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Summary record of the 16th meeting

Held at Headquarters, New York, on Tuesday, 21 October 2014, at 10 a.m.

Chair: Mr. Iziraren (Vice-Chair). . . . . (Morocco)

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In the absence of Mr. Cardi (Italy), Mr. Iziraren (Morocco), Vice-Chair, took the Chair.

The meeting was called to order at 10.10 a.m.

Agenda item 17: Macroeconomic policy questions

(b) International financial system and development (A/69/188 and A/69/392; A/C.2/69/2 and A/C.2/69/3)

Agenda item 18: Follow-up to and implementation of the outcome of the 2002 International Conference on Financing for Development and the 2008 Review Conference (A/69/358, A/69/315 and A/69/392; A/69/83-E/2014/71; A/C.2/69/2)

1. **Mr. Trepelkov** (Director of the Financing for Development Office, Department of Economic and Social Affairs), introducing the report of the Secretary-General on the follow-up to and implementation of the Monterrey Consensus and Doha Declaration on Financing for Development (A/69/358), said that developing countries had made impressive progress since 2002 in mobilizing domestic financial resources for development, but those resources remained insufficient to meet sustainable development needs. Revenue administration in developing countries was hampered by misallocation and weak mid-level skills. Reducing illicit financial flows and tax evasion would require capacity-building and international tax cooperation. Private domestic finance had helped develop orderly capital markets, but those markets should be regulated to limit speculation and avert bubbles and shocks to the real economy. Greater efforts must be made to promote financial inclusion, including through the use of new technologies.

2. Progress had also been made in mobilizing international private resources for development. Gross foreign direct investment (FDI) inflows to developing countries had amounted to $778 billion in 2013, up from $197 in 2003, but had been unevenly distributed. Meanwhile, emerging economies had also become sources of outward investment and many countries had taken measures to reduce the volatility of capital flows; however, a greater proportion of institutional investors' assets should be directed towards sustainable development.

3. The report emphasized the growing role of developing countries in international trade. South-South trade had also increased but, at 1.14 per cent, least developed countries' share of global trade remained low. The report also noted that intensified transport of goods in global value chains produced significant carbon dioxide emissions. There was a need for a holistic approach to investment frameworks to promote sustainable development as an alternative to proliferating free trade agreements that fragmented trade rules and were not negotiated under a development mandate.

4. The years since 2000 had witnessed a reversal in official development assistance (ODA) from donors. Although ODA had risen to $134.8 billion in 2013 from $84 billion in 2000, it was still below the United Nations target of 0.7 per cent of gross national product, and least developed countries' share of official development assistance had fallen slightly. An estimated $400 billion per year could be raised through a combination of innovative sources of financing. The Development Assistance Committee of the Organisation for Economic Cooperation and Development (OECD) was reviewing the measurement of development finance and constructing the concept of "official support for development," which would be broader than official development assistance and might inflate headline assistance numbers by including private financing and increasing the use of tied aid.

5. The external debt vulnerability of many developing countries, especially middle-income countries, had decreased, but the composition of public debt had changed, with an increase in the share of debt denominated in local currencies. At the same time, there had been an increase in short-term debt as a proportion of gross domestic product, and institutional mechanisms to deal with debt distress were still lacking. To enhance the role of foreign borrowing for growth and development, efforts were needed to strengthen responsible lending and borrowing; debt management; and sovereign debt restructuring.

6. Since 2008, reforms had improved the soundness of the financial system, but those efforts needed to be balanced by sufficient access to credit. Regulatory initiatives, including Basel III, had hitherto focused on enhancing resilience but greater efforts must be made to transform shadow banking into more transparent market-based financing. The International Monetary Fund (IMF) had strengthened its multilateral surveillance through a new legal framework which placed greater emphasis on risks and spillover effects of economic policies in the world's largest economies.

Regional financial stability mechanisms had been strengthened to prevent contagion of instability, and the BRICS countries (Brazil, the Russian Federation, India, China and South Africa) had launched a new development bank and a related Contingent Reserve Arrangement. Governance structures had evolved since the Monterrey Conference and developing countries were participating more in economic decision-making and norm-setting.

7. Section VI of the report entitled “Staying engaged” emphasized the importance of the 2015 International Conference on Financing for Development. The outcome of the Conference was expected to support the implementation of the post-2015 development agenda.

8. Introducing the report of the Secretary-General on the international financial system and development (A/69/188), he said that the report contained information on trends in international official and private capital flows to developing countries and efforts to strengthen the international financial system towards the post-2015 development agenda. Ongoing challenges in the areas of financial regulation, sovereign debt distress, the global financial safety net, multilateral surveillance, policy coordination and governance reform of the international financial institutions were reviewed. Overall, it stressed that the international financial system would be critical to implementation of the post-2015 agenda. However, developing countries remained vulnerable to volatile capital flows. Sound macroeconomic policies, macroprudential measures and capital account regulations could help prevent economic distortions. Regulatory structures needed to focus on three other areas, namely the transformation of shadow banking into transparent market-based financing; the ending of too-big-to-fail; and the safety of derivative markets. Cross-border resolution regimes with fair burden-sharing would be boosted by convergence of accounting standards, international tax cooperation, and countercyclical buffers.

9. Global financial stability was undermined by the lack of an impartial solution to sovereign debt restructuring and insufficient complementarities between IMF and regional financial arrangements. Global economic governance structures should evolve to broaden participation by developing countries and economies in transition. The implementation of the 2010 IMF quota and governance reforms would represent an important step forward if the largest shareholder of both IMF and the World Bank adopted the necessary measures in 2014 for its ratification. The Secretary-General’s reports on macroeconomic issues and his forthcoming synthesis report were important reference points for intergovernmental deliberations in the run-up to the third International Conference on Financing for Development, and complemented reports by the Intergovernmental Committee of Experts on Financing for Development and the Open Working Group on Sustainable Development Goals.

10. **Ms. Luna Tudela** (Plurinational State of Bolivia), speaking on behalf of the Group of 77 and China, welcomed the convening of the first informal session of the preparatory process for the third International Conference on Financing for Development and. said that adequate means of implementation were needed to achieve the internationally agreed development goals, including the sustainable development goals and the post-2015 development agenda. Official development assistance remained essential and developed countries should fulfil all their commitments in that regard, including to the least developed countries. However, the third International Conference on Financing for Development should also focus on strengthening the follow-up process based on the Monterrey Consensus and the Section thereof entitled “Staying Engaged” It should examine the impact of the economic and financial crises on the implementation of the internationally agreed development goals, and its preparatory process should take into account the Monterrey Consensus in its entirety and the need for a coherent approach to financing for development that integrated all three dimensions of sustainable development in a balanced manner. In particular, the Conference would be an opportunity to intensify efforts to eradicate poverty, generate inclusive growth and achieve sustainable development.

11. **Ms. Rambally** (Saint Lucia), speaking on behalf of the Caribbean Community (CARICOM), said that financing for development was a prerequisite for achieving the internationally agreed development goals, including the Millennium Development Goals (MDGs). Both the Monterrey Consensus and the Doha Declaration, which had become the foremost reference points for international development cooperation, had emphasized the need for a global commitment to achieve the internationally agreed development goals,

including the MDGs, encourage investment and debt relief, promote efficient government and remove trade barriers and agricultural subsidies. In order to meet financing for development challenges, the third International Conference on Financing for Development should support the mobilization of financial resources and accelerate implementation of a transformative post-2015 development agenda. That Conference must give due consideration to strengthening international cooperation in tax matters, the financing of the sustainable development goals, and the reform of global institutions. Attention must also be given to debt-related issues, including sovereign debt restructuring, and issues such as South-South cooperation and remittances must be dealt with sensitively. Moreover, the Conference must agree on a participatory evaluation and review framework to measure progress towards the achievement of the post-2015 development agenda, track actions by all stakeholders and enhance local, national, regional and global accountability. CARICOM welcomed the initiation of the preparatory process for the Conference.

12. National wealth and resilience should not be measured solely on the basis of gross domestic product (GDP) per capita. Indeed, many Caribbean countries had been classified as middle- or high-income countries on that basis, making them ineligible for various forms of debt relief and concessionary financing. Stripped of its context, GDP per capita failed to capture the myriad vulnerabilities and development hurdles that confronted CARICOM countries on a daily basis.

13. **Mr. Calvo Calvo** (Costa Rica), speaking on behalf of the Community of Latin American and Caribbean States (CELAC), said that global economic recovery was far from certain, with only scattered signs of recovery, especially in developed countries. Unemployment and youth unemployment, in particular, remained dangerously high. Proactive and equitable countercyclical policies supportive of job creation were needed to mitigate risks and ensure sustained economic recovery. Development at the national level depended on effective macroeconomic policies, whereas international development required international cooperation and an enabling global environment. CELAC believed that sustainable growth at both the national and international levels, with a focus on employment and lowering income inequality, were the best way to achieve poverty eradication.

14. Transparency and regulation of the international financial system, and of credit rating agencies in particular, needed to be improved in order to expand and diversify the economy; alternative ways of measuring the quality of credit and financial products must be developed. Similarly, agreements between debtors and creditors within the context of sovereign debt restructuring processes should be respected. Such agreements must be sufficiently reasonable to ensure that debt sustainability problems could be addressed in an orderly fashion. CELAC therefore supported General Assembly resolution 68/304 on establishing a multilateral legal framework as a first step towards the improvement of the international architecture for sovereign debt restructuring.

15. CELAC member States were in favour of tackling distortions in international trade, in particular non-tariff measures, export subsidies and domestic support which constrained market access for developing countries, alongside reform of the Bretton Woods institutions to make them more inclusive and enhance their legitimacy. In view of the tariff escalations in 2013 and the fact that the Bali package covered only certain issues, CELAC firmly believed that completion of the Doha Round was indispensable.

16. The third International Conference on Financing for Development should take the report of the Open Working Group on Sustainable Development Goals as the central element of the post-2015 development agenda. CELAC would organize a preparatory meeting in Santiago, Chile in March 2015 to contribute to the regional dimension of a transparent and comprehensive process based on the Monterrey Consensus and the Doha Declaration. New institutional arrangements might be needed to meet the aspirations of all countries to achieve sustainable development. The new and additional financial resources needed to finance sustainable development would in no way diminish the central role of ODA. Not only should developed countries fulfil their current commitments but increased levels and more regular flows of ODA must also be contemplated for the post-2015 period. A genuine global partnership for development and effective means of implementation, including technology transfer and capacity-building, would be key to achieving future development goals. Such means of implementation required developed countries

to commit to time-bound financial targets additional to those for official development assistance, in accordance with the principle of common but differentiated responsibilities.

17. CELAC further believed in a plan of action for cooperation with middle-income countries, since further investment in social services was needed to reduce remaining poverty and inequalities. The new financing strategy should take into account that criteria such as per capita income did not always reflect the particularities and development needs of middle-income countries.

18. **Mr. Riadi** (Indonesia), speaking on behalf of the Association of Southeast Asian Nations (ASEAN), called on the international community to intensify its efforts to help developing countries address constraints that prevented them from fully benefiting from trade and investment flows and to help them meet development goals. Not only were the repercussions of the global financial and economic crises preventing countries from achieving sustainable economic growth but some countries were also increasingly affected by new external debt burdens and unmet ODA commitments. Although the ASEAN countries remained focused on addressing essential elements to promote sustainable development, they recognized that new resource allocations and funding modalities were needed. The ambitious post-2015 development agenda would have to be supported by strong means of implementation including financing, technology transfer, capacity-building and trade. In that connection, ASEAN welcomed the stand-alone goal on means of implementation proposed by the Open Working Group on Sustainable Development Goals.

19. ASEAN hoped that the third International Conference on Financing for Development would result in new ODA commitments and the mobilization of all sources of financing for development. The Conference could strengthen cooperation between developed and developing countries in areas such as financial coordination policy and reform of international financial architecture. The outcome should be comprehensive and ambitious and should contribute positively to the post-2015 development agenda.

20. Regional cooperation could serve to underpin any global strategy on financing for development and ASEAN countries had made progress in that regard in several areas.. The advancement of the ASEAN Economic Community, for example, promoted the facilitation of trade and capital market development, among other areas. Similarly, the United Nations Economic and Social Commission for Asia and the Pacific was helping countries in the region to achieve the Millennium Development Goals. In addition, ASEAN encouraged trade and investment and the integration and competitiveness of the private sector among its member States in a number of ways, including by boosting the capacity of small and medium-sized enterprises (SMEs), accelerating the use of clean energy technologies and expanding connectivity. To that end, the financial support of all development actors, public and private, would be needed.

21. **Mr. Msosa** (Malawi), speaking on behalf of the Group of African States, said that much had been achieved in the implementation of the Monterrey Consensus but much more remained to be done. It was time to consolidate those gains and formulate a financing framework that was commensurate with the ambitious development agenda for 2015 and beyond. A global partnership for sustainable development would be needed to implement that agenda, as affirmed by the Intergovernmental Committee of Experts on Sustainable Development Financing. The framework would have to incorporate the proposals of that Committee and of the Open Working Group on Sustainable Development Goals and build on the Monterrey Consensus and the Doha Declaration on Financing for Development.

22. Since the successful completion of the MDGs and the post-2015 development agenda depended on a global commitment on financing for development - and ODA to Africa was declining — actions had to be taken urgently to enable African countries to sustain their development and adapt to new challenges. Reiterating the actions outlined in the African Common Position on the post-2015 development agenda, he said that the third International Conference on Financing for Development must identify the gap in the implementation of the Monterrey Consensus and the Doha Declaration on Financing for Development. Its outcome should complement previous commitments with a package of substantive and measurable actions and a strong and explicit political commitment to implement them. The Conference would be effective if its processes and outcomes reflected poverty

eradication as a core development agenda. It could also make a difference by establishing a financial framework to support the implementation of the post-2015 agenda. The African Group noted with satisfaction the convening of the first substantive informal session of the preparatory process for the Conference.

23. Welcoming the increase in the share of greenfield investment, in least developed countries, particularly in infrastructure, he nonetheless expressed concern that foreign direct investment in Africa remained limited and concentrated in resource-rich countries. To make FDI inflow meaningful, that trend had to change. In addition, the international community should support African countries seeking to develop their capacity to collect public revenue with a view to financing their own development.

24. The participation of top-level finance experts in the upcoming Conference would be crucial. The African Group invited all Member States and other potential donors to make contributions to the Financing for Development Trust Fund in order to support preparatory activities for the Conference and to help representatives from developing countries attend.

25. **Mr. Mahmoud** (Egypt), speaking on behalf of the Group of Arab States, commended the work of the Intergovernmental Committee of Experts on Sustainable Development Financing, which, in line with the principle of common but differentiated responsibilities, would further efforts by all countries to promote a more prosperous and equitable future for their citizens. Adequate financial resources must be mobilized to ensure full implementation of the post-2015 development agenda, and a global partnership for development established so that the world could finally eradicate poverty and achieve the remaining MDGs and the new sustainable development goals. In that connection, it was imperative that the international community gave due consideration to the financing requirements of developing countries, and for developed countries to honour their commitments to allocate 0.7 per cent of gross national income (GNI) as ODA. The Arab Group emphasized that international trade could play a key role in fostering development: further Aid for Trade initiatives were needed and steps must be taken to enhance market access for developing countries' exports. The international community must also redouble its efforts to establish an international mechanism to ensure the sustainability of developing and middle-income countries' sovereign debts, and must reform international financial institutions and mechanisms so that developing countries had an equitable say in key decisions on international economic policy.

26. **Mr.** Guilherme **de Aguiar Patriota** (Brazil) said that as the deadline for the MDGs approached and the post-2015 agenda was being finalized, financing for development should take into consideration the outcome document of the United Nations Conference on Sustainable Development (Rio+20) and its priorities to eradicate global poverty and hunger and to mainstream economic, social and environmental issues across the development cooperation agenda. The task of financing sustainable development goals required an update to the Monterrey Consensus and the Doha Declaration on Financing for Development and would be more difficult than ever because the proposed goals were universal and encompassed almost all areas of the work of the United Nations. The third International Conference on Financing for Development was expected to provide clear guidance and facilitate critical commitments regarding the integration of the sustainable development goals into the post-2015 development agenda. Agreement should be found on follow-up mechanisms and an accountability framework.

27. The momentum created by the mobilization of domestic finance in developing countries and the concept of people-centred policies had to be encouraged at the international level through a more just and sustainable world order and a global economic and financial architecture that respected national priorities and domestic policies. Global governance, therefore, must become more democratic, participatory and representative.

28. ODA continued to be important to the eradication of poverty and hunger along with mechanisms for knowledge and technology transfer but levels of ODA had been falling. Developed partners should meet their commitment to dedicate 0.7 per cent of GNP to ODA, including 0.15 to 0.2 per cent to least developed countries. Existing, new and greater ODA commitments should contribute to the post-2015 agenda along with innovative financing mechanisms such as the International Drug Purchase Facility (IDPF-UNITAID)and the Global Alliance for Vaccines and Immunization (GAVI).

29. **Mr. Pedersen** (Norway) said that the third International Conference on Financing for Development would address how to mobilize and maximize all resources for development. A comprehensive approach to sustainable development was necessary and had to involve all financial and non-financial means since the agenda was broader than ever.

30. Although ODA was not as important as foreign direct investment, for example, it remained crucial to many countries, particularly least developed countries and fragile States. ODA commitments, therefore, must be respected and reconfirmed. Meanwhile, illicit financial flows should be curbed and tools for financial transparency should be extended to States that had not yet committed to them.

31. International efforts must be stepped up to assist developing countries to harvest their rightful gains from their own resources in the form of tax revenue. At the same time, new revenue and financing sources would bring new challenges in resource and financial management, including debt management. Given that debt stocks of developing countries had increased to $6 trillion according to the United Nations Conference on Trade and Development (UNCTAD), responsible lending and borrowing practices and guidelines were fundamental to sustainable financing. States must also establish political and institutional frameworks that promoted transparency and accountability.

32. **Mr. Seoane** (Peru) said that the eradication of poverty was not only a moral imperative but also achievable within 15 years, as long as sufficient means of implementation were made available. He welcomed the initiation of the first informal session of the preparatory process for the third International Conference on Financing for Development, which would be crucial to the implementation of the post-2015 development agenda. To address the three dimensions of sustainable development, the recommendations of the Intergovernmental Committee of Experts on Sustainable Development Financing deserved due consideration. Public and private savings worldwide were sufficient to finance sustainable development. Policies should therefore be adopted to bring private incentives into line with public goals, increase public resources for sustainable development, and provide public goods and services aimed at poverty eradication, all with the active participation of national ministries of economics and finance and international financial institutions, the private sector and civil society. A strengthened global partnership for development would be key to ensuring the effective achievement of development goals. It should be people-centred and incorporate all sources of financing and means of implementation being contemplated in the discussions of the post-2015 agenda. The fulfilment of official development assistance commitments, a more equitable international trading system, greater South-South cooperation, renewed cooperation on tax matters, and responsible sovereign debt management would also be essential. If the sustainable development goals failed, he predicted infinitely greater costs for humanity to develop in harmony with nature.

33. **Ms. Robl** (United States of America) said that, as the world's largest provider of ODA, the United States was addressing issues including food security and disease, was helping countries to build low-carbon-emissions futures and was working diligently to eradicate extreme poverty. Nevertheless, for developing countries, private resources had become more important than ODA. Since external private financing moved in pursuit of returns, however, such investment required continued economic reform to ensure stable growth.

34. With the adoption of the post-2015 agenda less than a year away, the United States strongly supported procedural updates in the Second Committee during the current session and appreciated the zero drafts that reflected that approach. Negotiations concerning a resolution on financing for development, for example, should remain procedural, so that efforts could be focused on the upcoming financing for development conference in Addis Ababa.

35. As a result of economic growth falling below expectations for 2014, it was possible that some fiscal easing and accommodative monetary policy would be required to boost growth and short- and medium-term strategies should be devised, where possible, to avoid stagnation. Through investment in infrastructure, which was sorely needed in some countries, short-term demand would be boosted and long-term growth could be fostered without an appreciable increase to countries' debt burdens. In addition, some emerging economies urgently needed structural reform to stave off downturns. Trade had great potential to drive prosperity and development and must be further liberalized through negotiations within the World Trade Organization (WTO). Greater integration was needed

to combat the threat of sluggish growth and would help make regional economies more resilient to external shocks. The United Nations had a role to play in fostering that integration. Her delegation supported collaboration between the United Nations, the World Bank, the International Monetary Fund and the Group of 20 to ensure the efficient and fair functioning of the international financial system.

36. Regrettably, efforts to restore momentum to the work of the World Trade Organization had been hindered because the Trade Facilitation Agreement component of the Bali Package had been blocked. The United States welcomed further efforts within WTO to address that matter.

37. **Mr. Mishkorudny** (Belarus) said that the report of the Secretary-General on the international financial system and development (A/69/188) represented just some of the work that needed to be continued in order to gain a clearer understanding of the scale of the problems faced by Member States. Attention should be given to enhancing the role of developing countries in global economic governance and to reforming the multilateral financial regulation mechanisms, including by increasing the number of international reserve currencies.

38. Belarus had drawn up legislation regarding financial market regulation and stability and, together with the World Bank, was implementing a programme to modernize financial governance. The private sector, forests and transport infrastructure were the focus of other development programmes in the country.

39. As measures were developed to improve the international financial system, constructive interaction between members of the Commonwealth of Independent States and as many other partners as possible would be crucial. The Commonwealth of Independent States was central to balanced financing and economic growth in the Eurasian region. The imposition of unilateral financial and trade restriction measures was unacceptable and was not conducive to achieving sustainable development goals.

40. **Ms. Miyano** (Japan) stressed that as the third International Conference on Financing for Development approached, discussion should build on the comprehensive nature of the Monterrey Consensus and the Doha Declaration on Financing for Development. The Conference must address a range of issues, including the effective use and mobilization of resources, which was a priority for Japan. It should also examine the full spectrum of capital flows, including illicit flows.

41. Domestic public finance was fundamental for sustainable development financing. Capacity-building in areas such as tax, customs and statistics was instrumental in that regard along with the need for transparency and accountability. At the international level, ODA remained a catalyst for private finance and was important not only to least developed countries but also to middle-income countries. Her delegation welcomed the all-time high of $134.8 billion in net ODA provided by members of the OECD Development Assistance Committee in 2013; its own net ODA had increased by 11.1 per cent in dollar terms. She noted the development of an array of multilateral forms of financing since the adoption of the Monterrey Consensus, highlighting South-South and triangular cooperation as worthy of close attention.

42. The Conference should focus on the coherence and effectiveness of international financial and trading systems because the stability of those systems was fundamental for growth. There must also be full discussion on the subject of data and its use in implementation and follow-up. Japan, having promoted the concept of people-centred investment itself, would seek to apply the ideas that that concept encompassed, namely the encouragement of inclusivity, capacity-building and resilience to crises and disasters, throughout the Conference discussions.

43. **Ms. Elhassan** (Sudan) said that the world's financing for development needs had increased significantly since the adoption of the Monterrey Consensus, particularly in areas such as trade and climate change. Financing for development needs were particularly acute in countries in special circumstances, and it was extremely worrying that many developed countries had failed to live up to their ODA commitments and were doing little to facilitate trade and investment with a view to creating a world in which aid was no longer necessary.

44. Numerous international conferences had affirmed that adequate financial resources, used effectively, were essential if the world was to achieve its development objectives. The United Nations must promote cooperation between Member States and other stakeholders with a view to raising those resources and ensuring that, by the end of the twenty-first century, all

people would be able to reap the benefits of sustainable development and enjoy economic prosperity.

45. The report of the Intergovernmental Committee of Experts on Sustainable Development Financing would serve as useful input for the third International Conference on Financing for Development, which, it was hoped, would strengthen efforts to mobilize financial resources for implementation of the post-2015 development agenda. An effective strategy for financing sustainable development, including through the provision of ODA, was urgently needed. Developed countries and all other development partners must provide sufficient ODA and technical assistance so that all developing countries could achieve their sustainable development objectives.

46. **Mr. Narang** (India) said that it was sobering to note that the international financial system had thus far failed to adequately allocate resources for long-term sustainable development needs. It needed to substantially increase net financial flows to developing countries, ensure that those flows were stable and durable, and incentivize long-term investment in sustainable development. As the traditional responses of certain developed countries were not effective in the current global economic context, the full participation of all developing countries in multilateral mechanisms was necessary for genuine global coordination. Reform of the international financial system should urgently be addressed to make it more responsive to the needs and interests of developing countries. To that end, if the 2010 quota and governance reforms of the International Monetary Fund were not implemented by the end of 2014, every available option for completing the current round of quota reform would have to be explored.

47. The third International Conference on Financing for Development should go beyond the question of development finance and endeavour to create a global system that was conducive to development itself. Ultimately, economic growth in developing countries should enable them to generate their own resources. The Conference, therefore, must address development finance in a holistic manner with a focus on international systemic issues. His delegation welcomed the initiation of the first informal session of the preparatory process for the Conference.

48. Over the coming decade, however, international public finance, particularly ODA, would remain the lynchpin of development finance. The ODA commitments of donor countries were less than half met but since the global development agenda was going to at least triple in size, those commitments would have to be scaled-up for the post-2015 period.

49. It was crucial that greater provision of resources to developing countries in response to climate change and environmental concerns was additional to and not at the cost of traditional development finance. It was therefore worrying that ODA flows to least developed countries and sub-Saharan Africa were expected to continue to decline and that double-counting of climate finance with ODA was extremely common.

50. Another pillar of work for the Conference was external debt. The report of the Secretary-General had highlighted the benefits of an institutional mechanism for solutions to debt problems. The United Nations was well placed to guide the establishment of such a system since, among other things, it could ensure the effective participation of developing countries.

51. **Mr. Zinsou** (Benin), speaking on behalf of the Group of Least Developed Countries, said that those countries had achieved only limited progress towards achieving the Millennium Development Goals for reasons that included their inadequate productive capacity, growing debt burdens, limited market access, developed countries' failure to honour their ODA commitments, and low levels of FDI. Steps must therefore be taken to improve least developed countries' access to markets, finance, technology, and other key resources. Furthermore, the third International Conference on Financing for Development and the post-2015 development agenda must affirm the principle of differential and preferential treatment for least developed countries in the implementation of international obligations. While that principle had been acknowledged in the outcome document of the Open Working Group on Sustainable Development Goals, some key concerns of least developed countries, especially with regard to means of implementation, had not yet been effectively addressed.

52. Although domestic resource mobilization was a prerequisite for sustained economic growth and development, least developed countries faced significant challenges in their efforts to increase their tax revenues, largely because they lacked effective administrative institutions to carry out that task and

because many of those countries' inhabitants were subsistence farmers who had little interaction with the formal economy. Domestic resource mobilization would therefore require greater reliance on domestic savings and investment, higher export earnings, and increased private capital flows, including FDI. To that end, least developed countries and their development partners must adopt a comprehensive approach that optimized synergies between domestic resource mobilization, aid, trade, private capital inflows and debt relief.

53. Although ODA remained the most important source of external financing for development in least developed countries, aid from Development Assistance Committee members had declined by 9.4 per cent in 2012, and the proportion of ODA allocated to least developed countries had fallen from 34 to 32 per cent between 2010 and 2012. It was crucial that developed countries upheld their aid commitments, particularly in the light of predictions that aid flows would increasingly focus on middle-income countries, and achieved the target of allocating 0.15 to 0.20 per cent of GNI as ODA to least developed countries. Meeting that goal could generate an additional $42 billion in assistance for least developed countries, which, in view of their unique structural handicaps and constraints, should receive at least 50 per cent of developed countries' total ODA flows. The least developed countries hoped that an agreement in that regard could be reached at the third International Conference on Financing for Development.

54. Uncertainty in domestic production, international price and exchange rate volatility and deteriorating terms of trade frequently gave rise to unsustainable debt burdens for least developed countries, while high debt servicing costs diverted government revenue from crucial social and developmental initiatives, affecting long-term economic productivity and greatly aggravating poverty. Although the Multilateral Debt Relief Initiative, Paris Club and Heavily Indebted Poor Countries Initiative had been helpful, the real solution lay in cancelling all multilateral and bilateral debts of least developed countries — another issue to be considered at the upcoming Conference in Addis Ababa.

55. Least developed countries received less than 1.7 per cent of global FDI flows, and those resources were concentrated in industries that relied on natural resource extraction and resource-intensive manufacturing. At the same time, there was evidence that a sizeable proportion of the recent increase in FDI flows had been in the form of intra-company loans, which were neither long-term nor investment-oriented. While destination countries needed to do their part to attract FDI, it was also imperative that development partners helped enhance infrastructure, regulatory frameworks and capacity-building and set up an investment preference regime to incentivize private sector investment. The Group of Least Developed Countries hoped that the current session would yield a decision regarding a United Nations-sponsored support mechanism to provide least developed countries with advisory support with a view to resolving disputes, technical assistance in successfully negotiating complex large-scale contracts and, in collaboration with the Multilateral Investment Guarantee Agency and the Organisation for Economic Cooperation and Development, affordable risk insurance and guarantees.

56. The international community must also tap innovative sources of financing to mobilize additional resources, and ensure that those resources were disbursed in a manner that respected the priorities and special needs of least developed countries. In that connection, it was estimated that a coordinated 0.005 per cent tax on transactions in the major world currencies could raise at least $33 billion annually. Remittance flows to least developed countries, which helped create jobs, fostered entrepreneurship and alleviated poverty, had increased by 11 per cent between 2011 and 2012 to reach $30.5 billion. In that connection, the Group commended the Global Coordination Bureau of the Least Developed Countries for its efforts to ensure that the International Migrants Remittances Observatory for Least Developed Countries began operations at the earliest opportunity.

57. Efforts must be made to enhance South-South Cooperation, which could play a crucial role in promoting development in least developed countries and the third International Conference on Financing for Development must address the issue of international trade, which was a major enabler of inclusive and sustainable development. In that regard, the Group noted with concern that the export of goods and services from least developed countries had totalled only $232.7 billion in 2012, a mere 0.7 per cent higher than in 2011, and that least developed countries' share of global trade had remained virtually unchanged at 1.11 per cent, substantially below the 2020 target of

2 per cent. Primary commodities had accounted for 79 per cent of least developed countries' exports of goods in 2012. Developed countries must therefore improve their existing duty-free and quota-free coverage for products originating in least developed countries and draw up simplified and transparent rules of origin.

58. Least developed countries were home to approximately 50 per cent of the global poor and yet they were still hugely underrepresented in decision-making forums, including the Bretton Woods institutions, which must recognize least developed countries as being in a special category. In that regard, it was regrettable that the report of the Secretary-General on the implementation of the Second United Nations Decade for the Eradication of Poverty (2008-2017) (A/69/204) had failed to address the special needs and vulnerabilities of least developed countries. He therefore urged the United Nations to reaffirm its system-wide support for those countries. There was also a pressing need for robust and rigorous intergovernmental monitoring, evaluation and follow-up mechanisms to ensure that developed and developing countries could hold each other accountable in the implementation of the post-2015 development agenda. The accountability framework should include periodic reviews of the means of implementation. In that connection, he drew attention to the Cotonou Agenda for productive capacity-building in least developed countries, adopted at the Ministerial Conference in July.

59. Although the Intergovernmental Committee of Experts on Sustainable Development Financing had proposed a range of policy options, it had not provided details of how access to key resources could be guaranteed. The third International Conference on Financing for Development must therefore formulate clear, predictable and measurable targets on the means of implementation needed to implement the post-2015 development agenda and achieve the sustainable development goals.

60. **Mr.** Henry Alfredo **Suárez Moreno** (Bolivarian Republic of Venezuela) said that no single model for development financing could be applied to all countries and that the approach had to be adapted to the needs and specific circumstances of each State and their development priorities. Approaches should also reflect cross-cutting issues such as debt, trade, and transfers of technology.

61. Donor countries should honour their official development assistance commitments to ensure that they provided the resources necessary for operational activities for development. Furthermore, official development assistance should not be contingent upon the subjective appreciations of developed countries and multilateral financial institutions or the conditions they set, which amounted to interference in the right of sovereign peoples to choose their own political, economic and social systems. The main responsibility for the design and implementation of development policies and for financing thereof lay with States. He also expressed concern that the issues of human capital and technology transfer — so vital to public-private partnerships — had not been addressed in the discussion on private capital.

62. The establishment of a new international economic system called for reform of the international financial architecture by democratizing its decision-making mechanisms and ensuring greater participation by developing countries. As a member of the Intergovernmental Committee of Experts on Sustainable Development Financing, his country had participated in the negotiations on an effective financing strategy ahead of the International Conference on Financing for Development. The consensus document that had emerged from those discussions would be a useful input for the Conference. Venezuela would continue to contribute to efforts to reach agreements on poverty eradication, means of implementation and financing, and urged Member States to join forces to that end.

63. **Mr. Shava** (Zimbabwe) said that, in an increasingly interconnected global economy, inadequate macroeconomic policy coordination and a lack of discipline frequently created imbalances that undermined the stability of the international financial and economic system. Mechanisms were therefore urgently needed to enhance macroeconomic coordination and promote regulatory coherence. Furthermore, strengthened financial regulations and rigorous multilateral surveillance mechanisms for major currencies were needed in order to enhance global economic stability and prevent any recurrence of the 2007 financial and economic crisis. Indeed, the global financial system as a whole required urgent reform: global economic governance mechanisms, including the Bretton Wood institutions, had remained more or less unchanged for seven decades, despite the

major changes that had taken place in the world economy. Those institutions must be made more responsive to the long-term development and financing needs of developing countries, and equipped with adequate resources so that they could better coordinate global macroeconomic policies and more effectively promote global financial stability. Voting powers in the Bretton Woods institutions must also be rebalanced in favour of developing countries to strengthen those institutions’ credibility, legitimacy and effectiveness. Moreover, his delegation believed that, as the world's only legally constituted and globally inclusive intergovernmental body with a clear mandate on global economic and financial matters, the General Assembly must have a greater say in matters relating to global economic governance.

64. Although international trade was a powerful engine for sustainable economic growth and poverty eradication, many developing countries, especially landlocked developing countries, were unable to benefit fully from the multilateral trading system. The participation of developing countries, especially landlocked developing countries, in that system must therefore be enhanced, as should the contribution made by developing countries in global value chains. The Doha Round, a prerequisite for sustainable development, must be concluded at the earliest opportunity to help create an open, rules-based, development-oriented, non-discriminatory and equitable multilateral trading system. Zimbabwe also called for the swift implementation of the Bali Package, adopted at the Ninth Ministerial Conference of the World Trade Organization, to enable developing countries, and especially landlocked developing countries, to reap the benefits of international trade, which, in view of its importance, must be mainstreamed into the post-2015 development agenda, together with the means of implementation, including technology.

65. Because least developed and landlocked developing countries’ economies were predominantly based on the export of primary commodities, their share of global trade remained low, and low commodity prices and price volatility severely impeded those countries’ efforts to reduce poverty and achieve sustained economic growth and development. The United Nations and other multilateral development agencies must provide countries that relied primarily on commodity exports with adequate financial and technical assistance in support of value addition, beneficiation, manufacturing and industrialization. To that end, Zimbabwe had formulated the Zimbabwe Agenda for Sustainable Socio-Economic Transformation, a blueprint for moving into processing activities related to the primary commodities it produced.

66. **Ms. Boissiere** (Trinidad and Tobago) said that at the recent third International Conference on Small Island Developing States, her country’s Minister for Foreign Affairs had called for the establishment of a global compact to increase the resilience of small island developing States to external shocks and support their efforts to promote sustainable development. Such a compact was also needed to address the systemic imbalances in the existing global financial system, which often had an adverse impact on those countries’ economies. It was crucial that stakeholders gave due consideration to the particular vulnerabilities of small island developing States when designing international financial rules and practices, and that international financial institutions were made more inclusive, transparent and participatory. Stakeholders should also re-examine the use of GDP per capita as a criterion for measuring development progress and determining access to concessionary financing.

67. Trinidad and Tobago was drawing up a medium-term debt strategy, which, taking into consideration projections for future growth, inflation and interest rates and the increasing volatility of the global financial system, would ensure that the country could meet its financing needs and payment obligations at the lowest possible cost without taking unnecessary financial risk or distorting capital markets.

68. The international community must support small vulnerable developing countries’ efforts to strengthen their resilience to economic and financial shocks, inter alia, by helping them develop mechanisms such as tourism development levies, diaspora bonds and public-private partnerships to ensure the sustainability of their sovereign debts. Developing countries would continue to need financial and technical assistance so that they could better analyse the sustainability of their debts, more accurately predict future debt levels and sustain their development initiatives. In that regard, General Assembly resolution 68/304 on the establishment of a multilateral legal framework for sovereign debt restructuring processes would help developing countries achieve timely, effective,

comprehensive and durable solutions to their debt problems and reaffirm the role of the General Assembly as the foremost deliberative, policymaking and representative multilateral forum.

69. In conclusion, she said that the third International Conference on Financing for Development should help revitalize the global partnership for development and support implementation of the post-2015 development agenda. It welcomed the launch of the preparatory process for the Conference.

70. **Mr. Kassaye** (Ethiopia) said that there was broad recognition that ODA would play a critical role in the implementation of the post-2015 development agenda. The third International Conference on Financing for Development — which Ethiopia would be hosting — would provide an opportunity to review implementation of previous financing for development initiatives, address new and emerging challenges and formulate an innovative financing for development framework for achieving the post-2015 development goals.

71. The report of the Secretary-General on the international financial system and development (A/69/188) raised critical issues that must be borne in mind by the international community, particularly in its deliberations on financing for development. In that regard, his delegation agreed that although domestic resource mobilization was crucial for development, countries' capacities to raise public resources was largely determined by their levels of development and must be carefully evaluated with a view to drawing up realistic expectations, particularly in the short term. The international community should support developing countries' efforts to enhance their tax regimes, broaden their tax bases, increase revenue from value-added tax (VAT) and develop their human resources.

72. Furthermore, sustaining economic growth, a key step in efforts to mobilize domestic resources, remained a serious challenge for many least developed countries, whose economies remained vulnerable to external shocks. The international community must therefore help them build strong buffers to contain and mitigate the effects of the global economic crisis. Extension of the Heavily Indebted Poor Countries Initiative and Multilateral Debt Relief Initiative were also vital if heavily indebted poor countries were to ensure the long-term sustainability of their debts. Facilitating the provision of concessional loans would also be instrumental in supporting the financing of infrastructure projects in those countries.

73. The failure to agree on a comprehensive multilateral trade agreement threatened to reduce least developed countries' already limited share of global trade still further, increasing their marginalization. Of even greater concern, aid-for-trade commitments had declined in recent years by some 24 per cent in real terms, while levels of ODA had fallen significantly, particularly to countries in sub-Saharan Africa. Although, thanks to the implementation of successful domestic policies, several of those countries, including Ethiopia, had achieved high growth rates, the support of the international community had undoubtedly helped drive forward their development efforts. Developed countries must continue to provide assistance to those countries to ensure that their hard-fought development gains were sustained.

74. **Mr. Zehnder** (Switzerland) said that the Committee should concentrate its efforts on the recently initiated preparatory process for the third International Conference on Financing for Development and in that context, welcomed the focus on procedural matters in draft resolution A/C.2/69/L.6. A fundamental element of the post-2015 agenda would be an integrated financing mechanism and monitoring and accountability framework. The form that financing ultimately took would be of utmost importance and should be agreed upon at the third International Conference on Financing for Development. It should cover development aid, climate finance, private capital and all other forms of sustainable development financing — whether new or existing, national or international — and which, with the right incentives and legislation, would enhance one another. There was a long way to go to arrive at a coherent and implementable framework and all States and stakeholders must be prepared to discuss crucial and sometimes controversial issues that were hampering effective sustainable development financing. A balance must be struck between the needs of the short term and incentives to encourage long-term financing in order to support the sustainable development goals over the coming 15 years and beyond. The process, therefore, must be inclusive and transparent.

75. Concurrently to discussions on financing for development, time should be given to the consideration of the monitoring process for the new financing

framework and of the role of the Second Committee in that regard. Any such monitoring mechanism must be integral to the broader framework for follow-up of the post-2015 agenda and be clearly positioned in harmony with the wider debate on the implementation and follow-up of that agenda.

76. **Mr. Sylla** (Senegal) said that the current state of the global economy was negatively impacting developing countries and the stability of their macroeconomic environment. While the Monterrey Consensus had been a major milestone in the area of resource mobilization, its implementation had not enabled those countries to properly address economic imbalances resulting from declining private capital flows, falling export earnings and external debt. His delegation hoped that the follow-up conference in Ethiopia would provide an opportunity to adopt new and more coherent financial strategies based on the principle of national ownership.

77. The international community should uphold its official development assistance commitments and adopt measures to guarantee greater predictability of aid flows. In the area of climate change, most official development assistance was currently devoted to attenuation measures but funding for adaptation — which had a far more significant impact on development — should account for at least half of official development assistance by 2020, in particular through support for agricultural promoters in developing countries, the operationalization of the Green Climate Fund and transfers of environmentally sound technologies.

78. The inadequacies of traditional sources of financing had given rise to the need for innovative financing mechanisms. An international tax on financial transactions, but not on migrants' remittances, should help to mobilize additional resources and close the structural deficit in the area of financing for sustainable development. External debt should also be reduced if not cancelled outright as part of a reform of global economic and financial governance to make access to credit easier and simplify project financing procedures. Furthermore, the resource mobilization efforts of developing countries would be bolstered by cooperation in the fight against tax evasion and avoidance, among other illicit practices, and by the establishment of mechanisms to increase transparency in international transactions, including those of the extractive industries.

The meeting rose at 1 p.m.