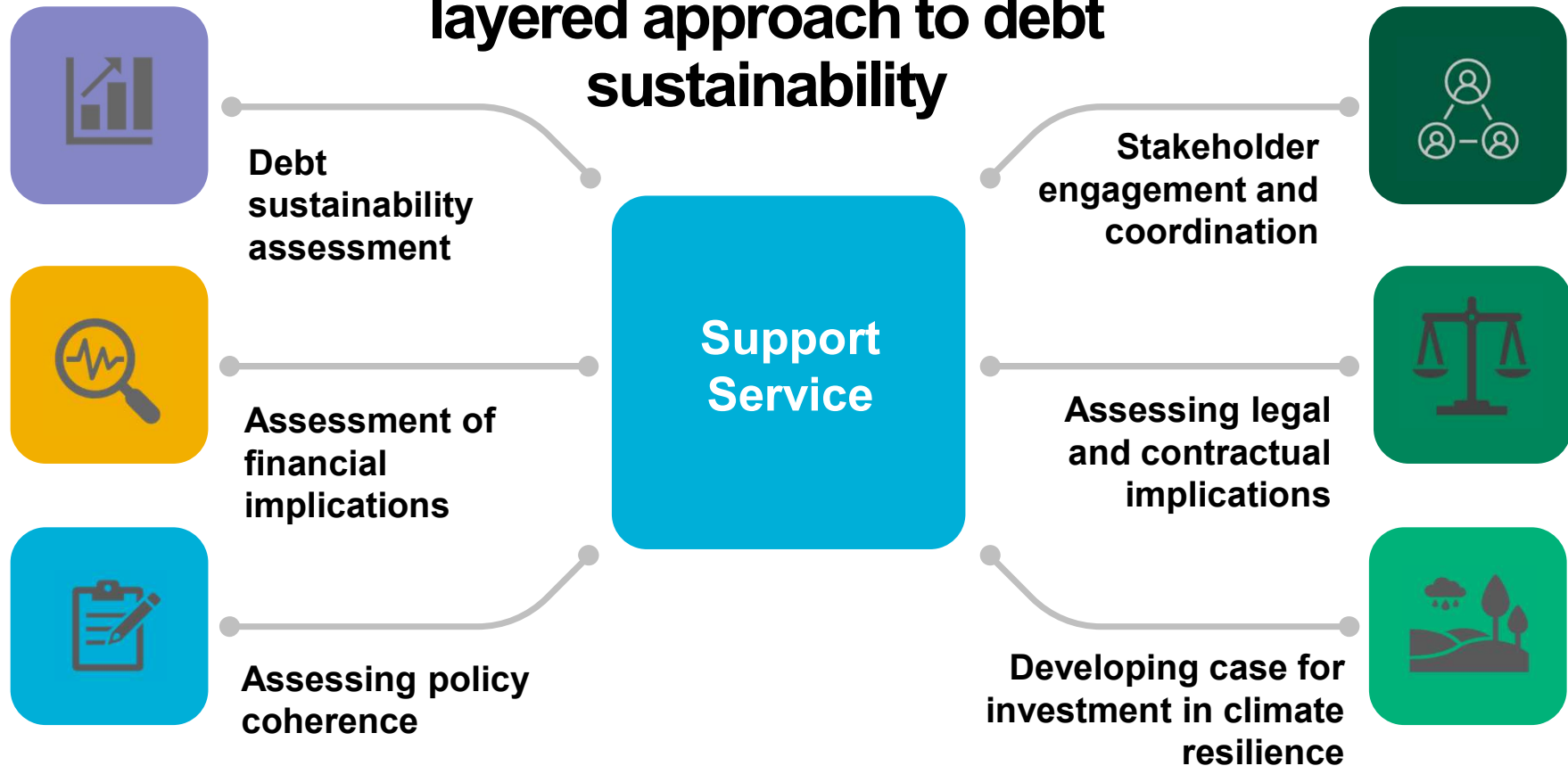


1. Debt Alleviation - Impact of layering debt relief measures on debt servicing by SIDS

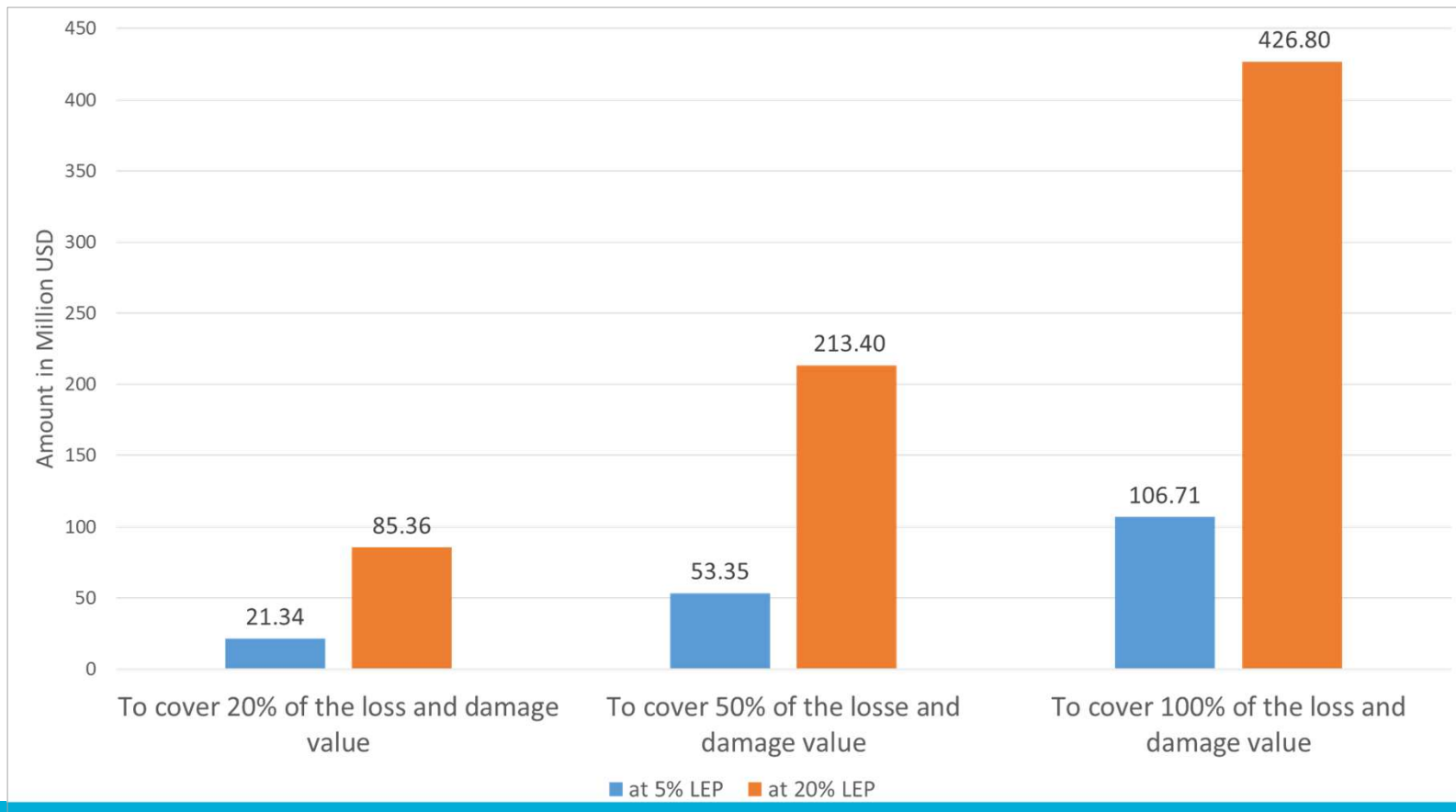


Source: Ritu Bharadwaj / @IIED

1. Creating fiscal space through a layered approach to debt sustainability

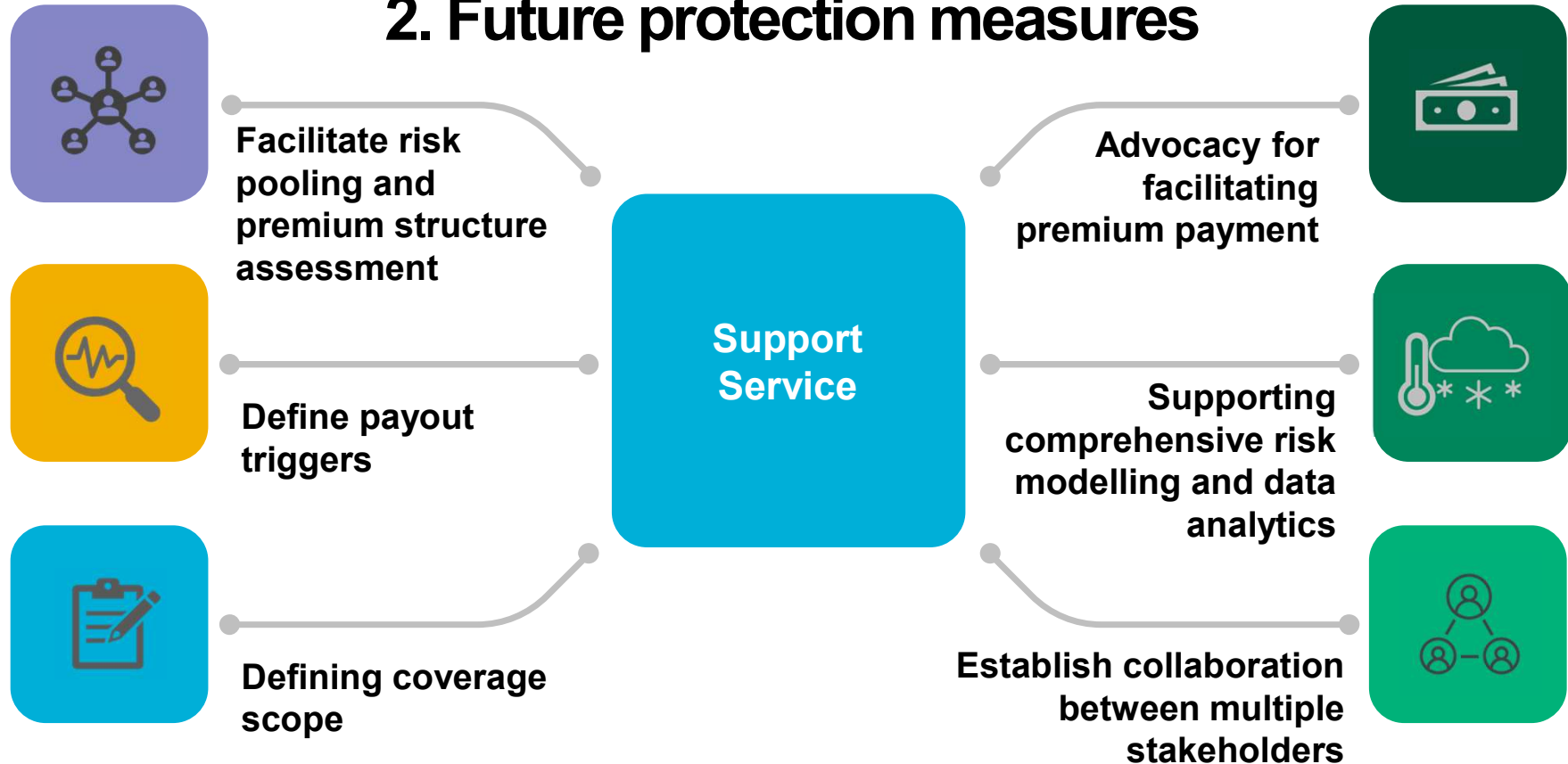


2. Future Protection - Cost of parametric insurance to cover the disaster losses per year in SIDS



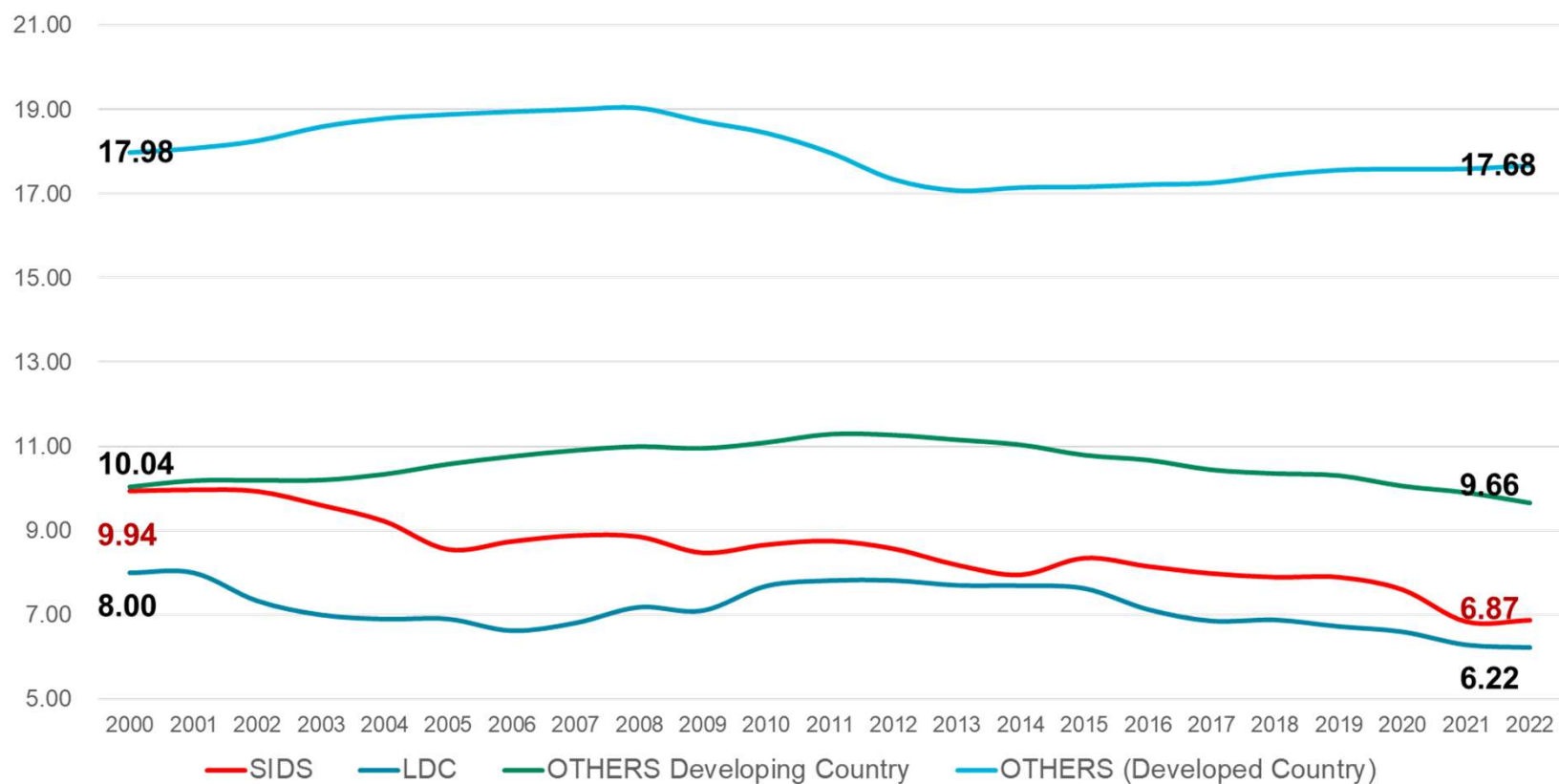
Source: Ritu Bharadwaj / @IIED

2. Future protection measures



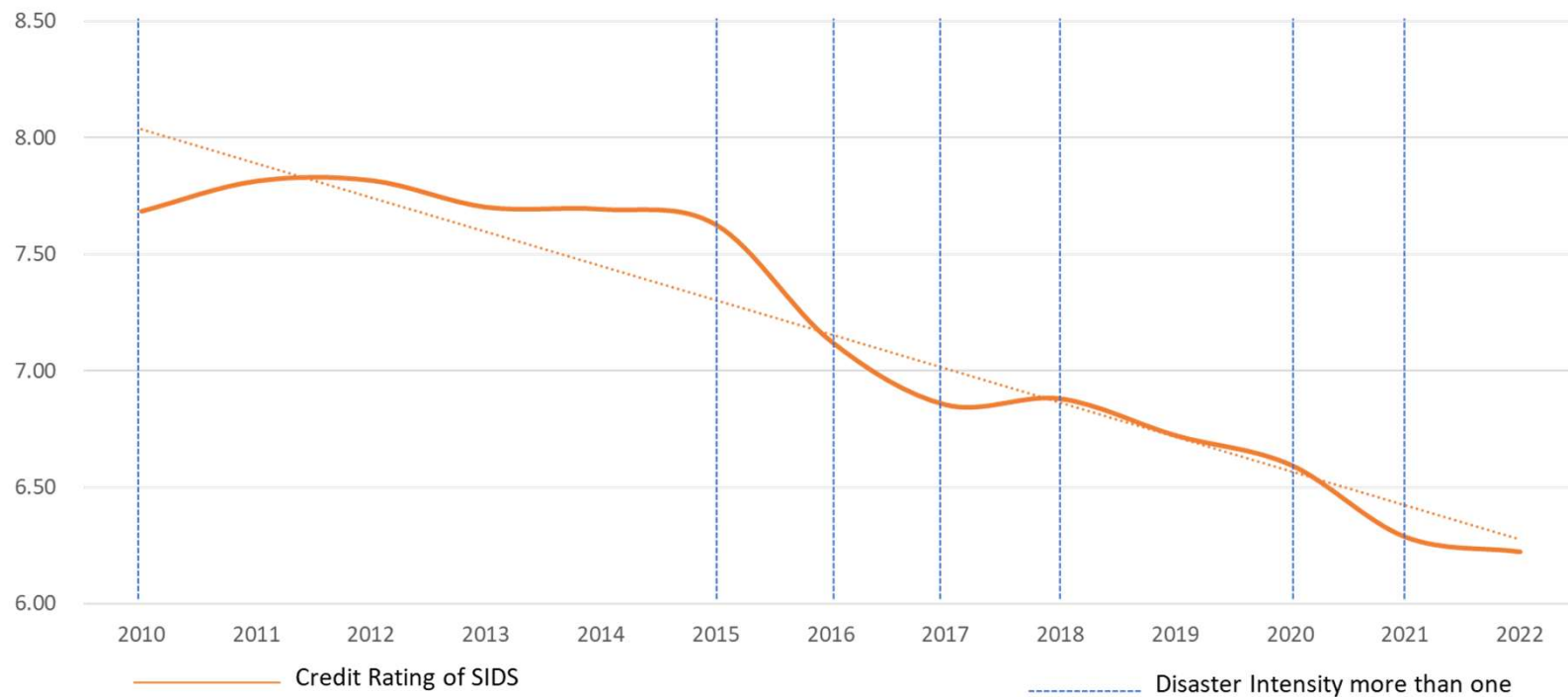
3. Resilience investment

Crediting Rating Trend Analysis

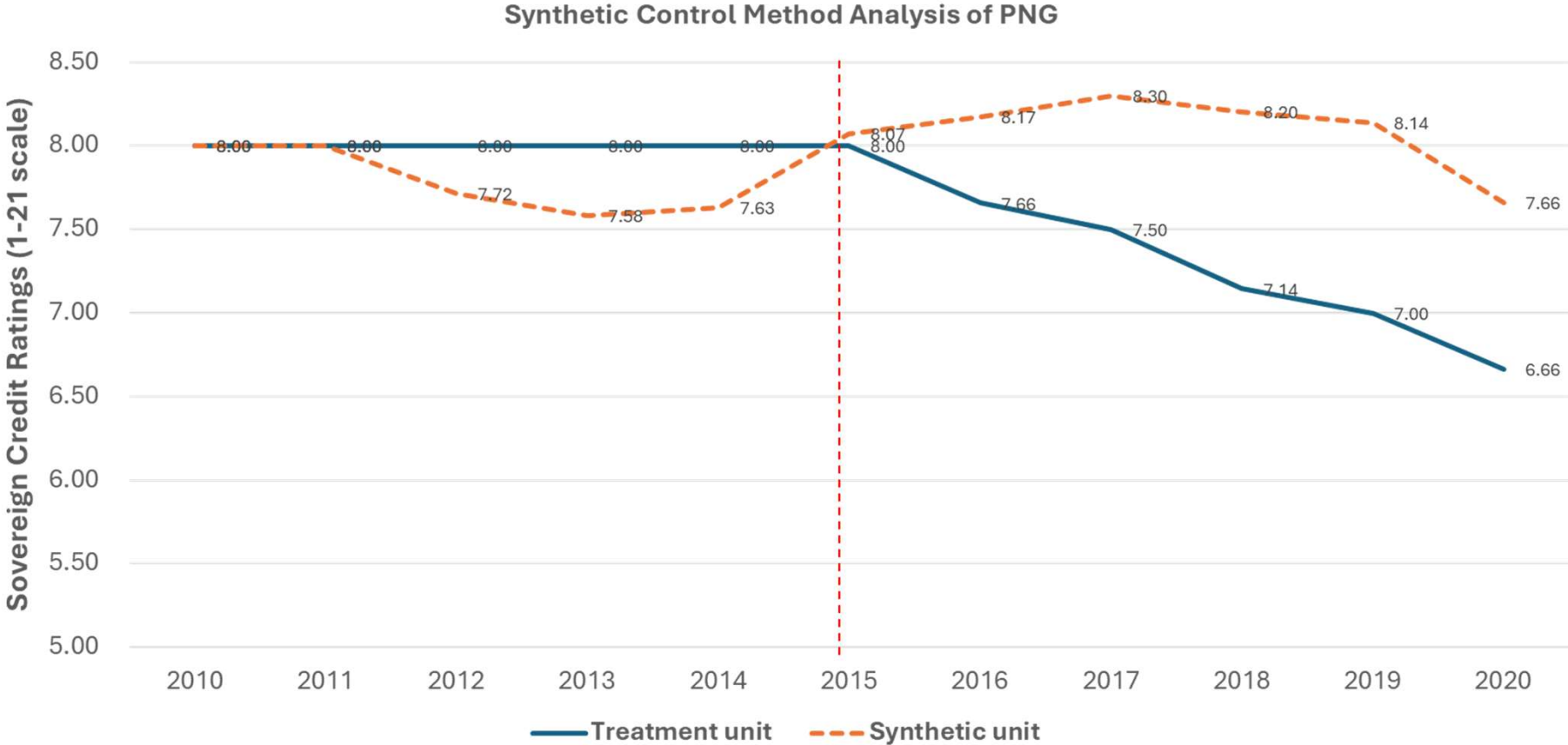


Credit rating trend in SIDS during disaster intensity period

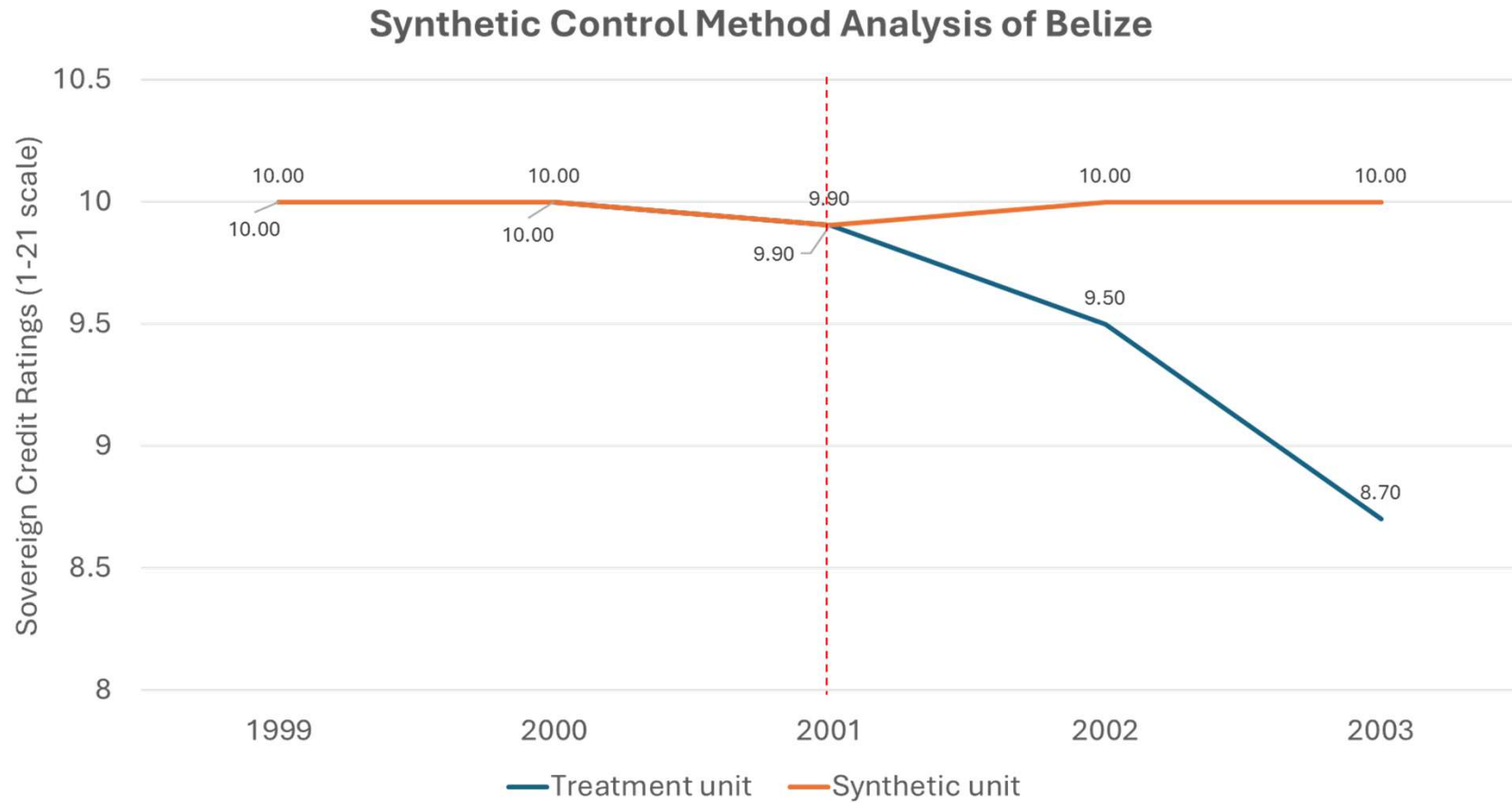
Crediting Rating Trend for SIDS during disaster Intensity period



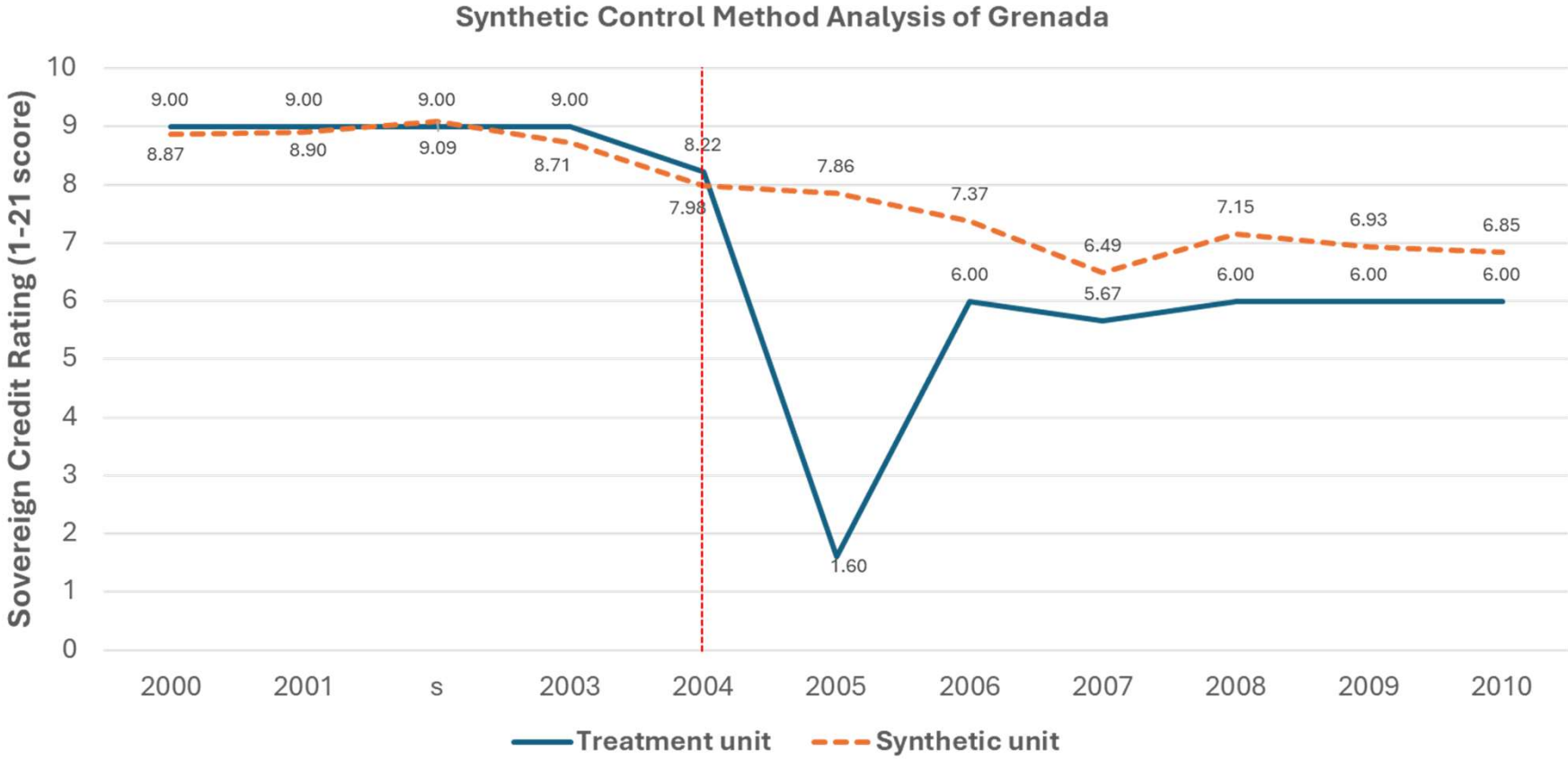
What sovereign credit rating of PNG would have been without disaster impact



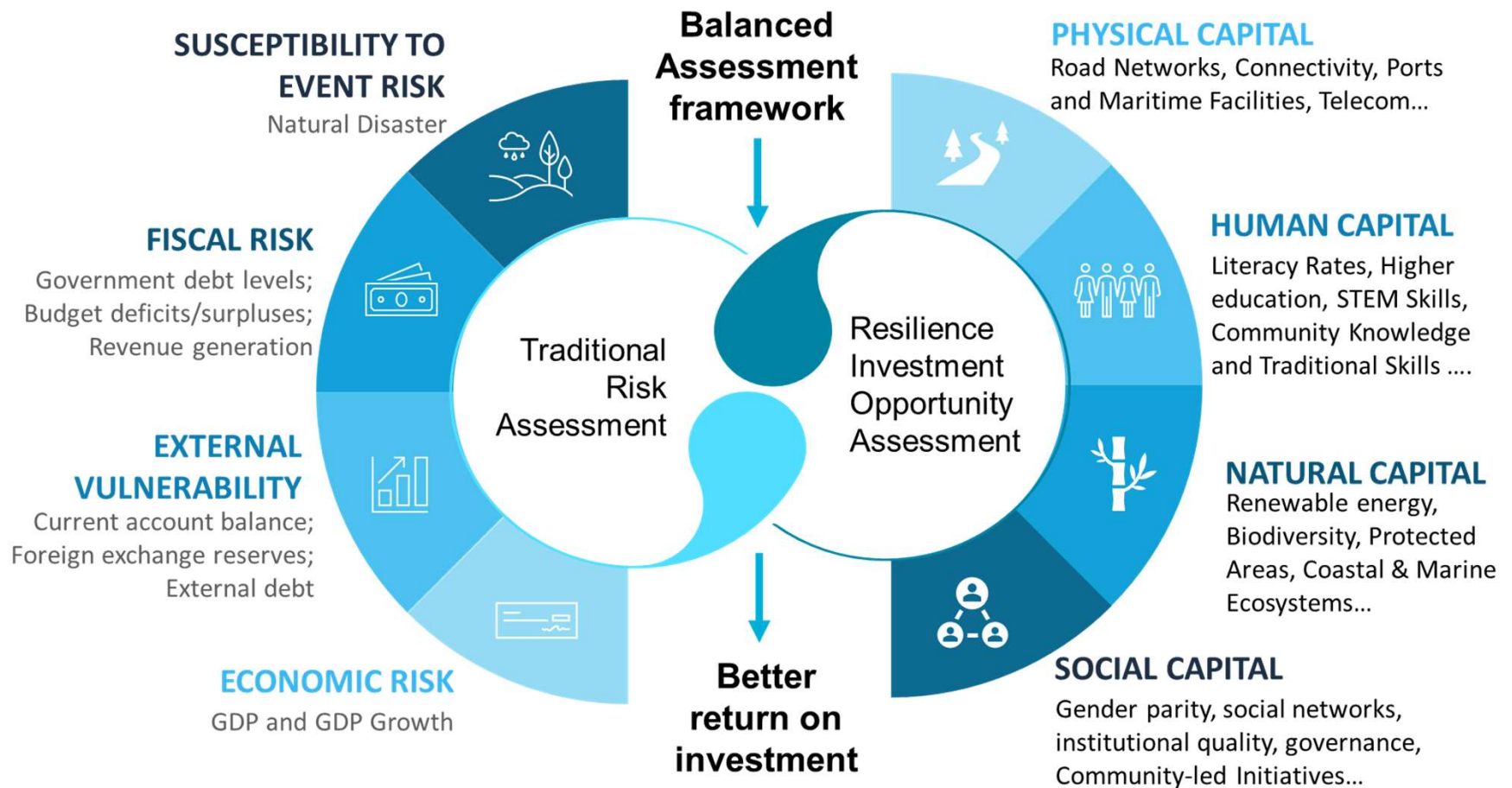
What sovereign credit rating of Belize would have been without disaster impact



What sovereign credit rating of Grenada would have been without disaster impact

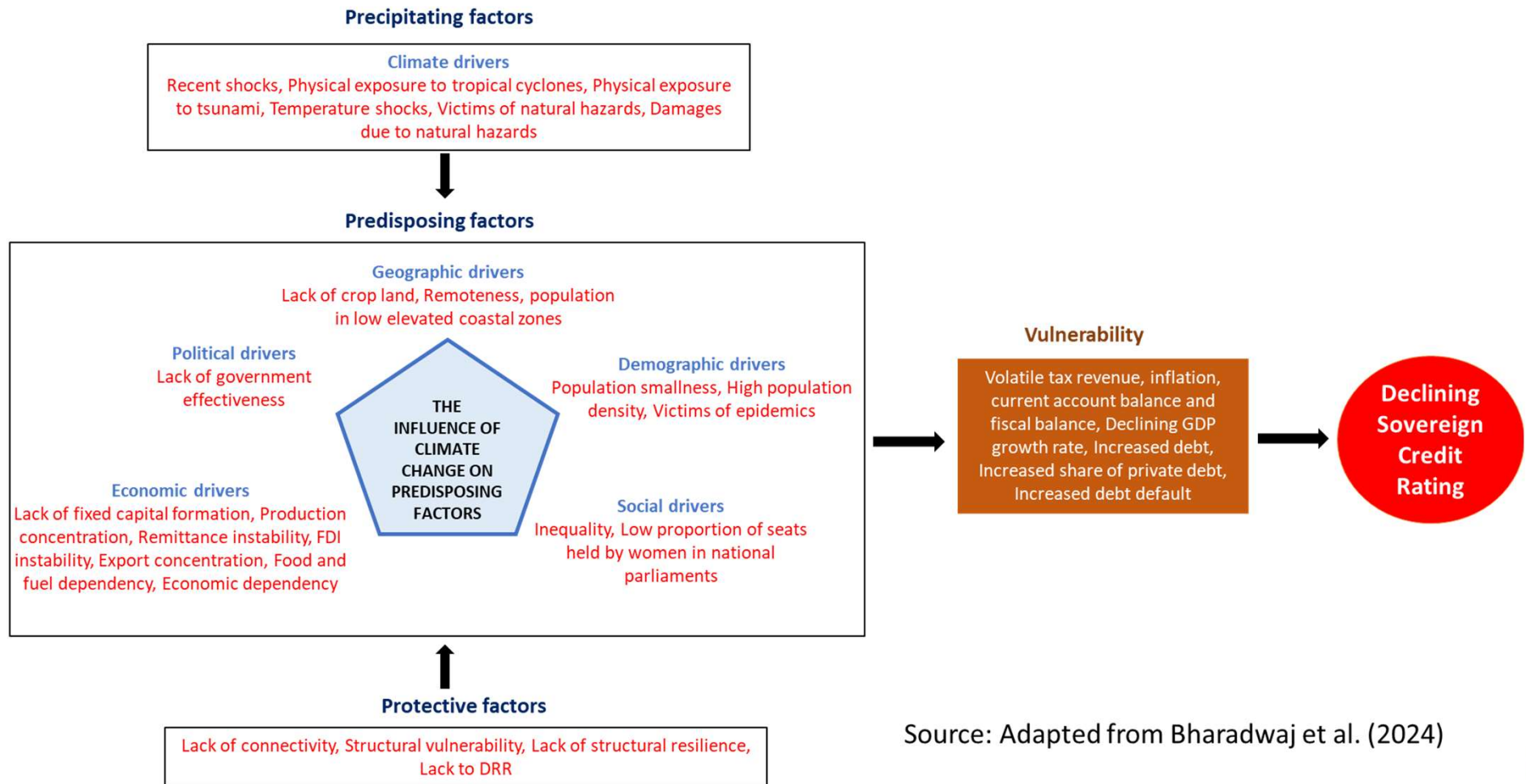


A new credit rating approach focusing on return on investment by assessing both risks and opportunities



Source: Ritu Bharadwaj / @IIED

Adopting MVI for assessing risks for credit ratings



Source: Adapted from Bharadwaj et al. (2024)

Incorporating disaster-linked debt relief mechanisms into credit rating methodologies

- Credit rating agencies often perceive participation in debt relief as a sign of financial distress, leading to negative assessments.
- Credit rating agencies should view disaster-linked debt relief as proactive measures that enhance resilience rather than signs of distress.
- Incorporating these factors into credit rating methodologies would provide a more accurate assessment of creditworthiness, reflecting resilience and capacity to recover from disasters.
- Recognising disaster-linked debt relief mechanisms would support sustainable development, enabling countries to invest in resilience-building without the fear of punitive downgrades.



Cost of obtaining and maintaining a sovereign credit rating

- Tiered pricing models based on income levels for LDCs and SIDS.
- IFIs and MDBs to provide subsidies to offset the cost of ratings.

Administrative burden in obtaining credit rating

- Simplifying data submission process, implementing less frequent reviews, and standardising reporting requirements

Complex methodologies and requirements

- Leveraging technology to automate parts of the data submission and review process.
- CRAs increase transparency of methodologies by providing clear guidelines on how various factors are assessed

Limited capacity to maintain ratings by effectively engaging with CRAs

- Targeted capacity building and advisory support to SIDS and LDCs to improve their ability to navigate this process



Enhancing accessibility and fairness of credit ratings

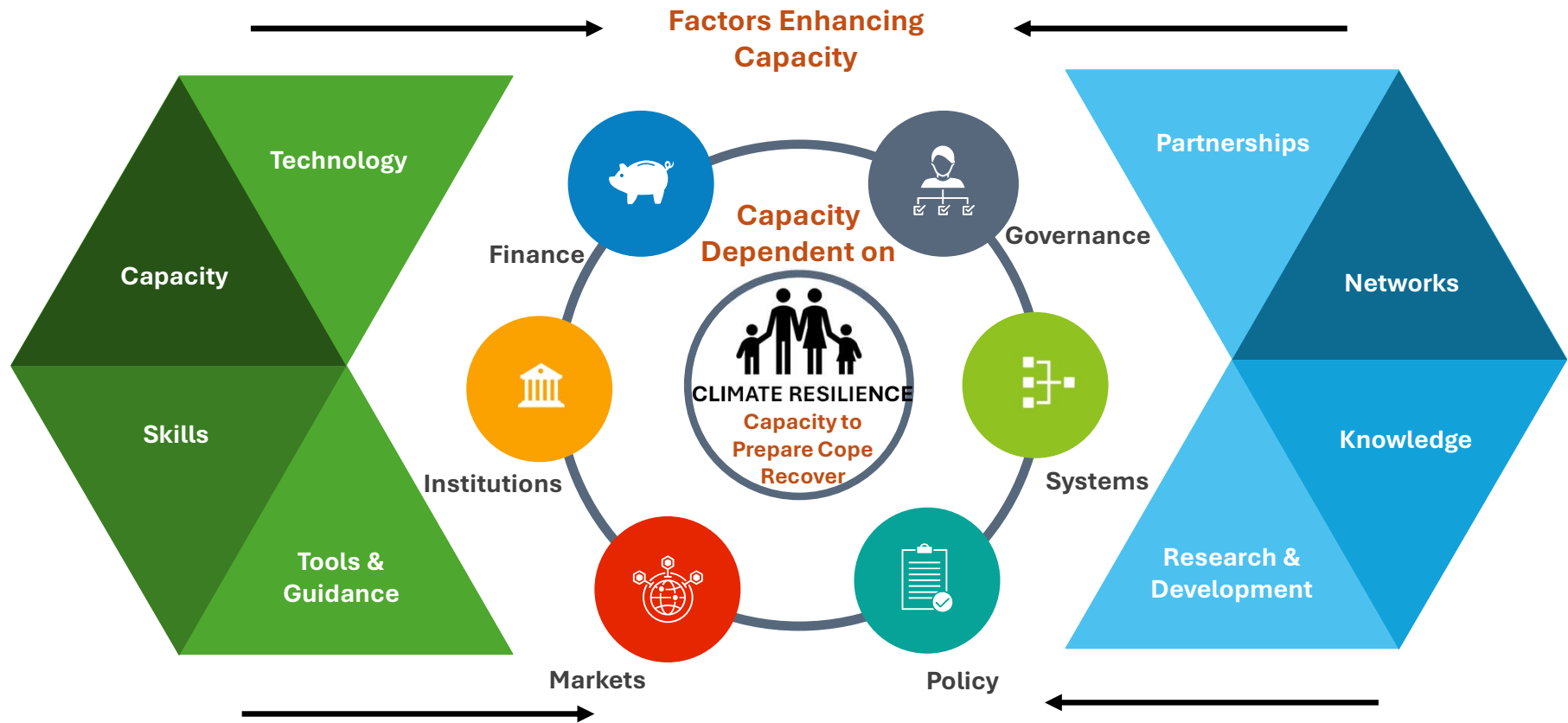
3. Resilience Investment



4. Expert advisory and legal support



How can we take SIDS towards Resilient Prosperity





To know more about the support service download the design document from:

www.iied.org/22426iied

Governance Approach

INCLUSIVITY AND PARTICIPATION

Multistakeholder engagement and ensuring all SIDS have equal voice in governance and decision-making

ADAPTABILITY AND FLEXIBILITY

Respond swiftly to emerging challenges, adjust strategies based on changing conditions, and embrace innovative approaches



COLLABORATION AND PARTNERSHIP

IFIs, MDBs, private sector, insurance providers, legal institutions, local and regional institutions

TRANSPARENCY AND ACCOUNTABILITY

Clear reporting mechanisms, open communication channels, regular updates on progress, challenges, and financial management