Financing the SDGs in SIDS through PPPs requires a good dose of relevant knowledge and wisdom


The conference brought together academics, ministers and high ranking officials and some representatives of civil society. The format of the conference consisted of separate working sessions attended by government officials and parallel meetings of academics and representatives of International Organizations. Both groups were merged occasionally and chaired by various high ranking Caribbean government officials and some international experts provided inputs on topics ranging from financing of the SDGs to implementation of the SDGs at national level. The conference format as designed by the organizers worked very well and it was a pleasure to see government officials, academics and representatives of international
organization engage in sometimes very animated discussion that generated valuable new insights and expressions of commitments to regional cooperation.

In order to achieve the 17 goals of the 2030 Agenda, very substantial financial investment will be required. According to the 2014 World Investment Report (WIR) by the United Nations Conference on Trade and Development (UNCTAD), approximately $4 trillion will be required every year in developing countries alone for the SDGs to be achieved by 2030. Given the current levels of investment in all SDG-related sectors by both public and private bodies, developing countries face a funding gap of $2.5 trillion per year.

It is unlikely that government budgets and official development aid will be able to compensate fully for this funding gap. Many developing countries face fiscal constraints, while most donor aid is often channelled towards their current spending needs. Therefore, investments made by the private sector will be crucial in assisting the realization of the SDGs.

However, the UNCTAD report also states that private sector involvement is not without its difficulties. The first difficulty in garnering additional private sector investment is the lack of an adequate risk-return profile in many developing countries. This can arise from a number of factors: at country level, the presence of weak institutions increases investment risk while at market level, the degree of demand uncertainty affects the level of risk.

The nature of the SDGs is the second difficulty impeding private investment in such areas. As many of the SDGs involve the provision of quality services that are both accessible and affordable to others, the risk-return ratio is further eroded. In addition, dilemmas still exist about the level of private ownership that is acceptable of public assets, since governments possess ultimate responsibility for the availability of basic services.

The financial challenge of the SDGs is further compounded by the high debt levels of the Caribbean countries. Robin Wigglesworth wrote in the Financial Times on 23 February 2016 that the rating agency Moody estimates that the debt-to-GDP ratio is over 60 per cent for 12 of the 20 Caribbean countries for which it has data. Six have debt-to-GDP ratios of over 80 per cent, and four have over 100 per cent.

Acknowledging the need to ensure availability of sufficient financial resources to implement the SDGs- be this through better tax collection or though other forms of financing of projects such as public procurement, privatizations, concessions or private-public-partnerships. Innovative financing methods were mentioned during the conference such as Diaspora Bonds, the Blue Economy or the BRICS New Development Bank (NDB).
However, few of the participants were aware of the different modalities of PPPs and their advantages and risks e.g. Build & transfer (BT), Build-lease & transfer (BLT), Build-operate-& transfer (BOT), Build-own-& operate (BOO), Build-transfer & operate (BTO), Contract-add-&operate (CAO), Develop-operate & transfer (DOT), Rehabilitate-operate & transfer (ROT), Rehabilitate-own-& operate (ROO).

Without mastery of institutional knowledge of the various financing instruments and modalities, governments remain vulnerable in regard to potential further indebtedness and possible collusion of interest by public and private parties. This not only pertains to the Caribbean region, but to all Small Island Developing States (SIDS). In view of the limited resources available within the region, it might be useful to create a PPP Observatory which provides information about the PPP modalities and at the same time could be a centre of training and advising.

In closing, it is worth to take the following message into account of the UN Secretary General who states “Increases in long-term and high quality investments will lead to a sustainable rise in economic growth” (summary note, Financing for Development: Progress and prospects, Note by the Secretary-General, 10 April 2017). To best accomplish the SDGs SIDS will need to secure sustainable financing. Be this done along the SG’s admonition that the financing of investment should be of a “high quality “kind.