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
UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT
Small Island Developing States: Transport and Trade Logistics Challenges

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.

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
Grants
- Direct Budget Support
- Specific Purpose grants – education/health/gender/etc
- Community Resilience - NSAs

Loans
- Soft Loans/Commercial Loans & Bonds
  (Infrastructure; Finance Budget District; Trade Credits)
- Economic Stabilisation & Reforms
  (IMF, WBG, ADB)
- Debt/Currency Swaps
  (Debt for Nature Swaps; Currency Swap – Fiji/Samoa)

Savings
- Natural Resource Sovereign Wealth Funds (SWFs)/Trust Funds Returns from TFs/SWFs
  (Kiribati/Tuvalu/PNG/Timor Leste/Nauru) +
- Deep Sea Mining (Cook Islands)
- Special purpose Trust funds or Savings
  (Inter-generational equity (Northern Pacific – post 2023)
- Foreign Exchange Reserves
  (+ other national claims offshore – Sinking Funds)

Trends in Development Partner Support

- **Traditional DP**
  - Australia
  - European Union
  - Great Britain
  - Japan
  - New Zealand
  - USA

- **IFIs**
  - ADB
  - EIB
  - IMF
  - World Bank Group

- **Emerging DP**
  - China
  - India
  - Indonesia
  - Malaysia
  - South Korea
  - Taiwan – ROC

- Not exhaustive list – bilateral support from other countries (e.g. UAE)
- Varied Forms of support from traditional & emerging development partners and IFIs
Issues in Accessing Finance

- 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.
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.

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.
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.

Vinaka Vakalevu

Pacific Islands Forum Secretariat
Private Mail Bag
Suva, Fiji
www.forumsec.org