



FINANCING FOR DEVELOPMENT

ALLIANCE OF SMALL ISLAND STATES (AOSIS) SUBMISSION ON THE CO-CHAIRS' ELEMENTS PAPER

To facilitate the realisation of the sustainable development goals for Small Island Developing States (SIDS), AOSIS has the following aspirations for the outcome of the FfD process:

1. *That SIDS are treated as a special case for development:* SIDS remain a special case for sustainable development in view of their unique and particular vulnerabilities associated with their small size, remoteness from markets and inability to achieve markets of scale. In this regard, sufficient attention must be given to the specific financing needs of SIDS.
2. *An enhanced global partnership for development:* SIDS recognise that their persistent development challenges require an enhanced global partnership for development, adequate provision and mobilisation of financing from all sources, domestic and international, public and private, the facilitation of trade, the development and transfer of reliable, affordable, modern technology, capacity-building assistance and enabling institutional and policy environments at all levels and strengthened partnerships at the national, regional and international level to achieve internationally agreed goals.
3. *Renew commitments to reform institutions of global economic governance:* The voices and participation of SIDS should be enhanced in the decision-making and norm-setting processes of international financial institutions.
4. *That ODA commitments are strengthened:* While SIDS recognise that financing from all sources are important, the most critical source of financing is international public finance. ODA commitments must be reinforced as a matter of priority, especially those commitments made to SIDS under the BPoA, the MSI and the SAMOA Pathway, and ODA distribution to SIDS must be prioritised.
5. *That SIDS' national priorities are respected:* SIDS recognise that development assistance must adhere to national priorities, ensuring that development is nationally owned and nationally driven, in order to improve the delivery of development finance.
6. *That SIDS continue to receive preferential treatment in international trade:* Structural barriers such as small size, remoteness to markets, diseconomies of scale and high

transportation costs, hinder SIDS access to global markets, even after graduation from LDC status. Additionally, capacity constraints are also a hindrance for SIDS' effective integration into the multilateral trading system. The FfD outcome document must include a commitment by Member States to spare no effort to bring the Doha round of multilateral trade negotiations to a successful conclusion. The achievement of our sustainable development aspirations depends in part on the existence of a universal, rule-based, open, non-discriminatory and equitable multilateral trading system, which fully integrates the three pillars of sustainable development, as well as commit to consider continuation of addressing the specific needs of SIDS, through preferential treatment.

7. *That debt sustainability is addressed systematically:* Debt sustainability remains an issue of concern for SIDS, as it is integral to achieve resilient societies and economies, to ensure that development gains are continued and assured. Debt sustainability should be addressed systematically, especially to ensure smooth transition of those SIDS that have recently graduated from least developed country status. In this regard, AOSIS welcomes consideration of traditional and innovative approaches to promote debt sustainability among highly indebted SIDS.
8. *That there be coherence between the FFD process and the post-2015 process:* AOSIS recognises that the FfD and post-2015 processes are interlinked, particularly with regard to the identification of the means of implementation (MoI) for the post-2015 agenda, [specifically with reference to SDG 17] The FfD framework should complement and not duplicate the work on MoI undertaken in the context of the post-2015 development process. AOSIS also recognises the need for clear and effective division of responsibilities between the two processes.

The Elements Paper prepared by the Co-Chairs sets out a strong vision for an ambitious, fair and inclusive outcome on FfD. In this regard, AOSIS has the following specific observations on the Elements Paper:

1. While the Elements Paper provides a strong basis for continuing the work of the Doha and Monterrey agendas on financing for development, it needs to go further to achieve financing for *sustainable* development beyond 2015. The FfD framework must integrate all three dimensions of sustainable development. The environment is one of those three pillars, yet it has been largely neglected in the Elements Paper. For SIDS, climate change and other environmental challenges affect our capacity to mobilise all sources of finance and resources, and hinder our sustainable development.
2. SIDS appreciate that private finance is recognised as a building block in the Elements Paper. Exploring innovative sources of financing and blended financing options can also contribute to the development of SIDS. While we acknowledge the importance

of private financing, particularly public-private partnerships, we note that public financing should always take precedence. We note that private financing must be coupled with support towards strengthening the enabling policy and institutional environments, support towards stimulating investment which is often limited by the typically small size of the private sector in SIDS and the high concentration of micro, small and medium enterprises. We underscore the importance of harnessing the potential of Public-Private Partnerships.

3. The threat of climate change will have major implications for the availability of resources to finance development, as it will result in substantial additional costs for countries, particularly those that are most vulnerable and already being impacted, such as SIDS. Climate change should, therefore, be taken into account in the discussions on financing, particularly with regards to how to integrate sustainability considerations into the FfD outcome. While the impacts of climate change on sustainable development have been acknowledged, a distinction has to be made between climate finance as governed and defined by the ongoing processes under the UNFCCC, and traditional ODA. For SIDS, climate finance must not be double-counted as ODA, and therefore must be considered as separate from and additional to ODA.
4. AOSIS submits that in the Elements Paper the relationship between the FfD process and other ongoing, related processes remains unclear. It is also unclear how the financing aspects of internationally agreed outcomes relating to countries in special situations, such as the SAMOA Pathway, are to be synchronised with the FfD outcome. In operational terms, the linkage between FfD and MoI in the context of the post-2015 process should be made clear as early as possible, as we are to build synergies with the post-2015 development agenda. We must determine the division of responsibilities between the two processes, including the question of whether the mechanism for follow-up of FfD and the post-2015 development agenda, including the SDGs, should be different or shared.
5. AOSIS supports the prospect of a separate chapter in the Addis Ababa outcome on Technology, Innovation and Capacity Building. For SIDS, sustainable development policies can only be adequately implemented through building and retaining human and institutional capacities, as well as through ensuring access to appropriate, reliable, affordable and modern technology. Financing is necessary for initiatives in this regard.
6. AOSIS supports the inclusion of Data, Monitoring and Follow-up as a separate section under the Outcome Document. AOSIS calls for a robust monitoring

mechanism and strong accountability. Adequate attention must also be given to remedy deficiencies in data collection and statistical systems.

7. We concur with the Co-Chairs that effective monitoring of results depend on appropriate quantitative and qualitative data and statistics and their comprehensive analyses. We ask that the outcome document take into account the importance of data collection from SIDS, in the least burdensome way, allowing electronic submission where appropriate or through competent regional agencies. We also seek a reference to the need to strengthen data collection, accessibility and the analytical capabilities of SIDS. AOSIS notes that GDP per capita measures fail to adequately capture the true development progress of SIDS. SIDS recognise the need for exploring other means of measuring development, and resilience, such as a vulnerability index or a resilience profile for SIDS.