

**Multi-year Expert Meeting
on Transport, Trade Logistics and Trade
Facilitation:**

**Third Session:
Small Island Developing States:
Transport and Trade Logistics
Challenges**

24 – 26 November 2014

**Enhancing the Resilience of Coastal
Transport Infrastructure – Financing and
Effective Partnerships**

Presentation by

Pacific Islands Forum Secretariat

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UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT
Small Island Developing States: Transport and Trade Logistics Challenges
Geneva, Palais des Nations, 24 -26 November 2014

Session 5: Enhancing the resilience of coastal transport infrastructure – financing and effective partnerships

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This presentation aims to:

- Review and understand various forms of development finance available to SIDS.
- Assess relevant finance access and management trends and issues;
- Review current and emerging regional and international partnerships; and
- Identify a possible way forward for resilience in transport infrastructure.



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SIDS are vulnerable

Vulnerabilities...

- **Geographical Isolation & Location**
 - restricts mobility and increases transportation cost (isolation)
 - Vulnerability to natural disasters (location)
- **Low Population Density (except PNG)**
 - Mass markets can not develop
- **High Cost of Service Delivery (Public + Private)**
 - Spatial Dispersion of population matters
 - High costs of physical (roads, ports, etc) & social (schools, hospitals, etc) infrastructure
- **Varying Degrees of Resources & Development**
 - Access to Land for investment limited
 - Narrow production and export base
 - Increasing Import dependence
- **Vulnerabilities create dependence on ODA**
 - Grant financing preferred option due to fiscal constraints
- **Limited Skills/Capacity is an issue**
 - Skill Mismatch is another problem in some FICs
 - Entrepreneurship abilities sometimes constraint by custom of unconditional giving

Vulnerabilities stem from...

- Question of **Nature vs. Nurture**
 - Nature – geographical isolation
 - Nurture – ODA support for fiscal space
- Rating our mitigation steps
 - Problem identification – 😊 😊 😊 😊
 - Setting Targets/Goals – 😊 😊 😊
 - Plan + Budget – 😊 😊
 - Execution – 😞
- Some economic problems require a **political solution** in addition to economic merits



Enablers of Development Finance

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PFM Systems
-PEFA/PFM Roadmaps
-TADAT

Debt Management
- DeMPA
- Horizon

Cost Benefit/Fiscal Forecasting
- Project appraisal
- Multi-year Planning

Aid Management
- Strengthening country systems
- Productive use of Aid

Issues in Accessing Finance

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- Quantifying risks to improve public and private investment decisions.
- Short and different investment horizons.
- 'Private sector' encompasses a broad spectrum of stakeholders.
- Market development takes time.
- Income levels, vulnerability and access to concessional finance.
- Educating and getting support from the Ministry of Finance takes time.




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Practical Ideas are needed: Sustainable Shipping

- Fossil fuel dependency is one of PICs greatest challenges. Transport is the greatest sector user ~70% of all fossil fuel imports. Sea transport is highest use for some countries and overall a greater user than land
- A transition to low carbon transport futures for PICs is consistent with PIC policy on immediate and drastic reductions in emissions, and fossil fuel dependency and transition to green growth economies.
- Despite its critical importance, consideration of how to transition PICs to low carbon futures has not been seriously addressed to date. This provides an opportunity to now implement a co-ordinated regional program. No dedicated funding is available contrasted with ~1 billion + for electricity efficiency.
- Policy and financing have been identified as the major immediate challenges to address for a transition to low-carbon shipping.

9



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Next Steps and Partnerships

- A co-ordinated program with a 'whole of sector approach' is urgently required.
- Critical re-examination of current assumptions will be required. These include:
 - The silo'ing of electricity and transport energy sectors (and the emphasis on the former).
 - The role of private investment as the primary driver for domestic transport services as opposed to the role of government, donor, development finance and PPPs.
 - The need to consider both trade (both domestic and international) and their transport platforms as an integrated package rather than separate issues.
 - The prioritisation of infrastructure in both transport challenges and climate change related policy.
 - The focus on large scale shipping at the expense of lack of focus on domestic challenges.

10



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Relevant Partnerships

- **Climate Resilient Islands Partnership:** this partnership was formed in 2011 and launched at Rio+20 by the Commonwealth Secretariat, SPREP, the Caribbean Community Climate Change Centre (5Cs), and the Indian Ocean Commission. The five priority areas include: On-line Portals; Climate Modelling; Integration of Adaptation and Disaster Risk Reduction (DRR); Regional Implementing Entity (RIE)/National Implementing Entity (NIE) Accreditation and, Developing an IOC Implementation Plan.
- **Strategy for Climate and Disaster Resilient Development in the Pacific:** provides a policy framework for directing investment that aims to strengthen the resilience to disasters and climate change impacts at regional, national and sub-national levels within PICs.

11



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