



PACIFIC SMALL ISLAND DEVELOPING STATES

United Nations Member States

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Following the first drafting session in the preparatory process for the Third International Conference on Financing for Development, the group of Pacific Small Island Developing States submit the following points for inclusion in the zero draft.

1. PSIDS echo the statement of the G77 and China in considering the Monterrey Consensus as an appropriate basis for an Outcome Document for the Third International Conference.
2. As noted in the S.A.M.O.A. Pathway, the outcome document to the Third International Conference on Small Island Developing States, SIDS remain a special case for sustainable development in view of their unique and particular vulnerabilities. There is no doubting the merits of the SIDS's "special case", defined largely by small size, extreme isolation, limited and narrow resource bases, geographic dispersion and isolation from markets, diseconomies of scale, capacity limitations, susceptibility to climate change and natural disasters and global crises. This "special case" needs to be a key consideration for the FfD process.

Domestic Public Finance

3. In addition to the challenges noted in the co-chairs' elements paper, special vulnerabilities of Pacific SIDS constrain our abilities to mobilize domestic resources. In particular, limited resources result in narrow economic bases, which in turn limits local private sector development and foreign direct investment. Public finance management is critical for Pacific SIDS to make effective use of limited resources.
4. Improving financial inclusion and financial literacy in Pacific SIDS is an important goal. We support the development of public-private partnerships to work towards improvement in these areas.
5. Micro, small, and medium enterprises (MSME) are a significant sector in the Pacific. We support the recommendations under the header "Increasing access to finance for MSMEs" in the co-chairs' elements paper annex. In addition, we would like to highlight the potential for risk sharing to support MSMEs.
6. Reducing transaction costs for personal remittances are crucial, as many households in Pacific SIDS rely heavily on these. We hope that in Addis Ababa we approve strong deliverables that will ensure that we can achieve SDG Target 10c (by 2030, reduce to less than 3 per cent the transaction costs of migrant remittances and eliminate remittance corridors with costs higher than 5 per cent).



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7. In light of vulnerabilities to climate change and natural disasters, remoteness, and distance from markets, investment in infrastructure is vital to Pacific SIDS.

International Public Finance

1. As noted by the Development Co-operation Directorate of the OECD in February 2013, many SIDS remain “aid orphans.” Only a few countries in the Pacific are LDCs, with Samoa recently graduated and Tuvalu expected to graduate soon. Given their unique vulnerabilities and challenges, SIDS are deserving of explicit mention as “vulnerable countries” in the ODA conversation. This should include improving access to concessional finance for Pacific SIDS.
2. As we have learned from the MDGs in the Pacific, and given Pacific SIDS vulnerabilities, ODA will remain a key means of implementation for the SDGs. We reiterate the importance of development countries meeting the 0.7 target, and support the recommendation in the co-facilitators annex of setting concrete and binding timetables to meet those commitments.
3. Too often ODA is inefficiently deployed, travelling through too many middlemen or unproductively earmarked. We call for streamlining mechanisms of financing so that they reach targeted communities to positively impact their lives through implementation of projects on the ground. To that end, more multilateral finance should be drawn from core sources, in contrast to the current situation where between 50 and 80 percent of Pacific regional program funds are earmarked by donors. Making financing work for SIDS means it must be accessible, predictable, and aligned with national development strategies and priorities. Such changes to the way assistance is given and received goes hand in hand with strengthened monitoring and accountability mechanisms, to make sure that development assistance is truly having its desired impact.
4. As noted in the SAMOA Pathway, international cooperation and partnerships of various kinds and across a wide variety of stakeholders are critical for the implementation of sustainable development for small island developing States. Such partnerships should be based on the principles of national ownership, mutual trust, transparency and accountability. We reaffirm that North-South cooperation remains the core type of international cooperation and that South-South cooperation is not a substitute for, but rather a complement to, North-South cooperation.

Trade

5. Moreover, given the outsized reliance on trade to fuel island economies, SIDS are worthy of specific examination as a special case that can benefit from reforms to international trade regimes. High-priced imports place a burden on Pacific households given variable global



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prices. The ability among Pacific countries to successfully benefit from trade negotiations is hampered by weak national and regional capacities on various technical issues and the inability to translate regional commitment into supporting national legislation and policies/actions. Moreover, we call for reforms to ensure a rules based, fair and equitable multilateral trading system. Trade enhancement capacity building investment would contribute to boosting trade, strengthening domestic economies and complement the sustainable development of PSIDS.

6. PSIDS strongly approve of the proposal in the annex to the co-facilitator's "elements" document to "remove/ [or] reduce fisheries subsidies" that contribute to illegal, unreported, and unregulated fishing, overcapacity and harmful and destructive fishing practices. PSIDS depend on fisheries for our livelihoods, and cannot afford unsustainable exploitation of this resource.
7. Given that most Pacific SIDS do not have viable merchandise trade exports, improving labour mobility is a priority.

Technology, Innovation and Capacity Building

8. We further support many of the proposed policies under the header of "technology, innovation and capacity building." Specifically, measures to address technology gaps in developing countries, including through the creation of a "facilitation mechanism to promote the development, transfer, and dissemination of clean and environmentally sound technologies on concessional and preferential terms." Such a mechanism is also needed to increase connectivity and use of information and communications technology through improved infrastructure, training, and national legislation, as well as public and private sector involvement.
9. Financing should target the energy sector. We are seeking accelerated actions to increase the use of renewable energy sources, including solar and wind. In 2013, Pacific leaders committed to meeting half of their energy using renewable sources, which can in turn reduce the dependence on petroleum imports. A transition to sustainable energy has cross-cutting benefits, including increasing access, reducing costs, and reducing greenhouse gas emissions.
10. As noted in the co-facilitator's elements paper, external shocks, including natural disasters, cost billions of dollars to address and threaten achievements in sustainable development. We call for financing to support building resilience to such shocks, including through training and capacity building to build resilient institutions that can respond to such events.

Sovereign Debt



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11. For the Pacific, while economies are relatively small, total debt to GDP ratios are high, with a few exceptions. The heavy fiscal burden this creates, coupled with limited access to external finance, means that governments have little fiscal space to increase expenditures in public investment and social spending. We therefore support the recommendations to improve sovereign debt restructuring.

Systemic Issues

12. We support measures to improve developing country representation in global economic decision-making and norm setting institutions and processes.

Monitoring, Data and Follow Up

13. Finally, with regard to monitoring, data, and follow-up, we would again ask for proper consideration of national capacities, and access to data, and special attention to the case of SIDS. As the OECD report cited earlier, currently no SIDS figure among the top 15 recipients of aid targeted to support the development of national statistical systems. We therefore support work to enhance capacity building and financial support to developing countries, including SIDS, to increase the availability of data. Additionally, follow up and review requirements under the agreement should not constitute new burdens for developing countries. Where possible, data should be sourced from regional organizations rather than creating additional reporting requirements.

Other Concluding Remarks

14. We note that the relationship between the FfD process and that of the “means of implementation” component of the post-2015 sustainable development agenda is still taking shape. We look forward to finding further clarity in the linkages between these two important processes.
15. Sustainable development and climate change are inextricably linked. The FfD should not rely on existing agreements to finance mitigation of, and adaptation to, climate change, but should add value to existing agreements. Financial mechanisms such as the Global Climate Fund (GCF) and the Global Environment Fund (GEF) must continue to ensure that special arrangements are dedicated to meet the special vulnerability of SIDS. The principle governing climate finance must be *additionality*, as the additional costs of climate change require new and additional financing. We therefore concur with the co-chairs’ Elements paper that the synergies between ODA and climate finance must be further enhanced. In this respect, we also believe that the FfD outcome document must reaffirm the commitments made in the Monterey and Doha documents.