



***National Workshop on
Resource Mobilization for Sustainable Development in Vanuatu***

and

***Regional Workshop on
Resource Mobilization for Sustainable Development in the Asia-
Pacific SIDS***

Co-organized by:
the Government of Vanuatu and
the Economic and Social Commission for Asia and the Pacific (ESCAP)

CONCEPT NOTE

26-27 November 2018
Holiday Inn Resort Vanuatu
Port Vila, Vanuatu

Background

The small island developing States (SIDS) are characterized by a high degree of economic vulnerability due to the relatively small size of their economies, often with narrow economic bases heavily dependent on just a few key industries, such as tourism, agriculture or fisheries. Their vulnerability to climate change and the often-devastating effects of natural disasters such as cyclone or tsunamis compound their vulnerability.¹

Resource mobilization in such a vulnerable environment is a major hurdle for many SIDS. They face high costs of capital due to their geographic isolation, small markets and economies of scale. In some cases, the domestic private sector lacks substantial pools of domestic private savings in

¹ For example, category 5 tropical cyclone Pam that struck the region in March 2015 was estimated to have caused damage and losses in Vanuatu that amounted to almost US\$450 million, equating to about 64.1% of GDP, while category 5 tropical cyclone Winston inflicted damage in the order of US\$1.3 billion or 31% of GDP in Fiji in 2016.

the form of bank deposits, pension funds or insurance funds, while in other cases local banks tend to accumulate their cash holdings as there are relatively few bankable investments given the risk profile of the local private sector. In addition, domestic capital markets are generally very small or non-existent. Access to external private financing is also limited. International commercial banks have small credit lines for SIDS due to the small size of their economies. Compared to other developing countries, SIDS have low shares of external private financing flows from international bank lending and FDI. As a result, many SIDS are heavily reliant on bilateral and multilateral overseas development assistance.

These challenges have been highlighted by the global community through the 2030 Agenda and the Addis Ababa Action Agenda of the Third International Conference on Financing for Development (AAAA). The United Nations has already embarked on a number of plans of action to support the development challenges faced by SIDS, including the SIDS Accelerated Modalities of Action (SAMOA) Pathway. Such policy issues for SIDS have also been highlighted in ESCAP's *Regional road map for implementing the 2030 Agenda for Sustainable Development in Asia and the Pacific*. ESCAP, as a United Nations Regional Commission, is critically placed to assist SIDS in the region in this subject due to its role as an intermediary in implementing the internationally agreed global and regional policy agendas at the country level in support of the United Nations country teams.

According to ESCAP research and analysis, the region's financing requirements are tremendous.² For the SIDS in Asia and the Pacific, it may cost up to \$2 billion per year (6-7% of GDP) to provide for their infrastructure investment needs. The needs are particularly acute in the small island least developed countries (LDCs) such as Kiribati, Solomon Islands, Timor-Leste, Tuvalu and Vanuatu. Furthermore, the focus of the 2030 Agenda for Sustainable Development on social and environmental objectives highlights new dimensions and challenges for mobilization of financial resources by developing countries, especially the SIDS. ESCAP member States are in the process of identifying practical ways to use existing resources effectively and to raise additional resources for the pursuit of the sustainable development goals.

To tackle these challenges, SIDS of the Asia-Pacific region require greater domestic resource mobilization, complemented by strong international support and development cooperation, to improve tax and other revenue collection. Countries also need to identify additional and innovative financing sources, utilize global and regional initiatives, including climate finance, and in the long term develop a financial system that is efficient, fair and predictable.³

² See ESCAP (2017). *Asia-Pacific Countries with Special Needs Development Report 2017: Investing in infrastructure for an inclusive and sustainable future*.

³ It should be noted, however, that not all SIDS are in a position to benefit from new initiatives or have the potential to develop their own capital markets, as it depends largely upon exogenous factors such as geographic locations and the size of their economies or population.

It is important to recognize that a key constraint to realizing these opportunities is the lack of strong financial intermediation mechanisms to bridge long-term financing sources and sustainable development-oriented investments. The SIDS have very limited resources to address their development challenges. They also face limited capacities to attract new investments. While this is due to an absence of well-functioning financial systems and weak governance and institutional structures, protectionist sentiments in some developed countries do not bode well for long-term investments for sustainable development.

Objectives

These national and regional workshops aim to support Vanuatu and the Asia-Pacific SIDS, respectively, in the implementation of the Istanbul Programme of Action for LDCs for the Decade 2011-2020 (IPoA) and the SIDS Accelerated Modalities of Action Pathway (SAMOA Pathway), the latter of which calls for international cooperation to assist the SIDS in overcoming their vulnerabilities and the compound effects of climate change.

The key objectives of the workshop include:

1. To review the current resource mobilization situation of Vanuatu/SIDS and identify action areas which are part of the AAAA where they could encounter challenges in their efforts to raise additional resources;
2. To identify gaps and assess policies to allocate and utilize existing financial resources for sustainable development more effectively for Vanuatu/SIDS;
3. To discuss some LDC-specific international support measures (such as concessional finance and preferential market access) and the extent to which Vanuatu is aligning their existing national financial architectures.
4. To identify additional and innovative financing sources to fill development gaps of Vanuatu/SIDS;
5. To facilitate exchange of knowledge, best practices and experiences among SIDS to strengthen peer-learning interactions.

Participants

The participants will comprise officials from government departments of Vanuatu and the Asia-Pacific SIDS, particularly relevant officials that oversee national planning, finance, aid coordination, implementation of the IPoA/SAMOA Pathway and/or coordination of SDGs. The workshop will include presentations given by experts/researchers and practitioners of development cooperation with Vanuatu/SIDS (including bilateral donor agencies), along with participants from relevant international and/or regional organizations.

Documentation

ESCAP will disseminate technical background notes in advance of the event. Please visit the ESCAP website for further information about the small island developing States and the 2030 Agenda for Sustainable Development and to see other documents related to the workshop:

<https://www.unescap.org/events/workshops-resource-mobilization-sustainable-development-vanuatu-and-asia-pacific-sids>