



RESILIENCE: ITS MEANING AND ITS RELEVANCE FOR SMALL ISLAND DEVELOPING STATES

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The meaning of resilience

Resilience originates from the Latin *resilire* or to rise again, in layman's terms referring to the ability to withstand or recover quickly from difficult situations.

The term has become a buzz-word in recent years, and is used in different senses. I, personally, may have contributed to its frequent usage, as since 2000 I have written on the need for small states, particularly small island developing states (SIDS), to build their economic resilience, in view of the fact that these states tend to be highly exposed to external shocks.

In my writings, I associate resilience building with policy

Layout of this presentation

In this presentation, I will argue that small island developing states tend to be highly economically vulnerable, but many of them adopt resilience-building policies that enable them to attain economic success.

I shall argue that social development and social cohesion are important aspects of resilience building.

The main conclusion of this presentation is that small island developing states that aim to enhance their ability to withstand external economic shocks should assign major importance to the social aspects of development, including education, health, gender equality, and income distribution.

The vulnerability of small states

Small states tend to be highly economically vulnerable because they are highly exposed to external economic shocks. This is due to their inherent characteristics, mostly associated with trade openness. These states have a small domestic market and must rely on exports of goods and services, including tourism, for economic development. At the same time these states tend to have limited natural resources endowments and must therefore rely highly on imports. Hence their very high degree of trade openness.

This exposure to shocks is exacerbated in many small states by their high export concentration and high dependence on strategic imports, including food and fuel. Many small states

are also prone to natural disasters, and when these occur

The economic vulnerability index (EVI)



This figure summarises the components of the Economic Vulnerability Index proposed and constructed in Briguglio (2014) on the basis of which the author found that small states tend to be more economically vulnerable than other groups of countries.

Economic resilience building

The high exposure to economic shocks faced by small states pose serious limitations on their economic development.

However, in spite of these setbacks, many small states perform very well economically. This paradox can be explained by the possibility that small states can, with the right policies, perform well economically in spite of the fact that they are highly economically vulnerable and face small-size constraints.

Policy-induced measures for resilience

As stated, I define economic resilience as the policy-induced ability of a country to withstand or reduce the harm associated with economic vulnerability.

These set of policies are associated with:

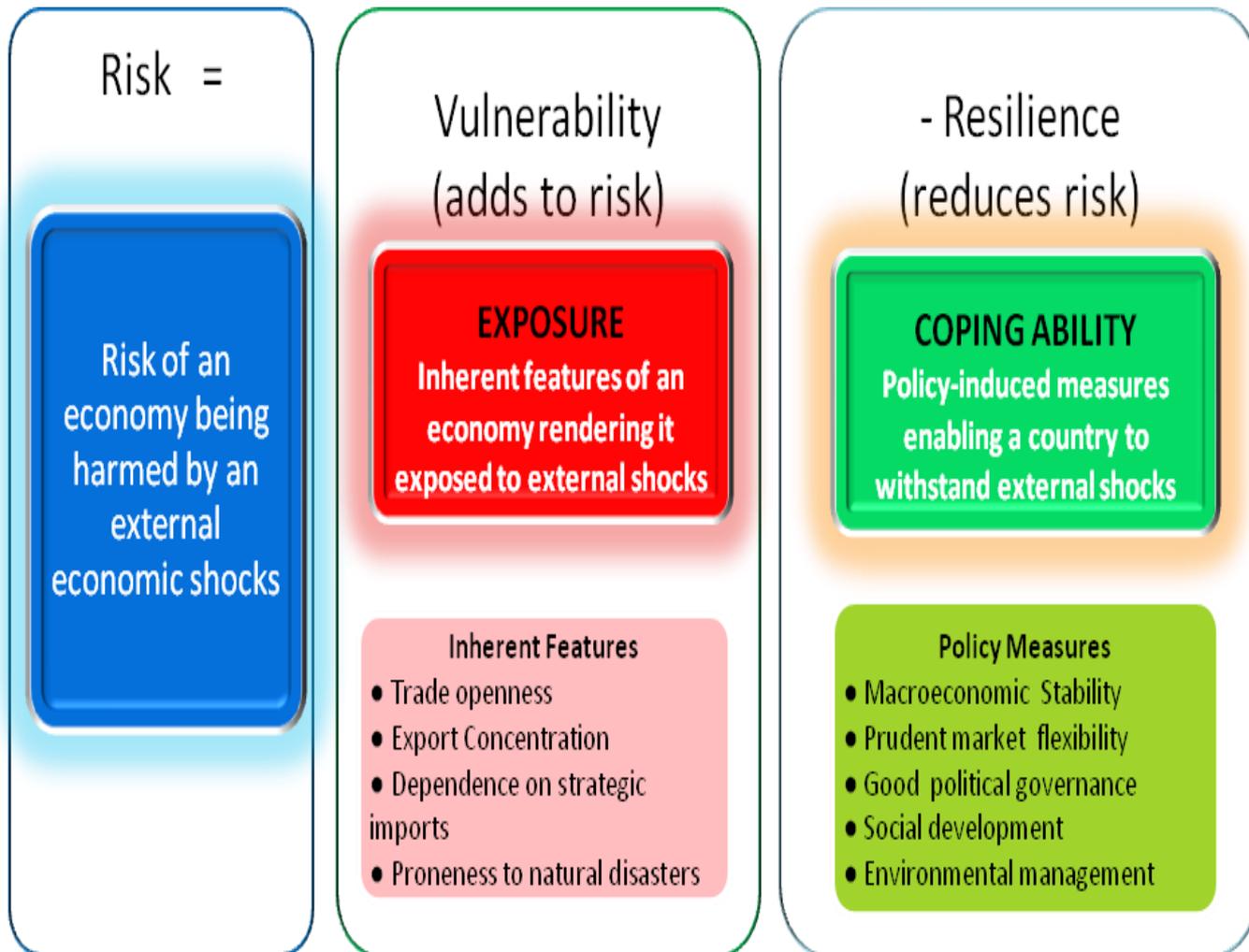
- **Macroeconomic stability**, which allows policy manoeuvre following an external shock.
- **Prudent market flexibility**, enabling the economy to adjust following external shocks, without excessive risks.
- **Good political governance**, which is essential for an economic system to function properly.
- **Social development and cohesion**, which enable the economy to function without the hindrance of civil unrest.
- **Environmental management**, which generates stability through enforceable rules

The economic resilience index (ERI)



This figure summarises the components of the Economic Resilience Index proposed in Briguglio (2014) on the basis of which the author found that a number of small states score highly on this index.

The V&R Framework



Briguglio (2014) fitted the scores of the vulnerability and resilience indices, into a scheme of what has come to be known as the vulnerability/resilience (V&R) framework. In this scheme economic vulnerability is considered as an enhancer of the risk of a country being harmed by external shocks and economic resilience as a reducer of such risk.

The importance of social development

It can be seen that the resilience index constructed by Briguglio et al (2009) contains a component relating to social development, implying policies that improve health, education, gender equality and income distribution.

In fact we can have countries that are not inherently exposed to external shocks, but due to their bad social governance, they self-inflict considerable instability. Conversely, there are small states countries which are inherently highly economically vulnerable, but which do not experience much instability, partly due to their social development.

Social development and social cohesion

Social development and social cohesion are essential components of economic resilience, as these indicate the extent to which relations within a society are properly developed, enabling an effective functioning of the economic apparatus without the hindrance of civil unrest.

Social development and social cohesion are positively related, as these are both associated with the extent to which effective social dialogue takes place in an economy which, in turn, would enable collaborative approaches towards the undertaking of corrective measures in the face of adverse shocks.

Social development and economic growth

Social development and social cohesion can be conducive to economic growth. The reasons for this include:

- (a) the reduction of transaction costs—for example, in the case of violent conflict between different sections of society, the costs will include policing, crime prevention and private security services. These costs may be such as to render unprofitable economic transactions at the margin,
- (b) social development and social cohesion facilitate collective action, and this may generate positive externalities.
- (c) there is a high cost to intergroup violence as a result of capital disaccumulation caused by the destruction of physical infrastructure, and the ‘brain drain’ (loss of human capital).

The main message of this presentation

In brief, economic resilience building requires social development and social cohesion, apart from the normal requirements of economic good governance.

The main message of this presentation is that small island developing states that aim to enhance their ability to withstand external economic shocks should assign major importance to the social aspects of development, including education, health, gender equality and income distribution – aspects that at the same time usher in inclusive growth.

The end

Thank you for your attention