



United Nations Conference on Trade and Development

Distr.: General
10 July 2017

Original: English

Trade and Development Board

Sixty-fourth session

Geneva, 11–22 September 2017

Item 10 of the provisional agenda

Activities of UNCTAD in support of small island developing States and in support of landlocked developing countries

UNCTAD activities in support of small island developing States

Note by the UNCTAD secretariat

Executive summary

The United Nations Conference on Trade and Development (UNCTAD) was the first body of the United Nations system, notably during its third and fourth sessions in 1972 and 1976, to recognize the particular challenges facing small island developing States (SIDS) and to call for special international responses to their problems. The sixty-fourth session of the Trade and Development is a first-time opportunity for the Board to acknowledge four decades of UNCTAD work in this area and to encourage further relevant action. The gist of the UNCTAD commitment to pursue its substantive advocacy in this particular area, in accordance with the SIDS Accelerated Modalities of Action (SAMOA) Pathway (2014) and the Nairobi Maafikiano (2016, TD/519/Add.2), is its focus on enabling the United Nations “to take urgent and concrete action to address the vulnerability of small island developing States” (Samoa Pathway, para. 22), a pledge echoing the insightful requests by the General Assembly in 2010 (resolution 65/2) and the Economic and Social Council in 2011 (resolution 2011/44) to address the vulnerabilities of SIDS “more effectively”.

The rationale for UNCTAD action in this area is based on the recognition of a unique situation in the global development landscape. For most SIDS, the main development challenge is vulnerability to external factors beyond domestic control; the paramount development goal of these countries is therefore resilience-building, a multi-faceted set of objectives, ranging from climate adaptation to economic diversification. SIDS need external financial and/or technical support in their resilience-building efforts, and there is a long-standing plea for “SIDS treatment” as the most desirable means of answering this need. Yet international support measures for these States are limited, as there is a lack of criteria for identifying SIDS. Leaders of some of the most highly vulnerable of these States have been particularly vocal in their plea for a breakthrough in the treatment of SIDS by the United Nations system.

UNCTAD is in the forefront of global advocacy to address this matter, while supporting the resilience-building work of individual SIDS. Identifying SIDS, raising the visibility of the island vulnerability issue, identifying special measures for these countries and providing a range of advisory services for a number of these have been the four principal areas of UNCTAD action in favour of SIDS.



I. Introduction: Four decades of UNCTAD work on small island developing States

1. The work of UNCTAD on SIDS dates back to the 1970s, shortly after the least developed country (LDC) category was formally established (box 1). UNCTAD was the first body of the United Nations system to recognize the particular challenges facing SIDS and to call for special international responses to their problems. Three phases can be distinguished in the SIDS history of UNCTAD.

2. From 1972 to 1992, “island developing countries” were the target of work that was largely of a diagnostic nature, with a view to encouraging special attention to their problems. In 1985, the World Bank adopted the “small island exception” in the framework of its differentiated policy for allocating development financing: middle-income countries would continue to enjoy low-income country treatment (grants and highly concessionary loans) as SIDS, an unofficial status that was synonymous with fragility and justified special treatment irrespective of other criteria.

3. Between 1992 and 2010, in the wake of the United Nations Conference on Environment and Development, UNCTAD adapted its island work to the political shift in attention within the United Nations, away from island developing countries towards SIDS. In July 1992, UNCTAD organized the first-ever expert group meeting on the feasibility of measuring the vulnerabilities of SIDS. A study on this subject was commissioned by UNCTAD to examine the use which the United Nations could make of vulnerability indicators, either to highlight the fragility of SIDS as a category, or to guide national policymakers in their resilience-building action. This pioneering work was broadly discussed in the Global Conference on the Sustainable Development of Small Island Developing States, held in Barbados in 1994. Measuring vulnerability in support of the resilience-building efforts of SIDS was central in the SIDS agenda of UNCTAD throughout the rest of the decade, with a particular focus on those that would soon be facing the challenge of graduation from the LDC category (Cabo Verde, Maldives and Samoa at the time).

Box 1

1972: UNCTAD turns its attention to small island developing States

The first major substantive pronouncements in UNCTAD about developing island countries were made at the fourth session of the United Nations Conference on Trade and Development (Nairobi, 1976), notably on the basis of a seminal paper by the secretariat on LDCs, developing landlocked countries and developing island countries (TD/191). Yet the third session of the Conference (Santiago, 1972) provided the earliest recognition by UNCTAD members of the problems of developing island countries, the object of resolution 65 (III) adopted by the Conference on 19 May 1972. This resolution asked the Secretary-General of UNCTAD to convene a panel of experts to identify and study the particular problems of developing island countries and to make recommendations accordingly. This was done in 1974.

4. Since 2010, the commitment of UNCTAD to support the resilience-building efforts of SIDS has intensified in two directions: first, through a range of advisory services to the most highly vulnerable SIDS, notably those that were most concerned about the absence of SIDS status as a basis for special treatment in the event of loss of LDC treatment; second, through substantive contributions to the debate, among member States, on recognizing SIDS status on the basis of SIDS criteria, a necessary step for bringing to fruition the request for SIDS treatment. The quest for international support measures for SIDS has been voiced as a necessary condition for structural economic progress (greater resilience) to be achievable in most of these countries.

5. The sixty-fourth session of the Trade and Development Board is a first-time opportunity for the Board to acknowledge 45 years of UNCTAD work in this area and to encourage further relevant action. This note was prepared in accordance with the decision

of the Working Party on the Strategic Framework and the Programme Budget at its seventy-fourth session in December 2016. Beyond these introductory remarks, this note highlights the doctrinal context underpinning the systemic action of UNCTAD in response to the call of United Nations members for “addressing the vulnerabilities of SIDS more effectively” (chapter II). Current and recent activities in support of SIDS are reported primarily as having taken place, under the auspices of subprogramme 5 on Africa, LDCs and special programmes, in a category-specific perspective, and additionally as activities, under other subprogrammes, that benefited some SIDS, although they were not specifically designed for that category (chapter III). Concluding remarks are presented in the form of a lesson of special importance for UNCTAD work (chapter IV). A list of current and recent UNCTAD activities in those countries are provided in the annex.

II. UNCTAD responds to General Assembly’s request to address vulnerabilities of small island developing States more effectively

6. A milestone in SIDS history was the General Assembly’s request in 2010 to “put forward concrete recommendations” and “consider what improved and additional measures might be needed to more effectively address the unique and particular vulnerabilities and development needs of small island developing States” (resolution 65/2 of 25 September 2010, para. 33). In 2011, the Economic and Social Council echoed the General Assembly’s request by asking the Committee for Development Policy to provide “independent views and perspectives on how to further the full and effective implementation of the Barbados Programme of Action and Mauritius Strategy” ... by considering “what improved and additional measures might be needed to more effectively address the unique and particular vulnerabilities and development needs of small island developing States” (resolution 2011/44 of 5 December 2011, para. 1).

7. The explicitly proactive emphasis thus placed by member States on the need to “more effectively address” the vulnerabilities of SIDS prompted the commitment of UNCTAD to intensify its support to the resilience-building action of these countries. This was done not only through direct assistance to individual countries in acute situations of vulnerability, but also through substantive support to the request for systemic progress toward SIDS treatment, the only “more effective” way of responding to the needs of SIDS. Member States of the United Nations, in paragraph 22 of the Samoa Pathway (2014), reaffirmed their pledge “to take urgent and concrete action to address the vulnerability of small island developing States”, thereby adding a dimension of urgency that made this the strongest stance, throughout the Samoa outcome, on how to deal with those countries.

8. Shortly after the Third International Conference on Small Island Developing States, held in Apia in 2014, the General Assembly, renewed its commitment “to take urgent and concrete action to address the vulnerabilities of small island developing States and to continue to seek solutions, including additional ones, to the major challenges” facing these countries (resolution 70/202, para. 3). Noting the Assembly’s encouragement to unrelentingly pursue efforts “to encourage new, genuine and durable partnerships” for the sustainable development of SIDS (para. 11), UNCTAD has taken the view that soundly crafted modalities of their treatment on the basis of SIDS status will be the cornerstone of tomorrow’s genuine partnership with those countries.

9. SIDS were also highlighted in the Nairobi Maafikiano, the outcome of the fourteenth session of the United Nations Conference on Trade and Development, held in Nairobi in July 2016 (box 2).

Box 2

Small island developing States in the Nairobi Maafikiano

The Nairobi Maafikiano, the outcome of the fourteenth session of the United Nations Conference on Trade and Development, refers to SIDS 10 times. Four of these citations recognize the exceptional vulnerability of SIDS to exogenous shocks (para. 22), as well as the need for sustainable productive investment (para. 51), responses to infrastructure gaps (para. 70) in SIDS and ongoing general support for the development needs of these countries, including through the provision of advisory services to those States among SIDS that are faced with the challenge of graduation from LDC status (para. 91).

The other six citations take the form of operational language (“UNCTAD should...”) mandating the secretariat to continue to help SIDS as follows:

- (a) Address persistent trade, investment and development challenges (para. 10 (d));
- (b) Make their maritime transport systems more cost-efficient and more resilient (para. 55 (i));
- (c) Expand the benefits they can draw from e-commerce and digital trade (para. 55 (v));
- (d) Address their physical and economic vulnerabilities, promote structural economic transformation and build resilience and productive capacities (para. 76 (f));
- (e) Mainstream productive capacities in national development policies through the use of productive capacity indicators (para. 76 (k));
- (f) Design and implement strategies for the conservation and sustainable use of ocean resources (para. 100 (t)).

III. Current and recent activities in support of small island developing States

10. This chapter classifies UNCTAD activities in support of SIDS into three categories:

- (a) Activities aimed at enriching the international debate on ways to facilitate the advent of SIDS status in the United Nations;
- (b) Activities in direct support of resilience-building efforts of SIDS;
- (c) Other activities of special relevance to SIDS.

11. While the latter segment relates to areas of UNCTAD action that benefit SIDS the same way they would benefit other countries, the first two clusters of activities specifically target SIDS: they have been pursued for the benefit of SIDS as a category, or within frameworks of assistance that were specifically geared to serve those States.

A. Activities in support of the quest for small island developing State status and treatment

Identifying small island developing States

12. In an effort to bring the United Nations system nearer to recognizing SIDS status on the basis of criteria for these States, UNCTAD identifies SIDS by using a straightforward methodology. This involves a list of 28 States that UNCTAD commonly refers to as the “analytical list” of SIDS in order to underline the paramount objective of substantive coherence and credibility in identifying these countries. While political lists are generally

established on a self-designated basis, this list is based on explicit criteria, the outcome of which is a relatively homogeneous group of countries.

13. The analytical list (see table) is based on four natural criteria embedded in the acronym SIDS: smallness, insularity, developing status and statehood.

14. “Smallness” is defined by UNCTAD in terms of population, the same way the Committee for Development Policy uses a population ceiling as a special criterion for additions to the list of LDCs. The population ceiling of five million chosen by UNCTAD to distinguish SIDS is justified by the median situation of this figure between two States with a sizeable population difference, one of which is well below five million people (Jamaica, with a population of 2.7 million people in 2015), while the other exceeds five million people by nearly two thirds (Papua New Guinea, with a population of 8.2 million people in 2015).

15. “Insularity”, or “islandness”, is sufficiently straightforward a criterion to allow easy recognition.¹

16. The potential difficulty inherent in defining the “developing status” of a country is circumvented by UNCTAD through a blend of two criteria that are developmental when dealing with small island countries, namely, gross national income per capita because it is the most widely accepted indicator of living standards (as well as the first criterion for identifying LDCs) and the estimated degree of economic vulnerability as measured by the United Nations through an economic vulnerability index. With gross national income per capita levels above the World Bank high-income threshold of \$12,475 in 2015, Antigua and Barbuda, the Bahamas, Barbados, Saint Kitts and Nevis, Seychelles, and Trinidad and Tobago are regarded by UNCTAD as developing States, not developed economies, because of the high economic vulnerability of these countries, notably their high exposure to risks of violent natural disasters. Being relatively prosperous and highly vulnerable at the same time (the “island paradox”) has been amply recognized by the United Nations – and acknowledged by UNCTAD – as a context of economic fragility. The aforementioned six States, alongside 22 other countries within the middle-income range, are therefore regarded by UNCTAD as developing countries.

17. Like insularity, “statehood” is a straightforward notion designating self-governing entities as opposed to dependent or associated territories.

18. These four criteria for SIDS classification form the basis for the UNCTAD definition of SIDS, a methodological choice that currently provides a list of 28 such countries, as indicated in the following table.

¹ The sharing of the island of Timor, in the Timor Sea, between the State of Timor-Leste on the one hand, and West Timor, a part of the Indonesian province of East Nusa Tenggara on the other (thereby involving a land border for Timor-Leste), would not bring into question, from the viewpoint of UNCTAD, the insular nature of Timor-Leste, though strictly speaking, the country is not entirely surrounded by sea.

UNCTAD analytical list of 28 small island developing States

Antigua and Barbuda	Nauru
Bahamas	Palau
Barbados	Samoa
Cabo Verde	Sao Tome and Principe
Comoros	Seychelles
Dominica	Solomon Islands
Fiji	Saint Kitts and Nevis
Grenada	Saint Lucia
Jamaica	Saint Vincent and the Grenadines
Kiribati	Timor-Leste
Maldives	Tonga
Marshall Islands	Trinidad and Tobago
Micronesia (Federated States of)	Tuvalu
Mauritius	Vanuatu

Raising visibility of the vulnerability issue

19. Two years after the 1992 UNCTAD feasibility study on measuring vulnerability with a particular focus on the situation of SIDS, the first global conference on SIDS, the Global Conference on the Sustainable Development of Small Island Developing States, called for further systemic efforts in monitoring and analysing the different facets of island vulnerabilities. This trend gained increased momentum in May 1997, when the Committee for Development Policy, in the framework of the triennial review of the list of LDCs and against all odds, recommended that Vanuatu be graduated from LDC status. The Economic and Social Council endorsed this recommendation in July 1997, an act that surprised the Government of Vanuatu. The latter sought advice from UNCTAD, which at that time was the only United Nations entity that had a history of analytical attention to the vulnerability to external shocks beyond domestic control.

20. In September 1997, the Prime Minister of Vanuatu, speaking at the General Assembly, persuaded the Assembly not to endorse the recommendation of the Committee for Development Policy, which in his view was oblivious of the extreme economic vulnerability of Vanuatu. He urged the United Nations system to revisit the methodology for graduating a country from LDC status and to give consideration to the addition of vulnerability as a criterion for identifying cases of reclassification, a measure UNCTAD had advocated since 1994 (when the graduation of two SIDS from LDC status had already been foreseen by the Committee). The General Assembly suspended the question of the graduation of Vanuatu and asked the Economic and Social Council to consider a re-examination of the criteria.

21. In 1998 and 1999, UNCTAD worked closely with the Committee toward the construction of an economic vulnerability index and the adoption of a vulnerability criterion based on the index (box 3). This substantial reform of the graduation toolbox was endorsed by the Economic and Social Council in 1999 and was applied for the first time in the 2000 review of the list of LDCs. This review revealed, inter alia, the high economic vulnerability of Vanuatu, which as a result ceased to pre-qualify for graduation. Only in 2009 did the graduation case of Vanuatu reappear, with a new recommendation by the Committee in 2012 for its graduation, and a straightforward endorsement the same year by the Economic and Social Council.

Box 3

UNCTAD recognition of the vulnerability of small island developing States in figures

Based on data resulting from six rounds of calculations of the economic vulnerability index by the secretariat of the Committee for Development Policy and additional statistical insights from the structural vulnerability to climate change index of the Foundation for International Development Study and Research, UNCTAD takes the following view:

- (a) SIDS are significantly more vulnerable (by 33 per cent) to external shocks with economic consequences than developing countries other than SIDS;
- (b) A specific focus on vulnerability to oil price-related shocks reveals that SIDS are considerably more exposed (over 12 times) to such shocks than non-SIDS; this is particularly true for non-LDCs in the SIDS category, which have a greater average oil consumption than least developed SIDS;
- (c) SIDS are structurally more vulnerable to climate change effects than non-SIDS developing countries, by at least 8 per cent.

22. In 2002, UNCTAD helped SIDS members of the World Trade Organization (WTO) to identify small and vulnerable economies, a non-category WTO had paid special attention to in its 2001 ministerial conference. UNCTAD experience in measuring economic vulnerability was acknowledged by SIDS in WTO. Yet the identification of small and vulnerable economies in that organization remained incomplete: smallness was approached through the share of countries in world trade, while the second part of the concept of small and vulnerable economies, namely vulnerability, remained unexplored.

23. In 2003 and 2004, UNCTAD consistently brought to the attention of the Committee for Development Policy the importance relevant member States were attaching to the idea of further reforming the graduation rule to do greater justice to highly vulnerable SIDS, a move that would have been practically possible after the adoption of the economic vulnerability index. UNCTAD support for the request of Cabo Verde and Maldives for greater attention to the fragility dimension was instrumental in leading the General Assembly, in its resolution 59/209 of 20 December 2004, to enrich the graduation process with an organized smooth transition dimension, whereby a graduating country would enjoy a (three-year) grace period before the actual loss of LDC status. The resolution mandated UNCTAD to prepare a vulnerability profile of every country that would be deemed pre-eligible for graduation, in support of the Committee's effort to arrive at the best possible understanding of the fragilities of relevant States, and of the real extent of their structural economic progress. The General Assembly, at the same time, endorsed the 2003 recommendation to graduate Cabo Verde and Maldives. The Indian Ocean tsunami struck Maldives only six days after this endorsement had taken place.

24. In January 2005, the International Meeting to Review the Implementation of the Programme of Action for the Sustainable Development of Small Island Developing States placed the vulnerability issue at the top of global concerns about SIDS. The ensuing Mauritius Strategy for the Further Implementation of the Programme of Action for the Sustainable Development of Small Island Developing States urged UNCTAD "to provide concrete recommendations" to help SIDS derive greater economic opportunities and benefits from the global economy (A/CONF.207/11, para. 98). One of the first concrete recommendations by UNCTAD was to encourage a deferment of the graduation of Maldives from LDC status in the wake of the 2004 tsunami. In resolution 60/33 of 30 November 2005, the General Assembly gave Maldives the recommended breathing space by postponing the country's graduation from the list of LDCs. The Assembly, through resolution 64/295, in September 2010 did the same in favour of Samoa, after the country had in turn been struck by a severe tsunami. The General Assembly again demonstrated a special understanding of the challenge of vulnerability in December 2015, when it deferred by three years the graduation of Vanuatu after the archipelago, in March 2015, had endured the ravages of Cyclone *Pam*.

Vulnerability profiles of small island developing States facing the challenge of graduation from least developed country status

25. In accordance with a mandate received in December 2004 from the General Assembly in resolution 59/209, UNCTAD has prepared, since 2000, vulnerability profiles of nine least developed SIDS that were pre-eligible for graduation from LDC status. These country-specific documents served (or will serve) as major inputs to the work of the Committee for Development Policy, in relevant triennial reviews of the list of LDCs, to assess the full eligibility of these countries for reclassification, toward either a recommendation by the Committee to graduate the country, or a decision by the Committee not to make such a recommendation. After undertaking a fact-finding mission to the relevant pre-eligible country, UNCTAD draws up a vulnerability profile to analyse the performance of the country under all LDC criteria, thereby making the profile a complement to the statistical scores of the country under the Committee's low-income, human assets and economic vulnerability indicators. In addition to the nine SIDS-specific vulnerability profiles, UNCTAD has carried out the same exercise for four continental LDCs since 2009: Angola, Bhutan, Equatorial Guinea and Nepal.

Cabo Verde

26. The vulnerability profile of Cabo Verde, presented in 2000 to the Committee for Development Policy, cast enough light on the fragility of that nation's economy to lead the Committee that year to refrain from recommending graduation. The recommendation to graduate Cabo Verde was made by the Committee in the 2003 review of the list; it is noteworthy that the Committee, on that occasion, stated that "Cabo Verde ... qualif[ie]d for graduation", thereby making the recommendation only implicit, as the word "recommends" was not effectively used. The Economic and Social Council did not endorse the recommendation until November 2004, a month before the General Assembly confirmed the endorsement. Much work took place in the United Nations membership between April 2003 (Committee's implicit recommendation to graduate Cabo Verde) and December 2004 (endorsement by the General Assembly) toward a reformed way of dealing with graduation cases. There is little doubt that the request of UNCTAD during that time for a more SIDS-friendly treatment of graduation cases in light of the Cabo Verde case was heard by members of the United Nations. General Assembly resolution 59/209 on a smooth transition strategy for graduating States was the culmination of that collective effort. Cabo Verde graduated from the LDC category in December 2007.

Maldives

27. Like its Cabo Verde counterpart, the 2000 vulnerability profile of Maldives highlighted the extreme exposure of the country to natural threats, ranging from sea-level rise and coastal erosion to earth-related shocks such as earthquakes and tsunamis. The Committee for Development Policy treated the graduation case of Maldives like the graduation case of Cabo Verde, with an implicit recommendation in 2003, which was not endorsed by the Economic and Social Council until November 2004. The views of UNCTAD on the extreme fragility of Maldives as expressed in the vulnerability profile, and on the importance of treating SIDS graduation cases with utmost care, were unchanged when the General Assembly, on 20 December 2004, confirmed the decision to graduate Maldives. It is likely that the long-standing position of UNCTAD on this issue resonated in the minds of many when Maldives, six days later, lost over 100 lives and endured the destruction of more than 10 hotels in the Indian Ocean tsunami. Maldives graduated from LDC status on 1 January 2011. During the two years leading up to the country's graduation, UNCTAD assisted the country in formulating and implementing its smooth transition strategy.

Samoa

28. The 2000 vulnerability profile of Samoa portrayed a country that was as vulnerable to external shocks as its Pacific neighbours. The document was instrumental in leading the Committee for Development Policy to defer its consideration of the graduation case of Samoa to the 2003 review of the list. The Committee, in 2003, found Samoa pre-eligible for

graduation, which led UNCTAD to update the vulnerability profile for the 2006 review. By then, the socioeconomic performance of Samoa had improved significantly, despite the fragility of the small island nation. UNCTAD analysed all these facts in the 2006 profile, and the Committee for Development Policy in March of that year recommended the country's graduation. Throughout 2006, the Government of Samoa substantively resisted the idea of "prematurely" depriving Samoa of its LDC status and sought UNCTAD support in advocating a reform of the graduation rule whereby a superior weight would be given to the vulnerability criterion in the graduation rule postulated by the Committee. This was considered a sufficiently important viewpoint by the Economic and Social Council to justify further consideration of the Samoan case by the Committee. UNCTAD contributed to this debate in March 2007 by addressing the Committee on the pros and cons of having a sine qua non vulnerability criterion in the framework of the graduation rule. The Committee did not adopt the sine qua non option, whereby graduation would not be forced on an LDC unless the country exceeded the graduation threshold, and the Economic and Social Council in July 2007 endorsed the 2006 recommendation to graduate Samoa. The General Assembly confirmed this endorsement in December 2007. After a major tsunami had struck Samoa in September 2009, UNCTAD assisted the State in its request for a deferment of the graduation date. The General Assembly granted a postponement in September 2010, and as a result, Samoa was not removed from the list of LDCs until 1 January 2014.

Tuvalu

29. The 2012 vulnerability profile of Tuvalu underlined the near-total absence of structural economic progress in that country over time. It highlighted the extreme geographical and physical constraints faced by Tuvalu as the main cause of this situation, which had made resilience-building the single most important development goal of the nation. Given the range and magnitude of the challenges facing the country in its resilience-building efforts, the profile recognized the absolute necessity, for Tuvalu, of various forms of external support. In this context and in the absence of special treatment for SIDS, the importance to Tuvalu of retaining LDC status stood out and was echoed by UNCTAD. However, the Committee for Development Policy, in March 2012, recommended the graduation of Tuvalu from LDC status, a recommendation the Economic and Social Council has never endorsed. UNCTAD is currently proposing a substantive way out of this impasse, namely, a reform of the graduation rule, whereby no LDC demonstrating an exceptionally high level of economic vulnerability should be deprived of LDC status (see paras. 40-43 of this paper).

Vanuatu

30. The 2012 vulnerability profile of Vanuatu underlined the high frequency of violent natural events in the history of the island and highlighted the constraints suffered by the country in its transformational efforts as a result of this unique exposure to shocks. The profile also recognized that there had been structural progress in the country, with a vibrant agricultural sector and an enviable tourism growth performance in particular. Based on UNCTAD analysis, the Committee for Development Policy recommended the graduation of Vanuatu from LDC status, a move the Committee made while sharing UNCTAD recognition of the country's need for various forms of external support in the future. Of all the least developed SIDS, Vanuatu has been the steadiest and most consistent in asking UNCTAD to prompt the United Nations system to make SIDS treatment possible as a substitute for LDC treatment when the latter stands to be lost. The peak of the country's call for systemic progress in this vein took place on 2 September 2014, during the Third International Conference on SIDS in Samoa, when Prime Minister Natuman of Vanuatu denounced the "systemic knot" resulting from the absence of SIDS status and called on UNCTAD to be the architect of a United Nations-wide breakthrough to remedy this. After Cyclone *Pam* had devastated the Vanuatu archipelago in March 2015, UNCTAD actively supported the country in its request for breathing space through a deferment of the graduation date. The exit of Vanuatu is now scheduled to take place in December 2020, instead of December 2017 as initially contemplated by the General Assembly. UNCTAD currently provides the Government of Vanuatu with technical assistance in formulating and implementing a smooth transition strategy.

31. Four SIDS at the stage of pre-eligibility for graduation from LDC status have been benefiting from UNCTAD advisory services since mid-2014, in the context of the mandated preparation of vulnerability profiles.

Kiribati

32. The 2015 vulnerability profile of Kiribati led the Committee for Development Policy, in March 2015, to decide not to recommend the country's graduation from LDC status, although the country met the graduation criteria. Like Tuvalu and Vanuatu, Kiribati has benefited from the active support of UNCTAD in its request for special treatment of SIDS. The vulnerability profile of Kiribati currently being prepared by UNCTAD in anticipation of the 2018 review of the list of LDCs illustrates the symptomatic island paradox, whereby a country can stand well above the graduation line in terms of per capita income while being one of the most vulnerable economies in the world. The Government of Kiribati has expressed special gratitude to UNCTAD for actively supporting the idea of giving the vulnerability criterion a superior weight when the time comes, in 2018, to further review the graduation case of the country.

Sao Tome and Principe

33. The forthcoming 2018 vulnerability profile of Sao Tome and Principe examines the extent to which the country's pre-eligibility for graduation is synonymous with steady structural economic progress. It highlights the relative economic comfort that has been created by tourism growth, aid and remittances as factors of income-related progress and improvements in human capital. UNCTAD, while analysing the economic vulnerability of the country, helps the Government develop a resilience-building strategy, notably through the blue economy as the main avenue of diversification.

Solomon Islands

34. The forthcoming 2018 vulnerability profile of Solomon Islands, at the request of the Government, has a particular focus on guiding the resilience-building efforts of the country. The need for intensified efforts to diversify the economy of the archipelago leads UNCTAD, in this context, to make its assistance to the country an opportunity to inventory the structural disadvantages suffered by Solomon Islands, and to identify desirable forms of special treatment accordingly.

Timor-Leste

35. The forthcoming 2018 vulnerability profile of Timor-Leste recalls the finding of the Committee for Development Policy in 2015 of the pre-eligibility of the country for graduation as a result of its oil-related prosperity, by virtue of the "income only" graduation rule, whereby an exceptionally high per capita income may be a sufficient reason to remove a country from the list of LDCs. In 2016, UNCTAD recognized the likelihood of a relapse of the per capita income of Timor-Leste as a result of the fall in oil prices and foresaw an end to the hypothesis of income-only graduation. UNCTAD therefore focused its analysis on the human assets performance of the country and came to the conclusion that the eligibility of Timor-Leste for graduation might be preserved in 2018 as a result of continued rises in the health and education status of the country, toward a human assets score above the graduation threshold. The Government of Timor-Leste has asked UNCTAD to make the 2018 profile a tool for monitoring the structural progress of the Timorese economy.

Box 4

Five leaders of small island developing States spoke at an UNCTAD event in connection with the Third International Conference on Small Island Developing States

UNCTAD and the United Nations Development Programme held a high-level panel discussion on SIDS and graduation from LDC status in Samos on 2 September 2014, during which the President of Kiribati; the Prime Ministers of Cabo Verde, Tuvalu and Vanuatu; and the Deputy Prime Minister of Samoa served as panellists.

There was a clear convergence of views among the leaders that graduation from LDC status was likely to remain a major concern among relevant countries (least developed SIDS) until clarity could be reached on whether and how the international community was prepared to help SIDS, including former LDCs, overcome the unique disadvantages they suffered. The common position of the five leaders was that graduating SIDS should be able to rely on SIDS-specific international support measures once they were no longer eligible for the LDC benefits that previously compensated for their intrinsic disadvantages.

The panellists agreed on the need for a new start in the United Nations agenda for SIDS, as well as a need for systemic progress. The leaders shared the view that the United Nations system should be able to act upon the quest for SIDS status. In his closing remarks, the Secretary-General of UNCTAD recalled the long-standing commitment of UNCTAD to support the request for SIDS status and underlined the Organization's readiness to help the United Nations system make the Samoa Pathway a means of addressing the vulnerabilities of SIDS more effectively, in accordance with relevant requests made by the General Assembly and the Economic and Social Council.

Identifying special measures for small island developing States

36. UNCTAD aims to act at the cutting edge of substantive advocacy (boxes 4 and 5) for fair and special treatment of SIDS as a special category recognized by the United Nations. An expert group meeting on addressing the vulnerabilities of SIDS more effectively, jointly organized by UNCTAD and the Indian Ocean Commission in Mauritius on 5 and 6 December 2011, gave UNCTAD a first opportunity to review a wide range of options for SIDS treatment. Some of the major findings of the expert meeting are described below.

37. Development financing experts expressed views on a number of issues. For example, empirical and analytical work would be necessary to assess the magnitude of the debt burden carried by SIDS to give credibility to requests for concessionary financing for those countries. Furthermore, the evolution of the financial needs of SIDS should be analysed in the light of trends in aid and foreign direct investment flows. The experts suggested that financial mechanisms should be explored to respond to the problem of lumpiness in the investment needs of SIDS, probably as part of a wider debate toward the possible generalization of the small island exception of the World Bank. The experts emphasized the natural role of regional development banks, as well as the importance of clarity in the list of potential beneficiaries.

38. With regard to trade policy, some experts suggested that SIDS should explore the justification for, and possibility of, persuading preferential market access givers to introduce – for SIDS only, that is to say on the basis of SIDS status – elements of relaxation in rules of origin, given the difficulty for many of those States to meet value added requirements. Such flexibility would be a form of preferential treatment, naturally implying clarity about the range of beneficiaries, and thus providing an internationally accepted list of SIDS. Several experts agreed that preferential market access givers should be encouraged to consider and find multilaterally acceptable modalities for extending, for an indefinite period, duty-free quota-free access for products originating from recent SIDS graduates from the LDC category who formally request special treatment.

39. Technical assistance was another area of possible SIDS treatment discussed at the expert meeting. Experts said that the establishment of a special programme of technical

assistance to SIDS should be explored within the United Nations system, with a view to supporting the resilience-building efforts of those countries. Two areas in particular of technical assistance were discussed:

(a) Legal advice on trade law to enhance the value added and branding potential of traditional goods of SIDS, particularly in relation to fisheries, an area of key economic interest in which geographical indications were often desirable, and where rules of origin were likely to be an issue;

(b) Technical advice to secure market entry for products of export interest, notably to facilitate compliance with sanitary and phytosanitary requirements, and legal advice on how to challenge action possibly aimed at restricting or banning imports of SIDS goods. Some experts suggested that UNCTAD play a role in this regard, preferably within a multi-agency framework.

“Vulnerability first”: Current proposal of UNCTAD for a reform of the graduation rule, a small island developing States-friendly measure

40. UNCTAD has always taken the view that highly vulnerable LDCs, most of which are SIDS, are unable to pursue the goal of resilience-building autonomously, that is to say, without concessionary financial and/or technical support. In anticipation of the 2018 review of the list of LDCs, UNCTAD proposes that consideration be given to the idea of adopting an exception to the graduation rule on grounds of vulnerability. This measure could be referred to as the “vulnerability first” exception to the graduation rule (according to the standard graduation rule, a country qualifies for graduation from LDC status if it meets graduation thresholds under at least two of the three LDC criteria in at least two consecutive triennial reviews of the list).

41. The “vulnerability first” exception would consist of not recommending for graduation an LDC that would exceed by at least two thirds (66.6 per cent, or a ratio of the country’s vulnerability score to the graduation threshold greater than 1.66), over two consecutive reviews of the list, the level of economic vulnerability below which the normal graduation rule applies (graduation threshold). The exception would make the vulnerability criterion prevail (hence the denomination “first” of “vulnerability first”) over the other two criteria (per capita income and human assets), a consideration many LDCs have requested over the past two decades.

42. The Committee for Development Policy would not apply the “vulnerability first” exception in cases where the relevant countries made it clear that they welcomed the idea of graduation from LDC status.

43. Three LDCs with exceptionally high levels of vulnerability support the “vulnerability first” proposal: Kiribati, with a ratio of 2.23 in 2015; Timor-Leste, 1.72; and Tuvalu, 1.70. These three States have consistently called for greater United Nations recognition of vulnerability as a superior criterion in the framework of the triennial review of the list of LDCs.

Box 5

Four UNCTAD publications on small island developing States since 2003

UNCTAD has issued the following publications on SIDS since 2003:

(a) *Turning Losses into Gains: SIDS and Multilateral Trade Liberalization in Agriculture*: This book marked the conclusion of a research project of UNCTAD that involved a range of studies on issues such as the impact of small islandness on the capacity of SIDS to benefit from multilateral agricultural liberalization, and policy options in the post-Uruguay Round WTO negotiations on agriculture from the perspective of SIDS. These works were presented at the Forum on SIDS and Agricultural Trade Liberalization, in Geneva, Switzerland, in November 2002;

(b) *Is a Special Treatment of Small Island Developing States Possible?*: This publication explores the origins of the SIDS category, examines the issue of trade preferences erosion and its implications for SIDS, underlines the importance for

SIDS of the relationship between trade and the environment, and advocates the adoption of criteria to enhance the credibility of SIDS as a category;

(c) *Addressing the Vulnerabilities of Small Island Developing States More Effectively*: This publication explores the areas of potential international support that justify the request for SIDS status, and puts forward a number of systemic measures to allow progress toward such status;

(d) *Closing the Distance: Partnerships for Sustainable and Resilient Transport Systems in SIDS*: This publication aims to improve the understanding of key issues at the interface between maritime transport, sustainability and resilience. It identifies gaps and needs facing the maritime transport sector in SIDS and highlights potential response measures for more sustainable and resilient maritime transport systems.

Source: UNCTAD, 2003, *Turning Losses into Gains: SIDS and Multilateral Trade Liberalization in Agriculture* (United Nations publication, New York and Geneva); UNCTAD, 2004, *Is a Special Treatment of Small Island Developing States Possible?* (United Nations publication, New York and Geneva); UNCTAD and the Indian Ocean Commission, 2014a, *Addressing the Vulnerabilities of Small Island Developing States More Effectively*; UNCTAD, 2014b, *Closing the Distance: Partnerships for Sustainable and Resilient Transport Systems in SIDS* (United Nations publication, New York and Geneva).

B. Activities in support of the resilience-building efforts of small island developing States

44. UNCTAD provides a number of SIDS with technical assistance to support resilience-building efforts. Six countries benefit from such assistance (Kiribati, Sao Tome and Principe, Solomon Islands, Timor-Leste, Tuvalu and Vanuatu) through a project funded by the United Nations Development Account. This work programme is considered a first step toward a wider, preferably integrated, framework of technical assistance to SIDS.

45. With regard to building resilience in Sao Tome and Principe, UNCTAD focuses on the goal of economic diversification, despite the limited natural resources of the country. The relevant focus is the blue economy, a sphere of potential structural economic progress the Government has identified as a national priority.

46. In Tuvalu and Vanuatu, UNCTAD technical support to resilience-building efforts is in the critical area of adaptation to climate change. In both cases, relevant activities consist of identifying the technical and financial needs of private operators and making recommendations for grass-roots responses to these needs, and for government support.

47. Another area of forthcoming assistance to Vanuatu is the experimentation, on a pilot basis, of a productive capacity-building policy review process.

C. Other UNCTAD activities of special relevance to small island developing States

48. Though not undertaken in a systemic (SIDS category-specific) perspective, other important activities of UNCTAD, have benefited several SIDS.

Promoting the ocean economy: An opportunity to widen the economic base of small island developing States

49. UNCTAD pays particular attention to SIDS in its work in identifying the wealth of opportunities generated by the ocean economy (an area of work closely related to Sustainable Development Goal 14 on the ocean and coastal sustainable development). UNCTAD helps developing countries create an enabling environment for ocean-based potential investors and economic operators. This implies defining sound national and/or regional strategies. This area of work has involved publications on fisheries and the blue economy, expert meetings and training workshops at national levels and beyond.

50. A training workshop held in Mauritius in April 2017 focused on how to tap the potential of fisheries exports through diversification and structural transformation of the sector in SIDS and LDCs. Participants included 60 senior officials and experts from the public and private sectors and academia, from Cambodia, Comoros, Mauritius, Mozambique, Myanmar and Uganda. The meeting addressed substantive and practical issues, challenges, opportunities and prospects for LDCs and SIDS in the area of sustainable fisheries. Activities included visits to fish-landing sites, a processing and packaging firm, fish farms (aquaculture), artisanal fisheries, a fish-feed processing firm, a marine park for the conservation of marine biodiversity and the competent authority on compliance with international food safety and quality standards of Mauritius. The country offered to serve as a centre of excellence for South–South cooperation on training in fisheries resources and development.

Other programmes benefiting small island developing States

51. Other areas of UNCTAD action that have benefited several SIDS (under UNCTAD subprogrammes other than subprogramme 5 on Africa, LDCs and special programmes), as indicated in the annexed table, are as follows: accession to WTO, Continental Free Trade Area negotiations, climate change and transport infrastructure, customs automation (Automated System for Customs Data (ASYCUDA)), debt negotiations, electronic commerce, investment guides, non-tariff measures, port management, services policy reviews, sustainable shipping, Train for Trade, transport and trade logistics, the UNCTAD Virtual Institute and WTO negotiations.

IV. Concluding remarks: A general lesson from experience

52. UNCTAD helps SIDS in their efforts to achieve structural economic progress to make the best possible use of the system-wide recognition they have been enjoying for over four decades. Yet there has been, among the SIDS UNCTAD has been dealing with, the perception of an irreducible contrast between the proclaimed sympathies of the United Nations system over the acute challenges facing SIDS on the one hand, and the lack of SIDS-targeted responses to these challenges on the other.

53. UNCTAD draws a lesson from this experience and will pursue its action in light of this lesson: there are three necessary conditions for United Nations action to be effective in helping SIDS avoid further marginalization from the global economy.

First condition: Clarity on beneficiaries – identifying small island developing States

54. The beneficiaries of United Nations actions in favour of SIDS should be clearly identified. Recognition of SIDS status is the necessary avenue for special treatment of SIDS to be possible. The request of SIDS for special international measures to support their resilience-building efforts (SIDS treatment) has debated in United Nations circles, dating back to the Global Conference on the Sustainable Development of Small Island Developing States in Barbados in 1994. The existence of a credible and accepted category of LDCs under the auspices of the United Nations is evidence of its ability to establish a special status on the basis of a credible list of countries, the only possible platform for encouraging relevant international support measures.

55. Through its identification of SIDS on the basis of internationally acceptable criteria, UNCTAD aims to bring a measure of clarity in the way the United Nations will deal with these countries.

Second condition: Engagement in identifying special responses to the special problems of small island developing States

56. It is only normal for the United Nations to identify a particularly disadvantaged group of countries deserving special attention first, then to identify possible responses to their disadvantages. The need of most SIDS for SIDS-specific access to external support for their action to adapt to climate change is a good example of the request of these countries for special treatment.

57. UNCTAD will continue to put forward a range of proposals for SIDS treatment, while keeping the overall demand of these countries commensurate with their small number, their small size and the focused nature of their needs (essentially, measures in support of resilience-building action).

Third condition: Leading by example for the direct benefit of small island developing States

58. In the Samoa Pathway, Member States pledged “to take urgent and concrete action to address the vulnerability of small island developing States”. Through this commitment, they encouraged the United Nations system to take urgent action.

59. Two examples of UNCTAD action in this regard are as follows:

(a) UNCTAD called for the establishment of a United Nations-led integrated framework of technical assistance to SIDS in their resilience-building efforts;

(b) UNCTAD proposed a reform of the rule for graduating countries from LDC status, whereby the most highly vulnerable LDCs (all of which are SIDS) would not be obliged to lose LDC status.

Annex

Current and recent activities in small island developing States under UNCTAD subprogrammes other than subprogramme 5 on Africa, least developed countries and special programmes

<i>Country or region</i>	<i>Projects implemented</i>
Antigua and Barbuda	ASYCUDA, e-commerce and statistics, investment guide, Paris Club debt negotiations, Train for Trade, Virtual Institute, WTO negotiations
Bahamas	E-commerce and statistics, Train for Trade
Barbados	ASYCUDA, e-commerce and statistics, Train for Trade, Virtual Institute, WTO negotiations
Cabo Verde	Accession to WTO, ASYCUDA, Continental Free Trade Area negotiations, port management, Train for Trade, WTO negotiations
Comoros	Accession to WTO, ASYCUDA, Continental Free Trade Area negotiations, Paris Club debt negotiations, trade facilitation, transport and trade logistics
Dominica	ASYCUDA, e-commerce and statistics, Train for Trade, transport and trade logistics, WTO negotiations
Fiji	ASYCUDA, non-tariff measures, Paris Club debt negotiations, sustainable shipping, Virtual Institute, WTO negotiations
Grenada	ASYCUDA, e-commerce and statistics, Paris Club debt negotiations, Train for Trade, transport and trade logistics, WTO negotiations
Jamaica	ASYCUDA, climate change impact on coastal transport infrastructure, Paris Club debt negotiations, port management, services policy review, trade policy framework review, Train for Trade, Virtual Institute, WTO negotiations
Kiribati	Virtual Institute
Maldives	ASYCUDA, port management, Train for Trade, Virtual Institute, WTO negotiations
Marshall Islands	Trade facilitation (one regional event in 2015, also benefited the Federated States of Micronesia and Palau)
Mauritius	Continental Free Trade Area negotiations, Debt Management and Financial Analysis System, innovation cross-sector strategy, investment policy review, National Export Strategy 2017–2021, non-tariff measures, trade facilitation, transport and trade logistics, Virtual Institute, WTO negotiations
Samoa	Accession to WTO, ASYCUDA, eTrade readiness assessment, services, Train for Trade, WTO negotiations

<i>Country or region</i>	<i>Projects implemented</i>
Sao Tome and Principe	Accession to WTO, ASYCUDA, Continental Free Trade Area negotiations, Debt Management and Financial Analysis System, Paris Club debt negotiations, trade facilitation, transport and trade logistics
Seychelles	Accession to WTO, ASYCUDA, Continental Free Trade Area negotiations, non-tariff measures, Virtual Institute, WTO negotiations
Solomon Islands	ASYCUDA, eTrade readiness assessment (2017)
Saint Kitts and Nevis	ASYCUDA, e-commerce and statistics, Paris Club debt negotiations, trade facilitation, Train for Trade, transport and trade logistics, Virtual Institute, WTO negotiations
Saint Lucia	ASYCUDA, climate change impact on coastal transport infrastructure, e-commerce and statistics, trade facilitation, Train for Trade, transport and trade logistics, Virtual Institute, WTO negotiations
Saint Vincent and the Grenadines	E-commerce and statistics, trade facilitation, Train for Trade, transport and trade logistics
Timor-Leste	Accession to WTO, ASYCUDA, non-tariff measures
Trinidad and Tobago	ASYCUDA, Debt Management and Financial Analysis System, e-commerce and law reform programme, non-tariff measures, Train for Trade, Virtual Institute, WTO negotiations
Tuvalu	Paris Club debt negotiations
Vanuatu	Accession to WTO, ASYCUDA, national green export review, services, Train for Trade, voluntary sustainability standards, WTO negotiations
Caribbean	Development Account-funded project: "Building capacities of developing countries to shift towards sustainable freight transport" (Caribbean activities to be initiated in autumn 2017)
