United Nations

E/2013/SR.27

Economic and Social Council

Provisional

12 July 2013
English
Original: French

Substantive session of 2013

Coordination segment

Provisional summary record of the 27th meeting
Held at the Palais des Nations, Geneva, on Tuesday, 9 July 2013, at 3 p.m.

President: Mr. Osman (Vice-President) . . . . (Sudan)

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13-58340 (E)

The meeting was called to order at 3.10 p.m.

Implementation of and follow-up to the outcomes of the major United Nations conferences and summits: follow-up to the International Conference on Financing for Development (*continued*)

Roundtable discussion on "Financing for sustainable development"

1. **The President** said that the discussion afforded an opportunity to continue dialogue on financing for sustainable development and to examine new options for a coherent financing strategy. The debate would help prepare the Sixth High-level Dialogue on Financing for Development. The President recalled, as a useful starting point, the highlights of the High-level Meeting on Financing for Development in which the Council had taken part in April 2013, along with the Bretton Woods institutions, the World Trade Organization (WTO), and the United Nations Conference on Trade and Development (UNCTAD): the need for an integrated concept of financing for sustainable development as a follow-up to the Rio+20 Conference, which draws on the Monterrey Consensus, the Doha Declaration on Financing for Development and the Johannesburg Plan of Implementation; the need to honour international commitments, particularly those relating to official development assistance (ODA); bearing in mind the importance of financing needs for sustainable development, the need to mobilize all sources of financing, including national resources and private flows; the need to step up the contribution of foreign direct investment (FDI) and technology transfers to the promotion of equitable and green growth.

2. **The President** invited Ms. Akhtar, Assistant Secretary-General for Economic Development at the United Nations Department of Economic and Social Affairs, to moderate the discussion.

3. **Ms. Akhtar** (Moderator) said that the four main topics of debate were long-term investment, particularly in sectors in which risk is difficult to measure, such as infrastructure, low carbon emission projects, innovation or innovating forms of financing; financing for SMEs; global commons and the need to integrate it more effectively in the overall framework of financing for development; and the funding requirements of the social sectors. She invited participants to debate the following questions in particular: What mechanisms could most effectively tap into global savings to respond to current and future sustainable development needs? How to promote private sector investments? How to integrate climate-related funding more effectively into the overall framework of financing for development? How to forge a coherent financing for development strategy? That last question was one of the priorities of the Intergovernmental Committee of Experts on Sustainable Development Financing, which was recently installed pursuant to the final document of the Rio+20 Conference and which will hold its first meeting in August 2013, at which the United Nations Department of Economic and Social Affairs is due to make an analytical presentation.

4. **Mr. Draganov** (UNCTAD said that full achievement of the Millennium Development Goals and of the development goals to be adopted for post-2015 will evidently require major additional funding. Simultaneously, it would be necessary to sustain the transition of the global economy toward ecologically more viable forms of production and consumption. For developing countries, funding requirements related to climate change mitigation and to adaptation to those changes were estimated as at least US$ 100 billion per year from now to 2020. ODA had declined in 2012 for the second consecutive year and was likely to decline even more over the course of the next two years. That trend was mainly due to the reduction in European countries' contributions following the crisis. Official assistance would undoubtedly not suffice to respond to sustainable development funding requirements, so that private sources would have to take on a major share of the burden.

5. Today's abundance of liquidity and of certain types of capital flows was accompanied by a dearth of funding. Enterprises, especially small and medium-sized enterprises (SMEs) lacked access to the capital they needed. Numerous enterprises in developing countries were struggling to find financing for viable projects. The financial sector should therefore be encouraged to respond more effectively to the needs of the real economy. Central banks could play a more direct part in credit allocation. Thus, in the aftermath of the Second World War, certain European countries had taken steps designed to limit credit for consumption, imports, and inventory accumulation in favour of financing for priority sectors. Central banks in some developed countries were now offering long-

term low-cost funds to banks depending on results obtained in connection with, in particular, loans to SMEs.

6. Interest in development banks was reviving. Approximately 40 per cent had been established between 1990 and 2011, many of them in developing and emerging market countries. During the recent crisis, they had performed an important anti-cyclical function by expanding their loan portfolios at a time when private banks were reducing theirs. Smaller government funding sources, specializing especially in research and development, also had an important role to play in the sustainable development process and funding for it. Taxation was another core aspect of such funding. If used for productive and socially useful purposes, the resources currently held in off-shore financial centres would make a significant difference. At the same time, countries would reduce their dependence on international capital flows and would be less exposed to their potentially negative macroeconomic impact.

7. **Mr. Scheper** (European Bank for Reconstruction and Development — EBRD) said that the Bank was an international financial institution focused on supporting the private sector. It had had a particularly important role to play in the aftermath of the global economic and financial crisis when capital fled from certain countries in its sphere of operations. The support that the bank had lent to the private sector addressed the whole of each enterprise's financial structure, which meant that the Bank offered not just loans but equity financing as well. It also managed technical assistance activities, focusing in particular on sustainable energy and climate change mitigation. The Bank's policy took such criteria into account as environmental, social integration and governance policies, as well as policies aimed at combating corruption. Currently, loans outstanding to the private sector totalled 20 billion euros, while equity financing amounted to 10 billion euros. Total support to the private sector since the Bank was established, from its own funds, totalled 100 billion euros, and support amounted to twice that amount if you included external flows mobilized thanks to its intermediation. One third of its investments served to finance SMEs and help local banks support them; one third were in infrastructure (energy, transportation, natural resources, municipalities); and one third went to industrial, agricultural or technological enterprises. Significant returns on investments had been achieved since the Bank was established, so that its capital had risen from 5 to 15 billion euros. Currently, the Bank was preparing an institutional investment partnership to garner resources from sovereign funds and large pension funds, which had so far invested very little in the Bank's sphere of operations. The fourth objective of that kind of partnership was to offer participating institutions an opportunity to invest long term in countries or regions where they were not yet active. Those institutions obtained a guaranteed financial return on their investments, while other stakeholders benefited from the positive effects of those investments. Last, but by no means least, the costs involved in those investments were far lower than the fees charged by private financial institutions, because the EBRD did not mobilize capital in order to make a profit but rather to show that investing in development and in the observance of environmental, social protection and corporate management standards can be profitable.

8. **Mr. Bertuch-Samuels** (IMF) said that, given the global recession and most countries' budgetary constraints, it would be unrealistic to expect ODA commitments to be honoured in the near future. However, all the sums devoted to ODA amounted to barely half those devoted by developing countries to agricultural subsidies. The problem was therefore not a lack of capital but one of priorities, and the trade-offs and political choices that were being made. More backing was needed for ODA and, there, the United Nations and the Council could play an important role. The issue of raising domestic resources was vital if one considered, for instance, that low-income countries would need to increase their tax-to-gross domestic product ratio by 4 per cent to reduce poverty and improve their infrastructure in accordance with the Millennium Development Goals. The mobilization of domestic resources posed huge difficulties for numerous countries in which the formal sector was preponderant and maybe accounted for up to 60 per cent of GDP. There were four major challenges in that area. The first was to strengthen public revenue administration systems and efforts to combat corruption. The second had to do with the value-added tax which, even if it was already a significant source of revenue, could in many cases yield more, particularly through a review of the exemptions and preferential rates system. The third challenge had to do with ways of keeping the revenue from corporate income tax,

which, in low-income countries, represented a major share of government revenue. In fact, the aggressive tax optimization policies of multinational enterprises, the tax law competition between countries and tax dodging and evasion were combining to reduce numerous countries' revenue. It was important to boost international cooperation in this field to ensure that potential tax revenue from enterprises escaping those countries in which they conducted their business. The fourth challenge was the fact that in numerous countries revenue from mining natural resources, such as oil, natural gas, minerals and metals accounts for between 20 per cent and 50 per cent of their GDP; it was important to help those countries manage that wealth better as well as the revenue derived from it. Finally, with respect to the question of how best to tap today's significant volume of global savings, Mr. Bertuch Samuels stressed that, while capital flows to emerging countries have greatly increased, that trend benefited only a limited number of countries, because investors were fleeing low-income countries, particularly the least advanced. It was advisable to encourage the development of solid projects capable of benefiting from funding in order to attract investors, especially in Africa, where the growth potential was immense.

9. **Ms. Uy** (World Bank) said one could not underestimate the importance for numerous countries, particularly African countries, of the revenue from exploitation of natural resources. More judicious use of such revenue could provide a major boost to development. With that in mind, certain countries had asked the IMF and other multilateral institutions for technical assistance with natural resource management, fiscal management and the strengthening of their negotiation capabilities. ODA, which, together with remittances by migrants back to their families, made up the bulk of capital flows to fragile states, had declined in 2012 for the first time in 12 years. Those countries were generally highly vulnerable to changes in ODA flows. A certain number of countries were benefiting from funding on advantageous terms from new development partners, especially the BRICS countries, which provided not just capital but other forms of assistance as well. Private philanthropy was also a significant source of funding. Public-private partnerships were among the instruments destined to play a major role in the future. They represented a good way of tapping into global private savings and mobilizing major long-term financing to meet infrastructure needs and thereby facilitate development. Institutional donors and creditors and multilateral development banks could play an important part in this area by providing guarantees and mitigating certain risks that were unacceptable to private sector players. However, such partnerships were not easy to forge and numerous projects never came to fruition for reasons relating to local policies and regulations. It would be important, in that regard, to encourage the necessary reforms. Public-private partnerships came in several guises and could employ various mechanisms, such as syndication, which opened up major opportunities, and co-financing. Certain innovative joint financing mechanisms also yielded good results, including in the area of financing to combat climate change. Finally, given that global public goods were at the heart of the post-2015 development programme, it would be important to find innovative ways of mobilizing the private sector to finance activities in areas such as the strengthening of the global financial architecture in order to ensure its stability; pace and security; efforts to combat communicable diseases; knowledge sharing; and the fight against climate change. In particular, the strengthening and upgrading of infrastructure in the countries vulnerable to climate change will require huge investments.

10. **Mr. Montes** (Centre du Sud) said that sustainable development could not be achieved without stable and predictable access to appropriate sources of financing. The Centre du Sud was keeping track of several key components of a global environment conducive to sustainable development. National austerity policies ought not to be the principal means of accessing international markets and funding and regulation of the capital account ought not to be the norm in developing countries, not a policy of last resort. Re-establishing developing countries' room for manoeuvre in taking decisions regarding their capital account should figure high up on the global systemic reform agenda. International discipline should be re-established vis-à-vis the countries issuing reserve currency. Finally, what was needed was an impartial, global, predictable, equitable and comprehensive mechanism for renegotiating sovereign debt. Mr. Montes pointed out that there was more to sustainable development than the eradication of extreme poverty. An effective and global sustainable development program had to address means as well as ends, and restoring the capacity of the international economy to invest in improving access to

clean energy sources, more effective equipment and infrastructure, and less wasteful lifestyles, was what would guarantee sustainable development.

11. An exchange of views ensued, during which **Mr. Jonas** (Benin), **Mr. Nasr** (Egypt), **Mr. Ismail** (Sudan) and **Ms. Bibalou** (Gabon) raised questions regarding the following: the situation of the least developed countries, which faced private sector reluctance to take on the risk of investing in that group of countries; the difficulty of integrating climate change financing in the sustainable development process; the establishment of a global tax to supplement the domestic resources devoted to achieving the Millennium Development Goals; the political autonomy of countries to endow themselves with effective tax systems rooted in their own convictions and culture; the national counterpart competencies that were essential for supplementing international financing; and the support that middle-income countries can expect from the international community in addition to their innovative forms of financing.

12. In their replies, **Mr. Bertuch-Samuels** (IMF), **Ms. Uy** (World Bank), **Mr. Montes** (Centre du Sud), **Mr. Draganov** (UNCTAD) and **Mr. Scheper** (EBRD) stressed that, in financing for development, it was not just a question of mobilizing funds, but also a matter of ensuring the availability in the country concerned of the required skills, particularly with regard to project financing, cash flow managements and risk mitigation. The speakers also referred to the possible repercussions of the establishment of a BRICS bank that would improve the terms on which international institutions made loans; to the need to strengthen international cooperation in the fight against corruption; and the need to explore the potential associated with remittances, which in volume actually exceed official development assistance.

The meeting adjourned at 5.40 p.m.