

(28 April 2021)

UNCTAD's input to the 2021 Report of the Secretary-General to the General Assembly on the implementation of the SAMOA Pathway

1. Legal/Policy/Institutional Arrangements for SIDS and/or the implementation of the SAMOA Pathway

Institutional arrangements: UNCTAD's SIDS strategy

Supporting the resilience-building efforts of SIDS through wide-ranging action to help develop or strengthen the productive capacities of these countries has been the cornerstone of UNCTAD's strategic action in favour of SIDS, in accordance with UN members' "commitment to take urgent and concrete action to address the vulnerability of SIDS" (SAMOA Pathway, para. 22).

The severe economic contraction caused to SIDS by the COVID-19 pandemic has heightened the daunting challenge, for these countries, of coping with external shocks beyond domestic control. Maintaining vital economic sectors afloat (notably the tourism economy), while continuing to meet external debt servicing obligations has become unprecedentedly difficult in many SIDS, some of which have come near to financial distress. The lesson, for UNCTAD's strategic action, has been to pursue the supportive engagement at country levels and at systemic level at the same time.

At country level, UNCTAD's multi-faceted action consists of helping interested countries make structural economic transformation an integral part of their resilience-building strategy. SIDS generally consider that the most important antidote to the risks associated with external shocks is economic resilience through diversification and smart economic specialization, the surest way to achieve a better spread of risks when shocks happen, and to secure a steady momentum of income generation when normal circumstances prevail. For SIDS to strengthen their resilience, the building of new productive capacities and the maintenance and full use of existing ones remains a central development objective, with an aim to foster structural change and contribute to the diversification of economic activities and exports.

Supporting structural economic progress is aimed at, for example, in UNCTAD's assistance to Barbados through a project to promote economic diversification and build resilience for post-COVID recovery. Recent research on identifying alternative development strategies for SIDS has demonstrated the critical productive-capacity dimension of structural economic progress by analyzing various strategies for different types of SIDS. A successful joint seminar on this subject was held with the Commonwealth Secretariat in March 2021

At systemic level, UNCTAD seeks to let the long-standing recognition of the development challenges of SIDS evolve into the establishment of SIDS status (through criteria-based identification of these countries), a necessary condition for bringing special international support

measures to fruition. In short, UNCTAD strives to transform the loose SIDS denomination into the genuine UN-supported category SIDS leaders have been calling for.

Raising the visibility of acute island vulnerabilities is another facet of UNCTAD's action. UNCTAD has been making extensive use of existing vulnerability indicators to better understand, and consistently demonstrate, the economic and environmental fragilities of SIDS. This has facilitated the plea for a "vulnerability-first" approach by financial institutions to the financial needs of these countries, in lieu of the prevailing "income-first" methodology, the inadequacy of which is increasingly recognized as denying access to concessionary financing by SIDS. In the growing debate on criteria for concessionary support to the most vulnerable economies, UNCTAD participates actively in systemic efforts to heighten the visibility of SIDS fragilities, both statistically and analytically, with a dual focus on: (i) environmental and economic exposure to shocks beyond domestic control, and (ii) the nature, frequency and intensity of such shocks.

2. Financial Arrangements

Please see the Table based on the questionnaire attached in annex, which provides estimates of UNCTAD's financial contributions.

3. Enhanced Support for a resilient Post COVID 19 Recovery in SIDS

Encouraging foreign direct investment in SIDS

In 2020, UNCTAD published the Investment Policy Review (IPR) of Seychelles, which reviews the regulatory framework for investment (including FDI) and proposes a strategy for strengthening entrepreneurship and building linkages with FDI in order to diversify the economy. SIDS which requested UNCTAD assistance include Fiji, St. Lucia, and Trinidad and Tobago.

In the area of investment promotion, a virtual regional event involving over 90 officials from Investment Promotion Agencies (IPAs) in 19 Caribbean countries provided insights into ways in which IPAs could adapt to post-COVID circumstances to attract more FDI. In 2020, advisory services were also provided to Jamaica on adapting investment promotion action to the COVID-19 context.

Several SIDS recently benefited from assistance in the area of international investment agreements (IIAs) in the framework of UNCTAD's support to regional organizations. In particular, support was extended to the Caribbean region on IIA reform in the COVID-19 context. This involved policy recommendations for bringing regional provisions in line with national development strategies.

To provide international investors with essential up-to-date information on economic conditions, rules, procedures, business costs and investment opportunities in developing countries, UNCTAD (jointly with the International Chamber of Commerce) helps interested countries produce investment guides ("iGuides").

Helping SIDS find trading opportunities in the ocean economy

In 2020, UNCTAD helped several countries assess the potential of the ocean economy as a basis for productive capacity-building through trade diversification. This action took place through the Ocean Economy and Trade Strategies Programme of UNCTAD and the UN's Division for Ocean Affairs and the Law of the Sea, and under the Blue BioTrade project of UNCTAD and the Organization of Eastern Caribbean States, with a focus on marine resources and other ocean-based economic sectors in the Caribbean and Central America. An Ocean Economy and Trade Strategy for Barbados is currently in preparation.

UNCTAD dedicated its 2021 Trade and Environment Review to “trade-climate readiness for developing countries”, with an emphasis on trade adaptation strategies for SIDS. Additionally, it produced the first “International Trade Classification for Sustainable Ocean Economies” to help relevant countries, particularly SIDS, develop national and regional strategies based on accurate data.

Encouraging e-commerce and the digital economy in SIDS

In 2021, the United Nations Capital Development Fund, the United Nations Development Programme and UNCTAD, in close collaboration with key stakeholders from the public and private sectors, were to launch the Pacific Digital Economy Programme. Its objective is to support the development of inclusive digital economies in the Pacific region.

UNCTAD contributes to this initiative through the development of a regional Digital Economy Report, and by providing technical support through regional training on national e-commerce strategies, and on measuring e-commerce, building on the eTrade Readiness Assessments which were conducted in the region.

Investing in science and technology for innovation and entrepreneurship in SIDS

In 2020, UNCTAD completed the Science, Technology and Innovation (STI) Policy Review of a large island developing State, the Dominican Republic. The Review examined strategies and policies for an effective STI governance and for the allocation of resources to promote STI development. In 2021, Mauritius was to benefit from the UNCTAD-China CropWatch Cooperation Programme, an initiative to help recipient countries monitor crops through a customized infrastructural platform to promote national food security.

Supporting trade logistics and maritime transport in SIDS

UNCTAD has published a “Compilation of Policies and Practices” for a climate-resilient transport infrastructure in SIDS. It also organized an expert meeting on “Climate change adaptation for seaports”. In the Pacific, UNCTAD has developed 10 Trade Information Portals in the framework of the Pacer Plus Agreement among Pacific nations. The project has enhanced

regional integration and South-South cooperation, thereby creating economic development opportunities. A majority of SIDS (59%) use UNCTAD's ASYCUDA systems for Customs automation, and many SIDS benefit from the Port Management Programme of UNCTAD.

For SIDS to remain competitive in export markets and keep the cost of trade processes to a minimum, trade facilitation procedures must be efficient and cost-effective. UNCTAD supports National Trade Facilitation Committees in several SIDS, notably to simplify foreign trade procedures.

Building productive capacities in SIDS

Leveraging UNCTAD's newly launched Productive Capacities Index (PCI) a study assessing the level of productive capacities and the degree of structural economic transformation in SIDS was conducted. The main objective was to identify gaps and limitations across eight dimensions of productive capacities, as well as opportunities for transformational growth in SIDS. Despite systemic vulnerabilities and challenges, the performance of SIDS on the PCI is driven by their stronger performance on the human capital category.

4. Financing for Sustainable Development in SIDS

Helping least developed SIDS to graduate with momentum

The small island LDCs which are or will be faced with the challenge of graduation from Least Developed Country status have been broadly unable to define their quest for post-LDC support, a large part of which should be in the area of resilience-building. UNCTAD helps these countries develop a strategy to enable them to graduate *with momentum*. Graduation is part of a longer process of structural transformation, founded upon the development of productive capacities. Looking beyond graduation it is essential to increase LDCs' ability to cope with their acute vulnerability to external risks and shocks. For years, least developed SIDS leaders have called for SIDS treatment (particularly SIDS-targeted support to climate adaptation efforts) as an alternative to LDC treatment. UNCTAD has consistently supported this call.

Supporting debt sustainability in SIDS

UNCTAD research on the question of debt sustainability in natural disaster-prone SIDS showed the importance of concessional support to reconstruction efforts in already-indebted countries. Crucially, the study noted that SIDS which had pursued steady resilience-building efforts over time (before and after disasters), particularly when these efforts involved productive capacities, fairly soon enjoyed progress toward greater debt servicing abilities, as compared with countries that had implemented only emergency response measures. The research discusses the implications for financing stronger resilience to disasters in the future and calls for stronger multilateral cooperation and greater flexibility in the accessibility to pre- and post-disaster financial instruments.

ANNEX

Priorities	Investment (USD)	Budget allocation	FY/Cycle/Period
Sustainable, inclusive and equitable economic growth		300,000 USD (Full staff time of a P5 and P4 staff member¹)	
Climate Change	100'000	Staff time under regular budget	2020-2021
Sustainable energy			
Disaster risk reduction			
Oceans and seas	200'000	100'000 XB resource from the UN Development Account; 100'000 on staff time under regular budget	2020-2021
Food security and nutrition			
Water and sanitation			
Sustainable transportation			
Sustainable consumption and production			
Chemical and waste management			
Health and NCDs			
Gender equality			
Social development			
Biodiversity			
Means of implementation			
Other			
Total (approximate)	Estimated 300,000	Estimated 500,000	

¹ Indicative estimate based on calculation of a P-5 (step 1) with a dependent spouse (\$163,886) and a P-4 (step 1) with a dependent spouse (\$136,661) from <https://commonsistem.org/cp/calc.asp>