

# Partnerships Briefs for Small Island Developing States



## Sustainable Economic Development



Division for Sustainable Development  
UNDESA  
2014

# Introduction

**THE THIRD INTERNATIONAL CONFERENCE ON SMALL ISLAND DEVELOPING STATES** (SIDS Conference) will be held from 1 to 4 September 2014 in Apia, Samoa, with the overarching theme as “The sustainable development of small island developing States through genuine and durable partnerships”.

The SIDS Conference will include six multi-stakeholder partnership dialogues (Partnership Dialogues) that will serve as a forum to build on existing successful partnerships as well as to launch innovative and concrete new ones, to advance the sustainable development of Small Island Developing States (SIDS).

Member States have identified six clusters of priority areas that the Partnership Dialogues will address respectively. These are: Sustainable Economic Development; Climate change & Disaster Risk management; Social development in SIDS, Health and Non-communicable diseases (NCDs), youth and women; Sustainable energy; Oceans, Seas and Biodiversity; Water and Sanitation, Food Security and Waste Management.

The SIDS 2014 Partnerships Briefs have been prepared by the Division for Sustainable Development (UN-DESA) in consultation with the UN System through the Executive Committee on Economic and Social Affairs (ECESA Plus), with the intent to contribute to the preparations leading up to the Partnership Dialogues by:

- Reviewing key priorities related to SIDS in the selected priority area,
- Reviewing existing north-south, south-south, and triangular partnerships in the selected priority area, and
- Identifying gaps in the priority area, which could inspire renewal, build-up and scale-up of existing partnerships, and the launching of new innovative partnerships, focusing on public-private partnerships.

The current Partnership Brief will look at the priority area of “Sustainable Economic Development”, and highlights illustrative examples of existing partnerships based on information available in the SIDS 2014 Partnerships Platform ([www.sids2014.org/partnerships](http://www.sids2014.org/partnerships)) and as indicated through consultations with the Secretariat of the SIDS Conference

# Challenges related to Sustainable Economic Development in SIDS

**SMALL ISLAND ECONOMIES TEND TO HAVE FAIRLY** narrow economic bases, limited product and market diversification, lack of economies of scale and high dependency on international trade. Multilateral trade liberalization and globalization present both opportunities and challenges to SIDS including the erosion of trade preferences. Many SIDS economies depend heavily on service industries, particularly travel and tourism<sup>1</sup>, ICT enabled business process outsourcing (BPO)<sup>2</sup> and financial services<sup>3</sup>. Few SIDS economies are still resources-based, such as Trinidad and Tobago and Papua New Guinea<sup>4</sup>.

Although the patterns, GDP growth rates and income levels are not homogenous across SIDS, the vulnerabilities they share lead to some common challenges to their sustainable economic development.

Due to their openness, the global economy and external landscape have wide-ranging impacts on the economic development in SIDS. In the event of

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1 In SIDS such as Aruba, Antigua and Barbuda, UK Virgin Islands, Anguilla, Seychelles and Vanuatu, the contribution of travel and tourism to GDP is higher than 50%.

2 SIDS such as Mauritius, Fiji, Jamaica are becoming popular destinations for Business Process Outsourcing.

3 Many SIDS host financial activities that are separated from major regulating units (states) by geography and or by legislation in the form of Offshore Financial Centres (OFCs).

4 According to the World Development Indicator database, mineral rents accounted for 35.55% of Papua New Guinea's GDP in 2011, while natural gas rents accounted for 24.48% and oil rents accounted for 13.16% of Trinidad and Tobago's GDP.

a global financial crisis, the SIDS hosting offshore financial centres (OFCs) would be directly affected through financial-market linkages. Trade is another channel for crisis transmission. Because of the high reliance on trade, SIDS could be severely affected by financial crisis through disruption of trade financing, while global recession can depress islands' merchandise exports and tourist arrivals, as occurred following the recent crisis. On the other hand, cost-cutting measures in developed countries could result in higher demand in the BPO-sector. Meanwhile, for SIDS with a large overseas population such as Dominican Republic and Jamaica, declining remittances during crisis could significantly reduce their national income.

Debt sustainability is a long-standing challenge facing many SIDS<sup>5</sup>. High public indebtedness limits the fiscal space for governments to respond effectively to external shocks. Improved public sector capacity, particularly in the area of sustainable fiscal management and debt sustainability, would be instrumental for sustainable economic development in SIDS.

Some argue that there is a potential for SIDS to pursue sustainable economic development through steadily raising economic productivity, generating

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5 The IMF has identified nine small islands as either already in debt distress or at high risk of it, including Comoros, Grenada, Guinea-Bissau, Haiti, Maldives, Sao Tome and Principe, St Lucia, St. Vincent, the Grenadines and Tonga. (IMF, Preserving Debt Sustainability in Low-Income Countries in the Wake of the Global Crisis, April 2010, p.17)

income and employment by fully utilizing their endowments and resources in a sustainable manner, paying particular attention to the sustainable management of their environmental assets as well as human resources.

In doing so, it is crucial for SIDS to adopt integrated planning of economic activities to decouple economic development from environmental degradation. This is especially important in view of their small surface areas, the fragility of their coastal ecosystems and the heavy dependence on tourism. The tourism industry for example, if not properly planned and managed, can lead to significant environmental degradation and irreversible damages to the fragile ecosystems on which SIDS rely. Sustainable tourism development should fully take into account compatible land use, water management, coastal zone management, the development of protected areas, the promotion of distinctive cultures, involvement of local communities, among others, and address them in an integrated manner.

Sustained and inclusive economic growth in SIDS also requires the strengthening of capacity building and investment in infrastructure development and job creation, particularly in the area of ICT and financial services. Investment in human capital must be complemented by productive investment in the real economy to create employment opportunities and by inclusive financial systems that are accessible for marginalized groups, including youth, women, indigenous peoples and local communities. Addressing youth unemployment could potentially help ease many social problems such as high levels of crime and violence in several countries.

Many SIDS are also challenged by underemployment in rural areas as well as high urban unemployment. The two, combined with inadequate economic growth, have contributed to large-scale emigration of skilled labour, otherwise known as “brain drain”. However, one must also recognize the significant contribution of migrants’ remittances to SIDS economic development.

In the medium to long term, SIDS face the prospect of major economic disruptions associated with the impacts of climate change, sea level rise and ocean acidification. Especially with respect to the latter two, they are among the most vulnerable countries in the world. They face the prospect of worsening coastal erosion and submersion, salination of water supplies, exposure to more intense tropical storms and irreparable losses to some of their most valuable natural assets, in particular coral reefs. It can be expected as well that worsening climate change related impacts will intensify migration pressures, as some SIDS economies have increasing difficulty supporting their populations at decent standards of living.

International financial, technical and humanitarian assistance will prove critical to enabling SIDS countries to cope with and adapt to climate change, the more so if the international community does not take decisive and timely actions to slow, halt and reverse the upward trajectory of greenhouse gas emissions. Without international support, the costs of adaptation will in time prove increasingly burdensome on national treasuries of many SIDS, further exacerbating macroeconomic and debt sustainability problems.



# Existing Partnerships

**THE FOLLOWING PARTNERSHIP INITIATIVES ARE** brief examples of some of the existing north-south, south-south and triangular partnerships, global and SIDS-focused in nature, complementing the efforts of SIDS in the area of Sustainable Economic Development. Additional information on these initiatives, and more existing partnerships can be found on the SIDS 2014 Partnerships Platform at: [www.sids2014.org/partnerships](http://www.sids2014.org/partnerships).



**1. The Pacific Financial Inclusion Program (PFIP):** aims to add one million Pacific islanders to the formal financial sector by 2017, through facilitating access to appropriate financial services, creating national-level financial education initiatives and spearheading catalytic policy initiatives. PFIP was developed to achieve greater financial inclusion among the Pacific Island Countries. UNCDF, the UNDP, and EU Africa, Caribbean and Pacific Microfinance Framework Programme initiated the project in 2007.

<http://www.pfip.org/>

**2. Entrepreneurship Program for Innovation in the Caribbean (EPIC):** a seven year program, funded by the Government of Canada, that seeks to build an enabling ecosystem to foster high-growth and sustainable enterprises throughout the Caribbean. EPIC has three core pillars: mobile innovation, climate technology, and women-led entrepreneurship. These pillars are complemented by an access to finance facility for Caribbean entrepreneurs, and a skills upgrading and capacity development program for all ecosystem stakeholders. These stakeholders include entrepreneurs, business enablers, policy makers, universities, risk capital financiers, and other private sector partners.

<http://www.infodev.org/EPIC>



**3. UNIDO's Entrepreneurship Curriculum Programme** is a cost-effective investment in the development of entrepreneurial capacity of young people. ECP is inclusive since it reaches out to both girls and boys in rural and urban areas. UNIDO assists authorities in developing their own curriculum with syllabus, teachers' guides, textbooks, monitoring and evaluation tools, assessment guidelines, training the trainers of ECP teachers, piloting and ultimately embarking on a nationwide roll-out of an entrepreneurship curriculum with the initiatives of the national authorities. Eleven countries are currently implementing ECP, and more are preparing for it. With its expertise and international knowledge network, UNIDO supports the development of each country's own ECP. An important factor for success is the building of partnerships with the local private sector.

<http://www.unido.org/en/what-we-do/poverty-reduction-through-productive-activities/business-investment-and-technology-services/competitiveness-business-environment-and-upgrading/information-and-communications-technology/programmes/entrepreneurship-curriculum-programme.html>

**4. Pacific Growth and Employment Sandwatch:** is an ILO project in partnership with the Australian Council of Trade Unions (ACTU), Australian Chamber of Commerce & Industry (ACCI), and Australian Government that responds to the challenges of unemployment and underemployment, particularly for young people in the Pacific by improving opportunities for sustainable and productive employment growth. It seeks to draw on the experience of Australian businesses with interests in Pacific Island countries to develop strategies that prepare the indigenous youth for employment and create opportunities for the indigenous workforce. The partnership is designed to work with the peak and sectoral representatives of business, workers and government in the target countries to ensure they are equipped to implement and maintain the development strategies

<http://pgep.org.au/>

## 5. World Network of Island and Coastal Biosphere Reserves:

designated under the UNESCO Man and the Biosphere (MAB) Programme, island and coastal biosphere reserves around the world have different natural, cultural, socio-economic and political characteristics. However, they also have similar and specific problems that can be addressed in a common way. Established in 2012, the World Network of Island and Coastal Biosphere Reserves aims to study, implement and disseminate island and coastal strategies to preserve biodiversity and heritage, promote sustainable development, and adapt to and mitigate the effects of climate change.

<http://www.unesco.org/new/en/natural-sciences/environment/ecological-sciences/man-and-biosphere-programme/networks/world-network-of-island-biosphere-reserves>



**6. Certification for Sustainable Tourism (CST)** is one of the first systems, if not the first, to achieve the integration of the principle elements of sustainable tourism, analyzing good management practices, the environmental and social impacts of services, as well as the client's perception of image and the congruence between the service offered and the product's promotion.

<http://www.sids2014.org/index.php?page=view&type=1006&nr=1495&menu=1507>.



**7. Competitive Industries programs:** ongoing assistance to SIDS such as Haiti, planning to scale up technical assistance and lending to support private sector development. The Competitive Industries approach helps clients identify and address the meso- and micro-economic barriers that are impeding the growth of industries, and helps generate investment and economic growth. In most countries today, but particularly in SIDS, the competitiveness discussion has to be very tightly tied to sustainability discussion. Sectors with significant earning potential such as - Tourism and Marine resources - are both susceptible to major damages in SIDS if not done in a sustainable manner, which would create huge economic and human costs in the long term. The CI team has helped other client countries focus on developing high potential sectors relevant to SIDS, such as tourism, resource based growth and linkages, and to develop expertise in trade and services. The CI interventions address the “5 pillars of competitiveness”, i.e. policy and regulation, industry specific infrastructure and finance, skills and education and technology; in order to generate jobs, raising incomes and attracting investments – all in a sustainable way.

# Suggested opportunities for Partnerships

Key partnerships that will be considered for advancing the sustainable development of SIDS by complementing efforts of SIDS could include:

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- Institutional capacity building on inclusive and sustainable investment promotion frameworks, including investment impact monitoring. (Targeting quality investments with positive impacts, promotion of domestic investment and linkages with foreign investment, consensus building and involvement of public and private sector stakeholders).
  - Regional SIDS investment promotion programs for Public Private Partnerships (PPP) policy and capacity development programs, including investment promotion of environment and energy efficient industrial parks
  - International networking for business partnership promotion with special regard to Diaspora linkage programs.
  - In close cooperation with the private sector and training institutions, ensure a better match making between job-seekers and labour market demands.
  - Support youth-led entrepreneurship by providing aspiring entrepreneurs with tailor made financial services as well as access to quality support services beyond the start-up phase, such as related to counselling, investment promotion, technology upgrading, and business linkages.
  - Investment in education infrastructures and quality education for all, including formal and non-formal education training, entrepreneurial skills development for women and youth, including the Entrepreneurship Curriculum Programme (ECP) as an innovative approach to build entrepreneurial human resources.
  - Investment in sustained dialogue and knowledge exchange mechanisms and engaging multistakeholders, including with representatives on vulnerable groups, including poor women and youth, on economic policy reforms and their impact.
  - Investment in economic and social infrastructures, including financial services industry and knowledge of financial inclusion, information and communication infrastructure, and support small and medium-sized enterprises targeting both men and women.
  - Developing ICT policies, regulations and legislation to advance the development and in particular liberalization of the telecommunication sector and move towards broadband development,
  - Support for the private sector, including promotion of sustainable tourism and creative industries;
  - Developing a global public private partnership for development by forging collaborative partnerships to accelerate SIDS telecommunication/ICTs development as they cut across all the development pillars.

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[www.sids2014.org](http://www.sids2014.org)

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