

## **Written evidence: UK Small Island Developing States Strategy**

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### ***Introduction to you or your organisation and your reason for submitting evidence***

This is a joint submission to the IDC from the Directors of the [Resilient and Sustainable Islands Initiative](#) (RESI), a global advisory network based at ODI and supported by FCDO. RESI works with Small Island Developing States (SIDS) and their partners to frame policy problems, undertake bespoke analysis, influence international institutions and find solutions to the growing sustainability challenges facing this distinctive group of countries. By doing so, we aim to improve the conditions under which SIDS can achieve financial sustainability, generate environmental justice, expand international alliances and create equitable societies. RESI provides thought leadership through policy-focused research and international engagement with—and on behalf of—SIDS, to help shift policies, procedures and practices that currently represent blockages to realising their sustainable development and resilience.

We are submitting evidence on the UK Small Island Developing States Strategy to help ensure that FCDO continues to prioritise support to SIDS through foreign policy, development assistance and climate diplomacy and action—including influencing [the long-overdue reform of multilateral institutions](#) in terms of how they respond to the distinctive capacity constraints facing SIDS—and that this support is geared towards helping SIDS [sustain development gains](#) by strengthening their resilience to external shocks. The creation of what we call ‘resilient prosperity’—i.e. ongoing improvements in development outcomes that are rendered increasingly secure from external threats—has to be the central objective in an emerging world order that appears increasingly inhospitable to the interests of SIDS.

In short, support from the UK and other donors should recognise that SIDS have absolute capacity constraints. Consequently, [resilience capacity cannot simply be ‘built’](#) through short-term technical assistance, and, because of these and other special characteristics outlined further below, SIDS need sustained, long-term support to engage effectively with a range of international governance and finance institutions to ensure that, despite their size, they can have a loud and constructive voice in international policy arenas while accessing their fair share of resources and global public goods.

### ***What are the common features of, and common challenges facing Small Island Developing States? Can those disparate challenges be addressed effectively in a single strategy?***

SIDS share intrinsic or structural features, making this group of countries a meaningful—and, in our view, unique—category for development assistance and climate action. Firstly, their acute levels of exposure to tropical cyclones, coastal inundation and other hazards, due to their geographic locations and coastal elevation. Secondly, size. Because they are small—and often remote and insular—SIDS face negative external shocks that are disproportionately greater in their intensity than those faced by larger states. This vulnerability does not imply weakness or a lack of development, but it does mean that developmental gains can be wiped out suddenly with immediate and catastrophic changes—hurricanes, volcanic eruptions, currency crises, pandemics, economic crises—causing disproportionate damage overnight in a way that simply is not, and cannot be, the case in larger states.

Hurricane Ivan (2004) caused damage in Grenada amounting to 200% of GDP. Hurricane Irma (2017) decimated the entire island of Barbuda in Antigua-Barbuda. When both the Global Financial Crisis (GFC) and Covid-19 pandemic hit, many tourism-dependent islands (some of whom depended on it

for as much as 50% of GDP or 80% of export revenues) saw the industry grind to a halt overnight: this terms of trade shock feeds through into revenues instantly, and with little fiscal space, creates immediate debt spikes (adding to already-substantial debt piles), unemployment and social precarity.

SIDS [also face daunting challenges in accessing](#) development and climate finance. In part, this is a function of size and state capacity when it comes to applying for funding that has insurmountable barriers to access (in terms of drafting technical proposals etc.). But, because so many SIDS have graduated from the DAC list, they have limited access to Official Development Assistance (ODA). Yet the GNI per capita basis on which ODA is allocated is a terrible measure of development in SIDS: it skews their average upwards (with the opposite effect in larger, but apparently poorer states), and it fails to adequately capture the inherent or structural vulnerabilities that pervade the development process in SIDS. This creates perverse outcomes in terms of supporting global development. For example, in the aforementioned [case of Hurricane Irma](#), Antigua-Barbuda sustained damage amounting to at least 30%—and potentially as much as 50% of GDP—at the precise moment that it was due to graduate from the DAC list and no longer be able to access ODA or concessional financing.

It is for this reason that it absolutely makes sense to focus on SIDS as a group. Indeed, SIDS also *see themselves* as a unified group—one that has become [progressively more institutionalised](#) since the establishment of the Alliance of Small Island States (AOSIS) as a collective negotiating body and the various programmes of action delivered by three decennial conferences (Barbados 1994, Mauritius 2005, Samoa 2014). Over time, SIDS have developed a strong group identity, particularly vis-à-vis the major policy debates occurring globally and which will shape the Fourth International Conference on SIDS ('SIDS4') next year in Antigua and Barbuda. These include: access to climate finance, the establishment of the multidimensional vulnerability index, debt relief, loss and damage, ODA eligibility and concessional financing. The UK should respect this common identity and support their collective priorities, while providing tailored assistance to individual countries and regional organisations where these needs are clear and will foster cooperation and collective action for the good of all SIDS.

The UK has a crucial role to play in advocating for SIDS as a group, particularly given that many international agendas work against their interests because they do not have the size and scale to fight diplomatic battles against larger developing countries. Moreover, because of the unique shared history between the UK and many small island countries—and sizeable diasporas within the UK itself—it is uniquely placed to facilitate this kind of action on their behalf and in partnership with them.

***Is the strategy coherent with the UK's wider foreign policy and development goals, as outlined in the recent Integrated Review Refresh?***

The strategy focuses on supporting SIDS to adapt to the impacts of climate change, improve access to finance, prevent biodiversity loss, and build diverse and resilient economies and institutions. This is an appropriate focus given that the world is becoming considerably more volatile and SIDS are on the frontline of those shifts. They have traditionally benefitted from what we call, in our forthcoming book, *Sustained Development in Small Island Developing States* (Cambridge University Press) a 'permissive' or benign global order. The relative absence of great power conflict, accessibility of international organisations (in which many SIDS took leading roles as norm entrepreneurs on key policy debates) and a liberal global economy, meant that SIDS spent the 1990s and 2000s engaging in various niche development strategies alongside tourism as a typical mainstay: i.e. offshore finance, sovereignty sales, remittances from out-migration and guest-worker programmes.

Since the Global Financial Crisis however, this settlement has dissipated. First, the resurgence of great power conflict—notably Russia’s intervention in Ukraine, the Trump trade war and intensified Chinese nationalist-authoritarianism—has called into question the nature of the multilateral settlement and potentially forced many SIDS ([especially Pacific SIDS](#)) to consider whether or not to align more overtly with China/BRICS or the West. Second, the closing of the ‘globalisation niches’ due to intensified metropolitan surveillance, alongside the pandemic-induced crisis in tourism, has narrowed the development options available to many SIDS, compounding the geopolitical challenge, as well as, in many cases, already elevated debt burdens. Third, accelerating climate change, [which will hit SIDS more rapidly and forcefully](#) than any other group of states, poses a direct challenge to their very viability *as* states.

The *Integrated Review Refresh 2023: Responding to a more contested and volatile world* has four objectives: (a) Shape the international environment; (b) Deter, defend and compete across all domains; (c) Address vulnerabilities through resilience; and (d) Generate strategic advantage. The UK can further these objectives through its engagement with SIDS:

- a) The international environment in which SIDS operate is one that the UK can shape, and where SIDS’ views can also be influential—to the extent that they have had great success in punching above their weight on many issues of global importance, the most recent being Vanuatu’s remarkable success in pushing the UN General Assembly [to ask the International Court of Justice](#) for an advisory opinion on climate change—but they require support to engage effectively. SIDS benefit from an open and stable international order, as, indeed, do the UK’s own Overseas Territories (BOTs), which are SIDS themselves in all but name.
- b) The UK has a critical role to play in ensuring that support for SIDS fulfils wider geopolitical objectives, including the openness of the liberal global economy.
- c) A key demand of SIDS is for greater support in developing resilience capacity to generate ‘resilient prosperity’ (as noted in our forthcoming RESI briefing paper, *The Road to St John’s*, to be published in July 2023, which maps key debates in the run up to the SIDS4 summit), and this is the only way to attenuate their vulnerabilities. The UK can take a lead advocacy role, shifting global policy norms in certain areas (for example on the use of an MVI in finance allocations and eligibility) and pushing for reform of key multilateral institutions (e.g. access to the Green Climate Fund).
- d) The SIDS collectively comprise 20% of votes in the UN, which is a crucial constituency when it comes to supporting partner initiatives, particularly in a world where geopolitical conflict and the attendant pressure to align with agendas that run counter to liberal multilateral norms are increasing.

***Do the six priorities outlined in the UK Government’s SIDS strategy address the key issues facing SIDS? What resources will the UK Government need to commit to implement its SIDS Strategy?***

The six priorities—(a) climate change and [natural] disasters; (b) oceans and biodiversity; (c) economic diversification and prosperity; (d) debt; (e) inclusive governance and shared values; and (f) multilateral modernisation—are precisely the issues on which SIDS require support internationally. These issues are also intimately interlinked and should be addressed comprehensively.

One potential gap in the agenda corresponds to support for strengthened regional and interregional cooperation. In all regions where SIDS predominate, integration mechanisms are struggling in one way or another with centrifugal tendencies. In the Caribbean, there has long existed a degree of disenchantment with the pace of integration and implementation of regional accords. In the Pacific, insularity, distance and intra-regional differences have even led some members to secede from key institutional bodies. Indian Ocean integration is stymied by a lack of critical mass and huge distances between SIDS. In Africa, small islands are minimal compared to the huge states that dominate

regional agendas, although there is an initiative underway for the African Union to potentially establish its own SIDS unit (and including large states with their own island territories). So, strengthening these processes is itself crucial, but it also matters more broadly in terms of sustaining *interregional* processes, and scaling up of agendas to the global level. Specifically, AOSIS does a remarkable job on a huge variety of agendas, despite severe human resource and other capacity constraints. The more that can be done to support it, the better for SIDS as a whole.

RESI is undertaking a range of projects this year to calculate climate-related losses and damages in SIDS and estimate the funding gap. There are huge evidence gaps here, so these and other studies are needed to establish the full extent of resources required to strengthen SIDS' resilience over the coming years, and, crucially, to demonstrate that those needs—albeit large relative to the size of SIDS—are relatively small compared to the absolute scale of resources supplied to larger developing countries, and that improving financial flows to SIDS for resilience does not represent significantly fewer resources for other countries.

***How can the UK best assist SIDS in the work of building resilience to the impacts of climate change and natural disasters? How effective are existing UK ODA-funded projects in SIDS?***

SIDS need urgent institutional support to accelerate their national adaptation and resilience planning processes, including undertaking climate risk assessments for all priority sectors, developing costed plans, identifying financing gaps, and establishing monitoring and evaluation systems. The UK can and does assist with this, as well as with post-disaster recovery and 'building back better'. The UK's support to the Climate Resilience Execution Agency for Dominica (CREAD), [set up after the devastation wrought by Hurricane Maria in 2017](#), and co-funded by the Government of Dominica and Global Affairs Canada, is exemplary.

However, these processes take time and the building of relationships in contexts where human capacity is limited and actors within SIDS governments already face insurmountable demands on their time and expertise. Not only is it vital to not add to this burden—and even find ways to help alleviate it—it is critically important to have funding horizons of 5-10 years (not less, as the norm with much existing short-term project funding which often suffers from a lack of legacy support). Implementation of these plans requires programmatic finance to implement a series of measures in phases (as opposed to a set of very large but individual projects, where SIDS struggle, lacking capacity to absorb this kind of finance even when it is available, compounding the legacy problem).

Financing instruments like parametric insurance play an important role in building financial resilience in SIDS, providing a quick injection of capital to respond after a disaster, to re-establish basic services. The UK government supports the regional risk pools that cover some SIDS (CCRIF and PCRIC) through subsidisation of insurance premiums and should extend and increase this support so a greater proportion of losses can be covered by insurance.

***What development activities are the UK's partner states, such as the USA, Australia, New Zealand, Japan, the Republic of Korea, and Canada, undertaking in support of SIDS? How can the UK Government best use its resources to complement those activities and to avoid duplication?***

This represents another significant evidence gap, to which the UK's Small Island Developing States Capacity and Resilience Programme (SIDAR) is well-placed to respond. In general, most other donor partners tend to focus on SIDS in their immediate region from whom they also generally have significant diaspora communities: i.e. Australia's immediate priority is the development of Pacific islands, whereas Canada has a greater focus on the Caribbean. But all donors are seeking to globalise—in one way or another—their work on SIDS. The UK is actually distinctive in this regard, because it already has strong links with all SIDS regions, due to its global outlook and historical

relationships. It therefore has a key role to play in supporting and coordinating those activities at the international level. But, in order to this, and as noted, we require a lot more evidence on different donor activities (work that RESI could potentially undertake).

***Whether multilateral bodies such as the World Bank require reform to meet SIDS's development needs. If multilateral bodies do require reform, what might such reform entail and how might the UK Government facilitate it?***

There is a growing recognition that the assumptions of the post-Washington Consensus era—in terms of growth, sectors and good governance—have not aged well. This is particularly true in SIDS, most of which did not even exist when these international financial institutions were being established. The challenge ahead is to ensure that new institutional and normative configurations address the particular challenges these small countries face (so beyond simply acknowledging that SIDS represent a 'special case for sustainable development' as elaborated in the SAMOA pathway).

Institutions such as the WTO, IMF, World Bank and OECD's Development Assistance Committee (DAC) do not officially recognise a distinct status for SIDS in accessing respectively Special and Differentiated Treatment (SDT) for trade, development finance as well debt restructuring programs, and ODA. This lack of recognition and support hinders SIDS' efforts to diversify their economies, reduce dependence on sectors like tourism, mobilise domestic resources and foster climate and economic resilience. Strengthening data collection systems and re-evaluating existing donor priorities and conceptual frameworks can help bridge this gap and ensure that SIDS receive the necessary specialised treatment to sustain development gains in the context of climate change and other systemic risks.

In terms of institutions, if international agencies assessed SIDS on their own terms and viewed their capacity constraints, excessive personalisation, and problems with clientelism as features of small size that afflict richer, European small countries too, it could open new ways of working. Key to this would be to build capacity by allowing SIDS to piggyback on the bureaucratic autonomy of those organisations themselves. Central to this endeavour is the need to build the capacity of SIDS units in multilateral organisations, so they can act as brokers between domestic and international sources of finance and constrained SIDS governments.