

Ad Hoc Expert Meeting on

**Addressing the Transport and Trade Logistics Challenges
of the Small Islands Developing States:
Samoa Conference and Beyond**

Palais des Nations, Room XXV

Geneva, 11 July 2014

Summary of Discussions and Outcomes

Introduction

The Ad Hoc Expert Meeting was held in the lead up to the 2014 Third International Conference on Small Island Developing States (SIDS) (Samoa Conference), which offered an opportunity to focus international attention on the unique transport-related challenges facing SIDS and consider ways in which these can be better understood and adequately addressed. The Meeting was also held within the context of the International Year of SIDS and against the background of the Doha Mandate, which directs UNCTAD to “advise SIDS on the design and implementation of policies addressing their specific trade and trade logistics challenges linked to their remoteness and geographical isolation” (para. 56(j)).

Experts participating in the meeting were invited to make suggestions on the way forward and identify some concrete actionable recommendations ahead of the Samoa Conference and in view of the post-2015 development agenda. The meeting’s deliberations and conclusions helped inform UNCTAD’s substantive contribution to the Samoa Conference.

Relevant issues considered included the following:

- (a) SIDS transport and trade logistics-related challenges – an introduction to key issues and response measures
- (c) Climate change impacts on transport infrastructure in SIDS and adaptation needs
- (d) Financing as a cross-cutting enabling factor
- (e) Priority action areas and effective response measures, relevant partners and collaboration mechanisms

UNCTAD/DTL/TLB/2014/3

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Geneva, 11 July 2014, Palais des Nations, Room XXV

Programme

10 – 10.20 a.m.	Opening session
	<ul style="list-style-type: none"> • Welcoming remarks: H.E. Ms. Marion V. Williams, Ambassador, Permanent Mission of Barbados to the United Nations Office and other international organizations at Geneva • Opening address: Ms. Anne Miroux, Director, Division on Technology and Logistics, UNCTAD
10.20 a.m. – 1 p.m.	Session 1: SIDS transport and trade logistics-related challenges – an introduction to key issues and response measures
	<p>Panelists:</p> <p>SIDS and their transport-related challenges – introduction and overview: Mr. José María Rubiato, Head, Trade Logistics Branch, Division on Technology and Logistics, UNCTAD</p> <p>Liner shipping connectivity and transport costs in SIDS: Mr. Jan Hoffmann, Chief, Trade Facilitation Section, Trade Logistics Branch, Division on Technology and Logistics, UNCTAD</p> <p>International Maritime Organization support for the maritime development of SIDS: Mr. Ivaylo Valev, Head, Technical Cooperation Division, International Maritime Organization</p> <p>Far beyond 20-foot equivalent units, passengers and tons – which framework to ensure a sustainable growth for SIDS: Mr. Yann Alix, General Delegate, Fondation Sefacil</p> <p>Panelists – The perspective of SIDS; national and regional experiences:</p> <p>Transport challenges facing SIDS in the Pacific region: Ms. Mere Falemaka, Permanent Representative, Pacific Islands Forum Secretariat Geneva Office</p> <p>Indian Ocean Commission strategies for coping with the challenges related to maritime transport in the South-West Indian Ocean region: Mr. Raj Mohabeer, Chargé de mission, Indian Ocean Commission</p> <p>Developing maritime shipping among SIDS – the Organization of Eastern Caribbean States maritime shipping cluster: Ms. Natasha Edwin-Walcott, Technical Attaché, Permanent Delegation of the Organization of Eastern Caribbean States to the United Nations Office and other international organizations in Geneva</p>

	<p>Ms. Christiane Leong Ho Yng, Expert, Infrastructure Development and Economic Services, African, Caribbean and Pacific Group of States Secretariat</p> <p>Ms. Janet Strachan, Adviser and Head, Climate Finance and Small States Section, Economic Policy Division, Commonwealth Secretariat</p> <p style="text-align: center;">Interactive discussion</p>
3 – 4.15 p.m.	Session 2: Climate change impacts and adaptation for coastal transport infrastructure in SIDS
	<p>Panelists:</p> <p>Climate change impacts and adaptation for transport infrastructure in SIDS – the case for action:</p> <p>Ms. Regina Asariotis, Chief, Policy and Legislation Section, Trade Logistics Branch, Division on Technology and Logistics, UNCTAD</p> <p>Climate change and climate variability – critical risk factors for air and seaport operations in SIDS:</p> <p>Mr. Leonard Nurse (University of the West Indies), Chair, Board of Directors, Caribbean Community Climate Change Centre and Coordinating Lead Author for the small islands chapter of the Fourth Assessment Report of the United Nations Intergovernmental Panel on Climate Change</p> <p>Adaptation measures against climatic changes in the South-West Indian Ocean region:</p> <p>Mr. Raj Mohabeer, Chargé de mission, Indian Ocean Commission</p> <p style="text-align: center;">Interactive discussion</p>
4.15 – 5.30 p.m.	Session 3: Financing sustainable and resilient transport systems
	<p>Panelists:</p> <p>Introduction:</p> <p>Ms. Frida Youssef, Economic Affairs Officer, Transport Section, Trade Logistics Branch, Division on Technology and Logistics, UNCTAD</p> <p>Investment facilities in the Caribbean and the Pacific:</p> <p>Ms. Christiane Leong Ho Yng, Expert, Infrastructure Development and Economic Services, African, Caribbean and Pacific Group of States Secretariat</p> <p>Access to climate finance for low-carbon and climate-resilient transport system development in SIDS:</p> <p>Ms. Janet Strachan, Adviser and Head, Climate Finance and Small States Section, Economic Policy Division, Commonwealth Secretariat</p> <p>Public–private partnerships for transport development in the context of SIDS – the case of the Caribbean:</p> <p>Mr. Carl Howell, Economist, Caribbean Development Bank</p> <p>Promoting sustainable public procurements and public–private partnerships:</p> <p>Ms. Oshani Perera, Programme Leader, Public Procurement and Infrastructure Finance, International Institute for Sustainable Development</p> <p style="text-align: center;">Interactive discussion</p>
5.30 – 6 p.m.	Conclusions and way forward

Addressing the Transport and Trade Logistics Challenges of the Small Islands Developing States:

Samoa Conference and Beyond

Summary of discussions and main outcomes

Chaired by Her Excellency, Ambassador, Ms. Marion Williams (Barbados), the meeting provided a platform for expert discussions on transport and trade logistics challenges facing the transport of the Small Island Developing States (SIDS). The Chairperson stressed that transport was an important topic for SIDS in view of their unique physical, geographical, economic, social and environmental features. The strategic importance of the sector is further emphasized given the dependence of tourism and fisheries on transport infrastructure, services and equipment. Her Excellency summarized the key issues discussed and noted that, in her view, an issue central to the debate was the public versus private good status of transport and the need for the public sector to step in where the private sector is unwilling to provide transport services. Examining the type of partnerships required between the state and other stakeholders including international organizations to address the challenges facing transport in SIDS, was highlighted important as was the role of financial institutions, banks and other lending agencies. Greater understanding of how regional approaches can further support SIDS in their efforts was required, especially in the face of rising concerns about climate change implications for transport and the need for adaptation and climate resilience building.

Overall, experts agreed that there was a need to address the transport and trade marginalization of SIDS through a set of policies at national, regional and international levels. Experts expressed the view that while the Samoa Conference was an important milestone for furthering the transport agenda of SIDS, it was also important to set the ground work and plan for beyond the Samoa Conference to ensure effective progress and implementation of concrete response measures. In this respect, the Third United Nations World Conference on Disaster Risk Reduction, to be held in March 2015 in Sendai, Japan, was viewed as another opportunity to bring to the fore the SIDS concerns in the areas of transport and trade logistics and further engage the donor community. Experts expressed the view that UNCTAD may have a role to play, including by intervening in the Sendai debate and further cooperating with SIDS and key development partners.

While a more detailed summary of the issues highlighted in the individual sessions is presented further into this document, ***some of the main issues raised and observations made at the meeting include the following:***

- The underlying difficulties facing the transport and trade logistics of SIDS are often a by-product of SIDS inherent features, including their “smallness”; remoteness; insularity; vulnerability to natural hazards and climate change impacts; persistent financial constraints and difficulty to access funding; as well as exposure to external shocks (e.g. economic and financial crises, trade preferences erosion, rising energy prices).
- As transport and trade logistics challenges facing SIDS are also causing their marginalisation from major global transport and trading networks, these challenges constitute a key policy concern for the sustainable development of SIDS.
- Undermined by their inherent features, SIDS are facing low shipping connectivity levels as illustrated by the UNCTAD's Liner Shipping Connectivity Index (LSCI). The LSCI values for SIDS are among the lowest worldwide.

- While international and regional transport connectivity is important for SIDS, their inter-island domestic transport is of equal importance not only to reach outer islands that are spread across vast distances but also to service productive sectors such as tourism, fisheries and agriculture.
- The specific transport and trade facilitation challenges facing SIDS are yet to be fully understood and require urgent attention. In this context, SIDS require capacity building in terms of transport connectivity, infrastructure development and maintenance. They also need assistance in acquiring the relevant know-how, knowledge and financial resources to adopt and implement necessary response measures.
- Climate change impacts and natural disasters heighten the vulnerability of the transport infrastructure in SIDS given their exposure to climatic factors and low adaptive capacity. The broad implications of damages and disruptions to seaports and airports in particular underscore the need for building climate resilience.
- SIDS access to concessionary loans is often limited given their classification as middle income countries. They have critical challenges in attracting investment flows and accessing funding.
- There are legal and fiscal leverages that must be built into public-private partnership (PPP) arrangements to ensure that private sector involvement in the island systems promotes economic as well as social and environmental objectives.

Key conclusions and some required next steps that had emerged from the discussions include the following:

Overall experts agreed that there was a need to tackle the transport hurdles that marginalized SIDS from regional and global transport and networks. A broad range of intervention actions spanning the transport sector as well out other areas such as trade, finance, environmental protection and resilience are required. At the same time, a system-wide approach is to be favoured to reflect linkages between sectors and highlight potential synergies and complementarities. Experts noted that regional cooperation in all SIDS, including in the field of transport needed to be further strengthened and expanded. The sharing of lessons learned as well as experiences and best practices both within and across regions should be encouraged. SIDS should ensure that existing opportunities are explored and exploited. These include in particular gains that could derive from the ocean and marine resources as well as the prospects of operating at a small scale, making use of local resources and catering for local needs.

Transport, trade logistics and trade

- There is a need to promote forward looking research and seek to foster new ideas to generate the port logistics and development framework that SIDS can use.
- A new framework where SIDS could effectively integrate the intra-regional transport and trade systems should be promoted. This requires SIDS to work together, pull their resources and maximize value and share gains.
- SIDS may not be able to reduce physical distances but can intervene to reduce economic distances by enhancing for example transport infrastructure efficiency. This may involve modifying port characteristic both physical (e.g. dredging for more depth) and non-tangible aspects such as trade facilitation and underlying transport regulatory frameworks.
- Inter-island/domestic shipping connectivity concerns need to be considered together with issues relating to the international/regional shipping connectivity of SIDS. Both dimensions are important for SIDS.

- There is a need to tackle problems resulting from low volumes and lack of economies of scale issues, including by promoting diversified exports, niche markets as well as bulk purchasing as had been tried and tested in the Pacific (e.g. pharmaceutical and fuels).
- Address the problem of an ageing fleet and ensure that ports design and performance are improved to take into account containerization, projected growth as well as the potential opportunities that may arise.
- Strengthen national planning systems and support the reform of the global economy.
- Revisit the Aid-for-Trade (Aft) framework to better cater to the special needs of SIDS.
- Examine how SIDS can integrate into global value chains and build negotiating capacity within the multilateral trading system
- There is a need to build capacity in the field of port efficiency, security, safety, environmental protection, with particular support by the International Maritime Organization (IMO).

Climate change impacts on transport and adaptation needs

- Build the climate resilience and strengthen the ability of transport infrastructure, services and operations, in particular seaports and airports to cope with the negative impacts of climate change factors as well as other natural hazards.
- Ensure a robust vulnerability/resilience framework for SIDS that establishes an architecture that is sensitive to their needs; and drives investment in resilience building.
- Ensure that risk management strategies are based on reliable information, including accurate data on economic loss and probabilistic modeling for future disasters.
- Provide strong technical support to SIDS for the establishment of accurate risk assessments.
- Give priority to risk management strategies that combine adaptation to climate change and risk reduction and integrate relevant measures into national development and public investment plans.
- Invest in disaster risk reduction and climate change adaptation and ensure a continued support and transfer of technology.
- Support a dynamic programme of engagement to secure a strong international climate change agreement in 2015. This will help secure resources for action on climate change and financing for adaptation.

Funding levels and access

- Examine the financing situation of SIDS, including their ability to access concessional loans and blending loans with a view to developing their transport infrastructure.
- Revisit the official development aid (ODA) per capita used as a criteria to determine SIDS eligibility and access to funding and take into account the economic fundamentals in SIDS to promote investment (risk pooling; guarantees; debt swaps and counter-cyclical loans).
- Multilateral development banks and regional banks need to take action to enable innovative financing mechanisms and promote approaches that are tailored to meet SIDS requirements (e.g. pre-funded pension plans and whole life insurance policies, or any other predictable long-term assets with long-term returns) as a source of long-term financing for infrastructure, encourage the development of medium-sized developers appropriate for smaller scale projects in SIDS, and modify multilateral development bank procurement criteria to open them to smaller private sector bidders with experience in SIDS).

- Regional, sub-regional and national development banks can play an important complementary role to that of governments. Development banks are better positioned to respond to national and regional needs and demands and can play an effective role in providing financing or risk mitigation mechanisms especially for small scale projects, or projects that require large initial investments and regional coordination mechanisms. They could also provide awareness raising and capacity building activities, support national and regional assessment and policy reforms identify and implement pilot projects, and leverage other funding flows.
- Build climate finance readiness (e.g. develop skills related to identifying effective funds for SIDS).
- Strengthen national planning as well as national public policy and financial systems for climate response (e.g. climate change finance assessment tools).
- Consider innovative solutions to the debt problem and draw on untapped resources, including for example the diaspora bonds, impact investments, climate finance to complement or leverage investment.
- Explore alternative collaboration models of sustainable PPPs integrating environmental criteria with appropriate risk-sharing frameworks and administrative and institutional arrangements supported by the necessary legal, regulatory and policies provisions to support sustainable, energy efficient and low carbon transport development.
- For PPPs there is a need to build capacity in procurement, develop policies and processes for greater transparency and predictability, create appropriate legal and regulatory environments, build robust institutional capacity, develop adequate human capacity and create fiscal management and accounting frameworks.
- Build legal and fiscal leverages into PPP arrangements to ensure that private sector involvement in the island systems promotes economic as well as social and environmental objectives.

UNCTAD's role and cooperation

- UNCTAD and parties involved, including SIDS need to ensure that they all deliver on recommendations and conclusions agreed at meetings and all need to do their part.
- Collect SIDS specific transport-related data and gather information for wider dissemination among SIDS and capacity building purposes. Issues of relevance may include for example, port performances, trade facilitation, financing transport, and climate change.
- Examine the lessons drawn from regional initiatives on infrastructure and disseminate the results among SIDS.
- Strengthen regional cooperation to build strong institutional partnerships.
- Deepen research on the infrastructure financing requirements of SIDS, examine the potential for innovative approaches to financing; and share lessons learned from the implementation of current regional approaches in SIDS.
- Take the conclusions of this meeting a step further to develop a structured program that could help SIDS take relevant action with a view to addressing challenges faced.

Sessions and summary of proceedings

Session 1: The opening

Her Excellency, Ambassador, Chairperson Ms. Marion Williams (Barbados), stressed that transport was an important topic for the Small Island Developing States (SIDS) in view of their unique features. The strategic importance of the sector is further emphasized given the dependence of tourism and fisheries on transport infrastructure, services and equipment. Recalling UNCTAD's work in the field of transport and trade logistics and more specifically the work on climate change impacts and adaptation requirements, the Chairperson was reassured to see that UNCTAD was focusing on the special circumstance of SIDS. From her perspective, an issue central to the debate is the public versus private good status of transport and the need for the public sector to step in where the private sector is unwilling to provide transport services. Examining the type of partnerships required between the state and other stakeholders including international organizations to address the challenges facing transport in SIDS is important as is the role of financial institutions, banks and other lending agencies. Greater understanding of how regional approaches can further support SIDS in their efforts is required, especially in the face of rising concerns about climate change implications for transport and the need for adaptation and climate resilience building.

Ms. Anne Miroux, Director of UNCTAD's Division on Trade and Logistics (DTL) introduced the theme of the meeting and the purpose of the event. She noted that while the unique vulnerabilities facing the transport of SIDS had been recognized decades ago, they, nevertheless, remained ever more present today and further exacerbated by concurrent trends such as globalisation, environmental degradation, climate change and limited financial resources for infrastructure development and maintenance. The meeting is intended as a stock taking exercise to clarify the state of play, identify gaps and needs and formulate potential next steps and requisite actions to address the challenges facing transport in SIDS. The Director highlighted relevant activities being carried out by UNCTAD in the lead up to the Samoa Conference and in view of the ongoing negotiations of the Post-2015 Development Agenda. Of particular relevance was the substantive publication on the topic of the meeting being prepared by the UNCTAD secretariat and intended as an UNCTAD contribution to the Samoa Conference. It was noted that discussions at the meeting were important to help inform UNCTAD's report to the Samoa Conference.

Session 2: SIDS transport and trade logistics-related challenges - an introduction to key issues and response measures

Session 2.1 Key issues and response measures – introduction and overview

This session highlighted some relevant transport and trade logistics-related challenges facing SIDS and ways in which these can be addressed.

The panelists were Mr. José María Rubiato, UNCTAD; Mr. Jan Hoffmann, UNCTAD; Mr. Ivaylo Valev, IMO; Mr. Yann Alix, Fondation Sefacil.

Relevant issues highlighted could be summarized as follows:

- "Smallness", remoteness and vulnerability to external factors are key concerns undermining the transport and trade logistics of SIDS.
- The challenge for SIDS is to avoid a vicious circle where high transport costs create a negative feedback loop which lowers service levels, compresses trade flows, eliminate economies of scale and reduce the overall transport connectivity.
- According to the UNCTAD Liner Shipping Connectivity Index (LSCI) which measures the level of access to liner shipping services, SIDS are among the worst connected countries with the exception of very few such as Jamaica, Bahamas and Mauritius.
- Determinants of transport costs, namely distance, type and value of goods, trade imbalances, port features, economies of scale and level of competition in shipping services and how these interact in the context of SIDS help explain the low connectivity and relatively high transport costs in SIDS. During the decade to 2013, for the large majority of SIDS, the average freight cost as a share of import value was estimated to be higher than the world average of 8.1 per cent, reaching up to 20 per cent in some cases, such as the Comoros.
- For SIDS to improve their liner shipping connectivity, relevant intervention action may be considered in terms of modifying port characteristics not only physical (e.g. dredging for more draft) but also aspects such as trade facilitation and the supporting regulatory framework.
- Domestic transport is an important issue for SIDS, especially for an island country made up of many other islands spread across vast distances. Connecting these islands is important to promote productive sectors such as agriculture is crucial.
- Piracy is a concern for the Indian Ocean islands in particular Mauritius which has been designated as a high risk area. This drives up trade costs and undermines the Island's export competitiveness.
- Access to financing can be challenging because transport projects applied on land maybe be easily approved by lending institutions but may not be looked at favourably when applied to islands and seas (e.g. corridors).
- The IMO through its Integrated Technical Cooperation Programme (ITCP) gives special attention to SIDS. Relevant areas of intervention encompass knowledge sharing and capacity building including in the field of maritime safety and security, maritime legislation, maritime administration and seafaring, facilitation of maritime traffic, environmental protection, as well as sustainable use and exploitation of marine resources. The programme builds on extensive partnerships with relevant stakeholders and partners and requires more funding to further support its activities in SIDS.
- There is a need to promote forward looking research and seek to foster new ideas to generate the port logistics and development framework that SIDS can use.
- SIDS should seek to derive gains from operating at a small scale, making use of local resources and catering for local needs. Relevant examples include developing niche markets,

building partnerships with traders and focusing on areas where SIDS master the processes and where local resources are available.

- There is a potential in the Caribbean to generate value and SIDS in the region need to figure out how they can interact with the arrival of large ships and the growth prospects arising from more East-West trade flows as well as North-South routes.
- Not all islands are the same as they vary in terms of scale values, financial resources and human capacities. In this context, local solutions should be favoured.
- A new framework where SIDS could effectively integrate the intra-regional transport and trade systems should be promoted. This, however, requires that SIDS work together and pull their resources and maximize value and share gains.
- SIDS should aim to co-produce, collaborate and co initiate by anticipating future needs to fight insularity, and co-share to avoid unnecessary and counterproductive competition and foster complementarities and synergies. The question remains whether SIDS can put in place common administrative, tax, customs regulatory frameworks to build a collaborative approach. However, buy-in for co-production, co-initiation, collaboration and co-sharing requires that the level of ambition be shared by other islands. That is not always the case.
- There are legal and fiscal leverages that must be built into PPP arrangements to ensure that private sector involvement in the island systems promotes economic as well as social and environmental objectives. This could entail imposing performance indicators or criteria on grounds such as capacity and human development, social objectives as well as environmental protection and climate friendliness.
- UNCTAD is well positioned to support SIDS effort in addressing their transport challenges. Relevant areas of intervention include for example collecting and processing relevant information and data, assessing port performances in SIDS, implementing trade and transport facilitation, enabling better access to finance in transport, and improving understanding of climate change impacts on transport and associated adaptation needs.

Session 2.2 The perspective of SIDS; national and regional experiences

This meeting segment sought to obtain the perspective of SIDS in relation to the challenges highlighted in the preceding discussion, including their response measures and approaches. It was also useful to gain a better understanding of SIDS priorities, obstacles faced in addressing the relevant difficulties and, success factors.

The panelists were Ms. Mere Falemaka, PIF Secretariat; Mr. Raj Mohabeer IOC; Ms. Natasha Edwin-Walcott, OECS, Ms. Christiane Leong Ho Yng, ACP Secretariat; Ms. Janet Strachan; Commonwealth Secretariat.

Relevant issues highlighted could be summarized as follows:

- SIDS share common challenges and all heavily depend on efficient reliable and transport system for their sustainable development. Almost all of their trade is carried by sea while air transport contributes significantly to gross domestic product (GDP) and to national and regional employment.
- The transport sector is key not only to access and mobility but also as an enabler of productive sectors such as agriculture, mining, fisheries and tourism.
- Mauritius produces only 25 per cent of its food requirements and is therefore heavily dependent on imports. In the meantime, the transport costs of some commodities and food stuffs in the Indian Ocean SIDS can reach up to 30-40 per cent of the value of the

commodity. Even if islands can increase food production there remains the challenge of how to deliver the output of such production to neighbouring islands in the region.

- SIDS's contribution to global merchandise trade has fallen over the years as their trade preferences eroded and their debt issues exacerbated their marginalization from regional and global transport and trading networks.
- Low volumes and trade imbalances are problematic for SIDS. There were early attempts in the last decade to explore options for bulk purchasing (e.g. fuel and pharmaceutical products). Fiji has been doing so together with Kiribati and Tuvalu to try to rebalance the trade volumes. Bulk purchasing is an area that the Pacific SIDS continue to further consider.
- SIDS are lacking the capacity to implement international instruments including IMO conventions and prevailing legal and national regulatory frameworks are inadequate. SIDS require cooperation to build capacity, including in the field of port efficiency development, security, safety, environmental protection.
- SIDS concerns are high on the priority agenda of the African, Caribbean, Pacific Group of States (ACP) Secretariat. In June 2014, the ACP Council of Ministers' Meeting adopted a decision to develop an ACP declaration on the Samoa Conference. The Council recognized the special environment and development challenges facing all ACP states, including SIDS.
- In the Organization of East Caribbean States (OECS) region, marine transport is highly fragmented and suffers from limited coordination among stakeholders, little public sector support for development, absence of a strategic development plan for shipping or in cross-cutting sectors such as agriculture, manufacturing or tourism. The region also lacks strong oversight leading to different types of violations and safety code infractions. The transport sector in the region consists of a formal and informal segment. The informal sector is of huge importance for the OECS region.
- Ship registries are important for a number of SIDS as they generate revenues through the licensing fees. Similarly, licensing fees of fishing vessels and remittances generated by seafaring including on fishing boats are an important source of revenue (e.g. Kiribati and Tuvalu).
- The presence of state owned enterprises (SOEs) and government in the field of transport highlights the difficulty of engaging the private sector to deliver services on routes that are not considered profitable and which are yet important for social reasons. The question of whether the presence of SOEs is marginalizing the private sector has been raised. Past experience has revealed a weakness is the SOE's governance which requires improvement.
- The design and functionality of ships are important in SIDS given the generally aged fleet capacity deployed on SIDS maritime routes and the associated implications from safety and security. There are also differences in port design and performance and SIDS need to improve their ports to take into account containerization. A number of islands have already redesigned their ports to mainstream containerization, natural disasters as well as seismic risk.
- Another difficulty relates to SIDS transport projects being perceived as high risks. This is particularly evident when comparing the delivery of funding for bridges and roads on the continent for example, as compared with a feeder project or maritime corridors in SIDS.
- Clarifying whether transport, in particular is a public good is especially important in the context of negotiations access to funding.
- The Commonwealth/Francophonie/G20 Development Working Group Meeting in 2013 concluded that the quantitative needs for infrastructure investment in SIDS are not well understood and that SIDS had critical challenges in attracting investment flows, including as

a result of financial sector impediments and that project development capacity needs were significant.

- To address the transport and trade marginalization of SIDS there is a need to (a) look at the financing situation of SIDS, including their ability to access concessional loans with a view to developing their transport infrastructure and services, and, (b) consider innovative solutions to the debt problem and revisit the aid for trade for SIDS. There is also a need to closely examine how SIDS can integrate into the global value chains and mega trading blocks and build their own negotiating capacity to ensure a strong multilateral system. Deals outside the WTO may result in more trade preference erosion for SIDS. Reforming the international framework to enable innovative financing mechanisms and approaches for SIDS is required.
- Action at the national as well as regional level is key and SIDS across regions have been developing strategic plans to address their transport hurdles.
- Recognizing the importance of transport for greater distributional links within the region, OECS countries embarked on the Marine Transportation Strategy to enhance the quality of shipping/level of service and ensure that the informal shipping sector becomes competitive with the existing formal sector. The associated cluster initiative is combined with the OECS Growth and Development Strategy. The OECS is currently engaged in encouraging donor support.
- SIDS in the Pacific Region have prioritized transport in their Pacific Plan (2005, 2014) which set a framework for regional co-operation and integration. Principles adopted on transport included promoting good governance in shipping management, privatizing and corporatizing the SOE, relaxing regional cabotage, promoting regional and sub-regional solutions and encouraging donor support for transport sector reforms.
- In 2014, the Pacific SIDS have adopted the Framework for Action on Transport Services to improve efficiency, effectiveness and sustainability of transport services through seven thematic areas including, improving access and collecting transport data. National maritime franchise schemes seem to be working successfully in the region. For example in Fiji and the Solomon Islands these schemes have been used to address the domestic shipping needs in routes considered not commercially viable.
- For the Indian Ocean SIDS it was deemed important to consider how to further the SIDS transport agenda beyond the Samoa Conference. In this respect, furthering and strengthening cooperation with UNCTAD was an important element given areas of mutual interests.
- Participants considered it useful to include in future meetings of UNCTAD a dedicated session to monitor progress made in the field of maritime transport. It was noted that UNCTAD needed to ensure that it delivers on recommendations and conclusions agreed and that all parties involved including SIDS also needed to do their part.

Session 3: Climate change impacts and adaptation for transport infrastructure in SIDS - the case for action

This session focused on climate change impacts and adaptation and highlighted the importance of enhancing the climate resilience of critical transport in SIDS. Port and airport infrastructure and operations in SIDS may be severely affected by climate-related impacts, with broader implications for trade, tourism and, more generally, the economic development prospects of these nations. Identifying relevant impacts and developing appropriate adaptation response measures is therefore of considerable importance, as is addressing related issues, such as information gaps, capacity requirements and financial needs.

Panelists were Ms. Regina Asariotis, UNCTAD; Mr. Leonard Nurse, CCCCC; and Mr. Raj. Mohabeer, IOC.

Relevant issues highlighted could be summarized as follows:

- The social and economic development of most SIDS from all regions is closely tied to the functionality and efficiency of their seaports and airports.
- Between 50 per cent and 95 per cent of all food and beverages consumed in SIDS come from external sources while over 90 per cent of all energy products used in SIDS, primarily hydrocarbon fuels, are handled through seaports. More than 75 per cent of consumables in other sectors are also imported and SIDS earn significant foreign and local revenues from port and airport related activities, including berthing, bunkering and airport landing fees, air and cruise passenger imposts as well as container and other storage charges.
- Meanwhile, rising air and ocean temperatures, rising sea level and surge, higher wind speeds constitute some of the key climatic risk factors for SIDS. Tropical cyclones intensity is projected to increase while their frequency is also likely to increase substantially in some basins.
- These projections are evidenced by science, including the fourth and fifth assessment reports of the Intergovernmental Panel on Climate Change (IPCC). Projections made in 2007 foresee that the mean sea level will rise by 18-59 cm by 2100. However, projections made in 2013 indicate that mean sea level rise can reach up to 98 cm. Thus, sea level rise is virtually going to be a threat for coastal transport infrastructure.
- A better understanding of the climate change challenge in its two dimensions, namely mitigation and adaption is important as they are not adequately kept apart. Although negotiations on mitigation action are important they are, nevertheless, diverting attention from the need to adapt to unavoidable climate change which has been committed decades ago.
- The implications of climate change impacts on transport, in particular seaport and airport infrastructure are a concern for all countries. The direct impacts of climate change include damage to infrastructure and equipment in ports and hinterland connections. Indirect effects are felt through changes in demand for maritime transport services, transport costs and production decisions that are induced by changes and variability in the climate.
- SIDS have the world's highest relative disaster risk. For example, of the countries that would lose the largest proportion of their urban produced capital in a one-in-250 years' earthquake, 80 per cent are SIDS.
- The natural assets that attract the tourists to SIDS are under threat as is the transport sector which services such industry. Travel and tourism accounts on average for 12 per cent of

SIDS GDP but can reach up to 80 per cent as is the case of Antigua and Barbuda. In the Caribbean, beach retreat is estimated at 0.5 cm to 1 meter per year with a shoreline in the Negril beach in Jamaica for example, receding by 20 meters over a 40 year period. Meanwhile, most of the coral reefs of the Seychelles archipelago will be lost in 50 to 100 years due to sea level rise while Mauritius could lose half of its beaches by 2050. In the past 15 years there had been 3 times more cyclones south West Indian Ocean region than in the previous 15 years.

- A number of SIDS are among the top 10 countries that are the most exposed to storms and GDP loss. In terms of relative exposure of the population, the most affected SIDS include Niue, N. Mariana Island, Fiji, Samoa, New Caledonia, Vanuatu, Tonga and Cook Islands. Vanuatu, Niue, Fiji, Samoa and Tonga are the most affected in terms of loss as percentage of GDP.
- The 2006 Stern Review provided for the first time an order of magnitude of the potential economic costs of climate change in the context of inaction.
- Building resilience at seaports and airports through adaptation action is a necessity for SIDS, given their high dependency on these facilities. Potential adaptation strategies for air and seaports in SIDS include engineering, technological, planning and development, management systems and insurance schemes.
- SIDS are taking measures to build their climate/natural disaster resilience. For example, in the Indian Ocean, the IOC established the ISLANDS project to alleviate the financial consequences of the natural disasters. The programme is expected to help IOC members address the costs of relief and reconstruction after a cyclone, flood, earthquake or tsunami. Investing now to avoid greater losses in the future makes good business sense.
- Risk management must become a central element of government policy and greater investments in disaster risk reduction and climate change adaptation are likely to reap greater benefits in SIDS than in any other group of countries. Risk strategies must be based on reliable and accurate facts and information.
- To be effective, risk assessments must rest on the establishment of accurate data on economic loss as well as modeling for future disasters. SIDS must give priority to risk management strategies that combine adaptation to climate change and risk reduction measures. These measures must be integrated into national development and public investment planning.
- SIDS must be able to benefit from strong technical support for the establishment of accurate risk assessments in each country. Although methodologies to achieve this goal are available, it is essential to ensure a continued transfer of technology to help SIDS master and apply these methods by themselves.
- Relevant ministries such as planning or finance need to receive training to estimate the costs and benefits of potential prospective and corrective disaster risk management investments.
- UNCTAD is ahead of the curve in that it has been examining the climate change and maritime transport nexus since 2008 and has effectively integrated related considerations into its work program and activities.
- In 2014 UNCTAD is launching a technical assistance project in the Caribbean region to enhance the adaptive capacity in Jamaica and St. Lucia to understand the climate change impacts on their coastal transport infrastructure, as well as assess their costs and identify requisite adaptation options. In addition, the project aims to develop a methodology for climate change impact assessment and adaptation option identification that would be transferable to other SIDS.

Session 4: Financing sustainable and resilient transport systems

This session identified relevant financial barriers and constraints that undermine the transport and trade logistics of SIDS. Response measures, including financing arrangements and policies required to address existing financial gaps, were considered, especially with a view to strengthening maritime transport systems and ensuring sustainability and climate resilience. Discussions also considered actions taken by SIDS and drew attention to supporting measures and policies required to scale up and diversify sources of funding and promote innovative financing instruments (e.g. public–private partnerships, infrastructure bonds and climate finance). The role of Government agencies, the private sector, finance institutions (including foreign direct investment) and specialized funds were highlighted.

Panelists were Ms. Frida Youssef, UNCTAD; Ms. Christiane Leong Ho Yng, ACP Secretariat; Ms. Janet Strachan, Commonwealth Secretariat; Mr. Carl Howell, CDB; and Ms. Oshani Perera, IISD.

Relevant issues highlighted could be summarized as follows:

- Being middle income countries, means SIDS access to concessionary loans is often limited.
- The cost of direct investment in infrastructure can be prohibitive. Therefore, subsidies and grants are used to finance initial costs (e.g. technical assistance, finance studies, assessments, outside expertise).
- Past experience associated with the 2007 ACP facility in Africa, shows that countries have requested funding for interest rate subsidies as they do not have access to capital markets and capacity to borrow at the global level given the high interest rates. Direct investment, technical assistance, risk capital operations, loan guarantee cost financing can also be used through ACP facility. However, subsidies alone are not sufficient to close the prevailing financial gap. New mechanisms of financing are needed by creating blending facilities that increase financing by leveraging other sources.
- Blending facilities were set up in both the Caribbean and Pacific ACP regions. These facilities help improve the sustainability of the projects given the financial discipline associated and ownership by countries submitting the projects for funding. Blending facilities also provide a resource stream to support climate mitigation and adaptation. For the Caribbean facility, the 15 ACP countries are currently eligible to receive Euros 40 million while the 14 Pacific ACP countries are eligible to receive Euro 10 million.
- Financial resources for infrastructure development include partly climate finance, but most importantly national resources and some innovative elements of financing. However, pledges are not translating into disbursement and SIDS are facing a very complex financing landscape with high transaction costs.
- Existing funds for climate adaptation face obstacles through each element of the process including the pledges, the deposits, approval and disbursement.
- There is a need to build climate finance readiness (e.g. develop skills related to identifying effective funds for SIDS); strengthening national planning as well as public policy and financial systems for climate response (e.g. climate change finance assessment tools).
- SIDS need to address and take into account their economic fundamentals to promote investment (risk pooling; guarantees; debt swaps; counter-cyclical loans) and secure national resources to capture value, including from ocean-based and marine resources.
- SIDS need to draw on untapped resources and develop practical approaches on innovative financing mechanisms. A number of opportunities arise and include Diaspora Bonds (only

Grenada has been investigating this in details); Local Currency Bonds (have been tried within Africa and need more research), Green Bonds (e.g. African Development Bank has use green energy bond, the Asian Development Bank has used water bond and green energy bonds); and, Sovereign Wealth Funds and Reserves through strong ocean governance.

- Several SIDS have used policy to advance green infrastructure (e.g. Mauritius île durable concept, the low carbon development strategy in Guyana and the Barbados green economy approach). There is a need to learn from these experiences, including in terms of release of and the blending of financing.
- PPPs are complex “risk sharing” arrangements between public and private entities. Countries can structure their PPPs in different manner depending on credit rating, capacity of their private sector, the scale of the asset at hand as well the sophistication of their international financial markets. For SIDS, this can be a huge problem in obtaining finance because financiers are usually looking for scale.
- Environmental and social risks add additional challenges when negotiating PPPs.
- A specific structure requiring financial resources needs to be put in place over the life cycle of the project (e.g. a project company or special purpose vehicle).
- Another challenge for all countries and SIDS in particular is the ability to show the certainty of the revenue stream of the asset/project. Financial feasibility/lending is based on projected revenues and cash flow rather than on the balance sheet of the PPP that is being promoted.
- There are ways to structure PPPs even if the future revenue stream is uncertain. That however implies having credit enhancement and guarantees which may reduce the cost of borrowing.
- Policy makers in developing countries do not necessarily have the skills and capacity required to manage PPP deals and negotiating a PPP arrangement.
- While procurement functions are critical for the success of a PPP deal, they are often overlooked. Therefore, building the capacity in procurement is important.
- PPPs are not delivering on their promises in all cases because not all public assets/services are suitable for PPP arrangements. To improve the PPP deals there must be an economic and social need for the public asset and, to some extent, base the deal on tried and tested technologies.
- PPP-related credit reimbursement must be lower than the gains made by the PPP arrangements, the deal should be of a sufficient size for the private sector to be interested, and, the public entity entering into the PPP must be credit worthy. It should be noted that there are risks that only the public sector can assume and PPPs need to embed environmental and social risks and serve as a catalyst for sustainable development which reinforce the role of public sector for sustainable PPPs.
- PPP experiences have not been always positive in SIDS. For example the airline industry in the Caribbean had to be supported by government on few occasions. For SIDS generally and given the small scale of operations and the tendency to serve uneconomic routes, it might be difficult to achieve PPPs as it is difficult to guarantee a stream of income over the life cycle of the transport asset. Innovative approaches to PPPs need to be considered.
- To assist countries in leveraging the private sector savings to fund this gap, the Caribbean Development (CDB) looked at the PPPs. While Jamaica and Bahamas have a good history of private sector participation in port development and could provide lessons to draw from, PPPs in the region have not always been successful and a number of actions need to be taken to improve on their performance. These include developing policies and processes for greater transparency and predictability, creating appropriate legal and regulatory

environments, building robust institutional capacity, developing adequate human capacity and creating fiscal management and accounting frameworks.

- The CDB is establishing a PPP Unit to enable coordination of donor support as well as ensure sustained capacity building at the country level and improve the regulatory environment. The Unit will provide a platform for active and sustained dialogue on lessons of experience among Caribbean countries.
- UNCTAD has a role to play by examining the lessons of regional initiatives on infrastructure that have been already implemented. Such programs include the Caribbean renewable energy development program, the Caribbean regional communications infrastructure program, the Pacific Plan for Strengthening Regional Coordination and Integration and the Pacific Regional Infrastructure Facility.

Session 5: Conclusions and way forward

- The Chairperson summarized the key issues that had been discussed over the one-day meeting and highlighted in particular the importance of finding new ways of approaching the challenges faced in SIDS. It was further emphasized that more effective solutions were required to ensure that recommendations are translated into targeted, considered and SIDS tailored action plans.
- The science of climate change and projected impacts on coastal transport infrastructure, including in SIDS is overwhelming in view in particular of the broader implications for their sustainable development aspirations.
- SIDS bore the disproportionate burden of climate change impacts and this should be the underlying theme of this meeting and its key message. This is an issue that remains at the heart of SIDS survival and overrides other considerations including sustainable development. While there is a great acceptance that SIDS suffer the most from climate change impacts without being responsible for the bulk of carbon emissions, there is much less willingness to allocate funds for climate action in SIDS.
- The IMO noted that through its Maritime Environmental Protection Committee (MEPC) work was being carried out with a view to the climate change challenge in particular the reduction of greenhouse gas emissions. In this respect, a set of technical and operational measures that aim to enhance ship energy efficiency and reduce carbon emissions were recently adopted by the organization. A call for further support to the IMO and its work in the field of sustainable maritime transport was made.
- Infrastructure development, including in transport is capital intensive and costly. Combined with projected climate change impacts and the need to address maintenance and reconstruction costs, it means that the level of indebtedness can be expected to increase. Existing vulnerabilities are also likely to be exacerbated as is dependency on high cost energy imports.
- It is important to clarify how SIDS can be effectively assisted in achieving development, including on how to facilitate access to finance.
- There remains the question of how UNCTAD and other partners can influence the global international and regional donor community to facilitate access to funding and improve the associated delivery mechanisms.
- Several and complex topics were addressed. Finance will not be easy, the world is changing and the international community is no longer ready to just put instruments and funds at the

disposal of SIDS. This is illustrated by the increasingly difficult process involved in accessing the European Development Funds (EDF). SIDS need to change their approach so that instead of making the plea or advocacy for increasing funds, they should change the way they operate and aim to feel ownership for relevant processes and instruments.

- There are important areas of interest to all SIDS discussed at this meeting and the issue is how to get insights gained at these meetings and related initiatives appropriated by SIDS. For example, the conclusions of this meeting need to be further defined and morph into, for example, a structured program that could help SIDS take relevant action and response measures.
- UNCTAD and other partners in the room will need to take these discussions a step further and aim to develop a set of competencies to improve understanding of these complex issues (e.g. few government bodies are in a position to master new instruments, such as blending finance discussed as part of this meeting). These competencies, knowledge and improved understanding should then be disseminated and shared with SIDS and used to build their capacities on ongoing basis.
- It was noted that UNCTAD's technical assistance projects aiming to build capacity in the Caribbean SIDS were to be considered as a first step of a process that was starting anew. The UNCTAD secretariat intends to widely disseminate the results of this work to SIDS from other regions and to seek approval for future technical projects that would focus on other SIDS regions.
- Finally, a call for cooperation was also received from the representative of the Universal Post Union (UPU) who, citing prevailing linkages and synergies, encouraged UNCTAD to mainstream UPU and the postal sector generally into its transport and trade agenda as well as its work on SIDS.



Ad Hoc Expert Meeting on Addressing the Transport and Trade Logistics Challenges of the Small Island Developing States (SIDS): Samoa Conference and Beyond"

Geneva, 11 July 2014

List of participants

Note: The entries in this list are as provided to the secretariat

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