



Strengthening the Capacity of Experts from SIDS to meaningfully engage in Intergovernmental Negotiations on the Outcome Document for the 4th International Conference on Financing for Development (FFD4)

Summary Report

On 9 – 10 December 2024, the Small Island Developing States (SIDS) Unit and Financing for Sustainable Development Office (FSDO) of the Department of Economic and Social Affairs (DESA) hosted a workshop aimed at strengthening the capacity of experts from SIDS to meaningfully engage in the intergovernmental negotiations on the outcome document for the Fourth International Conference on Financing for Development (FFD4). The workshop brought together a diverse group of experts from SIDS' capitals and Permanent Missions in New York, who had participated in the second session of the FFD4 Preparatory Committee Meeting the preceding week. The workshop programme and presentations are available [here](#).

This report provides a summary of the key messages from the interactive discussion in each session.

SESSION 1: THE FINANCING FOR DEVELOPMENT AGENDA: WHAT'S AT STAKE AND OPPORTUNITIES FOR SIDS

- The Antigua and Barbuda Agenda for SIDS (ABAS) should be integrated throughout the FFD4 outcome document, including by ensuring complementarity between the respective monitoring and evaluation frameworks.
- The Center of Excellence for SIDS, which was a key deliverable of the Fourth International Conference on SIDS (SIDS4), could be leveraged to support FFD4 outcomes in data, technology transfer and artificial intelligence. There are potential synergies between the Island Investment Forum and the proposed international investment support center for LDCs that should be explored.
- The Elements Paper's reference to 'vulnerable countries' risks undermining the focus on SIDS and other countries in special situations as previously defined (including LDC, LLDCs). It is important to recognise that such countries should not be treated as a homogenous group as their issues and challenges are unique. For SIDS, unsustainable debt burdens coupled with unique vulnerabilities to rising systemic risks call for dedicated financing mechanisms and approaches, to ensure adequate access to concessional finance to meet persisting social and economic development needs along with increasingly urgent climate related challenges.
- FFD4 should not shy away from addressing climate finance. It should avoid seeking to establish targets, which risk duplicating ongoing climate finance discussions, and should instead reinforce the additionality of climate finance. It should also ensure climate, biodiversity and oceans preservation are considered together, underlining the relevance of these areas to the financing for sustainable development agenda.
- The Elements Paper should go further to advance representation for SIDS and LDCs in the international financial institutions; reform of credit rating agencies; scaling-up of innovative financing tools, such as blue and green bonds; and the establishment of a multilateral entity to make debt conversations more inclusive.



- The co-facilitators should take lessons learned from the negotiations of the Pact for the Future. In particular, the views of SIDS and LDCs should be incorporated from the outset. Regular consultations between the co-facilitators and AOSIS was recommended.

SESSION 2: INTERNATIONAL DEVELOPMENT COOPERATION

- This action area is particularly significant for SIDS and requires a strong narrative. It can be considered as a short-term solution to the challenges being faced, with reform of the international financial architecture as the long-term solution.
- FfD4 should address the unique challenges SIDS face in international development cooperation, including their multidimensional vulnerabilities, and high costs associated with public service delivery due to their remoteness and small scale.
- In the Elements Paper, the Multidimensional Vulnerability Index (MVI) is linked to graduation, but its relevance extends beyond this. The multidimensional nature of vulnerability should be integrated across all action areas and guide how donors structure their development support. Integrated National Financing Frameworks (INFF) can serve as a tool to operationalize this broader approach.
- The FFD4 process should ensure that Official Development Assistance (ODA) is ringfenced for countries most in need. The current grouping of fragile and conflict affected states with countries in special situations risks compromising/diluting funding available to SIDS and LDCs.
- Country-ownership and leadership must be reinforced at all stages of development assistance, ensuring policy reforms are country-driven rather than donor-driven, that international development cooperation aligns with nationally identified challenges and priorities, and that capacity building is tailored and effectively targeted at enhancing local systems, institutions and processes.
- The effectiveness agenda overall remains critically important for SIDS. Harmonization, especially between donors at the country-level continues to be a significant challenge. Donor coordination, both among donors and with government, should be enhanced to address duplication of efforts, growing fragmentation and high transaction costs.
- Budget support remains a vital tool for SIDS at all income levels, due to its potential to strengthen national systems, however it must be country driven. The conditionalities attached to accessing budget support, especially through multilateral development banks, can be complex and burdensome and do not always align with national contexts and processes.
- Transaction costs are significant in SIDS and must be considered when allocating resources, particularly in climate funds. While SIDS may appear to have high allocations per capita, this is misleading because it does not account for the transaction costs they incur.
- Labour mobility can serve as a means to advance SIDS-SIDS cooperation and facilitate peer learning.

SESSION 3: DEBT AND DEBT SUSTAINABILITY

- The Debt Sustainability Support Service (DSSS) is an example of SIDS country leadership and ownership on a specific action area of the Addis Ababa Action Agenda, with applicability to other countries in special situations such as LDCs. It should be taken forward at FfD4.



- Debt is often dealt with using a case-by-case approach/piece meal effort. There is a need to consider a more holistic approach that puts developing countries at the heart, including through proposals such as the DSSS. Global action should also be aligned to countries' own debt management strategies.
- Disasters impact SIDS' credit ratings. Technical assistance should be provided to assist countries to engage effectively with credit rating agencies (CRAs). For instance, there are concerns about how CRAs will react to the inclusion of state contingent debt clauses in debt contracts. This support could be delivered through the DSSS.
- There is need for coordination of existing technical assistance offers on debt-related issues by various development partners, such as UNDP and the Commonwealth Secretariat, among others. This coordination could potentially be done at the UN to ensure more effective support to SIDS.
- It is important to distinguish between bilateral and commercial debt swaps. At present, there are few bilateral creditors offering debt swaps, and these are typically context specific. Some bilateral creditors have specific rules, including on confidentiality, regarding debt, which makes debt swaps difficult. It would be desirable to see more innovative ways for executing debt swaps. The FfD4 outcome document could also advocate for greater transparency in debt swap arrangements. Debt conversions can be an effective tool, particularly when combined with external budget support. There is need to carefully assess climate resilient debt clauses in the context of SIDS to ensure that SIDS are not paying higher interest in the long term, especially for commercial debt.

SESSION 4: INTERNATIONAL TRADE AS AN ENGINE FOR DEVELOPMENT

- The barriers that SIDS face in international trade are not new but have intensified since 2015. Obsolete trade agreements, blacklisting as well as new subsidy regimes and protectionism are creating additional constraints for SIDS.
- It is crucial that trade policies are aligned with SIDS' national and regional development objectives and plans, such as the 2050 Blue Pacific Strategy.
- Support is needed to build productive capacities in SIDS to facilitate trade diversification, and value addition to differentiate SIDS goods and services and better participate in global trade. This must be complemented by increased access to global markets.
- SIDS-to-SIDS trade should also be further explored.
- Emerging sectors, such as the creative commons and culture have yet to be tapped, and present new opportunities for SIDS, especially in the Caribbean, but developed countries must lessen their protectionism in these sectors.
- The FFD4 outcome document should include measures to enhance connectivity within and cross regions; promote digitization; upgrade regulatory systems; and explore opportunities related to the cultural and creative economy.
- SIDS would benefit from targeted support in e-commerce and digitalization to overcome the challenges posed by remoteness.
- Fisheries are a key sector in many SIDS and FFD4 provides an opportunity to support investment in sustainable fisheries, including via innovative financing instruments that can reduce the costs related to fisheries trade.
- Unilateral economic measures pose a barrier to international trade for some SIDS.



SESSION 5: DOMESTIC AND INTERNATIONAL PRIVATE BUSINESS AND FINANCE

- Private finance cannot be called for in the same way as public finance and will not diminish the need for international public finance to support domestic revenue mobilization and key investments for long-term sustainable development in SIDS.
- Blended finance has the potential to support private sector investment in sustainable development but trends in private capital mobilized by blended finance to date show that efforts have fallen short of addressing the specific needs of LDCs and SIDS. A global blended concessional finance hub, pooling resources with a specific focus on SIDS and LDCs, could help reverse trends. There is also a need for sharing of good practices and impact stories of blended finance in SIDS.
- Private sector development and private capital mobilization support in SIDS should take into consideration SIDS-specific challenges and structural vulnerabilities, such as remoteness and small scale of production. Challenges of correspondent banking, as well as the issues of diversification and market access, also discussed in the trade session, hinder effective private sector development in SIDS too.
- Private sector development solutions should be tailored to the needs and priorities that have been identified by SIDS, including for example the need to explore innovative financial instruments to support ocean-based economies, and to support SMEs.
- A key opportunity is a bottom-up private sector development approach, focused on SMEs and entrepreneurship in sectors that are particularly ripe for progress, such as culture and the creative economy. Consideration could be given to establishing dedicated global and regional funds to support these enterprises in SIDS and LDCs.
- The FfD4 outcome document should advance proposals and commitments made in ABAS in relation to private business and finance, adding specificity to, and building momentum on, already identified solutions.

SESSION 6: THE ROAD TO FFD4

- The strategic approach to FfD4 as presented by Mr. Tumasie Blair, Deputy Permanent Representative, Antigua and Barbuda, is outlined in [Attachment A](#). This approach includes a list of issues identified by participants which could form the basis of an AOSIS negotiating position.

FOLLOW-UP

- The SIDS Unit was requested to support the organization of sub-regional workshops to enable capital-based SIDS experts to discuss and agree regional priorities for FfD4, which could inform an AOSIS position. The workshops would also provide an opportunity for regional consultations on the Debt Sustainability Support Service for SIDS.