

**Special High-level Meeting of the ECOSOC
with the Bretton Woods Institutions,
the WTO and the UNCTAD**

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“Coherence, coordination and cooperation in the context of financing for sustainable development and the post-2015 development agenda”

Madame President,
Mr. Secretary-General,
Mr. President of the General Assembly
Excellencies,
Distinguished colleagues,

1. Allow me from the outset to express my personal satisfaction and that of the Trade and Development Board to be participating in this High-level meeting of ECOSOC with the Bretton Woods Institutions, the WTO and UNCTAD.

2. Achieving *“Coherence, coordination and cooperation in the context of financing for sustainable development and the post-2015 development agenda”* is a major policy challenge for the international community, of particular concern to developing countries. The roundtables of the sessions of this year’s meeting will discuss the implementation of and support for macroeconomic policies that encourage a strong and balanced recovery. They will address initiatives to enhance international trade, debt sustainability and foreign direct investment and other private flows, and support for a global partnership for sustainable development in the context of the post-2015 agenda. In one form or another, all these

themes are on the agenda of UNCTAD today. Allow me to provide you with a few points on each of these areas.

WORLD ECONOMIC SITUATION AND PROSPECTS

3. Let me start with the world economic situation and its prospects. The view of UNCTAD is that the global economy is still struggling to find a robust and sustainable path to growth. We expect a moderate improvement, with GDP growth rising from 2.2 per cent in 2013 to around 3 per cent this year and again in 2015; this would result from developed and transition economies growing at around 2 per cent and developing countries as a group expanding at 5 per cent, although with considerable dispersion. Asia's growth rate will be above the average, and that of Latin America below the average. Across the board, these growth rates are well below pre-crisis levels. They remain insufficient to solve the employment and fiscal problems in most developed countries, or to tackle development challenges in many countries in the South.

4. The current situation may result in different scenarios, each of which presents different kinds of risks. In one scenario, the world economy will continue to show a pattern of weak growth and deficient employment creation; in such a scenario public debt will remain high, the quality of private debt may deteriorate, and long-term unemployment may become a structural characteristic in advanced economies. Slow growth would affect developing countries through, in particular, declining prices for primary commodities. In a second scenario, some relatively important economies will manage to reignite private sector activity by credit creation on the back of the formation of bubbles in stocks and real estate markets. The risk associated with this scenario is

that the imbalances and vulnerabilities that characterized the pre-crisis growth pattern will re-emerge. A third scenario could arise, in which financial shocks and instability affect economies whose financial sectors are still vulnerable, with potential for contagion among a large number of relatively more robust economies. Finally, a fourth scenario could be envisaged; based on a proactive coordination of demand-driven policies among many countries, which could lead to a more balanced and sustainable pattern of growth.

5. This more desirable outcome would require different emphasis in developed from that in developing countries. Subdued growth in developed countries is mainly due to faltering demand. With weak conditions enduring in most labour markets, deleveraging in the financial system and protracted fiscal austerity, specific policies aimed at strengthening demand without generating new asset bubbles should be applied. UNCTAD is of the view that incomes policies deserve special attention. Weak demand in developed economies has affected international trade and forced developing countries to reassess the importance of domestic and regional markets and of South-South integration. In developing countries, to a larger extent than in advanced economies, a significant part of domestic demand must consist of productive investment that expands the economic infrastructure, improves productivity, supports social cohesion and helps diversify the economy.

MOBILIZATION OF FINANCIAL RESOURCES AND THEIR EFFECTIVE USE FOR SUSTAINABLE DEVELOPMENT

6. Concerning the mobilization of financial resources, it is fair to say that the need for investment with regard to the post-2015 development agenda is paramount. Achieving the new millennium goals, in whatever final shape or form, will require significant investment in areas such as agriculture, infrastructure and other aspects of sustainable investment – such as climate mitigation and adaptation – well above current levels.

7. A large investment gap means that private finance needs to step in. Public finances on their own cannot begin to meet such demands (and there are many more); nor can the domestic private sector cope in many cases. Private investment from overseas will have to bear the brunt, especially foreign direct investment (FDI). FDI to developing regions is already nearly six times higher than official development assistance (ODA) (\$703 billion vs \$126 billion in 2012), and there is downward pressure on the latter. FDI also exceeds other private flows such as remittances (at \$329 billion in 2011), although this source of private funding is also the subject of a number of innovative initiatives to direct it more effectively towards sustainable development.

8. A significant ratcheting up of investment will be required to achieve the Sustainable Development Goals (SDGs). The private sector will be a vital partner to public efforts to direct more investment effectively towards sustainable development. As a result, many ‘innovative financing’ initiatives have sprung up, many of which are collaborative efforts between the private sector and international

organizations, foundations and NGOs. They all face a set of common challenges, which relate to:

(i) Raising funds for sustainable development – for example, the Impact Investment movement, already highly successful in raising funds, still needs to put significant efforts into setting out meaningful defining criteria and impact measurements to obtain public support and facilitate the marketing of instruments.

(ii) Channelling funds to sustainable development objectives – for example, the pension funds and SWFs that UNCTAD hosted at a dedicated session at the last World Investment Forum (WIF) in 2012 expressed concerns about the lack of a pipeline of ready-to-invest project that are big enough to matter for them. Despite their enormous potential, their actual direct investment in developing countries in meaningful objectives such as infrastructure development is still marginal.

(iii) Maximizing impact and mitigating drawbacks – for example, public-private partnerships (PPPs), one form of innovative financing, face an uphill struggle after a number of failings in the past.

9. These challenges can be overcome. What is needed is a concerted push to address the main challenges developing countries face in raising finance and in channeling it to sustainable development objectives. There is much that can be done in source countries and through global initiatives, but from UNCTAD's perspective, at the developing-country end, many countries will need help with devising a pipeline of meaningful ready-to-invest projects and with in creating the right framework conditions.

10. Indeed, the role of investment to generate productive capacity will be at the heart of efforts to meet the SDGs. That requires, again, help to developing countries to create the right policy framework, and a conducive framework at the global level. This is the role of specific high-level undertakings such as the 2014 World Investment Forum to be held in Geneva from 13 to 16 October 2014, and which will consider appropriate policy frameworks and conditions for investment at national and global levels to address sustainable development challenges.

GLOBAL PARTNERSHIP FOR SUSTAINABLE DEVELOPMENT IN THE CONTEXT OF THE POST-2015 AGENDA

11. Lastly, it might be useful to reflect on and discuss the role of ECOSOC in promoting a global partnership for sustainable development in the context of the follow-up to the Millennium Development Goals (MDGs) and the elaboration of the post-2015 development agenda. MDG 8 did not successfully address the gaps and weaknesses in the multilateral economic system that continue to constrain efforts to eradicate poverty and to enhance development prospects in many developing countries, particularly but not only LDCs.

12. A meaningful discussion of any new partnership will need to integrate systemic threats and challenges involving the workings of the international trade, finance and production systems much more effectively this time around. It will be critical to consider the institutional reforms at the multilateral level, particularly but not only in the financial system, which can support developing countries in their efforts to meet a more ambitious development agenda.

13. This will certainly involve improving voice and representation in the international financial architecture and the creation of a more inclusive system of global governance. It should also involve more specific reforms in areas such as international debt, the provision of long-term development finance and the transfer of technology. There are also emerging issues related to the provision of global goods where more thinking is needed. There has, for example, been some interesting discussion recently, in the context of the G20, on measures to curb tax evasion by large international corporations, which is an issue of concern to developed and developing countries alike. Progress here could, for example, help to advance the much more challenging discussions on climate adaptation and mitigation, issues again, as the recent IPCC report has shown, that involve countries at all levels of development. From UNCTAD's point of view we also hope that the discussion of partnerships will be matched by an equally engaged discussion of policy space which remains a key issue for all developing countries.

Thank you very much and wish you very fruitful discussions during these two days.