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**International Meeting to Review
the Implementation of the Programme
of Action for the Sustainable Development
of Small Island Developing States**

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Item 8 of the provisional agenda*
**Comprehensive review of the implementation
of the Programme of Action for the Sustainable
Development of Small Island Developing States**

MINISTERIAL ROUNDTABLES

BACKGROUND PAPER

* A/CONF.207/1.

INTRODUCTION

Two Ministerial Roundtable Dialogues will be held during the high-level segment of the Mauritius International Meeting, January 13-14, 2005, which will focus on key policy issues of concern to the SIDS and on measures considered critical to the successful implementation of the Barbados Programme of Action (BPOA). Initial consideration of these critical issues will take place in the Panel-led interactive discussions during the plenary sessions of the meeting to be held from January 11 to 12, 2005. Background information on the issues to be discussed by the plenary panels is given in documents A/CONF.207/CRP.1 – 5.

The Roundtables will address the overarching theme: “The Way Forward”, focusing on the policies and strategies that will strengthen the ability of SIDS to implement the BPOA. Two Roundtables are envisaged:

Roundtable 1: “Mobilizing Resources for BPOA Implementation”, and

Roundtable 2: “Building Capacity in SIDS”.

Roundtable 1: Mobilizing Resources for BPOA Implementation

Background

Wide concern has been expressed by SIDS that more tangible, measurable progress in implementation of the BPOA could have been achieved had there been greater infusion of resources to facilitate such implementation over the past decade. This resource constraint has been attributed to the overall net decline in a range of international resource flows to the SIDS during the past ten years, and to developments in the international economy which to significant degree undermined SIDS' income-generating capacity.

While some SIDS saw increased private financial flows, particularly foreign direct investment, others saw steep declines as foreign direct investment was attracted to countries with larger markets. Globalization and trade liberalization, with the attendant erosion of trade preferences, have had a substantial negative impact on the fragile economies of SIDS. Their share of global merchandise trade declined from 0.4% of world exports in 1980 to 0.2% in 2000; a 50% reduction. Heavy dependence on a few primary commodities has made export revenues volatile, in many cases.

Beyond the difficulties in participating effectively in the highly competitive international trading environment inaugurated by WTO, the small island developing States also saw a decline in overall official development assistance. Growth in the financial services sector and other business sectors, including insurance, has proved very successful for some SIDS. Much attention has been given to the strengthening of

legislative and institutional frameworks for more effective regulation of the sector to address concerns regarding volatility, liquidity and disclosure.

Notwithstanding the opportunities for economic diversification and growth presented by globalization, nearly all SIDS reported high vulnerability in economic performance and higher risk of economic marginalization. This situation was further exacerbated for many by natural disasters that retarded economic and infrastructural development and diverted scarce resources to rehabilitation and reconstruction. The experience of many Caribbean states during the 2004 hurricane season speaks dramatically to the ongoing challenge faced by SIDS where decades of development can be wiped out in hours by a single extreme weather event. The SIDS have argued that such degrees of environmental vulnerability which steepen the development slope are deserving of economic consideration and concession.

The limited economic opportunities available to SIDS contributed in particular to the increased migration of skilled nationals, adding still another challenge to efforts to compete effectively in a high-technology international environment. Dependence on remittances and development assistance from both bilateral and multilateral sources thus increased in many SIDS.

Following is a list of measures, actual and potential, which might form part of the mix of mobilization measures and policy actions that will give support to the sustainable development efforts of SIDS, and further BPOA implementation.

Support for national policies creating an enabling environment

SIDS acknowledge that creating a national business environment to compete more effectively for foreign direct investment flows, and sound domestic economic and social policies are important. Such policies would include reforms to increase private sector investment and employment, as well as complementary public policy and investment

aimed at providing better infrastructure, and a more highly educated workforce and stronger institutions.

The challenge SIDS face, however, is to leverage the resources from debt-burdened economies with characteristically narrow fiscal bases. The creation of an enabling environment for FDI facilitation, therefore, in the case of most SIDS, represents a drain on the public purse already over-burdened with competing priorities.

Questions:

- ?? What measures might be considered to support SIDS' efforts to establish an enabling environment?
- ?? Is there a special role for ODA in this effort?
- ?? What particular measures might be employed to strengthen private sector development in SIDS?

Support for the development of off-shore financial and other services industries

In the search for competitive differentiation in economic activity, and to counter the decline in income from trade in primary commodities, a number of SIDS have become successful providers of off-shore financial services. Management of these industries has proven more challenging since they have come under the scrutiny of the OECD. SIDS will require assistance to build capacity in their financial sectors, including strengthening financial standards and governance processes. Potential may also exist in SIDS for the development of ICT related services.

Questions:

- ?? What framework for action might best be pursued to promote progress towards resolution of the challenges to SIDS off-shore services industries created by the OECD Harmful Tax Competition Initiative?
- ?? What measures are needed to create an enabling environment for building a competitive ICT services industry?

Improving debt management

The burden of debt servicing places significant constraints on the SIDS' ability to achieve sustainable development objectives, particularly in the context of an international economic environment characterized by falling export trade earnings, diminishing ODA and increased competition in attracting FDI flows. Mobilization of resources for heavily indebted SIDS will not be effective without a commensurate strategy to ensure more sustainable debt management.

Question:

- ?? What innovative framework for more effective management of debt might be implemented? Might this be employed in all heavily indebted countries not just the HIPCs?
- ?? What debt management support is possible?

Promoting remittance flows

Remittances have in recent years played an increasingly important role in expanding domestic resources. The Secretary General's Note on Innovative Sources of Financing (A/59/272) records an estimated increase of such flows internationally from

US\$15b in 1980 to US\$80b in 2002. In many SIDS, these resources exceed even FDI flows.

In addition to their significant contribution to social welfare, these resources are a potentially important source of finance for capital formation, including support for community infrastructure, and for the financing of domestic enterprises.

Remittance flows are enhanced through a variety of entities ranging from the formal to the informal, heavy use of the latter making accurate estimate of these flows more challenging.

Question:

?? How might the international community best promote increased remittance flows, encouraging greater use of formal channels and promoting a broader range of investment and welfare initiatives?

Improving donor coordination

The need for aid coordination and harmonization has repeatedly been cited in the national and regional reviews of BPOA implementation by SIDS. Most SIDS lack the capacity to effectively manage their various donor partners, bilateral and multilateral. Consideration should be given to the coordination or integration of donor programmes within the context of SIDS-defined priorities, with special attention given to the alignment of programme cycles and the rationalization of reporting requirements.

Question:

?? What role can the UN system play in leading the international community to enhanced donor coordination for SIDS?

Strengthening regional support

There is increasing recognition that sustainable development can be more effectively pursued within the context of a strong regional framework of cooperation. For SIDS, for which size, distance and capacity present significant challenges, a regional approach may contribute to more efficient resource mobilization and sharing of technical expertise. It can also be argued that a regional framework for action promotes greater donor coordination, compensates for limited human and institutional capacity in the SIDS and enhances coherence in regional and national action on sustainable development initiatives.

Question:

?? What role should the international community play in promoting greater use of a regional approach to sustainable development in SIDS? How best to contribute to strengthening regional institutions to meet the challenge of this responsibility?

Special and differential treatment

The efforts of SIDS, along with other countries with small economies to gain recognition within the WTO for a sub-category of states defined as ‘small vulnerable economies’ has met with limited success. While the small economies work programme agreed at Doha mandates consideration of the concerns of such a grouping, specific recognition of such a sub-category within the WTO was not agreed.

The question remains, then, how to demonstrate the validity of the claim of this group to special consideration in trade and finance. The SIDS argue that the answer lies in the effective integration of robust indices of vulnerability.

Graduation

Issues of graduation for SIDS are directly linked to the success of their advocacy as regards their vulnerability. This is relevant for both SIDS facing graduation from LDC status and those at the higher GNI levels, being weaned from development assistance.

The UN system, chiefly through the CDP, is giving close attention to the adverse effects on LDC SIDS of graduation based on a predominantly economic measure of progress, without adequate attention to other dimensions of vulnerability. Recent study has shown that longer transition periods would help to buffer the shock of graduation in LDC SIDS since graduation is shown to negatively impact **their trade** in primary commodities and their levels of ODA.

Question:

?? Is there any role for the IFIs and development agencies in supporting a longer transitional period for graduating LDC SIDS (beyond the current three years)?

Roundtable B: Building Capacity in SIDS

Introduction

Lack of capacity has been determined to be one of the most critical cross-cutting factors limiting SIDS' ability to pursue sustainable development and the achievement of the MDGs. There is no doubt that the most important resource in SIDS are people; their skills and their creative imagination. They provide the intellectual resources for formulating the strategies for sustainable development and they direct and manage the institutions that are charged with implementing these policies and activities.

Three types of capacity are relevant to this consideration:

?? *Systemic capacity*, which includes the legislation, policies, economic systems and incentives, as well as traditional systems, which support development processes;

?? *Institutional capacity*, which includes the organizations, entities, and structures (sectoral and cross-sectoral), as well as civil society and community-based organizations that act as policy making and policy implementing instruments/agents/players, is particularly important; and

?? *Individual capacity*, the human resource itself.

It is at the individual level that the SIDS lack the critical mass to manage their sustainable development requirements, because of limited number of skilled and highly trained professionals in most SIDS, and the emigration of experienced personnel seeking career advancement in developed countries. This absence of critical mass of skilled human resource inevitably weakens institutional and systemic capacity.

Support initiatives to build capacity in SIDS

The need for a coherent, coordinated strategy to support human resource development and institutional strengthening in SIDS cannot be overstated. There is need for strengthening of national sustainable development strategies to promote a more integrative cross-sectoral approach. There is also need for strengthening of regional and subregional institutions to promote sharing of technical expertise. This is relevant across all sectors, particularly those demanding specialized skills and training.

The need for support for effective representation at the WTO is urgent. Many SIDS lack the human and financial resources to facilitate their representation. This has significantly undermined SIDS' advocacy capacity.

Question:

?? How to support the more effective participation of SIDS in WTO negotiations?

The Universities of the SIDS regions have been working together with UNDP to develop a SIDS Universities Consortium. Under this proposal the academic capacities of all SIDS would in a sense be pooled for the benefit of all, so that for example a student at the University of the West Indies could take a climate change course at the University of the South Pacific without actually going to Fiji, and would get the appropriate credit.

Question:

?? What can SIDS and their development partners do to ensure that the Consortium proposal receives adequate financing and attention?

Many SIDS have reported on a wide range of sustainable development concerns as well as key sectors where additional assistance is required, but they also report that the international processes do not appear to adequately respond to those concerns. Whether it is a case of inadequate preparation or lack of negotiations experience, there is a need to build capacity in negotiating skills. Using negotiation simulations or increasing the availability of more concrete briefing materials could help in this regard. It is important to provide SIDS with a cadre of personnel with experience in developing their negotiating skills in a relatively informal setting, and which will allow them to use these skills in the international meetings.

Question:

?? Should the SIDS University Consortium develop a course curriculum in cooperation with AOSIS for modules of instruction in negotiations and in different thematic fields, of varying duration, to enable AOSIS to send its delegates for periodic training?

In many SIDS, the selection of a department to execute specific responsibilities is more a consequence of tradition than institutional capacity. With respect to processes, many SIDS do not have the capacity to plan, manage, monitor and evaluate projects and programmes efficiently. Scarce human resources, coupled with the tremendous reporting requirements of MEAs, required attendance at local and international meetings, and many other demands, imply that human resources are a capacity-limiting factor in most SIDS.

Question:

- ?? What actions can Governments take to address this particular issue of institutional and human capacity, and is there scope for assistance from the international community (through best practices, etc.)?
- ?? What sorts of capacity development coordination mechanisms would be required to ensure that technical and financial resources are better utilized in SIDS?

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