



The Commonwealth

Small States Matters

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Progress Report of the 2018 Commonwealth Ministerial Meeting of Small States*

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1. Introduction

The Commonwealth Ministerial Meeting on Small States (CMMSS) was convened in London, United Kingdom, on 17 April 2018 during the week of the Commonwealth Heads of Government Meeting (CHOGM). The meeting was co-chaired by the CHOGM hosts, the Government of the United Kingdom and the Government of Fiji. In attendance were ministers from 41 Commonwealth countries, including all 31 small states,¹ international financial institutions, regional organisations and several development partners who attended the meeting as observers.

2. Purpose of the report

This report has been prepared by the Commonwealth Secretariat and is intended to provide an update on progress against the key deliverables agreed by foreign ministers at their 2018 meeting on Commonwealth Small States. The report will be presented by Fiji on behalf of the outgoing 2018 CMMSS co-chairpersons at the upcoming 2022 CMMSS, with a view to keeping ministers informed of progress and to note deliverables and activities to be taken forward by the incoming co-chairs.

3. Progress to date

3.1. Co-ordinating global action on small states issues²

Ministers recognised the unique role of the Commonwealth in championing the issues of small states, highlighting that it was important that the Commonwealth Secretariat continued its role in co-ordinating action on small states issues and challenging the international community to do more to address the vulnerability of small states.

* This paper was authored by the Economic Policy and Small States Section of the Economic, Youth and Sustainable Development Directorate.

¹ The conference took place before Maldives rejoined the Commonwealth.

² Commonwealth–AOSIS and Extraordinary Meeting summaries in Appendices B and C.

The vulnerabilities of small states have been compounded by the COVID-19 pandemic, which has struck with unprecedented consequences. Pursuing its mandate to continue championing the issues of small states, the Commonwealth Secretariat convened two high-level meetings specifically on COVID-19. The first meeting was held jointly with Alliance of Small Island States (AOSIS) in the margins of United Nations General Assembly (UNGA) on 24 September 2020 and was themed 'COVID19, Vulnerability and the Urgent Need for Finance in Small States', while the second was an Extraordinary Meeting of the Commonwealth Small States Finance Ministers, which was held on 2 October 2020. The Extraordinary Meeting was held ahead of the International Monetary Fund (IMF) and World Bank annual meetings to discuss options for reducing small states debt burdens to address COVID-19, and the adequacy of the current international financing architecture for supporting small states.

The Secretariat and AOSIS focused on the economic impact of COVID-19 on small states and called for an improved access to financial resources and debt relief in order to secure small states economic resilience and progress on their Sustainable Development Goals (SDGs) and climate targets. The meeting reflected on how the vulnerabilities of small island developing states (SIDS) and small states could be effectively captured and mainstreamed into the development finance architecture. Likewise, the Extraordinary Meeting highlighted the disproportionate economic challenges that the pandemic has had on small and vulnerable countries, especially in the areas of tourism and other critical service industries. The international financial institutions (IFIs) – IMF and World Bank Group – provided an overview of their policy responses and the financial support extended to countries, which were appreciated by the ministers. Additionally, ministers expressed hope

that policy support provided by the IFIs would continue and called for refinement of IFIs' per capita income criteria for accessing concessional financing.

3.2. Championing the issues of small states through development of toolkits and other knowledge products

Ministers also supported the Commonwealth Secretariat's future plans towards supporting small states through a range of Commonwealth Toolkits, as well as through the Commonwealth Small States Centre of Excellence.

Ministers further noted that 'de-risking' threatens to exclude small states from accessing global financial markets and regulated financial services and called for sustained international, regional and national efforts to identify effective solutions to combat this.

Commonwealth Fintech Toolkit

Recognising the growth and impact of fintech in the Commonwealth and the need for improved technical guidance regarding the implementation of fintech activities, the Secretariat has developed the Commonwealth Fintech Toolkit (Box 3.1), which was endorsed by Commonwealth Central Bank Governors at their annual meetings in both 2018 and 2019. The toolkit aims to provide technical guidance and capacity development for the implementation of fintech activities in member states, particularly small states. It offers information on a range of technical fintech applications (artificial intelligence, blockchain,

digital identity, big data/analytics and mobile financial services) and on how those tools can be used to achieve development outcomes. The toolkit also aims to provide a framework for creating the enabling environment for fintech, including appropriate legislation, regulation, institutions and policies, as well as offering capacity development for fintech professionals in government.

Leading to the development of the toolkit, a Fintech Technical Working Group was established. The working group held a series of meetings to shape the development and content of the toolkit. In promoting the fintech toolkit, the Commonwealth Deputy Secretary-General co-hosted a side event with the University of Oxford in the wings of the World Economic Forum's Annual Meeting on 22 January 2020 in Davos, Switzerland. In addition, fintech experts from selected Commonwealth member states met in Bermuda on 29–30 January 2020 to help develop a policy framework for the fintech-enabling environment. Furthermore, the Commonwealth Fintech Week took place from 28 September to 2 October 2020 and featured a number of virtual events and activities. It was during this Fintech Week that the toolkit was launched and other fintech activities, including the training programme, were showcased.

The Secretariat partnered with the University of Cambridge and the University of Oxford to deliver a joint training programme on fintech. The training was aimed at enhancing fintech capacity among regulators and government officials. The Secretariat sponsored 113 participants from 41 countries across all 5 Commonwealth regions.

The Secretariat is developing a digital financial literacy project to complement its fintech programme and to help countries optimise the benefits and manage the risks associated with growth in digital financial services. The programme will deliver a series of key digital financial literacy messages and knowledge products as well as a digital financial literacy curriculum.

Box 3.1 The Commonwealth Fintech Toolkit



- 113 people participated in the joint fintech capacity training with the Universities of Oxford and Cambridge
- 41 countries were represented at the training sessions across all five Commonwealth regions

Commonwealth Debt Sustainability Toolkit

The COVID-19 pandemic struck at a time when emerging and developing countries were experiencing the highest levels of debt for a decade, particularly the small states. In an attempt to help member countries manage their debt levels amid increased spending to tackle the effects of the pandemic, the Secretariat has developed the Commonwealth Debt Sustainability Analysis Toolkit, which will complement the IMF Debt Sustainability Analysis Framework. The toolkit will be tailor-made for each member country, to assess its capacity to finance national policy objectives and service debt. The toolkit will also take into account uncertainty and macroeconomic dynamics in debt sustainability. The roll-out of the toolkit has started and the first workshop was held in The Gambia in March 2022.

3.3. Strengthened collaboration to reduce climate vulnerabilities and encourage ambitious global action on climate change

Ministers highlighted the need for all states to strengthen their risk transfer, disaster preparedness, response and recovery, recognising the importance of efforts to implement the Sendai Framework.

Disaster Risk Finance Portal

In response to supporting member countries to manage the financial impact of natural disasters, the Secretariat has developed the Commonwealth Disaster Risk Finance (DRF) Portal (Box 3.2).³ The development of the

³ The DRF portal link: <https://drf.thecommonwealth.org/>

Box 3.2 The Commonwealth Disaster Risk Finance Portal

Disaster Risk Finance Portal

- 50 financing instruments are available on the portal
- 54 countries are included on the portal

portal stemmed from the mounting economic and social costs from natural disasters that necessitated efforts to enhance disaster resilience practices. The idea was approved by Ministers of Finance at their meeting in October 2018 in Bali, Indonesia.

The portal is intended to act as a navigation tool and repository of information on a range of available DRF instruments and facilities. It acts as a 'one-stop-shop' for disaster risk financing information, training and other DRF emerging developments; it drastically declutters the disaster risk finance space; and it substantially improves access to disaster finance information for member countries. The portal also serves as a knowledge exchange and capacity-building platform and facilitates technical assistance and advisory services.

The DRF portal was validated through a peer-review process of selected stakeholders such as the World Bank, Department for International Development (DFID) and the Centre for Disaster Risk Protection. The portal was launched during the Commonwealth Finance Ministers Meeting held on 7 October 2020, following user-testing with member governments on 27 August 2020. In addition, work is underway to develop a work programme on disaster risk management that will underpin the functionality of the portal.

3.4. Secretariat's efforts in supporting small states access to a range of development finance resources

Ministers also recognised the Secretariat's efforts in supporting small states to access a range of development finance resources, including: diaspora finance, climate finance and disaster finance; debt swaps for climate action; and through the Commonwealth Climate Finance Access Hub and Commonwealth Small States Trade Finance Facility.

Climate Finance Access Hub⁴

Small states, Least Developed Countries (LDCs) and other vulnerable countries face the acute effects of climate change in a disproportionate way. As much as climate finance is being made available to developing countries through a number of international initiatives, most of these countries have limited capacity to access these funds. Therefore, the Commonwealth Climate Finance Access Hub (CCFAH) helps these countries to unlock the available climate finance (Box 3.3). Through this initiative, small and vulnerable member states are assisted in unlocking the available climate finance. The process is achieved through: supporting the development of grant proposals and project pipelines; building human and institutional capacity; providing technical

Box 3.3 The Commonwealth Climate Finance Access Hub



- US\$ 48.8M was secured by CCFAH in climate finance for member countries
- 40 approved projects were in operation across 8 countries: 15 adaptation; 5 mitigation and 20 cross-cutting projects
- A total amount of US\$ 762M worth of projects in the pipeline as of March 2022
- There are a total of 88 training actions that have been initiated through CCFAH with 1900 government and other relevant officials trained in member countries

advisory services; and facilitating cross-Commonwealth co-operation and sharing of experiences and expertise by Commonwealth Regional/National Climate Finance Advisers, who are embedded in relevant regional institutions and government departments.

CCFAH, with its central hub located in Mauritius, as well as a Steering Committee comprising of member countries providing guidance, demonstrates the strong country ownership and involvement in the work of CCFAH. To date, CCFAH has assisted 16 countries across the Commonwealth and has been expanding its capacity-building efforts and support mechanisms to member countries by deploying Commonwealth Regional Climate Finance Advisers to Africa and Asia-Pacific regions. Recruitment for the Caribbean region is in progress.

Since its inception, as of March 2022, CCFAH has supported the mobilisation of US\$48.8 million in climate finance for 40 projects (5

⁴ <https://thecommonwealth.org/climate-finance-access-hub>

mitigation, 15 adaptation, 20 cross-cutting) in eight countries, with further projects worth US\$762 million in the pipeline. In terms of capacity-building, 88 training actions have been initiated through CCFAH, with 1,900 government and relevant officials trained in member countries.

Diaspora Finance

In 2018, the Secretariat completed the Commonwealth Diaspora Investment Survey with six countries – Bangladesh, Fiji, Ghana, Jamaica, Kenya and Nigeria. The results showed 64 per cent of diaspora in the UK would like to invest or save more in their country of origin than currently do. Based on the results, the Secretariat is currently engaging interested countries to advance national diaspora investment projects.

Fiji is one of the countries that expressed interest and the Secretariat prepared a tailored policy report based on the results of their Country Survey and have formally communicated the report to the government. The Secretariat assisted Fiji in preparing a financing proposal from the India-UN Development Fund to operationalise policy report, and the proposal is under consideration.

In the next phase of the project, the Secretariat plans to provide technical assistance to member countries, especially small states, to develop policies, strategies and regulatory frameworks on diaspora investment. This will entail in-country missions to consult relevant stakeholders to draft a roadmap for diaspora investment. In addition to Fiji, the project will cover Kenya and The Gambia. After agreeing on the roadmap, the next step will be to submit a project proposal to the India-UN Development Fund to further implement additional activities as agreed.

Commonwealth Trade Finance Facility

Commonwealth Small States Trade Finance Facility (CSSTFF) is valued at USD5.34 million, financed mainly by the governments of

India, Mauritius, Sri Lanka and Malta. These stakeholders are committed to making CSSTFF a valuable tool to enhance access to trade finance by small member states of the Commonwealth. The facility is administratively managed by CTFF Ltd, a company incorporated in Malta. Standard Chartered Bank and Bank of Baroda are the facility manager banks responsible for executing trade finance transactions and sharing risk.

The facility allows Commonwealth small states to access the finance they need to develop trade and sustain economic and social development by encouraging international banks to make more trade finance available. The banks participating in the scheme will receive credit enhancement support through an innovative blended finance programme. The facility was formally launched at CHOGM 2018 for a pilot phase of three years, until April 2021. At its last meeting in March 2021, the Board decided to extend the pilot for a further three years.

CSSTFF became operational in April 2022 and achieved the milestone of covering partial risk for the first pilot transaction. This pilot trade finance transaction is between a textile importer in Mauritius and an exporter in India under a Letter of Credit established by a Bank in Mauritius.

3.5. Building international consensus on the definition and measurement of vulnerability

Ministers further acknowledged the need to build international consensus on defining and measuring vulnerability and supported the work of the Commonwealth Secretariat in this area.

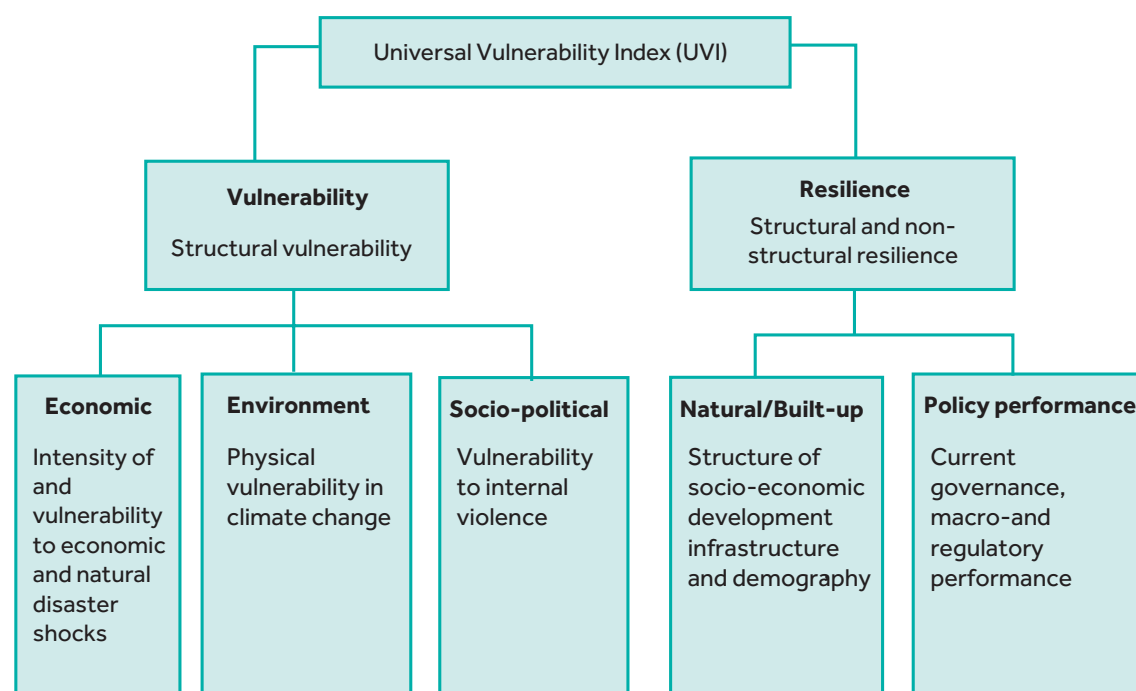
Commonwealth Universal Vulnerability Index

In 2018, foreign ministers at the Commonwealth Small States Ministerial Meeting mandated that the Commonwealth Secretariat build universal consensus on a measure and definition of vulnerability. This was endorsed by Commonwealth Heads of Government and later led to the Secretariat's project to build a Universal Vulnerability Index (UVI) (Figure 3.1). The rationale behind the Commonwealth's proposal for a UVI stems from the recognition that none of the existing indices – including the Commonwealth Vulnerability Index, the UN Committee for Development Policy Vulnerability Index, or the Caribbean Development Bank Vulnerability Index – will help to forge global consensus.

The Secretariat has developed the UVI that scores and captures changes in countries' vulnerability over time. The UVI does not only

cover small states, LDCs or countries in the Caribbean, as previous indices have done: it is a global vulnerability index. Thus, it improves on the existing indices in many ways, including through being dynamic, multi-dimensional and inclusive. The UVI also forms the basis for the Secretariat's annual vulnerability survey, which will assess countries' efforts to build resilience as well as their outstanding vulnerabilities. It also serves as a basis for policy dialogue on vulnerability and resilience measures between countries and the Secretariat, as well as domestically. Further, it provides an evidence base on which countries could improve their resilience efforts, reduce the cost of financing through proving their efforts to reduce vulnerability, and unlock technical assistance and concessional financing from multilateral partners.

Figure 3.1 The Universal Vulnerability Index (UVI) Framework



3.6. Global Biennial Conference on Small States⁵

Ministers agreed that it was important to continue discussions on mechanisms for disaster risk reduction at a technical level during the 2019 Global Biennial Conference on Small States, to be held in Samoa, and endorsed the theme of 'Building Resilience through Disaster Risk Reduction'.

At the 2018 CMMSS, ministers agreed that it was important to continue discussions on mechanisms for disaster risk reduction at a technical level during the 2019 Global Biennial Conference on Small States (GBCSS), to be held in Samoa, and endorsed the theme of 'Building Resilience through Disaster Risk Reduction'.

The Commonwealth, in collaboration with the Government of Samoa as the host, and with support from the Governments of Australia and New Zealand, hosted the GBCSS on 27–29 March 2019. Participants included senior policymakers from 23 Commonwealth and non-Commonwealth countries and officials from 20 national, regional and international organisations. The conference was preceded by the training on disaster risk financing, held jointly with the World Bank on 25–26 March 2019. Commonwealth and non-Commonwealth small states attended the conference.

The conference reflected on ongoing efforts and measures to help countries respond to the increased frequency and

severity of disasters. Participants' capacity on DRF and management was strengthened through joint training, as well as the exchange of knowledge and experience. Participants underscored the importance of effective systems for successful implementation and delivery of disaster risk-reduction plans. Partnerships in developing and implementing effective disaster risk management and DRF was emphasised as a key element in building climate resilience.

3.7 Encouraging more collaboration among member countries

Ministers also stressed the importance of the Commonwealth transitioning from advocacy to action and fostering greater collaboration among member states.

The 2021 CMMSS will discuss the UN–Commonwealth advocacy strategy and the Commonwealth Virtual Centre for Small States (VCSS). These are some of the initiatives pursued by the Secretariat in an attempt to encourage active collaboration among member countries and translating advocacy into concrete action.

The Secretariat, working jointly with the UN, has developed a UN–Commonwealth advocacy strategy to support the UN's Decade of Action Agenda. This collaboration has become ever more important given the coronavirus pandemic, which has already devastated most of the world's economies. With small states due to experience the brunt of economic challenges, while at the same time facing risks from climate change and potential debt crises, the UN and Commonwealth will be working together to call for a special UN–Commonwealth Decade of Action focused

⁵ Report of the meeting in Appendix 4

specifically on mobilising a global effort to address the issues of small and vulnerable states. The joint strategy focuses on the following priority areas:

- economic vulnerability
- climate action
- access to finance and debt sustainability.

To date, 12 member countries have volunteered to serve as champions for some or all of the priority areas in order to attain collective endorsement and consistent messaging at various regional and international platforms.

The Commonwealth VCSS is one of the initiatives developed by the Secretariat as a rapid-response measure to tackle the effects of COVID-19. It provides a virtual hub for knowledge sharing and building capacity among small states and complements existing Commonwealth institutional structures. VCSS will act as a hub for collating up-to-date data and information with a view to supporting small states governments to formulate evidence-based policies and strategies meant to build resilience. The VCSS will, in addition, be a platform to deliver online capacity-building to small states on various topical issues of common interest.

Appendix A: 2018 Commonwealth Ministerial Meeting on Small States Co-Chairs' Summary

Actions to address small states' vulnerability

The Commonwealth Ministerial Meeting on Small States was convened in London, United Kingdom, on 17 April 2018, during the week of the Commonwealth Heads of Government Meeting (CHOGM). The meeting was co-chaired by the CHOGM host, the Government of the United Kingdom, and by the Government of Fiji. It was attended by ministers from 41 Commonwealth countries, including all 31 small states. International financial institutions, regional organisations and several development partners attended the meeting as observers.

Ministers recognised the vulnerabilities of small states, especially the existential threat of climate change and weather-related events. Ministers discussed solutions to address small states' unique challenges and vulnerabilities, including climate change and limited access to affordable finance. They proposed strategies for strengthened Commonwealth collaboration to meet Sustainable Development Goals, reduce small states vulnerabilities and to increase resilience, including through open and inclusive rules-based systems for trade, regional integration, action on oceans, renewable energy, capacity-building initiatives, South-South cooperation and institutional strengthening.

In particular, ministers discussed efforts towards implementing the Paris Agreement, considerations for the Talanoa Dialogue and the 2019 United Nations Secretary General's Climate Summit. Ministers emphasised the importance of raising ambition to meet the Paris Agreement goals and the important role that small states played in negotiating those goals, particularly in pursuing efforts to limit temperature increase to 1.5 degrees Celsius above pre-industrial levels. Ministers also

reiterated their commitments towards their Nationally Determined Contributions and the Green Climate Fund.

Ministers recognised that with the current Nationally Determined Contributions (NDCs) the world is headed toward approximately 3 degrees of warming. This makes the call for greater ambition and our full support of the Talanoa Dialogue process to be conducted between now and COP24 in Katowice, Poland, even more urgent and important. Ministers encouraged a stronger focus on climate change in Commonwealth discussions and programmes.

Ministers recognised the unique role of the Commonwealth in championing the issues of small states, highlighting that it was important that the Commonwealth Secretariat continued its role in co-ordinating action on small states issues and challenging the international community to do more to address the vulnerability of small states. Ministers also supported the Secretariat's future plans for supporting small states through a range of Commonwealth Toolkits, as well as through the Commonwealth Small States Centre of Excellence.

Ministers discussed opportunities for strengthened collaboration between small states and the wider Commonwealth/international community to reduce climate vulnerabilities and encourage ambitious global action on climate change. In particular, ministers highlighted the need for all states to strengthen their risk transfer, disaster preparedness, response and recovery, recognising the importance of efforts to implement the Sendai Framework. Ministers emphasised the challenges small states faced in financing post-disaster recovery efforts,

particularly for those small states that already have a high debt burden.

Ministers agreed that it was important to continue discussions on mechanisms for disaster risk reduction at a technical level during the 2019 Global Biennial Conference on Small States, to be held in Samoa, and endorsed the theme of 'Building Resilience through Disaster Risk Reduction'.

Ministers highlighted Commonwealth small states' challenges and solutions to accessing affordable finance. Ministers also recognised the Secretariat's efforts in supporting small states to access a range of development finance resources, including diaspora finance, climate finance and disaster finance; debt swaps for climate action; and through the Commonwealth Climate Finance Access Hub and Commonwealth Small States Trade Finance Facility. Ministers further acknowledged the need to build international consensus on defining and measuring vulnerability and supported the work of the Secretariat in this area. Ministers further noted that 'de-risking'

threatens to exclude small states from accessing global financial markets and regulated financial services and called for sustained international, regional and national efforts to identify effective solutions to combat this.

In addition, ministers discussed the advocacy opportunities for raising the issue of small states' access to affordable finance and encouraged better alignment with low greenhouse gas and climate resilient development. Ministers also stressed the importance of the Commonwealth transitioning from advocacy to action and fostering greater collaboration among member states. Ministers further called on relevant international groups and norm-setting organisations, such as the G7, G20, the Organisation for Economic Cooperation and Development, and the World Bank to address the concerns of small states.

Ministers agreed that their next meeting would be held at the Commonwealth Heads of Government Meeting in 2020, co-chaired by the host and St Vincent and the Grenadines, a small state from the Caribbean.

Appendix B: Commonwealth Secretariat and AOSIS High-Level Meeting Co-Chairs' Summary

The Commonwealth and the Alliance of Small Island States (AOSIS) high-level forum on 'COVID19, Vulnerability and the Urgent Need for Finance in Small States', held on 24 September 2020 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 COVID-19.

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 that 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 among affected countries on the one hand, and 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 global financing architecture to help countries restart their economies.

Move from discourse to action, 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 COVID-19 pandemic, which 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, the AOSIS, the Caribbean Development Bank, the Pacific Island Forum and other multilateral agencies that are in the forefront of advancing the use of vulnerability and resilience indices 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 service 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 FFD and G20 and shared innovations that 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-swap initiatives, green bonds, blue bonds, gender bonds and diaspora bonds**, were forcefully presented as credible solutions that 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 Hub to be adequately resourced. Other tailor-made financing options for small states, such as an exceptional funding package or voluntary targeted disaster fund, should be explored. Build Back Better programmes and debt for Sustainable Development Goal 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 that recognise the vulnerability of SIDS and small states.

Appendix C: Extraordinary Meeting of Commonwealth Small States and International Financial Institutions (IFIs)

Summary of discussion

Commonwealth small states finance ministers and senior representatives of the World Bank and International Monetary Fund (IMF) met on 2 October 2020, ahead of the IMF and World Bank annual meetings to discuss options for reducing small states' debt burdens to address COVID-19, and the adequacy of the current international financing architecture for supporting small states.

Small states finance ministers and the international financial institutions (IFIs) both highlighted the disproportionate economic challenges that the pandemic has had on small and vulnerable countries, especially in the areas of tourism and other critical service industries. It was emphasised that the scale of vulnerabilities in small states has been amplified by the pandemic, and that their current situation is unlikely to ease quickly owing to existing structural impediments.

The IMF and World Bank's responses to COVID-19 were presented to small states finance ministers. Since March 2020, the IMF has provided emergency financing (notably through its Rapid Financing Facilities (RFI) and Rapid Credit Facility (RCF) totalling about USD100 billion to 81 countries, including to 16 small states that have received more than USD800 million in such financing. The World Bank's overall support to small states has reached more than 23 countries since the start of the outbreak, including emergency COVID-19 response for critical needs in health to 14 small states amounting to USD86 million. In the final quarter of 2020, the World Bank plans to deliver an additional 21 operations in small states amounting to USD335 million. The

World Bank's global response includes a provision of up to USD12 billion to help countries to purchase and deliver a COVID-19 vaccine, which will especially benefit small states.

The IMF, in collaboration with the World Bank, is also helping countries prepare comprehensive Disaster Resilience Strategies, beginning with two pilots for the small states of Dominica and Grenada, with a view to fully integrate resilience-building in macro-fiscal frameworks and co-ordinate financial support from the international community.

Ministers welcomed the responses from IFIs who have been supporting with assistance from donors as well as generating projects to address health, social protection and insurance cover for member countries in need.

Ministers of small states further appreciated IFIs' efforts to assist with policies for resilient recovery, including plans by the international community for helping borrowing members to maintain positive financial flows through offering countries larger volumes of development assistance, and at more favourable concessional terms. However, in light of the fiscal stress in the medium to long term being encountered by small states, ministers continued to express their hope that ongoing discussions between the IFIs and potential donors would be successful in relation to agreeing further financial and other support for their countries.

The meeting agreed that success on the many initiatives being conceived and agreements sought are crucial, as small states require adequate fiscal space in order to navigate current and future unexpected shocks.

Ministers conveyed that despite some countries having fiscal space now, as the pandemic will evidently be prolonged, small states will inevitably suffer economic losses of devastating proportions.

In this regard, small states finance ministers remarked that financing the budget gap remains vital, but so too are solutions for reducing small states' exposure from increasing debt. Ministers proposed that the international community should consider assistance similar to that provided to some countries after the Second World War. They also put forward for consideration by IFIs the need to develop a financing construct that would allow COVID-19-related debt to be repaid over a longer-than-typical maturity period, to enable small states adequate fiscal space and time to build forward better. They echoed the need for active and urgent implementation and

assistance with financial innovations such as debt swaps and blue and green bonds to shore up small states' existing access to financing.

Small states ministers were unanimous in their calls for the international community to think beyond measures on the table and to lead with pragmatism. They strongly urged further discussion on resilience and particularly on the refinement of IFIs' per capita income criteria. They called for the construction of a vulnerability index that reflects the true challenges of small states, which could be used in decisions around access to concessional financing.

Ministers were provided with an update on plans for the upcoming World Bank Small States Forum, which will focus on COVID-19 responses for concrete actions and was encouraged to collaborate with the Commonwealth and others in addressing the issues and needs of small states.

Appendix D: Fifth Global Biennial Conference on Small States: Building Resilience Through Disaster Risk Reduction

Outcomes statement

The Commonwealth in collaboration with the Government of Samoa, and with support from the Governments of Australia and New Zealand, convened its Fifth Global Biennial Conference on Small States (GBCSS) on 25–29 March 2019 in Apia, Samoa. Participants included senior policy-makers from 23 Commonwealth and non-Commonwealth countries, as well as officials from 20 national, regional and international organisations.

The theme for this conference – ‘Building Resilience through Disaster Risk Reduction’ – reflected ongoing efforts to help countries respond to an increased frequency and severity of disasters. The conference focused on exposing small states to the myriad of domestic, regional and international solutions for aiding their preparation and recovery and controlling disaster risks. Of particular relevance to conference discussions were ongoing challenges precipitated by recent cyclones in the Pacific (2015), the Caribbean (2017) and Southern Africa (March 2019).

As per paragraphs 51 and 52 of the Samoa Pathway, which speaks to the international community's commitment to supporting efforts of Small Island Developing States (SIDS) in managing and reducing disaster risk, the Global Biennial Conference marked a large step forward for the Commonwealth. In this regard, there are three major outcomes to be highlighted.

1. Small states' disaster risk management and finance capacity strengthened

Small states deepened their knowledge of disaster risk financing by way of a two-

day training course jointly facilitated by the Commonwealth Secretariat and the World Bank. Case studies, group activities and moderated discussions were used to help participants better understand the importance of the political, social and economic factors affecting small states' ability to prepare for and respond to disasters. Participants benefited primarily from increased knowledge of financial protection instruments and support mechanisms for pre-disaster and post-disaster planning and relief, respectively. Small states representatives also took away key tips on communicating disaster risk, developing disaster risk-management strategies, and data analytics for disaster risk reduction.

To start, Biennial Conference participants exchanged views on financing disaster recovery and on the adequacy of their countries' disaster risk-management policies. They also shared experiences on finding the right mix of disaster finance tools appropriate for their countries' needs and risks. In tandem, the Commonwealth Secretariat shared initiatives designed to help small states understand and access disaster finance, including its disaster risk finance (DRF) portal, which is soon to come on-stream; the Secretariat's debt management department's financial resilience framework; and the Commonwealth's renowned Climate Finance Access Hub. Moreover, participants learnt how the Secretariat and its partners⁶ through the Commonsensing initiative are using technology to advance disaster risk-reduction efforts in small states.

⁶ UNITAR-UNOSAT; University of Portsmouth; Catapult; UK Meteorology Office; and Sensonomic.

Several regional and international development partners further showcased their own capacity-strengthening and resilience-building programmes for disaster risk-reduction and for mobilising DRF, insurance – via blockchain and parametric products – and resources to help rebuild resilient infrastructure in small states.

2. The importance of implementation highlighted and embraced

The conference emphasised the importance of effective systems for successful implementation and delivery of disaster risk-reduction plans. In this regard, participants reflected on progress with implementing the Sendai Framework, including the challenges countries face in achieving Sendai targets. The Secretariat discussed its approach to performance management as a key tool for government delivery generally, and its applicability to advancing a disaster risk management strategy. This included simple but effective methods for assisting with the integration of disaster risk management and DRF planning into national plans. Participants noted the various failings across governments and regions in implementation, endorsing

the need to halt the proliferation of new initiatives and to concentrate more efforts on completing implementation of existing strategies.

3. Commitment for stronger co-ordination and partnerships fostered

A number of regional initiatives to reduce disaster risk, including the Pacific Resilience Partnership Platform, were highlighted. These discussions underscored the importance of partnerships in developing and implementing effective disaster risk management and DRF. There was broad agreement among participants that working together and co-ordinating efforts were crucial to building resilience through disaster risk reduction.

Countries deliberated on the role of the private sector and non-governmental organisations in supporting disaster risk reduction. They expressed support for policies, rules and regulations that incentivise long-term private sector investments in disaster risk reduction. They also support governance frameworks that better enable collaboration between the public sector, non-governmental organisations and youth in building resilient communities.