Economic and Financial Committee (Second Committee) Side Event
General Assembly of the United Nations

Panel discussion on "Economic and other constraints faced by Small Island Developing States in the context of climate change"

United Nations Headquarters, Economic and Social Council Chamber,
North Lawn Building, 46th Street and 1st Avenue, New York, NY 10017

the Further Implementation of the Programme of Action for Sustainable Development of Small Island Developing States, adopted in 2005 set forth actions and strategies to build resilience. Most recently, the special case of SIDS was reconfirmed by the five-year high-level review of the Mauritius Strategy (MSI+5) in September 2010. In particular, the review highlighted the emerging impacts of climate change which have further deteriorated economic resilience and ultimately contributed to unsustainable debt levels in a number of countries. In turn, high debt levels have constrained governments' efforts to finance measures to reduce greenhouse gas emissions and to adapt to climate change. In order to break this vicious cycle, innovative initiatives and instruments are needed to systematically provide climate change finance and ensure debt sustainability.

Estimates of adaptation and mitigation costs in all countries range widely and are subject to great uncertainties. They depend on many assumptions, including ambitiousness of targets, societal technology choices, innovation and technology diffusion, etc. Temperature stabilization targets are also subject to highly uncertain climate sensitivity. However, there remains no doubt that overall adaptation and mitigation costs will be large. The good news is that very ambitious climate policies may also turn out to be cheaper than expected, because of significant co-benefits of climate policies in terms of lower resulting costs for reducing air pollution, energy access, increased energy security and infrastructure reliability.

An increasing choice of climate financing mechanisms has become available in recent years, including the UNFCCC adaptation fund and clean development mechanism, the Global Environment Facility, and funding arrangements of the World Bank, regional development banks, the European Union and bilateral donors. However, the overall amount currently available through those sources clearly falls short of the expected financing needs of developing countries. In addition, it should be noted that in practice SIDS have faced special challenges in effectively accessing these funding sources. While the Copenhagen Accord remains controversial, it contains the largest commitment to-date of developed countries to provide new and additional resources of up to US$ 30 billion over the period 2010-2012, with a balanced allocation between adaptation and mitigation and with adaptation funding prioritized for the most vulnerable developing countries including SIDS. However, it remains to be seen how such commitments will be translated into practise.

While financing of climate change adaptation and mitigation has been high on the international agenda, it has rarely been discussed from a debt sustainability perspective, which remains an issue of great concern to the many SIDS. For some countries, high public debt levels have been a persistent and unresolved problem for over a decade or even longer; in others, rapid debt accumulation is a more recent phenomenon and now gives serious cause for concern. 35 developing countries have benefited from substantial debt cancellation under bilateral as well as international schemes such as the Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative, and in total more than US$ 76 billion in external debt has been relieved over the last decade. However, with only five exceptions, SIDS have not significantly benefitted from these debt relief initiatives. In particular, middle-income SIDS have not been eligible for debt relief or certain types of concessionary financing, despite their high public debt levels and vulnerability to economic and climate change-related shocks.

Against this background, SIDS have repeatedly called for special support measures to address their unique and particular vulnerabilities. Some consider the creation of a designated category of SIDS essential that would be tied to preferential or concessionary treatment, similar to the status of least developed countries. Others support the inclusion of certain provisions in favour of the most vulnerable economies under existing institutional arrangements, especially in the context of climate change. The panel discussion will examine the range of existing and suggested mechanisms and options for tackling climate change finance and debt sustainability in SIDS. In particular, it will be an opportunity to discuss a recent recommendation that has been put forward by UNDP for targeted debt relief packages to highly indebted SIDS that are particularly vulnerable to climate change, whereby funds would be made available to draw upon a dedicated fund for climate change-related measures.

Objective

The objective of the Second Committee's proposed side event on "*Economic and other constraints faced by Small Island Developing States in the context of climate change*" is to discuss potential initiatives and instruments that might aim to address at the same time debt sustainability and financing of climate change measures. To this end, the panel will engage a range of distinguished experts, government officials or development actors to present their perspectives and concrete suggestions.

Proposed questions to be addressed by the panel

Panellists will be asked to address the following key questions:

(1) What are the climate change-related financing needs and gaps in the most vulnerable economies?

(2) What are the strengths and weaknesses of available and suggested instruments and mechanisms?

(3) What is the link between climate change impacts, debt sustainability, and economic vulnerability?

(4) What lessons can be learned from recent trends in debt sustainability in Small Island Developing States and other the vulnerable economies?

(5) Which potential initiatives and instruments would be most useful for addressing at the

- Climate change risk management and insurance-related options
- Debt sustainability and climate change

Panellists

- Prof. Franklin J McDonald, Advisor and former Director, Institute for Sustainable Development, University of West Indies, Jamaica.
- Ms. Jocelyn Albert, Senior Regional Coordinator, World Bank.
- Mr. Isaac Anthony, Board Member, Caribbean Catastrophe Risk Insurance Facility; and Permanent Secretary/Director, Ministry of Finance, St. Lucia.
- Ms. Gail Hurley, Policy Specialist, Development Finance and Inclusive Globalization, United Nations Development Programme.

Moderator: Dr. David O'Connor, Chief, Policy Analysis and Networks Branch, United Nations Department for Economic and Social Affairs

Format

the panelists followed by an open debate. At the end a summary of the debate will be provided and the chairperson will conclude.

Background documents

- *Enhancing the Climate Risk and Adaptation Fact Base for the Caribbean, Preliminary Results*; Brochure on the preliminary results of a study on the economics of climate adaptation in eight Caribbean countries, www.ccrif.org/sites/default/files/publications/ECABrochureFinalAugust182010.pdf
- *Achieving Debt Sustainability and the MD*