

Chapter 1

Overview

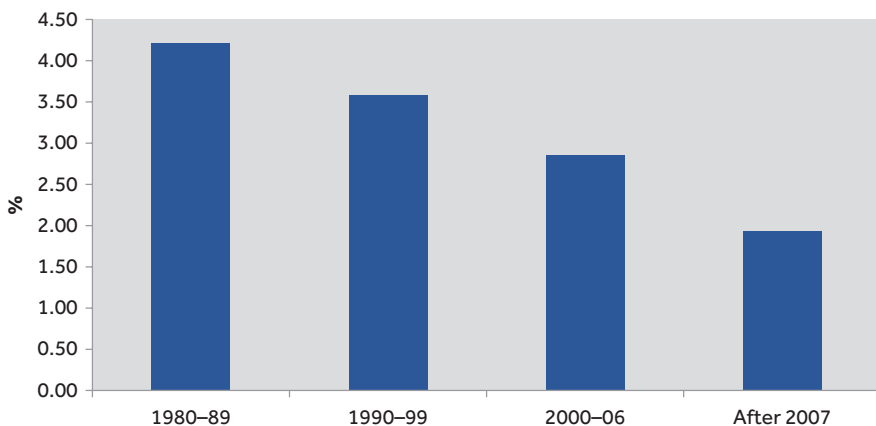
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1.1 The case for building resilience

Small states face a unique set of development challenges posed by their small size, notably narrow production and export bases, limited resources and capacity constraints. These characteristics heighten their susceptibility to economic and climate related shocks, which are likely to increase in frequency and intensity with climate change and globalisation. While the latter undoubtedly creates opportunities for small states, the accompanying integration of markets and openness of small economies means greater exposure to external shocks. Each shock wave further erodes their economic and social gains, hindering their ability to respond to and cope with future shocks. This was especially evident during the 2008–10 global economic recession. Climate change adds greater uncertainty to future growth prospects and added costs.

Undoubtedly, these developments have stymied the efforts of small states to achieve sustainable development. For a large number of small states the result has been crisis response-induced debt burdens, for which accelerating economic growth is critical – yet the possibilities for such growth appear limited. There has been a general slowing of growth in most small states since the 1980s (see Figure 1.1), signalling an inability of small states to fully capitalise on the opportunities offered by globalisation.

Figure 1.1 Growth in small states, 1980–2012



Source: International Monetary Fund (2013).

These events are taking place at the same time as a diminishing level of support from the international community to small countries as a result of their relatively high gross domestic product (GDP) per capita. The high per capita incomes of some small states are viewed by their development partners as an indicator of their success, but research suggests they mask their lack of progress in many areas. The evidence of this is found in their limited achievement of the Millennium Development Goals (MDGs) to date (Roberts and Ibitoye 2012). While a key blockage has been small states' internal capacity deficits, a lack of access to financial resources also compromises their ability to respond effectively to these shocks, adversely altering their growth trajectory. They face a cycle of lagging growth, and shocks that further diminish their ability to respond to future shocks. Without international support this in turn increases debt burdens, creating a drag on the economy that hampers growth.

Given the inherent nature of the vulnerability of small states, the important question is what, if anything, can be done? Inherent vulnerability – unlike poverty – cannot be changed. Small states can cope with their vulnerability only by building their ability to both recover quickly from, and withstand, harmful external shocks. Associated with the flexibility of an economy, building resilience encapsulates the social, economic and environmental aspects of development. Misleading in its simplicity, the notion of building resilience is overshadowed by the evidence of small states' limited success in doing so. Determining an appropriate blend of policies to achieve this desired result can be challenging and requires a strategic approach. The Commonwealth recognised this and, building on decades of research on the development challenges of small states, sought to develop a framework for building the resilience of small states in collaboration with Lino Briguglio of the University of Malta in 2004.

In a seminal study commissioned by the Commonwealth, Briguglio posited that small states' ability to effectively withstand and bounce back from external shocks depended on the extent to which they employed policies conducive to macroeconomic stability, market efficiency, good environmental management and political governance, and social cohesion in national plans and strategies (Briguglio et al. 2006). With small states accounting for 59 per cent of its membership, the Commonwealth undertook to further advance this work and developed a resilience-building assessment tool kit. This was intended to help national stakeholders agree priority areas for policy intervention and technical and financial assistance by the wider international community. The resilience-building assessment tool kit provided a useful framework for integrated development planning that would reduce risk and volatility. The tool kit was piloted in three Commonwealth small member states, namely Seychelles, St Lucia and Vanuatu, representing the three small states regions, in 2008–09.

Broadly, the resilience assessment/profiling exercise involved identifying the principal sources of vulnerability for a country and the effects these exogenous shocks have had on that country. The analysis included relevant indicators and data such as exports, developments in markets, sources and the extent of market shocks, and strategic imports and it explored the resilience-building efforts that had served the country best in addressing its vulnerabilities. This exercise also incorporated a capacity-building element, with each country assisted to build the capacity of

country officials to undertake the self-assessment. The findings were published by the Commonwealth in the book *Profiling Vulnerability and Resilience: A Manual for Small States* (Briguglio et al. 2010). This study confirmed the high vulnerability of small states and their varying degrees of resilience. According to Briguglio et al. (2010), the problems of small states had been hugely magnified by the global economic downturn, from which they were beginning to recover – but in unequal measure – at the time of the study. The authors prescribed resilience-building policies for these small states aimed mainly at promoting economic stability and competitiveness, principally by improving the functioning of the product and labour markets, encouraging private sector development and adopting prudent approaches in public finances.

The approach of profiling vulnerability and resilience to articulate country-specific policies has been well received by the international community. Other institutions such as the United Nations (UN) have been exploring vulnerability and resilience, prompted by the calls from small island developing states (SIDS). In 1992, a UN Conference on Environment and Development ('the Rio Earth Summit'), Agenda 21 noted that SIDS face special challenges in planning for sustainable development, and agreed a Global Conference on the Sustainable Development of Small Island Developing States, which took place in 1994. The Barbados Programme of Action (BPOA), which emerged from that process, became the principal international framework for addressing the special challenges and constraints faced by SIDS in their implementation of sustainable development. The BPOA was followed up by the Mauritius International Meeting in January 2005, from which the Mauritius Declaration, a political statement reaffirming the continuing validity of the BPOA, adopted the Mauritius Strategy for Implementation (MSI) and made a commitment to its timely implementation. The Mauritius Strategy for the further Implementation of the Programme of Action for the Sustainable Development of SIDS highlighted outstanding, new and emerging concerns with respect to the sustainable development of SIDS.

The UN responded to repeated calls for ways to capture specific vulnerabilities and efforts to address them on a country-by-country basis during the Barbados Conference to the SIDS preparatory meetings, and developed a methodology called the Vulnerability Resilience Profile (VRP), which it has sought to pilot test in selected SIDS during 2014. The reflection of the international community on the post-2015 development agenda and progress in achieving the MDGs provides a pivotal point to reflect on these issues, and to establish a global development framework that takes account of the circumstances of small states. There is now a growing appreciation of the importance of making international systems, processes and institutions more responsive to the needs of the smallest and most vulnerable members. The third International Conference on Small Island Developing States 2014 (which is to be held in Samoa) will serve to focus international attention on small states, and has led to the international community agreement on 2014 as The International Year of SIDS.

As the international community approaches the end of the MDGs period, there are glaring gaps and patchy achievements by small states, particularly SIDS, prompting

a renewed call for a robust framework. During the preparatory meetings for the SIDS 2014 conference in 2013, delegates called for this work to be accorded priority attention. The intention is to build a robust model and consensus on its applicability and usefulness as an alternative basis for determining access to resources and graduation. A similar sentiment was shared by small states, policy-makers, their key development partners and experts during the Commonwealth third Global Biennial Conference on Small States in March 2014. The convergence of these events provides a unique opportunity to mobilise international support for small states, and a catalyst for redoubling efforts to build a more robust resilience framework. The work captured in this publication seeks to fill this gap.

Since the seminal work in developing the resilience framework, the importance of governance – that is, the role of institutions, systems and rules – previously acknowledged but not effectively captured, has been brought into sharp focus. The global financial and economic crisis of 2008–09 highlighted the importance of a number of factors in determining the ability of countries to respond to shocks. The lessons of this event cannot be ignored given the fallout from these failures, evidenced by the length and intensity of the global economic crisis, especially in small states. A weak financial and regulatory framework, and poor environmental management and social systems, can compromise the best efforts of countries, and these elements were not adequately captured in previous frameworks. The approaches to addressing these shortcomings have been varied. Seth and Ragab (2012), reviewing the frameworks proposed by different authors, concluded that the vulnerability–resilience frameworks developed so far did not adequately account for the dangers of the increasing frequency and severity of financial and economic shocks. The authors argued that post-2008 developments raised important questions about the systemic character of financial and economic shocks, and the ability of individual countries to withstand the most damaging and lasting effects of such uncertainty. Briguglio and Piccinino (2012) proposed a revision of the framework to, among other things, identify the different types of financial and economic shocks that most frequently face developing countries. The framework would also facilitate advocacy on global policies and international co-ordination mechanisms to minimise the frequency and severity of the shocks. They incorporated an index entitled the ‘soundness of banks’ in the resilience index.

In 2013, the Commonwealth, recognising the need for a revised vulnerability–resilience framework, convened a group of experts to revisit the Commonwealth Secretariat/University of Malta resilience framework, as well as the wider body of knowledge on resilience. The Technical Working Group (TWG), as they were called, comprised experts from the fields of economics, sociology, governance and the environment from the three small states regions (Caribbean, Pacific and Africa, Indian Ocean, Mediterranean and South China Sea [AIMS]), to ensure adequate coverage of the diverse range of small states issues.

Arising from their deliberations, the group noted the need to (a) update the resilience index on a regular basis, given that it is based on policy choices that are subject to change; (b) capture the downsides of an unregulated or badly regulated market,

particularly in the financial sector; (c) factor in environmental management as a component of the resilience index; and (d) include social development and social cohesion, which are important contributors to economic resilience building. Based on their recommendations, the Commonwealth commissioned the four studies that form the basis of the four main chapters of this book.

Chapter 2: A Vulnerability and Resilience Framework for Small States, written by Lino Briguglio, presents a revision to the Commonwealth Secretariat/University of Malta resilience framework (2004) to better capture governance, in particular, financial regulatory regimes and environmental management. Briguglio proposes a vulnerability and resilience framework with wider country coverage, which includes an environmental management component, updated data and a financial risk indicator. He posits that there is a connection between economic resilience-building and factors that are conducive to investment attraction and therefore growth, including good economic, social and environmental governance. Consequently, he encourages small states to pursue appropriate policies, but argues that this must be coupled with supportive regional and international systems and policies, if small states are to improve development outcomes.

International support for small states is required in accessing resources on favourable terms to fund critical infrastructure projects, and filling capacity gaps that hamper their ability to cope with emerging economic, social and environmental issues. Moreover, grappling with the requirements of an increasingly interconnected global economy necessitates improved access to trade finance and support in adapting and innovating. Trade represents a highly significant component of growth, development and poverty reduction efforts in small states, and so addressing deficiencies in trade-related infrastructure, production and cost efficiencies is important for small states. Access to shock facilities and other support is necessary for small states. Equally important is assistance in addressing their significant debt burdens, which can act as a further drag on growth, constraining their ability to achieve the sustainable development goals.

An important recommendation of this chapter is that aid support should be aimed at promoting and supporting economic stability, market efficiency, social development and environmental management. The author argues that such support is likely to have a lasting effect on recipient countries. He further recommends the inclusion of a vulnerability criterion in schemes with small states as beneficiaries, as opposed to an income per capita criterion, noting that such a criterion more aptly captures the state of development for these countries.

Chapter 3: Developing a Governability Assessment Framework in the Context of Resilience Building in Small States proposes an assessment framework that tries to incorporate the special characteristics of a country's social-economic setting, as well as the prevailing governance system in place. The author, Jean Paul Fabri, defines governance as 'rule of law, an independent judiciary and property rights'. He considers not only the institutional arrangements, but also the interactions between all actors in the institutional environment including traditional institutions, as well as the institutional capacity to adapt, learn and reform itself. Although governance

is recognised as an important building block for resilience, he argues that current governance assessment models and the reality of many developing states, including small island states, are disconnected.

Fabri lays the groundwork for the development of composite indices, which capture this broad view of governance and are aimed at allowing practitioners to profile countries, identifying the best-fit practices and the weaknesses with valuable insights on appropriate policies. The indices he proposes focus on a number of pillars, including the principles and values that form the fabric of society and guide the institutional and political class, as well as underpin social cohesion, and the quality of the institutional set-up of a country, which includes elements of political participation, the electoral system, rule of law, the judiciary, the legislature and traditional institutions. In identifying priority areas for policy intervention, including those of best-fit practices, Fabri prepares a draft set of questions to inform the building of indices for each of the pillars in the form of a handbook and draws up a draft measure for one small state, namely Malta. At the core of the procedure lies a questionnaire that is based on all the elements outlined, which apart from being holistic in nature is able to capture examples of best-fit governance and chart a reform process for countries.

It is intended that the Malta case study will be illustrative of the methodology, and will be further refined and extended to a number of other small states. Although based on an initial country assessment, the framework and codebook, according to Fabri, have been shown to be comprehensive and holistic in their assessment of governance. From this single country case study, it is apparent that a diagnostic approach is needed to compile the report from the codebook. Various challenges exist in advancing the model, especially on a methodological level, which can be addressed only after testing it beyond single-country case studies. Further country case studies will add value to the analysis and a thorough research exercise is warranted across a number of sources. Fabri recommends that further research and development should be undertaken on both the conceptual model and the search questions that operationalise the framework.

Chapter 4: Strengthening Environmental Management in the Context of Resilience Building in Small States is jointly written by Prakash NK Deenapanray and Derrick Oderson. The objective of this study is to focus on environmental management in building resilience in small states. It provides key practical international, regional and national environmental policy options that support resilience building in small states. According to the authors, the process of managing environmental resources and services is complex and multifaceted given the nature of these resources. The building blocks for their effective management are equally complex and cover a broad range of environmental issues. Deenapanray and Oderson characterise the building blocks for the effective management of environmental resources and services into broad groups: pollution management; information, knowledge and capacity enhancement; cleaner technology; resource management; and the environmental management system that is put in place to manage the use of environmental resources and services. In addition, using the building blocks as a basis, the approaches and concepts that

underpin the effective management of environmental resources and services can be identified easily, as can the technologies that could be employed to build resilience. Environmental governance is identified as one of the building blocks for the effective management of environmental resources and services. The authors propose a set of criteria for assessing the distinguishing characteristics of environmental mechanisms.

This study also includes an assessment of the quality of environmental governance in Commonwealth small states (CSS). From this analysis, the authors conclude that the pace towards comprehensive environmental legislation in the Caribbean CSS seems to be slower than in the other CSS regions. Additionally, in the Caribbean, Commonwealth small states' efforts are under way to give meaning to the notion of a single environmental space, as envisioned by the Caribbean Community Single Market and Economy (CSME). The authors suggest that lessons could be drawn from the experiences of the Commonwealth small states that are members of the European Union, as their national laws are significantly influenced by European Community environmental law. The authors provide a comprehensive review of the indicators of environmental governance for each CSS.

Chapter 5: Strengthening Social Cohesion in the Context of Resilience Building in Small States, with Reference to Commonwealth Small States, authored by Godfrey St Bernard, seeks to identify policies that maintain and even strengthen social development and cohesion in the context of building resilience in small states. St Bernard notes that social development captures the extent to which effective social dialogue takes place in an economy, which in turn would enable collaborative approaches towards the undertaking of corrective measures in the face of adverse shocks. He postulates that resilience building, including social cohesion, is instrumental in facilitating social development initiatives in small states. Accordingly, moves towards social development hinge upon the pursuit of policies that foster social cohesion and, by extension, social resilience building. According to St Bernard, building resilience is an antidote for vulnerability risks. The origins of such risks stem from the disintegration of societies in small states, due principally to their inability to withstand the negative effects of domestic and international shocks, which are not always sudden, but could be gradual. In his examination of this issue, St Bernard finds that vulnerability due to the inability to respond to stimuli that have evolved through gradual processes of change has not been regularly articulated in many of the discourses that give primacy to external shocks, which are often sudden. This failure to account for shocks generated through a gradual process has resulted in the omission of social forces. These are manifest in processes of social change, which often occurs at a slower pace than change predicated on economic and environmental forces.

The author examines the key parameters describing population characteristics to permit the generation of indicators that are indicative of material well-being and access to opportunities among such populations. Social development, in the context of individuals, and collectivities of individuals such as households, institutions and nations as entities, hinges upon gauging social aspects of resilience that encapsulate social cohesion.

St Bernard, using a set of proposed population clusters that reflect medium-term socio-demographic characteristics and dynamics for 31 CSS, proposes different policy agendas. Agendas associated with wealth creation relate to strengthening social aspects of resilience impacting financial capital; while agendas associated with exposure to education, access to healthcare, and knowledge, attitudes and practices in the context of HIV/AIDS relate specifically to strengthening social aspects of resilience impacting human capital. Exposure to education is also contingent upon being healthy. This is a function of adequate food security coverage and access to healthcare. Both exposure to education and access to healthcare impact an individual's engagement in economic activity, with all three domains impacting the accumulation of wealth. Other related domains such as the use of information and communications technology (ICT), social protection and fertility are associated with all of the aforementioned. Policy agendas impacting social protection also impact social aspects of resilience pertaining to public order and public safety.

St Bernard establishes five population clusters, which classify CSS in accordance with key demographic and socio-economic characteristics that inform prospective sets of cluster-specific policy agendas. He develops indicators to gauge the strengthening of resilience-building capabilities among individuals as the primary beneficiaries. According to the author, whether in the context of geographic region, gender, wealth status, disability status, nativity, ethnicity or other socioeconomic background characteristics, policy agendas should also set goals that are tantamount to the attainment of greater equality and equity regarding the allocation of human needs.

1.2 Conclusion

Given the complexity of the environment within which small states operate, inextricably tied to global events and facing lower levels of support, a framework for building resilience is paramount. The key findings from these studies are that:

- Economic resilience building is multifaceted and this calls for a holistic approach where social, political and environmental governance policies accompany and support economic policies.
- Given that small states tend to be highly exposed to external shocks, they should assign major importance to resilience-building policies and should embed such policies into their national plans and strategies.
- Small states will need international support, and multilateral and bilateral donors should effectively factor in a vulnerability criterion in their schemes to support small states.
- There is further work to be done, especially in the areas of governance, environmental and social development, in building a robust resilience framework. Existing data gaps hamper this process and must be addressed.

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