Mission Permanente
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Permanent Mission of
the Republic of Benin
to the United Nations

# SIXTY NINETH SESSION OF THE GENERAL ASSEMBLY

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## PREPARATORY PROCESS
## FOR THE THIRD INTERNATIONAL CONFERENCE ON FINANCING FOR DEVELOPMENT
## SUBSTANTIVE INFORMAL SESSION
## ON DOMESTIC PUBLIC FINANCE

STATEMENT
BY

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TO THE UNITED NATIONS,
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Mr. Co-Chairs
Excellencies
Ladies and Gentlemen,

I have the honorl to speak on behalf of LDCs. We align ourselves with the statement that Bolivia made on behalf of the G77 and China. The Group appreciates the substantive presentations made by the key note speakers and the panelists this morning.

Mr. Co-Chairs,

Most LDCs have come a long way in establishing an effective, fair and stable institutional, legal and regulatory framework for public, private and civil society activities. Most of them have pursued a number of reforms aimed at strengthening revenue collection and administration capacity. These reforms feature three main components: the adoption of a value-added tax, the introduction of improved tax administration practices and the establishment of autonomous tax administrations.

The IPoA sets a target to attain 7 per cent GDP growth rates. This requires at least 25 per cent of the investment-GDP ratio. Domestic savings as a percentage of GDP in LDCs is only 15 to 16 per cent in the period 2011-2012. The ratio of government revenue, excluding grants to GDP, is only 13 per cent in 2011 in LDCs. Thus, there is a huge gap.

A set of important factors conspires to limit the growth of tax revenues in the LDCs. It is often caught in a vicious cycle of "low income, low savings, low investment and low growth" trajectory. A large number of populations in LDCs survive in subsistence agriculture in conditions of chronic poverty, outside the formal economy and beyond the tax system.

Lack of modern institutional infrastructure, such as complete database and computerized tax collection system, greatly constrains revenue collection. Value added taxes, on the other hand, have not been able to offset revenue shortfalls in other areas. VAT is increasingly perceived as regressive as the poor pay disproportionately higher amount of their income in taxes.

Many LDCs remain commodity-dependent, with a significant number relying primarily on agriculture or on the extraction of very few natural resources and primary products for export. This makes LDCs vulnerable to external trade shocks owing to volatility of commodity prices, which also impacts domestic resource mobilization.

Domestic resource mobilization will require greater reliance on domestic savings and investment, higher export earnings, and improved private capital flows, including foreign direct investment. In

order to achieve this, LDCs as well as their development partners must adopt a comprehensive approach that optimizes the synergies between domestic resource mobilization, aid, trade, private capital inflows and debt relief. The Group would like to articulate the following issues:

**First:** Development partners should support the national efforts of LDCs in strengthening their tax policies and administration as well as modern tax collection systems with adequate financial, technological and technical assistance and capacity building.

**Second**: LDCs need to establish and strengthen, as appropriate, national commodity management strategies to maximize the benefits derived from their resource base.

**Third:** Building productive capacity in LDCs can make significant contributions to domestic resource mobilization. LDCs need international support to enhance productivity and vertical diversification, value addition and increase value retention. Access to modern technology is vitally important for LDCs. Establishment of a technology bank for LDCs will make a big contribution in this regard.

**Fourth**: Development partners should support LDCs to develop domestic capital market including share and bond markets. Some of our countries (such as Angola, Rwanda, Senegal, Tanzania and Zambia) have turned to international markets to raise funds by issuing Eurobonds and succeeded in mobilizing some resources. International community should support these countries to cushion against any kind of uncertainties that may associate with the bonds in the form of rollover risk, currency risk and greater macroeconomic volatility.

**Fifth**: LDCs have huge reserves of precious mineral resources and they don't have necessary capacity,. expertise and skills for mineral exploration. The development partners should provide adequate financial, technical and technological support to LDCs to build their own capacity for mapping, exploration and transformation of natural resources with a view to deriving maximum benefits out of their own resources.

**Sixth:** Development partners should assist LDCs in their trade and investment negotiations to prevent the erosion of their tax base. Private sector agents, particularly those representing transnational corporations, should be discouraged and prevented from seeking deep or long-lasting tax concessions when investing in the LDCs. Developed countries should take the lead since most of the TNCs are owned by their citizens. Establishment of an investment promotion regime for LDCs is vitally important in this regard.

**Seventh**: Migrants' remittance- a purely private flow - is now subject to high transaction costs and other barriers. The developed countries should take concrete steps to reduce transaction costs in

remittance. The remittances should be waived from any tax in the originating country as well as in the destination country.

**Eighth**: Domestic financial sector needs to be strengthened to ensure access to financial services for all and investment of their assets in long term development projects by establishing risk mitigating mechanisms, as suggested in the Cotonou Agenda for capacity building in the LDCs.

**Ninth**: The LDCs have made significant progress towards addressing corruption. They need international support in their efforts to fight corruption, in particular through the strengthening the capacities of the various institutions established in this regard. The digitalization and rationalization of institutions in charge of resources collection can highly contribute to raising revenues of the States. The transfer abroad of ill-gotten assets entails significant consequences on sustained economic growth, sustainable development and poverty eradication. Return of these assets to its country of origin is critically important as outlined in the UN Convention on Corruption. A global partnership is urgently required to prevent transfer of corrupt assets and to facilitate their recovery from the so-called 'safe heavens'.

In conclusion, Mr. Co-Chairs, the Group would like to stress that **s**ustainable development of LDCs will critically hinge on domestic financial resources and adequate and stable external support. We believe that the three key pillars of international cooperation -- Official Development Assistance (ODA), investment and technology – must play a critical role in bridging the savings-investment gap in LDCs.

I thank you all for your kind attention