

# Enhancing Blue Economy Sectors' for Financing for Development in SIDS

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# Structure

- **Context**
- **Investment Needs in SIDS**
- **Financing for Development in SIDS**
- **Selected blue economy sectors**
  - **Fisheries**
  - **Tourism**
  - **[Regional Cooperation]**
- **Questions for Debate**



# Context (i)

- **Agenda 2030**
- **Samoa Pathway (2014)**
  - **High-Level Progress Review (27<sup>th</sup> Sept 19).**
  - **Disaster Risk Reduction & Sendai**
  - **Development Finance**
  - **ECLAC's Debt adaptation Swap**
- **2020 Conference on Oceans**
  - **Science & innovation for SDG 14: stocktaking, partnerships and solutions**

# Context (ii)

## ESCAP's Initiatives for 2020 are goal-oriented

- **Theme Study on Oceans**
  - **Fisheries**
  - **Marine pollution**
  - **Regional Cooperation**
- **Economic and Social Survey**
  - **Sustainable Consumption & Production**
- **Countries with Special Needs Report**
  - **Financing Development <- Regional Cooperation**
    - **Fisheries**
    - **Tourism**

# Investment Needs in SIDS

- **Region needs 1.5 trillion for the SDGs = 5% of GDP**
- **Asia-Pacific CSN**
  - **LDCs (e.g. Bangladesh)**
  - **LLDCs (Central Asia)**
  - **SIDS (e.g. Samoa)**
  - **LDCs + LLDCs (e.g. Nepal)**
  - **LDCs + SIDS (e.g. Vanuatu)**
- **SIDS**
  - **Remote, vulnerable, narrow economic bases**
  - **Fiscal volatility**

# How to finance those investments?\*

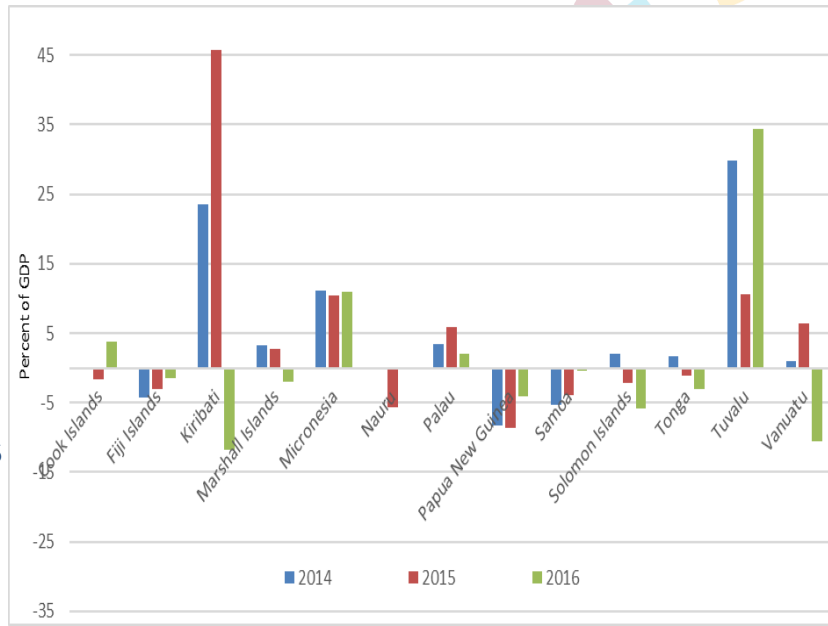
- **Public Resources**
  - **Structure (Tax vs non-tax, volatility and debt)**
  - **ODA**
  - **Climate Finance**
- **Private Finances**
  - **FDI**
  - **Remittances**
- **Mix**
  - **Bonds**
  - **PPPs**
  - **Public expenditure efficiency**

# Fiscal Volatility

- Long-term investments require: i) funds and ii) stability
- Narrow base -> High Govt. expenditure to GDP (e.g. 100% Tuvalu)
  - Low dispersed population
  - Recurrent vs Capital spending
- Volatile revenue
  - Fishing licenses
  - Aid
- Volatile expenditures
  - Natural disasters

↓

  - Wealth/Trust Funds
  - Disaster Insurance
  - MTEF



# Public revenue (taxes and non-taxes)

- **Variability: 3 groups\***
- **Relevant (ODA + VAT + Tariffs) vs Irrelevant (Income)**

Country	Tax revenue (% of GDP)	Grants and other revenue	Interest payments	Other taxes	Social contributions	Taxes on goods and services	Taxes on income, profits and capital gains	Taxes on international trade
Solomon Islands	27.6	35.0	0.3	0.8		22.1	22.3	19.7
Fiji	25.0	10.4	9.2			43.0	27.9	18.7
Samoa	24.7	25.0	2.4	0.5	1.6	49.0	16.3	7.6
Tonga	22.3	50.2	1.9	0.1		33.3	10.9	5.6
Kiribati	22.2	78.5	0.1	0.0		12.3	7.2	2.0
Nauru	21.7	79.6				2.3	7.8	10.3
Palau	19.6	50.3	0.4	2.0		25.2	9.5	13.0
Maldives	19.5	25.0	6.6	0.2		41.0	20.4	13.5
Marshall Islands	18.2	74.5	0.4	0.5		9.0	10.2	5.8
Vanuatu	17.7	51.8	2.9	1.4		36.3		10.5
Timor-Leste	12.9	67.5	0.0	0.1		7.0	23.9	1.6
Papua New Guinea	12.9	20.7	13.2	0.1		28.2	46.1	4.8
Micronesia, Fed. Sts.	11.3	77.7	0.4	0.2		2.8	15.9	3.4



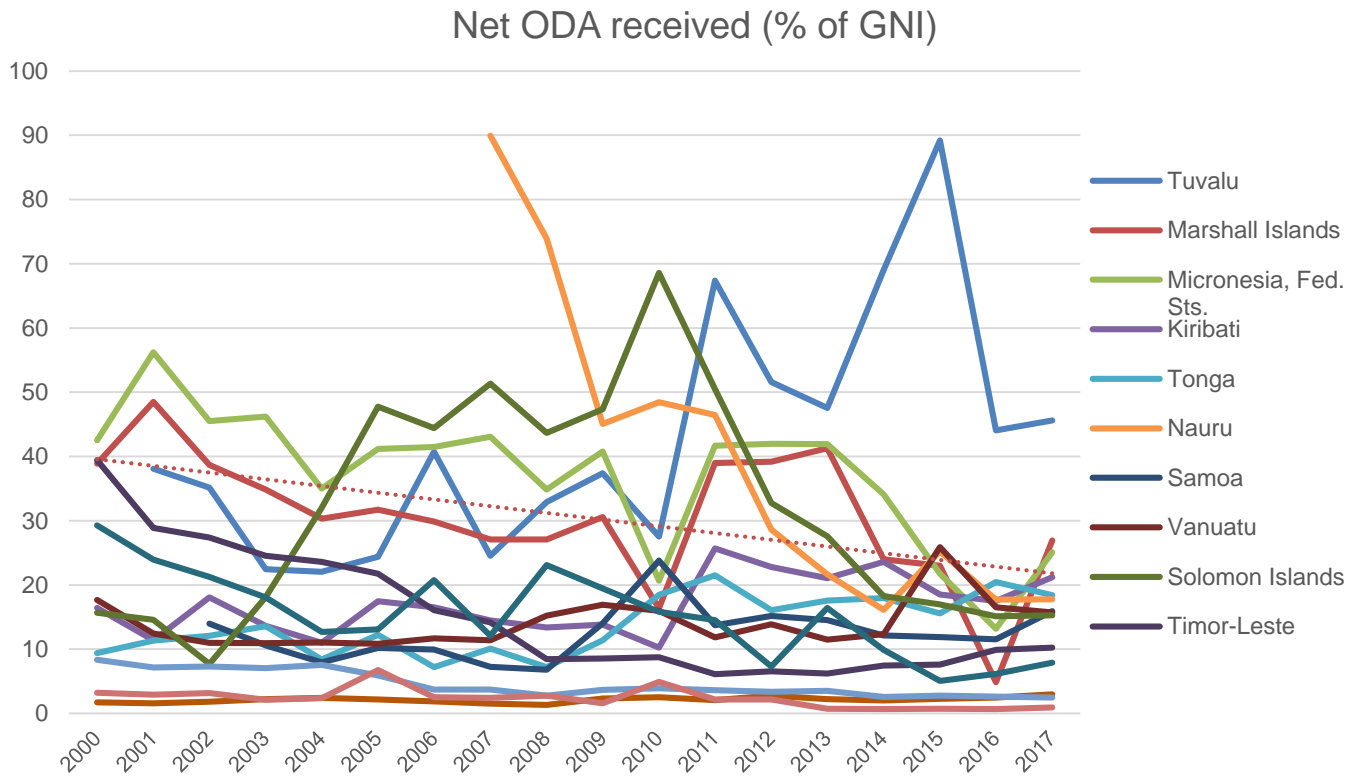
# Public Debt

- Acceptable debt levels and not worrying in the short term...
- If anything, some countries should monitor external debt

Country	Central government debt, total (% of GDP)	Present value of external debt (% of GNI)	Short-term debt (% of total external debt)	External debt stocks (% of GNI)
Fiji	-	13.9	5.6	18.7
Kiribati	-	-	-	-
Maldives	57.3	18.3	0.4	32.2
Marshall Islands	50.4	-	-	-
Micronesia, Fed. Sts.	25.6	-	-	-
Nauru	-	-	-	-
New Caledonia	-	-	-	-
Palau	66.7	-	-	-
Papua New Guinea	29.8	8.6	1.3	85.6
Samoa	-	38.8	0.0	53.5
Solomon Islands	7.0	5.9	8.0	28.6
Timor-Leste	-	0.7	6.2	1.9
Tonga	51.8	27.8	0.6	39.1
Tuvalu	-	-	-	-
Vanuatu	-	20.6	14.9	46.0

# Public resources: ODA

- Still important for many countries...
- but clearly downwards trend (except for Tuvalu)

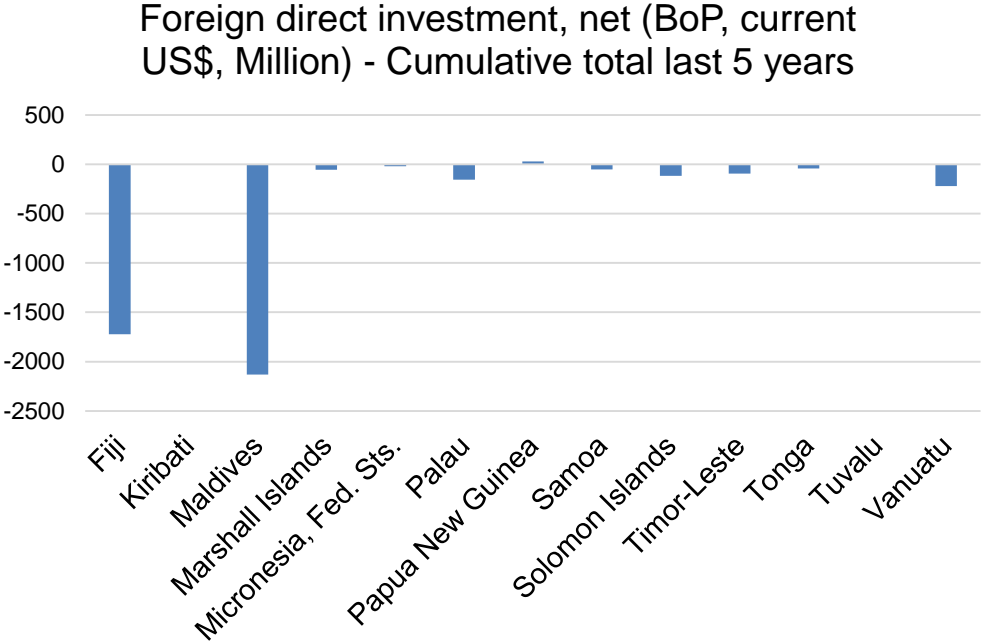


# Public resources: Climate Finance

- **Difficult to estimate**
- **Very large financial needs relative to their economies**
  - **235 M / year in 2020 -> 285 M / year in 2040**
  - **796 M / year in 2020 -> 1bn / year in 2040**
- **Mobilized: 4.6% of Asia-Pacific's 1.3 bn**
- **Some successful examples**

# Private resources: Foreign Direct Investment

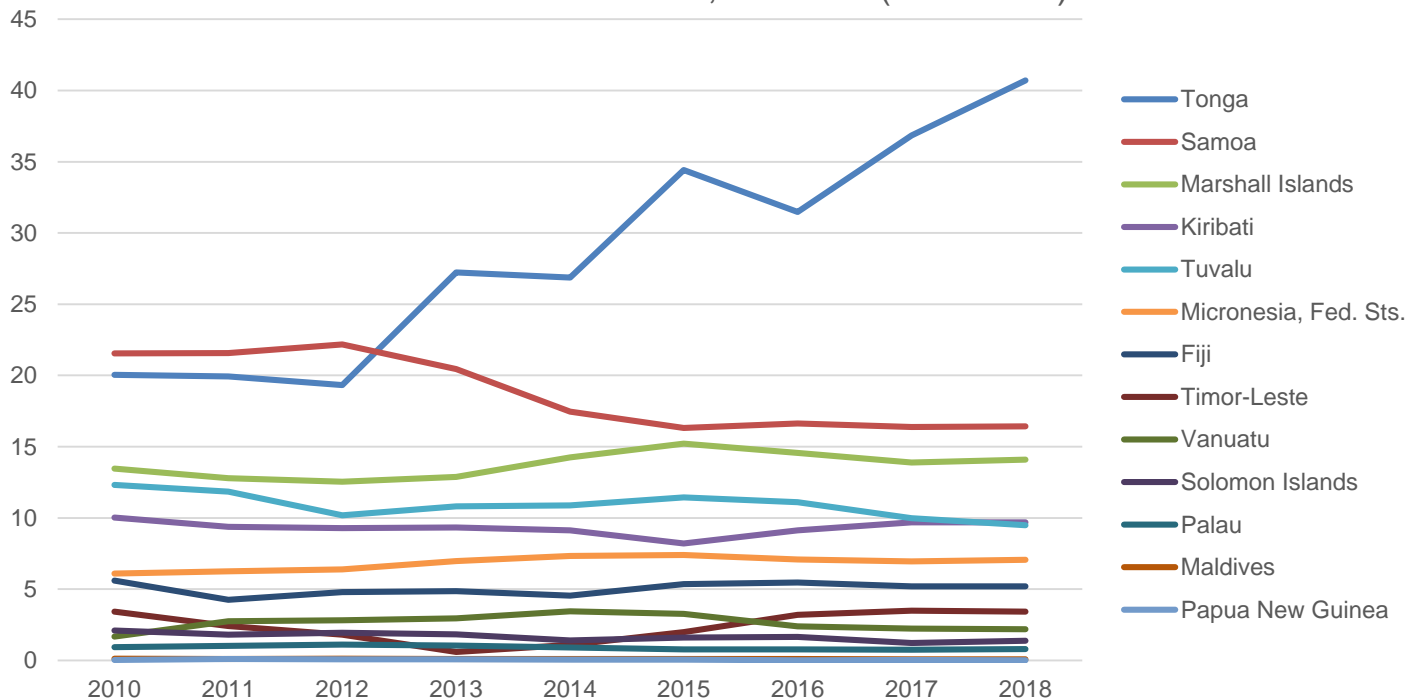
- **Difficult panorama for SIDS**



# Private resources: Remittances

- **Remain a stable and important flow for many SIDS**

Personal remittances, received (% of GDP)



# Mixed: Public-Private Partnerships (PPPs)

- Limited potential to have commercially viable projects
- Limited institutional capacity
- Transport:
  - Maldives: 478 M (2010)
  - Timor Leste 490 M (2018)
- Energy:
  - Tonga: 7 M (2000), 6.4 M (2011)
  - Vanuatu: 5.6 M (2009)
- No PPPs in ICT
- No PPPs in Water & Sanitation

# Mixed: Public expenditure efficiency

- Room for improvement (CPIA 1 = lowest, 6 = highest)

Country	Business regulatory environment	Debt policy	Economic management	Efficiency of revenue mobilization	Equity of public resource use	Financial sector	Fiscal policy	Macroeconomic management	Policies for social inclusion/equity	Environmental policy and institutions	Property rights and rule-based governance	Public sector management and institutions	Budgetary and financial management	Quality of public administration	Social protection	Structural policies	Trade	Transparency, accountability, and corruption in the public sector
Samoa	3.5	3.5	4.2	4.5	4.5	3.5	4.5	4.5	3.9	3.5	4	4.1	4	4	3.5	3.8	4.5	4
Vanuatu	3	4	3.7	3.5	3.5	3	3	4	3.2	3.5	3.5	3.3	3.5	3	2.5	3.3	4	3
Tonga	3	3	3.3	4	4	3.5	3.5	3.5	3.2	3	4	3.7	3.5	3.5	3	3.7	4.5	3.5
Solomon Islands	3	3.5	3.2	3	2.5	3	2.5	3.5	2.7	2.5	3	2.7	2.5	2	2.5	3.2	3.5	3
Papua New Guinea	3	3.5	3.0	3.5	3.5	3.5	2.5	3	2.6	2	2	2.9	3	3	2.5	3.5	4	3
Timor-Leste	2	3.5	3.0	3	3.5	2.5	2.5	3	2.9	2	2	2.5	3	2	2.5	2.8	4	2.5
Kiribati	2.5	2.5	2.7	3.5	3.5	2.5	2.5	3	3	3	3.5	3.2	2.5	3	3	2.8	3.5	3.5
Maldives	3.5	2.5	2.7	4	3	3	2.5	3	3.5	3	3	3	2.5	3	3.5	3.5	4	2.5
Micronesia, Fed. Sts.	2	2.5	2.7	3	3	2.5	2.5	3	2.6	2.5	3	2.9	2.5	2.5	2	2.8	4	3.5
Tuvalu	2.5	2	2.7	3	3	2.5	3	3	2.9	3	3.5	3.1	3	2.5	2.5	2.8	3.5	3.5
Marshall Islands	2.5	2	2.5	2.5	2	2	2.5	3	2.6	3	3.5	2.8	2.5	2	2	2.5	3	3.5

# A quick summary half the way...

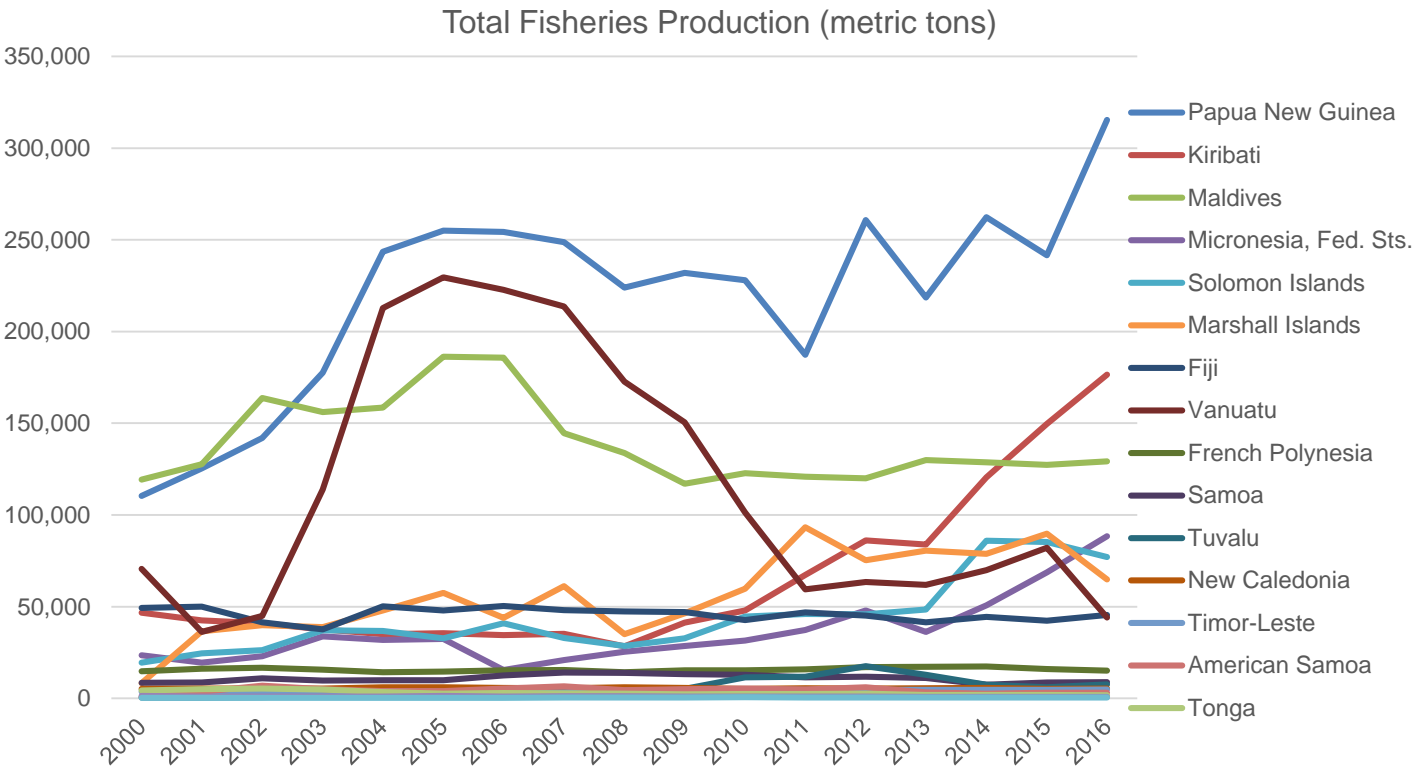
- To reach the SDGs, SIDS need to invest massively and they have room for some more debt, but...
- Internal resources and fiscal space are limited
- International cooperation not boding too well
- “Innovative” finance should be nurtured
- Public sector efficiency can improve
- Can the real sector in SIDS help more?



# The Real Sector: Fisheries

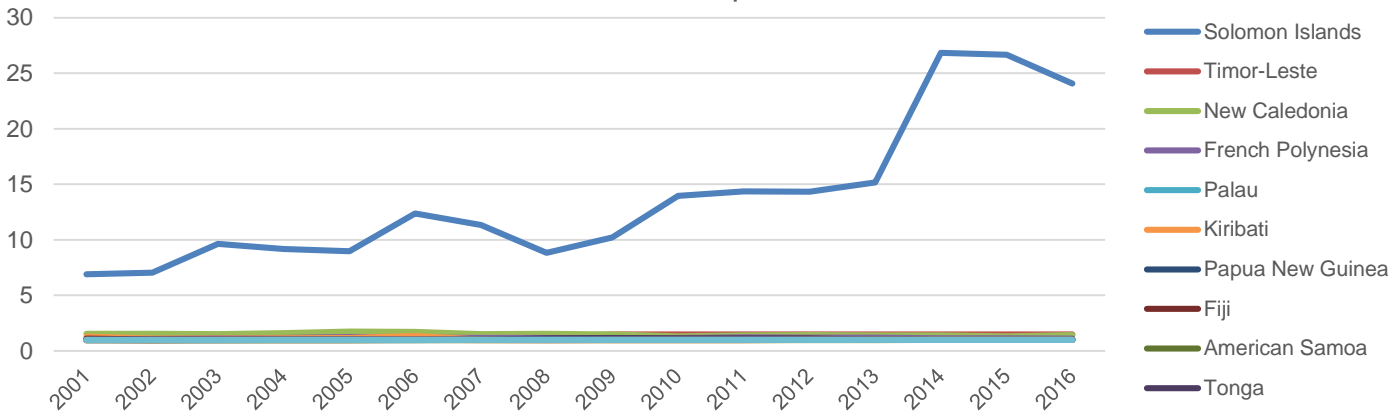
- **Opposite trends: PNG & Kiribati vs Maldives & Vanuatu**

(Control for surface of national waters)

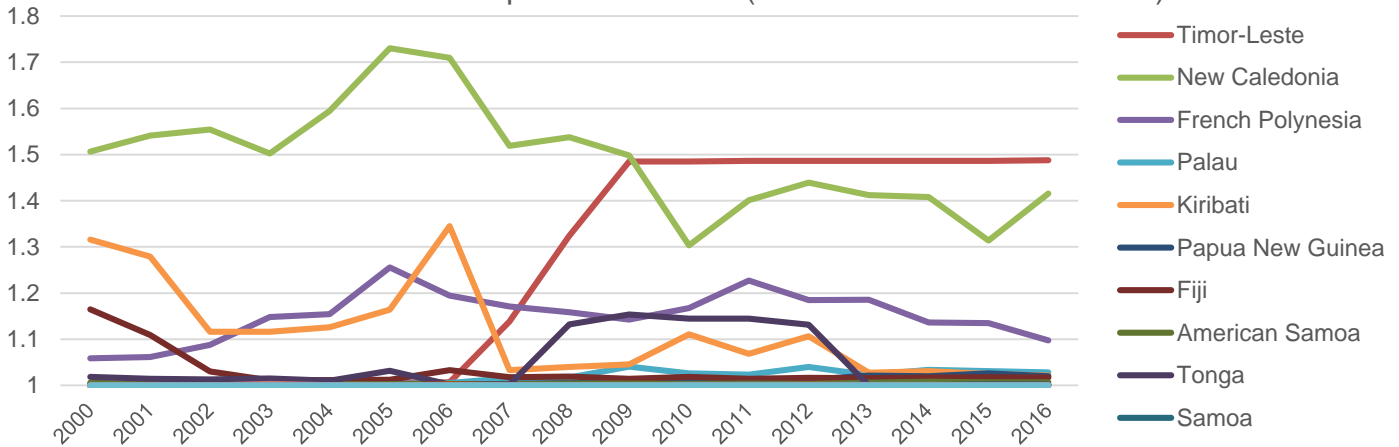


# The Real Sector: Fisheries

Total Fisheries / Captured Fisheries

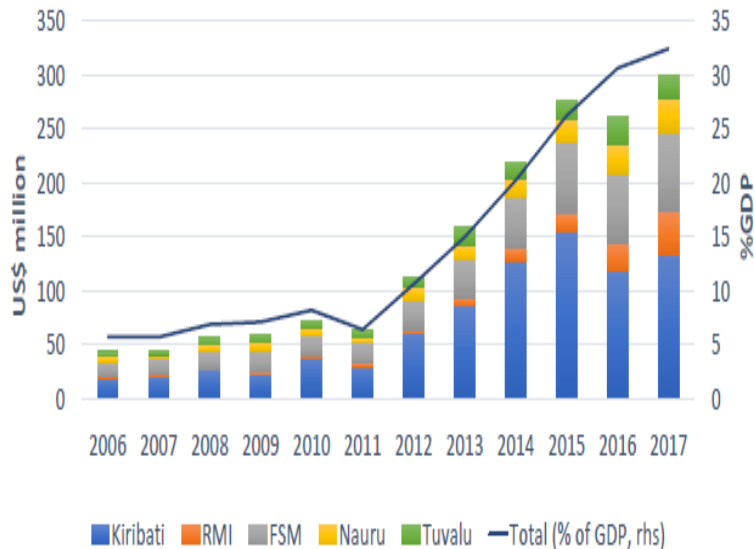


Total Fisheries / Captured Fisheries (without the Solomon Islands)



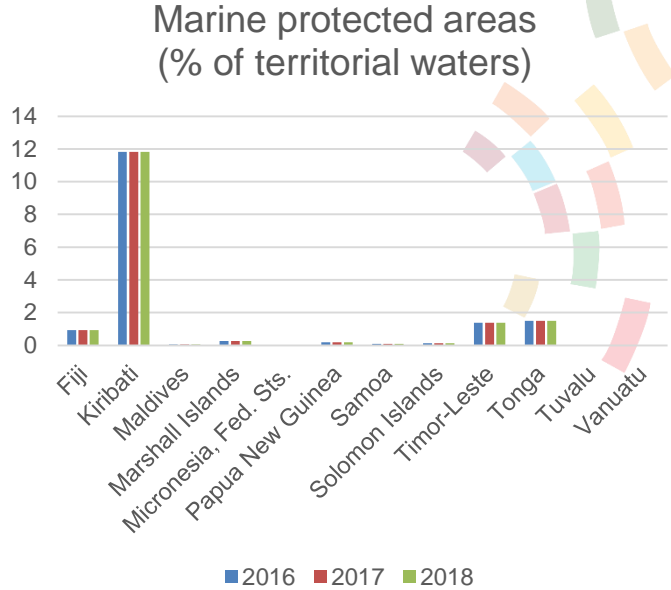
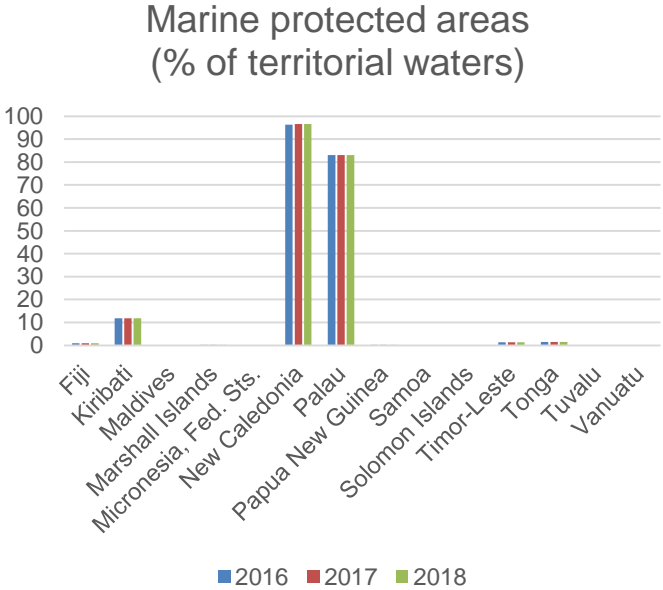
# The Real Sector: Fisheries

- Does more fish catch lead to more revenue?
  - X2 (220M -> 460M)
- Any concerns?
  - No inflation bump
  - Dutch disease? Revenue in USD or AUD + large + heavily dependent on imports
  - Increased volatility
  - Current/Capital expenditure ratio up
- Out of Nauru Agreement?



# The Real Sector: Fisheries

- Nauru Agreement (1982) -> 2010 ban ~30% World tuna
- Is increasing monopolistic power the answer?



# The Real Sector: Tourism

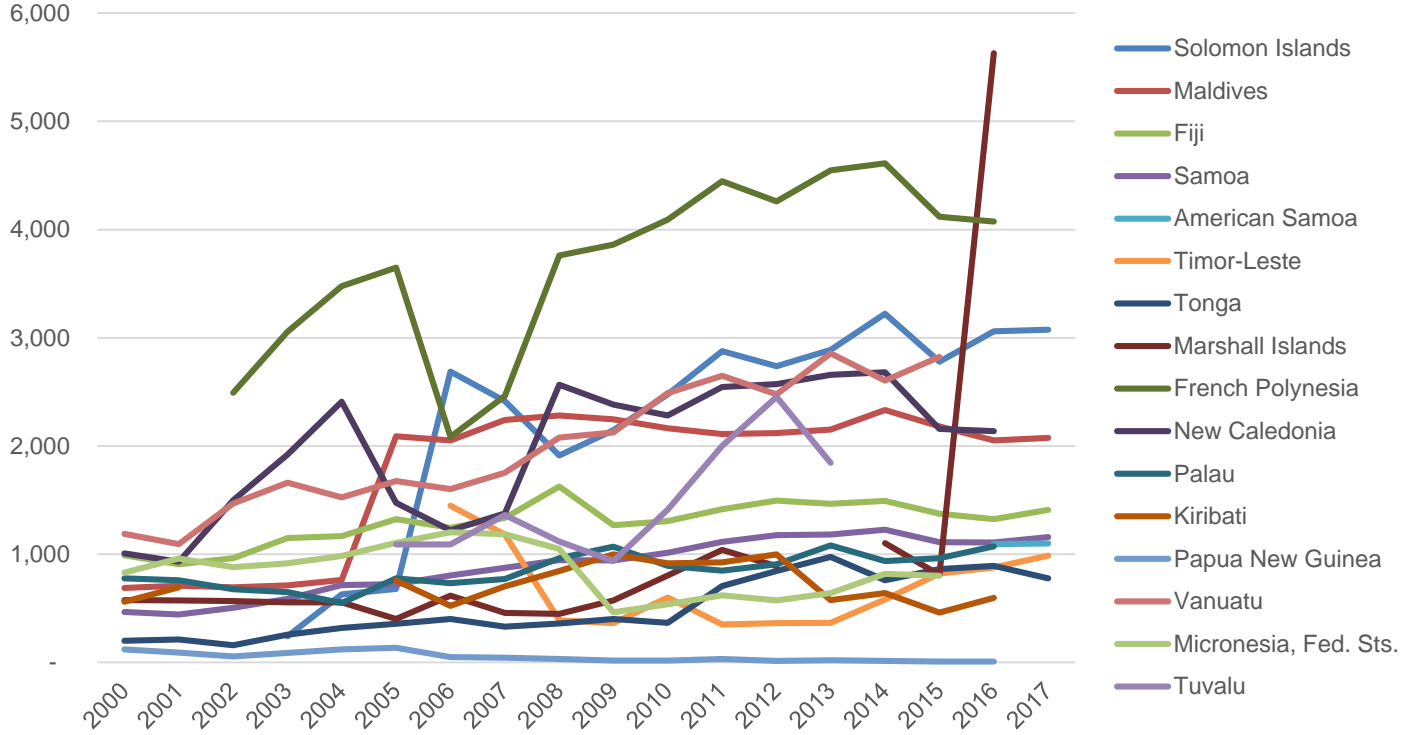
- Three groups: underdevelopment or diversification?



# The Real Sector: Tourism

- **Very different profiles**

International Tourism: Spending (current USD) per tourist arrivals



# The Real Sector: Tourism

- **Does more tourists lead to more revenue?**
  - **No bump -> are countries at their full potential?**
  - **Maldives experience replicable?**

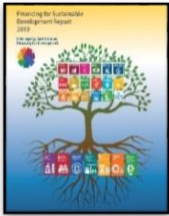
# Some Questions

- **Fisheries**
  - If Nauru so successful, why only 8 countries? Other species?
  - Why limited development beyond captures?
  - Can SIDS reach better deals for fisheries licenses?
  - ‘Technology’ to reduce revenue volatility?
- **Tourism & Marine Connectivity**
  - Can joint *sectoral* efforts be promoted?
- Any other relevant questions?



# Thanks for your Attention! 😊

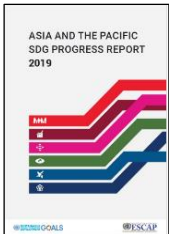
[pedrosagarcia@un.org](mailto:pedrosagarcia@un.org)



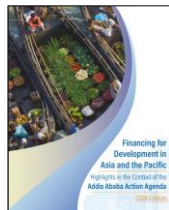
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**ESCAP Asia and the Pacific SDG Progress Report 2019**  
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