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Building resilience of SIDS through agricultural trade and agribusiness development

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Building resilience of SIDS through trade and agribusiness development

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1. Context and specificities of Small Islands Development States (SIDS)

Small Island Developing States (SIDS) is a term first appeared during the 1992 United Nations Conference on Environment and Development (UNCED) to focus the attention of the international community to the unique characteristics of the small, ecologically fragile, and economically vulnerable island states, including but not limited to the following:

- Volatility and susceptibility to external global economic factors, including economic and natural shocks beyond domestic control;
- Lack of economies of scale;
- Excessive dependence on international trade;
- Relatively high costs for transportation and energy services;
- Limited human, institutional, and financial capacities to manage and use natural resources on a sustainable basis;
- Increasing demographic (small but rapidly growing population) and economic pressures on fragile, vulnerable, endemic natural resources and ecosystems.

List of Small Island Developing States (UN Members)			
1	Antigua and Barbuda	20	Federated States of Micronesia
2	Bahamas	21	Mauritius
3	Bahrain	22	Nauru
4	Barbados	23	Palau
5	Belize	24	Papua New Guinea
6	Cape Verde *	25	Samoa *
7	Comoros *	26	São Tomé and Principe *
8	Cuba	27	Singapore
9	Dominica	28	St. Kitts and Nevis
10	Dominican Republic	29	St. Lucia
11	Fiji	30	St. Vincent and the Grenadines
12	Grenada	31	Seychelles
13	Guinea-Bissau *	32	Solomon Islands *
14	Guyana	33	Suriname
15	Haiti *	34	Timor-Lesté *
16	Jamaica	35	Tonga
17	Kiribati *	36	Trinidad and Tobago
18	Maldives *	37	Tuvalu *
19	Marshall Islands	38	Vanuatu *

List of Small Island Developing States (Non-UN Members/Associate Members of the Regional Commissions)			
1	American Samoa	8	Guam
2	Anguilla	9	Montserrat
3	Aruba	10	Netherlands Antilles
4	British Virgin Islands	11	New Calendonia
5	Commonwealth of Northern Marianas	12	Niue
6	Cook Islands	13	Puerto Rico
7	French Polynesia	14	U.S. Virgin Islands

***Also LDCs**

(Except Bahrain and Maldives all SIDS UN members are also ACP members. Regarding Non-UN members, only the Cook Islands and Niue are ACP members)

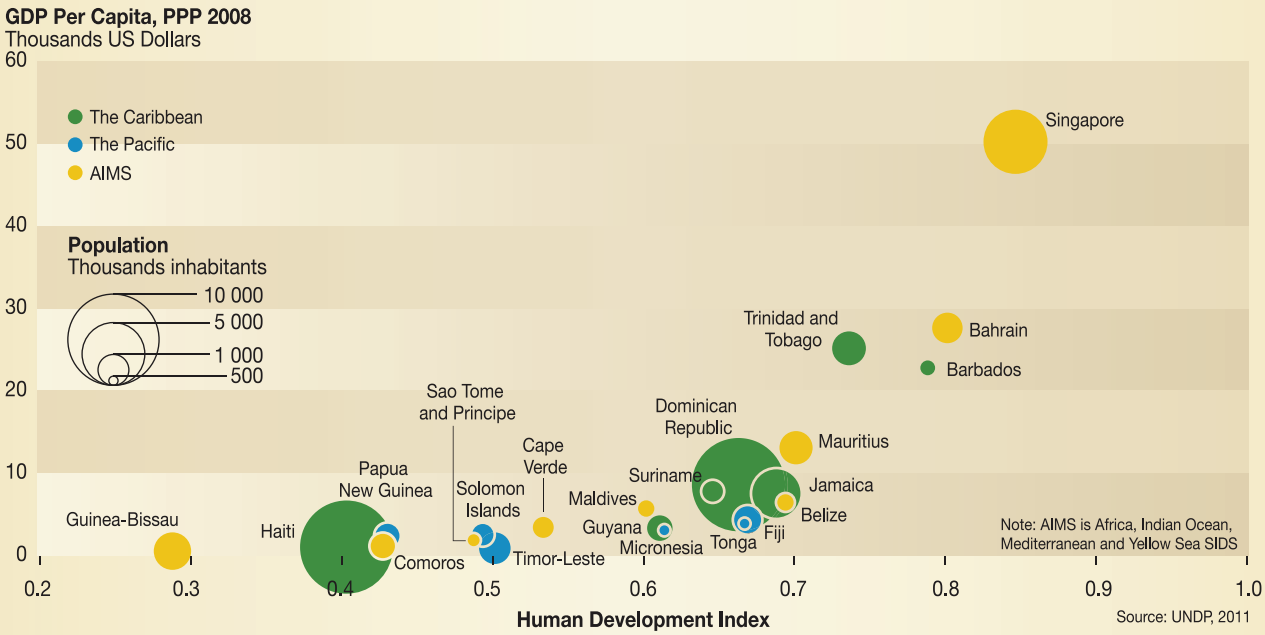
Small Island Developing States (SIDS) comprise small islands and low-lying coastal countries that represent[1] a diverse group in number respects. The United Nations currently classifies 52 countries and territories as SIDS. More than 50 million people live in these countries. They are located across the Indian, Pacific and Atlantic Oceans with the highest concentration of SIDS in the Caribbean and southwest Pacific[2] - forty-three of them are located in the Caribbean and the Pacific regions. The group includes countries that are relatively rich by developing country standards, such as Singapore and Bahamas, but also some of the poorest countries in the world, including Comoros, Haiti, Kiribati and Timor-Leste.

Building resilience of SIDS through trade and agribusiness development

The group of SIDS is significantly diverse in many ways. Population in SIDS ranges from less than 100,000 persons to more than 10 million[3]. Similarly, GDP per capita in SIDS covers a very broad spectrum, reflecting markedly different economic circumstances. Total population of SIDS as of 2011 was 64.7 million, of which 23% live in LDCs. Haiti hosts more than 70% of the SIDS LDCs population (10.12 million as of 2011)[4]. According to the 2013 Human Development Report, the level of human development in SIDS ranges from very high to extremely low[5]. SIDS also differ with respect to the structure of their economies. Some are more service-based, such as Bahamas and Barbados; while some are more resource-based, such as Trinidad & Tobago and Papua New Guinea.

While they have various economic profiles, SIDS have long been seen as sharing characteristics. In addition to small size and insularity, shared characteristics also may include[6]: a) geography - remoteness, being an archipelago, being mountainous, being landlocked and being tropical; b) society – ethno-linguistic complexity and small but growing populations with high inequalities, a deep divide between urban elites and rural poor, high youth unemployment and deep pockets of poverty; c) political - high public service and institutional costs. With their fragile ecosystems, SIDS are also highly vulnerable to domestic pollution factors and globally-induced phenomena such as sea level rise.

A great socio economic diversity for Small Island Developing States



1.1 International recognition of SIDS

Small Island Developing States (SIDS)[7] were recognized as a distinct group of developing countries facing specific social, economic and environmental vulnerabilities at the United Nations Conference on Environment and Development (UNCED), also known as the Earth Summit, held in Rio de Janeiro, Brazil (3-14 June 1992). This recognition was made specifically in the context of Agenda 21 (Chapter 17 G). The United Nations recognizes the 38 UN Member States belonging to the Alliance of Small Island States (AOSIS)8 an ad hoc negotiating body established by SIDS at the United Nations. AOSIS also includes other island entities that are non-UN Member States or are not self-governing or non-independent territories that are members of UN regional commissions. It should be noted that Bahrain is not a member of AOSIS.

The United Nations have been assisting and extending cooperation to SIDS in their sustainable development efforts through the **Programme of Action for the Sustainable Development of Small Island Developing States finalized at the Global Conference held in Barbados** in 1994, known also as the Barbados Programme of Action (BPOA). The BPOA recommends that, in order for SIDS to achieve

sustained economic growth and sustainable development, it is necessary to develop overseas markets for value-added exports in areas in which they are internationally competitive.[9] Prior to the BPOA small islands issues, challenges and vulnerabilities were marginal to international environmental diplomacy.[10]

This programme was reviewed and revamped at the five-year review held at the twenty-second special session of the General Assembly in 1999, and the ten-year review held in Mauritius (10-14 January 2005). The latter outcome is known as the **Mauritius Strategy for Implementation of the Programme of Action for the Sustainable Development of Small Island Developing States (MSI)** which further strengthened the social and economic dimensions for the BPOA by placing a more targeted emphasis on certain issues, such as culture, health and knowledge management, education for sustainable development, consumption and production. It also highlighted the implications of globalization and trade liberalization for SIDS in addition to the difficulties being experienced by SIDS in integrating into the global economy[11].

In 2008, the General Assembly, by resolution 62/191, decided to review the five-year progress made in addressing the vulnerabilities of SIDS through the implementation of the Mauritius Strategy at its sixty-fifth session. General Assembly resolutions 63/213 and 64/199 further clarified the expectations of Member States and the processes involved in the review. The high-level five-year review meeting was convened in New York on 24 and 25 September 2010.

Moreover, the UN will held in September 2014, in Apia, Samoa, the Third International Conference on Small Island Developing States in order to build on existing successful partnerships as well as to launch innovative and concrete new ones, to advance the sustainable development of SIDS. This conference will focus on "The sustainable development of SIDS through genuine and durable partnerships".

Therefore, international initiatives that affect SIDS since 1992 have changed towards an issue more related to a partnership to pave the way for a sustainable development. Indeed, the debate, which was more oriented to environmental aspect at the beginning is now oriented to the issue of a sustainable development. For the future, the elaboration of a post-2015 development agenda will be a crucial step for SIDS. In this regard, the outcome document from the Conference in Samoa should underline the need for SIDS to accelerate progress towards sustainable development and poverty eradication through a comprehensive and integrated approach, synergising mutually supportive policies including governance reforms, and human and institutional capacity building[12]

The United Nations has recognized the particular problems of SIDS since 1994, after UNCTAD had advocated special consideration of "island developing countries" for two decades. It was the first body to recognize the necessity of supporting these countries and bring the international community's attention to the importance of economic vulnerability as a more meaningful criterion for guiding development partners in their treatment of SIDS.[13] However, the UN never established criteria to determine an official list of SIDS. In this context, UNCTAD uses an unofficial list of 29 SIDS, for analytical purposes only.

Since 1985, **the World Bank has maintained a "small island exception" in its policy of eligibility for IDA** concessionary treatment. In the WTO, proposals for special treatment modalities of interest to SIDS have been considered under a "Work Programme on Small Economies" since 2002.[14] Thus, there has not been a lack of reference to the vulnerability of SIDS nor has there been a lack of declaration in favour of SIDS, but there has been an absence of response to the recognized problems, and scepticism remains among many development partners about the legitimacy of SIDS as a category requiring special attention.[15]

Small island nations are singled out for special mention in the **Millennium Development Goals (MDGs)** of the United Nations. Under Goal 8, the development of global partnership for development, Target 14 is said to "address the special needs of landlocked countries and small island developing states (through the Programme of Action for the Sustainable Development of Small Island Developing States.

1.2 ACP-EU partnership in support of SIDS

The EU collectively remains a leading donor to SIDS and a very important trade partner through bilateral aid and multilateral aid programmes. The EU continues to support the implementation of the Barbados Plan of Action (BPoA) and the Mauritius Strategy of Implementation (MSI) utilizing different cooperation instruments. The EU is willing to continue to support SIDS, as the relationship between the EU and SIDS evolves, moving from a traditional donor/recipient relationship or trade-based relations,

towards a more comprehensive relationship between equal partners, as defined in recent regional partnership strategies, such as those established with the Pacific islands and with the Caribbean region[16].

In the **Cotonou Agreement signed in 2000 between the European Union and ACP countries,** island countries continue to be mentioned and the 26 island ACP countries are referred to in Annex VI, Article 4, including larger island states, such as Haiti, the Dominican Republic and Madagascar.[17]

Three geographical regions have been identified for the location of SIDS, namely, the Caribbean, the Pacific and the AIMS (Atlantic, Indian Ocean, Mediterranean and South China Sea). Each of these regions has regional bodies to which the respective SIDS may belong for purposes of regional cooperation. These are the Caribbean Community (CARICOM), the Pacific Islands Forum (PIF) and the Indian Ocean Commission (IOC). There are also sub-regional organizations for similar purposes.

The ACP-EU Partnership Agreement recognizes the specific difficulties confronted by island developing states and the EU and the ACP group reaffirmed their attachment to maintaining special treatment for SIDS. In this regard, the Cotonou agreement has a specific section dedicated to LDC, landlocked and island ACP countries under Part 5, which in Article 89 mentions that "specific actions shall be pursued to support island ACP States in their efforts to halt and reverse their increasing vulnerability caused by new and severe economic, social and ecological challenges. These actions shall seek to advance the implementation of the small island developing States' priorities for sustainable development, while promoting a harmonized approach to their economic growth and human development"[18].

During the second revision of the Cotonou Agreement in 2010, the ACP and EU made a specific recognition of the risks to exogenous shocks that the ACP as a group are exposed to and as a result significant amendments were proposed and made to the Cotonou Agreement in order to address them. In particular, Article 68 on 'Support in the case of exogenous shocks' makes specific reference to the fact that the sustainable development of ACP countries is inherently linked to their ability to withstand exogenous shocks and therefore build their resilience in the context of their ongoing integration into the global economy.

SUPPORT IN CASE OF EXOGENOUS SHOCKS
ARTICLE 68 (ACP-EU Cotonou Partnership Agreement, 2010)

1. *The Parties recognise that macroeconomic instability resulting from exogenous shocks may adversely affect the development of the ACP States and jeopardise the attainment of their development requirements. A system of additional support in order to mitigate the short-term adverse effects resulting from exogenous shocks, including the effects on export earnings, is therefore set up within the multi-annual financial framework of cooperation under this Agreement.*

2. *The purpose of this support is to safeguard socio-economic reforms and policies that could be affected negatively as a result of a drop in revenue and to remedy the short-term adverse effects of such shocks.*

3. *The extreme dependence of the ACP States' economies on exports, in particular from the agricultural and mining sectors, shall be taken into account in the allocation of resources. In this context, the least developed, landlocked and island, post conflict and post natural disaster ACP States shall receive more favourable treatment.*

4. *The additional resources shall be provided in accordance with the specific modalities of the support mechanism as set out in Annexe II on Terms and Conditions of Financing.*

5. *The Community shall also provide support for market-based insurance schemes designed for ACP States seeking to protect themselves against short-term effects of exogenous shocks.*

- ***Budget support to SIDS***

These funds are the main source of EU development aid for the African, Caribbean and Pacific (ACP) countries and the overseas territories (3% of the annual EU budget in 2008-13).

The EU is the main development cooperation donor in the Caribbean region and the second biggest donor, after Australia, to the Pacific region. The EU is also a main donor for the other SIDS. However, the EU and its Member States will together be the SIDS' main donor. The EU is also the main trade partner for the majority of SIDS (the second largest, after the US as regards the Caribbean region). As one example of collaboration, SIDS currently benefit from EU support provided through Sustainable Fisheries Agreements, as well as promoting sustainable fisheries management and development. The EU maintains six Delegations in the Caribbean. In 2013 an overall envelope of 1 billion euro was announced in support to the region from the 11th EDF from 2014 - 2020[19].

For the period 2007-2012 an amount of over €3100 million has been disbursed to SIDS, comprising: €1969 million through the DCI/EDF geographic/bilateral programmes; €676 million through the thematic programmes (food, security, environment, human social development, sugar and banana programmes, migration, non-state actors), the Food Facility and support through the Global Climate Change Alliance (of which one third benefits SIDS); €76 million under the European Instrument for Democracy and Human Rights and the Instrument for Stability; and €226 million through humanitarian aid. To that can be added the sum of €280 million from the Caribbean and Pacific regional indicative programmes 2007-2013 (€114million for the Pacific and €165 million for the Caribbean) benefiting SIDS in both regions. This would raise the total amount benefiting SIDS countries during the period 2007-2013 to around €3 500 million[20].

Budget support continues to be an important means of assisting SIDS. The 2011 Budget Support Communication made special reference to SIDS and to the challenges facing them, including structural vulnerability, climate change and other environmental shocks. The Budget Support Guidelines issued in September 2012 pay particular attention to specific SIDS characteristics, including the size of the population, the dominance of one or more sectors, the need for capacity development and the usually limited size of the administration. The Guidelines provide for the design of budget support programmes to be adapted to these characteristics, e.g. by giving preference to Sector Reform Contracts, and by recommending greater reliance on multilateral and regional donors[21].

- **Flex Mechanisms: responding to economic shocks in the ACP**

Under the Cotonou Agreement, the FLEX mechanism is the EU's flagship programme to deal with trade related shocks in ACP Countries. Since its introduction in 2000, and further revisions in 2004 and 2008, the Flex mechanism has provided financial resources to help ACP countries mitigate against countries major losses in their total exports or exports of agricultural or mineral products. The original two criteria for eligibility under the FLEX mechanism were: (1) a 10% (or 2% for LDCs) loss of export earnings; (2) a 10% worsening in the programmed public deficit. The 2008 revision saw the 2% threshold expanded to include all islands of the ACP, as well as landlocked countries. Furthermore, the second criterion was amended to remove the 10% benchmark.

Under the 10th EDF, numerous ACP SIDS have made access to the FLEX mechanism, including Dominica, Jamaica, Saint Lucia, Comoros, Sao Tome, Kiribati and Saint Vincent et Grenadines[22].

In addition to the FLEX mechanism, the EU has also supported ACP SIDS facing vulnerabilities due to shortfalls in export earnings through the *ad hoc* V-Flex mechanism. Emergency funds were disbursed in 2010 to Antigua and Barbuda, Grenada and Haiti as part of a group of 19 ACP countries which were found to be especially vulnerable to the effects of global financial and economic crisis (hence the duration of the mechanism for the period 2009-2010). Another *ad-hoc* short-term response mechanisms was the Food Facility.

- **Envelopes for unforeseen needs: responding to and building resilience in the ACP**

A considerable programme of support for ACP SIDS by the EU comes from the envelopes for allocations and disbursements under the EDF which cover: unforeseen needs such as crisis and post-crisis situations (Article 72-73 of the ACP-EU Partnership Agreement), contribution to internationally agreed debt relief initiatives (Article 66) and short-term adverse effects of exogenous shocks (Article 68). Known as the "B envelopes" (as opposed to A envelopes which constitutes the programmable allocations to ACP countries), these can be used at the national or regional level and are accessible to DG ECHO and relevant EU emergency / post crisis response institutions.

According to a European Commission evaluation of the 10th EDF, the B-envelopes were widely used, including by SIDS such as Kiribati, Salomon Island, and the Commission notes that the repeated used by the same countries of B-envelope allocation comes from high exposure to natural disasters. Additionally, the B-envelopes can also be applied to implement the Flex and V-Flex mechanisms to mitigate the adverse effects of fluctuations in export earnings and to limit the impact of the international economic and financial crisis on ACP countries[23].

2. The Vulnerability of Small Island Economies

The concept of vulnerability relates to ecological fragility, proneness to natural disasters, and concentration of exports on limited ranges of products and markets. These characteristics were stressed, between 1974 and 1994, by numerous UNCTAD reports and UN General Assembly resolutions on island developing countries. Vulnerability of SIDS initially concerned their exposure to a broad range of factors, such as exogenous shocks, political, strategic, ecological, environmental and meteorological factors.[24] Briguglio (2014) defines economic vulnerability as the 'country's susceptibility to being harmed by external economic forces as a result of exposure to such forces'.[25]

2.1 Measuring vulnerability of SIDS shocks

There are concerns that the recent development progress made by SIDS might be jeopardized by the major ongoing shocks. By virtually any measure, SIDS are among the world's hot spots in terms of sustainable development. Their vulnerability has increased due to climate change and was most recently demonstrated by the global financial crisis of 2007- 2010, the food and fuel crises of 2007-2008 and the large-scale natural disasters, which occurred in 2009-2010. For example, the food crisis has had a severe impact on the poor in the SIDS, most of which are net food importers.[26]

The vulnerability of states is generally defined through measurement using an index that is formulated on the basis of various factors. It is critical in the development of any index, or even in the review of the vulnerability of a country, that this analysis or evaluation is founded on a distinction between the factors *causing* vulnerability – permanent characteristics of the country, such as small domestic markets in the case of SIDS, and those that are a *consequence* of the vulnerability – such as high levels of indebtedness (inherent vs policy-induced features). A number of different indices are in use, and although they have their advantages and disadvantages, they all generally indicate that small economies are more economically vulnerable than larger economies. This is even more the case for small island economies.[27]

The Becker index (2012) provides a vulnerability ranking based on different dimensions of vulnerability (e.g., small population, volume of arable land, and distance). Similar vulnerability indices have been developed by Briguglio (1995) and the Commonwealth Secretariat (2000).[28]

To measure the vulnerability of SIDS, the Commonwealth Secretariat[29] and the World Bank provided a benchmark for important policy analysis in 1998. These institutions using mainly economic data designed an index which attempts to explain the volatility of the rate of economic growth by the impacts of external shocks on the basis of the concentration and dependence on exports and by the effects of natural disasters expressed in terms of the percentage of the affected population. The response capacity to external shocks was estimated on the basis of the GDP. Other studies using similar methodological approaches have concluded that small developing countries are more vulnerable than larger countries and have attempted to outline policy options to ameliorate external shocks.[30]

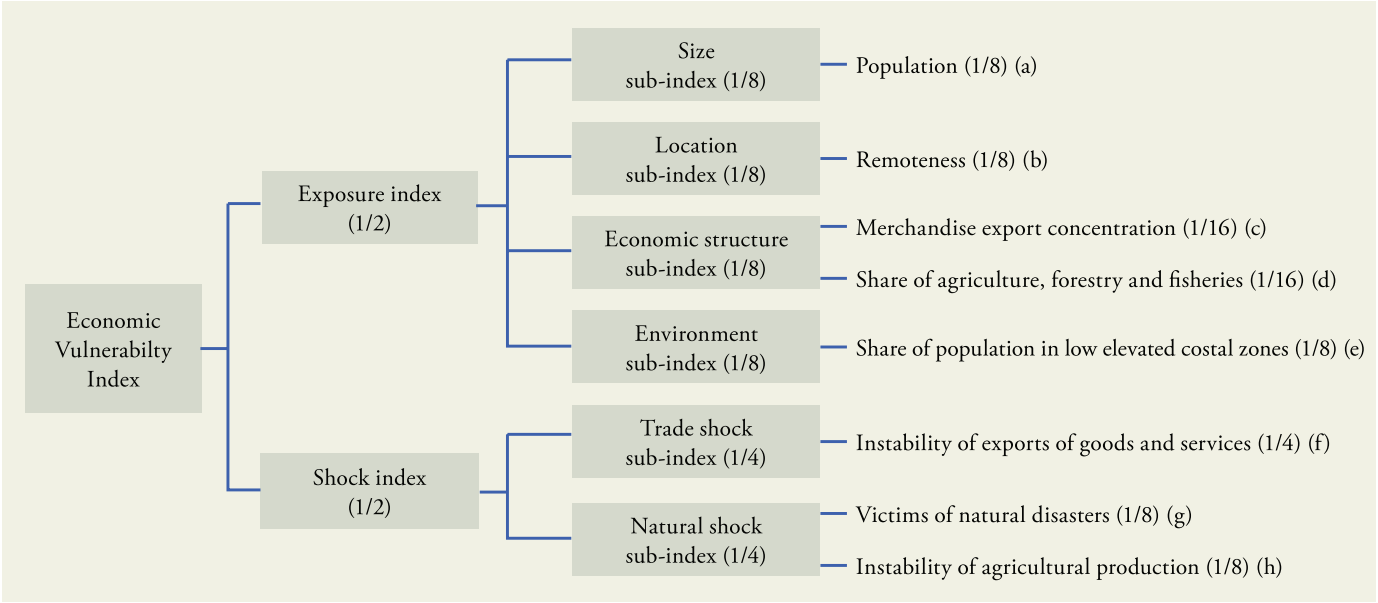
Read (2010) classes four forms of vulnerabilities to external shocks that are faced by small island littoral developing states (SILDES), namely: exposure to price fluctuations in principal exports and strategic exports; changes in the global regulatory environment; natural disasters; and physical impacts of climate change.

The macro vulnerability of SIDS has been an increasing concern for the international community, which has resulted in the design of an EVI, set up at the United Nations by the Committee for Development Policy to assess the structural economic vulnerability resulting from natural or external shocks faced by countries and from their exposure to these shocks.[31]

Vulnerability indices, whether they are geared towards measuring economic, social or environmental vulnerability, are not only important for or relevant to international institutions cooperating with developing countries to support their resilience. Along with the resilience index, the vulnerability index forms a key component of a countries resilience framework, namely the structural and other policy responses of a country to its unique vulnerabilities. In developing a vulnerability-resilience framework, Briguglio et al (2009) aimed to develop the methodology which assessed the risk of harm to an economy based on the two indices, whereby the vulnerability index looked at the exposure to harm, and the resilience index look at the coping ability. An analysis of an economy according to this framework could

CDP Economic Vulnerability Index

Composition of the Economic Vulnerability Index (EVI)



Note: Numbers in parenthesis indicate the weight in the overall EVI.

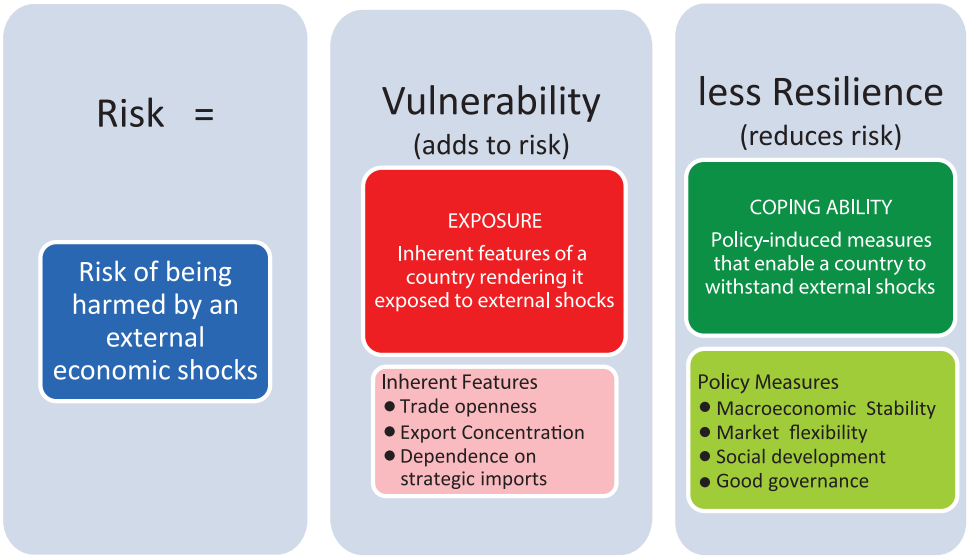
Source: UN CDP Handbook on the Least Developed Country Category: Inclusion, Graduation and Special Support Measures http://www.un.org/en/development/desa/policy/cdp/cdp_publications/cdp_handbook_addendum_en2_jan_2014.pdf

lead to one of four outcomes: (a) low vulnerability/low resilience; (b) low vulnerability/high resilience; (c) high vulnerability/low resilience; (d) high vulnerability/high resilience.

The vulnerability of SIDS is reinforced by the limited capacity of the labour force in many small island economies, where the lack of development of the skills in the work force means that the countries face obstacles in harnessing the most value out of both foreign direct investment, but also means that SIDS do are not well positioned to take advantage of global trade developments in their favour.

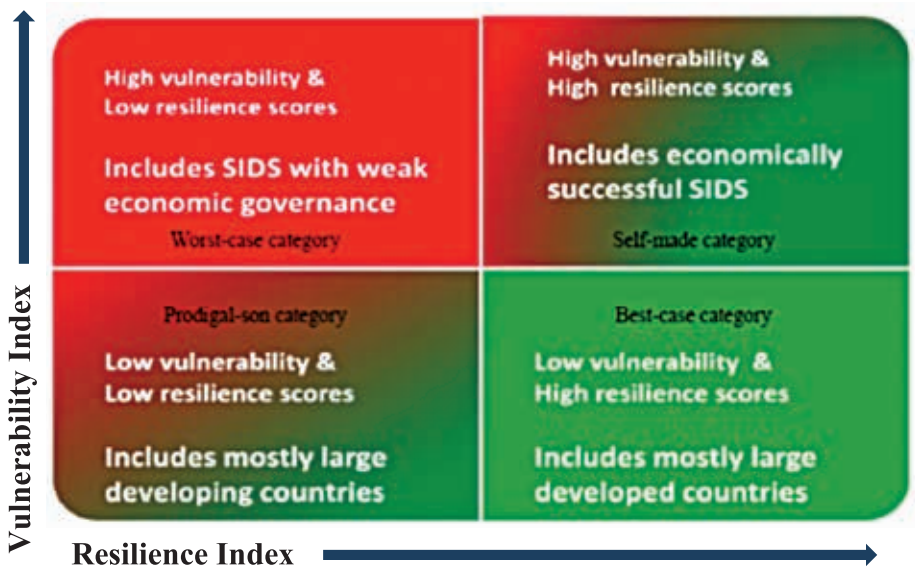
From the trade perspective, SIDS find themselves in a conflicting position due to their trade openness. On the one hand, their trade openness further amplifies the degree of vulnerability they face, as small trade shock can have a disproportionately large impact on them. However, their best avenue to develop resilience is through being open to international trade as they do not have the capacity to build resilience on the basis of domestic consumption or reforms alone.[32]

The risk of a country being harmed by external shocks



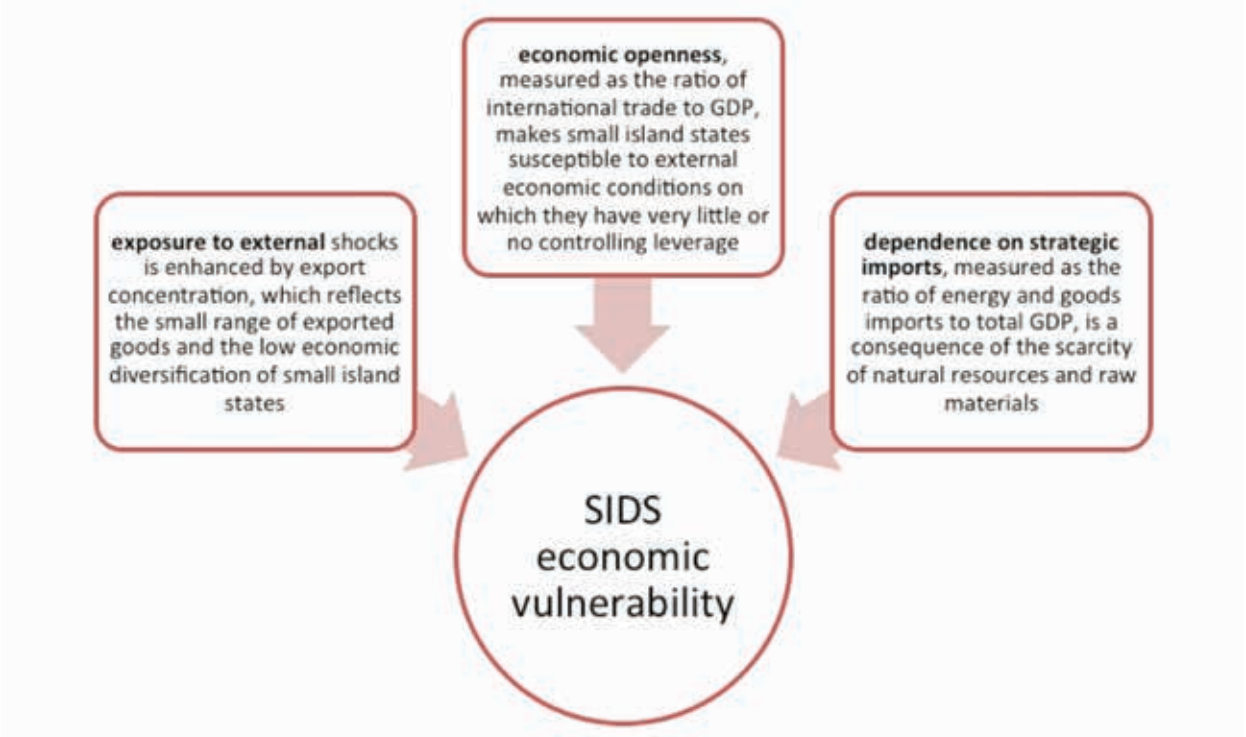
Source: Briguglio (2014)

The Vulnerability/Resilience Nexus



Source: Briguglio (2014)

Generally, SIDS have small populations, limited resources that are already heavily stressed[33], small domestic markets, a high concentration on a few export products and a high dependence of intermediate imports. These situations are often further compounded by rigidities in factor markets which prolongs the cost of adjustment to changing circumstances. Many of these countries also face problems associated with their isolation which translates into high unit costs of transport, uncertainty of supplies of necessary goods and services, high stocks and financial costs. SIDS are also characterized by limited public and private institutional capacity, few qualified human resources as well as the tendency to be perpetually affected by natural hazards which destroy the productive infrastructure and cause loss of human life. This situation is further compounded by the greater pressure on the environment and natural resources, particularly, the greater use of coastal resources, high levels of competition for land use and water as a result of a greater level of demographic pressures. These structural circumstances contribute to the vulnerability of SIDS which is reflected in the high volatility of the rate of growth of Gross Domestic Product (GDP). As a consequence of these characteristics, the economic growth in many SIDS is often unstable and there is uncertainty over investment and development plans.



Source: based on Tita, G. (2013) Coping with inherent vulnerabilities and building resilience in small islands: Socioeconomic and governance perspectives

3. Effects of climate change in agricultural production and trade

SIDS are located among the most vulnerable regions in the world in relation to the intensity, frequency and increasing impact of natural and environmental disasters and, thus, face disproportionately high economic social and environmental consequences.[34] In contrast to larger countries, a natural disaster occurring in a SID can lead to a complete breakdown of economic processes, extensive environmental damage and substantial and extensive disruptions in the social fabric of the island states in question. Furthermore, a complete inundation of some islands due to sea level rise is a real possibility.[35]

- **Pacific Island Countries (PICs) severely affected by natural disasters and climate change**

According to a 2012 World Bank Report, *Acting Today for Tomorrow*, of the 20 countries in the world with the highest average annual disaster losses measured by GDP, 8 are PICs: Vanuatu, Niue, Tonga, Micronesia, Solomon Islands, Fiji, Marshall Islands, and the Cook Islands. Several small island countries in the Asia and Pacific region are low-lying coral islands, with their population and infrastructure concentrated along the coast (Kiribati, Maldives, Marshall Islands, and Tuvalu). This makes them highly vulnerable to the effects of such climate change as sea-level rise and coastal erosion. While worldwide databases are available to account for the costs of natural disasters, the costs of climate change (including the fiscal costs), which are substantial in the Asia and Pacific small states, remain largely unestimated.[36]

Economic losses resulting from the negative effects of climate change on agriculture will vary among island states, for example Fiji's costs could range from US $23 to 52 million per year by 2050 and Tarawa, Kiribati 8 – 16 million.[37]

SIDS 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 the coastal zone, any rise in sea level will have significant and profound effects on their economies and living conditions; the very survival of certain low-lying countries will be threatened. [38] Inundation of outlying islands and loss of land above the high-tide mark may result in the loss of exclusive economic rights over extensive areas and in the destruction of existing economic infrastructure as well as of existing human settlements. Global climate change may damage coral reefs, alter the distribution of zones of upwelling and affect both subsistence and commercial fisheries production. Furthermore, it may affect vegetation and saline intrusion may adversely affect freshwater resources. The increased frequency and intensity of the storm events that may result from climate change will also have profound effects on both the economies and the environments of SIDS.[39]

Because of their unique geophysical features, social, economic and unique cultural characteristics PICs are particularly vulnerable to the effects of global warming, including more frequent and intense natural disasters, such as cyclones, floods and land droughts – as has recently been experienced.

In 2006, typhoon Cyclone Val hit Samoa, the worst storm to hit the island in over 100 years, and destroyed over half the coconut palms.

In February 2008, Fiji incurred in excess of FJ$45 million in damages to agriculture (excluding the sugar industry), infrastructure, utilities and properties as a result of Cyclone Gene. In addition, the government had to provide FJ$1.7 million worth of food rations.[40] Cyclone Tomas in 2010 cause extensive damage to homes and infrastructure, and agriculture was heavily hit by the severe floods of 2012, which were estimated by the ADB to have cost Fiji 0.5 per cent of its GDP, and to have led to cane production losses in the region of 300,000 tonnes of raw sugar, equal to F$27 million in revenue.[41]

- **Caribbean region suffers from climate change effects**

In the Caribbean, Hurricane Ivan devastated Grenada in 2004 (losses amounting to 200 per cent of the GDP), damaging or destroying over 90 per cent of hotel guest rooms, 80 per cent of the island's nutmeg trees (both the island's main foreign exchange earners) and causing massive damage to the country's socio-economic infrastructure.[42]

Most of the natural disasters were climate-related: floods, drought, landslides and hurricanes. There has been a noticeable upward trend in losses, particularly in the past two decades (Trotz 2004). In 2008, since the 15th August 2008,

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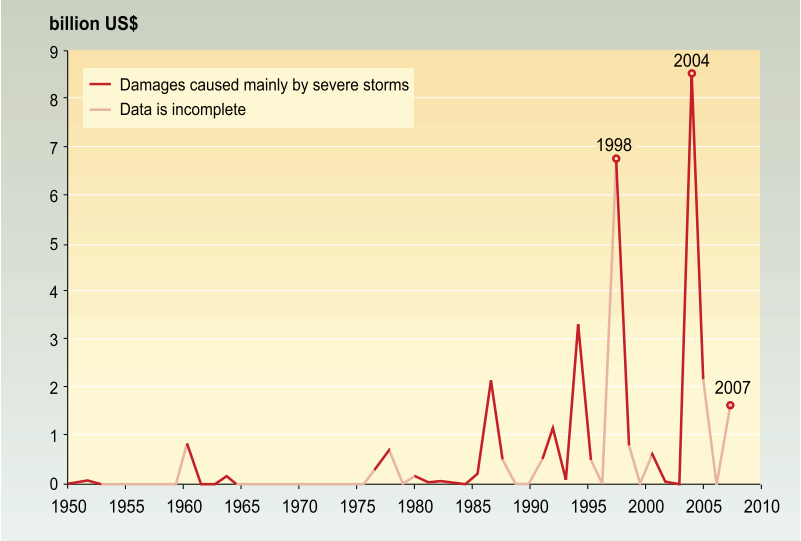
Natural disaster economic damages to the agricultural sector in the Caribbean



Source: www.em-dat.net The OFDA/CRED international Disaster Database. Universite Catholique de Louvain, Brussels, Belgium

the Caribbean region has been affected successively by the tropical storm Fay, hurricanes "Gustav", "Hanna" and "Ike" that claimed more than 350 lives so far, affecting more than 2,8 million persons and infrastructure and agriculture have sustained significant damage. As a consequence of these impacts, the vulnerability throughout the Caribbean has increased dramatically (OCHA 2008).

According to the International Monetary Fund, it is estimated that the Caribbean region has lost over 1% of the GDP annually to damages resulting from natural disasters since the 1960's. This figure masks an upward trend in the costs of natural disasters, which have risen to 1.3 percent of GDP in the 2000s from 0.9 percent of GDP per year in the 1980s and 1990s.[43]

Economic damages due to natural disasters in the Caribbean have increased between 1950-2007. The highest economic losses were experienced in 2004 (over US$8,000 millions).

Some examples of impacts include[44]:

- A shortening of the sugarcane growing season in Guyana would result in an acceleration of maturation and would reduce yields by 29.8 per cent.
- In St. Kitts and Nevis the climate would be too dry for rain-fed agriculture making it economically unfeasible and there would be a 20 per cent decrease in productivity in St. Vincent and the Grenadines.
- Mangrove accretion on land may or may not be able to keep pace with rising sea levels, depending on the composition of the forest, tidal range and sediment supply. Three per cent of Cuba's mangrove forests would be lost with a one meter rise in sea level. The same rise in sea level, it is predicted, would cause a complete collapse of the Port Royal mangrove wetland in Jamaica because this system has shown little capacity to migrate over the last 300 years. A 50 cm rise in sea level could lead to 60 per cent of beaches in some areas of Grenada being lost (UNFCCC 2007a).

Another sector for SIDS which is especially vulnerable to climate change is the fisheries and aquaculture sector, which for the smallest and most remote islands, plays a critical role in their economies due to the large size of their Exclusive Economic Zone (EEZ) from which they can derive revenues. At an even more basic level, the fish are a primary source of food and employment in many SIDS, and in the Caribbean for example, the impact of climate change on fisheries is foreseen to be very negative on due to the limited capacity to respond to the threat.[45] The economic importance of this sector is underscored by some figures by the FAO, which put the value of fish trade globally in 2010 at $109 million, which is a source of foreign exchange earnings for many developing countries, especially small island economies. In 2012, developing countries were responsible for 50 percent of all fishery exports in value terms and more than 60 percent in quantity (live weight) (FAO 2012).

At the global level, fisheries are already under extreme pressure from overfishing and illegal, undocumented and unregulated fishing (IUU). Sustainability in the fisheries sector is compromised by the added threat of climate change, which includes increased salinity, rising sea water levels and especially increasing sea surface temperatures. Socio-economically, the effects of climate change on fisheries are very dire, not only on the basis of the risks to the fish stocks, but also due to the increase in extreme weather events that cause death and destruction in the vulnerable fishing communities living in low-lying coastal areas.

4. SIDS, global trade and volatility

At the global level, SIDS face a **greater risk of marginalization from the global economy than many other developing countries** as a result of their small size, remoteness from large markets, and high economic vulnerability to economic and natural shocks beyond domestic control.

Moreover, the international community has tended to view island societies as relatively prosperous, and has not been inclined to appreciate the intrinsic reality of "small islandness", which is characterized by environmental and social fragility, and a high degree of economic vulnerability to many possible external shocks beyond domestic control. [46].

SIDS are beneficiaries of a variety of trade preferences, many of which overlap with one another. Several of them are heavily dependent on international trade in services, while others export goods under "most favoured nation" (MFN) duty-free conditions.

There is no special trade preference by virtue of SIDS status. However, all SIDS qualify for at least one preference scheme. While SIDS that fall within the Least Developed Country (LDC) category benefit from LDC-specific preferences, all other SIDS — a majority — are beneficiaries of preferences through special programmes such as the Caribbean Basin Initiative of the United States, Caribcan of Canada, or SPARTECA of Australia and New Zealand.

As discussed in 1.2. above, the EU grants special trade preferences to a large majority of SIDS by virtue of the Cotonou Partnership Agreement between ACP and EU countries.

International trade negotiations in WTO are pursued under the Doha Development Agenda (DDA), which includes specific provisions concerning trade related issues relevant to small and vulnerable economies.[47]

Changes in global markets and loss of preferential market access for traditional products such as sugar, bananas, rice as a consequence of WTO processes, have caused further marginalization of many SIDS, putting them under increased pressure; this factor exacerbates the vulnerability of SIDS to climate change by adversely affecting their economies, and therefore their resilience and adaptive capacity.[48] European Commission: single tariff for bananas, continuation of zero tariffs on ACP suppliers. Preference margins have also been reduced for canned tuna exports to the EU from PICs.[49]

Concerning the accession to the WTO, the process is long and hard, particularly for SIDS which face many difficulties such as the lack of institutional capacity and technical expertise to negotiate or the lack of recognition of their status as developing countries. Although one of the stated goals of the WTO is to integrate vulnerable economies into the multilateral trading system, some have argued that this has not been reflected in the level of consideration and assistance given to these small vulnerable States, such SIDS, to address the inherent power asymmetries of the accession process[50].

Moreover, SIDS faced many difficulties in dealing with the WTO, such as a lack of representation and serious capacity constraints in meeting WTO obligations. Therefore, it affected their influence on WTO's decisions. However, multilateral negotiations provide an opportunity for small countries to have a measure of countervailing power against the overweening power of large entities such as the United States, the EU, Brazil, India and China[51].

As a group, SIDS exhibit structural characteristics that result in greater openness to trade than many other comparative developing countries, whilst at the same time they lack the ability to strongly influence international trade policy and developments. The latter has been a specific challenge for SIDS in the context of the WTO; as more SIDS join the multilateral trade body and make commitments on various trade issues, they have nevertheless failed to gain recognition as a distinct negotiating block with special and differentiated circumstances (as is the case for LDCs). The Samoa UN Conference on SIDS' zero draft outcome document states that, with respect to the partnership with the WTO, the conference must work towards "Encouraging the recognition of the special circumstances of SIDS in various trade and economic agreements"[52].

- **Openess of SIDS economies**

The openness of SIDS to trade is particularly evident when looking at their trade flows (expressed as the sum of commodity exports and imports relative to GDP) which are far higher in SIDS than in all other Developing countries (DCs) and the Least Developed Country (LDCs) group. Commodity exports and imports as a percentage of GDP in any one year were no less than 95 and as high as 141 per cent, and averaged 110 per cent over the period 1980 to 2007.

The equivalent numbers for all developing countries were 64, 94 and 78 per cent, respectively.

More pertinent is volatility in trade given its implications for vulnerability to external shocks. Indeed, SIDS trade is more volatile than for other developing countries. The coefficient of variation for SIDS trade relative to GDP for the period 1980 to 2007 is 10.23, compared to 7.56 and 8.80 for DCs and LDCs respectively.[53]

In the context of all developing countries, SIDS have the greatest share of their GDP coming from exports, which makes them vulnerable to fluctuations in global demands for their exported goods and services. Obviously, when demand is high, SIDS benefit, but when demand is weak or other factors increase the cost of productivity (labour shortages, climate change, increase in transportation costs etc), then this can have a disproportionate impact on GDP and economic stability of SIDS. The share of GDP from exports in goods and services has seen an upward trend, which underscores the impetus for SIDS to bolster their resilience. Additionally, the dependence of SIDS on exports is even more acute as they exports revenues are essential for governments to be able to import the large volume of goods and services which most SIDS do not produce domestically.[54]

Lack of diversification in the economies of small islands is an issue not only in terms of the creation of a limited export base, but also because it means that domestic demand for the products and services that are not created by the country has to be met by imports. Import dependence for a large range of essential products exposes the economies of small islands to further shocks and enhances their vulnerability. Although the situation is not identical across all SIDS, food imports are substantially higher in the smallest, most remote, isolated SIDS, and larger SIDS use food imports to supplement domestic agricultural production. Nevertheless, a high domestic demand for consumable goods which has to be met by imports nevertheless puts pressure on the fiscal reserves of all SIDS, thus making them all vulnerable to food price fluctuations and other types of shocks which can have an impact on their purchasing power.

One especially high import cost for ACP SIDS is fuel, namely oil and gas, in order to meet both energy costs across all sectors. Importing large volumes of non-renewable, polluting energy resources is detrimental not only for the fiscal stability, as SIDS are still dependent on exports even when the prices of energy experience extreme fluctuations, but fossil fuels further undermine the environment of SIDS and contribute to the climate change which plays such a big role in their vulnerability.

Exports of goods and services as a share of GDP, and Export diversification index, 1980–2008[a]

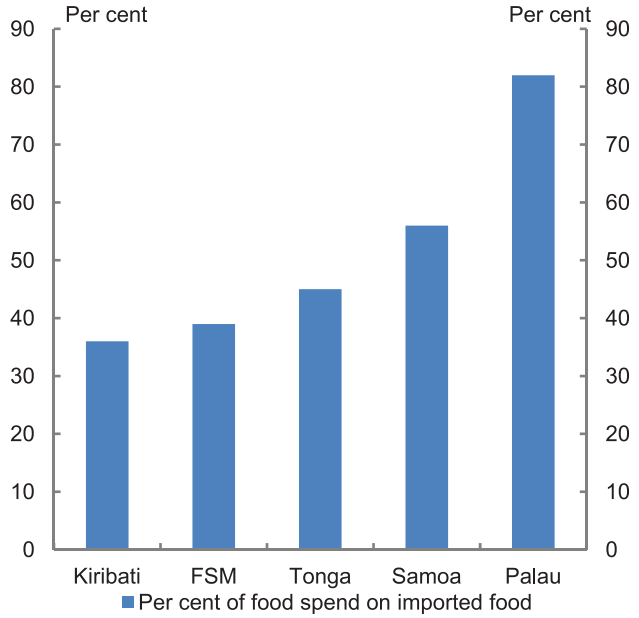
	Exports of goods and services as a share of GDP, period average (percentage)			Export diversification index, period average	
	1980–1989	1990–1999	2000–2008	1995–1998	2005–2008
SIDS	44.7	45.0	46.2	0.70 [b]	0.67 [b]
Developed countries	17.3	18.6	21.9 [c]	0.12	0.16
Low-income countries	12.6	20.2	28.7 [d]	0.41 [b]	0.32 [b]
Middle-income countries	16.2	22.4	30.1	0.34 [b]	0.29 [b]
Least developed countries	12.5	16.1	22.4	0.73	0.69
Memo items:					
Small island developing States with LDC status	36.5	34.6	31.8	0.78	0.78
SIDS, excluding Belize, Guinea-Bissau, Guyana, Singapore and Suriname	41.1	40.1	39.1	n.a.	n.a.

Sources: UN/DESA, Statistics Division online database; World Bank, World Development Indicators online; and UNCTAD Handbook of Statistics online database.

a See Annex V, table A.1, for further information on selected SIDS.
b UNCTAD classification.
c 2000-2006.
d 2000-2007.

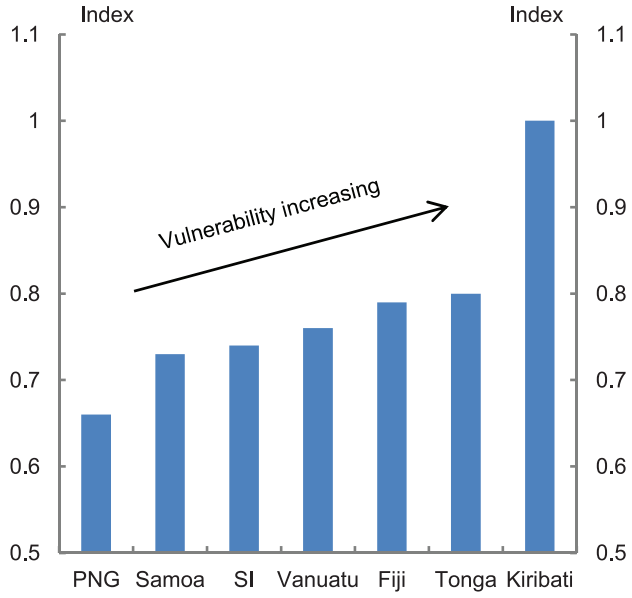
Building resilience of SIDS through trade and agribusiness development

Proportion of food expenditure accounted for by imported food (Pacific Island countries)



Source: "Pacific island food security: situation, challenges and opportunities", Paper prepared for Pacific Island Ministers of Agriculture and Fisheries Meeting, Apia, Samoa, September 2008. While data for Nauru are not readily available, Nauru's dependence on imported food is high.

Oil Price Vulnerability Index (2008) (Pacific island Countries)



Source: Asian Development Bank[32]

Source: Colmer, P. and Wood, R. (2012) 'Major Economic Shocks and Pacific Island Countries'

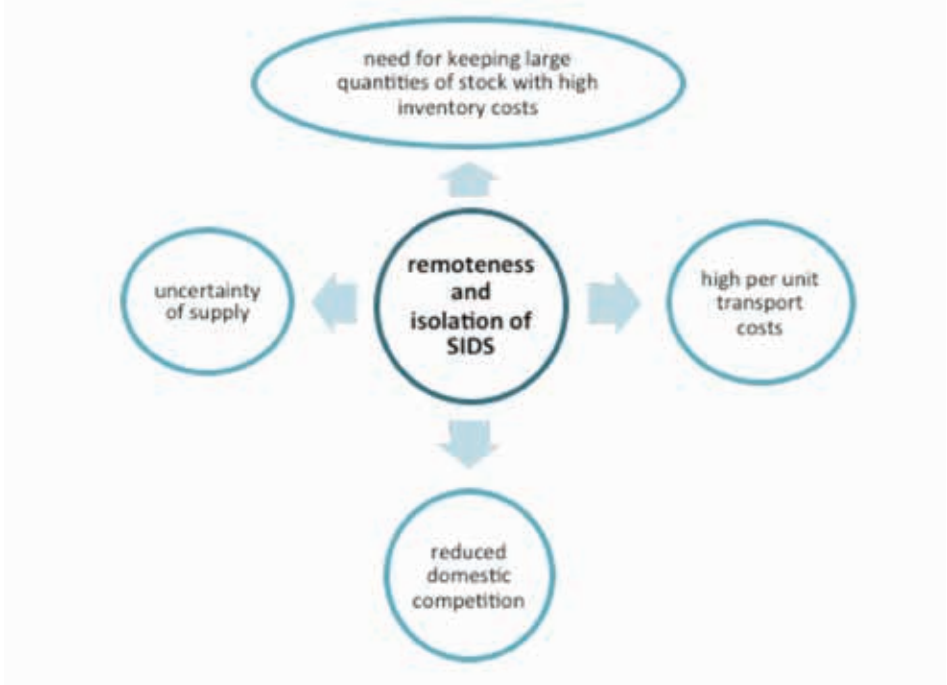
According to Australian Treasure, based on figures by the Asian Development Bank (ADB), oil use is more than 80 per cent in the Pacific, and countries such as Cook Islands, Kiribati, Nauru, Solomon Islands and Tonga rely almost exclusively on oil for their commercial energy requirements[55]

- **Remoteness increases trade costs**

Market competition is frequently lacking in international transport to remote island communities so that monopoly charges may apply to such transport. Economies of scale in relation to the volume of trade often result in it being uneconomic for more than one carrier to service an international transport route for such small nations. Within these economies themselves, there also tends to be business concentration in the economic distribution of imports and also in many of their industries.

Various studies have shown that high transport costs in SIDS have additional knock on effects that contribute to their vulnerability. They create an additional barrier for SIDS to compete in certain classes of goods, which depend on cheap, frequent and reliable transport. This can affect goods at the time of exporting the goods, or in the case of electronics which have a high import content, it can also affect goods at the point of sourcing inputs[56]. According to Jansen (2004), products like crude materials (including cork and wood) and food and live animals (including fruits, nuts and sugar) turn out to have among the highest transport costs when measured in CIF/FOB ratios, and these constitute some of the major commodities produced in SIDS. Lateral services related to transport are also an issue, including insurance, storage, communications etc. as they are not provided at a competitive price rate, and with certain SIDS being archipelagos, coverage of service provision may be further fragmented.

Remoteness is even more a problem for PICs which, do not benefit from the beneficial effects of proximity to dynamic markets or regional economies, such as is the case with some of the African SIDS that service the African continent (especially Mauritius) and Caribbean SIDS that service the Americas. [57]



Source: based on Tita, G. (2013) Coping with inherent vulnerabilities and building resilience in small islands: Socioeconomic and governance perspectives

- **SIDS and regional integration processes**

At the regional level, most SIDS in ACP are members or a regional mechanism which covers trade issues at the minimum, and may even extend to more comprehensive regional economic integration. In the case of the Caribbean, all ACP SIDS except the Dominican Republic are also members of Caricom (Caribbean Community and Common Market) which has as its objective the regional integration of its member states. The Pacific Islands Forum is a regional cooperation body for the Pacific region but also includes members that are not SIDS such as Australia and New Zealand. Twelve members of the PSF are also signatories of the Pacific Islands Countries Trade Agreement, which aims to establish a free trade area for the Member Stats of the Pacific Islands Forum. The Indian Ocean Commission, which has the membership of all Indian Ocean ACP countries, also undertakes cooperation activities on trade and economics, focusing on issues such as green and blue growth and works especially to strengthen the integration of the African Indian Ocean countries into the Eastern and Southern African region in general.

Through regional and sub-regional institutions (including Cariforum which covers the Caribbean SDIS negotiating Economic Partnership Negotiations under the Cotonou Agreement), ACP small island economies seek leverage their collective size and unique trade positing to specifically promote their export potential to develop their economies sustainably. The value of membership of regional groupings for ACP SIDS is substantial. Firstly, regional institutions assist SIDS to achieve a greater impact on international trade policy over what they would have on their own. Secondly regional economic integration can also help improve the competitiveness and enhance productivity of SIDS by making it easier for island economies to trade with one another and with neighbours in the region. It also opens the scope for manufacturers to develop economies of scale with neighbouring economies which may not be possible with more distant economies such as Europe or the United States. Additionally, regional supply chains can be established which have both multiplier and spillover effects, encouraging the establishment and development of new producers, complementary industries, exchanges of skills and technologies etc.

Beyond trade policy, regional institutions and cooperation mechanisms have a practical role to play in promoting agricultural development and trade in SIDS. The geographic fragmentation and limited capacities of a number of small islands, particularly those that are most isolated, means that certain technical activities can be more efficiently carried out if capacity is pooled into one institution which can then also carry out activities to support capacity development in those islands that are underdeveloped. In this regard, the United Nations Development Programme's SIDS-SIDS Success Stories showcases the variety of approaches to partnership and cooperation undertaken by SIDS, including in the trade and agricultural contexts:[58]

5. Significance of Agricultural and Agribusiness in SIDS

The agricultural sector in SIDS faces the same challenges in terms of structural constraints as do other economic sectors in small island economies. The small sizes of many SIDS means that the amount of land available for agricultural exploitation is limited, and must compete against other uses, particularly tourism and mining.[59] Furthermore, low levels of FDI into the agricultural sector and the lack of accessibility to services that are critical to agricultural development such as finance, insurance and research all hamper agricultural growth and diversification in SIDS. Another notable source of vulnerability for agriculture concerns climate change and natural disasters, which have a devastating effect on crops and plantations.

Taken within this context, agriculture in SIDS has proved to be remarkably resilient, as it is consistently comes up in the top three sources of exports and revenue for small island economies after services and often on part with industry[60]. Out of a select range of SIDS which agriculture presents the greatest share of total GDP include Papua New Guinea and Tuvalu, where agriculture made up 36% and 23% of GDP in 2011 respectively (although no data was presented for the Solomon Islands for 2011, its agricultural contribution to GDP had been 41% and 49% in 2008 and 2009). The Caribbean region sees some of the lowest agricultural contribution to GDP in the SIDS with Dominica topping the region at 14% and Mauritius topping the Indian Ocean Region with 4% contribution of agriculture to GDP.

An evaluation of the annual average percentage of growth in agriculture between 2006 and 2012 shows a

Structure of CARICOM Economies (2010)

Countries	Agriculture (% of GDP)	Industry (% of GDP)	Manufacturing (% of GDP)	Services (% of GDP)	Exports (% of GDP)	Imports (% of GDP)
Antigua and Barbuda	2.0	19.9	1.9	78.1	46.3	56.5
The Bahamas	2.2	15.2	3.5	82.6	41.5	50.1
Barbados *	3.0	23.2	73.8	73.8	47.3	52.4
Belize *	12.1	22.7	14.3	65.2	61.9	69.8
Dominica	13.3	14.9	3.5	71.9	31.7	54.4
Grenada	5.3	13.9	4.5	80.7	20.7	49.2
Guyana*	21.0	33.1	4.1	45.9	84.6	119.2
Haiti*	…	…	…	…	12.3	62.3
Jamaica	6.3	22.4	9.2	71.3	26.3	44.5
St. Kitts and Nevis	1.7	16.4	5.5	81.8	26.2	43.2
Saint. Lucia	3.2	16.6	3.9	80.2	47.2	60.3
St. Vincent and the Grenadines	6.9	19.2	5.2	73.9	26.5	57.5
Suriname*	10.9	37.8	22.7	51.3	30.4	45.2
Trinidad and Tobago*	0.6	52.4	5.3	47.0	63.7	36.7

Source: World DataBank: http://data.worldbank.org.
* Data on agriculture, industry, manufactures, and services for Barbados are from 2009; comparable data for these sectors in Haiti was unavailable. All Belize figures are from 2008. Export/import data for both Guyana and Suriname are from 2005, and for Trinidad and Tobago, from 2008. No data was available for Montserrat.

Small States – Asia and Pacific Region: Main Exports in Goods and Services

Country	First good or service	Second good or service
Bhutan	Hydroelectricity	Minerals
Maldives	Tourism	Fish
Timor-Leste	Oil	Coffee
Pacific Island Countries		
Fiji	Tourism	Sugar
Kiribati	Fish	Copra
Marshall Islands	Fish	Copra
Micronesia	Fish	Copra
Palau	Tourism	Fish
Samoa	Tourism	Copra
Solomon Islands	Logs	Gold
Tonga	Agriculture (squash)	Tourism
Tuvalu	Fish	Copra
Vanuatu	Tourism	Copra

Sources: IMF staff reports; and country authorities.

Source: IMF (2013) Asia and Pacific Small States: raising potential growth and enhancing resilience to shocks

very divergent picture, with a number of SIDS experience substantial drops in the growth of agriculture, whilst others have seen growth that is nearing the double digits. The Caribbean saw the highest growth come from Grenada, at 8.7%, with Trinidad and Tobago seeing a boom of 7.2% and Jamaica also registering at 5% growth. The lowest figures came from St Kitts and Nevis, and The Bahamas, whose annual average production in the agricultural sector between 2006 and 2012 actually shrank by 5.3% and 3.2% respectively. As a matter of fact, the WTO Trade Policy Review of the Organization of the Eastern Caribbean States notes that "The dramatic decline in agriculture's contribution to less than 5% of GDP in the OECS since the Year 2000 is well documented. This is largely due to the decline in the production and export of sugar and bananas – traditional agricultural commodities – from the Windward Islands and St. Kitts-Nevis. Data gathered by the ECCB reveals a modestly upward trend in the sector's contribution to regional GDP, from 2.93% in 2007 to 3.2% in 2011, with a stable contribution of 3.5% projected into 2014."[61]

In the Pacific, many islands also demonstrated strong variations, as Vanuatu and Papua New Guinea saw a growth in the annual average of agricultural production between 2006-2012 of 3% and 3.5% respectively. It is the Solomon Islands which topped the chart with an average annual growth of 5.9%. The countries which experienced a drop in agricultural production on average in the six year period of 2006-2012 where Fiji (-0.6%), Tonga (-1.8%) and Samoa (-2.4%). The Seychelles also saw a dramatic decrease of -3.2%.

The type of agricultural production in SIDS varies, but mainly centres on export commodities (bananas, sugar, cotton, rice, coconut) traditional/subsistence crops (roots and tubers) and fisheries. Subsequently, compared to other developing countries, the production base for most SIDS in the agricultural sector is actually quite narrow, meaning that SIDS are also net food importers and leaving many small island economies more vulnerable to exogenous shocks in the agricultural sector. The types of actors involved in agriculture in SIDS vary, with a mixture of commercial, semi-commercial and subsistence producers.

Fisheries present a somewhat more positive picture in terms of their trade impact for SIDS. As aforementioned, despite their small size, most small island economies, especially those in the Pacific, enjoy vast exclusive economic zones. This provides them with access to a resource that is of very strong value, as a source of food and nutrition, biodiversity, revenue from exports, employment, and as a basis of cultural heritage and identity. Up to 10% of the GDP of pacific SIDS comes tuna fisheries, and in some countries it can make up to 50% of exports; the role of fish in nutrition cannot be overestimated, as in some rural island communities, subsistence fishing provided between 50-90 % of the animal protein diet.[62] The fisheries sector also encounters some unique challenges

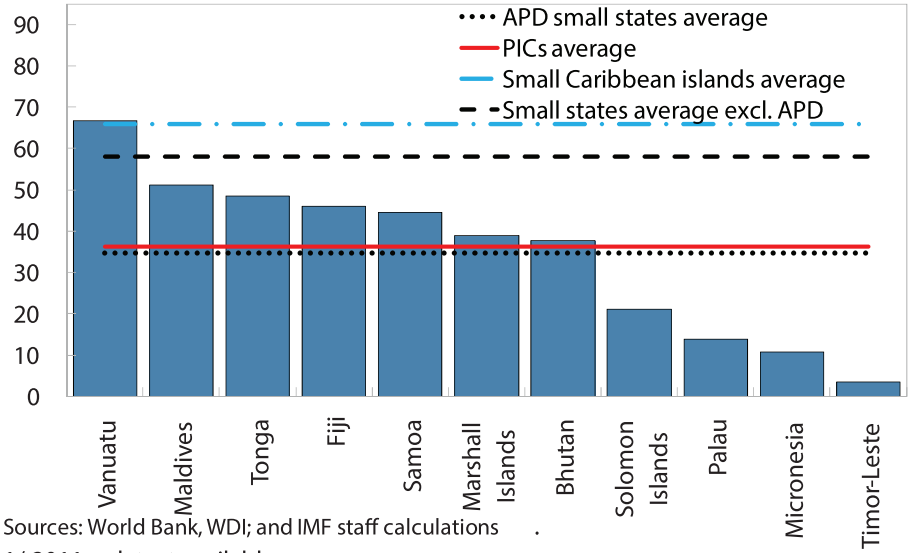
such as illegal, unreported and unregulated fishing (IUU) which is also a source of overall vulnerability for SIDS due to the risk of overexploitation of marine resources and the criminality involved.

- **Preference erosion**

The agricultural sector faces the unique but grave challenge of preference erosion as a result of a number of developments, such as the conclusion of preferential market access regimes by key trading partners (including the EU and the United States), and the global decrease in tariffs which have left many ACP SIDS in a less competitive stance vis-à-vis other developing country competitors. Within agriculture, the commodities which have been worst affect.

The characteristics of small island economy exports, in terms of a limited range of agricultural commodities such as fish, bananas, sugar and other tropical goods. These are commodities where ACP small island economies are facing preference erosion as a result of the end of preferential market access to the EU, or which are subject to frequent market price fluctuations, or where there is a falling demand worldwide.[63] Preference erosion is a particular challenge for ACP small island economies,[64] first, as a result of their historic favourable preference rates that meant they had better margins on the same products compared to other non-ACP producers. Second, their limited size and production capabilities mean that they generally cannot influence global trade policy the way that other larger or more productive developing countries could. This makes them very vulnerable to external trading developments, including the implications of trade policy reforms by the EU, and US and Australia and New Zealand. This is the case whether the small island is an LDC or not. As SIDS are very open to trade, and by and large they continue to pursue policies which further integrate them into the global economy, the need to address the challenge of preference erosion in SIDS was explicitly recognised in the Mauritius Strategy for the further Implementation of the Programme of Action for the Sustainable Development of Small Island Developing[65] States and further brought up in the Outcome of the Inter-regional preparatory meeting for the Third International Conference on Small Island Developing States[66]

Small States – Asia and Pacific Region: Main Exports in Goods and Services



Sources: World Bank, WDI; and IMF staff calculations .
1/ 2011 or latest available.

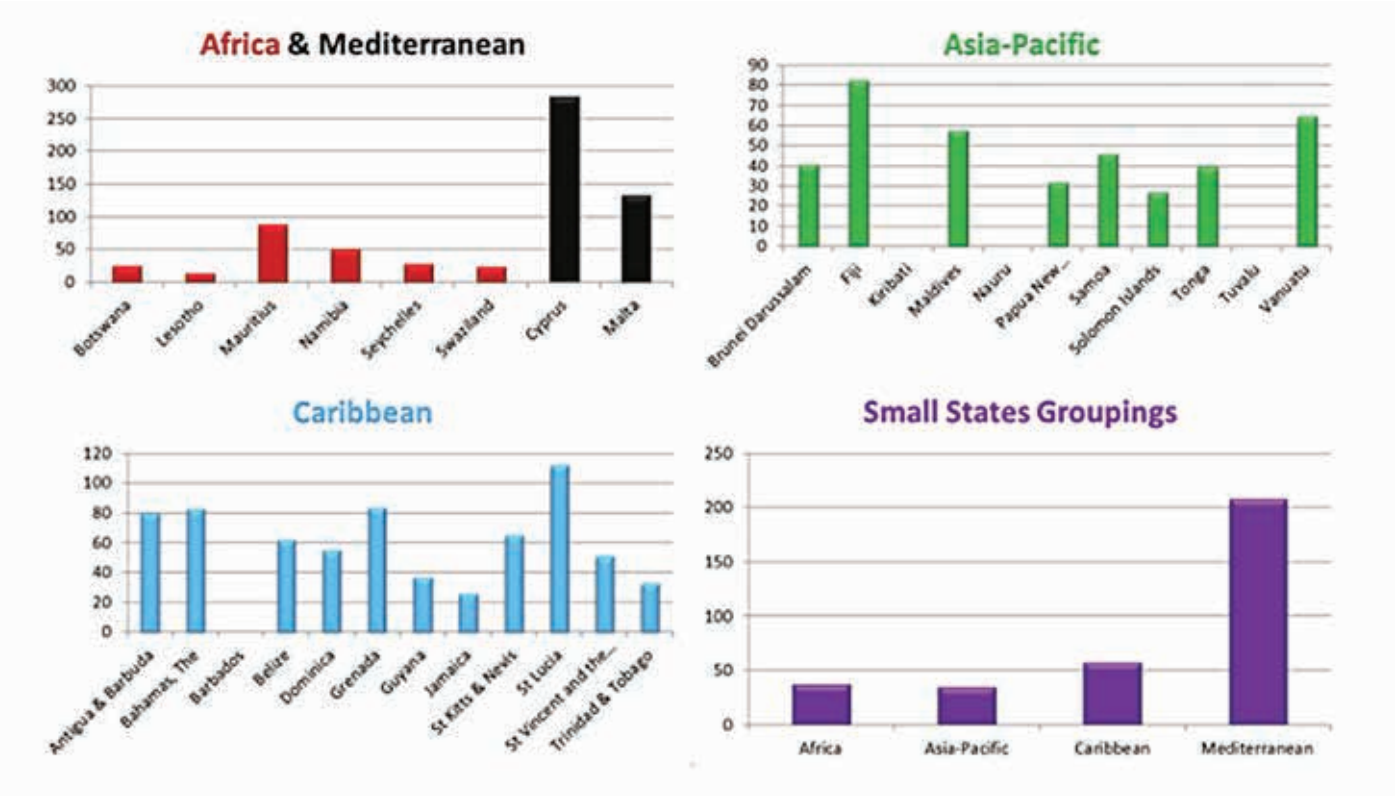
Source: IMF (2013) Asia and Pacific Small States: raising potential growth and enhancing resilience to shocks

During the period of 1980-1990, most SIDS experienced strong growths in GDP and their economies were boosted by reduction in tariffs and other barriers to trade, as well as increases in the volumes of tourism and certain agricultural commodities such as bananas.[67] The prices of commodities also increased remarkably, and the net growth in government revenues supported various projects and investments in hard and soft infrastructure. To this date, services (tourism and finance), and commodity based industries make up the bulk of the economic output of ACP small island economies, and tourism is singularly the most valuable economic sector in most SIDS.[68]

5.1 Private Sector development in SIDS

Private sector growth in SIDS has always been a challenge, both due to the structural characteristics of SIDS, such as their geographic size and remoteness from external markets. A persistent constraint to private sector development and expansion in SIDS has been the lack of access to finance to overcome the fixed costs related to doing business in a small island

Domestic credit to private sector (% of GDP)



Source: Commonwealth Secretariat (2014) Small States: Economic Review and Basic Statistics, Volume 17

economy.[69] The reasons why the private sector in SIDS has limited access to finance vary, and may even come as a surprise considering the size of the financial services sector in a number of SIDS. One issue is the strong presence of the public sector in financial services, which may dampen risk taking with respect to lending to small enterprises in economies that already face a high level of vulnerability. International finance is also hard to come by – the limited size of SIDS economy's is often not an attractive prospect to foreign financiers, and carrying out the analysis of fixed costs and risk evaluation to determine the likelihood of loan repayment may not be worthwhile for international lenders given the small size of financial assistance being requested by the private sector in SIDS.[70]

One very telling constraint in the capacity for effective government support of the private sector in SIDS is the lack of national data on private sector activities outside of the scope of finance. An evaluation by the Commonwealth Secretariat found a very large data gap in number of new business (limited liability company) registrations in a year; out of all the regions evaluated (Africa & Mediterranean, Asia-Pacific and Caribbean), none had a complete dataset and only six countries overall could provide data on new businesses registered (only three were small island economies: Samoa, Tonga and Jamaica). This data gap is exemplary of the sort of capacity limitations faced by SIDS, which are in need of more extensive market research and evaluation on *inter alia* their private sector.

Capacity limitations affect the private sector in SIDS more directly, in terms of the lack of human capacity. High levels of out migration of skilled and educated labourers, and the general underdevelopment of high-level education, training or capacity development in specialised areas means that the pool for qualified employees for technical or specialist activities is very shallow and small. This not only puts pressure on skilled staff to be responsible for a broader scope of tasks and responsibilities, but it also makes it difficult for businesses to diversify as the human resource availability for new business activities does not exist or has to be brought in from abroad at a higher cost. This issue is particularly prevalent in the Pacific Island economies. [71]

Select SIDS Ease of Doing Business Rankings 2013 vs 2014

Economy	2013 rankings	2014 rankings	Change
Antigua and Barbuda	66	71	- 5
Bahamas, The	76	84	- 8
Barbados	84	91	- 7
Comoros	160	158	+ 2
Dominica	69	77	- 8
Dominican Republic	112	117	- 5
Grenada	102	107	- 5
Haiti	177	177	0
Kiribati	117	122	- 5
Mauritius	20	20	0
Papua New Guinea	108	113	- 5
Seychelles	77	80	- 3
Solomon Islands	92	97	- 5
St. Kitts and Nevis	97	101	- 4
St. Lucia	59	64	- 5
Timor-Leste	167	172	- 5
Tonga	60	57	+ 3
Trinidad and Tobago	63	66	- 3

A robust, innovative and well regulated private sector is essential to economic growth, as a means of building competitiveness, research and innovation, and creating jobs.[72] These are all activities which are essential for SIDS to develop sustainably and resiliently, whether the productive involved is tourism or agriculture. Engagement of the private sector to build economic and climate resilience has been encouraged both by international institutional partners of SIDS, and also recognised by government in SIDS.[73]

5.2 Business climate in SIDS

SIDS vary in the degree to which they are considered to have an attractive business climate, and some stand out positively in the global rankings on ease of doing business. The World Bank compiled report Doing Business 2014: Understanding Regulations for Small and Medium-Sized Enterprises, saw only two ACP SIDS improve its ranking on the previous year, Tonga, which moved up from number 60 in the rankings to 57 and Comoros, from 160 to 158. Another country which continues to perform well is Mauritius, the highest ranking in position 20 of all ACP SIDS, and the only one in the top 50.

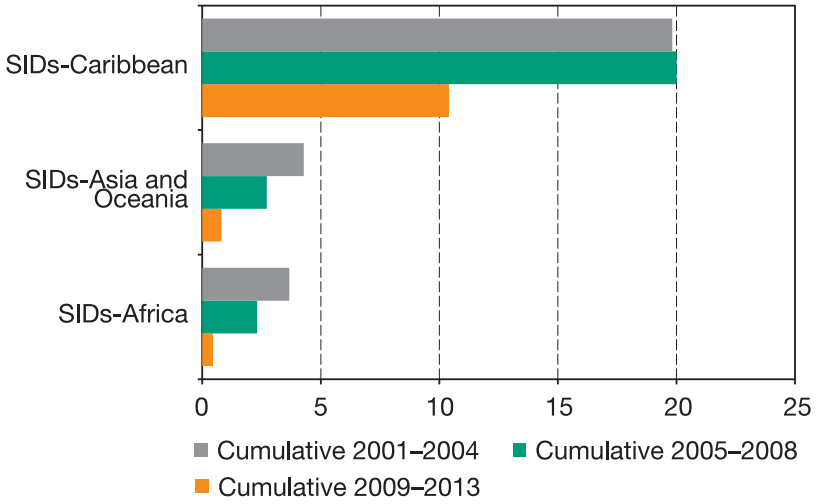
More worryingly is that not a single SIDS the Caribbean region saw its ranking improve from 2013 to 2014. In fact, the majority saw a drop in their ranking, with the greatest drops being registered by The Bahamas and Dominica, which moved down eight points in the ranking from position 76 to 84 for the former, and from 69 to 77 for the latter. On average, the Pacific SIDS saw their rankings in terms of ease of doing business fall by 5 points.

- **Foreign Direct Investment**

As a result of the global financial crisis in 2008/2009, all ACP SIDS experience a drop in the levels of FDI. Worst hit has been the Caribbean region, which experienced a 65% drop between the period of 2008 when FDI inflows where at US$558 million, to 2011 when they stood at only US$198 million. In the Pacific, FDI inflows also fell dramatically, from US$ 72 million in 2008 to US$ 18 million in 2011.[74]

Even without the impact of the global financial crisis, FDI in SIDS can be problematic. On the one hand, attracting FDI into SIDS is full of hurdles, on account of their structural characteristics, including small size, limited resources and capacity, and remoteness. On the other hand, the shallow capacity of SIDS also makes it difficult for them to reap the full advantages of FDI, as their absorp-

FDI flows to the SIDS by region, 2001-2013 (billions of dollars)



Source: UNCTAD FDI-TNC-GVC Information System, FDI/TNC database (www.unctad.org/fdistatistics).

tive capacity of new technologies and skills is limited. It is not necessarily the case that, because of these shortcomings, SIDS will necessarily attract less FDI, and Read (2010) argues that as a group, they historically attract disproportionately high levels of FDI. [75]

The unpredictable and turbulent nature of FDI in SIDS is a big challenge for small island governments and private sector. Data by UNCTAD shows that between 2011 and 2012, SIDS saw positive increases in their levels of inward FDI, such that FDI they increased by 10 per cent to $6.2 billion. As is the case with other economic indicators, there is a big variation in the levels FDI into SIDS, and most of the rise in FDI is accounted for by Papua New Guinea and Trinidad and Tobago, which are especially rich in natural resources compared to other SIDS.[76] Data from 2013 shows a marked drop in inward FDI into SIDS by 16% to $5.7 billion, with the manufacturing sectors worst affected, although tourism and the extractive sector continue to attract FDI.[77]

Variations in the levels of FDI are evident when comparing regional and sectoral data on FDI. At the regional level, the variation of levels of FDI into SIDS is dramatic, with the Caribbean consistently attracting the bulk of FDI, followed by the Asia/Oceania region and lastly, the African region. However, the African region managed to increase its share of SIDS FDI during the 2000 period, but this has fallen since 2013.

At the sectoral level, investors continue to be attracted to the tourism sector, and in a number of SIDS, there have been encouraging developments in the fisheries sector. Processed fish (along with textiles, apparel and garment assembly) constitute one of the export products which has received international financing, in part on account of preferential trade regimes.[78] Nevertheless, the most burgeoning sector continues to be the extractive and mining sector, which has been buoyed by the strong demand in

FDI flows and stock by sector, selected countries, various years (millions of dollars)

Sector/industry	FDI flows (average per year)						FDI stock	
	Jamaica		Mauritius		Trinidad and Tobago		Papua New Guinea	
	2001–2006	2007–2012	2001–2006	2007–2012	2001–2006	2007–2011	2006	2012
Primary	**141**	**71**	**3**	**4**	**768**	**796**	**1 115**	**4 189**
Mining, quarrying and petroleum	141	71	-	-	768	796	991	4 000
Manufacturing	**68**	**36**	**6**	**8**	**10**	**26**	**126**	**184**
Services	**169**	**238**	**78**	**363**	**43**	**487**	**61**	**149**
Business activities	67	133	18	146	..	..	..	..
Finance	..	..	37	114	..	..	43	64
Hotels and restaurants	99	106	10	46	..	..	3	5
Construction	..	..	2	31	..	..	..	..
Other services	3	-	11	26	..	..	14	80
Total	**663**	**587**	**87**	**375**	**876**	**1 344**	**1 350**	**4 576**
Unspecified	285	242	-	-	54	35	48	54

Source: UNCTAD FDI-TNC-GVC Information System, FDI/TNC database (www.unctad.org/fdistatistics).

Distribution of FDI flows among economies by range (2013)

Range	Inflows	Outflows
Above $1 billion	Trinidad and Tobago and Bahamas	..
$500 to $999 million	Jamaica	Trinidad and Tobago
$100 to $499 million	Barbados, Maldives, Fiji, Mauritius, Seychelles, Antigua and Barbuda, Saint Vincent and the Grenadines, Saint Kitts and Nevis and Solomon Islands	Bahamas and Mauritius
$50 to $99 million	Saint Lucia and Grenada	..
$1 to $49 million	Vanuatu, São Tomé and Principe, Samoa, Marshall Islands, Timor-Leste, Cabo Verde, Papua New Guinea, Dominica, Comoros, Tonga, Kiribati and Palau	Marshall Islands, Timor-Leste, Seychelles, Fiji, Saint Lucia, Antigua and Barbuda, Barbados, Grenada, Cabo Verde, Solomon Islands, Saint Kitts and Nevis and Tonga
Below $1 million	Federated States of Micronesia	Vanuatu, São Tomé and Principe, Samoa, Dominica, Saint Vincent and the Grenadines, Kiribati and Jamaica

[a] Economies are listed according to the magnitude of their FDI flows.

Source: UNCTAD World Investment Report 2014

primary commodities and the related commodities boom, as well as supportive government policies.

- **Remittances: source of income for SIDS**

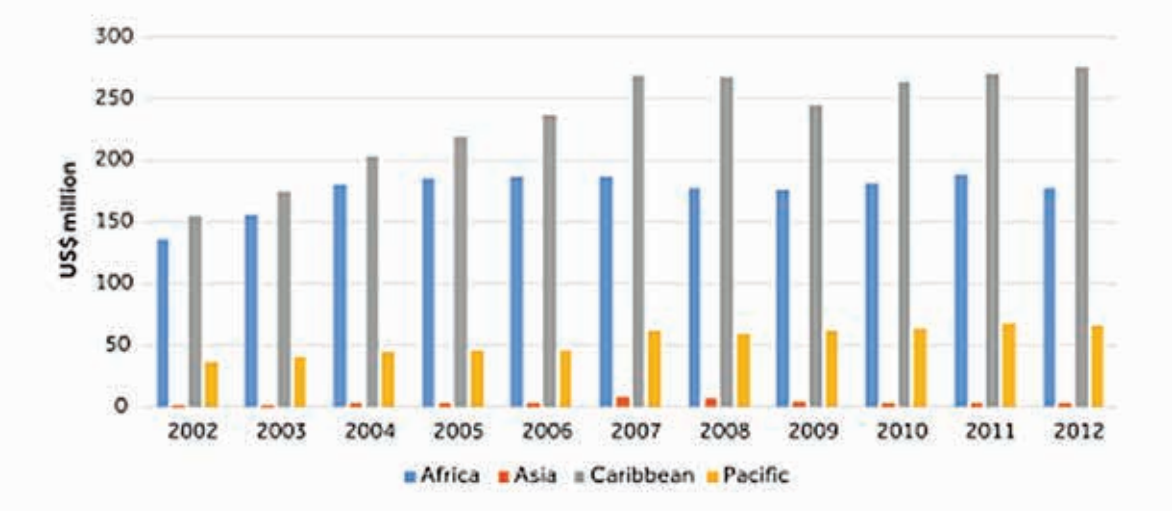
Remittances constitute a key revenue source for many developing countries and regions, and none more so than SIDS. According to the UN Department of Economic and Social Affairs, the effect of remittances on the economies of SIDS is greater than in any other part of the world.[79] However, one of the challenges that remittances present is that they are strongly seasonal and fluctuate. Nevertheless, as they are also a primary source of foreign exchange reserves and can buffer SIDS economies from other shocks such as sharp drops in exports as a result of natural disasters.

The ability of PICs to cope with external economic shocks varies across the region. Some economies are more globally integrated than others, but some have high import dependency and limited supplies of foreign sourced income (remittances, exports and tourism receipts).

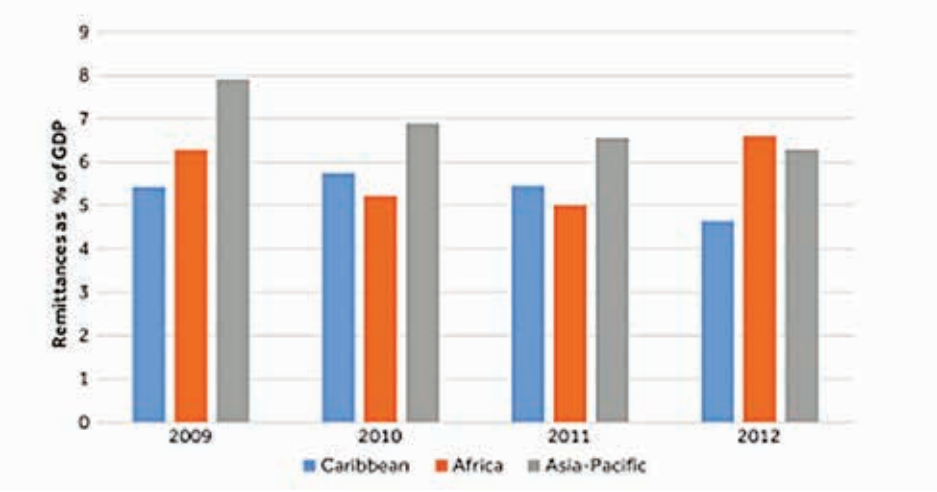
The contribution of remittance flows to output growth in the Pacific has been more than double that of the remittance flows to small island developing states in the Caribbean[80]. Remittance flows are particularly important for Tonga (24 per cent of GDP in 2010) and Samoa (25 per cent of GDP in 2010). However, for a number of states, including the Melanesian states (PNG, Solomon Islands and Vanuatu), remittance flows are very small, reflecting limited migration or foreign work opportunities.

During the global economic crisis, remittances as a percentage of GDP remained relatively stable in most

Remittances to small states by region (2002 – 2012)



Remittances as a share of GDP in small states by region (2009-2012)



Commonwealth Secretariat (2014) Small States: Economic Review and Basic Statistics, Volume 17

PICs, except for Tonga, where remittances fell. The principal sources of remittances to the Pacific are Australia, New Zealand and the United States[81]. For Samoa, 73 per cent of remittances derive from Oceania, and 27 per cent from North America. For Tonga, 50 per cent of remittances derive from Australia, and 48 per cent from the United States[82]. The relative buoyancy of the Australian economy over the past five years will have worked to partly cushion the effects on PICs from declining remittances during the global economic crisis. In contrast, the prolonged recession in the United States is likely to have led to lower remittance flows to a number of PICs.[83]

5.3 Diversification, value addition and innovation

Agriculture has been identified by various SIDS governments and regional bodies as a focal area for structural support, trade promotion and investment. It includes forestry, hunting and fishing, cultivation of crops and livestock production.[84] In the context of CARICOM for example, Sanitary and Phytosanitary measures have been singled out in the Regional Aid for Trade Strategy 2013-2015 as a key instrument to enhance competitiveness and facilitate trade expansion and diversion. In the face of a diminishing importance of tariff and other trade preferences and the increasing need for exports to achieve higher quality standards, the Strategy points out that

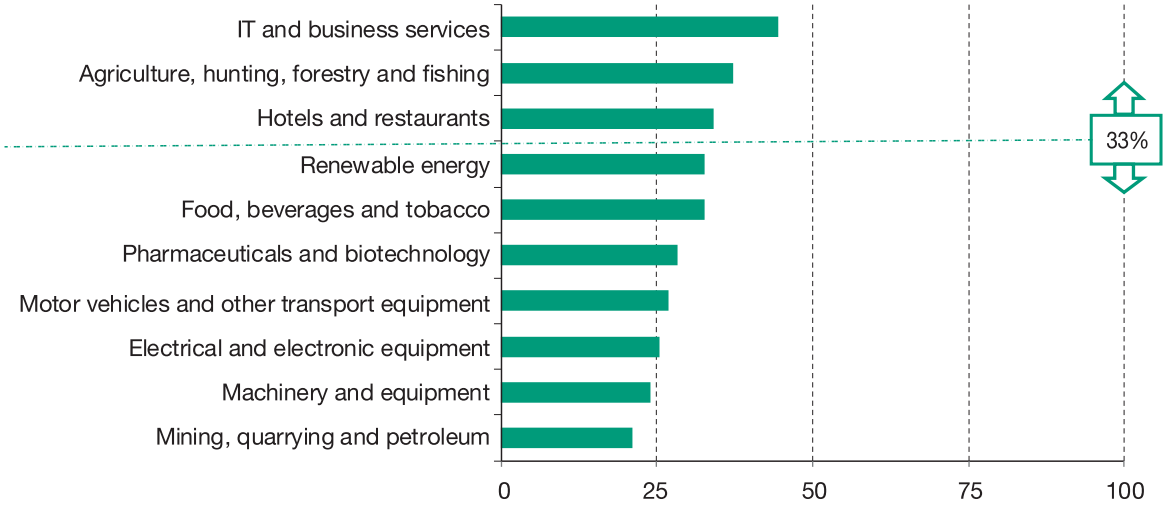
> *Today, the ability to satisfy standards and certify their attainment are now strong determinants of competitiveness and influence export performance. This trend is due to increased concern over food safety, technical regulations, and product standards, coupled with the fact that tariffs as a trade policy instrument are increasingly becoming irrelevant, especially in key export markets.*[85]

This position is generally reflective of the orientation towards standards, quality, differentiation and innovation that ACP small island economies who were historically dependent on the exports of non-traditional crops such as sugar and bananas are now adopting. This orientation has already brought with it a measure of success, particularly in Africa through the example of Mauritius and in the Caribbean.

There is a strong justification for the continued attention on agriculture by governments and the private sector. Agriculture presents very strong potential growth in response to increase in food demand that accompany population growth globally and the expansion of urban populations with more sophisticated consumer requirements in developing countries. This is further reinforced by the UNCTAD Global Investment Report which found in its most recent survey of investment promotion agencies, that agriculture and tourism were among the top target sectors for FDI after IT and business services.[86]

Agribusiness is essential to this orientation, as according to the FAO, it "denotes the collective business activities that are performed from farm to fork. It covers the supply of agricultural inputs, the production and transformation of agricultural products and their distribution to final consumers. Agribusiness is one of the main generators of employment and income worldwide. Agribusiness is characterized by raw materials that are mostly perishable, variable in quality and not regularly available. The sector is subject to stringent regulatory controls on consumer safety, product quality and

Top 10 target industries for investment incentive policies (per cent)



Source: UNCTAD survey of IPAs (2014).
Note: Based on number of times mentioned as one of the top five target industries.

environmental protection. Traditional production and distribution methods are being replaced by more closely coordinated and better planned linkages between agribusiness firms, farmers, retailers and others in the supply chains."[87]

A key dimension in the potential for agriculture to support sustainable economic growth in SIDS is its strong capacity to develop links with other sectors, including smart, innovative sectors. In its assessment of sustainable agricultural initiatives in the Caribbean, Compete Caribbean identifies "links with smart sectors" as one of the assessment criterion of a sustainable agricultural venture. These linkages could involve:[88]

- establishing innovative links with culinary and agro-tourism, or with naturalists and ecologists interested to engage in farming activities with their explorations;
- creating closer collaboration with private sector development and the application of appropriate technologies that simplify processing and provide power while at the same time minimizing fossil fuel consumption;
- applying alternate water and waste management systems;
- linking research to policy that place an emphasis on communicating and further developing the results in the field with the engagement of communities;
- integrating information and communication technologies (ICTs) in all aspects of farming and marketing, data and record keeping, integration of data systems and the use of GIS systems to overlay farm structure and natural resources surveys;
- collaborating with education systems and applied learning – targeting in particular curriculum development and applied farming for youth and adults.

In this regard, the initiatives of various agribusinesses in the agricultural sector of ACP SIDS is exemplary, as they have achieved successes in diversification, value addition and innovation notwithstanding the aforementioned challenges faced by the private sector and resulting from the structural deficiencies of small island economies. These initiatives concern various stages or processes in the supply chain and demonstrate the opportunities, solutions and partnerships encountered and developed under the initiatives.

- **Certification and labelling**

Certification in the agricultural industry involved the establishment of voluntary or mandatory standards, often backed by a public or private sector instrument or institution, in order to provide consumer guarantee that certain pre-specified standards have been met for a specific product. Certifications vary from the most stringent to the most flexible, and including initiatives such as organic labelling, fair trade or equitable labelling and other such schemes.[89]

There are numerous benefits which have been argued in favour of certification and labelling as forms of value addition for the agricultural sectors of SIDS, not least the fact that there are a range of schemes which can suit the needs of specific producers or commodities and also the demands of the consumer in the importing country. In fact,

there are over 400 recorded eco-labelling programmes implemented in 197 countries in 25 industries. The lack of a comprehensive accepted standard for all these schemes is one of criticisms that is sometimes levied against fair trade labelling, as there is a risk that standards could be adopted which serve as technical or non-technical barriers to trade, and essentially disadvantage smaller exporters, especially in regions such as SIDS, by comparison to larger, more sophisticated exporters.[90]

In addition to the potential for premium prices on the basis of eco-labelling, evidence also suggests that the reforms undertaken to meet the certification standards and criteria are in themselves beneficial to producers, as they can result in better quality goods, higher yields, increased business and operation efficiency including through access to credit and insurance.[91]

Bananas and sugar, both fundamental agricultural commodities for many SIDS, provide an example of the scope for labelling and certification, whereby up to 90% of banana producers in the Windward Islands for example, have a fair trade certification.[92]

Beyond fair trade, agricultural producers in ACP SIDS are becoming more ambitious in seeking premiums for their goods, and as a result, there is an increase in the number of organic producers and exporters from the ACP SIDS. This has largely been spurred on by changes in consumer demand and also the changes in the trading circumstances of ACP SIDS. With respect to consumer demand, a number of SIDS now find that their biggest trading partners (EU, USA, Australia/ New Zealand, Japan…) now have substantial markets for organic products, which cannot be satisfied by domestic production alone. The Caribbean is especially favourably positioned, due to its proximity to the United States is the world's biggest market for organic produce.[93]

Organic hectares per country

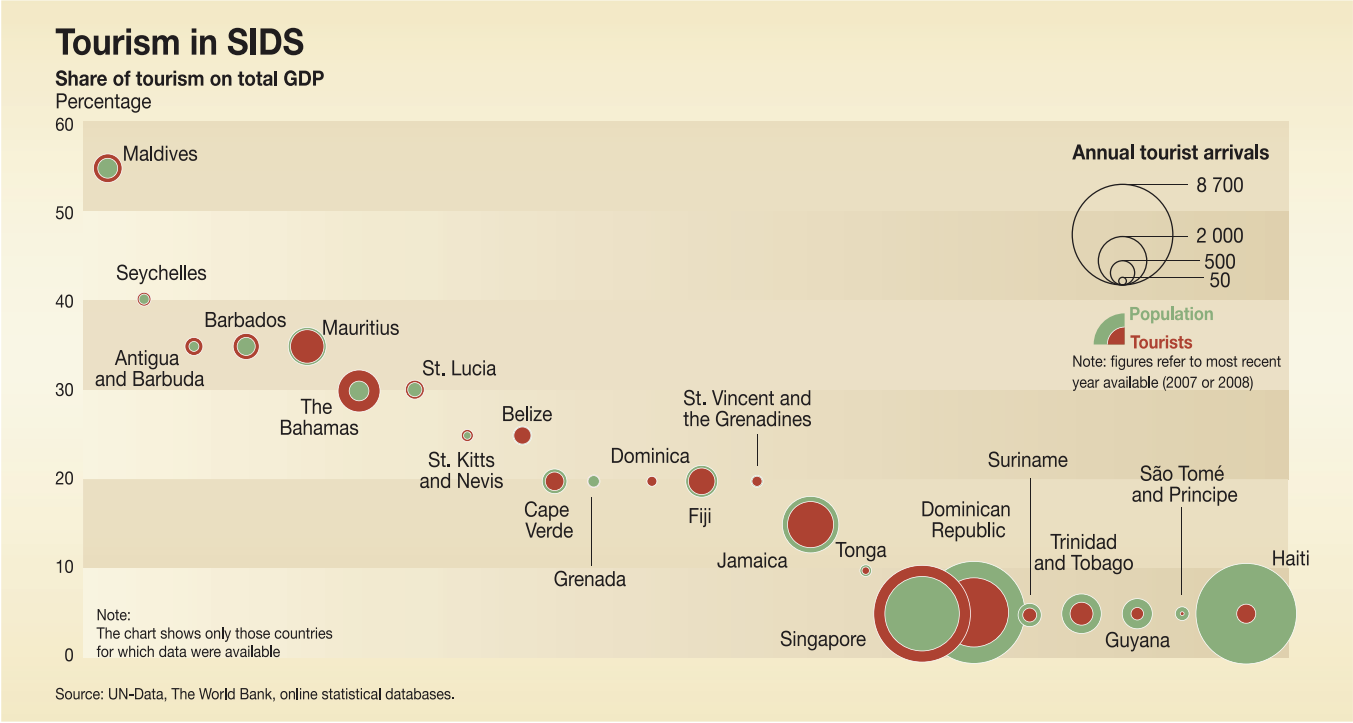
Country	Organic Hectares (Source: Paull 2011)
Antigua and Barbuda, Bahamas, Barbados, Dominica, St Kitts & Nevis, St Lucia , St Vincent & The Grenadines, Trinidad &Tobago	0
Grenada	40
Haiti	54
Jamaica	542
Belize	1,177
Cuba	2,209
French Guiana	3,974
Guyana	4,249
Dominican Republic	186,931
Total hectares	199,082

Source: Tandon, N. (2013) Compete Caribbean. Sustainable agricultural initiatives in the Caribbean: Realities from the field

Dominica's Organic Island Initiative focuses on development and implementation of a 10-year programme of action to establish the country as an 'Organic Island' and wellness tourism destination. The initiative aims to 'coalesce the food, the activities, the eco-tourism and agro-tourism opportunities into a high end unspoilt image of the country' (Government of the Commonwealth of Dominica *et al*., 2006).

Although eco-labelling standards challenge market access for exports from poor and vulnerable economies, there is evidence that eco-labelling can also be an avenue for gaining access to niche markets in which a premium price is paid for 'green' products. For some producers, eco-labelling can present an opportunity to add value to existing products, expand reach in existing markets, or maintain market share in a competitive environment through product differentiation and therefore provide these exporters with potential to enhance their export earnings[94].

Premium products should not only be considered for the export market. A recent study into Dominica's potential as an "Organic Island" involved a survey whose results showed that Dominican consumers were on average willing to pay 17.5 % more for organic, and 12 % more for locally grown, produce.[95] This study was undertaken in the context of Dominica's intention to totally eliminate chemical inputs into national agricultural production by 2015[96]. Other Caribbean governments have not pursued the potential for organic agriculture with the same enthusiasm as Dominica, notwithstanding substantial private sector and civil society intervention in favour of government action on the issue.[97]



5.4 Strengthening tourism-agricultural linkages

- **Significance of tourism in SIDS**

Tourism is one of the world's largest business sectors, growing by a staggering 90% from 1995 to 2010. It is responsible for over 250 million jobs or more than 8% of total employment and accounts for over 9% of the world's GDP[98]. This sector involves large global movement of people annually, and the supply chain extends from the cities of the north to remote islands. Tourism is a vital sector of the economies of most SIDS. The social, economic and environmental well-being of many SIDS is tied to this sector[99].

The travel and tourism sector is a key economic sector for SIDS in terms of earnings and jobs. Indeed, many SIDS are highly dependent upon revenue gained from tourist arrivals and through tourist-related activities. Tourism is the largest foreign exchange for many SIDS, focusing primarily on fragile biotic systems like beaches, reefs and other coastal resources that are often over-exploited as tourism products[100]. With regard to the Caribbean, travel and tourism accounts for 14.8 percent of GDP, 12.9 percent of employment and 14.6 percent of total exports, and much higher fractions for some islands[101]. Tourism is the life-blood of many Caribbean economies, which will shrink with the estimated impacts of climate change, although Caribbean nations have contributed little to the release of greenhouse gases that drive climate change[102]. Relative to its size, the island population of the Caribbean is more dependent on income from tourism than that of any other part of the world[103].

The Pacific has a similar economic profile with GDP shares of travel and tourism at 11.7 percent, employment shares at 12.4 percent, and export shares at 16.9 percent of GDP. However, for both regions ten-year forecasts (2018) by the World Travel and Tourism Council (2008) suggest declining contributions from travel and tourism to GDP and employment, but not to exports.

SIDS, which generally are long-haul destinations from key source markets like North America and Europe, have raised concerns regarding the potential adverse impact of prospective climate regulation of the air travel and shipping sectors and consumer preferences shifting in favour of short-haul destinations. Some governments and companies have also 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 travel and tourism to SIDS. On the other hand, the cost of inaction on climate change could be even more dismal.

- **The opportunities offered by agritourism**

In its report on Agritourism Development in the Caribbean, the Inter-American Institute for Cooperation on Agriculture (IICA) defines agritourism in a broad way based on the activities of the agritourism sector in the Caribbean, namely selling local products and showcasing indigenous traditions that pertain to food and non-food items. Its review of the agritourism sector in the Caribbean identified six different linkages between agriculture and tourism from which it derived a number of case studies[104]:

Agritourism is perhaps one of the most promising avenues for diversification and trade growth for the agricultural sector in SIDS as it makes use of what is already the strongest economic sector of most SIDS. By integrating these two economic activities agritourism also presents opportunities for stronger collaboration to address areas of vulnerability that affect both sectors, such as climate change, environmental degradation, lack of private sector finance, changes in consumer habits and spending and limited economies of scale.

High quality food, every day of the year, is essential to hotels, lodges and resorts. Often the food purchasing bill of a tourism site is large in the context of the local economy, but surprisingly little is spent locally, even when farmers are nearby. The challenges of shifting food-sourcing to local farmers are considerable, yet if it can be done in a way that meets commercial needs and customer tastes, this is one way in which tourism operations can significantly increase their contribution to local economic development. Common problems of sourcing products locally are well known – inadequate quality, reliability, or volume of produce, exacerbated by poor transport and lack of communication and information between supplier and purchaser.

A frequent problem in increasing inter-sector linkages is often the mis-match between supply and demand and the lack of intermediary support structures that enable buyers and suppliers to come together.

The Farmers Programme initiated and supported by the Sandals Group in the Caribbean is a good example whereby a private sector entity focuses on all three categories by becoming engaged in a) channelling and creating demand for local products among its staff and customers; b) supporting the supply side to deliver quality and quantity required; and c) establishing workable communication structures between supply and demand through the Rural Agricultural Development Authority (RADA) and Continuing Education Program in Agricultural Technology (CEPAT).

6. The way forward

Equitable and sustainable development in SIDS will face new challenges[105]. Many crucial but unresolved issues remain. Many global uncertainties, amongst which global climate change, rising oil and food prices, and changing patterns of south-south trade are of rising concern. The importance of strengthening governance, establishing political stability, implementing better macro-economic policies and building human capital are immediate priorities.

However, *Doing Business in Small Island Developing States 2009*[106] finds that a third of SIDS introduced regulatory reform to make doing business easier in the past year. At the same time, island nations currently boast some of the world's most efficient practices. The report is the second in a series to examine the performance of 33 small island states—from Antigua and Barbuda to Vanuatu—using *Doing Business* indicators. The report finds out that small economies can attain a relatively high level of GDP per capita if they adopt appropriate policy stances, a phenomenon described as the 'Singapore Paradox'. Singapore, although highly exposed to exogenous shocks, has managed to register high rates of economic growth and attain a high GDP per capita due to its ability to build resilience in the face of external shocks[107].

Challenges to trade of goods and services in SIDS, including increasing competition from other emerging economies as a result of globalisation, preference erosion as a result of various factors, such a graduation from LDC to middle income status, or the termination of certain preference schemes or even the extension of preferences by key trading partners to the main competitors of small island competitors. All of these damaging factors have been exacerbated by climate related incidents which have on average cost SIDS a percentage of their GDP annually and have also led to policy reforms which decrease the attractiveness of long haul air travel, thus affecting tourism in SIDS.

The economic vulnerability of small island states can never be fully prevented, as their economies and populations are too small to allow for a large manufacturing sector. As a result, they should pursue their comparative advantage by exporting raw or semi processed materials, tourism and the filling of niche markets. The best way they can protect themselves is by good economic management[108]. Regional integration and sharing of best practices within region and across regions will be determinant.

Mauritius has become a middle-income country due to proper economic and social policies that have reduced the vulnerability of Mauritius to external factors, and increased its resilience to both economic and political shocks[109].

SIDS are also advancing a proactive agenda looking at adaptation and mitigation in tandem, urging the development, dissemination and transfer of efficient energy technologies that can assist developing countries in mitigating the effects of climate change and developing green growth policies.

A critical component of the future framework of SIDS is the forging of strong partnerships in order to acquire much needed global financing and a better trade environment. In this regard, the next conference on Small Island Developing States in Samoa in September will be a key moment for SIDS to make their voices heard on the international stage. For a sustainable way forward, weaknesses need to be addressed but equally strengths need to be built on. In SIDS those strengths can be grouped together under the heading of resilience.

Clearly, a broadening of the economic base where it is possible would result in more diversified production and export structures, thereby creating potential for PICs to better withstand external economic shocks. Enhancing export capacity, and the diversification of exports and export markets, may therefore assist some countries to achieve greater internal stability during periods of economic shocks. Identifying the opportunities of regional markets and providing incentives to facilitate intra-regional trade in agricultural and processed goods should be strengthened.

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WEBSITES

ADB

Asian Development Bank
www.adb.org/

AOSIS

Alliance of Small island States
http://aosis.org

BizClim

ACP Business Climate
http://www.acpbusinessclimate.org/bizclim/

CARIB-EXPORT

Caribbean Export Development Agency
http://www.carib-export.com/

CARDI

Caribbean Agricultural and Development Research Institute
http://www.cardi.org/

CARICOM

CARICOM Secretariat
http://www.caricom.org

Caribbean Agribusiness
http://www.agricarib.org/primary-dropdown/caribbean-agribusiness-organizations

CBI – Caribbean Basin Initiative
http://ctrc.sice.oas.org/prefar_e.ASP

CCCCC - Caribbean Community Climate Change Centre
http://www.caricom.org/jsp/community/ccccc.jsp?menu=community

CIMH - Caribbean Institute for Meteorology and Hydrology
http://www.cimh.edu.bb

Climate Funds Update
http://www.climatefundsupdate.org/

CMO - Caribbean Meteorological Organization (CMO)
http://www.cmo.org.tt/

CRFM – Caribbean Regional Fisheries Mechanism
http://www.caricom-fisheries.com/

Office of Trade Negotiations (OTN)
http://www.crnm.org/

CDB

Caribbean Development Bank
http://www.caribank.org/

CTA

Technical Centre for Agricultural and Rural Cooperation: http://www.cta.int/
Brussels Development Briefings : http://brusselsbriefings.net
ICT Update: http://ictupdate.cta.int/
Agritrade: http://agritrade.cta.int
Knowledge for Development: http://knowledge.cta.int
Brussels policy News: http://brussels.cta.int

EUROPEAN UNION

DIREKT. Small Developing Island Renewable Energy Knowledge and Technology Transfer Network.
http://www.direkt-project.eu/

FAO

FAO Agribusiness Development
http://www.fao.org/ag/ags/agribusiness-development/en/

FAO Small Islands Development States
http://www.fao.org/sids

FAO Petits Etats insulaires en développement
http://www.fao.org/SIDS/index_fr.asp

GCCA

Global Climate Change Alliance
http://www.gcca.eu/pages/1_2-Home.html

Alliance Mondiale contre le Changement Climatique
http://www.gcca.eu/pages/1_1-Accueil.html

GIN

Global Island Network (GIN)
http://www.globalislands.net/

IDB

Inter-American Development Bank
http://www.iadb.org/

IICA

Inter-American Institute for Cooperation on Agriculture (IICA)
http://www.iica.int/eng

IFAD

International Fund for Agricultural Development
http://www.ifad.org/IOC

IOC

Indian Ocean Commission
http://www.coi-ioc.org/

MSG

Melanesian Spearhead Group
http://www.msgsec.info/

OECS

Organization of Eastern Caribbean States
http://www.oecs.org/

PIFS

Pacific Island Forum Secretariat (PIFS)
http://www.forumsec.org/

SIDSnet

Small Island Developing Network (SIDSnet)
http://www.sidsnet.org/

SPC

Secretariat of the Pacific Community
http://www.spc.int/

Applied Science & Technology Division (SOPAC)
http://www.sopac.org/

Secretariat of the Pacific Regional Environment Programme (SPREP)
http://www.sprep.org/

UNITED NATIONS

United Nations Conference on Trade and Development (UNCTAD)
http://unctad.org/en/Pages/Home.aspx

United Nations Economic and Social Commissions for Asia & the Pacific (UNESCAP)
http://www.unescap.org/

The United Nation's Framework Convention on Climate Change Secretariat (UNFCCC)
http://unfccc.int/2860.php

United Nations Industrial Development Organisation
http://www.unido.org/

UN Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States
http://www.un.org/ohrlls/

World Meteorological Organization WMO -
http://www.wmo.int/pages/index_en.html

World Tourism Organisation (UNWTO)
http://unwto.org/

ACRONYMS

ACP	African, Caribbean and Pacific Group of States
AfT	Aid for Trade
AMFX	"Adjusted" Market Flexibility (Component of the ERI)
AOSIS	Alliance of Small Island States
BPOA	Barbados Programme of Action
CABA	Caribbean AgriBusiness *Association*
CAHFSA	Caribbean Agriculture Health and Food Safety Agency
CARICOM	Caribbean Community
CARIFORUM	Caribbean Forum of ACP States
CARIFTA	Caribbean Free Trade Association
CBD	Convention on Biological Diversity
CDEMA	Caribbean Disaster Emergency Response Agency
CDP-EVI	Economic Vulnerability Index of the UN Committee for Development Policy
CFNI	Caribbean Food and Nutrition Institute (CFNI),
CNIRD	Caribbean Centre for Integrated Rural Development
COTED	Committee on Trade and Economic Development
CROSQ	Caribbean Regional Organisation for Standards and Quality
CPI	Corruption Perception Index
CPIA	World Bank's Country Policy and Institutional Assessment
CSME	CARICOM Single Market and Economy
DBI	Doing Business index
DDA	Doha Development Agenda
DSI	Dependence on Strategic Imports (Component of the EVI)
DST	Disaster Proneness (Component of the EVI)
ECCB	Eastern Caribbean Central Bank

ECCU	Eastern Caribbean Currency Union
ECFIN	DG Economic and Financial Affairs of the European Commission
EEA	European Environment Agency
EFWI	Economic Freedom of the World Index
EH	Environmental Health (Component of the EPI)
ENV	Environmental Management (Component of the ERI)
ENVI	Environmental Vulnerability Index
EPA	Economic Partnership Agreement
EPI	Environmental Performance Index
ERI	Economic Resilience Index
ESCAP	UN Economic and Social Commission for Asia and the Pacific
EV	Ecosystem Vitality (Component of the EPI)
EVI	Economic Vulnerability Index
EU	European Union
EXC	Export Concentration (Component of the EVI)
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment
FNP	Financial Prudence (Component of the ERI)
FNR	Financial Riskiness (Component of the ERI)
GATT	General Agreement on Tariffs and Trade
GATS	General Agreement on Trade in Services
GCI	Global Competitiveness Index
GCI	Global Competitiveness Indicators
GDP	Gross Domestic Product
GNI	Gross National Income
GM/UNCCD	Global Mechanism / United Nations Convention to Combat Desertification
GVI	Geographic Vulnerability Index

GVN	Governance (Component of the ERI)
HDI	Human Development Index
ICT	Information and Communications Technology
IDA	International Development Association OF THE World Bank
IDB	Inter-American Development Bank
IMF	International Monetary Fund
IPCC	Intergovernmental Panel on Climate Change
LAC	Latin America and the Caribbean
LDCs	Least Developed Countries
MFN	Most Favoured Nation
MFX	Market Flexibility (Component of the ERI)
MSI	Mauritius Strategy of Implementation
PICs	Pacific Island Countries
PIFS	Pacific Islands Forum Secretariat
PISLM	Partnership Initiative for Sustainable Land Management
PPP	Public Private Partnership
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OECS	Organisation of Eastern Caribbean States
OPN	Trade Openness Index (Component of the EVI)
SIDS	Small Island Developing States
SILDEs	Small Island and Littoral Developing Economies
SOC	Social Development (Component of the EVI)
SOPAC	South Pacific Applied Geoscience Commission
SPARTECA	South Pacific Regional Trade and Economic Cooperation Agreement
SPREP	*Secretariat of the Pacific Regional Environment Programme*
SPS	Sanitary and Phytosanitary Measures

STB	Macroeconomic Stability (Component of the ERI)
SVE	Small Vulnerable Economies
SVI	Social Vulnerability Index
TBT	Technical Barriers to Trade
TRIPS	Trade-Related Aspects of Intellectual Property Rights
UN	United Nations
UNCCD	United Nations Convention to Combat Desertification
UNCED	United Nations Conference on Environment and Development
UNCTAD	United Nations Conference on Trade and Development
UNDESA	United Nations Department of Economic and Social Affairs
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFCC	United Nations Framework on Climate Change
UN-OHRLLS	United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States
V&R	Vulnerability and Resilience
WGI	World Governance Indicators
WHO	World Health Organization
WTO	World Trade Organisation

GLOSSARY

Agribusiness

Agribusiness denotes the collective business activities that are performed from farm to fork. It covers the supply of agricultural inputs, the production and transformation of agricultural products and their distribution to final consumers. Agribusiness is one of the main generators of employment and income worldwide and particularly in ACP countries.

Capacity development

The process by which people, organizations and society systematically stimulate and develop their capacities over time to achieve social and economic goals, including through improvement of knowledge, skills, systems, and institutions.

Climate change

The climate of a place or region is changed if over an extended period (typically decades or longer) there is a statistically significant change in measurements of either the mean state or variability of the climate for that place or region.

Eco-labelling

Eco-labelling is a form of sustainability measurement that is intended to make it easy for consumers totake environmental concerns into account when purchasing products.

Ecotourism

Ecotourism is defined as “responsible travel to natural areas that conserves the environment and improves the well-being of local people”. Ecotourism is about *uniting conservation, communities, and sustainable travel*.

Exogenous shocks

An event that has a significant negative impact on the economy and that is beyond the control of the government. That could include commodity price changes (including oil), natural disasters, and conflicts and crises in neighbouring countries that disrupt trade.

Green economy

The green economy or green growth approach is based on improving human well-being and social equity, that significantly reduces environmental risks and ecological scarcities. It recognizes the value of and invests in natural capital: biodiversity, natural assets, such as forests, lakes, wetlands and river basins, which are vital in ensuring the stability of the water cycle and its benefits to agriculture and households.

Least Developed Country (LDC)

Least Developed Countries are those assessed as having particularly severe long-term constraints to development. Inclusion on the list of Least Developed Countries is now assessed on two main criteria: economic diversity and quality of life.

Resilience

The capacity of a system to absorb disturbance and reorganize while undergoing change so as to still retain essentially the same function, structure, identity and feedback. Resilience means the ability to “resile from” or “spring back from” a shock.

The resilience of a community in respect to potential hazard events is determined by the degree to which the community has the necessary resources and is capable of organizing itself both prior to and during times of need.

Small Farmers

Small Farmers (SF) are producers who are not structurally dependent on permanent hired labour and who manage their production activity mainly with own and family labour.

Small farmers Organisation

Small Farmer Organisation (SFO) is a group primarily consisting of organised small farmers who work for themselves, for example a co-operative or association.

Small Island Developing States

Small Island Developing States (SIDS) comprise small islands and low-lying coastal countries that represent a diverse group in a number respects. The United Nations currently classifies 52 countries and territories as SIDS.

Sustainability

Sustainability means the capacity of economic, social, institutional and environmental aspects of human activity, and the non-human environment, to continue into the long-term.

Sustainable Development

Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

Vulnerability

The propensity of social and ecological systems to suffer harm from exposure to external stresses and shocks. Research on vulnerability can assess how large the risk is that people and ecosystems will be affected by climate changes and how sensitive they will be to such changes. Vulnerability is often denoted as the antonym of resilience.

Endnotes

1 UN-OHRLLS. 2009. *The Impact of Climate Change on the Development Prospects of the Least Developed Countries and Small Island Developing States,* p.8 http://www.unohrlls.org/UserFiles/File/LDC%20Documents/The%20impact%20of%20CC%20on%20LDCs%20and%20SIDS%20for%20web.pdf

2 *Ibid.*

3 United Nations Department of Economic and Social Affairs. 2013. *Financing for Sustainable Development in Small Island Developing States (SIDS)*, p.3.

4 World Development Indicators.

5 UNDP, *Human Development Report 2013.*

6 Global Centre for Public Service Excellence. 2014. *Small, So Simple? Complexity in Small Island Developing states,* p.8. http://www.undp.org/content/dam/undp/library/capacitydevelopment/English/Singapore%20Centre/GPCSE_Complexity%20in%20Small%20Island.pdf

7 List of SIDs: http://www.unctad.org/Templates/Page.asp?intItemID=3645&lang=1

8 The AOSIS is an ad hoc lobby and negotiating voice for SIDS within the UN system http:www.aosis.info

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12 European Union. 2014. *Input of the European Union and its Member States In view of the 1st Preparatory Committee of the Third International Conference on Small Island Developing States (SIDS),* p.3.

13 Vossenaar, Rene. 2004. Is a special treatment of Small Island Developing States possible? United Nations Conference on Trade and Development. (p. v)

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