

**Building Resilience Through Fostering Green Productive Capacities, Economic
Diversification and Decent Jobs Opportunities:
Innovative Strategies and Global Partnerships for Small Island Developing States**

Side Event
Room 3, Conference Venue
16:00-17:30, Monday, 27 May 2024

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United Nations Conference on Trade and Development (UNCTAD)
International Labour Organization (ILO)
Foreign, Commonwealth & Development Office (FCDO), United Kingdom
United Nations Economic and Social Commission for Asia and the Pacific (ESCAP)

(i) Introduction: SIDS' Development Challenges

There are 39 Small Island Developing States (SIDS) which are members of the United Nations, representing 20% of the UN membership. They are a heterogeneous group of countries, with diverse geographic, demographic, and economic characteristics. The main challenges faced by SIDS include:

- a) Structural challenges: A lack of economic diversification, remoteness, smallness and lack of international economic interaction. Small domestic markets, undiversified economies, usually limited endowment in natural resources, and remoteness from the global markets, renders SIDS unattractive from the perspective of international capital and, hence, as a destination for foreign direct investment (SIDS account for 0.2% of global FDI). Thus, SIDS are very limited in their ability to participate in global and regional value chains, and this impacts their ability to advance development efforts, as engagement with the global economy – through, for example, international trade and sharing global and regional production processes – is of particular importance for any contemporary development model. The challenges are exacerbated by SIDS' significant dependence on international trade.
- b) A lack of resilience and vulnerability towards external shocks: SIDS are especially vulnerable to natural disasters, as well as climate change. For small countries, the per capita costs of post-disaster reconstruction are usually significant. According to the available data, natural disasters and their related costs have steadily increased over the past 40 years.
- c) Debt unsustainability and the inability to access financing: In view of the increased funding needed to achieve the sustainable development goals (SDGs) and to finance climate change adaptation and mitigation, debt is already a problem in many developing countries. In 2022, external debt accounted for 78.5% of SIDS' GDP and for 144.6% of their export revenues (of good and services, including tourism) compared to average ratios of 28.8% and 100%, respectively, for all developing countries.
- d) Environmental degradation, poor waste management, biodiversity loss, overfishing, and climate change: Climate change, pollution and biodiversity loss are set to remain among the biggest challenges of the next decades affecting SIDS, and in particular the ocean economy, including ocean-based tradable goods and services they depend on for

development. The high and rapidly growing levels of marine litter, including plastic litter and microplastics, represent a serious environmental problem on a global scale, negatively affecting marine life and biodiversity, ecosystems, livelihoods, fisheries, aquaculture, maritime transport, recreation, tourism and other sectors of the ocean economy.

(ii) The objective and the alignment

This side event is closely aligned with the Interactive Dialogue 1 (ID1) on “Revitalizing SIDS Economies for Accelerated and Sustainable Growth”. The Interactive Dialogue’s background note identifies structural transformation, the development of critical infrastructure and the locally owned private sector, and the enabling of strategic investments, as well as a focus on the blue economy, including sustainable tourism, as the main solutions to SIDS’ development challenges. Therefore, the objective of this side event is to showcase the necessity to build domestic, economy-wide productive capacities and institutions that enable SIDS’ economic diversification, advance structural transformation and enhanced resilience, as well as generate decent jobs and productive employment. Productive capacities are the productive resources, entrepreneurial capabilities and production linkages that together determine a country’s ability to produce goods and services and, ultimately, allow them to grow and develop. Productive capacities enable developing countries to be in “the driver’s seat” of their national development trajectories and accelerate economic diversification, as well as create decent jobs.

The fragmented models of development and international support have run their cycle, and a new approach is required, one which is holistic, comprehensive, multisectoral, gender-balanced, climate-resilient and long term. Achieving sustainable growth, full and productive employment, and decent work requires the expansion of productive capacities and a structural transformation that leads to more employment opportunities, an improvement in the quality of work and productivity growth. Only the combination of overall productivity growth and employment creation can raise incomes sufficiently to reduce poverty and generate the public and private resources needed to support further socio-economic investment and development.

SIDS need to address these challenges with multidimensional and coordinated policies that include industrial development policies, skills development, a transition to formality and an enabling environment for sustainable enterprises to generate and unleash productive capacities and opportunities. These productive capacities include not only stronger economic linkages and entrepreneurial capacities, but also improved human capabilities, skills, effective institutions and social protection systems. SIDS should be supported in these tasks by a committed multilateral cooperation environment and partnerships that meet the scale of their challenges.

(iii) Guiding questions

1. How can SIDS effectively build and improve their economy-wide productive capacities and institutions to achieve economic diversification, generate decent and productive employment opportunities, and advance structural transformation, as well as enhanced resilience?
2. In what ways can SIDS leverage their exclusive economic zones (EEZs) to harness the potential of the blue economy and the ocean economy, ensuring long-term durability and benefits for their citizens, while maintaining environmental sustainability?

3. How can multidimensional and coordinated policy frameworks support SIDS in transitioning towards more formal economies, enhancing human capabilities, and establishing strong social protection systems to achieve sustainable growth, full employment, and decent work for all?

(iv) Speakers

- President of Guyana and Chair of CARICOM (tbc)
- Prime Minister of Samoa (tbc)
- UNCTAD's Secretary-General¹
- ESCAP's Executive Secretary
- ILO's Director General
- UK's Small Island Developing States (SIDS) Envoy
- President of Instituto Camões I.P.

¹ UNCTAD's Secretary-General will introduce UNCTAD's new SIDS Strategy.