Talking Points

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Session X: "The SAMOA Pathway: Translating Vision to Action"

Thank you very much, and Assalaa Alaikum Warahmathullahi Wabarakathuh.

I would like to thank the President of ECOSOC, His Excellency Martin Sajdik for convening this roundtable discussion. The theme of today's discussion: "translating the Samoa Pathway's vision to action", is most timely, and indeed most relevant at the HLPF.

The Samoa Pathway's emphasis on inclusive economic growth and creating employment for the youth represent good starting points for taking actions that will produce meaningful outcomes. The debates on Post-2015 development agenda, and on the implementation of Samoa pathway will not translate to action, unless we close the gap between the commitments we make at the negotiation table, and the outputs we deliver on the ground.

In the Maldives, our attempt to turn Samoa Pathway's vision to action highlights the need to address some of the key challenges we face in achieving our development goals. Challenges in boosting inclusive economic growth; challenges in reducing unemployment and underemployment, especially among youth; and challenges in macroeconomic stabilization.

I will focus today on two broad challenges that we have to find solutions for in achieving our development agenda.

1. Generating finance for infrastructure projects,
2. Diversifying the economy for building resilience.

The importance of having modern physical infrastructure cannot be overstated. It's the key pre-requisite for building resilience. And it's the key pre-requisite for connectivity and enabling economic activities. In the case of the Maldives, the country's small population of 340,000 people is dispersed into nearly two hundred small islands in an area of 600 km. And only two of these islands have a population in excess of 10,000 and several islands have less than 500 people. Physical infrastructure, such as ports, airports, and transport facilities are necessary for the development of economic activities in, or around, the islands.

The Maldives economy is almost entirely based on tourism. Yet, tourism's benefits could be maximized only if we could facilitate the local workforce to work in the industry. To do that we need to open tourist resorts across the country, and facilitate the necessary physical infrastructure in close proximity. To invest in these infrastructure government needs to generate sufficient amount of finance. But the question is how do we generate financing? I will come to that point in a little while.

Another challenge arising from the dispersion of population in a large area is the cost of providing basic services, and the huge burden it places on the government budget. The Government is, politically and legally, obliged to provide to each of these islands—no matter how small the island might be—with basic healthcare, water and sanitation, up to secondary-school education, police protection, and of course, basic administrative services.

The solution to this challenge, you may say, is population consolidation. And indeed, the government shaped a policy on population consolidation back in 1987. Yet, such a policy requires the construction of basic physical infrastructure. And we come again to the question of financing.

For SIDS, vulnerability is the condition in which they have to survive, and resilience is the strategy that they have to adopt. Economic resilience has the extraordinary power to help build resilience in other areas including in the political front. But a small state cannot build economic resilience without diversifying the economy. Yet, areas for economic diversification are limited. So a number of small states opt for developing international financial services as an industry. Yet, the moment a small state announces its intention to introduce such services, they are labelled as 'tax havens'. Every year, reports and statements classifying countries perceived to have harmful tax policies are issued. Just a couple of weeks ago, the EU issued a list labelling a group of 30 countries as 'tax havens'; More than half are SIDS. Is that an accurate description?

One way of overcoming the challenges we face is by establishing partnerships. Partnerships that go beyond the dictum of the Greek Philosopher Thucidides "strong do what they can and the weak suffer what they must". Rather, we need partnerships based on mutual respect with mutual benefits. The type of partnerships envisioned in the S.A.M.O.A. Pathway.

First such partnerships should be in raising finance for infrastructure projects. Many SIDS are no longer are able to access concessional financing and they are unable to borrow from international financial markets at affordable terms due to high-risk ratings.

Author

Comment [1]:
Some larger countries including the USA, have been making the argument that MICs which include a large number of SIDS, must now rely on Domestic Resource Mobilisation. It might be important to highlight under financing challenges, the inability of SIDS to generate enough resources to finance the necessary infrastructure and economic development needs, through mere tax revenues. (income tax collection from too few people, few economic activities to tax, other services deemed illegitimate).

There was also moves to disincentivise what was termed as "harmful tax incentives". These were supposedly addressing tax havens. We have repeatedly told them that tax incentives are how we attract mega investments to our small economies. These tax incentives will be legal and properly monitored.

There are not many innovative financing options available for the middle-income country category SIDS. Achieving SDGs, like the MDGs, require sustained economic growth. Sustained economic growth will come only by investing in infrastructure. Large infrastructure projects cannot be implemented unless these countries have access to concessional or affordable financing.

The second type of partnerships that will help small states to turn the vision into action would be in the area of compliance. Small states are required to comply with multiplicity of regulations and standards unilaterally set by powerful countries, and organizations. Except those set by the UN, small states have no say in setting the standards, and they do not have the resources to implement them, and quite often are not even aware of their existence.

Perhaps one particular area where the partnerships require strengthening is the use and availability of financial and economic data. We know that reports on small states often use out-dated data leading to inaccurate assessments and serious consequences. Labels, such as "tax havens" tarnishes the image for a long time. This is why SIDS have continuously been urging for support for capacity building in data collection and analysis, and to use SIDS national data as much as possible.

I will conclude my initial remarks now, and look forward to the discussion.