



**BUILDING SMALL ISLAND CAPACITY TO WITHSTAND ECONOMIC, ENVIRONMENTAL SHOCKS**

**FOCUS OF PANEL AT UN MAURITIUS CONFERENCE**

Small island developing States must build their capacity to limit the impact of and recover from the numerous economic and environmental shocks they face, from volatile commodity prices to cyclones, the United Nations Mauritius Conference was told this morning.

The week-long international meeting brings together representatives of small islands, donor partners and others to review the implementation of the Programme of Action for the Sustainable Development of Small Island Developing States, adopted a decade ago at a global conference in Barbados.

Building resilience in small island developing States was the focus of a panel discussion this morning, moderated by Albert Henry Binger, Director, University of the West Indies Center for Environment and Development. Small island developing States face specific problems arising from an interplay of such factors as small size, remoteness, geographical dispersion, vulnerability to natural disasters, the fragility of their ecosystems and isolation from markets, among others.

Highlighting the environmental vulnerabilities faced by small islands, Toke Talagi, Deputy Prime Minister of Niue, shared the experience of his country, which had often been faced with natural disasters, including last year's cyclone. That cyclone caused extensive destruction to the island and resulted in economic losses amounting to \$87 million, as well as extensive losses to its environment and biodiversity.

In reaction to the cyclone disaster, the Government and people of Niue took several steps to ensure that immediate recovery efforts would be sustained in the long term. Initiatives in fishing and tourism were taken to create economic opportunities, and partnerships between a private sector company and the Government were forged to allow for additional development activities. Protecting biodiversity was also a priority and steps were taken to minimize the negative impacts to species.

Building resilience was one aspect of implementing sustainable development strategies for small islands, noted Michael Witter of the University of the West Indies. Resilience was interpreted to mean the capacity to absorb and to recover from external shocks. It was argued that it was the fragility and size of the ecology of the small island that limited its ability to absorb and to recover from environmental shocks, and it was the thinness and small size of its markets that limited its capacity to bounce back from external shocks.

He emphasized the need for small island developing States to diversify their trade activities, as well as the importance of good macroeconomic management and international cooperation. In today's globalized world, he added, the bottom line must be that building resilience was perceived as good business, with returns that warranted the investment of resources in building

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the economic and social capabilities of small islands to withstand and to recover from the inevitable external shocks.

The discussion was chaired by Maria Madalena Brito Neves, Minister of Agriculture, Environment and Fisheries of Cape Verde, who summed up by saying it was essential to mobilize resources to build resilience when small islands were posed with problems arising from natural disasters and other external shocks. Lasting solutions were also needed in energy and communication technology, and partnerships should be strengthened between regional, subregional and international institutions, as well as those with the private sector.

Disaster management plans should also be implemented and trade activities diversified, she added. Participants also focused on the need to review financing for development, to increase capacity through training and education, and to increase awareness about indigenous issues.

Before the close of the meeting, representatives of the Youth Group, which consisted of 96 youth from 31 small island developing States and 6 other small island nations, read a declaration entitled "Youth envisioning for island living".

The international meeting will convene again at 9 a.m. Thursday, 13 January, to begin its high-level segment.

#### Background

The Mauritius International Meeting to Review the Implementation of the Programme of Action for the Sustainable Development of Small Island Developing States continued this morning with the last of five panel discussions. Today's panel, moderated by Albert Henry Binger, Director, University of the West Indies Centre for Environment and Development, Coordinator of the United Nations Development Programme (UNDP)/small island developing States Expert Group, focuses on building resilience in small island developing States.

The panellists are Toke Talagi, Deputy Prime Minister of Niue; Michael Witter, University of the West Indies; Teresa Manarangi-Trott, Cook Islands; Siv Jensen, Chairman, Finance Committee, Norwegian Parliament. The meeting will be chaired by Maria Madalena Brito Neves, Minister of Agriculture, Environment and Fisheries of Cape Verde.

For background on the International Meeting, see Press Release ENV/DEV/SIDS/1 issued on 10 January.

#### Panel Discussion V

Moderator ALBERT HENRY BINGER, Director, University of the West Indies Centre for Environment and Development, Coordinator of the United Nations Development Programme (UNDP)/SIDS Expert Group, said that today's discussion sought to cover key issues related to resilience building, such as what steps ought to be taken at various levels by governments, social actors and the private sector. Apart from governments, civil society had an important role in helping societies build resilience and overcome vulnerabilities. Therefore, the discussion would also explore the role of major groups in building resilience and it would also look at how development partners could assist in that effort.

Economic vulnerability was the risk posed to economies from external factors, he said. For example, St. Kitts lost 105 per cent of its gross domestic product (GDP) following a hurricane in 1995; last year, Niue lost

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almost 600 per cent of its GDP; and Maldives lost almost 20 years of GDP in the wake of the recent tsunami. Environmental vulnerability, the greatest vulnerability, was the risk of damage to key ecosystems. For small island developing States, managing the environment was key. Without building the resilience of the environment, it was not possible to build the economies of small island developing States.

As to what was meant by resilience building, he offered the example of a boxer, who was said to be resilient if he got up after getting knocked down. A sugar cane field was resilient when it grew again after being burned down. It was vital for small island developing States to become more resilient in order to respond to the numerous economic and environmental pressures they faced. Those in small island developing States could make themselves more vulnerable by the policies they adopted. The most important issue was building resilience at the local level.

TOKE TALAGI, Deputy Prime Minister of Niue, said his country, which had been referred to as the "rock" and was the largest upraised coral atoll in the world, became self-governing in 1974. The Pacific country had often been faced with disastrous natural events, such as last January's cyclone. Niue had taken strategic steps to ensure that it could demonstrate good governance to its donors. Niue had managed to reduce its budget by some 30 per cent, aimed at ensuring the sustainable development. Economic development measures had been carried out in tourism and fish-based industries, to ensure that Niue's infrastructure would be well developed.

Cultural heritage was also a priority, especially since a large part of Niue's population was lost to New Zealand and Australia, he continued. The cyclone that hit Niue last year caused extensive destruction to the western part of the island, with economic losses of \$87 million and extensive environmental and biodiversity losses. Certain species were lost to the disaster and the coral reefs also sustained damage from which it would take years to recover.

In reaction to the disaster, the Government and people of Niue took several steps to ensure that immediate recovery efforts would be sustained in the long term. Initiatives in fishing and tourism were taken to create economic opportunities. Moreover, partnerships between a private sector company and the Government were forged to allow for additional development activities. Protecting biodiversity was also a priority and steps were taken to minimize the negative impacts to species. At the time of the cyclone, most of the country's water utilities were underground and, therefore, they were restored shortly after the disaster. New partnerships had also been formed among the European Union, Greenpeace and the Government in renewable energy.

After the cyclone, communications were cut off for the weeks and it was thus realized that technical communication facilities must be developed urgently. Other technical resources and human resources were also needed. Moreover, a regional register of technical professionals should be created, who could be called upon when required. Good managements and planning were critical when small islands were faced with such disasters.

MICHAEL WITTER, University of the West Indies, said that building resilience was one aspect of implementing sustainable development strategies for small islands. Resilience was interpreted to mean the capacity to absorb and to recover from external shocks. In another context, it was argued that it was the fragility and size of the ecology of the small island that limited its ability to absorb and to recover from environmental shocks, and it was the thinness and

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small size of its markets that limited its capacity to bounce back from external shocks.

Managing the factors that contributed to vulnerability meant, in the environmental sphere, preventing human activity that made areas more prone to natural hazards, as well as avoiding permanent human activity, such as housing and production facilities, in areas that were prone to natural hazards. In the economic sphere, the factors contributing to vulnerability that could be managed were the concentration of trade among a narrow basket of goods and services and among a narrow range of markets, and the dependence on imported energy. Thus, building resilience meant that small island developing States should concentrate on diversifying trade activities as far as possible, and should seek to tap the potential for indigenous energy sources.

Building resilience also required good macroeconomic management, which must entail public participation in economic strategy and policy decision-making. That, in turn, required information. Good macroeconomic management required that the producers and consumers be informed of likely changes in the economic environment, so as to take complementary risk management actions at the micro-level. Economic management for building resilience required an inclusive approach that embraced the government, the business sector and civil society.

International cooperation in all its forms was essential to building resilience for small islands. Governments, local business communities and civil society must build the capacity to be better prepared for the external shocks, and to provide assistance afterwards to recover from the shocks. Building resilience demanded much more of a sustained effort to help the peoples of the small islands protect themselves and cope with external shocks.

Ultimately, the management of risks was the rational approach to building the resilience of small island developing States. In the wake of the disastrous impact of hurricanes, volcanoes and now the tsunami, the insurance industry was backing away from small islands. Cayman was no longer eligible for insurance, because of the recent hurricanes. One could only wonder what the implications for the Maldives would be. Without insurance, the international investment flows would inevitably decrease.

In today's globalized world, the bottom line must be that building resilience was perceived as good business, with returns that warranted the investment of resources in building the economic and social capabilities of small islands to withstand, and to recover from, the inevitable external shocks.

Mr. BINGER, Moderator, added that there were no existing models today on how to build a resilient economy in small island developing States. In the past, the models used were based on factors that no longer existed, such as cheap energy and cheap labour. Haiti and the Dominican Republic were good examples of how countries made themselves more vulnerable through the policies they adopted. Building resilience in the future lay in integrating sectors and diversifying economies to minimize the impact of external shocks.

Responding to a question, Mr. WITTER said that macroeconomic management could not be done without planning. The modalities of planning had more to do with coordination of different economic interests, rather than setting out blueprints to follow. In response to another question, he said he was seeing governments shying away from articulating visions of development and abandoning themselves to market forces. He agreed on the need for a vision based on each country's experience.

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TERESA MANARANGI-TROTT, Cook Islands, focused on capacity building and institutional strengthening. She said that effective management of natural resources was imperative if development goals were to be achieved not only for the present, but the future. Effective sustainable resource management in a competitive world economy required accurate information, extraordinary negotiation skills and appropriate and enforceable policy and regulatory frameworks; hence, the need for well-qualified human resources. The challenges faced by small island developing States were complicated by region specific factors, such as smallness and property rights issues. For small island developing States, natural resources on land and in the surrounding seas, minerals, timber, fisheries, even water, presented significant development opportunities.

Although there were variations in per capita income, small island developing States shared important characteristics, one of which was small population size, she said. With small populations, they experienced great difficulties in developing the human resources required for sustainable development. While economic growth and good governance were the keys to sustainable development and poverty reduction, at the core of the pursuit of sustainable development were people. Most small island developing States had made progress in developing their human resources at the basic level. Achievements included more effective delivery of basic education that promoted sustainable use and management of natural resources and the environment.

A major factor that was shaping capacity-building efforts was the global information management and communications revolution, she said. An example is the sustainable development networking programme managed by the United Nations Development Programme (UNDP), which connected many countries around the world. The free exchange of information and best practices over global electronic networks such as the Internet, was enhancing national and regional cooperation. At the same time, a major constraint to promoting information and communication technology strategies was the cost of delivery and low-cost appropriate infrastructure.

The major constraint in achieving further progress in human resources development was the inadequacy of financial resources and inadequate training facilities at the national level. Absence of financial resources was the most important obstacle for fulfilling national capacity-building needs. For many small island developing States, that was a political and technical issue. Good governance was the key to sustainable development. Sound economic policies, solid democratic institutions responsive to the needs of the people and improved infrastructure were the basis for sustained economic growth.

She noted that globalization had increased awareness of training and capacity-building opportunities. However, donors in the Pacific had focused on only supporting the regional institutions for the training of Pacific islanders. In a world where global training was possible, limited financial resources were provided to those Pacific islanders wishing to train in New Zealand, Australia or elsewhere.

On the way forward, she emphasized, among other things, political commitment by small island developing States governments to build well-educated and highly adaptable and environmentally knowledgeable populations, and greater commitment to the allocation of financial resources to education and health, with emphasis on improving primary education and health care.

SIV JENSEN, Chairman, Finance Committee, Norwegian Parliament, said it was necessary within the international framework to institute reforms such as debt

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cancellation and changes in trade and investment regimes in order to guarantee sustainable development in small islands. Norway had already improved market access to the least developed countries, and will make further improvements in the years to come for other developing countries. Even though more aid was an issue, better aid and results was even more important, she said. Many recipient countries had failed for decades to produce good results from development aid. Economic growth as a result of that aid had not been as good as expected. Better governance was essential, in order to increase the multiplier effect of every dollar spent. Good governance was also crucial to create sustainable development and adequate national ownership, she added.

The fight against poverty, she said, must not be undermined by policy making in areas like debt, trade and environment. Further, poor countries needed to be integrated into the world economy through trade. For most developing countries, better market access for trade was more important than any amount of development aid. For Norway, it was important to start with the recipient countries' own plans and systems, to ensure the strengthening of national ownership through coordination. Moreover, improved industrial development was essential for poverty reduction.

She added that among the essential issues in Norwegian development cooperation were: securing women and children's rights; education; health; sustainable development; renewable energy; water; biological diversity; and agricultural and industrial development. Better governance for environmental and biological diversity would prevent and limit natural disasters, environmental damages and conflicts. She highlighted some of the small island developing States-projects her country had funded, which included funding to the Nordic World Heritage Fund/UNESCO; UNEP's Continental Shelf programme to assist coastal states; and a research project on the effects of climate change at the University of West Indies and Trinidad and Tobago.

There were great differences between small island developing States, with eight considered to be least developed countries and 11 considered to be high-income countries by the World Bank. Norway was of the view that least developed countries should get special treatment within the World Trade Organization (WTO), and that least developed countries commitments should correspond to their economic development level. The diversity among small island developing States, she added, also highlighted the need to tailor specific remedies for individual small islands States, and avoid the "one size fits all" approach. In that regard, the special circumstances of individual small island developing States may warrant assistance in some sectors, while for others such assistance would be superfluous.

Mrs. Jensen said the tragic events of last month's tsunami and earlier hurricanes highlighted the danger for small island developing States to be overly dependent on a few sectors in their economies. Economic diversification was crucial, both within the sector and by seeking new markets. Action in energy and water management could also build resilience in small island developing States. In closing, she emphasized that small islands must diversify their interests, and said she would advocate a stronger focus on small island developing States in her country towards specific and national or regional projects. In order to guarantee assistance to small island developing States, it was essential to improve dialogue and information flow and guarantee that funds would be put to the best possible use.

Mr. WITTER asked what indicators should be developed to adequately represent the situation of small island developing States and to what extent the donor community was prepared to assist small islands States. Mrs. Jensen

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responded that Norway had been very project-oriented in assisting small island developing States and agreed that it would be very useful for the island States themselves to identify projects to help build resilience.

Mr. TALAGI referred to the discussions on aid his country had with New Zealand in 2003. Despite having received foreign aid in the amount of \$250 million, Niue had not achieved a level of self-sufficiency. He emphasized the importance of using economic indicators to assess specific needs for small islands.

France's representative called for international instruments, such as the Kyoto Protocol, to be ratified and for enhanced regional cooperation, in order to build resilience in small island developing States. The representative made mention of the Indian Ocean Commission, which had been engaged in the areas of environmental protection, pollution control and education. Referring to France's overseas territories, he said the sustainable development of those territories should not be overlooked when factoring in the situation of small island developing States. Moreover, regional cooperation funds had been set up to assist those island nations in the region of France's overseas territories. He also made mention that, on the French island of Reunion, half of the electrical energy was produced by biogas waste.

Vanuatu's representative emphasized the need for communities and national governments to identify and define their own capacity needs.

Resilience, stated a representative of local authorities, was about sustainability. Local authorities needed to be equal and integral partners in sustainable development and the implementation of the Barbados Programme of Action, and that should be reflected in the language resulting from the international meeting. Civil society groups, he noted, had been integral in the recovery process in Niue.

On the need for small island developing States to differentiate and diversify their economies, the representative of Guyana maintained that what was required was not differentiation, but the solidarity of the international community. She urged that there be more communication about what was actually happening on the ground in small island developing States, where the cost of money was rising and a brain drain was occurring.

Mr. TALAGI emphasized the need to diversify and expand, in order to reduce risks and absorb shocks. Niue had made it imperative to utilize the private sector. Drawing from its experience, it found that the government did not understand how to run business or develop economies. Therefore, it developed partnerships with private sector companies from countries with which it had aid partnerships, in order to use their expertise.

A representative of the farmers group expressed concern that textile factories were producing waste that was harmful to fisheries and affected the livelihood of local islanders and called for action to be taken in that regard.

A representative of the Caribbean Development Bank said that, while bilateral and multilateral institutions and countries all had their own objective, meaningful partnerships between those institutions and small islands nations should be established. Caribbean countries, he said, were very vulnerable and institutions should be generous in allocating resources to those countries, in particular. Moreover, institutions must be concerned with the risks facing those island nations, especially the risks facing women, children and other disadvantaged groups. There was also a need to monitor and evaluate

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projects and programmes and pursue poverty reduction and capacity-building schemes.

In summing up the morning discussion, Mrs. BRITO NEVES said the debate highlighted that it was possible to overcome problems facing small island developing States with realistic approaches. It was essential to mobilize resources in order to build resilience to natural disasters and external shocks. Lasting solutions were also needed in energy and communication technology, and partnerships should be strengthened between regional, subregional and international institutions, as well as with the private sector. Disaster management plans should also be implemented and trade activities should be diversified. Moreover, participants agreed that national policies should be enhanced, in order to strengthen efforts to build resilience. Participants also focused on the need to review financing for development, to increase capacity through training and education, and to increase awareness about indigenous issues.

#### Youth Declaration

At the end of panel discussion, the moderator invited members of the Youth Group, which consisted of 96 youth from 31 small island developing States and 6 other small island nations, to read a declaration entitled "Youth envisioning for island living".

As set out on the declaration, the youth of small island developing States and other small islands nations, among other things, called upon their governments, private sector and civil society to: assist them with building partnerships with youth to support the preservation of culture within current and for future generations; involve youth in decision-making concerning the social, cultural and physical environment, and in the development of policies and enforcement of laws in order to ensure good governance; educate youth on issues such as HIV/AIDS, substance abuse, and a healthy lifestyles, thereby strengthening family, school and community relations and contributing to stronger moral values; secure viable job opportunities for youth by developing youth leadership and advocacy, as well as strengthening networking between sectors, thereby reducing the social impact of unemployment; and provide youth with the skills and knowledge necessary to plan for and respond to the dangers posed to their societies by both natural disasters and modern security threats.

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