



## Community of Practice on Voluntary National Reviews (VNRs) for Caribbean Countries

12 November 2020

*Meeting Minutes*

### Participants

Trinidad and Tobago and ECLAC.

### Recording and presentation

To access a recording of the meeting, please visit: <https://web.microsoftstream.com/video/5eca7da1-050e-4b42-8a0a-e5d703451b33>

ECLAC's presentation is enclosed as an attachment to these notes.

### Objective of the meeting

This community of practice is an informal space for exchange among peers and sharing of good practices with regards to the implementation of the 2030 Agenda in general and the preparation of VNRs in particular; and aims to provide a space to regularly communicate with peers. The goal of this session was to provide tools to the countries for the preparation of VNRs, on the issue of financing in the face of the socioeconomic impact of COVID-19.

### Introduction

ECLAC welcomed all participants and made a presentation on the issue of Financing for Development, in the context the impacts of COVID-19 and climate change in Caribbean countries, with concrete measures of global and regional multilateral institutions along with a proposal by ECLAC to face the short-, medium- and long-term challenges resulting from COVID-19. This presentation took into consideration the results of the initiative "FFD in times of COVID-19 and beyond" led by the governments of Canada and Jamaica with the UN. In this process, ECLAC has emphasized the specific characteristics and requirements in term of financing for development in middle-income countries of Latin America and SIDS of the Caribbean in the context of the pandemic and towards recovery.

The presentation included the following key points:

- Latin America and the Caribbean face the worst demand and supply crisis with an estimated regional drop of -9.1% in GDP as a consequence of both internal and external factors. The pandemic has severely impacted smaller Caribbean and Central American economies, especially the tourism sector, which will result in an increased debt burden for these mostly already highly indebted countries.
- More liquidity, especially a transfer of liquidity from developed countries to developing countries, is needed. Global and regional multilateral institutions, such as the World Bank and the International Monetary Fund (IMF), have responded to the crisis by developing and implementing emergency programs



to increase liquidity, implement flexible credit lines through counter-cyclical measures, and enhance the loan portfolio, among others.

- ECLAC has proposed concrete measures to protect households and the productive sector, which respond to the needs of Small Island Developing States (SIDS), middle-income countries and the regional financial architecture. It focuses on three areas, namely (1) liquidity, (2) debt and (3) building back better in terms of resilience.
- In terms of liquidity, ECLAC is proposing an increase of special drawing rights (SDRs) and a reallocation from developed to developing countries with a strengthened role of regional development banks. The Fund to Alleviate COVID-19 Economics (FACE) proposed by Costa Rica is a fund of half a trillion dollars, financed with 0.7% of the GDP of the world's largest economies and can complement the increase of SDRs. It encompasses concessional loans to developing countries over a 5-years-term at fixed rates, without increasing the debt burden of countries.
- But liquidity is not enough, especially for SIDS that are highly indebted. Hence, debt initiatives are needed, such as Debt Service Suspension Initiative (DSSI) initiative, which was first presented by the G20 in their April 2020 meeting, and provides a debt moratorium for low-income (G77) and vulnerable countries, including Dominica, St. Lucia and St Vincent and the Grenadines. Multilateral institutions and the private sector have not been included in this initiative so far, but there are efforts on the way to include them and design more flexible criteria for credit ratings, such as via the creation of a multilateral public rating agency.
- The concessional funds provided by the IMF does not cover the financing gap for Caribbean and Central American countries, so they are advised to access other bonds, such as hurricane bonds. ECLAC further suggests that debt should not just be granted in an emergency. UN initiatives, such as the Financing for Development initiative in the era of COVID-19 hosted by the Prime Ministers of Canada and Jamaica and the UN Secretary General, and six discussion groups co-led by Member States, proposed innovative financing instruments, which link the business cycle to the payment of debt, via the inclusion of remittances for example.
- ECLAC further suggests building back better in terms of resilience. In this context, ECLAC has called for the creation of a Caribbean Resilience Fund as part of a debt alleviation strategy based on a debt for climate swap proposal, which is currently being piloted in Antigua and Barbuda, among others. The Debt for Climate Adaptation Swap initiative aims to address the Caribbean's vulnerability to climate change and natural disasters and the region's high level of debt. The proposal goes beyond traditional debt restructuring because it links debt relief to investment in sustainable development and green economy projects.

## Discussion

- **ECLAC** initiated the discussion by stating that COVID-19 has further exacerbated the region's fragilities and vulnerabilities, but despite all challenges resulting from the pandemic, there also lies an opportunity in the global crisis to build back better by using innovative instruments to transform our economies and societies.
- **Trinidad and Tobago** elaborated that the Ministry of Planning and Development's Environmental Policy Planning's Division is working in several initiatives to ensure that a SIDS focus is given to the areas of resilience and climate change through the Global Environment Fund (GEF).



- **ECLAC** noted that the environmental dimension represents one of the three key pillars of sustainable development (along with the economic and social pillars). Hence, financing should not be looked at from a silo perspective but should be better integrated in a holistic manner with environmental planning.
- **Trinidad and Tobago** further inquired how the Caribbean Resilience Fund can supplement and enhance work in this concrete area.
- **ECLAC** referred to the piloting initiative of the Caribbean Resilience Fund with Antigua and Barbuda, which is based on an innovative debt for resilience swap method. As the country will present its VNR in 2021, it will be interesting to see how this initiative can be paired with the VNR process. ECLAC is currently working on a Financing for Development Position Paper (a preview was provided during the meeting), which shows interesting data for Caribbean countries. The paper, for example, analyses the financial assistance provided by the IMF to fight the impact of the pandemic and shows that the impact has been much higher for the region, with the slowest and weakest recovery from COVID-19 of all regions of the world, which will result in a huge financing gap.
- **Trinidad and Tobago** inquired whether the two billion USD amount proposed for the COVID-19 recovery included funding for meeting the SDGs (especially since some targets are not specifically COVID-related).
- **ECLAC** acknowledged the high importance of this question and explained that addressing the financial aspects does not solve all development issues. Countries in the region have mainly implemented sanitary interventions as a result of the pandemic to meet the health emergency, but a more medium and long-term assessment on how to build a more sustainable future is also needed. Liquidity is key to address the high debt as a starting point, but it needs to be at least partly tied to development. ECLAC has conducted exercises to stabilize countries' GDP and calculated that it will take around five years to regain 2019 GDP regional level. Countries can stabilize their debt over time, but nevertheless they need to pay interest payments, with some governments using critical social funds, for example for education, health and infrastructure, to pay their debts, instead of investing these in the SDGs.
- **Trinidad and Tobago** inquired about how financing for SDGs implementation had been reprioritized for COVID-19 recovery measures.
- **ECLAC** agreed that this is one of the main concerns coming up in discussions around delivering on the 2030 Agenda in times of COVID-19, which shows that the 2030 Agenda remains very relevant in times of crisis, beyond the short-term, as the new search for public funds to fight the impact of the pandemic can also help to deliver on the SDGs. ECLAC published its latest [institutional document "Building a New Future: Transformative Recovery with Equality and Sustainability"](#). It puts forward an analytical framework and policy recommendation on transforming our development model to build back better after the pandemic by targeting relevant SDG acceleration sectors, such as a energy transition and sustainable recovery in the tourism sector.
- **ECLAC** further announced the creation of a specific website dedicated to the Community of Practice with all presentations and materials for participants to access. Moreover, ECLAC is working on the creation of an interactive forum for countries to continue their discussions beyond the monthly sessions of the Community of Practice.
- **ECLAC** closed the meeting by reiterating its commitment to continue supporting the countries of the region in the implementation of the 2030 Agenda and in the preparation of the VNRs through the monthly meetings of the Community of Practice. With the intention of generating further discussion, ECLAC invited



countries to indicate whether they would like to make a presentation on a specific topic or some aspect of their VNR in a future session.

### Topics of future sessions

The results of the online survey answered by Community of Practice countries in September 2020 resulted in the following suggestions for topics to be covered in future sessions:

- “Second-Generation” VNRs
- Stakeholder engagement and buy-in
- Institutional mechanisms and frameworks for SDG coordination, localization and integration of the SDG in national plans
- Post-VNR activities directed at the implementation of the SDGs

Community of Practice participants are invited to select two topics of their choice and send their preferences to ECLAC.

### Next Steps

- ECLAC will share the presentation and mentioned materials along with the minutes of the meeting with the participants.
- ECLAC will share the link to the website of the Community of Practice, where the materials from all past sessions can be found.
- The Community of Practice participants are invited to select two topics of their choice and send their preferences to ECLAC.
- The next meeting of the Community of Practice for Caribbean countries will take place on **Thursday 3 December 2020 at 12:00 pm (Chile time)**.