

# Sustaining Development and Resilience in SIDS: Beyond Crisis Management

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**Human development** in small island development states (SIDS) has been steady and measured as high. The Caribbean, on average, ranks higher than the Pacific on the Human Development Index (HDI): Barbados is ranked at 37, and St. Kitts and Nevis at 50, compared to Samoa at 94 and Fiji at 108 (UNDP, 2009). In general, the SIDS invest more than other countries in education and health; on average, government spending accounts for more than 60 per cent of all spending in the health sector (Perch and Roy, 2010).

Paradoxically, given this record, the SIDS have struggled to address some of the ills of underdevelopment, namely poverty, vulnerability and inequality. The table highlights the contrast between GDP, poverty rates and the Gini coefficient, and the challenges of translating growth into sustained development outcomes.

Why is this? Poverty in SIDS has usually been defined more in relative than in absolute terms, and these countries have been marked by persistent inequality as measured by relatively high food insecurity (over 40 per cent of poor households' income is spent on food), dependence on public transfers to facilitate access to basic services, and dependence on remittances to supplement household incomes (Perch and Roy, 2010).

Cascade effects compound the poverty challenge. For example, the recent global economic crisis impacted the SIDS additively: declines in the incomes of the poor were affected by the limited fiscal capacity of governments to compensate for income losses, high youth employment, reduced working hours, falling remittances and the negative effect of price volatility on poor and vulnerable households. Gender segmentation in the market has also determined the fortunes of many poor households and their capacity to cope with the shocks of the crisis. The global crisis served to underscore these factors of structural vulnerability at the household level and called into question the capacity of governments to be the main facilitator of social and economic transfers, particularly in times of crisis, including as the employer of last resort.

To address the above, Perch and Roy (2010) suggest, *inter alia*, the following policy actions:

## Endogenous policy actions

- **Move from welfarist frameworks to targeted actions to reduce social vulnerability**, including the adjustment of existing social policy interventions to address uncertainty.
- **Integrate risk reduction into development planning**: move from "crisis management or response" to "risk reduction and resilience-building".

## Socioeconomic Indicators for Selected SIDS

Country	Population	HDI rank	GDP per capita	Poverty rate (headcount index) (%)	Gini coefficient
Antigua and Barbuda	85,362	47	17,966	18.3	0.49
Dominica	71,898	73	7,893	39.0	0.35
St. Kitts and Nevis	45,000	62	14,481	21.8	0.45
Samoa	187,000	94	4,467	20.2	0.47 (2008)
Kiribati	92,533	...	1,295	21.8	0.39 (2006)
Vanuatu	124,737 (2009)	126	3,666	27.2(2006)	0.41

Source: Perch and Roy (2010), adapted from various sources.

- **Address labour market issues and take advantage of opportunities such as "green jobs"**, promoting more inclusive labour markets, and quality education and training programmes.

## Actions requiring regional, multi-country or global initiatives

- **Socialisation of risk or risk-sharing**, building on the Caribbean Catastrophe Risk Insurance Facility (CCRIF)<sup>1</sup> model.
- **Advocate global action to create a Heavily Indebted Poor Countries (HIPC) initiative for the SIDS**. Resources matter. Such an initiative would be designed to allow space to address the structural challenges facing SIDS economically.
- **A stability and social investment facility for the SIDS**: providing a steady and predictable source of funds to address structural change without having to forgo vital pro-poor social expenditures and growth programmes.
- **Explore new sources of finance**: SIDS should take full advantage of the global attention to food security and climate change in order to address systemic vulnerabilities.

While fiscal space limits the options available to SIDS governments to rebound from exogenous shocks, the above policy actions can make a significant difference to the SIDS' resilience and capacity to thrive, even in the face of significant risk and uncertainty. Since many of these actions require concerted international initiative, multilateral organisations can play a key role in enhancing the SIDS' resilience by facilitating coordinated policy interventions and initiatives.

## References:

- Perch, Leisa and Rathin Roy (2010). 'Social Policy in the Post-Crisis Context of SIDS: A Synthesis', *IPC-IG Working Paper*. Brasilia, International Policy Centre for Inclusive Growth.
- UNDP (2009). *Human Development Report, 2009. Overcoming Barriers: Human Mobility and Development*. New York, United Nations Development Programme.

## Note:

1. CCRIF is the world's first regional insurance fund, giving Caribbean governments the unique opportunity to purchase earthquake and hurricane catastrophe coverage not available elsewhere and at the lowest possible price. See <http://www.ccrif.org>.