

LATINDADD STATEMENT - PREPARATORY SESSIONS ON FINANCE FOR DEVELOPMENT

Private Finance Session

Patricia Miranda, November 13th 2014

Thank you Madame Moderator,

From the ground we are aware that our countries' public resources are not enough and private sector involvement is important for job creation and tax contribution, among others, but at the same time we think that measures should be taken in order to guarantee a contribution to an inclusive and sustainable development.

Our concern relies on the type of development that private sector can contribute to, speaking not only about quantity but quality. Some examples to explain our concern are related to an increased foreign direct investment in Latin America but mainly explained for the high profitability rate of the extractive industries, intensive in capital but not in job creation, moreover when these flows are actually reinvested profits and not new resources to generate new jobs. According to ECLAC, in the country with the highest profitability rate in the region (18%), only 1 direct job is created for every million dollar of FDI.

This attraction to natural resources is also deepening an economy based on commodities where several countries are sunk and it is not contributing to diversify the productive matrix.

In the other hand we have infrastructure megaprojects in energy, financed in several cases with private investment, and leveraged by external debt, resources from Development Financial Institutions (DFIs) or through Public Private Partnerships (PPPs). In these examples there are in addition social and environmental negative impacts, with initiatives that geographically are overlapping protected areas and indigenous people communities with the risk then of incurring in human rights violation.

There certainly are valuable private initiatives, but our main concerns address to these kind of examples, so I would like to ask if current tools can guarantee and assess how private investment effectively contributes to a sustainable development and to poverty and inequality reduction, and if not, which steps do you recommend forward? From our analysis, please allow me to put on the table some of our recommendations.

- To develop a common set of responsible investment principles for sustainable development with a strong link to human rights.
- ODA resources should not leverage private investment, and if this was the case, should be implemented under the aid effectiveness principles.
- DFIs financing to private sector should keep high safeguards standards.
- Regarding PPPs it is important to set a regulation framework to allow developing countries to address a cautious approach in order not to select the more expensive and risky option, with few benefits or higher costs for the people.

- Finally, UN member states can lead the establishment of accountability processes and impact assessments.

Thank you very much.