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POLICY POINTERS

➤ **Making small islands part of the global green economy:** intensified global focus on enhancing the green economy could provide SIDS with opportunities to pursue new areas of economic development, particularly in bio-energy, agricultural production, and tourism.

➤ **Increasing power through unity:** small island economies need to speak with one voice and strengthen collaboration to increase influence at the international level.

➤ **Diversifying the economy:** sound policies should be designed to exploit the inter-linkages between sectors like agriculture, tourism, ICT, and finance.

➤ **Mainstreaming agriculture** in the key sectors of small islands as they ensure food security, enhance nutrition, support trade, and increase local value added while reducing import dependence

➤ **Stemming the "brain drain":** social capital is one of the major assets of small islands. Policies and investments aimed at boosting social capital should focus on young people to meet current and future needs for highly skilled people with expertise in specialized areas (notably information technology etc).



Building resilience in small island economies: from vulnerabilities to opportunities

The United Nations currently classifies 52 countries and territories as Small Island Developing States (SIDS). Home to more than 50 million people, it is a diverse group of countries with 43 of them located in the Caribbean and Pacific regions. The group includes relatively rich middle-income countries but also some of the poorest countries in the world.

Although small island nations have significant differences in terms of size, social and economic conditions, most are extremely vulnerable to environmental and economic shocks because of their very high dependence on international trade, tourism and other services including finance, high transport and communication costs, and high population density.

At the Regional Policy Briefing on "*Building resilience in small island economies: from vulnerabilities to opportunities*", participants highlighted that, despite vulnerabilities facing small island developing states, new developments in technology and communications, favorable international economic conditions, and conducive policy frameworks give small island states new opportunities to share experiences, best practices and exploit commonalities to enhance their resilience.

Good governance is a key element of policy-making and building capacity for economic resilience and is dependent upon the availability of technological, financial and social capital. In order to move from a position of vulnerability and dependence to one of resilience and sustainability, economic diversification – while greatly constrained by scale diseconomy effects – is critical. In particular, new areas of economic development need to be explored, such as the "green economy."

In many SIDS the renewed role of agriculture was also highlighted to ensure food security, enhance nutrition, support trade, increase local value added, reduce import dependence (particularly in the tourism sector) and meet the needs of the green growth agenda. Specific strategies to attract youth into agriculture should be designed.



SIDS suffer disproportionately from the damaging impacts of climate change

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SMALL ISLANDS FACE MANY VULNERABILITIES

According to researchers, economic and environmental vulnerability refers to a state's inherent exposure to harmful external shocks. In the case of small island states, vulnerability arises from the fact that the environment and economies of these states are, to a large

extent, shaped by forces outside their control. As demonstrated by much research, all SIDS are more vulnerable to economic shocks and natural hazards than other countries or regions. Most of them specialize in a narrow range of products and have a limited domestic market. Several are single commodity exporters and rely heavily on export earnings. This external dependence increases their vulnerability to



Tourism is a life-blood for many SIDS economies

“ Islands will always be vulnerable. This will never change. However, they can do things to mitigate risk of being harmed by external shocks by increasing their resilience. Resilience is policy-induced. Vulnerability is inherent.”

Lino Briguglio

external economic threats and shocks. External vulnerability is accentuated by the fact that for most households in SIDS, remittances from abroad are a very important source of income which acts as a buffer in the case of local hazards, but are also affected by recession and the global financial crisis.

SIDS suffer disproportionately from the damaging impacts of climate change. They are particularly vulnerable to global climate change, climate variability and sea level rise. As their population, agricultural land and infrastructure tend to be concentrated in coastal zones, any rise in sea level has significant effects on their economies and living conditions. The increased frequency and intensity of the storm events that may result from climate change will also have effects on both the economies and the environments of SIDS. To be sustainable and efficient in the context of SIDS, climate change adaptation and mitigation require enormous financial resources, technology transfer and effective national, regional and global policy and governance frameworks.

As one of the largest sources of foreign exchange, tourism is a life-blood for many SIDS economies. The tourism sector also has strong linkages with other sectors such

as agriculture, environmental, financial services and ICTs. However, if not properly planned and managed, tourism can significantly degrade the environment on which it is so dependent, especially the coastal zones. Climate-related changes and environmental degradation may have a significant impact on tourists' destination choices. Some governments and companies have already adopted environmentally-friendly charges, levies and technologies, some of which have caused the cost of travel and transportation to increase. Such cost increases will likely have adverse effects on (price-sensitive) travel and tourism to SIDS but may benefit those that preserve and promote their unique natural heritage. The cost of inaction on climate change on the other hand could be even more dismal.

Food security is also of concern as a result of the vulnerability and limited scale of agriculture. The risks facing small islands may be exacerbated due to the uncertain impacts brought on by climate change. While small islands have traditionally depended upon subsistence farming, aquaculture and cash crops for survival and economic development, most currently import more than 30 percent of their cereal consumption needs. In islands where tourism is the dominant activity, more than half, if not all, foods and beverages are imported, leaving many susceptible to changes in world food prices. Such prices may spike upwards as climate change exacerbates weather conditions in the world's major agricultural-producing regions. Promoting local supply linkages in agriculture will therefore have a two-fold benefit; improving food security and enhancing domestic value added.

BUILDING RESILIENCE IN SIDS

Resilience is defined as the ability to counter shocks and their ability to withstand shocks. While vulnerability is inherent to small islands, strategies can be put in place to mitigate the risk of being harmed by external shocks by increasing their resilience.

To move from a position of vulnerability and dependence to one of resilience, small island

“SIDS are at a crossroads. They must reposition themselves by building resilience and reducing vulnerability amid global change characterized by volatility, inequality and uncertainty. It is imperative that these States continue to undertake effective change management and targeted investments to cope with global shifts. In so doing, the principles of green growth will be essential to any such plans.”

Ambassador Skerri-Andrew, Chair of the ACP Committee of Ambassadors in Brussels

economies must also explore new areas of economic development and, in some cases, diversification. Sound policies focused on broadening the “options” for small island economies should be designed to exploit the inter-linkages between sectors like agriculture, tourism, ICT, finance etc.

The United Nations Environment Programme (UNEP) defines the green economy as one that results in improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities. In its simplest expression, a green economy can be thought of as one that is low carbon, resource efficient and socially inclusive. Green economy can offer new opportunities for small islands. In that context, the development, dissemination and transfer of efficient energy technologies that can assist SIDS in mitigating the effects of climate change should be a priority. Nevertheless greater investments in research and development are needed as well as support from development partners to support technical advances and enable rapid progression in renewable energy.

To catalyze sustainable energy projects, member countries of the Alliance of Small Island States (AOSIS) have come together to launch the multi-million dollar SIDS DOCK, which will operate as a “docking station,” connecting small islands with green energy technologies, capital and carbon markets. The ultimate goal is to increase energy efficiency by 25 percent and to generate a minimum of 50 percent of electric power from renewable sources and a 20-30 percent decrease in conventional transportation fuel use by 2033. It is estimated that SIDS consume in excess of 220 million barrels of fuels and emit some 38 million tonnes of carbon from the energy sector. In addition, several SIDS have announced more ambitious goals for the reduction of fossil fuel-based Greenhouse Gas (GHG) emissions.

The need to develop smart partnerships between public, private and development partners was stressed by the Briefing’s participants. Public private partnerships (PPPs) are key to addressing the main challenges of small islands in terms of infrastructure, trans-

port and communication and access to capital. There is a need to facilitate technology transfer to help SIDS develop alternative and appropriate technologies. One option proposed is a Technology Transfer Facility that could work on a cooperative basis, allowing small islands to access more new innovations and technologies. Identifying champions in the private sector and other partners to promote entrepreneurship in small islands should also be an urgent action.

THE WAY FORWARD

Collaboration and partnerships are critical for increasing the influence of SIDS at the international level. The SIDS DOCK example provides a good model for future collaboration.

The burdensome food import bill can be reduced by sourcing food from local farmers and strengthening farmers’ organizations. In terms of market access, the Briefing recommended adding value to small island products through branding, distinctive and differentiated products and markets, targeted at least in part at supplying the tourism sector. The island of Jamaica, with an estimated population of 2.7 million, receives over three million tourists annually. In response to tourist demand for eggs and pork products at up-market hotels and resorts, Jamaican farmers and the processing industry have moved in recent years to intensify pig production by investing heavily in technologies and processing innovations from industry partners in North America. Today, the majority of eggs and pork products consumed both domestically and by tourists in Jamaica are produced by Jamaican farmers.

Strategies to attract young people into agriculture should be pursued and linking them to new technological developments could be a way forward. In view of the intense competition over land resources between tourism, subsistence and commercial agriculture, land-use decisions should be carefully planned.

The services sector, and in particular tourism, represent in some cases a genuine opportunity for SIDS to expand their economic activity while earning foreign currency. Investing in

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Small farmers and small island states will never compete on volume and price, so we must come together to produce larger volumes but also to identify high quality niche markets.”

Don Keith Amiel,
Caribbean
Agribusiness
Association

green tourism can reduce costs and enhance the value of ecosystems and cultural heritage. The private sector can help mobilize support for sustainable tourism and financing for investing in greening practices.

In recognizing the link between food security, nutrition, and rural poverty, tour operators, resort owners, and entrepreneurs are helping smallholder farmers and cooperatives tap into the lucrative multi-billion dollar, high-end tourism market, while providing holiday-goers and consumers with a more authentic ‘taste’ of some of the world’s most exotic, remote island cultures and communities.

Social capital is one of the major assets of small islands. While SIDS suffer from high levels of migration due to the high global demand for specialized skills and expertise, SIDS can turn this into an advantage by building productive resources on the ground through innovative financial and bilateral immigration policies that encourage remittances and circular migration.

For example, in 2006 the government of Mauritius embarked on a bold ten-year economic reform programme aimed at moving Mauritius from reliance on trade preferences to global competitiveness. As part of their effort to build capacity in strategic sectors, Mauritius and the French government are piloting a “circular migration” agreement, which will provide for up to 500 Mauritians to work in scarcity sectors (skilled and low-skilled) in France under a temporary ‘migration and development’ visa. Mauritian students residing in France can apply for a temporary visa to look for gainful professional experience after the completion of their studies. In addition, French and Mauritian young professionals can enhance their career prospects in either country for 12 months with the possibility to extend. ■

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