

(26th May 2022)

UNCTAD's draft input to the 2022 Report of the Secretary-General to the General Assembly on the implementation of the SAMOA Pathway

1. Support to resilience-building action in SIDS

Helping SIDS build economic resilience and calling for special international support to the resilience-building efforts of SIDS are two main facets of UNCTAD's action to reduce the vulnerability of SIDS. This action is rooted in UN members' "commitment to take urgent and concrete action to address the vulnerability of SIDS" (SAMOA Pathway, para. 22).

Measuring vulnerability; planning resilience

UNCTAD consistently uses the UN's Economic Vulnerability Index (EVI)¹ to show the high vulnerability of SIDS in comparison with other developing countries. The structure of the composite EVI combines indicators of exposure to shocks on the one hand, and indicators of the occurrence of shocks on the other. All exposure and shock indicators therein reflect factors beyond domestic control, i.e. not driven or influenced by policies. Policy-making nevertheless underpins the resilience-building agenda of every SIDS.

UNCTAD will use the scores of a given SIDS under the different components of EVI to identify, and prioritize, policies to reduce the country's high permanent exposure to shocks or to mitigate the impact of future shocks. Through this use of EVI data and by highlighting desirable policy responses, UNCTAD will help the country plan its resilience-building action. If requested, UNCTAD will prepare a resilience-building blueprint for the government.

Reducing external economic dependence

Evidence of high exposure to economic shocks, or of a high frequency or intensity of such shocks usually instils a desire, among SIDS policy makers, to lessen the external economic dependence of the country. SIDS leaders often state their concern about the destabilizing impact of rising import prices (scarcity-driven inflation), or of unbearable delays in deliveries of goods through maritime transport, or of rises in interest rates when these affect debt servicing obligations. In its advisory services to SIDS on resilience-building action, UNCTAD will explore the scope for import-substitution solutions, help reduce the fragility of export sectors for which relevant foreign markets are deemed unstable, and ascertain the durability of the international demand for new exportable goods or services before recommending further specialization in the relevant product in the islands.

¹ The composite indicator was recently restyled "Economic and Environmental Vulnerability Index" by the Committee for Development Policy.

Assessing productive capacity gaps

UNCTAD's established practice of assessing the productive capacity strengths and weaknesses of countries with a transformational agenda serves the purpose of assisting SIDS in their resilience-building action. Productive capacity-building factors such as international transport and information connectivity, as well as human skills and institutional capacities, are important for essentially all international services sectors that are specialization areas of interest to SIDS. In advising African SIDS on diversification options towards specialized international services, UNCTAD has used evidence of the weight of sound productive capacities in other SIDS regions where similar services had been particularly successful. UNCTAD's Productive Capacities Index (PCI) is the statistical basis for benchmarking the productive capacities of selected countries against those of other States.

Identifying stable specialization avenues

"Specializing smartly", i.e. into economically stable activities and without increasing external dependence, is a consistent goal of SIDS policy makers. UNCTAD will help them pursue this goal as part of a resilience-building agenda.

The vision of soundly specializing a SIDS economy generally has three resilience-building dimensions: (i) first, one should identify and act upon the potential for import-substitution possibilities in two key sectors acutely dependent on the outside, namely food and fuels; (ii) secondly, one ought to maintain or strengthen the competitiveness of existing economic sectors that have been factors of macroeconomic stability despite their exposure to shocks; and (iii) thirdly, SIDS should not lose sight of promising developments in the international demand for services, and local economic players should be encouraged to bring innovative activities to fruition, particularly when the relevant regional market space is not already served by other SIDS.

Revisiting development strategies; rethinking growth models

An expert group meeting on "Revisiting development strategies for SIDS in the post-pandemic competitive landscape" is organized by UNCTAD in October 2022 to enrich the debate on the most advisable strategic directions for transformational progress in SIDS, a year after these countries, in a Ministerial Declaration to UNCTAD 15, were calling for "a United Nations Secretary-General-led initiative to agree on guiding principles for a new generation of international support measures aimed at reducing SIDS vulnerabilities to systemic shocks and enhancing their resilience". UNCTAD anticipates the advent of a special treatment of SIDS. To that effect, it seeks to raise awareness of SIDS strategic options, if not alternative growth models for which international support is highly desirable.

2. Tailored development cooperation with SIDS

Guiding foreign direct investment and investment policy in SIDS

UNCTAD helps SIDS attract foreign direct investment (FDI). Several SIDS benefited from the “investment guides” programme of UNCTAD in recent years, thereby enhancing their chances of marketing themselves as FDI destinations. Countries in which iGuides have been developed include Barbados, Jamaica, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines. UNCTAD’s Investment Policy Review (IPR) programme helps individual countries improve investment policy by evaluating and providing recommendations on legal, regulatory and institutional frameworks to encourage investment. The IPR of Seychelles, which was launched in 2020, has been implemented through the recently launched “IPR Live Implementation Matrix”.

Helping SIDS find trading opportunities in the ocean economy

Oceans have a trade dimension of critical importance to SIDS. UNCTAD has been helping SIDS make fisheries more sustainable by promoting sustainable stock management, selective fisheries, and fishing traceability. Recently, UNCTAD assisted Barbados in diversifying its pelagic fisheries methods, specifically by testing and implementing selective fishing modes. UNCTAD has supported the adoption of a regional action plan to promote sustainable and legal harvesting, traceability, and compliance with CITES requirements in the Organization of Eastern Caribbean States sub-region.

UNCTAD also recently developed the first ever “Ocean Trade Dataset” (for goods), to facilitate evaluation of the export potential of coastal countries and SIDS in selected ocean-based economic sectors, in accordance with SDG 14.7. With another database on oceanic trade in services now in the making, UNCTAD aims at a comprehensive statistical coverage of the trading opportunities associated with the ocean economy.

More recently undertaken and of special relevance to the goal of widening the range of trading opportunities associated with the ocean is UNCTAD’s work to promote the use of oceanic organisms in pharmaceutical and cosmetic technologies (bioprospecting).

Helping SIDS reduce the cost of maritime transport

In recent years, rises in freight rates have had a particularly strong bearing on prices and SIDS trade competitiveness. UNCTAD helps SIDS reduce transport costs and other transaction costs, notably through port management reforms and trade facilitation action. Technical assistance projects have been implemented, in this area, for the benefit of several SIDS of the Caribbean and Pacific regions.

Encouraging e-commerce and the digital economy in SIDS

Remoteness and market smallness have been major obstacles to the development of productive capacities in essentially all SIDS. Digitalization (e-commerce) is generally appreciated as bringing opportunities for a better integration of SIDS in the global economy. UNCTAD has been assisting Fiji, the Solomon Islands, and Trinidad and Tobago in their eTrade readiness assessments and national e-commerce strategies. It aims to strengthen the “blended learning” capacity of SIDS in the areas of digital economy statistics and legal aspects of e-commerce.

Helping SIDS enhance trade efficiency through customs automation

A major EU-funded “Improving Pacific Islands Customs and Trade” project was launched in 2021 to benefit Pacific SIDS and boost intra-regional and international trade by facilitating customs procedures. In the same year, a technical assistance project to build a single-window trade support system based on UNCTAD’s ASYCUDA customs automation programme was launched for the benefit of Barbados, and an ASYCUDA-based trade data extraction tool recently developed for the African Trade Observatory was established in Seychelles. To facilitate transport and trade connectivity in the age of pandemics, activities have also been undertaken in Barbados, Jamaica, Kiribati, Tonga, Tuvalu and Vanuatu under the ASYCUDAWorld portal for import and export clearance automation.

Helping least developed SIDS achieve a smooth transition to post-LDC status

UNCTAD has always paid special attention to the situation of least developed SIDS, all of which have been faced with the question and implications of graduation from Least Developed Country (LDC) status. UNCTAD seeks to help these countries: (i) better understand their exposure to shocks beyond domestic control; (ii) factor in productive capacity-building and resilience-building action with a view to spreading risks when disasters strike or stabilizing income when normal circumstances prevail; and (iii) formulate a national strategy to secure a smooth transition to post-LDC status. For years, least developed SIDS leaders have called for dedicated international measures to support SIDS resilience-building efforts, i.e. “SIDS treatment” as a substitute for “LDC treatment”.