

# CONSTRUCTING AN INDEX OF ECONOMIC RESILIENCE

WITH SPECIAL REFERENCE TO SMALL STATES

Malta: 10, 11 and 12 April 2006

**VENUE:**

The University of Malta Gozo Centre  
Mgarr Road, Xewkija, Island of Gozo  
Malta

Organised by the



**COMMONWEALTH SECRETARIAT,**  
London



**ISLANDS AND SMALL STATES INSTITUTE**  
Foundation for International Studies,  
University of Malta



**ECONOMICS DEPARTMENT,**  
University of Malta

## OBJECTIVES

The objectives of the workshop are to:

- Discuss the methodology of indicator construction;
- Propose ways in which an economic resilience index can be constructed with the aim of:
  - supporting decision-making relating to resilience building to enable small states to withstand their inherent economic vulnerability,
  - setting targets, monitoring developments and establishing good practice, benchmarks with regard to resilience building,
- Issue a statement on the need for indicators of economic resilience;
- Plan a publication containing a selection of papers presented at the conference.

## STRUCTURE

The workshop will be structured as follows:

- The first day will be dedicated to presentations by invited experts on themes related indicators with special reference to indicators that are related to economic development.
- The second day will be mostly dedicated to the conceptual and methodological issues involved in constructing an index of economic resilience.
- The third day will be dedicated to the drafting and approval of a final statement and a discussion on the publication of the workshop proceedings.

## COORDINATION AND LOGISTICS

### Overall coordination:

**Professor Lino Briguglio**, Economics Department, University of Malta

**Dr Eliawony J. Kisanga**, Commonwealth Secretariat

### Secretariat:

**Mr MaryRose Vella** and **Ms Romina Carabott**

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### Travel arrangements:

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### Logistics and accommodation:

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## WORKSHOP ON THE CONSTRUCTION OF AN INDEX TO MEASURE ECONOMIC RESILIENCE

**VENUE:** The University of Malta Gozo Centre, Mgarr Road, Xewkija-Gozo, Malta

### Sunday 9 April 2006

Arrival of Participants and transfer to Grand Hotel, Island of Gozo

### Monday 10 April 2006

#### 0900 Opening session:

Lino Briguglio, University of Malta, Convenor  
Eliawony J. Kisanga, Commonwealth Secretariat  
Giovanni Miceli, Director, Multilateral Affairs Department, Ministry of Foreign Affairs  
Hon Giovanna Debono, Minister for Gozo

0930 Adoption of the Agenda and other introductory formalities  
Short break

#### 0945 Presentation followed by discussion:

"INDICATORS OF SUSTAINABLE DEVELOPMENT"  
Mary Pat Silveira, Chief, Division for Sustainable Development, United Nations  
1100 Coffee break

#### 1130 Presentation followed by discussion:

"THE HUMAN DEVELOPMENT INDEX"  
Beris Gwynn, Executive Director, Foundation for Development Corporation, Australia  
and Mark McGillivray, World Institute for Development Economics Research, United Nations  
University, Helsinki.

1245 Lunch

#### 1430 Presentation followed by discussion:

"THE ENVIRONMENTAL SUSTAINABILITY INDEX"  
Tanja Srebotnjak, Director, Environmental Sustainability Index  
1545 Coffee Break

#### 1600 Two presentations followed by discussion:

"CONSTRUCTING A GOVERNANCE INDEX "  
D. Kaufmann, Director of Global Governance, World Bank Institute (by videoconference)  
"COUNTRY POLICY AND INSTITUTIONAL RATINGS FOR SMALL STATES"  
Alexandra Tabova and Angélique dePlaa, World Bank (by videoconference)

#### 1815 End of day one deliberations

1930 Drinks followed by group dinner

### Tuesday 11 April 2006

#### 0900 Presentation followed by discussion:

"INDICATORS OF COMPETITIVENESS"  
Robert Huggins, Enterprise and Regional Development Unit, University of Sheffield

1030 Coffee break

#### 1100 Presentation followed by discussion:

"CONSTRUCTING A RESILIENCE INDEX"  
Lino Briguglio and Gordon Cordina, University of Malta

1230 Lunch

#### 1430 Further discussion on the Construction of a Resilience Index

1600 Coffee Break

#### 1615 Further discussion on the Construction of a Resilience Index

#### 1745 End of day 2 deliberations

1800 Excursion

### Wednesday 12 April 2006

#### 0900 Presentation followed by discussion:

"SYNTHESIS OF ALL PRESENTATIONS"  
Nadia Farrugia and Stephanie Bugeja (University of Malta)

1030 Coffee break

#### 1100 Discussion:

FINAL STATEMENT OF THE WORKSHOP

1230 Lunch

#### 1430 Continuation of discussion and adoption of final statement

#### 1600 Concluding session:

ROUNDING UP REMARKS  
Lino Briguglio, University of Malta

1630 Transfer to the main island of Malta

1930 **DINNER at Palazzo Parisio, Valletta,  
hosted by the Hon Michael Frendo, Minister of Foreign Affairs**

## BACKGROUND INFORMATION

### Economic Vulnerability

Small states have a number of inherent features which render them very exposed to external economic shocks. This reality, which has been termed "economic vulnerability", arises from the fact that the economies of small states are, to a very large extent, shaped by forces outside their control, mostly due to their high degrees of economic openness and export concentration, and high dependence on strategic imports.

Although economic vulnerability poses serious development constraints, many small states have taken steps to build their economic resilience in order to cope with and withstand their inherent vulnerability. The need for resilience building in small island developing states (SIDS) has been given centre stage at the "Mauritius Strategy for the Further Implementation of the Barbados Programme of Action", which was adopted by the International Community in January 2005.

### Economic Resilience

The term "economic resilience" has been used to refer to a country's ability to cope with its inherent economic vulnerability. In this sense, resilience may be inherent or nurtured. The inherent aspect of resilience may be considered as the obverse of vulnerability, in the sense that inherently vulnerable countries would also lack inherent resilience. Nurtured resilience on the other hand, is that which can be developed and managed, often as a result of deliberate policy.

In recent years, there has been considerable debate on the issue of building resilience in small states. This issue is important because it carries the message that these states should not be complacent in the face of their inherent vulnerability. In other words they should take measures, possibly supported by the international community, to strengthen their economic, environmental and social resilience. In addition, the discussion on resilience sheds light as to why a number of vulnerable small states have managed to achieve a notable level of economic development in spite of their economic vulnerability, a reality which has been referred to as the "Singapore Paradox".

### Measuring Economic Resilience

There have been various attempts at measuring economic vulnerability. The vulnerability indices produced so far, including those developed by the University of Malta, the Commonwealth Secretariat, and the United Nations Committee for Development Policy, generally come to the conclusion that small island developing states, as a group, tend to be more economically vulnerable than other groups of countries.

Recently, there have been calls for creating a resilience index, to complement the vulnerability index. The participants at the Mauritius International Meeting held in January 2005 called for the establishment of a Task Force to develop such an index (Paragraph 81 of the Mauritius Strategy). The emphasis of the Mauritius International Meeting was on resilience building, and the index should therefore relate to policies which render the country better able to cope with its inherent vulnerabilities.

### The Gozo April 2006 Workshop

The main aim of the Gozo (Malta) workshop is to propose a method by which a resilience index can be constructed so as to support decision making with regard to resilience building. The index could also serve to monitor and evaluate developments in resilience building and provide quantitative estimates in this regard.

In addition the index could be useful in setting targets and establish benchmarks. The index could therefore serve, amongst other things, as a guide for good practice, so that the successful policies adopted by some small states could be emulated by others. It could also serve as an indicator as to what a country has done or needs to do to enhance its economic resilience.