

## **UNCTAD Statement to the First Drafting Session for the outcome document of the Third International Conference on Financing for Development**

As a key stakeholder in the Financing for Development process, UNCTAD is pleased to offer comments at this first drafting session of the outcome document for FFD3.

Much has changed since the last FFD conference. The last conference in 2008 certainly did not anticipate the effects and lasting impacts of the global financial crisis, which continues to affect our world economy, even now 7 years later.

Against this backdrop, we are pleased to see the ambition of the proposed Sustainable Development Goals. But to achieve this truly transformative agenda, equally ambitious national financing strategies will require supportive global processes along many dimensions.

For this reason we wish to highlight and reiterate an important point made in the second paragraph of the Elements Paper distributed by the Secretariat: *“The financing needs for sustainable development are enormous... Global public and private savings would be sufficient to meet the needs. Yet it is clear that **current financing and investment patterns will not deliver sustainable development.**”*

UNCTAD is the focal point within the United Nations system for the *integrated* treatment of trade and development and interrelated issues in the areas of finance, technology, investment and sustainable development.

These related issues can only function together in an integrated manner in the presence of a fair and open multilateral trading system, and a well-functioning international financial architecture. Unfortunately, especially in the period since the Great Recession, neither the trading system, nor the financial architecture have been functioning particularly well.

UNCTAD believes that the FFD3 process and its outcome document are an important opportunity to take action on a number of **systemic issues** that can reverse this situation.

First, on the **trade** front, FFD3 needs to reinforce the primacy of the multilateral trading system, and the urgency of concluding the Doha Round of multilateral trading negotiations at the WTO. The proliferation of plurilateral trade agreements in recent years may be a pragmatic way to overcome some of the stumbling blocks to the multilateral negotiations, but they risk ignoring development concerns and excluding the most vulnerable. Only through bringing all countries into the global trading system on an equal footing can global aggregate demand for exports be re-invigorated to the levels we enjoyed prior to the crisis.

The governance of international **investment** is another systemic issue that FFD3 can address. The lack of a multilateral investment governance mechanism means that a patchwork of International Investment Agreements sometimes offers uneven treatment to investors and investment destinations. Calling for investment dispute mechanisms

embedded in these treaties to respect the sovereignty of individual states and their legal systems is an important step forward that can be taken at the Addis Ababa Conference.

Financing development – particularly through loans and issuing **debt** – is another systemic issue of great concern to UNCTAD. One of the successes of international support for the MDGs was the debt relief achieved under the Multilateral Debt Relief Initiative in 2005, based on a proposal originating at UNCTAD decades before. This great systemic success threatens to be undone if better financing options and better debt workout mechanisms are not found at the multilateral level.

In recent years, a startling number of lower middle-income countries, including many in Africa, have returned to borrow from the financial markets – not through the existing multilateral concessional finance windows, like the World Bank's IDA – but through issuing sovereign bonds at much higher rates of interest from the private market. This indeed is a sign of these countries taking control of their own destinies, and should be supported – however it also raises a twofold challenge to the international community. First, it demonstrates that the existing lending options under the multilateral system do not sufficiently meet countries needs. Second, given the probability that external shocks may lead to future debt crises, it reminds us of the persisting need for a genuine multilateral **sovereign debt workout mechanism**. UNCTAD is please to be servicing the Ad Hoc committee set up to this effect by the General Assembly. But we also feel these issues also need to feature prominently in the FFD3 outcomes.

In addition to these three specific concerns about the international trade and investment system, UNCTAD believes that **general systemic issues** also should play a higher and more visible role in the FFD3 Conference. Indeed, since the financial crisis systemic concerns have become more visible and important to the development choices and strategies adopted by countries around the world.

Repeatedly, in meeting such as this one, we hear of the growing importance of **South-South actors and the private sector** in helping deliver sustainable development. UNCTAD therefore makes a strong plea that the FFD3 process offer concrete recommendations on how new institutions, like the New Development Bank, the Asian Infrastructure Investment Bank, and others can better fit into the existing international financial architecture. We should seek to better integrate not only Southern institutions, but also national Sovereign Wealth Funds from the North and the South, as well as new innovative financing mechanisms originating from the UN system, such as the Green Climate Fund. We believe that the system can only be effective when all players are at the table.

On **monitoring and implementation** of the FFD3 outcomes, we hope that this process will be well integrated into the monitoring frameworks envisioned for the post-2015 agenda as whole, notably in the context of the High-Level Political Forum. We wish to highlight UNCTAD's willingness to contribute to these processes with our own expertise and comparative advantage. For example, drawing on UNCTAD experience conducting national policy reviews in the areas of investment, trade, technology and other areas, we

propose a Sustainable Development Policy Review Process, which we believe can contribute to the accountability of members to the commitments they make both in the SDG process and through FFD.

Finally, in addition to our analysis of the abovementioned systemic issues and monitoring framework, allow me to reiterate UNCTAD's ongoing support to many Member States in providing **capacity building and finding innovative technological solutions** for the challenges they face in integrating the global economic system. We are helping many countries put in place the "software" they need to build needed infrastructure and to strengthen regional cooperation.

Whether through our support to trade facilitation implementation, or our Train for Trade and Port management programmes, or ASYCUDA customs automation systems and DMFAS debt management systems, we employ a wide range of technical cooperation initiatives to deliver results to Member States on the ground.

To help guide these initiatives and integrate them in a holistic manner across sectors and dimensions of sustainable development, we look to the FFD3 process for a strong political statement on the importance and role of technical cooperation in helping countries take the financing of sustainable development into their own hands.

Thank you.