

COMMONWEALTH SECRETARIAT AND AOSIS HIGH-LEVEL MEETING

CO-CHAIRS' SUMMARY

The Commonwealth and AOSIS high-level forum on “**COVID19, Vulnerability and the Urgent Need for Finance in Small States**” held on 24 September in the margins of the UN General Assembly brought together a diverse set of multilateral organisations and countries to reflect on how the vulnerabilities of small island developing states (SIDS) and small states, more broadly, could be effectively captured and mainstreamed into the development finance architecture given its core importance for ushering in appropriate assistance for these countries to arrest COVID19.

Participants addressed the current context of small states. They acknowledged the dire economic consequences facing small states on the eve of a second wave of the COVID-19 virus and its impact across major export markets. They noted that the sharp and broad based decline in tourism markets in SIDS and Small States as a result of the global pandemic, was yet another damaging economic shock for countries which are already constantly threatened by storm activity and the negative effects of climate change. They advised that women in particular have been disproportionately affected by the pandemic, and particularly by the shut down in tourism markets where their numbers are greater, and that recovery efforts should factor their tailored support.

Small States' Solidarity Critical

Expressing solidarity across countries and regions, Small States, along with larger developed countries, called for **greater urgency and agreement on solutions** to help vulnerable member states navigate the current pandemic. They reaffirmed their resolve to continue to advocate on behalf of small states and emphasised the need for unity amongst affected countries on the one hand, and for increased flexibility from the donor community to advance the development financing agenda on the other. They further called for solidarity in advocating for an urgent need to reform the global financing architecture to help countries restart their economies.

Move from Discourse to Action and Urgently

Participants acknowledged that the discourse on small states' vulnerabilities and challenges is heavily laboured and that there is now an urgent need to progress from discussion to action through **elevating the call for action to the highest, political level**. Participants called for the establishment of a **SIDS Compact** to catalyse concrete action in support of small states.

Refine GDP Financing Criteria and Harmonise Approaches on Vulnerability

The **inadequacy of using per capita GDP** as the sole criterion for access to concessional financing was again highlighted. There were wide calls to review the financing criteria in the wake of the climate crisis and the COVID19 pandemic that

have recently laid bare the significant exposure of SIDS and Small States to these shocks.

Acknowledging the Commonwealth Secretariat's longstanding work in this area, there was wide agreement on the need to harmonise institutional approaches to define and measure economic vulnerability and to share knowledge and expertise in the pursuit of a **universal vulnerability index**. Participants lamented the lack of progress in recognising economic vulnerability in international responses, including during the current pandemic and called upon the international community to hasten the inclusion of economic vulnerability in development financing.

The UN was encouraged to work more closely with key organisations like the Commonwealth, AOSIS, Caribbean Development Bank, Pacific Island Forum, and other multilateral agencies which are in the forefront of advancing the use of vulnerability and resilience indices for use in development financing.

Expand G20 Debt Relief Initiative and Action Other Innovative Financing Mechanisms

The current financing structure only adds to the burden and increases the vulnerability of small states, many of which are already highly indebted. Participants called for a stronger focus by the international community on resilience building, appropriately guided by rigorous assessment of countries' vulnerabilities.

The G20 was applauded for its debt sustainability suspension initiative (DSSI) which has so far provided significant liquidity relief for several low income countries. The G20 was urged to swiftly agree an expansion of the DSSI to include all vulnerable member countries, particularly ineligible SIDS and Small States that are constrained in their ability to effectively respond through fiscal means and extend liquidity relief beyond 2021.

Organisations and Ministers also discussed the ongoing Financing for Development (FFD) and G20 processes, and in particular, the successes and failures relating to the provision of additional liquidity to SIDS and Small States through debt relief and for protecting debt solvency.

They also contributed perspectives on how to take action and advance discussions at the Financing for Development and G20, and shared innovations which could help to achieve debt relief for low income countries as well as other vulnerable member states.

Innovative instruments and policy tools such as **debt swaps initiatives, green bonds, blue bonds, gender bonds, and diaspora bonds** were forcefully presented as credible solutions which could help countries shore up fiscal stimulus but also tackle climate change. Participants also called for **greater private sector involvement** and commitment to financing to keep small states as viable markets.

Recognising the capacity constraints of small states participants called for initiatives like the Commonwealth's climate finance access finance hub to be adequately resourced. Other tailor made financing options for small states, like an exceptional

funding package or voluntary targeted disaster fund should be explored. Build back better programmes and debt for SDG initiatives can help to build resilience in small states.

In conclusion, the meeting agreed to keep the momentum of this dialogue and continue to advocate for access to affordable financing while ensuring sustainable debt, and for urgent reforms which recognise the vulnerability of SIDS and small states.