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FIRST DRAFTING SESSION OF PREPARATORY PROCESS
FOR THE THIRD INTERNATIONAL CONFERENCE ON FINANCING FOR DEVELOPMENT
(Domestic public finance)

STATEMENT
BY

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TO THE UNITED NATIONS,
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Distinguished Co-Facilitators
Excellencies
Ladies and Gentlemen,

1. I have the honor to deliver this statement on behalf of LDCs. The Group aligns itself with the statement of South Africa on behalf of the G77 and China.

2. The Group of LDCs subscribes to the findings of the Co-Facilitators elements document that “yet resources still remain insufficient to meet sustainable development needs, and there are large gaps in countries’ capacity to raise public revenues”. However, the Co-Facilitators’ document presents a narrowly focused underlying cause for the limited domestic resource mobilization in LDCs which is “due to low capacity in tax administration”.

3- This diagnosis is only partially true. In reality, a set of important factors conspires to limit the growth of tax revenues in LDCs. They are often caught in a vicious cycle of "low income, low savings, low investment and low growth" trap. Lack of modern institutional structures and infrastructure, such as complete database and computerized tax collection system, greatly constrains revenue collection. In this sense, we support the recommendation made in the draft elements paper to “set a target for general government tax-to-GDP ratios”. In this regard, the group would like to propose to set a target to attain 7 per cent GDP growth rates and at least 25 per cent investment-GDP ratio. The outcome of the OWG has already set some targets in this line. We fully support the suggestions made in the co-chairs document to “increase ODA for tax capacity, and strengthening technical assistance”. This should aim at strengthening LDCs’ tax policies and administration as well as modern tax collection systems.

4- A global partnership is urgently required to prevent transfer of corrupt assets as well as their recovery from the so-called 'safe heavens’. In this context, in the IPoA, development partners have agreed to undertake the following measures:

(a) Eliminate safe havens that create incentives for transfer abroad of stolen assets and illicit financial flows;
(b) Assist in the recovery and return of stolen assets to the countries of origin, consistent with the United Nations Convention against Corruption;
(c) Enhance disclosure practices and transparency in both source and destination countries and cooperate in efforts to reduce illicit financial flows.
(d) Address the root causes of capital flight from LDCs.

5. 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 highly vulnerable to external trade shocks owing to volatility of commodity prices, which also impacts their domestic resource mobilization. Domestic resource mobilization should not be understood in its narrow meaning. The most important domestic resource is the People. Since

we want a People centered Post 2015 development agenda, we should extend our diagnostic to include the situation of the people as potential economic actors and from this point of view, we should address the need for credible home grown development strategies conceived by proactive national leaderships, aiming at activating the dormant capacities of the large number of populations in LDCs that survive on subsistence agriculture in conditions of chronic poverty, outside the formal economy.

6. Domestic resource mobilization will require to activate the national endowment of the LDCs to accelerate economic growth through labor intensive industrialization to achieve the shift from raw material export to local value addition and the creation of sustainable decent jobs, to allow the countries to benefit from the youth bulge and rip its demographic dividends to kick start the necessary structural transformation of the LDCs economies. The issue of reversing the brain drain should be addressed by training and retaining the critical mass of national capacity to manage development processes.

7. The national Governments in their interaction with the IFI should be left policy space to change the paradigms that perpetuate the poverty trap. The policies should aim at activating national endowments of the LDCs by making the shift from commodity dependence to diversification with ODA providing for capacity building to manage change, filling transition related gaps through subsidies and toppling up or matching the resources mobilized in the implementation of commitments such as the Maputo commitment by African Governments reconfirmed by the last year Malabo Summit of the African Union to allocate at least 10 % of their national budget to the promotion of agriculture and rural development.

8. Such efforts to mobilize domestic resources are poised to enhance the capacity of the LDCs to benefit from private sector investments, to reduce the resource gap, through the provision of financial, technical and institutional assistance, including through public-private partnerships and venture capital operations, conceived in a win -win spirit, offering skilled Young people the opportunity to undertake to concretize business opportunities with better prospects of equitable share in the value generated. ODA should find in this field catalytic use to help structure business schemes and models and to leverage larger resources from domestic sources and from international financial market to finance business models designed for the promotion of structural transformation of the economies of the LDCs.

9. Building productive capacity in such a setting will foster vertical diversification, entailing higher value addition and increased value retention and better integration in the global value chains to promote sustainable growth. Access to modern technology is vitally important for LDCs. **There is also a need to d**evelop domestic capital market including share and bond markets and cushioning against any kind of uncertainties that may associate with the bonds in the form of rollover risk, currency risk and greater macroeconomic volatility. The existing risk coverage mechanisms should be tailored to meet the needs of growth of LDCs and incentivize win -win partnerships to revitalize and expand global economy to meet the needs of Humanity leaving no one behind.

10. In conclusion, the Group would like to request the Co-Facilitators to include the above proposals in the next version of the outcome document, to motivate renewed efforts to end the marginalization of LDCs in the global economy.

I thank you all for your kind attention.