

Enhancing Competitiveness in Small Island Development States

A UNIDO-Competitive Industries Partnership



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Key messages

- SIDS are a very heterogeneous group in terms of key economic and social indicators. But they do share common constraints to competitiveness such as small internal market size, limited regional and global connectivity, and restricted pool of growth sources. Given the trends of ageing populations, youth unemployment and persistent skills migration, there is an urgent need to create quality jobs.
- Many of the competitiveness challenges faced by SIDS can be partly resolved through appropriate industrial policies and competitiveness strategies, as evidenced by results achieved in active Competitive Industries projects, and our growing portfolio in several SIDS.
- Competitive Industries has successfully implemented strategies such as: sector prioritization, upgrading value chains, public investment planning to sequencing them to unlock private sector investments, leveraging existing investments and promoting growth of new sectors, skills development in tune with private sector needs, and strengthening of institutional capacity at government level to carry out all this. We will also showcase lessons learnt from successful case projects in SIDS.

- **SIDS: heterogeneous, but with many common challenges**
- Competitiveness strategies to generate quality jobs
- Some lessons from our interventions in SIDS
- Questions for further discussion

SIDS are very heterogeneous on key economic and social indicators: GDP, poverty, population, competitiveness

Poverty

(% of population living under \$1.25 a day)

Haiti: 54.9%

Seychelles: <2.0%

GDP

Singapore: \$222.7 billion

Tuvalu: \$31.4 million



Population

Cuba: 11.3 million

Niue: 1,500

Competitiveness

(Doing Business 2014 Rankings)

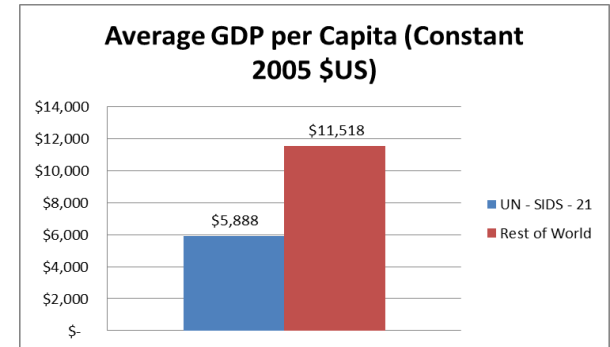
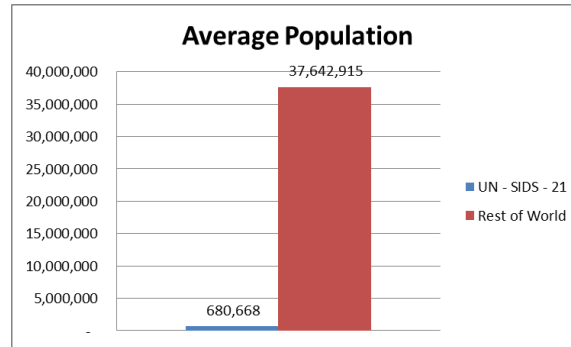
Singapore: 1

Guinea-Bissau: 180

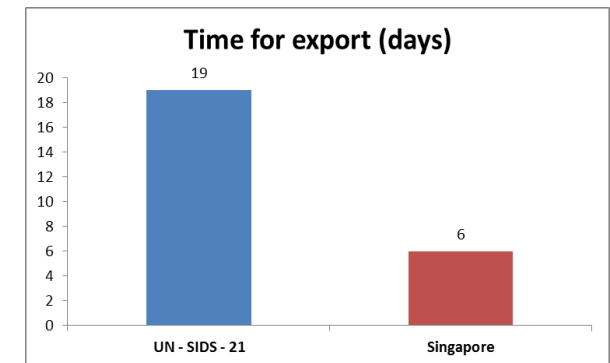
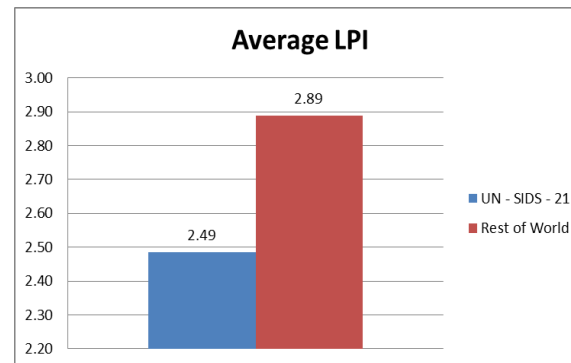
Source: UNOHRLLS Factsheet 2013, Doing Business 2014

Despite the heterogeneity, many SIDS face common challenges: small internal markets, limited growth sources and connectivity

Small internal market size



Limited regional and global connectivity



*Source: World Bank Indicators for UN List of 21 SIDS except Nauru; Doing Business 2014

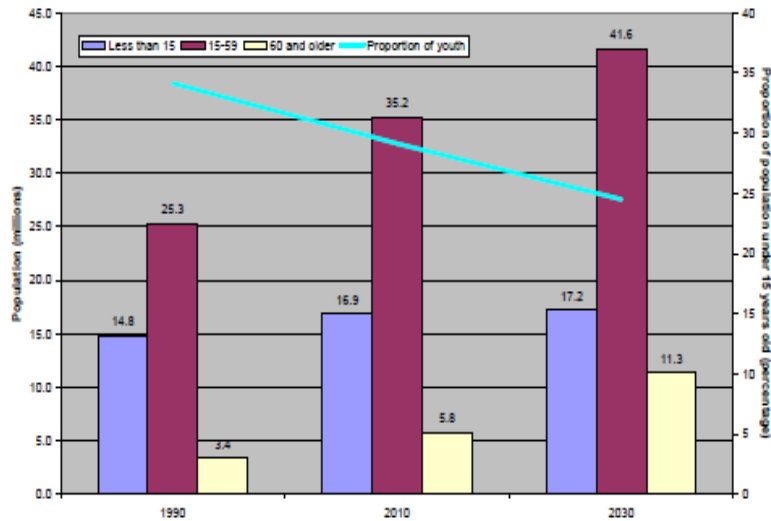
Small pool of growth sources

- Several SIDS are single commodity exporters: in the Caribbean, top five export commodities represent 70-96% of exports.
- Commodity trade dominates SIDS Trade: commodity exports and imports averaged 110% of GDP in SIDS compared to 78% in LDCs (1980-2007).
- Volatility of trade higher in SIDS, as is overall economic vulnerability

*Source: "Small Island Economies: Vulnerabilities and Opportunities" (ACP, EU Brussels, 2012) and World Institute for Economic Development Research (WIDER)

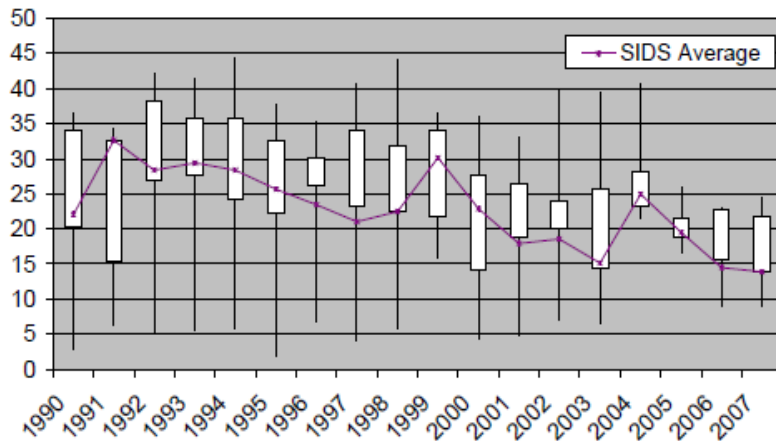
Urgent need to create quality jobs in SIDS: aging population, youth unemployment, skills emigration, economic volatility

Youth proportion falling, as SIDS population ages rapidly



Source: UN DESA 2010

Youth unemployment is an urgent concern

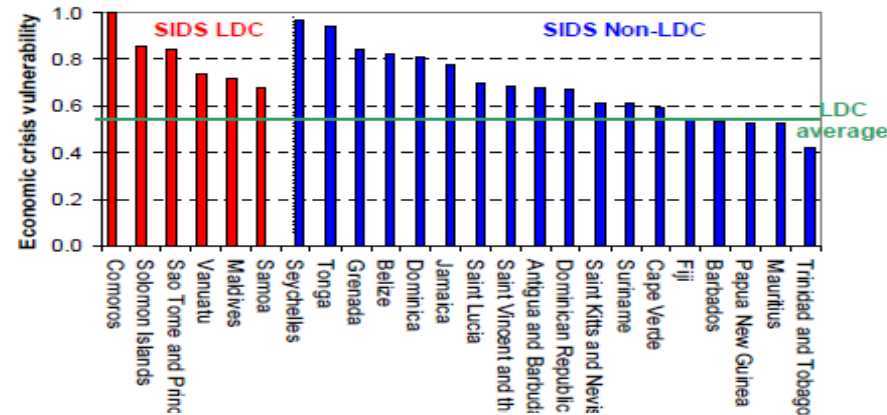


Source: UN MDG Indicators 2010

Brain Drain in SIDS*:

- Emigration rates of SIDS are far developing countries
 - low-skilled workers (15.6%), 13 percentage points higher than LDCs
 - college graduates (50.8%), 37 percentage points higher than LDCs
- Largest brain drain rates: Guyana (89.2%), Jamaica (84.7%), Grenada (84.3%), Saint Vincent and Grenadines (81.9%), Haiti (79.0%), Tonga (75.6%) and Samoa (73.4%)

Overall, SIDS show more economic vulnerability than avg LDCs



Source: UN EESCAP and DESA Vulnerability Index 2010

Today's discussion

- SIDS: heterogeneous, but with many common challenges
- **Competitiveness strategies to generate quality jobs**
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SIDS challenges can be partly resolved through appropriate industrial policies and competitiveness strategies

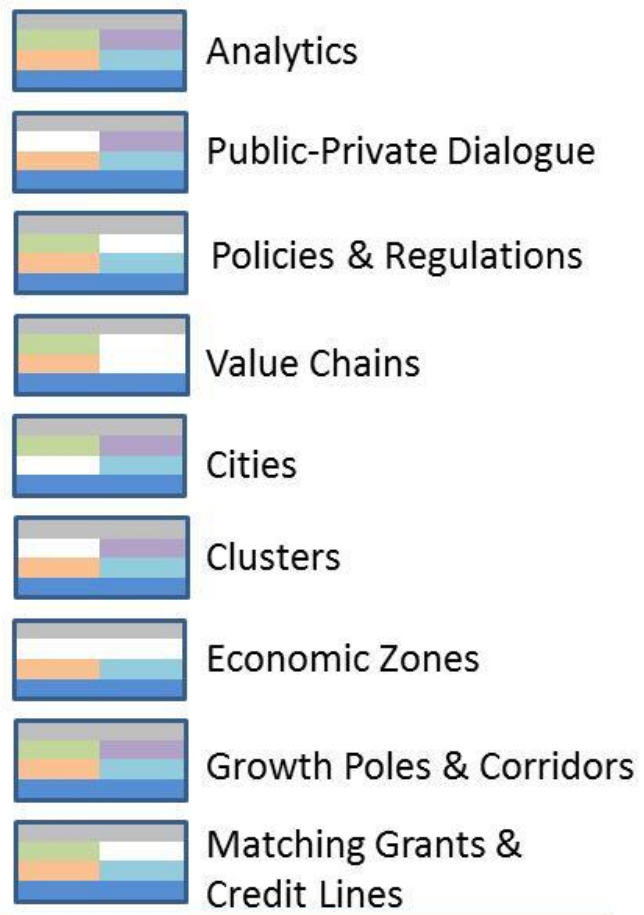
SIDS key issue areas	Industrial competitiveness strategies
Market size disadvantage	Upgrading and connecting local SMEs to regional and global markets
Poor connectivity and linkages	Developing strategic physical infrastructure to connect to global value chains
Lack of economic diversification	Identifying new product and market opportunities; prioritizing sectors
Limited sources of economic growth	Upgrading existing value chains, reducing barriers to export competitiveness
Low volume of FDI inflows in some SIDS	Investment promotion activities and south-south knowledge exchange from successful SIDS
Aging population coupled with increasing youth unemployment	Enhancing human skills using an enterprise productivity lens
Limited institutional strength and public sector capacity	Strengthening public service performance measurement, delivery units, public private dialogue, capacity building efforts

What can industrial policies and competitiveness strategies bring to the table?

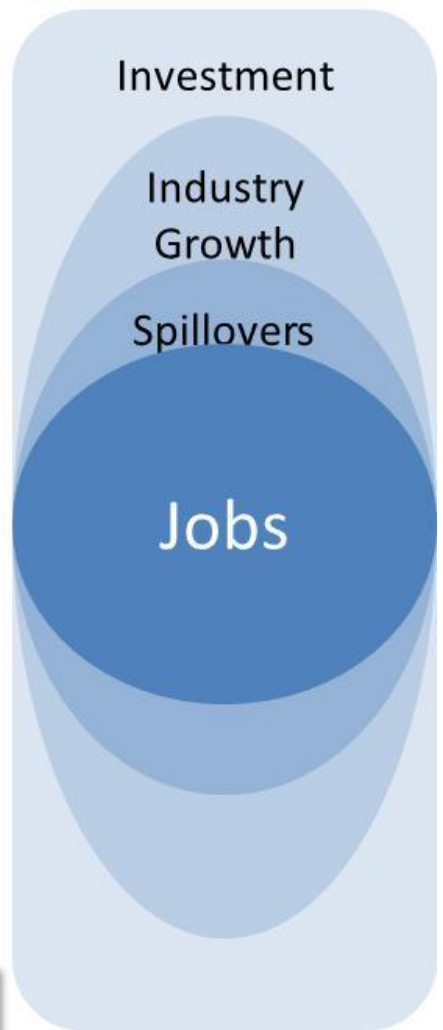
ELEMENTS



PRODUCTS



RESULTS



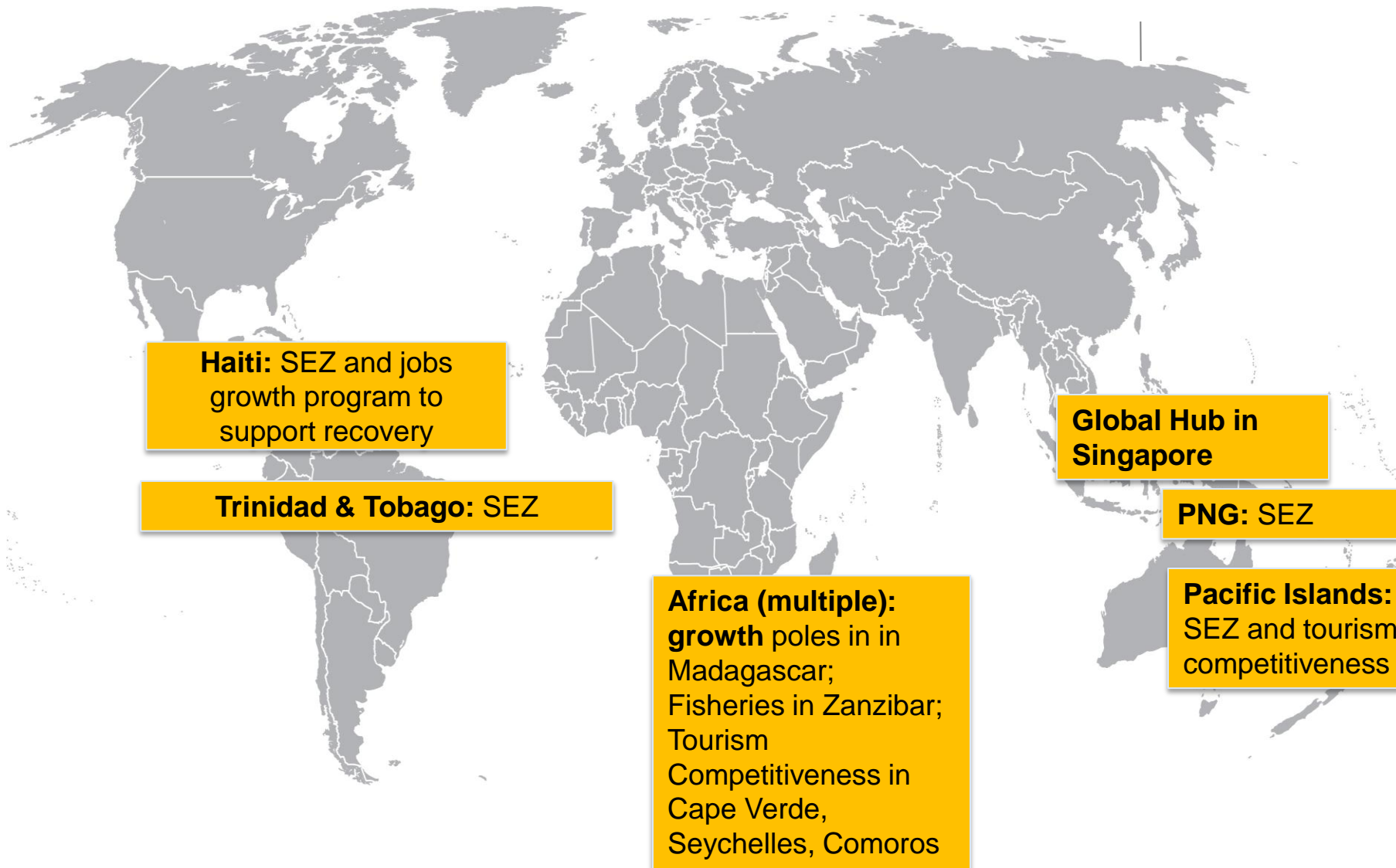
INDUSTRIES



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Active and growing Competitive Industries portfolio in several SIDS which is a subset of the WBG's overall SIDS portfolio...



Haiti: SEZ and jobs growth program to support recovery

Trinidad & Tobago: SEZ

Africa (multiple): growth poles in in Madagascar; Fisheries in Zanzibar; Tourism Competitiveness in Cape Verde, Seychelles, Comoros

Global Hub in Singapore

PNG: SEZ

Pacific Islands: SEZ and tourism competitiveness

Competitive Industries in SIDS example 1: Generating investment through Integrated Growth Poles in Madagascar

Project location and title

Madagascar Integrated Growth Poles

• Objective

Stimulate and lead economic growth in:

- Tourism poles around Port Dauphin and Nosy Be;
- Light manufacturing pole around Antananarivo.

• Description

- Construct and rehabilitate infrastructure in tourism, manufacturing, agribusiness and mining sectors;
- Establish appropriate incentives;
- Develop instruments for equitable, sustainable growth;
- Strengthen capacity of local authorities.

Focus Areas within Competitive Industries Practice: Growth Poles



Project Deliverables

- Investments in roads, power, water and vocational training to create an attractive investment environment.
- Provide marginal funding to attract potential strategic private investors.

Impact

Between 2005 and 2012, increase in:

- Annual private investment flows from \$84m to \$1,500m
- Number of new business registered from 300 to 650
- Jobs created from 3,265 to 16,500

Project No. P083351; More details and sources available on request

Competitive Industries in SIDS example 2: Zones 3.0 project in Trinidad & Tobago

Project location and title

*Trinidad and Tobago Investment
Promotion*

Objective

Strategic guidance to improve the quality and effectiveness of investment promotion and special economic zones (SEZs).

Description

- Assessment of policies and strategies for supporting special economic zones
- Support in design and implementation of Project Implementation Unit
- Modernizing policy and legal framework specifically National IP and EZ policy
- Develop detailed IP/SEZ strategy and implementation plan, working with PIU
- Conduct evaluation of all estates, due diligence of undeveloped public lands in preparation for PPPs
- Help build the capacity of the Monitoring & Evaluation department in MTII (via consultants, training, etc.)

Focus Areas within

Competitive Industries

Practice: Special Economic Zones



Project Deliverables

- Development of a pilot multi-project SEZ program
- Development and management of existing IT Park
- Support to the Policy and Program Implementation Framework
- Investment Promotion Support
- Capacity building workshops for public and private sector stakeholders.

Impact

- Enhanced regional co-operation
- Strengthened fisheries management
- Economic benefits through private sector development
- Effective project management

Project No P123745; More details and sources available on request

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Some questions for further discussion

- What are the biggest risks and challenges faced by SIDS in improving industrial competitiveness?
- How is private sector currently engaged? What is needed?
- Have any SIDS identified the next high growth niche?

Appendix

Competitive Industries in SIDS example 3: Increasing Linkages for Pro-Poor **Tourism in Cape Verde**

Project location and title

Increasing Linkages for Pro-poor Tourism Development in Cape Verde

Objective

- Identify linkages and leakages in tourism value chain
- Identify opportunities for the fisheries and agriculture sectors to supply the tourism sector more competitively.

Description

- Map out how tourist expenditures create jobs in the sector and in households working in agriculture and fisheries
- identify potential opportunities and investments for the fisheries
- Findings will pinpoint how current legislation is generating leakages, linkages, and reducing poverty along the tourism value chain.

Focus Areas within Competitive Industries

Practice: Capacity Building, Linkages



Project Deliverables

- Export inside” internal certification for local fisheries to supply tourism market
- South-south learning from Seychelles on sustainable tourism, labelling and standards
- Inputs to Ecotourism legislation and strategy

Impact

Improvements in the local fish value chain through programs that encourage increased local hiring.

Policies that help maximize local economic benefits from tourism while minimizing environmental impacts.

Project No. P132935; More details and sources available on request

Competitive Industries in SIDS example 4: Improving competitiveness of Fisheries in Zanzibar

Project location and title

*South West Indian Ocean Fisheries
Governance and Shared Growth Project*

Objective

Enhance the capacity and organization of the fisheries sector in Mainland Tanzania and Zanzibar

Description

- Value chain analysis for fisheries, enterprise survey and demand-supply matching for mariculture
- Public private dialogue in forming the apex institution to coordinate sectoral activities
- Feasibility studies and economic analysis for 2 projects
- Access to finance (matching grant funds for formal firms, *Village Savings and Loans* program for artisanal fisheries)

Focus Areas within Competitive Industries

Practice: Competitive Value Chains



Project Deliverables

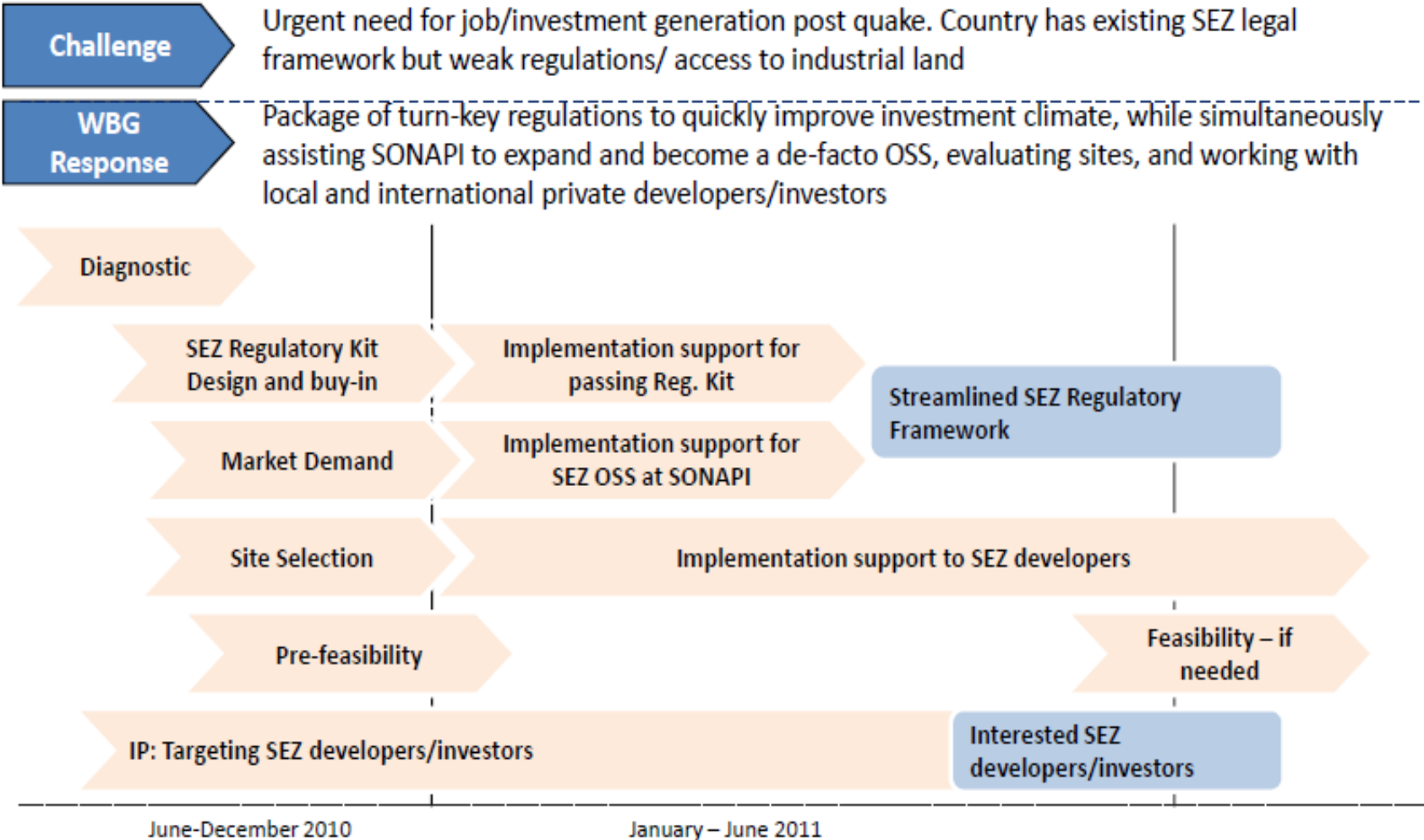
- Sector Analytical notes and surveys
- Setting up Fisheries Apex Institution
- Delivery of feasibility studies

Impact

- Enhanced regional co-operation
- Strengthened fisheries management
- Economic benefits through private sector development
- Effective project management

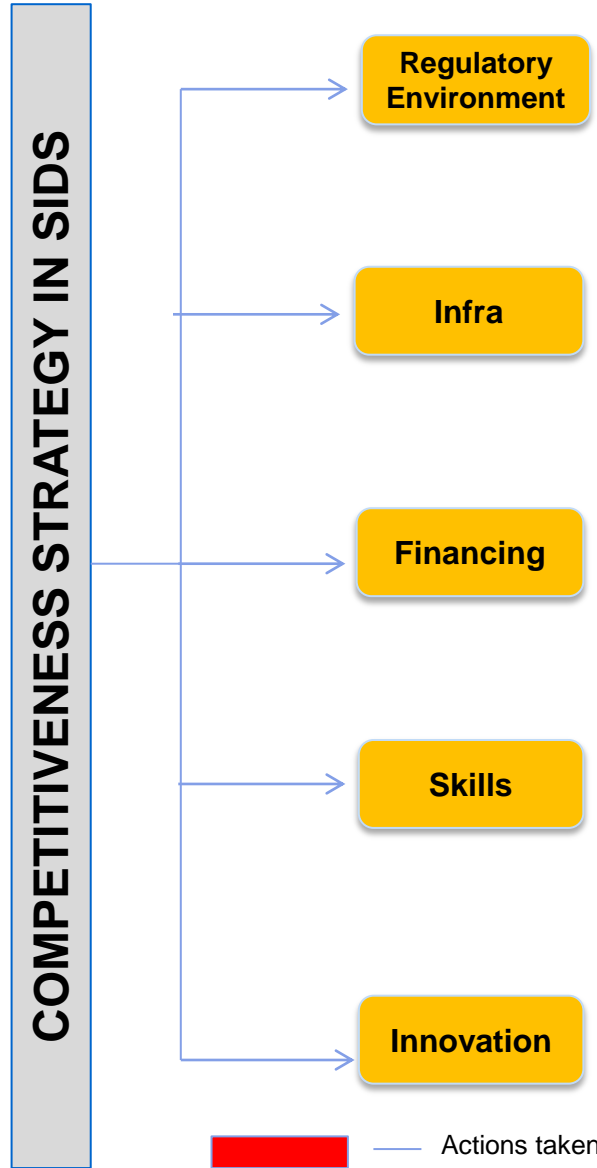
Project No P132029; More details and sources available on request

Example 5: Creating jobs in post conflict in Haiti through zones



- Working in parallel PPD, IPP, SEZ and WBG Growth Poles to create synergies
- Integrated approach: Regulatory, Site Selection, Pre-feasibility, Investor outreach
- PPD integrated to ensure legal and regulatory needs support new investments

Some policy options...



Policies at island-level

- Improving investment climate
- Biz environment reforms, supportive labor laws
- Performance measurement for public service delivery
- Blueprint to address green growth and sustainability challenges
- Planned co-location, regional connecting infrastructure
- Regional PPP Laws
- Support to Export Superstars
- Innovation Funds
- Subsidized loans for entrepreneurs
- Funding higher education
- Tech Extension Programs targeting improvement of SMEs productivity
- Joint research with academia
- E-governance
- R&D Commercializing schemes (esp in nature based products)

Policies at industry-level

- Betting on sunrise industries
- Cluster Coordination Agencies
- Project delivery units
- Firm participation in policy making via PPD
- Cost reduction through shared logistics, inputs, innovative finance,
- Angel investing and venture capital
- Attracting FDI, connecting GVCs
- Industry specific skill building
- Business Incubators (mentoring, access to specialized technical assistance).
- Spending on R&D
- Subsidized financing programs for technology upgrades
- Innovation in Product, process, marketing, business model

■ — Actions taken by governments
 ■ — Actions taken by private sector