

DAY 1 NEWSLETTER

Workshop on Credit Ratings, Resource Mobilization, and Climate/Blue Economy Financing

“Unlocking pathways to resilience: reframing risk and enhancing credit ratings for sustainable financing in African Island States”

Mombasa, Kenya · 12 June 2026 · Convened by ECA with the African Island States Climate Commission (AISCC)



Delegates gather for a family photo following the official opening of the workshop in Mombasa, Kenya.

The first day of the workshop reframed a question that sits at the heart of development and climate finance for African Island States: **How is sovereign risk really measured, and how can resilience be made to count?**

Across an opening session, three technical sessions, and a country clinic, participants moved from the mechanics of how rating agencies assess creditworthiness to the structural realities of small, climate-exposed economies and to the practical question of how reforms, blue-economy assets, and resilience investments can be translated into credit-relevant evidence. A consistent message ran through the day: sovereign ratings are not merely a reflection of debt levels, but a comprehensive judgement on institutions, economic resilience, fiscal management, external vulnerability, and policy credibility. Therefore, island states must communicate that fuller picture more deliberately to rating agencies and investors.

OPENING SESSION

Setting the stage: finance, resilience, and the island reality

The opening session framed sovereign credit ratings as strategic to the development, climate-adaptation, and blue-economy ambitions of African Island States. Mr. Nassim Oulmane, Chief, Natural Resources and Food

Systems Section, ECA, welcomed participants and set the workshop's central challenge — better connecting natural capital, resilience investments, and creditworthiness as a route to affordable finance. The Honourable Philip Tetema Tondoney, Deputy Minister of Public Administration and Political Affairs of Sierra Leone, urged countries to communicate their economic reforms, debt-restructuring efforts, and climate-adaptation strategies proactively, arguing that debt restructuring should be presented as a transparent, forward-looking policy choice to restore long-term sustainability rather than read solely as a sign of distress. Ms. Sonia Essobmadje, Chief, Finance and Resources Mobilization Section, ECA, highlighted challenges facing countries regarding access to finance and high borrowing costs, the importance of reliable sovereign credit ratings, and ECA's role in supporting member States.

ECA underscored that borrowing costs reflected a blend of domestic fundamentals, external vulnerabilities, and global market dynamics and stressed that emerging sectors such as the blue economy should feature more visibly in conversations with investors. Speaking for the region, Ms. Gina Bone of the Indian Ocean Commission and the AISCC secretariat highlighted the resource-mobilization constraints facing small island economies, including limited institutional and human capacity. She noted that several middle-income islands, such as Mauritius, increasingly relied on loans rather than grants, thus requiring strong credit profiles and innovative financing.



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We need to better connect natural capital, resilience investments, and creditworthiness to access finance. This is the conversation we cannot afford to delay.

Mr. Nassim Oulmane

Chief, Natural Resources and Food Systems Section, ECA



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Our role is to support member States in a practical and sustained way, helping countries better understand rating methodologies, strengthening the data and systems that underpin these assessments, and facilitating dialogue with rating agencies and investors.

Ms. Sonia Essobmadje

Chief, Finance and Resources Mobilization Section, ECA



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Access to affordable finance is not a technical abstraction. It decides whether we invest in resilience before a crisis, or scramble to recover after one.

Hon. Philip Tetema Tondoney

Deputy Minister of Public Administration & Political Affairs, Republic of Sierra Leone

SESSION 1

Sovereign risk drivers and credit fundamentals

The first technical session opened up how ratings are actually built. A representative of S&P Global Ratings walked participants through the agency's sovereign methodology, structured around five pillars: institutional, economic, external, fiscal, and debt and monetary assessment. These combine quantitative measures such as GDP per capita, debt levels, and the foreign-exchange and monetary policy framework with qualitative judgement, and draw comparisons across jurisdictions. The depth of domestic financial markets was flagged as an important factor in a government's ability to refinance at home.

A recurring theme was the weight ratings placed on official statistics, making the quality, consistency, and transparency of data critically important. Concerns were raised that perceptions of lower transparency among some African sovereigns can depress investor confidence even where default rates are, in practice, lower than perceived. The African Peer Review Mechanism (APRM) offered an African perspective, highlighting discrepancies between agencies and pointing to the forthcoming African credit rating agency. The central argument was for context-specific analysis that better reflects the realities and strengths of African economies. Madagascar shared its experience as a B-/B-rated sovereign, noting moderate debt indicators and a continued debt-servicing record through successive crises. It presented its planned biodiversity-focused “Lemur Bond,” developed with the Global Environment Facility and the World Bank, as an innovative route into capital markets that also supports conservation and blue-economy goals.



Delegates follow Day 1 proceedings.

SESSION 2

The island premium: structural constraints and market perception

Session 2 examined why market perceptions so often diverge from underlying fundamentals. Drawing on Mauritius's experience, speakers argued that investors price risks well beyond conventional macroeconomic indicators. Debt-to-GDP ratios alone fail to capture the reality of island economies exposed to climate shocks and structural constraints, and countries with relatively low debt can still face elevated risk perceptions and unfavourable terms. Five structural factors: small size, geographic isolation, economic concentration,

climate exposure, and limited liquidity, were identified as drivers of borrowing costs that exceed what fundamentals alone would warrant.

Central to the discussion was an “information premium”: because investors hold less information on African economies, individual data points or events can move perceptions disproportionately, raising costs and volatility. ECA pointed to evidence of a systemic “Africa premium” of around **1.5 percentage points** in additional borrowing costs, on the order of **US\$28 billion**, relative to comparable economies elsewhere. Participants discussed the potential of the United Nations Multidimensional Vulnerability Index to better reflect structural vulnerabilities within the international financial architecture, and mechanisms such as the Liquidity and Sustainability Facility to improve conditions for African issuers. Cabo Verde shared a successful debt-management approach, comprising digitalization, a single treasury account, and the development of primary and secondary markets, alongside agreements to convert public debt into climate investment, including through negotiations with Portugal. The session closed on a clear note: governments must engage agencies and investors more actively, with timely information and demonstrated policy consistency.

SESSION 3

Climate risk, resilience, and creditworthiness

The third session turned to the rising weight of climate considerations in sovereign assessments, spanning both physical risks, such as extreme weather and natural disasters, and transition risks tied to the shift toward low-carbon economies. Participants stressed the need to communicate climate-resilience efforts and adaptation strategies more effectively to agencies and investors, and to create the enabling conditions that draw private capital into climate and blue-economy sectors. The Vulnerable 20 (V20) set out the “vulnerability paradox”, according to which countries most exposed to climate risk often face the highest borrowing costs. V20 recommended integrating resilience investments into credit assessments and expanding guarantees and risk-sharing instruments. A private-sector perspective from the International Chamber of Commerce covered physical and transition risk and the roll-out of climate-related financial disclosure, while the Green Climate Fund illustrated how it helps countries such as Angola embed climate risk into budgeting and investment decisions. The discussion connected to broader advocacy by coalitions such as the Climate Vulnerable Forum and the V20 for fuller recognition of vulnerability and resilience in the financial architecture.

COUNTRY CLINIC 1

Diagnosing binding credit constraints

The day's working session moved from diagnosis to pathways for reform. Sierra Leone presented its preparations for a first-ever sovereign credit rating, identifying structural constraints including low domestic revenue, a strong sovereign-bank nexus, widespread informality, limited financial inclusion, and restrictions on non-concessional borrowing, with government borrowing tending to crowd out private-sector access to finance. Analytical contributions distinguished three layers of risk: genuine fundamentals, information gaps, and the structural penalties small and climate-exposed economies face regardless of policy. The clinic also explored reframing climate risk into measurable, manageable cash-flow terms, with parametric and catastrophe insurance and climate-resilient debt clauses presented as tools to strengthen resilience and reduce uncertainty for investors.

Seychelles offered a powerful illustration of credibility rebuilt. Following its 2008 sovereign default, when public debt exceeded 150 percent of GDP, debt restructuring, fiscal discipline, IMF-supported reform, and sustained engagement with partners brought debt down to **48.8 percent of GDP** and restored market confidence. Its pioneering 2015 debt-for-nature swap and 2018 blue bond mobilized resources for ocean

conservation and cemented a reputation as a leader in sustainable finance. However, tourism and fisheries dependence keep climate vulnerability firmly in view. The session concluded that, while structural constraints remain significant, sustained reform, sound fiscal management, credible institutions, and innovative financing can steadily improve creditworthiness and widen access to sustainable finance.



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The Coalition is a platform for countries to collaborate on accessing more concessional finance and sharing best practices in sustainable debt management.

Mr. Thierry Watrin
Lead, Sustainable Debt Coalition, ECA

The Sustainable Debt Coalition, a country-led platform now numbering more than 20 members, is featured as a forward-looking thread, connecting Day 1's diagnosis of constraints to the coordinated, climate-aligned financing solutions that Day 2 takes up in depth.

IN THE ROOM

Voices from across the African Island States



Delegates follow Day 1 proceedings.

Day 1 in five takeaways

1. **Ratings are a fuller story than debt.** Institutions, economic resilience, fiscal management, external vulnerability and policy credibility all shape the verdict. Island States must communicate that fuller picture.
2. **Data and transparency are currency.** Quality, consistency and timely statistics directly affect confidence; an “information premium” can move perceptions and prices on thin evidence.
3. **The island premium is real and partly structural.** Size, isolation, concentration, climate exposure and liquidity push costs above fundamentals; tools like the UN Multidimensional Vulnerability Index could help correct this.

4. **Climate resilience can be made credit-relevant.** Adaptation, parametric insurance, resilient investment and disaster-risk clauses can be translated into measurable, investor-legible cash-flow terms.
5. **Credibility can be rebuilt.** Seychelles' path from 150% to 48.8% of GDP, and innovations like blue bonds and debt-for-nature swaps, show reform and engagement steadily widen access to finance.

LOOKING AHEAD

Day 2 — from diagnosis to access and instruments

Day 1 mapped the constraints; Day 2 turns to solutions: capital-market access for island states, the Sustainable Debt Coalition, and financing instruments viewed through a credit and market lens, before a second country clinic and a closing session distilling strategic takeaways for African Island States.

ON THE AGENDA

Session 4 · Capital Markets Access for Island States

Session 5 · The Sustainable Debt Coalition

Session 6 · Financing Instruments Through a Credit and Market Lens

Country Clinic 2 & Closing Session · Strategic takeaways for Island States

For further information:

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