SIDS in Numbers

Snapshot of the Business Environment in SIDS

United Nations

Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS)

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Introduction

Small Island Developing States (SIDS) are among the world's smallest and most isolated countries, facing unique social, economic and environmental vulnerabilities and constraints. Their small size and undiversified economic structures, often concentrated on tourism and commodity exports, exposes them to external economic shocks and the effects of climate change. To strengthen their economic resilience, it is essential to diversify their economies and develop the private sector, in particular the micro, small and medium-sized enterprises (MSMEs) that form the backbone of their economies. MSMEs play a crucial role not only in job creation, but also in innovation and the integration of emerging technologies, thus contributing to more inclusive and sustainable growth.

Cabo Verde @Ayla Harbich (Adobe Stock)

Against this backdrop, the Antigua and Barbuda Agenda for SIDS (ABAS) calls on the international community to actively support the creation of enabling environments for private investment, entrepreneurship and business development. This call to action is particularly relevant given that SIDS often face structural challenges such as limited access to finance, high infrastructure costs, significant debt burdens, and geographical remoteness from global markets. These factors hinder private sector development and limit their integration into the global economy, making international capital less accessible. Much of the literature also highlights the importance of public-private partnerships, digital technologies and regional integration in overcoming these challenges, enabling SIDS to take advantage of economies of scale and diversify their sources of economic growth.

Maldives @Asian Development Bank (Flickr)

The SIDS Global Business Network (SIDS-GBN), under the aegis of the UN-OHRLLS, plays a key role in facilitating these private sector partnerships, aimed at contributing to the sustainable development of SIDS. The SIDS-GBN serves not only as a platform for sharing best practices, but also for mobilizing resources and investment for SIDS. Every two years, the SIDS-GBN Forum brings together the private sector, governments, civil society and other stakeholders to discuss challenges and opportunities. At the last forum in May 2024, entrepreneurs from SIDS made concrete recommendations to strengthen the private sector and better involve the business and

investment community in the implementation of ABAS. These recommendations include the need to strengthen access to finance, improve digital infrastructure, and encourage local innovation.

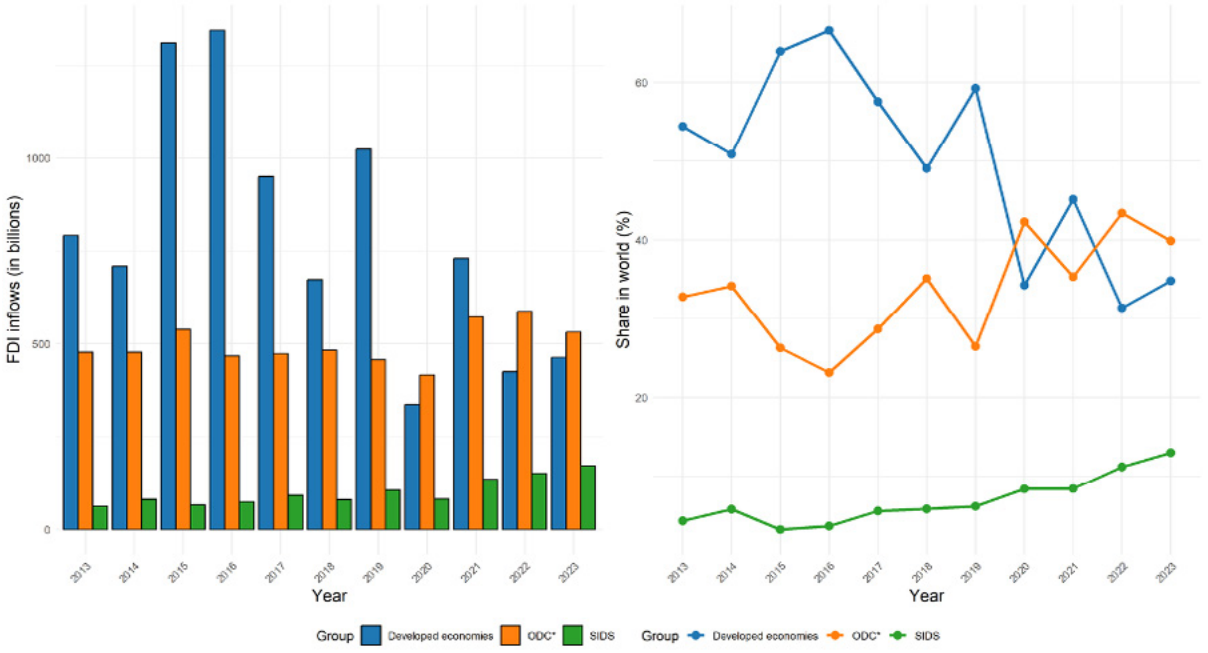
Mauritius @Igor (Adobe Stock)

As part of these efforts to strengthen the private sector, it is also essential to recognize the importance of foreign direct investment (FDI) for the economic development of SIDS. As these countries' internal resources are often limited, and their economies heavily dependent on sectors such as tourism and commodity exports, FDI plays a crucial role. They provide essential capital to stimulate economic growth, while introducing new technologies, improving management skills, and broadening access to international markets.

Palau @Asian Development Bank (Flickr)

The ability of SIDS to attract FDI depends on a number of determining factors, including the creation of a favorable business environment. This includes political stability, transparent and effective regulatory frameworks, and the quality of local infrastructure. Such an environment reduces the risks perceived by foreign investors, making these economies more attractive to FDI flows. A stable and predictable environment also encourages investors to make long-term commitments, thereby contributing to sustainable development and the greater integration of SIDS into the global economy. Figure 1 highlights the significant increase in FDI in SIDS over the past ten years, from 62 billion USD in 2013 to 173 billion USD in 2023, reflecting a growing interest in these regions despite their modest economic size. This growth is mirrored in the share of global FDI captured by SIDS, which rose from 4.3% to 13% over the same period. By comparison, the other developing countries (excluding China) posted substantial but somewhat volatile investment flows, peaking at 573 billion USD in 2021 before declining slightly to 531 billion USD in 2023, while maintaining a relatively stable share of global FDI, fluctuating between 26% and 43%. Conversely, developed economies, which have historically attracted the majority of FDI, have seen their investment flows fall significantly, from 1,344 billion USD in 2016 to 463 billion USD in 2023, resulting in a reduction in their share of global FDI from 66% to 34.8%. These dynamics indicate a rebalancing of global investment flows, with a growing interest in SIDS and a redistribution of FDI to other developing regions at the expense of traditionally dominant economies.

FIGURE 1. FDI INFLOWS AND SHARE IN WORLD FOR SIDS, OTHER DEVELOPING AND DEVELOPED COUNTRIES FROM 2013 TO 2023



Note: ODC* means other developing countries excluding China.

Source: UNCTAD, 2024.

This report aims to offer a comprehensive and nuanced understanding of the business environment in the SIDS, providing a solid basis for the formulation of targeted economic and development policies. By highlighting the specific features and challenges of these states, it is hoped that this analysis will contribute to a better integration of the SIDS into the global economy, and to the realization of their development potential.

To achieve this objective, secondary microeconomic data would be ideal. However, these data have a number of limitations. Firstly, coverage of SIDS is often incomplete, making it difficult to make accurate comparisons between SIDS and other regions. In addition, data collection methodologies vary, leading to inconsistencies. Finally, secondary data may be obsolete, failing to reflect recent changes in the business environment of SIDS.

Timor-Leste @Asian Development Bank (Flickr)

To overcome these limitations, emphasis has been placed on the use of macroeconomic data supplied by international organizations and institutions renowned for the reliability of their information. These sources update the data on a regular basis, offering a much more contemporary perspective on the business environment in SIDS. Drawing on constantly updated data, it becomes possible to closely monitor developments in the business environment of SIDS and better understand the challenges and opportunities facing these countries.

The assessment of the business environment in SIDS is carried out by analyzing several key areas. The review of the business and regulatory environment focused on the legislative and policy frameworks governing the creation and management of businesses. The quality of governance and the impact of corruption on the business climate also received particular attention.

Assessing the competitive capabilities of SIDS and their innovation initiatives proved essential to stimulating economic growth. Human and social development was addressed through the analysis of welfare indicators and social development efforts. Alongside this, the study of education systems and workforce skills enabled us to measure their adequacy to the needs of the labor market. Similarly, the health and well-being of populations were examined through indicators on the state of health infrastructures and the living conditions of populations.

Infrastructure conditions are evaluated to understand their crucial role in economic development. The security and peace in SIDS are analyzed to assess their ability to cope with economic, climatic and other crises. Finally, access to technology and the use of digital technology are also identified as increasingly decisive factors for business development in a globalized world.

Tonga @Asian Development Bank (Flickr)

Regulations and Debt

An effective regulatory framework, the rule of law and a low level of debt are essential to establishing a stable, attractive business climate conducive to sustainable economic growth. Both determine the transparency, fairness and efficiency of the framework in which companies operate.

Regulatory quality and rule of law

Regulation is crucial in assessing a country's business environment, as it helps to establish a transparent and reliable legal framework, reducing uncertainty for enterprises. It protects public and private interests, attracting investment through greater transparency. By ensuring fair competition, it encourages innovation and efficiency, while facilitating business operations through simplified processes. A robust regulatory framework strengthens consumer and investor confidence, contributing to sustainable and equitable economic growth.

The World Governance Indicators (WGI)[1], particularly Regulatory Quality and Rule of Law, are key measures of a country's business environment and regulatory framework. The Regulatory Quality Score assesses the effectiveness of government policies in supporting private sector growth, reducing bureaucratic inefficiencies, and fostering a business-friendly environment. Meanwhile, the Rule of Law Score reflects the degree to which individuals and institutions adhere to societal rules, including the quality of contract enforcement, property rights, policing, and judicial systems, as well as the likelihood of crime and violence. WGI scores range from -2.5 to 2.5, with higher values representing stronger governance, regulatory effectiveness, and legal enforcement.

Accordingly, the average regulatory quality score for Small Island Developing States (SIDS), stands at -0.21, significantly lower than the global average of 0.04, highlighting persistent challenges in governance and regulatory efficiency. Strengthening regulatory frameworks through simplified business policies, reduced bureaucratic barriers, and enhanced legal transparency can help create a more conducive environment for private sector growth and long-term economic resilience.

Moreover, the estimated Rule of Law Score for SIDS is 0.16, outperforming the global average of 0.04, indicating relatively stronger legal institutions and governance structures. However, challenges remain in ensuring consistent law enforcement, judicial efficiency, and regulatory stability across all SIDS economies. The rule of law is a fundamental pillar of economic freedom, ensuring fair regulations, enforceable contracts, and secure property rights. Strengthening judicial systems, combating corruption, and improving governance would foster greater economic stability, business confidence, and investment potential in SIDS.

[1] Worldwide Governance Indicators, 2024 Update, World Bank (www.govindicators.org), Accessed on 01/01/2025

FIGURE 2. REGULATORY QUALITY AND RULE OF LAW SCORES FOR SIDS AND THE WORLD, 2023

Source: Calculated based on WGI country score data at World Bank (www.govindicators.org)

Barbados @Mario Hagen (Adobe Stock)

The trends in Regulatory Quality and Rule of Law Scores for Small Island Developing States (SIDS) compared to the global average reveal distinct patterns of governance progress and challenges over time. In 2010 SIDS had a negative score of -0.43 in regulatory quality, reflecting weaker regulatory frameworks relative to the global average, which remained consistently positive. Over the years, SIDS have shown steady improvement, reaching -0.21 in 2023, indicating ongoing efforts to enhance business regulations and governance. However, SIDS still lag behind global standards, suggesting the need for further regulatory reforms to improve efficiency and attract investment. In contrast, SIDS have consistently outperformed the global average in rule of law, with their score increasing from 0.067 in 2010 to 0.162 in 2023. This trend reflects strengthening legal institutions, better contract enforcement, and improved property rights protection. While both indicators show an overall positive trajectory, regulatory weaknesses remain a key challenge for business development and competitiveness in SIDS. To close the gap with global standards, SIDS should continue implementing regulatory reforms, enhance transparency, and further strengthen institutional frameworks to support long-term economic growth and stability.

FIGURE 3. REGULATORY QUALITY AND RULE OF LAW OVER TIME FROM 2010 TO 2023

Source: Calculated based on WGI country score data at World Bank (www.govindicators.org)

Economic freedom

Economic freedom refers to the ability of individuals and businesses to operate in an environment with minimal government interference, where property rights, free markets, and regulatory efficiency are upheld. It encompasses key aspects such as business freedom, trade openness, financial sector development, and labor market flexibility, all of which influence economic growth and stability. Countries with high economic freedom typically experience greater investment, innovation, and entrepreneurship, as reduced bureaucratic barriers make it easier to start and expand businesses. Conversely, excessive regulations, high taxation, weak property rights, and financial restrictions limit economic freedom, often leading to informality, reduced private sector growth, and lower overall prosperity. Enhancing economic freedom in the Small Island Developing States through simplified business regulations, improved access to credit, and trade liberalization can foster economic resilience, diversification, and long-term development in the face of global challenges.

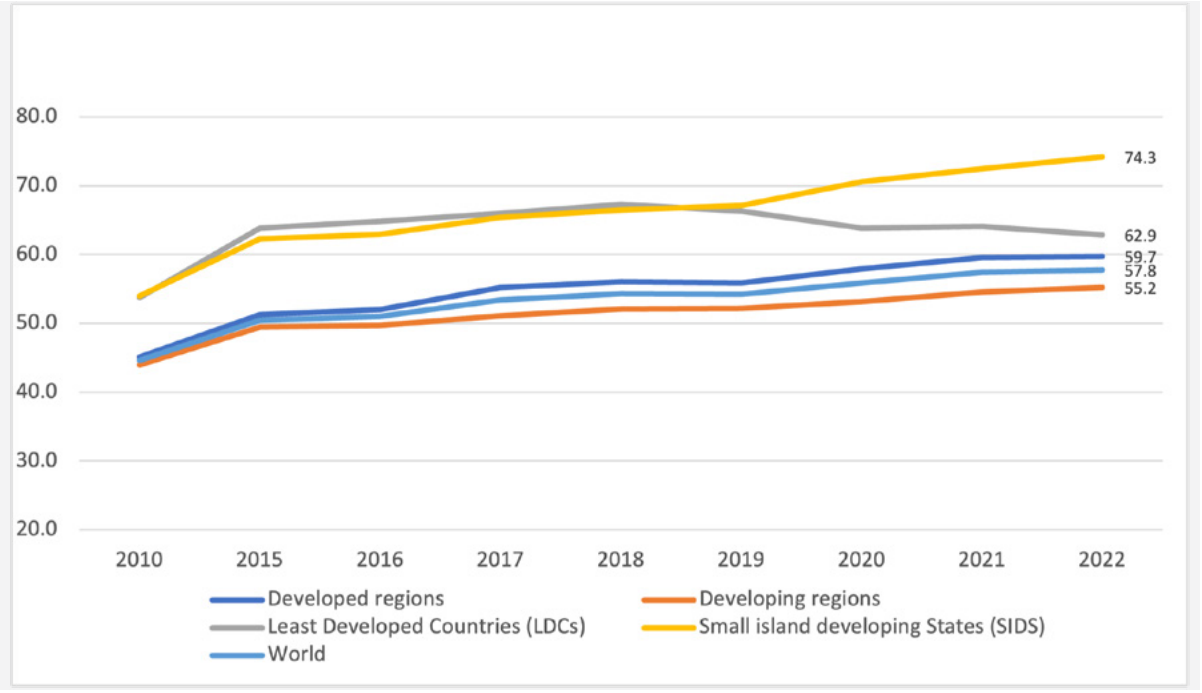
TARIFF RATES

Figure 4 illustrates the increasing trend of trade liberalization globally, as seen in the rising proportion of tariff lines applied to imports with zero tariffs from 2010 to 2022. The global average grew from 44.6% in 2010 to 57.8% in 2022, reflecting efforts to reduce trade barriers. Developed regions consistently maintained a higher share, increasing from 45.1% to 59.7%, though their growth was more gradual. Developing regions followed a similar trend, rising from 44.0% to 55.2%, aligning with broader trade policies

favoring tariff reductions. Least Developed Countries (LDCs) and Small Island Developing States (SIDS) had the highest proportions of zero-tariff imports, with LDCs peaking at 67.3% in 2018 before slightly declining to 62.9% in 2022. In contrast, SIDS showed continuous growth, reaching 74.3% in 2022, likely due to regional trade agreements and their reliance on open trade policies. The data underscores the growing openness of SIDS economies, positioning them as key players in global trade liberalization efforts despite their unique economic vulnerabilities.

Haiti @ChrisOvergaard (Adobe Stock)

FIGURE 4. PROPORTION OF TARIFF LINES APPLIED TO IMPORTS WITH ZERO-TARIFF (%)

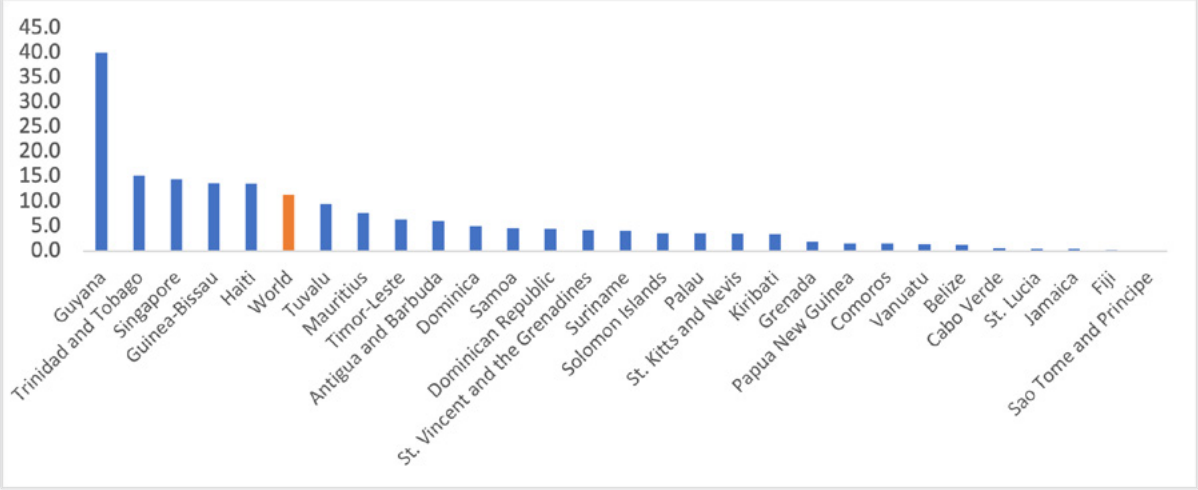


Source: UNSD-SDG global database

ACCESS TO FINANCIAL SERVICES

The share of insurance and financial services in total service exports reflects the economic freedom, as financial openness and regulatory frameworks directly impact a country's ability to develop and export financial services. Countries with higher economic freedom, characterized by open markets, strong property rights, low regulatory burdens, and financial sector liberalization, tend to have a higher share of financial services in exports. Figure 5 presents the share of insurance and financial services in total service exports for various SIDS countries in 2022, offering insights into the economic structures of these countries. Guyana (40.0%) has the highest proportion, indicating a significant reliance on financial services. Trinidad and Tobago (15.2%) and Singapore (14.5%) also have notable shares, reflecting well-developed financial sectors and open economies. The global average is 11.4%, suggesting that many countries in the list, especially Mauritius (7.7%), Antigua and Barbuda (6.0%), and Samoa (4.7%), have below-average financial sector contributions. The Pacific and Caribbean SIDS (e.g., Fiji at 0.2%, Jamaica at 0.4%, and St. Lucia at 0.5%) report minimal contributions. Countries with higher shares often exhibit more open financial markets and economic freedom, while those with lower shares may face structural barriers, including regulatory restrictions and underdeveloped financial institutions. Strengthening financial services could enhance resilience and economic diversification for lower-performing countries.

FIGURE 5. INSURANCE AND FINANCIAL SERVICES (% OF SERVICE EXPORTS, BOP) , 2022

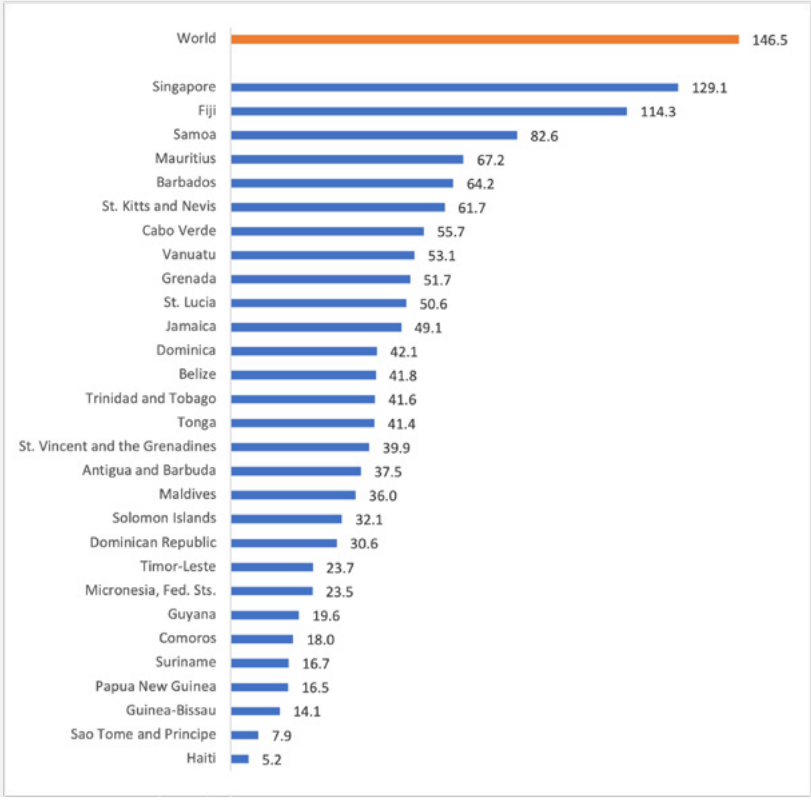


Source: World Bank data

ACCESS TO CREDIT

Domestic credit to the private sector as a percentage of GDP is a key indicator of financial development and is closely linked to economic freedom. Globally, the world average (146.5%) demonstrates well-developed financial markets with strong access to credit, supporting business growth and economic dynamism. Among Small Island Developing States (SIDS), Singapore (129.1%), Fiji (114.3%), and Samoa (82.6%) stand out with higher credit availability, indicating open financial markets, efficient banking systems, and strong private sector support—key characteristics of economies with high economic freedom. In contrast, countries with lower credit-to-GDP ratios, such as Guyana (19.6%), Papua New Guinea (16.5%), and Haiti (5.2%), face financial restrictions, weak banking infrastructure, and limited access to capital, which constrain private sector expansion and overall economic growth. Moderate credit access in Mauritius (67.2%), Barbados (64.2%), and St. Kitts and Nevis (61.7%) suggests some financial openness but potential regulatory or institutional barriers.

FIGURE 6. DOMESTIC CREDIT TO PRIVATE SECTOR (% OF GDP)



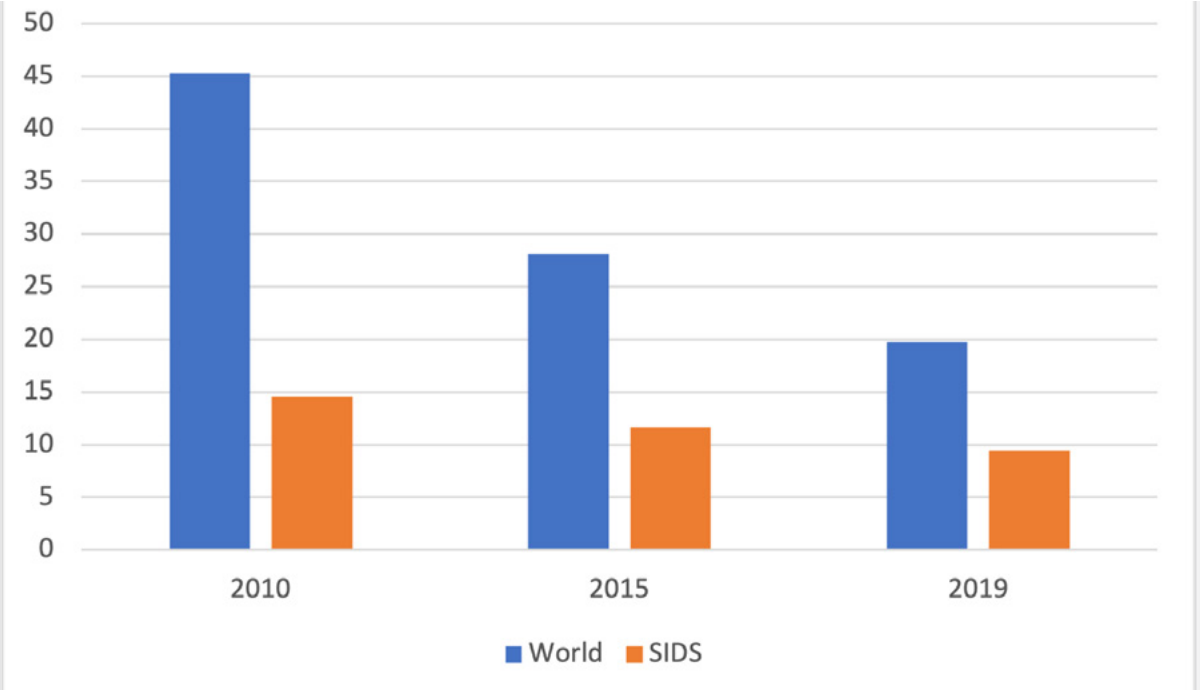
Source: World Bank data

COST OF STARTING A BUSINESS

The cost of starting a business, expressed as a percentage of Gross National Income (GNI) per capita, serves as a key measure of economic freedom and reflects how easily entrepreneurs can enter the formal economy. In Small Island Developing States (SIDS), start-up costs have decreased from 14.6% in 2010 to 9.5% in 2019, indicating progress in reducing entry barriers. Globally, a decline trend is evident, with the world average dropping from 45.3% to 19.8% over the same period, highlighting the impact of economic reforms in many regions. Despite this progress, SIDS (9.5% in 2019) still face challenges in fully optimizing business environments.

Significant disparities remain among SIDS. For instance, Singapore (0.4%), Mauritius (0.8%), and Trinidad and Tobago (0.7%) have some of the lowest start-up costs, reflecting business-friendly environments, strong institutions, and regulatory efficiency. On the other hand, countries like Micronesia (141.4%), Guinea-Bissau (88.8%), and Haiti (179.7%) continue to experience high business start-up costs which restrict economic freedom and discourage private sector growth.

FIGURE 7. COST OF BUSINESS START-UP PROCEDURES (% OF GNI PER CAPITA)



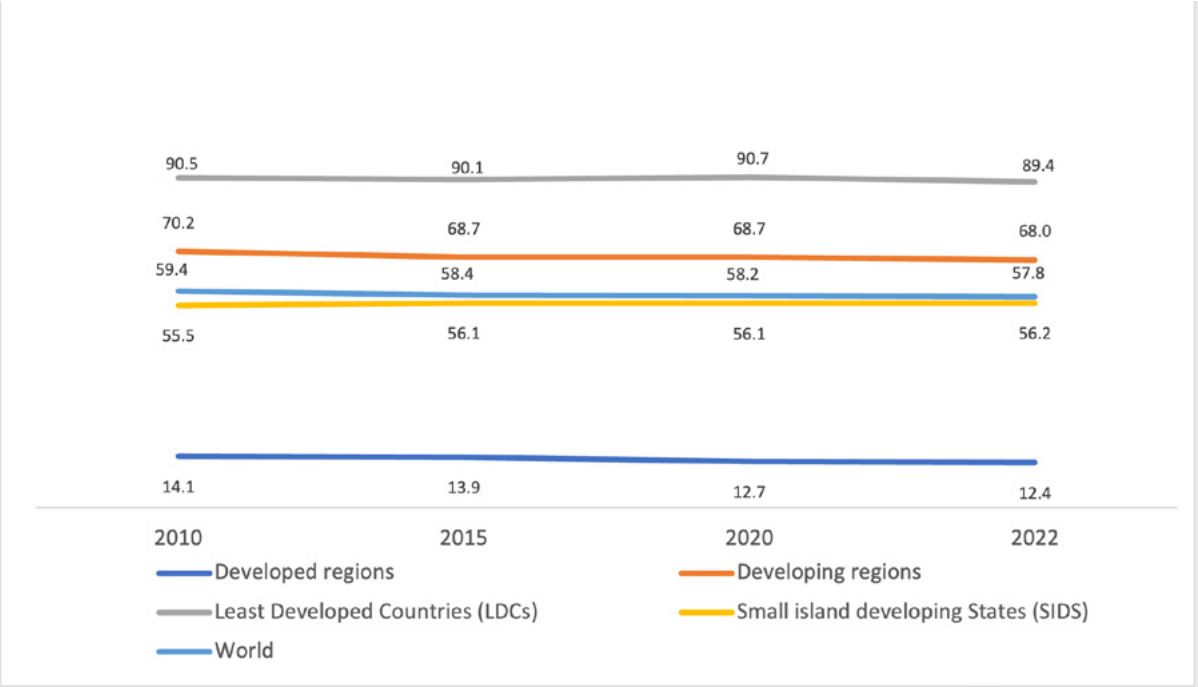
Source: World Bank data

INFORMALITY

The proportion of informal employment in Small Island Developing States (SIDS) has remained consistently high, reaching 56.2% in 2022, reflecting persistent structural challenges in these economies. While this is lower than the developing regions' average (68.0%) and significantly below the Least Developed Countries (LDCs) (89.4%), it still indicates a significant reliance on informal work due to limited job opportunities in the formal sector. Compared to developed regions (12.4%), where strong labor market institutions and regulatory frameworks support formal employment, SIDS economies often face barriers such as small labor markets, high dependence on tourism, weak financial inclusion, and regulatory inefficiencies that make formal employment less accessible.

This high level of informality is linked to economic freedom. Countries with greater economic freedom characterized by open markets, low regulatory burdens, and strong property rights tend to have lower informal employment, as businesses and workers can more easily integrate into the formal economy. In contrast, excessive bureaucracy, rigid labor laws, and weak enforcement of business regulations drive workers into informal employment, where they lack social protection and financial security.

FIGURE 8. PROPORTION OF INFORMAL EMPLOYMENT (%)



Source: ILO Stats

Debt

Debt level reflects macroeconomic stability, borrowing capacity, investor confidence and financial risk. High debt levels can highlight economic vulnerabilities, affect interest rates and the country's ability to attract foreign investment, while increasing fiscal pressures and the risk of financial crisis. Prudent debt management is therefore essential to maintain a climate of confidence and a favorable business environment.

To assess debt level, the central government debt as a percentage of GDP is used[2]. This indicator measures the economic health and financial stability of the government. A high ratio can indicate solvency problems, higher borrowing costs, and reduced room for maneuver in public policy, which can dampen public and private investment. It also has an impact on investor confidence and the country's credit rating, thus affecting the cost of capital and the competitiveness of companies. In short, this indicator provides an insight into a government's ability to manage its economy sustainably, which is crucial for a stable and prosperous business environment.

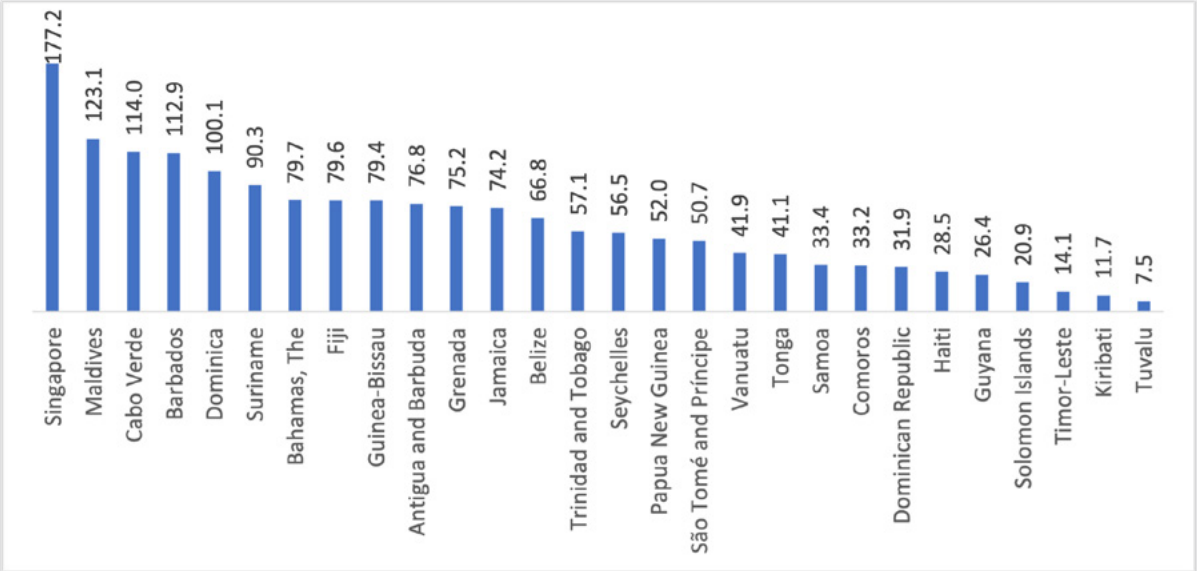
In 2023, Small Island Developing States (SIDS) demonstrated varying levels of central government debt as a percentage of GDP, reflecting their diverse fiscal strategies and economic resilience. Singapore (177.2%) had the highest ratio, largely due to its unique fiscal framework, where government borrowing is primarily used for investment rather than deficit financing[3]. Several SIDS, including Maldives (123.1%), Cabo Verde (114.0%), Barbados (112.9%), and Dominica (100.1%), continue to manage their debt while implementing strategic reforms to enhance economic stability and growth.

In addition, countries like Jamaica (74.2%) and Belize (66.8%) have made notable progress in reducing their debt burdens, reflecting successful fiscal management efforts. The lowest debt levels were observed in Tuvalu (7.5%), Kiribati (11.7%), and Timor-Leste (14.1%), showcasing strong fiscal positions and sustainable financial management. The variation in debt burdens across SIDS highlights the importance of sound fiscal policies, debt restructuring strategies, and economic diversification efforts to enhance long-term debt sustainability and financial resilience.

Singapore @Elena Ermakova (Adobe Stock)

[2] This is due to the fact that this indicator benefits from more extensive data coverage than other debt indicators.
[3] https://www.mof.gov.sg/docs/default-source/resource/gst/pdf/10-is-the-singapore-government-heavily-in-debt.pdf

FIGURE 9. CENTRAL GOVERNMENT DEBT (PERCENT OF GDP) FOR SIDS, 2023



Source: IMF, 2024

Human and social development

Human and social development is an important aspect of a country's business environment, as it has a direct impact on the population's quality of life, social stability and social cohesion. A high level of human and social development ensures a society where people are engaged and participative, fostering a climate of trust and collaboration. Social stability resulting from improved living conditions reduces the risk of social and political unrest, creating a predictable and secure environment for business. Furthermore, inclusive and equitable social development stimulates domestic demand, as individuals with a decent standard of living have a greater capacity and motivation to consume goods and services. As such, human and social development supports economic growth, strengthens business resilience and contributes to a stable and prosperous business environment. As the concept is wide-ranging, the SIDS position is examined from a number of perspectives, using a variety of indicators.

Human development

The Human Development Index (HDI) is a composite indicator created by the United Nations Development Program (UNDP) in 1990 to assess countries' level of human development. It takes into account three essential dimensions: life expectancy at birth, reflecting the health and longevity of the population; education, measured by the average number of years of schooling for adults and the expected number of years of schooling for children; and standard of living, assessed by gross national income per capita adjusted for purchasing power parity. The HDI combines these dimensions into a single index ranging from 0 to 1, where a score close to 1 indicates high human development. This index is used to assess and compare the well-being of populations around the world, offering a global vision that integrates not only the economic aspects of development, but also the social and human dimensions.

An analysis of HDI data between SIDS and other developing countries reveals a significant disparity, with SIDS generally achieving higher HDI values. On average, SIDS have an HDI of 0.71 compared to 0.65 for other developing countries in 2022[4]. Overall, 73%[5] of SIDS have HDI values above the average of other developing countries, highlighting their relative success in achieving higher human development outcomes.

Among the SIDS, there are notable variations in HDI. Singapore stands out with an extraordinarily high HDI of 0.95, ranking among the highest globally. This remarkable achievement is driven by outstanding life expectancy, high levels of educational attainment, and a robust economy, and good standard of living. Singapore's strategic economic planning, investment in high-tech industries, strong education system, and efficient healthcare services have propelled it to this high level of development. Following Singapore, Saint Kitts and Nevis has an HDI of 0.84, characterized by high life expectancy and significant investments in tourism and service sectors that contribute to its economy. Similarly, Antigua and

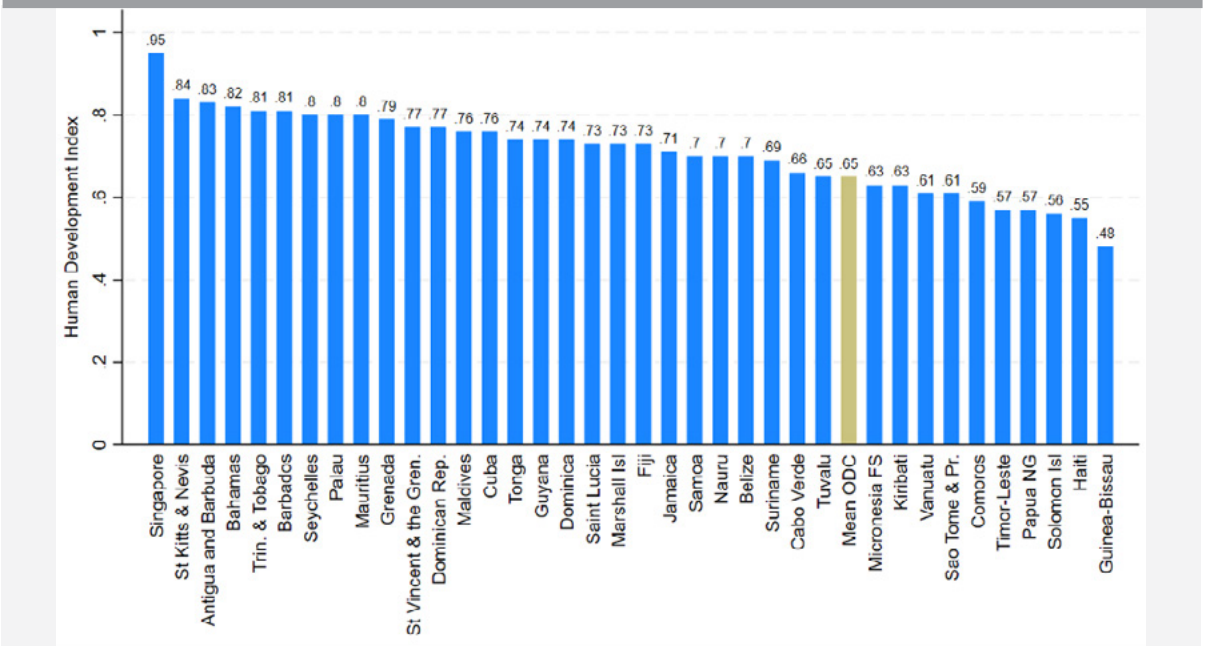
[4] The average score for developed economies is 0.89 in 2022.
[5] Based on a sample of 37 SIDS.

Barbuda, with an HDI of 0.83, benefits from a high standard of living, driven by a well-developed tourism industry and sound economic policies. These countries have leveraged their economic strengths and governance capabilities to provide better social services and improve the overall quality of life for their citizens.

On the other hand, some SIDS have lower HDI scores, reflecting a struggle to achieve the same level of human development. For example, Guinea-Bissau, with an HDI of 0.48, Haiti with an HDI of 0.55, and the Solomon Islands with an HDI of 0.56, are significantly lower than the high-performing SIDS. These countries, also classified as LDCs, face substantial challenges including economic fragility, inadequate healthcare and education systems, and limited economic opportunities and resources.

Palau @Asian Development Bank (Flickr)

FIGURE 10. HUMAN DEVELOPMENT INDEX: SIDS AND THE AVERAGE OF OTHER DEVELOPING COUNTRIES IN 2022



Source: UNDP, 2024. Human Development Report 2023-24.

Gender Development

Gender development promotes diversity and inclusion, increasing women's participation in the economy. This inclusion stimulates creativity, innovation and diverse decision-making, boosting business competitiveness. Promoting gender equality also improves socio-economic well-being, by reducing inequalities and maximizing the use of existing talent. Gender-fair companies often enjoy a better reputation with investors and consumers, contributing to their lasting success.

The Gender Development Index (GDI) is used to enrich and complement HDI. GDI, developed by the United Nations Development Programme (UNDP), measures gender inequalities in key areas of human development, namely health, education and living standards. It compares the Human Development Index (HDI) of women with that of men, using indicators such as life expectancy at birth, average and expected years of schooling, and gross national income per capita adjusted for purchasing power parity. The GDI is expressed as a ratio where a value of 1 indicates perfect equality between the sexes, while a value below 1 reveals disparities in favor of men. This index is essential for identifying gender inequalities and guiding policies aimed at reducing these gaps, thus providing a critical analysis of the impact of public policies on gender equality.

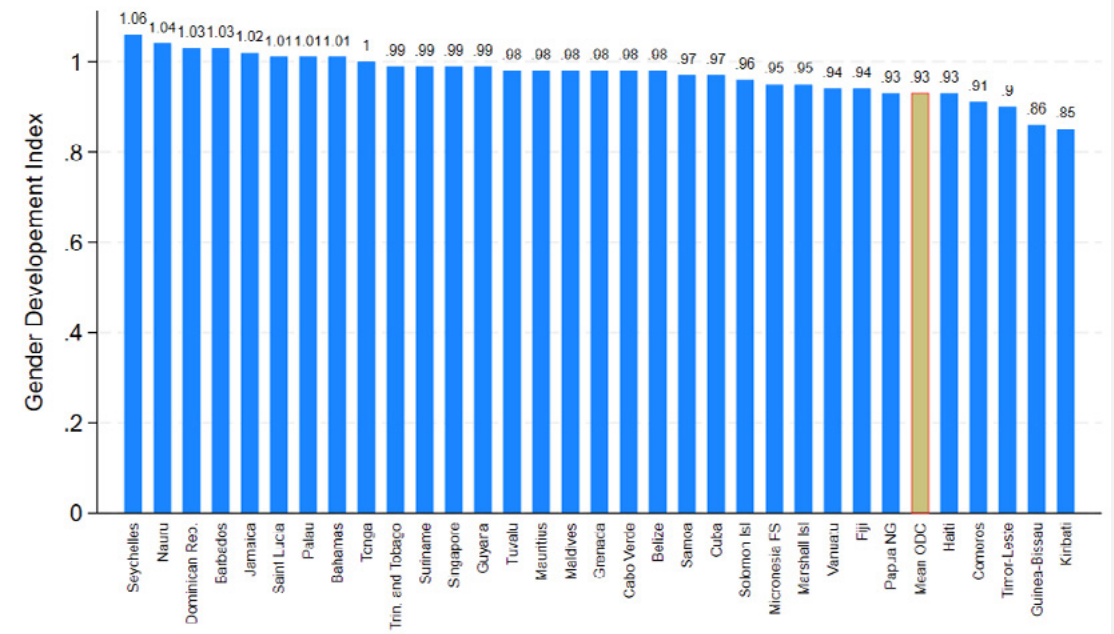
Palau @Asian Development Bank (Flickr)

An analysis of GDI data between SIDS and other developing countries reveals a significant disparity, with SIDS generally achieving higher GDI values. On average, SIDS have a GDI of 0.97 compared to 0.92 for other developing countries. This indicates that SIDS tend to have better gender parity in human development outcomes compared to other developing countries. The difference (0.05 point) between the two groups may appear small in terms of magnitude, but it is statistically significant at the 1% level[6]. This is also confirmed by the fact that, on the basis of 32 SIDS for which data are available, over 84% of them have a GDI score higher than the average score in other developing countries.

Among the SIDS, there are notable variations in GDI. Seychelles stands out with an extraordinarily high GDI of 1.06, followed by Nauru with a GDI of 1.04, and the Dominican Republic with a GDI of 1.03. On the other hand, some SIDS like Kiribati (0.85), Guinea Bissau (0.86) and Timor-Leste (0.9) have lower GDI scores.

[6] Source: UNDP, 2024. Human Development Report 2023-2024.

FIGURE 11. GENDER DEVELOPMENT INDEX: SIDS AND OTHER DEVELOPING COUNTRIES IN 2022



Source: UNDP, 2024. Human Development Report 2023-2024.

Gender inequality

To measure gender inequality, the Gender Inequality Index (GII) is used. Developed by the United Nations Development Programme (UNDP), the GII reflects gender-based disparities in three critical dimensions of human development: reproductive health, empowerment, and labor market participation. It highlights areas where women and men experience unequal advantages, thereby providing insights into gender gaps that affect overall development and quality of life. The GII comprises components such as the maternal mortality ratio (MMR) and adolescent birth rates (ABR) to measure reproductive health. It assesses empowerment by looking at the proportion of parliamentary seats occupied by females and males and the proportion of adult females and males with at least some secondary education. Labor market participation is evaluated based on the labor force participation rate of females and males aged 15 and older. The GII scores range from 0 to 1, with 0 indicating no gender inequality and 1 indicating complete gender inequality.

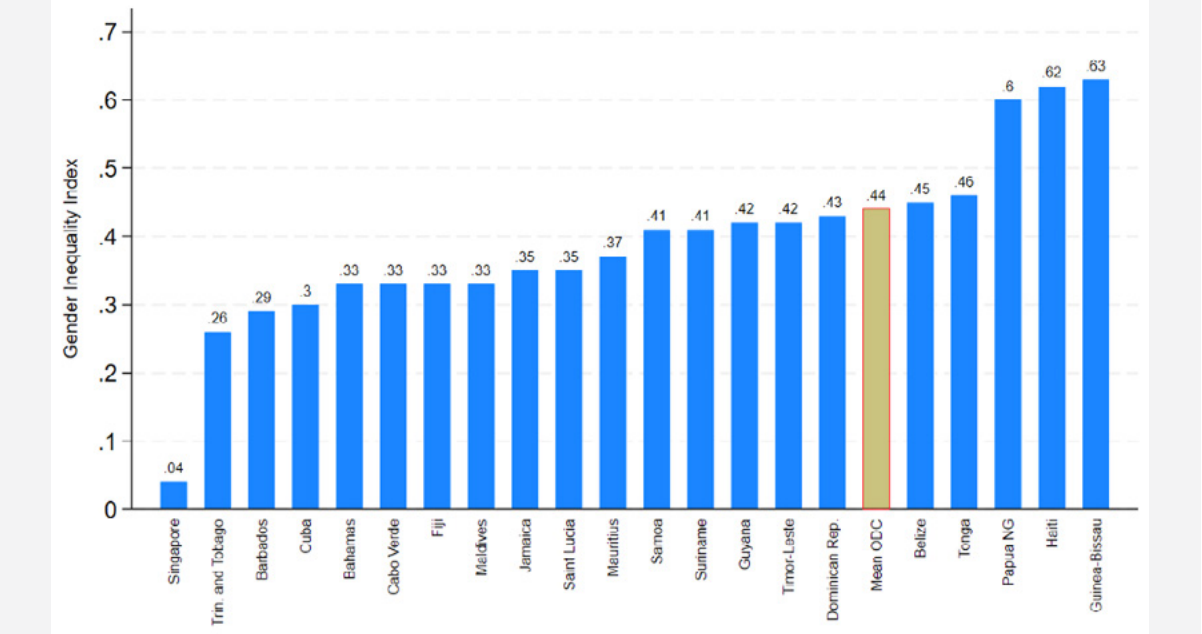
Tonga @Asian Development Bank (Flickr)

The data for this indicator are only available for 119 developing countries, including 21 SIDS. Nevertheless, analyses show that gender inequality is less pronounced in SIDS compared to other developing countries. The mean GII for SIDS is 0.39, while for other developing

countries it is 0.44[7]. Singapore distinguishes itself significantly on this indicator with a GII of 0.04, reflecting low level of gender inequality. This low GII is driven by strong health outcomes, high female representation in education and the workforce, and effective policies promoting gender parity. In contrast, countries like Guinea-Bissau and Haiti have GII values of 0.63 and 0.62 respectively, which are higher than the average for other developing countries. These high GII values indicate greater gender inequality, highlighting challenges such as high maternal mortality rates, low female education levels, and limited economic opportunities for women in these countries.

Solomon Islands @Asian Development Bank (Adobe Stock)

FIGURE 12. GENDER INEQUALITY INDEX: SIDS AND THE AVERAGE OF OTHER DEVELOPING COUNTRIES IN 2022



Source: UNDP, 2024. Human Development Report 2023-2024.

[7] The Student's t-test confirms that the difference between the two groups is statistically significant.

Multidimensional poverty

Guinea Bissau @Tiago Fernandez (Adobe Stock)

To analyze and compare the multidimensional poverty of SIDS with that of other developing countries, the Multidimensional Poverty Index (MPI) is used. Developed by the United Nations Development Programme (UNDP) in collaboration with the Oxford Poverty and Human Development Initiative (OPHI), the MPI captures the multiple deprivations that individuals face in their daily lives.

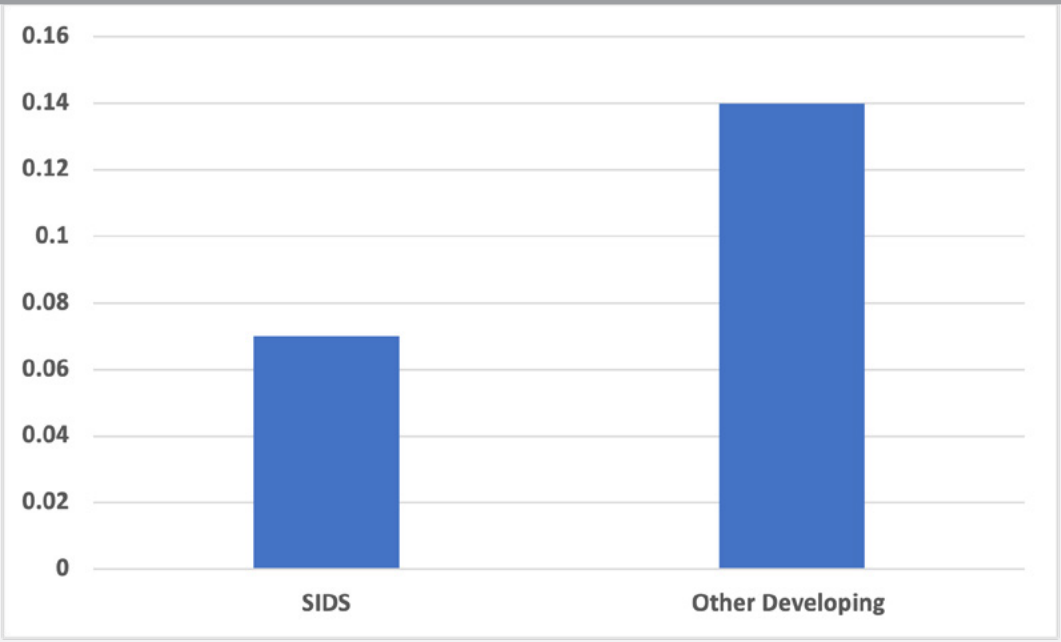
Haiti @Logan Abassi, UN Photo (Flickr)

Unlike traditional poverty measures that focus solely on income, the MPI considers various indicators across three dimensions: health, education, and living standards. The MPI scores range from 0 to 1, where lower values indicate fewer deprivations and less multidimensional poverty, while higher values indicate more severe poverty. The analysis of the data shows that the mean MPI for SIDS is 0.07, while for other developing countries it is 0.14, which is double the value for SIDS. This difference is statistically significant, with a t-statistic of -2.27 and a p-value of 0.026[8].

Kiribati @Dmitry (Adobe Stock)

[8] For a sample of available data for 102 countries, including 22 SIDS.

FIGURE 13. MULTIDIMENSIONAL POVERTY INDEX: SIDS VS. OTHER DEVELOPING COUNTRIES (YEARS OF SURVEYS 2011-2022)

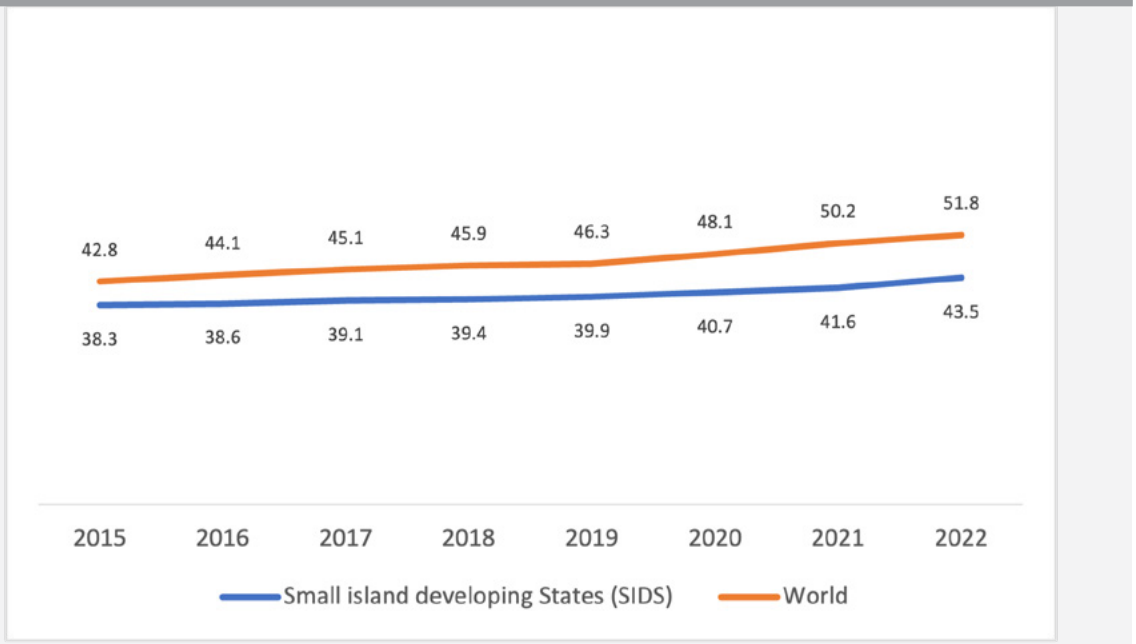


Source: UNDP, 2024. Human Development Report 2023-2024.

Social Protection

The proportion of the population covered by at least one social protection benefit has shown steady progress in both Small Island Developing States (SIDS) and globally between 2015 and 2022. In SIDS, coverage increased from 38.3% in 2015 to 43.5% in 2022, reflecting gradual improvements in social protection systems. However, despite this positive trend, SIDS remain below the global average, which grew from 42.8% in 2015 to 51.8% in 2022. The gap highlights the need for further investments in social security programs, financial inclusion, and policy reforms to expand access to healthcare, unemployment benefits, pensions, and social assistance in SIDS. Strengthening social protection frameworks is crucial for enhancing resilience, reducing poverty, and ensuring economic stability in these vulnerable economies.

FIGURE 14. PROPORTION OF POPULATION COVERED BY AT LEAST ONE SOCIAL PROTECTION BENEFIT

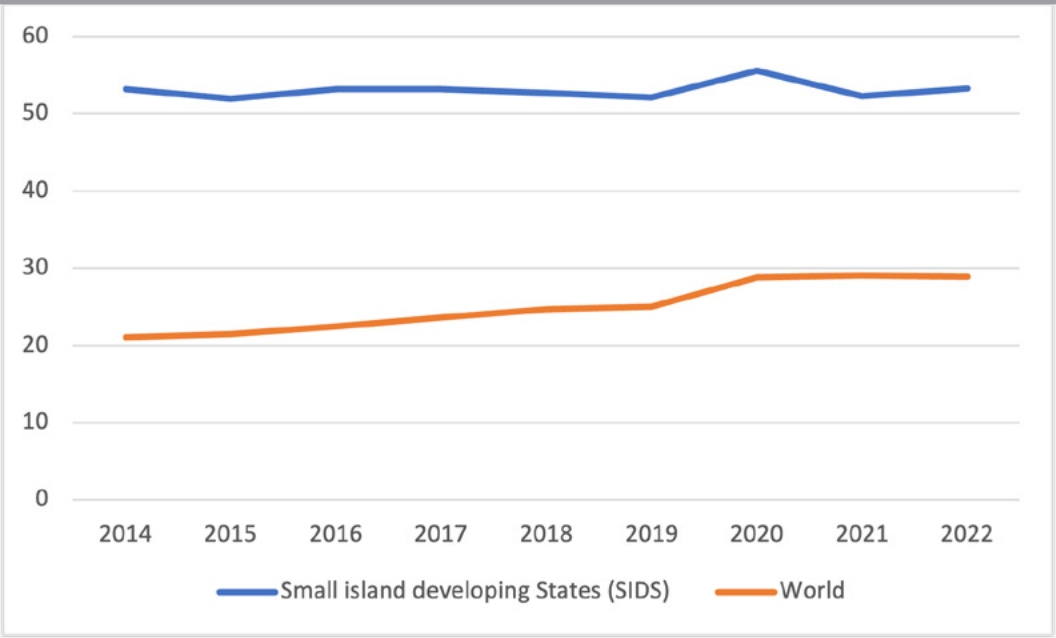


Source: UNSD- SDG Global database

Food Security

The prevalence of moderate or severe food insecurity has remained persistently high in Small Island Developing States (SIDS), with over half of the population affected since 2014. While the percentage fluctuated slightly, it remained around 52–53% between 2014 and 2019, before rising to 55.6% in 2020, likely due to pandemic-related disruptions in food supply chains, economic downturns, and increased vulnerabilities. In 2022, the rate stood at 53.3%, indicating that food insecurity remains a significant challenge for SIDS. Compared to the global average, which increased from 21.1% in 2014 to 28.9% in 2022, SIDS face a disproportionately higher burden, highlighting their unique vulnerabilities to external shocks, climate change, and economic instability. Addressing food insecurity in SIDS requires stronger agricultural policies, improved food import strategies, investment in local food production, and climate adaptation measures to enhance food availability and accessibility.

FIGURE 15. PREVALENCE OF MODERATE OR SEVERE FOOD INSECURITY IN THE POPULATION (%)



Source: UNSD- SDG Global database

Education and youth participation in the workforce

Education and Skills

Education and skills are an extremely valuable asset when assessing a country's business environment, as both determine the quality and availability of its workforce. A solid education system produces skilled and innovative individuals, capable of meeting the needs of the labor market and adapting rapidly to technological change. The appropriate skills increase the productivity and efficiency of companies, enabling them to stay competitive on the worldwide market. Also, a well-trained workforce attracts foreign investment, as companies seek skilled talent for growth and innovation. Therefore, education and skills are fundamental to economic development, competitiveness and the sustainability of a country's business environment.

Maldives @Asian Development Bank (Flickr)

Micronesia @Asian Development Bank (Flickr)

To evaluate the level of education and skills, the two indicators present in the Human Development Index (HDI) are used: expected years of schooling and mean years of schooling. It can be seen from the bar chart that SIDS have an average of 13.5 expected years, while other developing countries have an average of 12.2 years. For the mean years of schooling, SIDS have an average of 9.1 years, compared to an average of 7.4 years for other developing countries.

Micronesia @Asian Development Bank (Flickr)

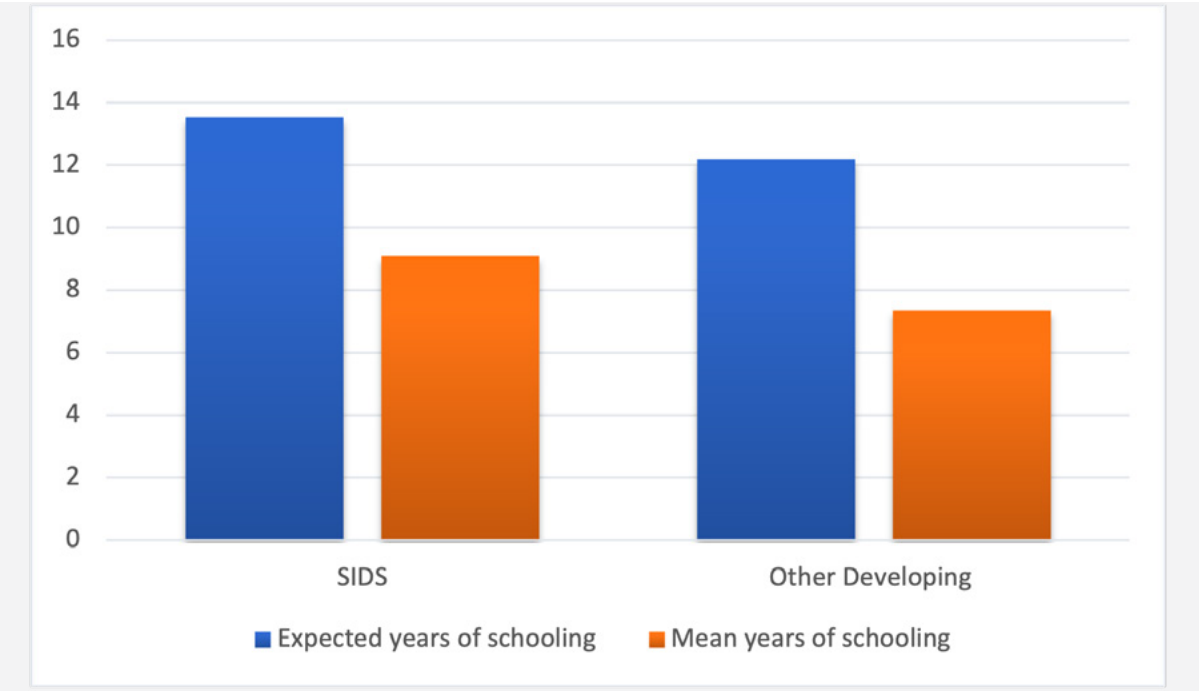
Among the best-performing SIDS, Saint Kitts and Nevis stands out with expected years of schooling of 18.4 and mean years of schooling of 10.8. Palau closely follows with 17.2 expected years of schooling and 13 mean years of schooling. Singapore shows 16.90 expected years of schooling and 11.9 mean years of schooling, while Grenada and Barbados exhibit 16.5 and 16.5 expected years of schooling, and 9.86 and 9.89 mean years of schooling, respectively. These countries demonstrate remarkable educational performance, reflecting effective educational policies and substantial investments in the education sector.

Palau @Asian Development Bank (Flickr)

Conversely, some SIDS such as the Solomon Islands, Guinea-Bissau, Suriname, Papua New Guinea, and Haiti show less impressive educational performance. The Solomon Islands have expected years of schooling of 10.3 and mean years of schooling of 5.9, while Guinea-Bissau presents values of 10.5 and 3.67, respectively. Suriname, with 10.9 expected years of schooling and 8.4 mean years of schooling, and Papua New Guinea, with 11.1 and 4.9, also show lower results. Haiti, with 11.1 expected years of schooling and 5.6 mean years of schooling, is among the lowest-performing SIDS.

Palau @Asian Development Bank (Flickr)

FIGURE 16. EXPECTED YEARS AND MEAN YEARS OF SCHOOLING: SIDS VS OTHER DEVELOPING COUNTRIES IN 2022



Source: UNESCO, 2024.

Youth participation in the workforce

Youth participation in the workforce reflects the quality and availability of the workforce, as well as the economy's ability to adapt to market changes. A high rate of youth participation indicates good training, greater flexibility and economic dynamism, while reducing unemployment and promoting social stability. This enhances the country's attractiveness to foreign investors and ensures a sustainable renewal of the workforce, thus guaranteeing long-term economic growth. To assess the labor force, two indicators are used: labor force participation rate and unemployment rate among young people.

Timor-Leste @Asian Development Bank (Flickr)

The labor force participation rate and unemployment rate among young people reveal the availability and integration of young labor into the economy. A high youth participation

rate signals a dynamic and adaptable workforce, essential for innovation and economic growth, while a low youth unemployment rate reflects good labor market absorption, reducing social and economic risks. These indicators directly influence the country's attractiveness to investors and its ability to ensure sustainable growth, guaranteeing that the next generation is well positioned to support the economy in the long term.

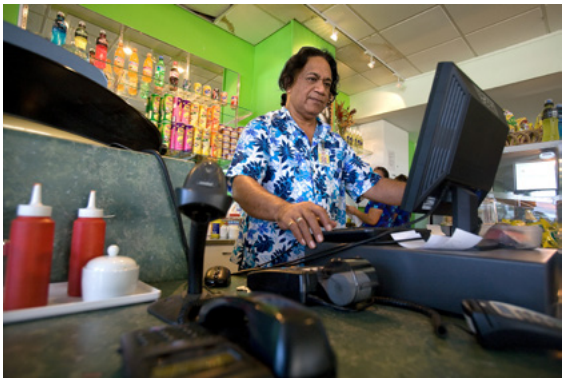
Timor-Leste @Asian Development Bank (Flickr)

The average labor market participation rate among young people in 26 SIDS[9] for the period 2022-2024, reveals significant variations between countries. The Solomon Islands stands out with a very high participation rate of 71.2%, indicating a strong mobilization of young people in the labor market, which can be attributed to an economy requiring a young and active workforce. Saint Lucia (61.8%) and Vanuatu (55.3%) follow, also showing a significant integration of young people. On the other hand, countries such as Saint Vincent and the Grenadines (53.2%), the Bahamas (48.3%), and the Maldives (47.5%) show moderate participation rates, reflecting variable accessibility to employment for young people. At the other end of the spectrum, nations such as Tonga (28.2%), Cape Verde (28.9%), and especially Comoros with a low rate of 13.4%, show much lower levels of participation. These low rates may be symptomatic of deeper challenges, such as a lack of employment opportunities, high emigration or a greater priority given to education, delaying young people's entry into the job market.

Tonga @Asian Development Bank (Flickr)

These contrasts underline the different economic realities within SIDS, with varying implications for their future development. Unemployment rates among young people in the SIDS also reveal significant disparities, with an overall average of 16.8%. Some countries, such as Saint Vincent and the Grenadines (42.4%), Haiti (37.1%), and Saint Lucia (29.1%), have youth unemployment rates well above this average, revealing deep-seated economic challenges, where a large proportion of young people remain excluded from the labor market.

[9] 2024 for which data is available.



Tonga @Luis Enrique Ascui, Asian Development Bank (Flickr)

Trinidad and Tobago @Anton Ivanov Photo (Adobe Stock)

These high rates, which also exceed the averages of 14.7% observed in developed countries and 16.4% in other developing countries, indicate critical situations that can lead to serious social consequences, such as increased poverty and emigration. On the other hand, some SIDS have youth unemployment rates well below the average, such as Cuba (3.0%), the Solomon Islands (3.0%), and Timor-Leste (3.2%). These figures may reflect a more youth-friendly labor market, or specific factors such as under-reporting of unemployment. These marked differences within SIDS reflect the diversity of economic contexts and different levels of success in integrating young people into the labor market, highlighting the varied challenges faced by these countries.

TABLE 1. LABOR FORCE PARTICIPATION AND UNEMPLOYMENT AMONG YOUNG PEOPLE IN SIDS (2022-2024 AVERAGE)			
Labor force participation among young people		Unemployment rate among young people	
Country	Value	Country	Value
Solomon Islands	71.2	Saint Vincent and the Grenadines	42.38
Saint Lucia	61.8	Haiti	37.07
Vanuatu	55.3	Saint Lucia	29.12
Saint Vincent and the Grenadines	53.2	Cabo Verde	28.72
Belize	49.7	Suriname	25.46
Bahamas	48.3	Barbados	24.96
Maldives	47.5	Guyana	24.95
Dominican Republic	45.3	Bahamas	23.82
Guyana	44.4	Mauritius	21.08
Samoa	43.5	Sao Tome and Principe	21.06
Barbados	42.3	Samoa	19.69
Cuba	41.4	Belize	17.53
Fiji	39.6	Fiji	15.35
Timor-Leste	38.4	Maldives	15.05
Trinidad and Tobago	36.6	Jamaica	14.03
Singapore	35.9	Dominican Republic	11.96
Guinea-Bissau	35.0	Comoros	10.91
Suriname	34.7	Vanuatu	10.72
Haiti	34.7	Trinidad and Tobago	10.08
Sao Tome and Principe	34.1	Singapore	8.34
Papua New Guinea	33.5	Tonga	6.70
Jamaica	33.5	Guinea-Bissau	4.03
Mauritius	33.4	Papua New Guinea	3.70
Cabo Verde	28.9	Timor-Leste	3.20
Tonga	28.2	Solomon Islands	3.00
Comoros	13.4	Cuba	2.96

Source: ILOSTAT database, 2024.

Health and well-being

Good health and well-being play a key role in workforce productivity and stability. A healthy population is more productive, reducing sickness absence and increasing work efficiency. The general well-being of employees improves their motivation and commitment, leading to better performance and greater creativity. What's more, a good healthcare system reduces medical care costs for governments and companies, which can free up resources for innovation and expansion. In addition, an environment where well-being is valued attracts foreign talent and investment, as companies look for places where their employees can live and work in good conditions.

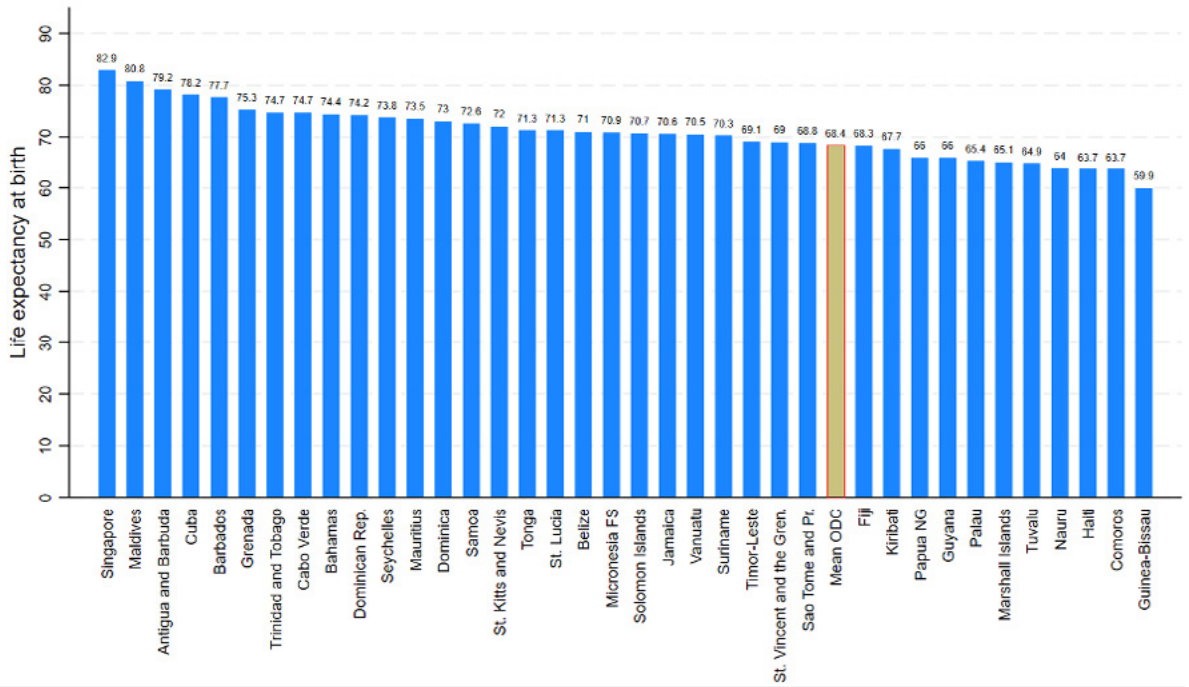
Tonga @Asian Development Bank (Flickr)

Life expectancy

Higher life expectancy is often associated with a stable and secure environment, attracting foreign investment and boosting business confidence. In SIDS, average life expectancy is 71 years, with a standard deviation of 5 years, compared with an average of 68 years and a standard deviation of 7 years in other developing countries. Although SIDS have a higher average life expectancy, the situation remains heterogeneous. For example, Singapore (83 years), the Maldives (81 years), Antigua and Barbuda (79 years), Cuba (78 years) and Barbados (78 years) have high life expectancies, while life expectancies are lower in Guinea-Bissau (60 years), the Comoros (64 years), Haiti (64 years), Nauru (64 years) and Tuvalu (65 years).

Marshall Islands @Asian Development Bank (Flickr)

FIGURE 17. LIFE EXPECTANCY AT BIRTH: SIDS AND THE AVERAGE OF OTHER DEVELOPING COUNTRIES IN 2022



Source: World Health Organization, 2024.

UHC Service coverage

Universal health coverage (UHC) service coverage index, recognized under Sustainable Development Goal (SDG) 3.8.1, assesses the overall performance of a country's health system in terms of the availability, accessibility and quality of essential health care. It reflects the ability of the healthcare system to deliver essential services to the entire population, directly influencing the health and productivity of workers, attractiveness to investors, and social and economic stability. A good score on this index creates a favorable environment for business, ensuring a healthy workforce, lower costs and greater resilience in the face of health crises.

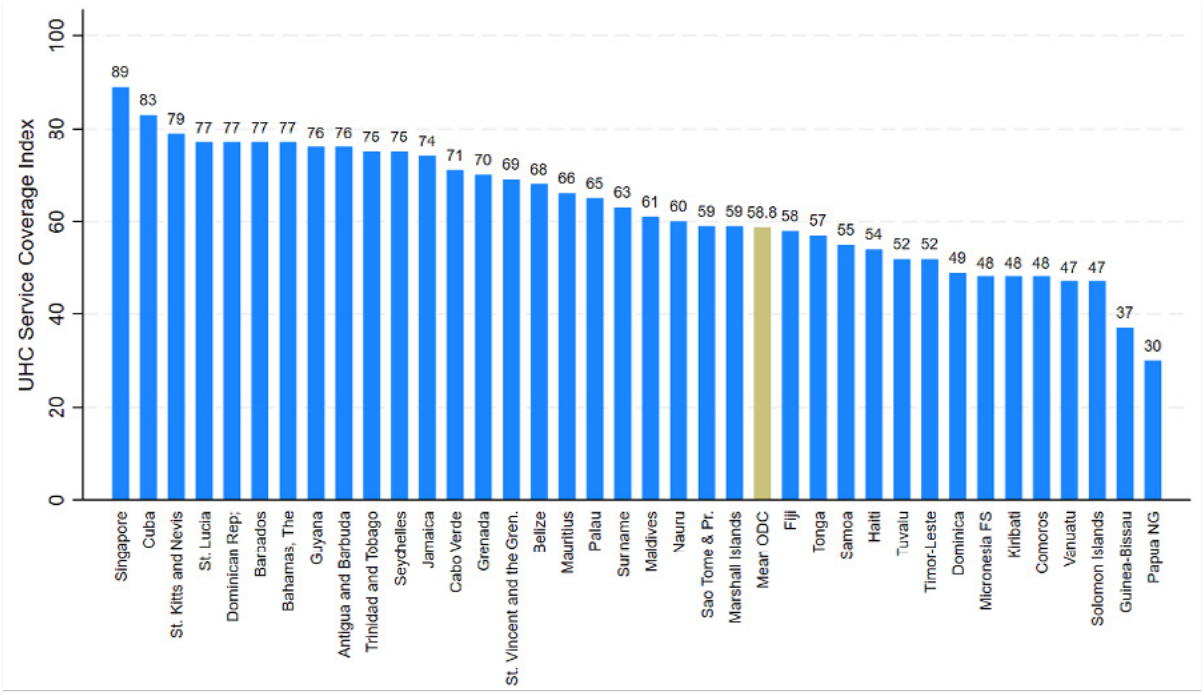
Micronesia @Asian Development Bank (Flickr)

Universal health coverage (UHC) service coverage index scores generally range from 0 to 100. A score of 0 indicates a total absence of essential health service coverage, while a score of 100 represents complete and perfect coverage, where the entire population has access to all necessary health services without financial barriers. The average score is 62.9 for SIDS, compared with 58.8 for other developing countries.

However, scores remain highly heterogeneous within SIDS, with a high standard deviation. Singapore (89), Cuba (83) and Saint Kitts and Nevis (79) have high scores, followed by the Dominican Republic, the Bahamas, Barbados and Saint Lucia, all with scores of 77. In contrast, Papua New Guinea (30), Guinea-Bissau (37), Solomon Islands and Vanuatu (47) have low scores.

Singapore @Asian Development Bank (Flickr)

FIGURE 18. UHC SERVICE COVERAGE: SIDS AND THE AVERAGE OF OTHER DEVELOPING COUNTRIES IN 2021



Source: World Health Organization, 2024.

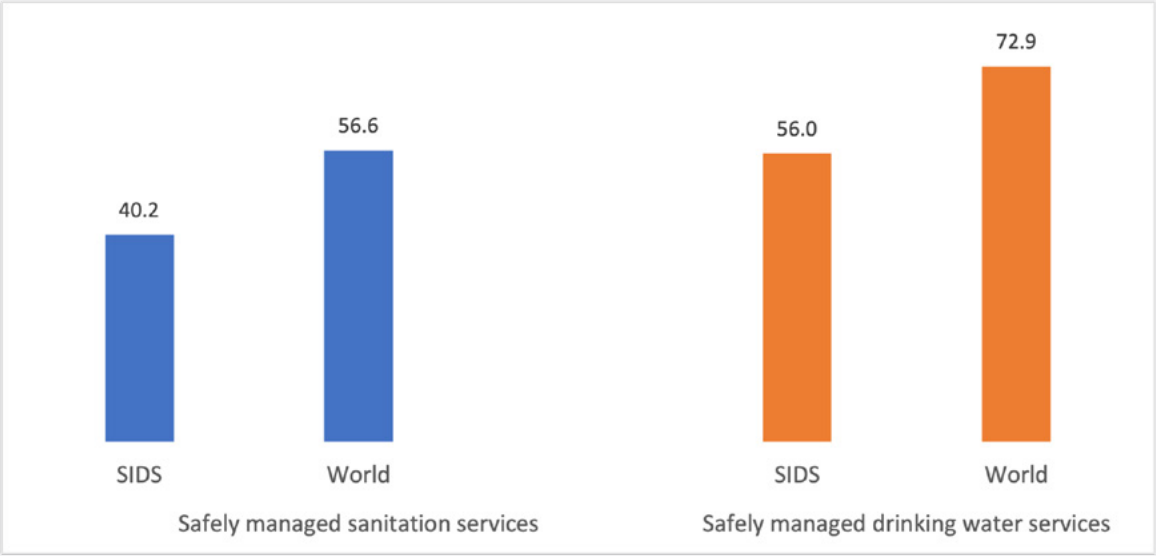
Access to safely managed services

Safely managed drinking water and sanitation are essential for public health, economic development, and environmental sustainability. Access to clean water prevents waterborne diseases, improves hygiene, and enhances overall well-being. Proper sanitation reduces contamination, safeguards ecosystems, and promotes dignity and safety, particularly for vulnerable populations.

Data highlights significant disparities between Small Island Developing States (SIDS) and the global average in access to safely managed sanitation and drinking water services. Only 40.2% of people in SIDS have access to safely managed sanitation services, compared to the global average of 56.6%, indicating substantial infrastructure challenges in these regions. Similarly, while 56.0% of people in SIDS have access to safely managed drinking water, this remains lower than the global average of 72.9%, reflecting ongoing issues related to water security and infrastructure development. These gaps suggest that SIDS face critical vulnerabilities in sanitation and water access, which can impact public health, economic development, and climate resilience. The data underscores the need for greater investment in water and sanitation infrastructure, as well as sustainable management strategies to address the challenges posed by rising sea levels, water contamination, and extreme weather events.

Maldives @Asian Development Bank (Flickr)

FIGURE 19. PROPORTION OF POPULATION USING SAFELY MANAGED SERVICES, 2022



Source: UNSD-SDG global database.

Infrastructure and logistics

Infrastructure and logistics determine the efficiency of business operations and the competitiveness of companies. Robust infrastructure facilitates the production, transportation and distribution of goods, reducing operating costs and attracting investment. Efficient logistics, which encompass the management of goods flows and the supply chain, ensure fast, reliable delivery of products to markets, increasing customer satisfaction and business profitability.

Singapore @Asian Development Bank (Flickr)

Access to electricity

Electricity is critical for attracting investment, supporting industrial development and ensuring sustainable economic growth. A reliable and accessible electrical infrastructure enables companies to run their operations without interruption, reduces production costs and increases efficiency. It also encourages innovation and the adoption of new technologies, which are essential for competitiveness in the global marketplace. Electricity also improves employees' quality of life, which in turn can boost productivity and job satisfaction.

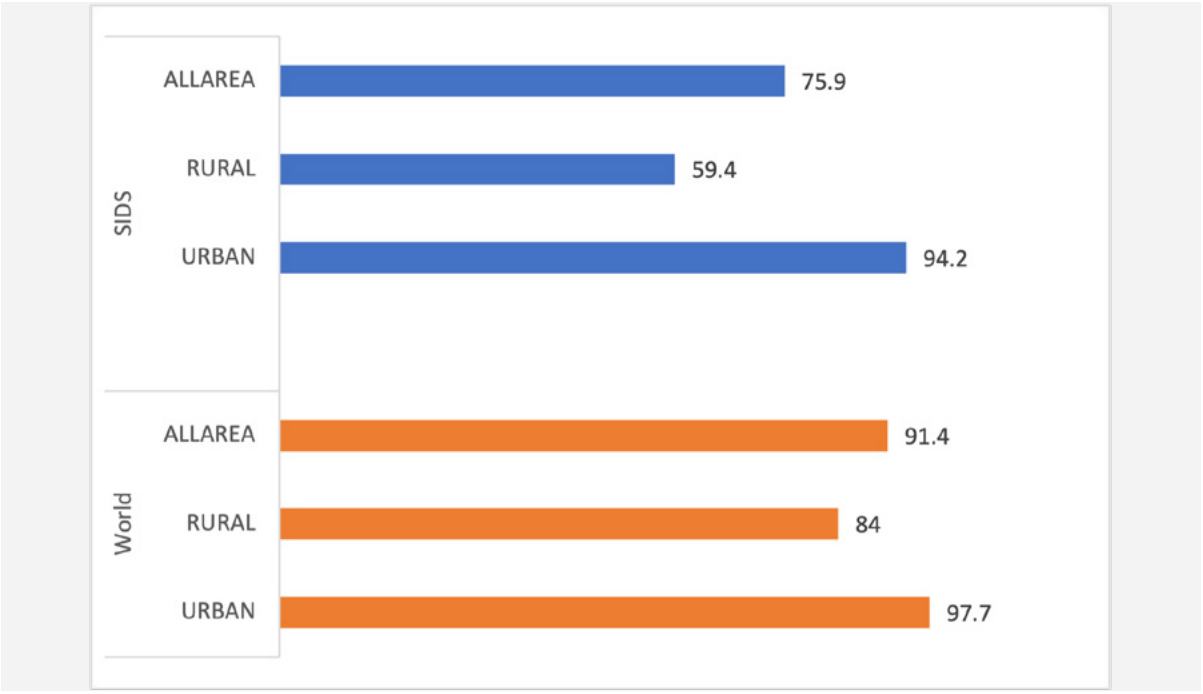
Cook Islands @Asian Development Bank (Flickr)

Access to electricity highlights a significant disparity between Small Island Developing States (SIDS) and the global average, particularly in rural areas. Overall, 75.9% of the population in SIDS has access to electricity, compared to the global average of 91.4%, indicating a notable gap in energy infrastructure. The disparity is most pronounced in rural areas, where only 59.4% of the rural population in SIDS has electricity access, compared to 84% globally, reflecting infrastructure challenges and limited energy resources in remote island communities. In urban areas, SIDS perform better, with 94.2% access, though still slightly lower than the global average of 97.7%. This data underscores the need for increased investment in energy infrastructure, particularly in rural areas of SIDS, to enhance

development, economic growth, and overall quality of life. Expanding access to renewable energy solutions could be a key strategy for addressing these disparities and improving energy security in these vulnerable regions.

Tonga @Asian Development Bank (Flickr)

FIGURE 20. PROPORTION OF POPULATION WITH ACCESS TO ELECTRICITY, BY URBAN/RURAL (%), 2022



Source: UNSD-SDG global database.

Logistics Performance

Logistics performance is a key indicator of operational efficiency, competitiveness, investment attractiveness and economic resilience, which all play a vital role in ensuring a prosperous and sustainable business environment.

Fiji @Asian Development Bank (Flickr)

The World Bank's Logistics Performance Index (LPI) is one of the best tools for assessing countries' logistics capabilities. It takes into account a number of aspects, including the efficiency of customs clearance, the quality of trade and transport infrastructure, the ease of organizing shipments at competitive prices, the competence and quality of logistics services, tracking and tracing capabilities, and the punctuality of deliveries.

Marshall Islands @Asian Development Bank (Flickr)

These criteria provide an overall and detailed assessment of a country's logistics performance. A high score on the LPI indicates robust infrastructure and efficient management, attracting investment and promoting economic growth in the respective economy. On the other hand, a low score reveals inefficiencies, higher costs and reduced competitiveness, making the country less attractive to investment. LPI data is only available for 15 SIDS, limiting the possibility of a comprehensive comparative analysis.

Marshall Islands @Asian Development Bank (Flickr)

The picture among the SIDS is mixed: while Singapore stands out for its far superior logistics performance, followed by Antigua & Barbuda, countries such as Haiti and Cuba show relatively poor logistics performance.

Haiti @dlrz4114 (Adobe Stock)

TABLE 2. LOGISTICS PERFORMANCE INDEX (LPI) FOR SIDS IN 2022	
Country	LPI
Singapore	4.3
Antigua and Barbuda	2.9
Solomon Islands	2.8
Papua New Guinea	2.7
Bahamas	2.7
Dominican Republic	2.6
Guinea-Bissau	2.6
Mauritius	2.5
Trinidad and Tobago	2.5
Grenada	2.5
Jamaica	2.5
Guyana	2.4
Fiji	2.3
Cuba	2.2
Haiti	2.1

Source: World Bank, 2023.

Palau @Asian Development Bank (Flickr)

Liner shipping connectivity

Efficient liner shipping connectivity reflects a high level of infrastructural development, as it facilitates access to international markets, reduces transport costs and improves logistics efficiency. Good maritime connectivity helps reduce delivery times and optimize supply chain management, which are essential for business competitiveness. It also attracts foreign investment by providing reliable transport infrastructure, and promotes economic development by creating jobs and encouraging economic diversification.

Mauritius @Igor (Adobe Stock)

The findings from UNCTAD's Liner shipping connectivity index show significant disparities among SIDS, with scores ranging from 1.7 to 110.7 in 2021. Singapore stands out with an outstanding score of 110.7, reflecting its well-developed logistics infrastructure and robust maritime connectivity. By way of comparison, countries such as the Dominican Republic (42.2) and Jamaica (33.8) are the next best performers in SIDS, with scores well below Singapore's.[10]

Singapore @siraphol (Adobe Stock)

Most SIDS, however, have much lower scores. For example, the Bahamas (28.6) and Mauritius (24.6) have a moderate maritime connectivity. Countries such as Haiti (8.7), Seychelles (8.5)

[10] Nevertheless, their scores are higher than the median for developed countries (which stands at 31.7).

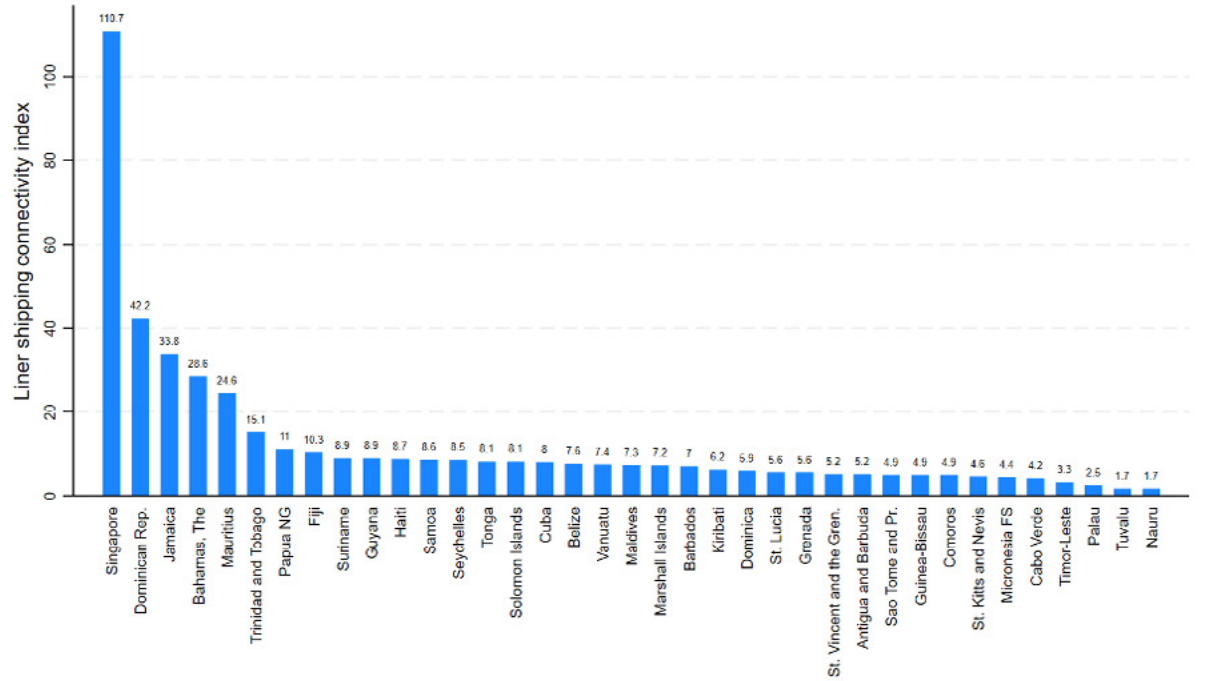
and Solomon Islands (8.1) show fairly low indices, suggesting significant logistical challenges and limited maritime connectivity.

The lower scores, such as those for Tuvalu and Nauru (1.7), highlight very limited logistics infrastructures and insufficient maritime connectivity. These results reveal an urgent need for investment in maritime transport infrastructure and logistics services to improve economic competitiveness and the attractiveness of foreign investment in these countries. All the more so as, for this indicator, other developing countries outperform SIDS, with mean values of 30.3 versus 12.2, and a median of 23.4 versus 7.31.

Nauru @Asian Development Bank (Flickr)

In short, while Singapore stands out in terms of maritime connectivity, the majority of SIDS face significant logistical challenges in improving their business environment and fostering sustainable economic growth.

FIGURE 21. LINER SHIPPING CONNECTIVITY IN SIDS IN 2021



Source: UNCTAD, 2024.

Remoteness from world markets

Remoteness from world markets directly influences transport and logistics costs, lengthens delivery times, and can reduce attractiveness to foreign investors. Companies located far from major commercial centers often have to bear additional costs and manage more complex supply chains, limiting their economic competitiveness. This distance can also hinder a country's economic integration into the global economy and increase its vulnerability to supply chain disruptions.

Guyana @espiegle (Adobe Stock)

To assess SIDS' remoteness from global markets, the indicator of lack of connectivity (or remoteness from World Market Index) from the United Nations Multidimensional Vulnerability Index (MVI) is used[11]. The Remoteness from World Markets Index is calculated by measuring a country's average geographical distance from the world's major economic centers, weighted by the importance of these markets in world trade. The higher the weighted average distance, the further a country is considered to be from major markets, which can increase its trade costs and economic vulnerability. Indeed, countries far from the world's major economic centers are often at a disadvantage due to higher transport costs and longer lead times to get their products to international markets. The indicator ranges from 0 (best connectivity) to 100 (poor connectivity). Analysis shows that SIDS, because of their geographical position, are on average further away from world markets than other developing countries, with an average score of 62.1 versus 47.8. Nevertheless, there are significant disparities between SIDS, as evidenced by the significant difference between the mean value and the median value, which is set at 56.0.

In SIDS, the most remote from world markets include Tonga (93.60), Fiji (91.5), Vanuatu (89.65), and Samoa (88.6). These countries are geographically isolated, resulting in higher transport costs and longer delivery times. This isolation can make their products less competitive on international markets, and deter foreign investment due to complex and costly logistics.

Vanuatu @Asian Development Bank (Flickr)

Vanuatu @Asian Development Bank (Flickr)

[11] This indicator also used to construct Economic and Environmental Vulnerability Index by the United Nations Committee for Development Policy.

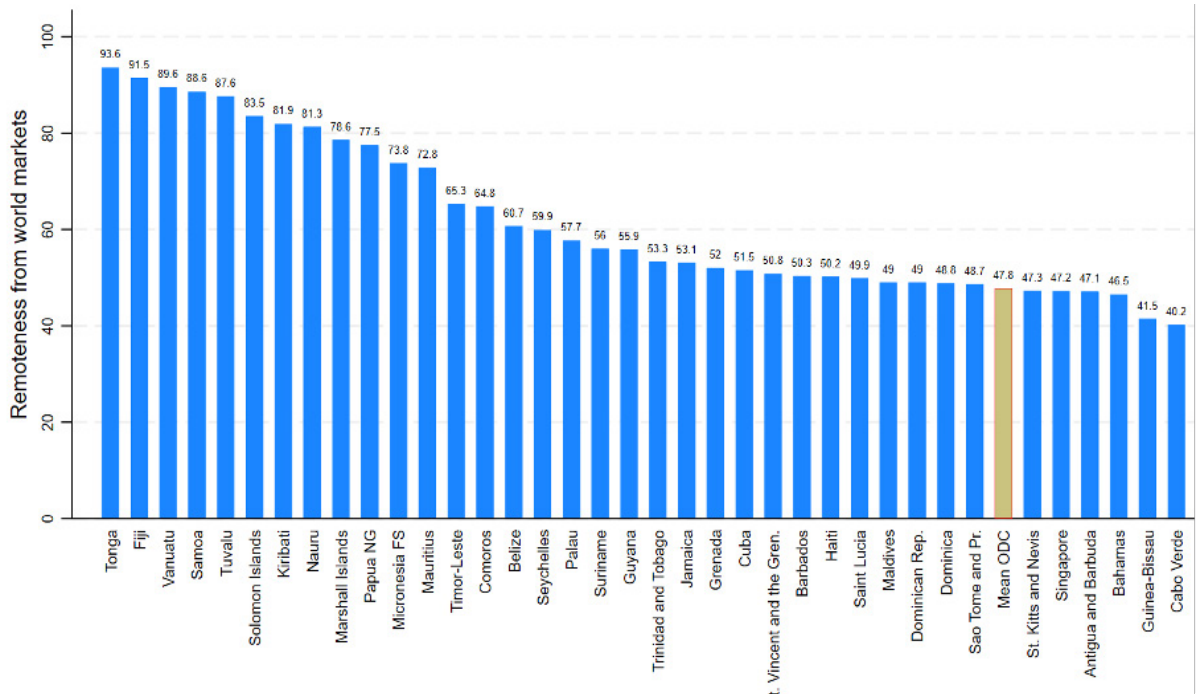
Countries like the Solomon Islands (83.5), Kiribati (81.9), and Nauru (81.3) are also very remote, but less so than the countries mentioned above. Although they share similar challenges in terms of logistics costs and delivery times, their situation is slightly better, which may offer some competitive advantages over the more isolated countries.

Other SIDS such as Mauritius (72.8), Timor-Leste (65.3), and Comoros (64.8) have lower remoteness scores, indicating better relative connectivity to world markets. These countries can benefit from lower logistics costs and shorter delivery times, making their products more competitive and potentially attracting more foreign investment.

The least remote SIDS from global markets include Singapore (47.1), the Bahamas (46.5), and Cabo Verde (40.18). Singapore, in particular, benefits from a strategic geographic position with exceptional connectivity, which explains its low score. This proximity to world markets enables these countries to benefit from low transport costs, fast delivery times and greater attractiveness to foreign investors.

Timor-Leste @Adam Constanza (Adobe Stock)

FIGURE 22. REMOTENESS FROM WORLD MARKETS: SIDS AND THE AVERAGE OF OTHER DEVELOPING COUNTRIES IN 2022



Source: UN's Multidimensional Vulnerability Index (MVI, 2024).

Technology and digital skills

Technology and digital skills increase economic competitiveness, attract foreign direct investment and improve the quality of services and infrastructure. They foster innovation by enabling the development of new products and business models, while supporting social and economic inclusion by offering employment and training opportunities. Moreover, digital technologies increase business resilience in the face of crises, and facilitate transparency and good governance by improving data collection and analysis. An advanced technological environment is therefore a key indicator of a country well positioned to support sustainable and inclusive economic growth.

Micronesia @Asian Development Bank (Flickr)

Technology readiness

To assess the technology readiness of SIDS, the UNCTAD Frontier Technology Readiness Index is used. The Frontier Technology Readiness Index, developed by UNCTAD, is an index that measures a country's readiness and capacity to adopt and benefit from cutting-edge technologies. These technologies include artificial intelligence, biotechnologies, nanotechnologies, the Internet of Things, advanced information and communication technologies, and other cutting-edge innovations that have the potential to transform economies and societies.

The UNCTAD Frontier Technology Readiness Index comprises five key pillars, identified through a review of the literature, UNCTAD's analytical and technical cooperation work, as well as consultations with experts and data availability. These five pillars measure a country's ability to use, adopt and adapt advanced technologies: ICT deployment, skills, R&D activity, industrial activity and access to finance.

- **ICT deployment:** This pillar assesses the level of ICT infrastructure, essential for using internet-based technologies such as AI, the Internet of Things and blockchain. It takes into account the prevalence of internet access and the quality of infrastructure, measured by the proportion of internet users in the population and average download speed.

- **Skills:** This pillar measures the skills needed to use and adapt advanced technologies, acquired through formal education and practical on-the-job training. Indicators include expected years of schooling and the level of employment in skilled positions, although these data may be influenced by the emigration of talent.

- **R&D activity:** Research and development activity is essential not only to produce cutting-edge technologies, but also to adapt them to local contexts. This pillar is measured by the number of publications and patents filed in the 11 leading technologies identified, although informal R&D activities, often undocumented, may render the scores incomplete.

- **Industrial activity:** This pillar captures industrial activity related to the use and adaptation of advanced technologies, focusing on three precursor sectors: manufacturing, financial services and ICT. Export data for high-tech manufactured goods and digital services are used, although informal activity, common in developing countries, may not be fully represented.

- **Access to finance:** This pillar assesses the availability of finance for the private sector, a key factor in accelerating the adoption of advanced technologies. It is measured by domestic credit to the private sector as a percentage of GDP, although unconventional sources of financing may not be fully captured by this indicator.

The results of the Frontier Technology Readiness Index for SIDS[12] between 2008 and 2021 reveal varying dynamics depending on the domains analyzed. The overall index has shown a slight improvement over the years, rising from 0.31 in 2008 to around 0.37 in 2021. This modest progress reflects an overall improvement in SIDS' readiness to adopt and take advantage of frontier technologies, but also highlights those further efforts are needed to strengthen this capacity. In contrast, research and development (R&D) scores remained low over the period, increasing slightly from 0.05 in 2008 to 0.08 in 2021. This weak R&D performance suggests limited capacity to generate local technological innovations or adapt technologies to local contexts, which could be a major obstacle to the technological competitiveness of SIDS.

Palau @Asian Development Bank (Flickr)

Access to finance shows a slight decline over the years, with the score falling from 0.67 in 2008 to around 0.63 in 2021. This gradual decline suggests a reduction in the ease of access to financial resources for companies in SIDS, which could limit their ability to adopt and adapt cutting-edge technologies.

Vanuatu @Asian Development Bank (Flickr)

When it comes to information and communication technologies (ICT), there has been a significant improvement, with the score rising from 0.22 in 2008 to a peak of 0.49 in 2020, before falling back slightly to 0.44 in 2021. This trend indicates steady progress in the deployment of digital infrastructures, although the recent slight decline may signal persistent challenges, such as infrastructure quality or insufficient investment. Scores for industrial activity show relative stability, with a slight upward trend, suggesting that SEDIs have maintained a certain level of industrial activity

[12] Data are available for 24 SIDS.

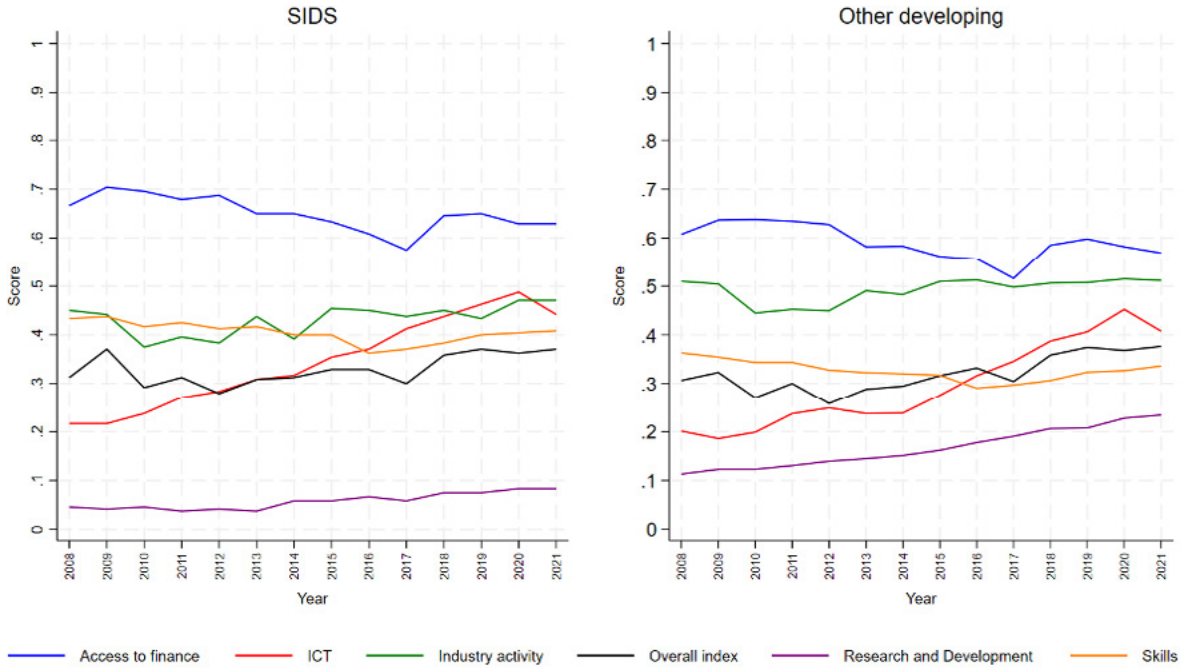
in line with the adoption of advanced technologies, but without any marked progression.

Skills scores show a slight decrease between 2008 and 2016, followed by a modest increase to 2021, reaching 0.41. This trend indicates an improvement in the development of the skills needed to adopt advanced technologies, although progress remains limited. Skills development, particularly in technological areas, is crucial if SIDS are to take full advantage of new technologies.

Overall, while some progress has been made in areas such as ICT and skills, others, such as research and development and access to finance, are showing signs of stagnation. To improve their readiness for frontier technologies, SIDS will need to step up their efforts in these critical areas to strengthen their economic competitiveness and innovation capacity.

Micronesia @Asian Development Bank (Flickr)

FIGURE 23. DYNAMICS OF VARIOUS TECHNOLOGY READINESS'S CATEGORIES FROM 2008 TO 2021



Source: UNCTAD, 2023.

Telecommunications infrastructure

Telecommunications infrastructure enables rapid access to information, promotes economic competitiveness and supports technological innovation. It facilitates e-commerce, increases productivity and contributes to economic inclusion, as well as strengthening business resilience in the face of crises. A sound telecommunication network generally reflects a high level of development and a favorable regulatory framework, making a country more attractive for investment and business development.

To gauge telecommunications infrastructure, the UN E-Government Knowledge Base Telecommunication Infrastructure Index (TII) is used, an indicator established by the United Nations Department of Economic and Social Affairs (UN DESA). This indicator ranges from 0 to 1, where 1 represents optimal infrastructure availability. It assesses several key components, including Internet access, the number of cell phone subscriptions, the availability of fixed and mobile broadband, and the number of secure servers. These elements are essential to guarantee reliable and secure access to online services. Low values for this indicator reveal deficiencies in these infrastructures, signaling that the country is having difficulty in providing effective digital services, which may hinder the overall development of e-government and limit citizens' access to online public services.

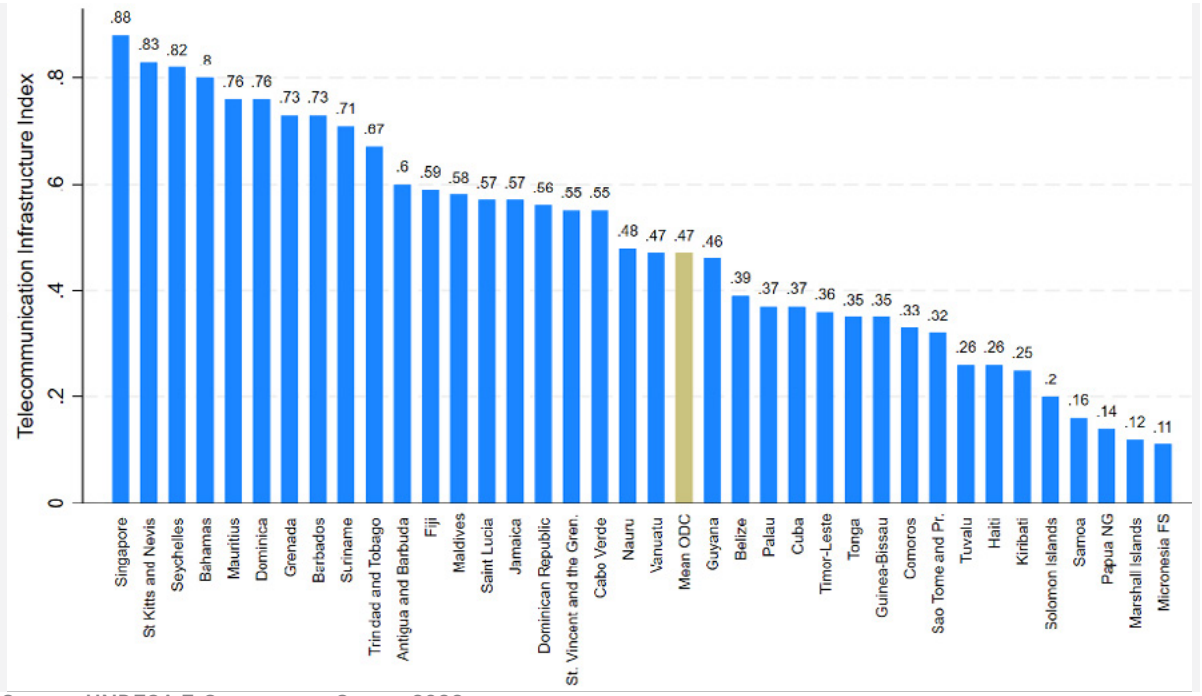
Palau @Asian Development Bank (Flickr)

The indicator reveals sharp disparities in the level of telecommunications infrastructure among SIDS in 2022. Singapore clearly stands out with a TII index of 0.88, placing the country well above all other SIDS and also well above the average for other developing countries, set at 0.47. Countries such as Saint Kitts and Nevis and Seychelles, with respective indices of 0.83 and 0.82, also show robust telecoms infrastructures, well above the SIDS average of 0.49. By comparison, developed countries have an average value of 0.85, showing that some SIDS, notably Singapore, are approaching the levels of the most advanced countries in terms of telecommunications.

However, the indicator also highlights major disparities among SIDS. Some countries, such as Micronesia (Federated States) with a score of 0.11, the Marshall Islands (0.12) and Papua New Guinea (0.14), are well below the SIDS average and even further behind other developing countries. These figures indicate that these countries face significant challenges in developing their telecoms infrastructures, placing them well behind their peers. These internal disparities underline the need for special attention to improve connectivity and foster digital development.

Palau @Lightning Strike Pro (Adobe Stock)

FIGURE 24. TELECOMMUNICATION INFRASTRUCTURE INDEX: SIDS AND THE AVERAGE OF OTHER DEVELOPING COUNTRIES IN 2022



Source: UNDESA E-Government Survey 2022.

4G and 5G population coverage

Population coverage with 4G and 5G reflects the quality and availability of digital infrastructures, which are essential for economic competitiveness. Broad 4G and 5G coverage enables businesses to benefit from fast, reliable internet connections, facilitating access to online services, e-commerce, and real-time communication. It also supports technological innovation, particularly in sectors such as the Internet of Things (IoT), artificial intelligence (AI), and advanced mobile applications. Extensive coverage improves the efficiency of business operations, reduces communication costs, and opens up new opportunities in global digital markets.

The majority of SIDS have no 5G coverage at all, indicating a total absence of this technology in these countries. In 2023, of the 25 SIDS for which data is available, only 5 countries have non-zero 5G population coverage: Singapore (98.4%), Dominican Republic (66.0%), Maldives (57.6%), Mauritius (50.0%), and Seychelles (18.0%). This widespread lack of 5G limits the ability of these nations to participate fully in the global digital economy, and accentuates digital inequalities. 5G-advanced countries like Singapore illustrate the benefits of consistent investment in digital infrastructure, while other SIDS will have to overcome significant challenges to catch up.

The situation is no better in other developing countries. Disparities are just as marked. Countries like Bahrain and Kuwait boast 100% total 5G coverage, while Qatar (98.8%) and the United Arab Emirates (98.5%) follow close behind, indicating a well-established digital infrastructure. Other countries, such as China (90.0%), Peru (84.0%), and Malaysia (80.21%), show notable progress, although some nations, such as India (30.0%) and South Africa (25.0%), show more modest coverage. In contrast, a majority of developing countries, particularly in Africa and

Latin America, have no 5G coverage at all. Of a total of 89 other developing countries listed, 44 have no 5G coverage in 2023, highlighting inequalities in access to this technology, often due to economic and infrastructural challenges[13]. In contrast to 5G population coverage, 4G population coverage in SIDS is widely extended but varies across countries. On average, 4G coverage in SIDS reaches 68.6%, which remains significantly lower than the global average of 88.5%, highlighting persistent disparities in digital infrastructure. Singapore and the Maldives reach 100%, followed closely by the Seychelles (99.4%), Jamaica (99.1%), Barbados, Mauritius, the Bahamas, and the Dominican Republic, all at 99%. Other countries such as Samoa (98%), Fiji and Belize (96%), and Vanuatu (92%) also boast high rates. However, disparities persist, notably in Guinea-Bissau (68%), Haiti (65%), and most alarmingly in the Solomon Islands (33.6%), where access to 4G remains limited, underlining the need for improvement in these regions. These discrepancies underline the urgent need to strengthen infrastructure to extend 4G coverage in SIDS, while preparing for the future adoption of 5G.

TABLE 3. 4G POPULATION COVERAGE FOR SIDS IN 2023

Country	4G population coverage
Singapore	100
Maldives	100
Seychelles	99.4
Jamaica	99.1
Barbados	99
Mauritius	99
Bahamas	99
Dominican Republic	99
Samoa	98
Fiji	96
Belize	96
Timor-Leste	95.7
Trinidad and Tobago	95
Tonga	95
Saint Lucia	95
Guyana	93
Vanuatu	92
Saint Vincent and the Grenadines	92
Suriname	88
Comoros	84
Cabo Verde	81
Papua New Guinea	75
Guinea-Bissau	68
Haiti	65
Solomon Islands	33.6

Source: GSMA Intelligence, 2024.

[13] In developed economies, average population coverage with 5G reaches 75.2%, with a median at 87.2%, as illustrated in the table in Annex 2.

Peace and security

Peace and security play an essential role in assessing a country's business environment, as they ensure political and social stability, enabling companies to plan for the long term and minimize the risks associated with conflict. Investments and assets are protected against vandalism and theft, ensuring the continuity of business operations without major interruptions. A secure environment attracts and retains talent, reduces operational costs associated with additional security measures, and improves the quality of life of the population, which in turn increases employee productivity. Peace and security also enhance the country's image and reputation, attracting investors and business partners, and stimulating economic growth.

Cook Islands @ggfotos (Adobe Stock)

Global peace

The Global Peace Index (GPI), produced annually by the Institute for Economics and Peace (IEP) since 2007, measures the level of peace in countries and regions around the world, based on a set of 23 quantitative and qualitative indicators. It evaluates peace by taking into account three main dimensions: the level of security in society, the extent of internal and external conflict, and the degree of militarization. These dimensions encompass aspects such as crime rates, political stability, involvement in armed conflict, and military expenditure. Each country receives a score, ranging from 1 to 5, with a lower score indicating a higher level of peace and a higher score reflecting greater exposure to conflict and violence.

Jamaica @ajlatan(Adobe Stock)

The GPI is used to analyze trends in peace and conflict, and to develop policies to promote world peace. Data are only available for 11 SIDS. Singapore (1.34) and Mauritius (1.58) stand out with low scores, reflecting a higher level of peacefulness thanks to effective governance and low crime rates.

Meanwhile, Haiti (2.83) and Papua New Guinea (2.32) face higher scores, highlighting areas where enhanced security measures and governance improvements can further strengthen peace. Papua New Guinea, in particular, presents opportunities for addressing tribal conflicts and reinforcing institutional resilience. These variations emphasize the importance of tailored strategies to enhance security, governance, and social harmony across all SIDS, ensuring a more peaceful and stable future.

Cook Islands @Rafael Ben-Ari (Adobe Stock)

TABLE 4. GLOBAL PEACE INDEX SCORES FOR SIDS HAVING AVAILABLE DATA (2024 EDITION)

Country	GPI Score
Singapore	1.34
Mauritius	1.58
Timor-Leste	1.88
Guinea-Bissau	2.09
Trinidad and Tobago	2.09
Jamaica	2.12
Dominican Republic	2.16
Cuba	2.16
Guyana	2.29
Papua New Guinea	2.32
Haiti	2.83

Source: Global peace index, 2024.

Homicide rate

Homicide rate is an indicator that reflects public safety, influences investment, and impacts operational costs and productivity. A high homicide rate signals insecurity, which can deter foreign investors, increase spending on security measures and insurance, and create a climate of fear that affects employee motivation and performance. Also, it tarnishes the country's international reputation, making it less attractive to talent, tourists and business partners.

Homicide rates in SIDS are on average higher than in other developing countries, with a rate of 13.3 per 100,000 people in SIDS versus 7.7 per 100,000 people in other developing countries. Although SIDS as a whole show high homicide rate on average, country-specific and regional variations are of paramount importance for an accurate assessment of the business environment. This reflects the large difference between the average homicide rate and the median rate, which stands at 7.6 per 100,000 people for SIDS. There are significant differences between Caribbean SIDS and those in other regions.

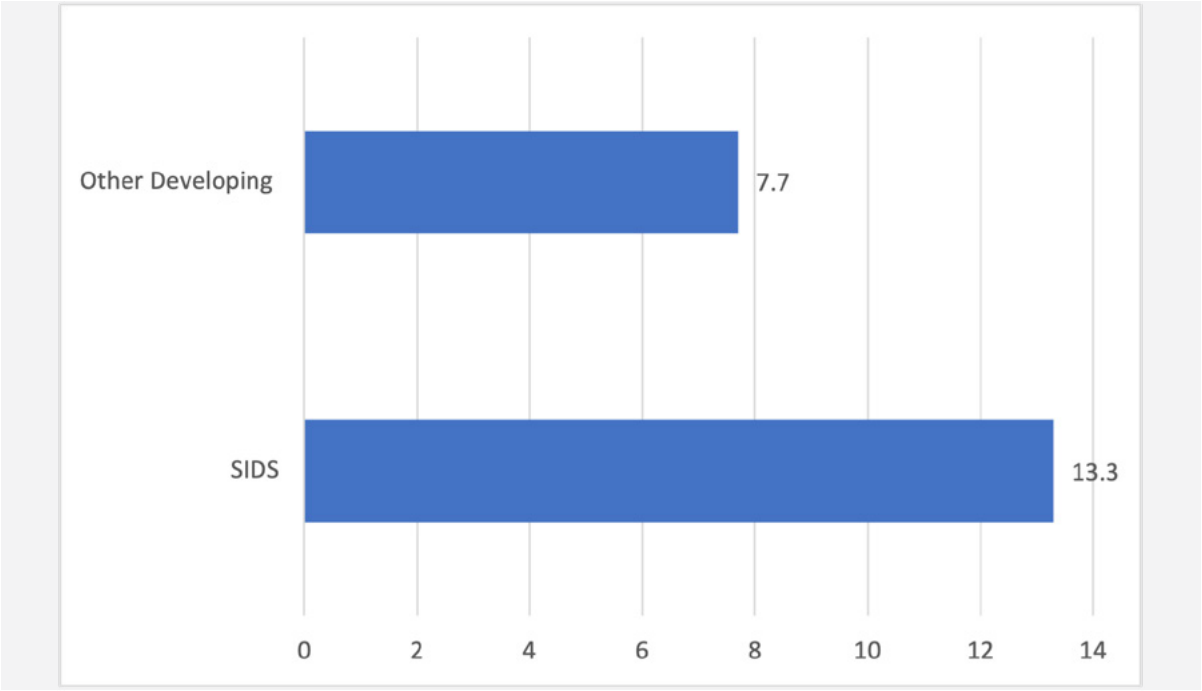
Cuba @Gaston (Adobe Stock)

Caribbean SIDS tend to have particularly high homicide rates (over 19.6 per 100,000 people), which are often linked to problems of organized crime and drug trafficking. The 11 SIDS with the highest homicide rates are all Caribbean. Jamaica has an alarming rate of 53.3 per 100,000 people, followed by Haiti (40.8), Saint Vincent and the Grenadines (40.4) and Trinidad and Tobago (39.5). Other countries, such as Saint Lucia (36.7), Bahamas (31.2) and Belize (27.9). This creates notable challenges for the business environment in these countries, such as higher security expenses, employee safety concerns, and a less stable reputation, which can discourage potential investors.

Nauru @Asian Development Bank (Flickr)

In contrast, SIDS located in other regions, such as the Pacific and Indian Oceans, generally have lower homicide rates. For example, Singapore has a rate of 0.1, rates of 1 and 1.9 for Cook Islands and Maldives, respectively; while Vanuatu and Mauritius have each a rate of 2.2. These countries can offer safer and more stable business environments, which can be an asset in attracting investment.

FIGURE 25. HOMICIDE RATE (PER 100,000 PEOPLE): SIDS VS. OTHER DEVELOPING COUNTRIES[14]



Source: UNODC, WHO, IHME, 2023.

[14] Data on homicide rates are drawn from several sources. The primary source is UNODC; if data from this source are unavailable, the WHO is consulted, followed by IHME as a backup. The most recent data available from these three sources are then selected. This approach may occasionally result in differences compared to other analyses. However, the median year of analysis for homicide data is relatively recent (2021).

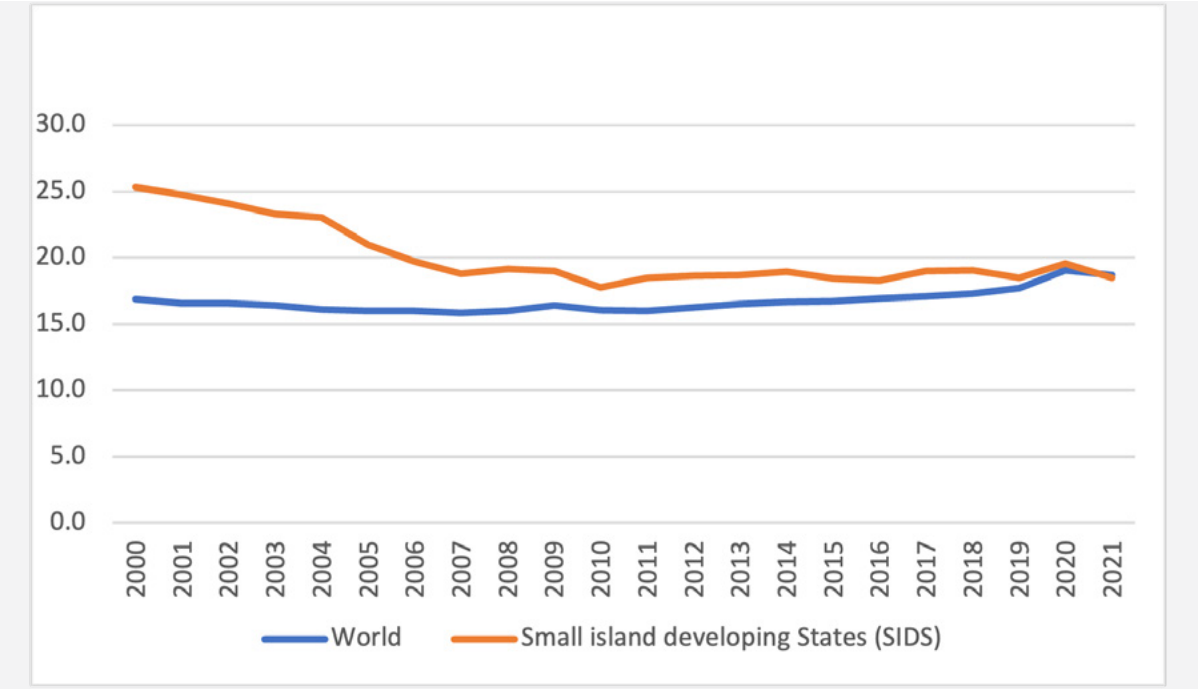
Environmental sustainability and climate resilience

Environmental sustainability and climate resilience are essential for Small Island Developing States (SIDS), which are highly vulnerable to rising sea levels, extreme weather events, and biodiversity loss. Safeguarding natural ecosystems such as mangroves, coral reefs, and marine biodiversity is crucial for coastal protection, sustaining livelihoods, and conserving essential resources. Investing in renewable energy, disaster preparedness, and climate adaptation strengthens resilience while fostering economic stability. However, data limitations remain a challenge, with gaps in long-term monitoring, inconsistent data collection methods, and financial constraints affecting the ability to track progress and implement effective climate strategies in SIDS.

Renewable energy

The renewable energy share in total final energy consumption has fluctuated both globally and in Small Island Developing States (SIDS). While the global share remained relatively stable between 16-17% from 2000 to 2019, it peaked at 19.05% in 2020 before slightly dropping to 18.71% in 2021. In contrast, SIDS initially had a higher share (25.32% in 2000) but experienced a gradual decline, reaching 18.49% in 2021, indicating increasing energy demand and reliance on non-renewable sources. These trends highlight the importance of strengthening policies, investments, and technological advancements to enhance renewable energy adoption and long-term energy sustainability in SIDS and globally.

FIGURE 26. RENEWABLE ENERGY SHARE IN THE TOTAL FINAL ENERGY CONSUMPTION (%)

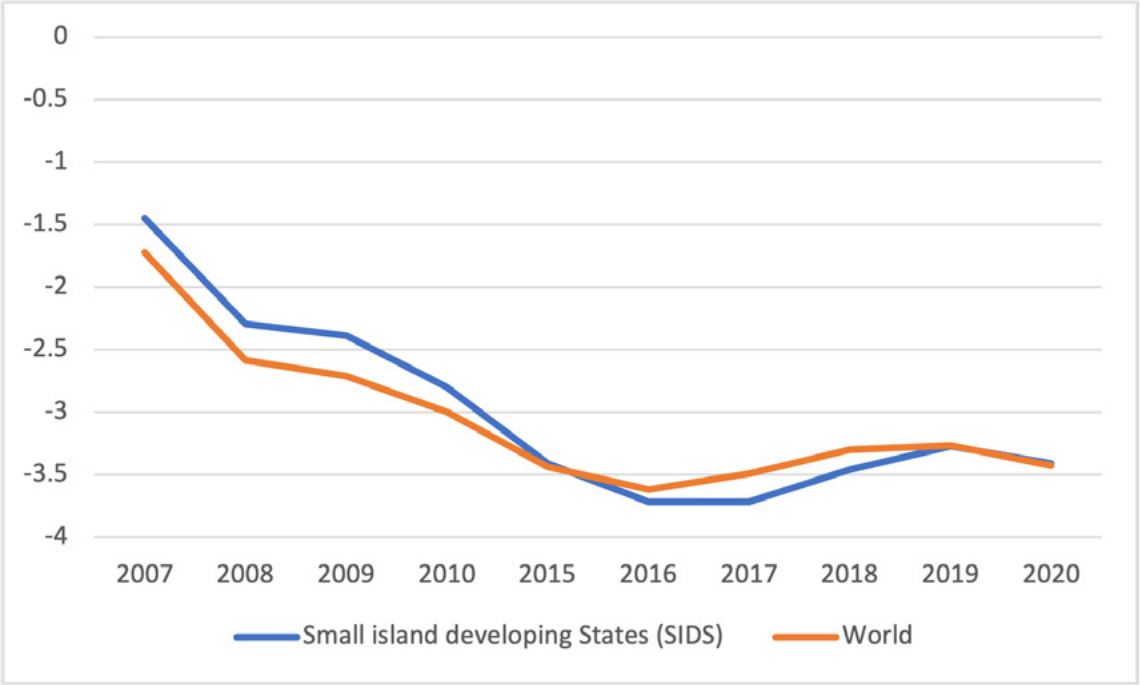


Source: UNSD- SDG Global database.

Mangrove total area change

The mangrove total area change data reveals a consistent decline in mangrove coverage both globally and in Small Island Developing States (SIDS) from 2007 to 2020. In SIDS, mangrove loss accelerated from -1.45% in 2007 to -3.71% in 2016, before showing a slight improvement, stabilizing around -3.41% in 2020. Similarly, the global trend follows a comparable pattern, with a decline from -1.72% in 2007 to -3.62% in 2016, before a minor recovery to -3.43% in 2020. These trends indicate ongoing threats to mangrove ecosystems, likely driven by coastal development, climate change, and deforestation. Since mangroves play a crucial role in coastal protection, carbon sequestration, and biodiversity conservation, their decline highlights the urgent need for stronger conservation efforts, sustainable land-use practices, and restoration initiatives, particularly in SIDS, where they provide vital resilience against climate change and extreme weather events.

FIGURE 27. MANGROVE TOTAL AREA CHANGE (%)

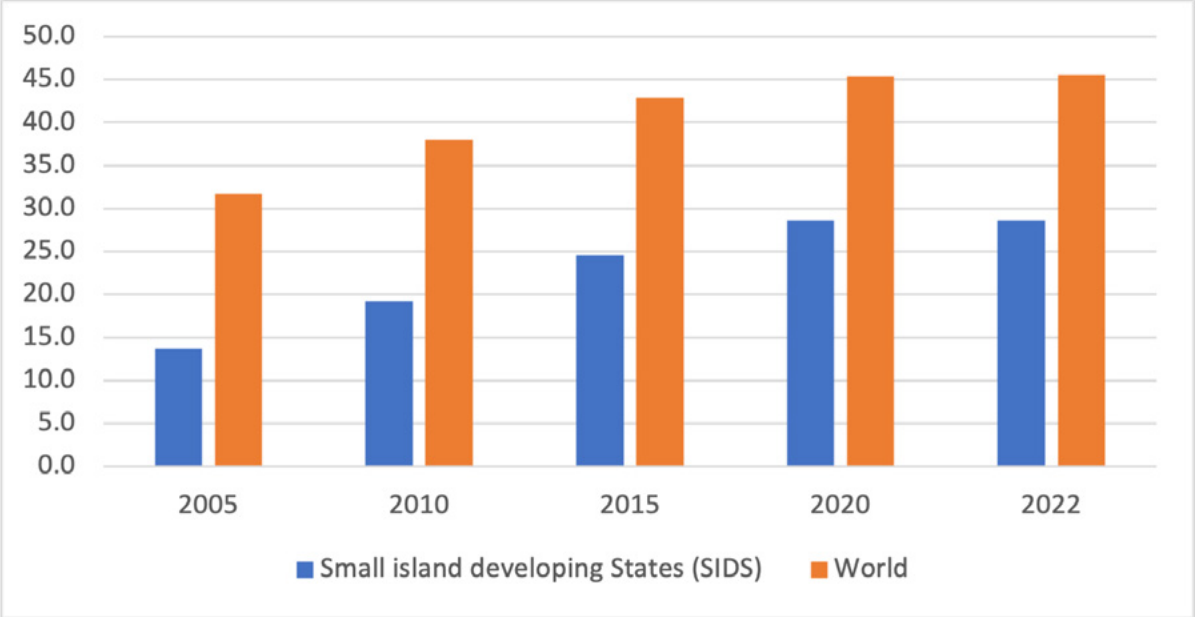


Source: UNSD- SDG Global database

Marine Key Biodiversity Areas (KBAs)

The average proportion of Marine Key Biodiversity Areas (KBAs) covered by protected areas has steadily increased in both Small Island Developing States (SIDS) and globally, reflecting ongoing conservation efforts. In SIDS, protected marine KBAs rose from 13.6% in 2005 to 28.6% in 2020, showing significant progress in marine conservation and ecosystem protection. However, despite these improvements, SIDS still lag behind the global average, which increased from 31.7% in 2005 to 45.5% in 2022. This gap highlights the need for further investment in marine protected areas, stronger enforcement of conservation policies, and enhanced international support to safeguard marine biodiversity, fisheries, and coastal resilience in SIDS. Expanding marine protection networks and integrating sustainable practices will be essential to bridging this disparity and ensuring the long-term health of marine ecosystems.

FIGURE 28. AVERAGE PROPORTION OF MARINE KEY BIODIVERSITY AREAS (KBAS) COVERED BY PROTECTED AREAS (%)



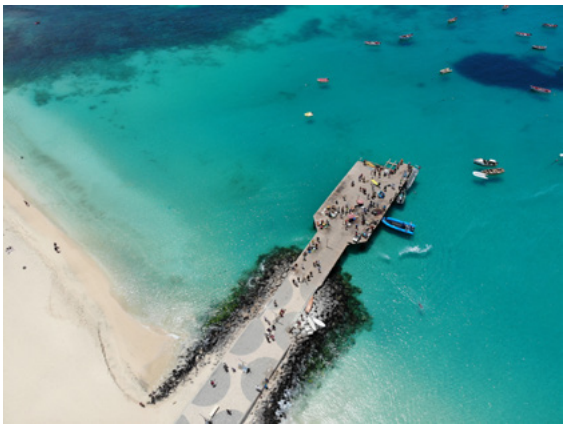
Source: UNSD- SDG Global database

Conclusion

This report provides a comprehensive analysis of the business environment in SIDS, identifying their strengths as well as critical areas for improvement. Despite the unique challenges posed by their small market size, geographical isolation and vulnerability to natural hazards, SIDS have demonstrated considerable strengths in certain areas of governance and economic management. Indicators such as Regulatory Quality and Rule of Law show that many SIDS have established relatively solid institutional frameworks, often better than those of other developing countries. These assets contribute to a stable and transparent business environment, essential for attracting FDI and supporting sustainable economic growth. While SIDS have made notable progress in areas such as regulatory quality and the rule of law, significant challenges remain in improving access to finance, infrastructure quality, telecoms infrastructure, technological readiness and crime and security. Tackling these areas, while promoting economic diversification, improving digital infrastructure via 5G and strengthening regional cooperation, will be essential for SIDS to build economic resilience, attract more investment and achieve sustainable growth.

Antigua @Nancy Pauwels (Adobe Stock)

The analysis highlights several key indicators where SIDS need to improve their performance to strengthen their economic resilience and global competitiveness. One of the most pressing issues is reflected in the Access to Finance indicator. Limited financial infrastructure and high levels of public debt restrict the availability of credit, particularly for small and medium-sized enterprises (SMEs), which are vital for economic diversification and job creation. High levels of central government debt, observed in several SIDS, further limit their ability to invest in critical infrastructure and social services, exacerbating economic vulnerabilities. Improving the Access to Finance indicator is crucial to enabling economic growth in SIDS. Governments should work to expand financial services, particularly for SMEs, by promoting microfinance initiatives, encouraging the development of local financial markets, and securing partnerships with international financial institutions. Reducing the central government debt burden through better fiscal management and exploring innovative financing options, such as blended finance and green bonds, can also free up resources for investment in growth-enhancing sectors.



Cabo Verde @Duncan (Adobe Stock)

The infrastructure quality metric is another area where significant improvements are needed. Many SIDS face prohibitive infrastructure costs, particularly in the transport and energy sectors, due to their small size and remoteness. This is reflected in both the Logistics Performance Index (LPI) and the Liner shipping connectivity index, where many SIDS score lower than their peers, indicating challenges in integrating into global supply chains and attracting investment. Significant investment is needed to improve Infrastructure Quality and Logistics Performance Indicators (LPI). Priority should be given to infrastructure projects that reduce the cost of doing business, such as modernizing transport networks, improving port facilities and expanding renewable energy capacity. Public-private partnerships (PPPs) can play a key role in mobilizing the resources needed for these infrastructure improvements.

Cuba @kmiragaya (Adobe Stock)

Telecommunications Infrastructure is another area requiring pressing attention, particularly with the global shift to digital economies. The adoption and deployment of 5G networks is key to improving Technology Readiness and Digital Infrastructures, which are currently underdeveloped in many SIDS. Improving telecoms infrastructure is not only essential for advancing economic activities, but also for integrating into the global digital economy and improving global connectivity. SIDS must prioritize the improvement of Telecoms Infrastructures to keep pace with global digital trends. The deployment of 5G networks is crucial to strengthen Technological Readiness and enable digital transformation in various sectors. SIDS governments must work to establish the necessary regulatory frameworks, incentivize investment in 5G, and partner with international technology companies to build robust and resilient telecoms networks.

Jamaica @LBSimms Photography (Adobe Stock).

A major challenge encountered in preparing this report was the collection of a wide range of indicators, for which data was often lacking for SIDS. The lack of comprehensive data, particularly for microeconomic indicators derived from business surveys, prevents an accurate assessment of the business environment in these countries. It is essential that SIDS address this gap by investing in data collection and management. By improving the availability and quality of economic data, including microeconomic data derived from business surveys, SIDS can obtain a more accurate assessment of their business environment, which in turn can inform better policy-making and attract more targeted and effective investment. The benefits of filling this data gap are manifold. A more accurate understanding of the business climate will enable governments to design and implement policies better tailored to the specific needs of their economies. Improved data can also strengthen the ability of international investors to assess risks and opportunities, which could lead to an increase in foreign direct investment. Accurate data can also help monitor the progress and assess the impact of reforms, ensuring the efficient allocation of resources to promote sustainable economic growth. Improved data collection for all relevant indicators will not only provide a clearer picture of the business environment, but will also enable better policy-making and investment strategies. The coordinated efforts of governments, the private sector and the international community will be crucial in ensuring that SIDS can overcome their unique challenges and thrive in the global economy.

Seychelles @Jag_cz (Adobe Stock)

Annex 1: List of other developing countries included in the analysis

Country	Country	Country
Afghanistan	Gambia	Oman
Angola	Equatorial Guinea	Pakistan
United Arab Emirates	Guatemala	Panama
Argentina	Honduras	Peru
Armenia	Indonesia	Philippines
Azerbaijan	India	Dem. People's Rep.c of Korea
Burundi	Iran	Paraguay
Benin	Iraq	Qatar
Burkina Faso	Jordan	Rwanda
Bangladesh	Kazakhstan	Saudi Arabia
Bahrain	Kenya	Sudan
Bolivia	Kyrgyzstan	Senegal
Brazil	Cambodia	Sierra Leone
Brunei Darussalam	Kuwait	El Salvador
Bhutan	Lao PDR	Somalia
Botswana	Lebanon	South Sudan
Central African Republic	Liberia	Eswatini
Chile	Libya	Syrian Arab Republic
China	Sri Lanka	Chad
Côte D'Ivoire	Lesotho	Togo
Cameroon	Morocco	Thailand
Dem. Rep. of the Congo	Madagascar	Tajikistan
Congo	Mexico	Turkmenistan
Colombia	Mali	Tunisia
Costa Rica	Myanmar	Turkey
Djibouti	Mongolia	Tanzania
Algeria	Mozambique	Uganda
Ecuador	Mauritania	Uruguay
Egypt	Malawi	Uzbekistan
Eritrea	Malaysia	Venezuela
Ethiopia	Namibia	Viet Nam
Gabon	Niger	Yemen
Georgia	Nigeria	South Africa
Ghana	Nicaragua	Zambia
Guinea	Nepal	Zimbabwe

Cover Photo: Tonga @Mdurinik (Adobe Stock)

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