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**Statement**

**by**

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**CTA Briefing on Small Island Economies: From  
Vulnerabilities to Opportunities**

**The Multifaceted Impacts of the Financial, Food, and Climate  
Crisis on Small Island Economies**

**4 April 2012**

**Brussels**

Mr. Chair, Excellency Ambassador Koonjul, (Ambassador for Mauritius)

Ambassador Skerritt-Andrew, (Chair of the ACP Committee of Ambassadors and  
Ambassador of the Organisation of Eastern Caribbean States (OECS) in Brussels),

Ms Francesca Mosca, (Director of the European Commission),

Mr. Michael Hailu, (Director of CTA)

Fellow panellists,

Excellencies,

Ladies and Gentlemen,

Allow me at the outset to thank Mr. Michael Hailu, the Director of the Technical Centre for Agricultural and Rural Cooperation (CTA), for kindly inviting me to attend and participate in these briefings on Small Island Economies: From Vulnerabilities to Opportunities.

I have been asked to share some thoughts on the topic titled: The Multifaceted Impact of the Financial, Food and Climate Crisis on Small Island Economies.

Let me begin by prefacing that my reference to Small Island Developing States in my remarks covers the 38 UN Member States and 14 non-self governing territories who are associate members of the UN's Regional Commissions that together make-up the 52 SIDS which fall under the purview of my office.

As many here will know, long before the financial and food crisis of recent years, SIDS had already raised their concerns, at international level, of their inherent vulnerabilities – of how external shocks impact on their economies and of how greater production of

export cash crops can lead to unsustainable agricultural practices and impact upon food production.

And 20 years ago, even without the many advancement of scientific knowledge that have been amassed since, SIDS proclaimed that they were particularly vulnerable to global climate change, climate variability and sea-level rise. Indeed, they continue to be on the frontlines of the climate crisis.

But perhaps more important to SIDS was the welcomed fact that the international community, particularly at the United Nations, also acknowledged these vulnerabilities.

The Barbados Programme of Action for the sustainable development of SIDS (BPOA) and its Mauritius Strategy for Implementation (MSI) affirmed SIDS vulnerabilities, including those that concerned finance, food and climate change. Both the BPOA and MSI predated the financial and food crisis.

The global financial crisis of the past few years has further exacerbated these pre-existing vulnerabilities. SIDS have some of the most open economies. SIDS also have a high dependence on a narrow range of income generating sectors such as tourism and fisheries. As such they keenly felt the impacts of the global economic downturn. Some of the effects of the global financial crisis on SIDS economies included: a fall in export demand; a decline in remittances from migrant workers; reduced foreign direct investment (capital inflows); reduced access to financial credit—changes in credit rating;; and increased unemployment.

On Foreign Direct Investment, the 2011 UNCTAD World Investment Report stated that while FDI inflows have, in general, increased globally since the financial crisis, FDI inflows to SIDS as a whole declined slightly in 2010. The inherent vulnerability of SIDS such as the small size of their economies, lack of human resources, and high transportation and communication costs contributed to the continuing difficulties they face in attracting FDI. As a result, total inflows to these economies remain at a very low

level, accounting for less than 1 per cent of total FDI inflows to the developing world in recent years.

SIDS will need to continue to develop and strengthen policies that would allow for an enabling environment that attracts FDI. Public-Private partnerships will need to be further strengthened as well. For many SIDS a dynamic, well-functioning small and medium-sized enterprises, in particular, can play a crucial role in promoting entrepreneurship, investment, competition, innovation and economic diversification, as well as achieving full and productive employment and decent work.

SIDS, particularly in the Caribbean and Pacific regions, are known for their regional cooperation and integration efforts. The opportunity also exists for increased inter-regional interaction between the regional private sector bodies such as the Caribbean Association for Industry and Commerce (CAIC) and the Pacific Islands Private Sector Association (PIPSA).

SIDS will need continued support in the areas of tourism, including eco-tourism, with particular emphasis on entrepreneurship. Tourism remains as one of the largest industries in SIDS. The unique biodiversity and culture of SIDS continue to be the main draw for tourism development in SIDS. SIDS will need to sustainably utilize these unique resources.

On remittances, reports have found that these have a bigger impact on the economies of SIDS than on those of any other group of countries in the world. And while there was an upward trajectory trend of inward remittances prior to the financial crisis there was a recorded drop in inward remittances in 2009 which could be attributed to the downturn of the world economy.

Studies also show that a large portion of inward remittances are spent on consumable products. While this is understandable there is room to explore policies and strategies that encourage inward remittances to be invested in income generating activities as well.

For many SIDS the financial crisis further compounded their debt problems. Many SIDS are classified as middle and high income countries by International Financial Institutions (IFIs) and as such do not have access to international debt relief initiatives such as the Heavily Indebted Poor Countries (HIPC) initiative. Some SIDS, however, are among the most heavily indebted countries in the world with some of the highest public debt to GDP ratios.

Such situations also offers SIDS opportunities for innovative debt financing and reduction approaches including debt swap arrangements that could be explored for certain types of debt.

With regard to the food crisis, it has had a wide ranging and multifaceted impact on SIDS as well. The economies of many SIDS, due to their inherent size constraints, remoteness, are import-dependent.

Transport costs to SIDS are among the highest in the world. Local conditions including infrastructural handicaps further increase transportation costs for these SIDS, which in turn leads to higher food costs.

While many in SIDS might resort to subsistence farming to supplement their dietary needs in the face of such rising food costs, those in the urban areas do not often have recourse to such activities, due to lack of available land and other social and land pressures.

Many SIDS depend on the marine resources and products for food, but pressures on such resources emanating from local population increase, over-fishing and climate change impacts ,including ocean acidification and coral bleaching, have meant that such resort to marine resources for protein are not always guaranteed.

Health concerns are another aspect of the food crisis. Some SIDS populations are forgoing more nutritious but expensive food products for cheaper alternatives that are

often poor in nutritional value. This contributes to health related problems including the rise of non-communicable diseases in many SIDS. This in turn puts further burden on SIDS health services.

Lessons learned from the food crisis also present opportunities for SIDS to develop and strengthen their food security policies and implement such policies where they already exist. The linkages climate change and food security issues for SIDS is an obvious one. Hence, due, in part to the global food crisis, several SIDS are developing policies that promote the consumption of domestically produced staples, including root crops, the need to focus on climate resilient salt-tolerant crops should continue.

By now perhaps everybody knows that climate change and sea-level rise continue to pose a significant risk to SIDS and their efforts to achieve sustainable development. For some SIDS it represents the gravest of threats to their survival and viability.

The international community accepts that SIDS will need to adopt adaptation measures to deal with climate change.

It is well recognized that the SIDS themselves cannot summon the capacity and resources needed to adapt to climate change. The opportunity exists, given the current lack of infrastructure development in many SIDS, to implement “climate-proof” projects, including in new infrastructure, that take into consideration climate adaptation considerations. While expensive it makes economic sense to make such investments upfront now rather dealing with additional and potentially greater expenses later.

More recently some SIDS have raised another facet of the implications of climate change at the United Nations. These SIDS are saying that climate change is a security issue and that it should be dealt with as such, in the appropriate fora. This led to the adoption by the UN General Assembly of a resolution titled: Climate change and its possible security implications.

While the contents of resolution was a modest effort, that it was even adopted by the UNGA indicated that the General Assembly accepted that for many SIDS climate change is a security issue.

Recent international initiatives on climate change financing could have positive ramifications for SIDS on the issues of climate change adaptation and mitigation. An example is The Green Climate Fund established through the UNFCCC process. SIDS will have a voice in the Board of the Fund. The early operationalization of the Fund is in the interest of SIDS.

SIDS constraints regarding their absorptive capacities are well known. Mechanisms and strategies to assist many SIDS implement potentially large projects may need to be put in place. In this connection, SIDS regional organizations would continue to play their supporting role in assisting SIDS in their respective regions.

SIDS themselves have taken the initiative to address the high cost involved with their dependency on fossil fuel while concurrently tackling mitigation measures. The SIDS-DOCK initiative is one that is SIDS “home-grown” initiative involving intergovernmental institutions in SIDS regions in cooperation with the New York based Alliance of Small Island States (AOSIS). It aims to provide the SIDS with a collective institutional mechanism to assist them transform their national energy sectors into a catalyst for sustainable economic development. Launched in Cancun during UNFCCC COP 16 SIDS-DOCK is already attracting the attention of partners. My office has been advocating for support of this initiative since its inception in 2010.

While a shift to renewable energy is the long term objective, many SIDS still rely on fossil fuel for their energy needs at monumental costs to them – costs that could be better expended in supporting other services or productive capacity sectors. At the regional level, SIDS have taken steps to mitigate the high cost of fossil fuel importation through initiatives as the bulk purchase of fuel in the Pacific SIDS region. Such initiatives should continue to be supported.

It is acknowledged that despite their vulnerabilities, SIDS are resilient. They have shown how they can bounce back from man-made financial disasters as well as those brought upon them by mother nature. And while indications may point to a worsening of their vulnerabilities, due in large part to the adverse effects of climate change, they continue to draw on their resilience and spirit of optimism and innovation. SIDS will continue to rely on the cooperation of their development partners.

Therefore, further to the calls for action I already made in my remarks so far, I would add the following:

- In order to better identify opportunities for SIDS there must be broader recognition of the SIDS vulnerabilities, particularly by the wider international community, beyond the UN, including IFIs;
- In view of the current global economic situation, further attention to the unique and particular vulnerabilities of small island developing States must be duly made including in the context of partnership agreements and trade;
- SIDS must be supported in their efforts to foster agricultural production, productivity and sustainability and to prioritize food security including through access to and the appropriate use of modern technology and access to markets, as well as the empowerment of small-scale farmers, including women and rural communities in particular;

I thank you, Excellency Ambassador Koonjul, and the audience for your kind attention.