Short courses for Permanent Missions in Geneva/P166

UNCTAD's lens: supporting SIDS in building new development models

UNCTAD's Overall Strategy for SIDS and way forward

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Introduction: “The Canary in the Coal Mine”

“Islands are the barometers of international environmental policies. The entire world will first witness their success or their failure on our islands.”

James Michel’s, the President of Seychelles, address to the Rio+20 Conference (2012)

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Who are SIDS?

Who are SIDS?

- **Short answer:** list of **39 countries** maintained by **UN-OHRLLS**
- Available at: https://www.un.org/ohrlls/content/list-sids
- Reference in all UN institutions but careful in other IOs and academic literature
- First recognition: **United Nations Conference on Environment and Development in June 1992**. Vague terminologies before.
- Preceded by the creation of **AOSIS in 1990**
- Subclassified in 3 main regions

Who are SIDS? Short Answer (C'ced)

- Like LDCs and LLDCs, have their Conference. Similarly, slow progress. Enduring and emerging issues
- ≠LDCs, no definition by quantitative criteria and no graduation mechanisms. List virtually unchanged, except Bahrain (2023) . Self-identification.
- More heterogeneous group

https://www.un.org/ohrlls/content/list-sids

Figure 1 Summary of SIDS conferences and outcomes

	Conference	Outcome
1994 Barbados	**Global conference on the sustainable development of Small Island Developing States**	Barbados programme of action for the sustainable development of Small Island Developing States (BPOA)
2005 Mauritius	**International meeting to review the implementation of the BPOA**	Mauritius strategy for the further implementation of the BPOA
2014 Samoa	**Third international conference on Small Island Developing States**	Small Island Developing States accelerated modalities of action (SAMOA pathway)
2024 Antigua and Barbuda	**Fourth international conference on Small Island Developing States**	Antigua and Barbuda agenda for Small Island Developing States (ABAS)

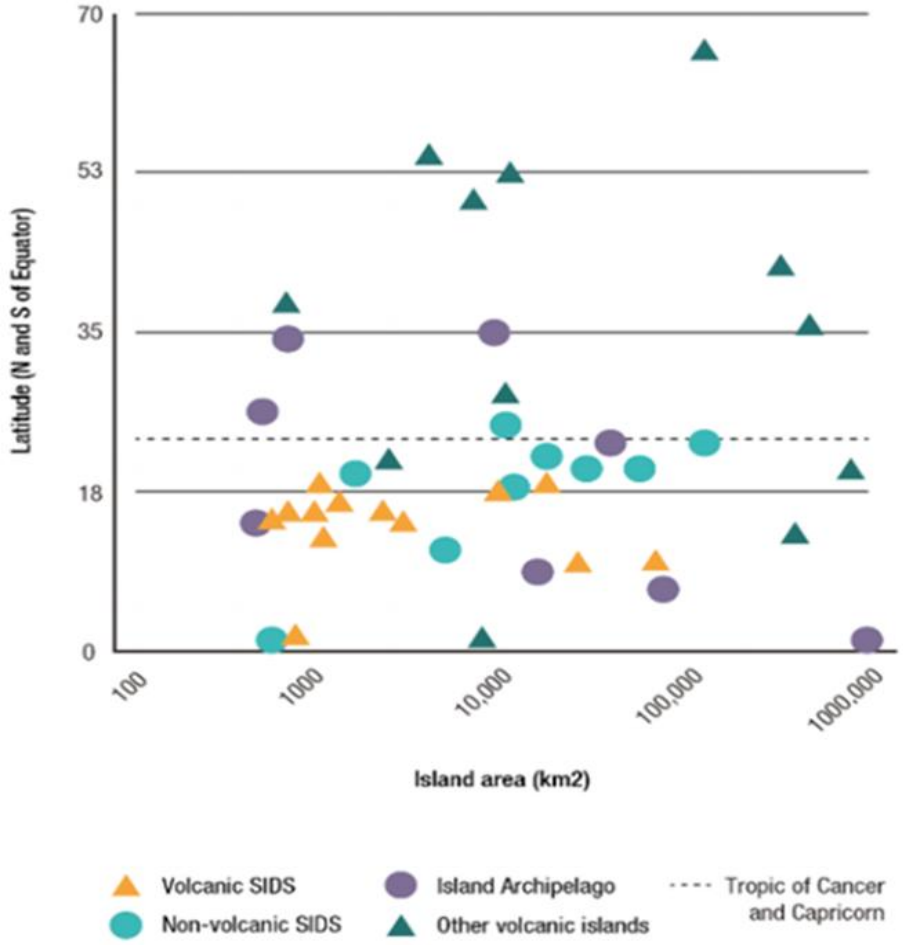
Who are SIDS? Long answer

- How to characterize SIDS? -> **Vulnerability-Resilience Framework** used by academics and also policymakers (see, for example, Baldacchino and Bertram 2009; Bishop 2012; Briguglio et al 2009)

- SIDS = countries with very high vulnerabilities, primarily stemming from 3 structural characteristics:
  1) Geography (islands, low-lying lands)
  2) Smallness
  3) Remoteness

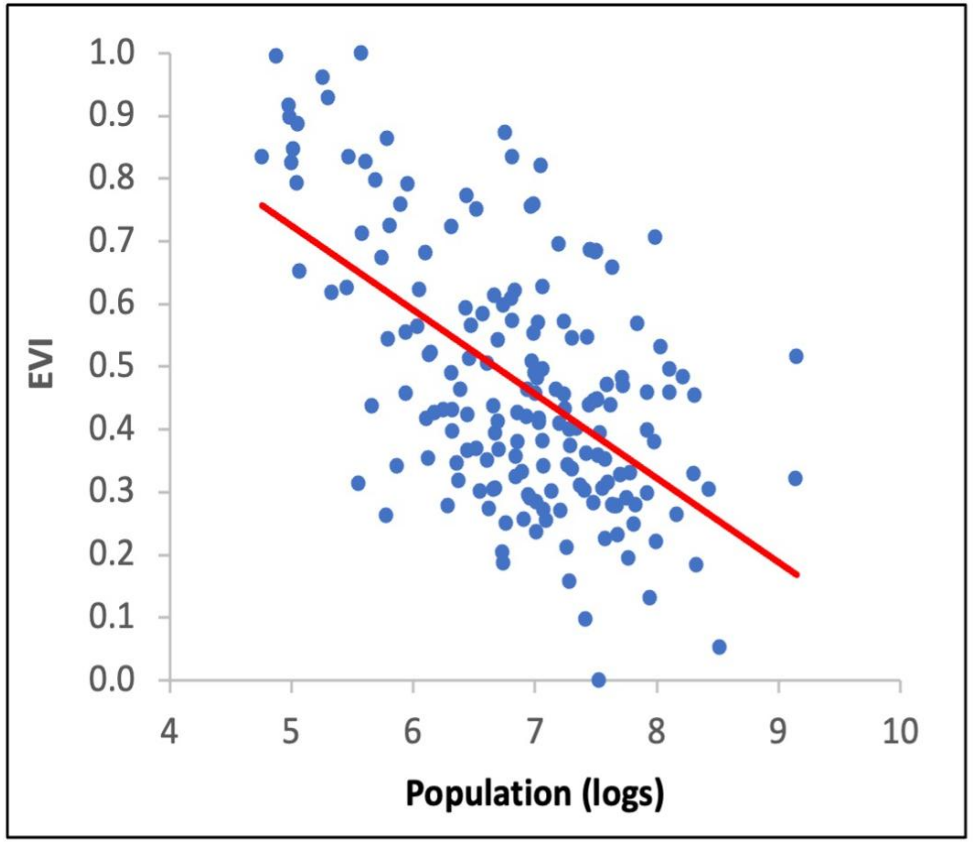
Who are SIDS? Hazardous geographies

- Most SIDS: **located on or near plate boundaries**, found within the tropics
- All islands – tropical cyclones, storm surge, flooding, earthquakes – tectonic activity
- Volcanic islands - volcanic hazards, landslides, earthquakes - volcanic
- **Disproportionate disaster impacts** in SIDS:
- 2/3 of the countries that face the highest losses as a consequence of environmental hazards
- Impacts are growing and more complex
- Tropical cyclones alone : $835 million of damage in the Caribbean and $178 million in the Pacific. SIDS to lose 20 times more of their capital stock than Europe and Central Asia (UNDRR 2015).



Who are SIDS? Smallness

- Very vast literature of the vulnerability due to smallness
- Relational, not absolute, concept (something is small relative to something bigger)
- **On the supply side,** Productive bases, few industries, limited natural resources, and small labor markets. Restricts economies of scale, makes production costs high, and increases dependence on imports and external suppliers.
- **On the demand side,** Limited consumer bases and low aggregate demand, which discourages investment and innovation. Firms struggle to grow beyond niche scales, and governments face smaller tax revenues, reducing their fiscal capacity.
- **Together**, highly exposed to external shocks, dependent on trade and aid, and less able to diversify or absorb disruptions
- Applies to other countries relatively, Hard to quantify Smallness, but in the 1990s in the literature vulnerability was the overriding existential condition "*We know a small state when we see one*" (Streeten, 1993)



Who are SIDS? Remoteness

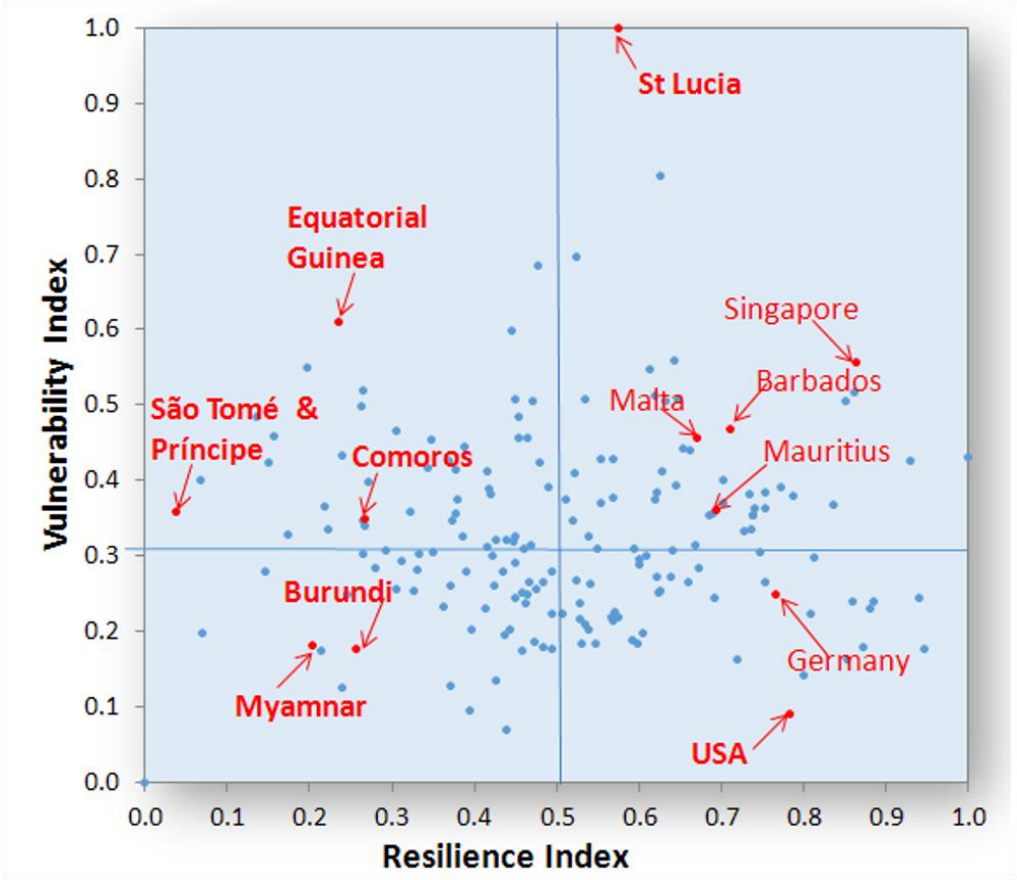
- **Geographic isolation** from major global markets and trading routes*: While the global average is a distance of only 8km to the nearest neighbour, a citizen from a SIDS has to travel 371km to the closest non-SIDS country*
- **Increased transport and logistics costs**, making imports expensive and exports less competitive. Often rely on a few costly air and sea connections, which fuels inflation, and limits tourism flows
- **Difficult access to education, healthcare, and technology**, as specialized services or supplies must be imported. Isolates populations culturally and politically, limiting participation in regional or global institutions.
- **Delays in disaster response** and difficulties in mobilizing international assistance

🌎 Regional differences among SIDS

- Pacific SIDS : Among the **most remote** in the world, thousands of kilometers from major markets, leading to extreme transport costs, dependence on aid, and challenges in internet and energy connectivity.
- Caribbean SIDS : Less remote, given proximity to continental America, but still face **high shipping costs and limited air links for smaller islands**.
- Atlantic, Indian Ocean, and African SIDS : Moderately remote, often dependent on tourism and trade through a few key ports; their isolation can still cause supply bottlenecks and high import prices.

Who are SIDS? Resilience

- Other side of the equation: ability to cope with and overcome constraints
- Linked with **inherent advantages of small size**, including the ability of SIDS to engage in niche forms of 'enclave capitalism' (e.g. financial services, tourism, and sovereignty sales).
- Often referred to as a **paradox** in the literature (see Bishop 2012). Exemplified by Singapore
- Some nuance that by statistical biases from per capita measures



Who are SIDS? Resilience

- Effect of this paradox on **SDT** for SIDS category
- Since the 1990s, SIDS have sought **SDT recognition** based on their unique vulnerabilities – with **mixed success**.
- The **"Small Vulnerable Economies (SVEs)"** category created in trade but has **limited legal effect**.
- Overall, SIDS **less SDT** than Least Developed Countries (LDCs).
- **Recent focus:** SDT in the area of finance (including climate finance)
- Push for a **Multidimensional Vulnerability Index (MVI)** to reform aid allocation.
- **Advocacy for fairer financing terms**, better access, debt relief, and innovative instruments.
- **Engagement with IMF and World Bank** to create tailored financing windows for resilience and adaptation.
- Growing **recognition among IFIs and donors** that GNI per capita alone is inadequate — leading to **special small-state categories** in some institutions.
- **"Special Circumstances"** in environmental agreements and **"Special case"** in development documents

Timeline of SIDS development models since the 1970s

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1970s-1980s

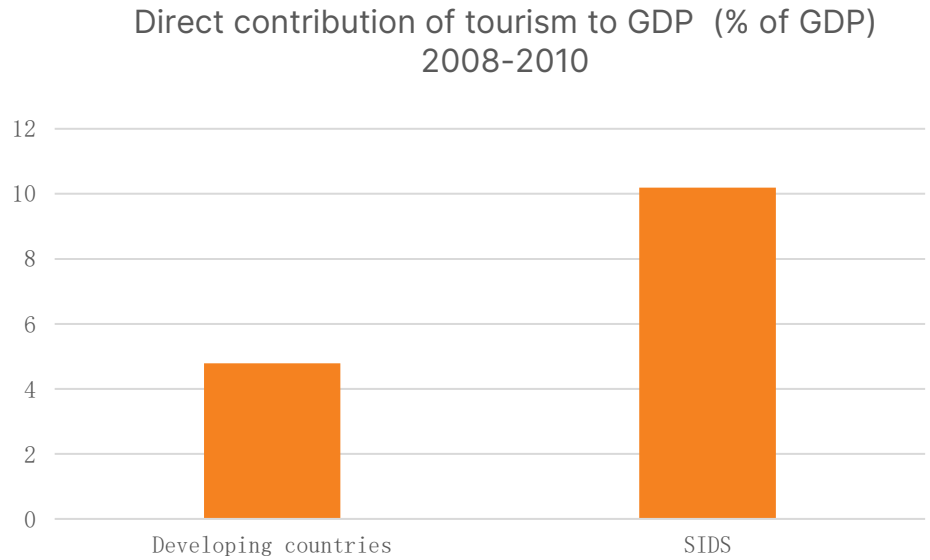
Decolonisation and Waning Preferences

- Post-independence wave of SIDS entering global institutions (UN, Commonwealth, regional blocs)
- Early reliance on preferential trade schemes (sugar, bananas, textiles) from Europe & the US -> Not just economic, reflected wider Cold War-era politics, post-colonial development cooperation, NIEO
- By late 1980s → erosion of preferences under GATT/WTO liberalization
- Shift: SIDS begin pushing for recognition of structural vulnerabilities in global governance

1990s-2000s

Globalisation and Emergence of Niche Services

- Globalisation opened pathways beyond preference-based agriculture and aid dependence
- Development of niche service sectors: offshore finance, tourism, flag-of-convenience shipping -> Many SIDS did well, undermining claims for SDT and vulnerability-based concessionality
- Institutional advocacy: creation of the Alliance of Small Island States (AOSIS, 1990)
- Rising SIDS visibility in climate change and sustainable development agendas in a period of heightened multilateralism and liberal (over-) confidence



2010s-2020s

Oceans, Blue Economy and Climate Security

- Oceans and the blue economy emerge as defining themes of SIDS diplomacy
- '**Large ocean states**', a reconceptualisation of their size highlighting how they occupy often-enormous and resource-rich maritime areas covered by their Exclusive Economic Zones (EEZs) (Chan, 2018)
- Focus on fisheries governance, marine biodiversity, and sustainable tourism
- Framing of climate change as a security issue → UN Security Council debates, Paris Agreement leadership (which in turn built on earlier COPs, especially COP15 in Copenhagen)
- Push for financing mechanisms: Green Climate Fund, Loss & Damage facility

Top 10 Sids EEZto Land Area Ratio (km2)				
Rank	Country	EEZ Area	Surface Area	Ratio
1	Tuvalu	756313	30	25210
2	Nauru	310645	20	15532
3	Marshall Islands	2009620	180	11165
4	Federated States of Micronesia	3023481	700	4319
5	Kiribati	3455259	810	4266
6	Maldives	929335	300	3098
7	Seychelles	1347251	460	2929
8	Palau	617449	460	1342
9	Tonga	6667957	750	891
10	Mauritius	1282422	2040	629
	SIDS EEZ Average Ratio			**1922**
	SIDS EEZ Total	24235995	1211430	20
	World EEZ Total	150952643	132025199	1
	%of SIDS EEZ/World EEZ	**16.10%**		

Source: Land Area to EEZ Ratio (EEZ–Marine Regions divided by Land/Surface Area–UN Data)

2020s-onwards?

Digitalisation, AI, Deep-Sea Mining, Geoengineering

- Opportunities: digital economies, fintech, remote services, AI-driven governance (see National Vision plans)
- Risks: digital divides, cyber-vulnerability, external control of data, power of digital monopsonies/monopolies
- Emerging frontier issues:
  - Deep-sea mining debates in Pacific and Indian Ocean
  - Geoengineering (e.g., solar radiation management, carbon capture) → high-stakes governance challenges
- SIDS arguably need to shape norms now to avoid being rule-takers later: but how can they achieve this?

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Key current headwinds and economic challenges in SIDS

Emergence of a “Disabling Environment”

- The attendant **vulnerability-resilience** framing has become the **orthodoxy** for thinking about island economies (Bishop 2012).
- But it struggles to explain the shifts that created it, why the **critical juncture** faced by SIDS today has arisen, and what to do in response.
- “*A new context is emerging* ***wherein the economic, social and environmental as well as geopolitical threats to the development of small island developing States are so great*** *that they can only be ameliorated by a reinvigorated enabling environment that gives meaningful effect to their sustainable development.*” (ABAS, para 12, 2024)
- 3 main threats to development: **hyperglobalisation, intensifying climate change and rise of geopolitical tensions**

Hyperglobalisation

- **Definition:** Phase of globalization marked by unprecedented acceleration of trade, financial flows, and corporate integration (since 1990s), see UNCTAD *TDRs*
- **Drivers:** Market deregulation, privatization, and a retreat of the public sphere, diminishing the state's regulatory and developmental role.
- Impacts on SIDS:

🌊 **Economic fragility:** Small, undiversified economies reliant on few exports (tourism, fisheries) → highly exposed to external shocks.

🏢 **Rising market concentration:** Dominance of a few global firms limits competition; emergence of monopsonies (powerful buyers)

💻 **Digital dependence:** Global concentration in digital sectors (cloud, data, e-commerce) constrains SIDS' capacity to build autonomous digital economies.

⚖️ **Reduced policy space**: Shrinking public role leaves SIDS with fewer tools to support industries, regulate investment, or manage technology transfer — exacerbated by diseconomies of scale.

Intensifying climate change

- Well-documented vulnerability: SIDS have long highlighted their exposure to climate risks
- **Rising climate threats**: More frequent and intense hurricanes, cyclones, sea-level rise, coastal erosion, flooding, drought, coral bleaching, and infectious disease.
- Global advocacy: For over three decades, SIDS have led calls for strong climate action, notably the 1.5°C global warming limit (Bishop & Payne, 2012).

Geopolitical tensions

- Rise of geopolitical tensions and threats to multilateralism
- Changing geopolitical environment and questioning on how enabling it will continue to be for SIDS
- Three central norms of the post-war order–**the right to development, sovereign equality and non-interference–** in which SIDS had considerable autonomy to pursue development than is conventionally recognised, or abandon it and try something else are at threat
- Applies to all countries but more so to SIDS because of smallness and vulnerability

Lack of economic diversification

- High vulnerability: Lack of diversification leaves SIDS exposed to external shocks and global market fluctuations.
- Historical shift: Collapse of traditional agriculture after 1990s trade liberalization and WTO rules led to a shift toward tourism, offshore finance, and remittances.
- **Service dependence:** These sectors generate income and jobs but remain volatile, externally driven, and highly sensitive to global crises, regulation, and competition.
- **Tourism:** Major GDP contributor but requires subsidies, has weak local linkages, and is vulnerable to climate and pandemic shocks.
- **Offshore finance:** Profitable but increasingly constrained by international scrutiny and regulatory pressures.
- Structural constraints: Small markets, limited financing, and weak state capacity hinder diversification and innovation, keeping economies fragile and narrowly based.

Debt distress

- High indebtedness: SIDS' external debt rose by 24 percentage points (2000–2019), reaching 62% of GDP on average — more than double that of other developing countries (UNCTAD, 2020).
- Drivers: Long-term private borrowing, short-term debt accumulation, and public borrowing following natural disasters and global financial shocks (e.g., 2008 crisis, 2013 "Taper Tantrum").
- Fiscal strain: Heavy debt service limits spending on infrastructure, public services, and climate resilience.
- Liquidity risks: High short-term debt increases exposure to crises; repeated defaults show past restructurings were "too little, too late".
- Pandemic impact: COVID-19 further worsened debt sustainability, underscoring the need for sustainable financing and stronger international support.

Official Development Assistance

- Important issue for many SIDS
- Low overall share: SIDS receive only ~5.7% of total ODA, mostly concentrated in Pacific islands. Often described as a controversial issue (Hurley, 2015).
- Dependence dilemma: Despite high ODA per capita, many SIDS, especially in the Pacific, show limited development outcomes; aid often sustains basic infrastructure rather than building self-sufficiency (Dornan & Pryke, 2017).
- Absorptive capacity constraints: Small administrations often lack capacity to manage and monitor large investments, reducing aid effectiveness and deterring lenders (Feeny & McGillivray, 2010).
- “Flawed eligibility” criteria: The GNI per capita measure used by the OECD-DAC excludes many SIDS that have “graduated” to high-income status, overlooking their structural vulnerabilities.
- Reform push: SIDS advocate complementing GNI per capita with the Multidimensional Vulnerability Index (MVI) to better reflect their real development challenges.

Access to Climate finance

- Extreme vulnerability: SIDS contribute <1% of global GHG emissions yet suffer the highest impacts, with climate damages averaging 2.1% of GDP annually (1970–2018).
- Financing gap: Despite the $100 billion annual pledge under the Copenhagen Accord and Paris Agreement, SIDS receive limited and uneven support, especially for adaptation.
- Imbalance in funding: Global climate finance remains skewed toward mitigation, with much provided as loans rather than grants, increasing debt burdens.
- Insufficient flows: Actual finance to SIDS falls far below the $300 billion/year estimated adaptation needs by 2030; access to the Green Climate Fund remains slow and complex.
- Loss and Damage progress: SIDS have long championed this issue; after decades of advocacy, COP27 established the Loss and Damage Fund (LDF), and COP28 agreed for it to be hosted by the World Bank.

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UNCTAD Strategy to Support Small Island Developing States

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UNCTAD’s Strategy

The Strategy builds on the longstanding support and partnership of UNCTAD with SIDS along its three-pillar functions:

POLICY RESEARCH AND ANALYSIS

TECHNICAL COOPERATION AND CAPACITY BUILDING

INTERGOVERNMETNAL DELIBERATION AND ADVOCACY

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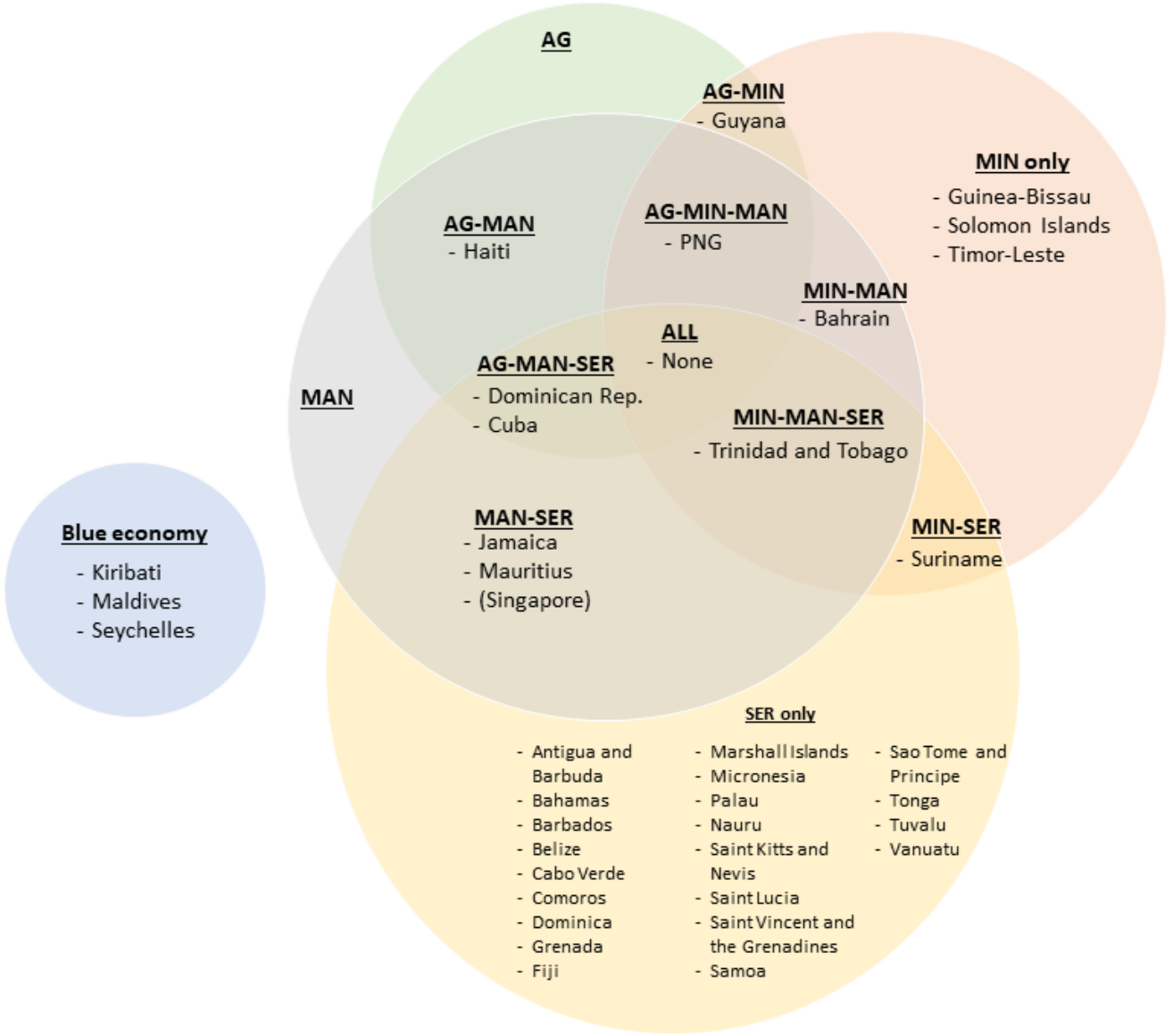
Diagram of suitable SIDS strategies



"Most SIDS should use a mixed strategy – comprised of manufacturing-led, service-led, and agriculture and extractive variants of natural resource-led strategies"

AG: Natural resource-led strategy, agriculture variant
MAN: Manufacturing-led industrialization
MIN: Natural resource-led strategy, minerals variant
SER: Service-led development
Source: UNCTAD, 2022a; TDB, 2022b.

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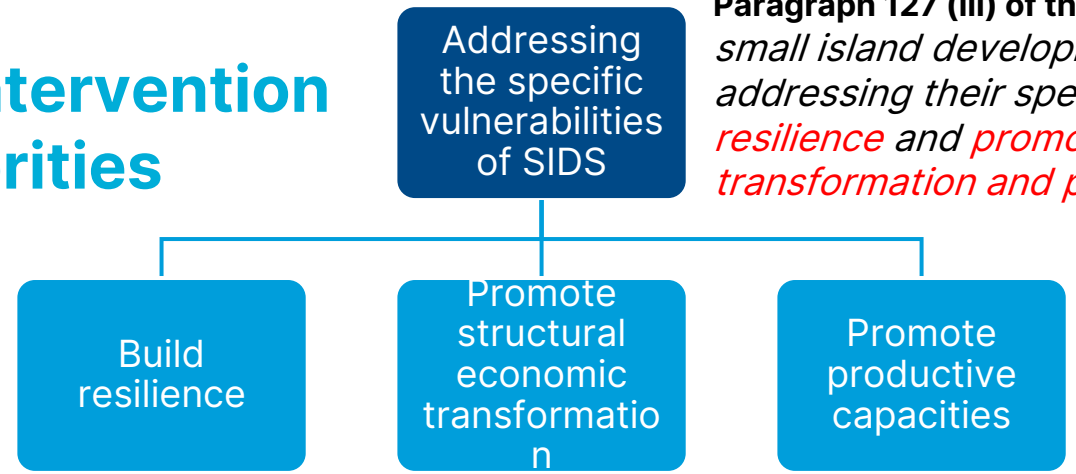
Pillar Interventions

1. Building productive capacities
2. Enhancing connectivity, reducing transport costs, and promoting sustainable and resilient transport
3. Managing & expanding the Automated System for Customs Data (ASYCUDA)
4. Facilitating digital transformation
5. Supporting investment
6. Facilitating the ocean economy's sustainable development and trade
7. Supporting private sector development
8. Supporting the mobilisation of external financial resources
9. Using South-South Cooperation to enhance development strategies and economic integration
10. Implementing trade facilitation reforms

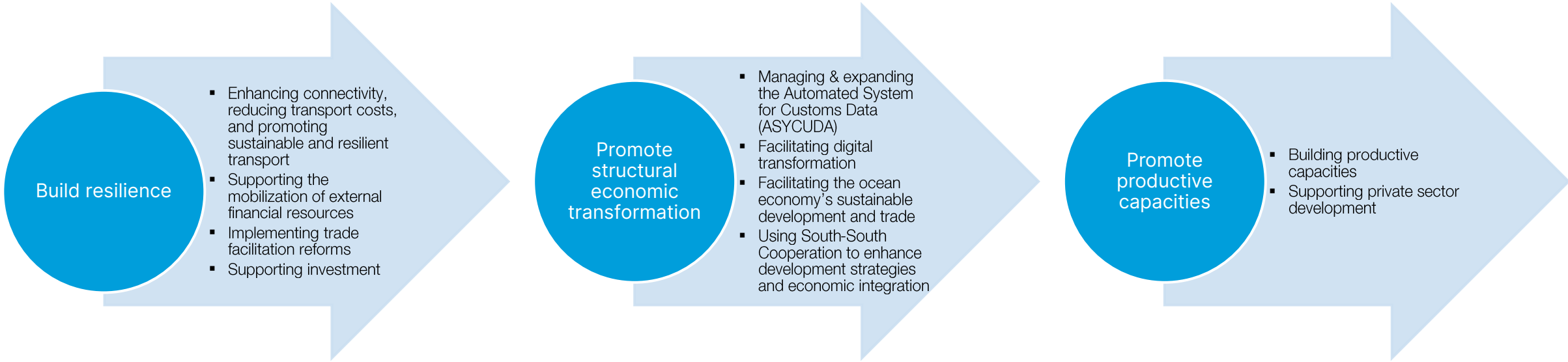
SIDS Strategy

UNCTAD's holistic draft strategy

- Built on **10 Pillars of intervention**
- To address **3 core priorities**



Paragraph 127 (iii) of the Bridgetown Covenant: *Support small island developing States, most notably in addressing their specific vulnerabilities, build resilience and promote structural economic transformation and productive capacities.*



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Project: *Stronger and greener productive capacities for just transitions in Caribbean Small Island Developing States*

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Policy Frameworks Supporting the Project

- **Antigua and Barbuda Agenda for SIDS (ABAS):** Emphasizes productive capacities (paras 17, 21, 23, 25), capacity building for data governance, Holistic Productive Capacities Development Programmes (HPCDPs), and National Productive Capacities Gap Assessments (NPCGAs).
- **UNCTAD's Strategy for SIDS** (Pillar 6.1): Focuses on addressing gaps in productive capacities, economic diversification, resilience, policy programs, capacity-building, and data collection.
- **Other Global Frameworks:** Aligns with the 2030 Agenda for Sustainable Development, the Addis Ababa Action Agenda etc...

Project Overview

- **Objective:** To strengthen and green productive capacities in selected Caribbean SIDS, with the goal of boosting just transitions that align with the unique needs of SIDS and advancing economic transformation.
- Total budget: ~~**$848,600**~~ **$678,900 down by 20% due to UN financial crisis**
- Beneficiary countries: **Antigua and Barbuda, Dominican Republic, Trinidad and Tobago and Jamaica**
- Time span: **2025-2028**
- Website: Stronger and greener productive capacities for just transitions in Caribbean Small Island Developing States | UN Trade and Development (UNCTAD)

Key Outcomes

1. Strengthened National Statistical Capacity
2. Enhanced Capacity for Policy Development
3. Development of Holistic National Programs

Project structure

3 main phases that reflect the 3 outcomes:

1. **Measurement** (2025-2026)
2. **Gap assessment** using PCI and other relevant data sources (2026 – 2027)
3. **Design of holistic policy recommendations** for fostering productive capacities, and **fundraising** for their implementation as well as development of **regional centres of excellence for productive capacities**(2027 -2028)

Phase 1: Measurement

4 key activities:

1. Enhancing the PCI
2. Creating a Satellite SIDS PCI
3. Regional Expert Group Meeting
4. Statistical trainings

Phase 2: Elaboration of National Productive Capacities Gap Assessment

3 key activities:

1. National Sensitization Workshops
2. Reports on National Productive Capacities Gap Assessments
3. National Seminars for Validation of NPCGAs

Phase 3: Design of Holistic PC Development Programmes

4 key activities:

1. Elaboration of Draft National Holistic Programmes
2. National Seminars for Validation
3. Virtual Workshop for Experience Sharing and Centres of Excellence
4. Support for Fundraising and Implementation

Organization and roles

- **Two implementing UNCTAD Teams:** Economic & Statistics (ALDC & UNCTAD Statistics Service), supported by experts.

- **Two Steering Committees:** Economic & Statistics (Representatives from countries, RCOs, DESA, ECLAC, CARICOM, AOSIS) – provide guidance & connect to initiatives.

- **National Training/Workshops Coordination:** Country focal points to engage ministries, institutions & ensure gender representation.

Timelines for upcoming activities (2025-2027)

March - May 2025	June 2025	June - July 2025	July 2025	July - September 2025	November 2025	January - May 2026:	November - December 2026
1. Creation of dashboard with missing values for 4 SIDS 2.Mapping of national data by focal points; if unavailable, collection of reasons for policy recommendations. 3.Conceptualization of a satellite PCI for SIDS (literature review, input indicators identification, bilateral meetings with stakeholders).	Presentation of conceptual framework to STAG for feedback.	Calculation of the first satellite PCI.	Online regional meeting to prepare for the November regional meeting.	1.External review of methodological paper. 2.Integration of feedback. 3.Data visualizations and analysis for the four countries.	1. Regional meeting to validate the satellite PCI (venue TBD). 2.Preparation of trainings and NPCGA workshops.	At least 2 PCI trainings and NPCGA preparation workshops with the satellite PCI.	Additional 2 PCI trainings and NPCGA preparation workshops with the satellite PCI.

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Thank you

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