

REPORT ON THE INTERNATIONAL WORKSHOP ON ECONOMIC VULNERABILITY AND RESILIENCE OF SMALL STATES

organised by the



**COMMONWEALTH SECRETARIAT,
London**



**ECONOMICS DEPARTMENT,
University of Malta**



**ISLANDS AND SMALL STATES INSTITUTE
Foundation for International Studies,
University of Malta**

**at the University of Malta Gozo Centre
Mgarr Road, Xewkija, Island of Gozo, Malta**

on 1, 2 and 3 March 2004

1. VENUE, DATE AND ORGANISERS

The international workshop on Vulnerability and Resilience of Small States was held at the University Gozo Centre, Xewkija, island of Gozo, Malta, between 1 and 3 March 2004. The workshop was organized by the Commonwealth Secretariat, the Economics Department of the University of Malta and the Islands and Small States Institute of the Foundation for International Studies, at the University of Malta. The persons involved in the coordination and administration of the workshop are listed in **Annex 1**.

2. OBJECTIVES OF THE WORKSHOP

The objectives of the workshop were to:

- Identify the inherent conditions and factors that lead to economic vulnerability of small states.
- Propose measures which strengthen resilience to enable small states to manage their inherent economic vulnerability, and a framework to operationalise such measures.
- Examine the existing vulnerability indices and propose methods to develop a resilience index.
- Propose measures that enhance the benefits of the economic vulnerability and resilience indices, in terms of supporting decision-making, setting targets and establishing standards, monitoring and evaluating developments, providing quantitative estimates, disseminating information.
- Issue a statement on economic vulnerability and resilience building of small states
- Plan a publication containing the papers presented at the workshop and the final statement agreed upon by the participants.

3. STRUCTURE OF THE WORKSHOP

The workshop was structured as follows. The first day was dedicated to presentations by invited experts on the need for special treatment for small states and on themes related to inherent conditions leading to economic vulnerability of small states in different regions and on policies and measures which strengthen economic resilience of small states.

The second day was dedicated to presentation on the conceptual and methodological issues in measuring vulnerability and economic resilience, with a view of making a case for special and differential treatment for small states.

The third day was dedicated mostly to the drafting and approval of a final statement..

The workshop was also addressed by the Hon John Dalli, Minister of Finance and Economic Affairs, Government of Malta and Ms Giovanna Debono, Minister for Gozo, Government of Malta.

The programme of the workshop is presented in [Annex 2](#).

There was also a social programme, which is presented as [Annex 3](#).

4. PARTICIPANTS

The workshop was attended by 26 participants from different parts of the world. A list of participants is appended as [Annex 4](#).

The Pacific, the Caribbean and the AIMS regions were almost equally represented. Some participants represented international or regional organisations including the Commonwealth Secretariat, the Pacific Island Forum, UNCTAD, UN Department of Economic and Social Affairs (UNDESA), the Caribbean Regional Negotiating Machinery (CRNM), the UN Committee for Development Policy, the UNDP and the UK Department for International Development (DFID).

5. PROCEEDINGS

The workshop presentations followed a logical sequence, with problems and prospects being treated first, followed by a discussion on concepts and measurements, leading to the drawing up of a final statement, covering the issues discussed. The contribution of the participants was of a very high quality, and all participants participated actively in the debate.

The final statement, presented as [Annex 5](#), was unanimously approved, following intense debate on its content and on the messages to be conveyed. In general the participants agreed that small states, particularly SIDS, are more economically inherently vulnerable than other groups of countries, and that resilience-building is imperative to cope with such vulnerability. It was also agreed that small states should themselves adopt policies to build their resilience through:

- (a) good governance involving appropriate policies to ensure political stability and the enforcement of the rule of law, to address the issue of corruption, as well as to promote accountability, transparency and efficiency in the delivery of public services;
- (b) a sound macroeconomic framework, including low inflation, exchange rate stability, and acceptable fiscal and external balances;

- (c) market reform by promoting fair trade practices and fostering competitiveness;
- (d) labour productivity and labour market flexibility with the collaboration and participation of social partners and other relevant stakeholders;
- (e) social cohesion, poverty eradication and sustainable livelihoods;
- (f) protection and sustainable management of the environment, notably by taking steps to increase energy efficiency, promote waste management, improve freshwater resources management, and encourage sustainable use of biodiversity and natural resources; and
- (g) innovation, research and technology as sources of competitiveness.

Participants called upon the international donor community to assist small island states in their quest to build economic resilience in order to cope with their inherent economic vulnerability.

Participants also agreed that a construction of a resilience index is important as a tool for assessing the extent to which countries are building their resilience and as a checklist as to what is to be done towards this end.

6. FUTURE WORK

Participants recognised the importance of a rigorous framework on resilience-building, and agreed on the need for the work to continue towards developing a resilience index as well as a broader set of tools to support national and regional policy making.

7. ACKNOWLEDGMENTS

Participants expressed their gratitude to the Government of Malta and the University of Malta for their kind hospitality and warm welcome and for creating congenial conditions for a successful meeting.

The participants also thanked the Minister of Finance and Economic Affairs and the Minister for Gozo for their contributions to the deliberations, and the support expressed by both ministers in promoting measures in favour of small states.

The participants requested the Government of Malta to submit these workshop conclusions to the Secretary General of the UN for circulation as an official document of the UN.

8. EVALUATION

In general the participants considered the workshop to have been well-organised and fruitful. The evaluation results are shown in [Annex 5](#). In general, 21 out of 24 participants (86%) rated the workshop as excellent or very good. Out of the remaining 14% of participants, 13% rated the seminar as good and 1% as fair.

Participants added comments to the evaluation questionnaire, generally commenting on the hospitality offered by the University Gozo Centre and on the good service extended by University Gozo Centre staff.

ANNEX 1: WORKSHOP COORDINATION AND ADMINISTRATION

Overall coordination:

Professor Lino Briguglio, University of Malta
Dr Eliawony Kisanga and Ms Janet Strachan, Commonwealth Secretariat

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ANNEX 2: WORKSHOP PROGRAMME

MONDAY 1 MARCH 2004

- 0900-0945 **Inauguration**
Leslie Agius, Chief Executive, Foundation for International Studies
Martin Valentino, Ministry of Foreign Affairs, Malta
Lino Briguglio, University of Malta
Eliawomy Kisanga, Commonwealth Secretariat
Jagdish Koonjul, Chairman of AOSIS
- 1000-1100 **Keynote Speech followed by discussion**
"Making a case for special treatment of small states"
Siva Palayathan
- Presentations followed by discussion:**
"Inherent conditions leading to economic vulnerability of small states and appropriate policy measures to strengthen economic resilience for sustainable development"
- 1130-1230 "Small states in the Caribbean region"
Dr Philip Osei, Dr Dennis Pantin, Mr Cletus Springer
- 1400-1500 "Small states in the Pacific region"
Dr Mahendra Reddy, Mr Mike Manning, Mr Espen Ronneberg
- 1500-1600 "Small states in the AIMS region"
Peter Larose, Abdullah Majeed, Peter Wilson
- 1630-1730 **Plenary discussion:**
"Policies and measures to strengthen the economic resilience of small states"

TUESDAY 2 MARCH 2004

- 0900-1030 **Presentation followed by discussion:**
"Background information about the development of the economic vulnerability index"
Lino Briguglio
- 1100-1230 **Presentations followed by discussion:**
"Measuring economic vulnerability and resilience to operationalise vulnerability and resilience indices"
Gordon Cordina
Tom Crowards
- 1400-1600 **Presentations by representatives of International/regional organisations**
Pierre Encontre, UNCTAD
Emma Ferguson, Pacific Islands Forum Secretariat
Patrick Guillaumaunt, UN Committee for Development Planning

1600-1630 **Speech by Hon. John Dalli, Minister of Finance and Economic Affairs, Malta**
"Promoting Competitiveness in Malta"

1630-1800 **Presentations by representatives of International/regional organisations**
Racine Kane, UNDP
Claudius Preville, Caribbean Regional Negotiating Machinery
Ram Venuprasad, Commonwealth Secretariat
John Underwood, World Bank

WEDNESDAY 3 MARCH 2004

0900-0915 **Speech by Hon. Giovanna Debono, Minister for Gozo, Malta**
"Economic Vulnerability and Resilience Building on the Island of Gozo"

0915-1100 Drafting of final statement:
"Measures to manage economic vulnerability and strengthen economic resilience
of small states"

1130-1230 Plenary session to draft final statement.

1400-1700 Discussion and adoption of final statement

1700 End of Workshop

ANNEX 3: SOCIAL PROGRAMME

Monday 1st March 2004

1230 Lunch at Xerri I-Bukkett Restaurant

2000 Dinner at Il-Kartell Restaurant

Tuesday 2nd March 2004

1230 Lunch at Ta' Rikardu Restaurant, Victoria

Wednesday 3rd March 2004

1230 Lunch at Mariblu Restaurant

1700 Visit to Ggantija prehistoric temples at Xaghra

ANNEX 4: WORKSHOP PARTICIPANTS

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ANNEX 5: FINAL STATEMENT

CONCLUSIONS OF THE INTERNATIONAL WORKSHOP ON ECONOMIC VULNERABILITY AND RESILIENCE OF SMALL STATES Organised by the Commonwealth Secretariat and the University of Malta at the University Gozo Centre, Island of Gozo, Malta, 1-3 March 2004

Introduction

1. Twenty-six experts from all Commonwealth regions participated in a workshop on economic vulnerability and resilience of small states held at the University Gozo Centre, Malta, between 1 and 3 March 2004. These included academics, practitioners, policy makers, and representatives of international and regional organizations.
2. This workshop took place in the context of preparations for the International Meeting for the review of the implementation of the Barbados Programme of Action for the Sustainable Development of Small Island Developing States (SIDS). The workshop discussed features of economic vulnerability of small states, particularly SIDS, and strategies for developing their resilience; and took account of the conclusion of the *ad hoc* expert group on Vulnerability Indices, which met in New York in December 1997, that "as a group, SIDS are more vulnerable than other groups of developing countries". The participants also discussed trade as the main engine of growth and development.
3. Participants noted that:
 - the regional preparatory meetings for the International Meeting, held in Samoa, Cape Verde and Trinidad and Tobago, confirmed that SIDS, as a group, face particular handicaps as a result of the economic, environmental and social vulnerability.
 - the Interregional Preparatory Meeting of SIDS, held in Nassau, The Bahamas in January 2004, reconfirmed the economic vulnerability of SIDS and called for the development of an economic resilience index.
4. The participants also considered a number of issues that are of concern to small states, notably:
 - the issue of graduation from least developed country (LDC) status of a number of SIDS; and
 - the need for special and differentiated treatment and necessary policy space for small states, particularly SIDS, within the World Trade Organization (WTO).
5. Participants recognized the role that a focused conceptual framework on vulnerability and resilience building could play in addressing these concerns, as well as in strengthening national and regional policy approaches. They also recognized the need for participatory and collaborative schemes, involving all major stakeholders, to ensure the success of resilience strategies.

Vulnerability and resilience of small states

6. The participants reaffirmed that the inherent economic vulnerabilities of small states have been internationally recognized. Such vulnerability arises from exposure to adverse external shocks beyond their control, as well as structural handicaps, exacerbated by *inter alia* a high

degree of openness, export concentration and high dependence on strategic imports, remoteness and high transport costs, susceptibility to natural disasters exacerbated by climate change and sea level rise. These conditions pose serious handicaps for the sustainable economic development of small states.

7. Small states have not been complacent in this regard, and there are many instances of successful practices to build resilience that could be emulated. In this regard, technical and financial assistance and cooperation from the international community is of paramount importance to support efforts of small states to build their capacity to cope with their vulnerability and to build up resilience.

Recommendations for small states

8. In order to build resilience, small states should:

- (h) take steps to promote good governance by pursuing appropriate policies to ensure political stability and the enforcement of the rule of law, to address the issue of corruption, as well as to promote accountability, transparency and efficiency in the delivery of public services;
- (i) strive to create a sound macroeconomic framework, including low inflation, exchange rate stability, and acceptable fiscal and external balances;
- (j) undertake market reform by promoting fair trade practices and fostering competitiveness;
- (k) enhance labour productivity and labour market flexibility with the collaboration and participation of social partners and other relevant stakeholders;
- (l) promote social cohesion, support poverty eradication and sustainable livelihoods and foster harmonious social development;
- (m) protect and sustainably manage the environment, notably by taking steps to increase energy efficiency, promote waste management, improve freshwater resources management, and encourage sustainable use of biodiversity and natural resources; and
- (n) promote innovation, research and technology as sources of competitiveness.

9. In this context the usefulness of a resilience index should be explored.

Regional and international dimensions

10. The negotiating capacity of small states, particularly SIDS, should be enhanced by appropriate analytical tools, such as vulnerability indices. The support of regional and international organizations would strengthen this process.

11. The work carried out by the Alliance of Small Island States (AOSIS) in formulating a collective position for SIDS in international fora, in particular those where international instruments are negotiated, should be supported. Furthermore, the progress made in formalizing the AOSIS structure was welcomed.

12. Participants commended the work of the Commonwealth Secretariat to foster co-ordination among small states in their efforts to be considered as meriting special treatment within the WTO and the World Bank.

13. Participants expressed their gratitude to the international and regional organisations that have supported efforts by small states to promote their sustainable development. They were also appreciative of the work carried out by Universities and research institutions, notably the University of Malta, the University of the West Indies and the University of the South Pacific, in

the interests of small states. Participants urged the continuation of this work within the context of the proposed SIDS University Consortium.

Recommendations for the international community

14. Participants urged the:

- a) UN Commission for Sustainable Development to take note of the conclusions of the workshop at its preparatory meeting for the Mauritius International Meeting (14 to 16 April 2004), and to request the international donor community to support SIDS in their resilience-building efforts;
- b) Relevant UN agencies, including the UN Workshop on Trade and Development (UNCTAD), the UN Development Programme (UNDP) and the UN Environment Programme (UNEP), to continue providing support to small states, particularly SIDS, towards the promotion of sustainable development in general and resilience building in particular;
- c) International donor community, including multilateral financial organizations, to extend financial and technical support to small states in their efforts to cope with their inherent vulnerability and to build their resilience;
- d) The WTO to take account of the special trade concerns and needs of small states, particularly SIDS, and their vulnerabilities arising from trade liberalisation and globalisation, and accordingly consider granting special and differentiated treatment to such states.

Future Work

15. Recognising the importance of a rigorous framework on resilience-building, participants agreed on the need for the work to continue towards developing a resilience index as well as a broader set of tools to support national and regional policy making.

Acknowledgments

16. Participants expressed their gratitude to the Government of Malta and the University of Malta for their kind hospitality and warm welcome and for creating congenial conditions for a successful meeting.

17. The participants also thanked the Minister of Finance and Economic Affairs and the Minister for Gozo for their contributions to the deliberations, and the support expressed by both ministers in promoting measures in favour of small states.

18. The participants requested the Government of Malta to submit these workshop conclusions to the Secretary General of the UN for circulation as an official document of the UN.

ANNEX 5: EVALUATION RESULTS

Item	RESPONSE						Total
	Excellent	Very Good	Good	Fair	Bad	Very bad	
Programme	18	3	3	-	-	-	24
Presentations	12	7	5	-	-	-	24
Conference Facilities	15	4	4	1	-	-	24
Transport Facilities	14	5	5	-	-	-	24
Assistance by Staff	20	4	-	-	-	-	24
Social Activities	16	6	2	-	-	-	24
Hotel	17	4	3	-	-	-	24
Average	16.0	4.7	3.1	0.1	-	-	24
Percentage	66%	20%	13%	1%	-	-	100%