Remarks by Under-Secretary-General and Special Adviser on Africa, Ms. Cristina Duarte
on
"Our Common Agenda"

Informal Consultations by the General Assembly

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Ladies and Gentlemen,

Allow me to the take the opportunity at this open consultation to focus on a few critical issues that have been shaping people's mindsets when addressing development challenges.

I would first like to address Africa's sustainable financing challenge and then zero in on how building trust has become a crucial piece on this chest board.

Ladies and Gentlemen,

Sustainable development in Africa requires a change in paradigm—a long-needed shift that still has not happened; and COVID-19 is giving us this opportunity to shift. A shift from managing poverty based on external financing to managing development based on domestic resource mobilization (DRM). This, therefore, is clearly the call of Agenda 2063 and Agenda 2030.

In this vein, allow me to point out that, managing poverty and managing development are two distinctly different challenges. Conceptualizing financing to address poverty reduction is very different from conceptualizing financing to address development. However, financing can become sustainable if that same financing addresses development. In other words, in order to efficiently tackle sustainable financing, a reboot is needed – a reboot in the global and national policymaking field; a reboot that will enable us to stop equating the business of managing poverty with that of development.

It should be noted therefore, that unless this shift takes place, Africa will not be able to achieve structural transformation by only relying on external financing for poverty reduction.

To that end, this paradigm shift will require policymakers to understand that, before addressing sustainable development, we first need to tackle sustainable financing or we run the risk/expose ourselves to the risk of a "no-development" value chain, with no control over the flow of funds, no financial resources, no policy space and definitely no development.

Therefore, in order to break this vicious cycle, African policymaking for development finance will have to give the "driver's seat" to domestic resources mobilization.

But, in doing so, we face another challenge - the weakness of domestic resources mobilization institutions and systems combined with "a global financial system that is morally bankrupt" according to the UN Secretary-General is like two sides of the same coin. Thus, the best proxy rests in limiting illicit financial flows (IFFs). The low capitalization of national capital markets, combined with a US$1 trillion of pension fund resources placed abroad, coupled with corruption and money laundering is astounding.

Additionally, the contradiction between the amount of illicit financial outflows from Africa versus Africa's financing needs for sustainable development is, partially, a result of this weakness, fueled by the unfair global financial system.

This has become a trap supported by the paradox, Africa, with its 'right hand' loses money ($86 billion in IFFs) and with its 'left hand' asks for money. In the end, Africa borrows its own money and sometimes at an absurdly high interest rate with mismatched maturities.

Colleagues,

Capital, illicitly flows from Sub-Saharan Africa in huge amounts. Approximately 6.1%[1] of the region's gross domestic product (GDP) enters the international financial system from just down the road, from where some African countries have been borrowing resources, namely, through the Eurobond issuance.

Consequently, the policymaking focus must be adjusted and soon.

Sustainable development can only be made possible if there is internally driven sustainable financing. In that regard, two key issues are important in this approach:

(i) the effectiveness of debt management as a function of the control (or lack thereof) of economic and financial flows; not a stock ratio approach, but let us measure what matters from a debt perspective;
(ii) strong domestic institutions to boost Africa's position in the global market (value chains) as a source of predictable cash flows — the route to minimize sustainable

[1] Kar, D. and Spanjers, J (2015), "Illicit Financial Flows from Developing Countries: 2004-2013", page viii, .Global Financial Integrity, Washington DC.

> development goals (SDG) investment risks and maximize SDG impact; The integration into regional and global value chains—by boosting the domestic value added and improving access to resources and technology—plays an important and mitigating role in terms of minimizing SDG investment risks.

How then do we factor in trust - institutional trust? SDG 16 is a matter of survival for all - SDGs in Africa. It is said that institutional trust is an intangible asset with a huge impact on financing for development and consequently a clear and strong risk mitigant. It is also fundamental for leadership to acquire the legitimacy it needs to mobilize civil society for the development process. How? Through the nexus that links credibility with legitimacy and leadership. Consequently, trustworthiness is an indispensable element for rallying internal actors and external stakeholders behind a country's development agenda.

To that end, building trust becomes a crucial dimension of policy making, and it is against this background, that it is understood, that the most effective way to build trust and credibility is via the governance value chain.

The governance value chain is a simple but fundamental process that can lead to sustainable financing in the following five steps:

First, it requires effective governance based on strong country systems.

Second, strong country systems lead to effective and inclusive service delivery.

Third, public services create credibility, both internally because citizens perceive the state as a reliable source of services to cover their needs, and externally as stakeholders realize the state's capacity to develop and implement economic development plans.

Fourth, credibility creates legitimacy and trust that the state will fulfill its commitments toward its citizens and toward external stakeholders - be it investors, banks, international partners, etc.

Fifth, trust facilitates resource mobilization and ensures the sustainability of financing.

Internally, because trust in public institutions is linked to reduced tax evasion and increased tax revenue. Externally, because trust entails increased investment flows, higher credit ratings and lower interest rates that make debt management sustainable.

Ladies and gentlemen, colleagues, African colleagues,

We cannot achieve global trust or sustainable financing without promoting a reform of the global financial system. According to the UN Secretary-General, it is "morally bankrupt. It favours the rich and punishes the poor".

In this regard, there are two key issues that effective national and international governance need to address in order to ensure the sustainability of development financing: illicit financial flows and international tax regulations.

The Africa we want, is the Africa the world needs!

Thank you