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CONCLUSIONS OF THE INTERNATIONAL WORKSHOP ON THE CONSTRUCTION OF AN INDEX TO MEASURE ECONOMIC RESILIENCE

organised by the Commonwealth Secretariat and the Islands and Small States Institute of the University of Malta, at the University Gozo Centre, Island of Gozo, Malta, 10-12 April 2006

INTRODUCTION

1. The workshop on the construction of an economic resilience index was held at the University Gozo Centre, Malta, between 10 and 12 April 2006. The participants included policymakers, practitioners and academics. The following organisations were represented: the Australian National University, the Commonwealth Secretariat, the Food and Agriculture Organisation, the Foundation for Development Cooperation, the Indian Ocean Commission, the Pacific Forum Secretariat, the United Nations Division Department of Economic and Social Affairs, the University of Malta, the University of Mauritius, the University of the South Pacific, the University of the West Indies, the World Bank, the World Institute for Development Economics Research, and the Yale Center for Environmental Law and Policy.

2. The workshop built on the outcomes of the workshops held in Gozo (Malta) in March 2004 and March 2005 where the concepts of economic vulnerability and resilience were defined and the conceptual framework for the construction of an economic resilience was developed. The April 2006 workshop sought to further develop the framework for the measurement of economic resilience, primarily by considering its potential relationships with other indicators and indices intended to measure one or more facets of resilience including Indicators of Sustainable Development, the Human Development Index, the Environmental Sustainability Index, the Governance Indicators, the Country Policy and Institutional Assessments and the Competitiveness Indices. The Workshop also explored policy orientations towards developing economic resilience in order to mitigate the effects of economic vulnerability.

3. The workshop took into account the outcomes of the Mauritius International Meeting for the 10-year Review of the Barbados Programme of Action, held in January 2005. The Mauritius Meeting confirmed that SIDS as a group face particular handicaps as a result of their economic, environmental and social vulnerabilities, and called for work on the development of a resilience index. The workshop also took into consideration the Gozo Statement on Vulnerable Small States which emerged from the Commonwealth Heads of Government Meeting held in Malta in November 2005, which stated that *inter alia* "small states face well-recognized vulnerabilities, and that they are now confronted by new challenges." The Gozo Statement recognized the "significant efforts that small states have made within the limits of their resources and capabilities to build levels of resilience to their vulnerabilities" and urged "the international community to take stronger and more effective action to help vulnerable small states".

4. Participants discussed various issues that influence the economic vulnerability of small states including (i) their exposure to international trade; (ii) international trade arrangements including the erosion of preferential trade arrangements; (iii) governance weaknesses; (iv) climate change and natural disasters and (v) HIV/AIDS and other major health problems.

5. Participants noted that the concepts of vulnerability and resilience and their importance of small states are now internationally recognised. They further noted that vulnerability arises from an inherent exposure to adverse external shocks beyond the country's control, as well as structural handicaps, exacerbated by *inter alia* a high degree of openness, export concentration and high dependence on strategic imports, remoteness and high transport costs, susceptibility to natural disasters and climate change. Although these conditions pose serious handicaps for the sustainable economic development of small states, participants noted that a number of small states have been able to mitigate the effects of these difficulties through appropriate policy orientations focused on building resilience.

6. Participants agreed that resilience building in small states should be given top priority in view of the high exposure of these states to external shocks.

THE RESILIENCE OF SMALL STATES

7. Participants recognized the need for a focused conceptual framework on resilience building in addressing the vulnerability concerns and promoting sustainable economic growth, as well as in strengthening national and regional policy approaches. The building of economic resilience has been recognized to emanate from good policy practices including: macroeconomic stability; microeconomic market efficiency; governance, social development and cohesion, and environmental management.

8. Participants considered the work that was undertaken on an index that attempts to measure the degree of economic resilience with regard to these dimensions, based on available information. Participants agreed that the work carried out so far, as presented at the workshop, constituted a valid contribution to the development of a methodological framework and the measurement of economic resilience.

9. Participants also recognized the need for integrated, participatory and collaborative schemes, involving all major stakeholders, to ensure the success of resilience strategies, principally through capacity building.

10. Participants recognised that the primary responsibility for building national economic resilience lies with the individual countries themselves. At the same time participants agreed that the international community can play an important role in supporting countries in this endeavour.

RECOMMENDATIONS FOR SMALL STATES

11. Participants agreed that available evidence and expert opinion supports the view that the building of resilience requires an integrated approach covering a wide range of policy dimensions. Among the various policy issues in this regard, participants highlighted the following:

- (a) prudent and sound macroeconomic policies which also promotes competitiveness within a framework of sustainable economic development;
- (b) appropriate microeconomic policies aimed at promoting the efficient use of resources;
- (c) promotion of good governance in the public and private sector to facilitate sustainable economic growth, to ensure security and respect for the rule of law, to eradicate corruption and to promote accountability, transparency and efficiency;
- (d) education, training and lifelong learning to promote development in human capital, including entrepreneurship;
- (e) social development and cohesion through programmes aimed at eradicating poverty and promoting dialogue among stakeholders in development;

- (f) the enhancement of ecological capital and sound environmental management through horizontal and vertical integration of environmental sustainability, and the acknowledgment that environmental resilience is an integral part of economic resilience;
- (g) capacity-building towards the formulation, effective implementation and evaluation of policies and programmes aimed at building resilience;
- (h) enhancement of capacity to efficiently utilise external resources to build resilience;
- (i) identification of best practices and sharing of experiences in the development of resilience; and
- (j) building greater awareness among policy makers and stakeholders regarding the need for resilience building.

REGIONAL AND INTERNATIONAL DIMENSIONS

12. Participants agreed that the negotiating capacity of small states can be enhanced by appropriate analytical tools including vulnerability and resilience indices. The support of regional and international organisations was urged in this regard.

13. In particular, participants welcomed the mandates of the UN General Assembly of July 2005 regarding the UN-DESA Regional Meetings culminating in an inter-regional meeting in Rome in November 2005 and the continuing support being committed by the UN to SIDS through each UN agency to provide support to these states.

14. Participants discussed regional cooperation and integration as instruments in the structural adjustment process in building resilience and commended the work of international and regional organisations that have supported efforts by small states to promote their sustainable development and to strengthen their negotiating capacity.

FUTURE WORK

16. Participants recognized the potential value of the resilience index as a tool for planning and development and commended the work presented so far in improving the evidence base for building and measuring economic resilience of small states. They agreed on the need for further research work in the area of resilience, particularly by using the results obtained to identify the best policy orientations for small states to develop their economic resilience to assist national and regional policy-making. In particular, participants urged the undertaking of research to identify cases of best practice regarding resilience building among small states from which important lessons can be derived for other small states and for the international community. This research should encompass a cross-section of small states, taking into account differences in their economic, social and cultural characteristics.

17. Participants requested the Commonwealth Secretariat and the University of Malta to organise an international conference in 2007, aimed at disseminating information about resilience building and to foster awareness on the need for small states to build resilience to mitigate their vulnerability, involving possible users of the economic resilience index.

18. Participants agreed that refinements need to be done to the economic resilience index, including the factoring in of environmental management concerns.

19. Participants also noted the need for dissemination of information about resilience building at fora which attract high level participation from SIDS and support from key stakeholders, including the 9th Annual Conference of the Global Development Network (GDN) will be hosted by the

Oceania Development Network (ODN) in Brisbane, Australia, in January 2008. The ODN has supported inter-regional networking on SIDS' issues and participants were invited to consider the possibility of a contribution to GDN 2008 or a side-event focussing on resilience building for small states, which could attract high level participation and support from key stakeholders.

EXPRESSION OF GRATITUDE

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

21. Participants also thanked the Minister of Foreign Affairs and the Minister for Gozo for their contributions to the deliberations, and the support expressed by both ministers in promoting measures in favour of small states.

22. Participants requested the Chairman of AOSIS to circulate the workshop outcomes to the members of AOSIS, and other international organisations to note and disseminate this final statement.