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Thematic debate on "*Current challenges and emerging opportunities for the mobilization of financial resources and their effective use for sustainable development on the road to Addis Ababa*"

AS PREPARED FOR DELIVERY

Excellencies, Distinguished Colleagues,

The upcoming Conference in Addis Ababa this July offers us the chance to match ambitious and transformative Sustainable Development Goals with equally ambitious and transformative financing solutions.

The scale of the challenge we face has moved from billions of dollars needed annually for the MDGs, to trillions of dollars in needs annually to achieve the SDGs, as UNCTAD's World Investment Report pointed out last year.

Consider the scale of our challenge. China 20 years ago faced a similar uphill battle to what LDCs face today. The share of poor in China in 1994 was roughly the same (46%) as in LDCs today. For 15 years, China grew at 9.4% per capita annually, and yet in 2009 still 12% of the population was poor. It is important we recognize that to end poverty by 2030 requires the LDCs to experience a bigger economic miracle than China's!

At Addis Ababa, we aim for a comprehensive global framework for financing sustainable development and mobilizing the means to implement the post-2015 agenda. This means reiterating commitments made at Monterrey and Doha, but it also means stronger international actions to mobilize *domestic public finance* for development paid for by taxes, and to promote the role of *private finance* in meeting the SDGs. These are two key issues that have been raised again and again by many stakeholders on the road to Addis, and they are welcome actions.

But today I would like to emphasize **three additional actions** that can help lead the Financing for Development process towards the sustainable future we all want.

First, we should recall the holistic nature of the Monterrey consensus, to ensure that the Addis Ababa Accord is truly comprehensive and forward-looking. The agreement reached in Addis Ababa needs to be even more holistic, stressing inter-linkages among the various financing actions. This would seem entirely natural given that the Sustainable Development Goals offer a more integrated and universal vision of development for the post-2015 era.

At UNCTAD, we advocate an integrated approach to trade and investment. Our understanding of how economic development enables social objectives and environmental sustainability hinges on the mutually dependent nature of financial and non-financial means of implementation.

Financing for Development is not just about aid, taxes and the private sector. It also means paying greater attention to systemic issues, capacity building, technology and innovation. But it also means updating our approach to trade and investment issues at large.

This leads me to **my second point,** which concerns our worry at UNCTAD that the current Financing for Development discussions treat international trade in relative isolation from the rest of the proposed financing actions. At Addis, we should fully recognize the importance of trade and investment. Indeed, they play a crucial role in raising domestic resources and improving tax revenues. Even more importantly, trade and investment transform the structure of poor economies and can provide livelihoods to the impoverished.

Beyond calling for progress in setting the trade rules, the Addis Ababa Accord should highlight the role trade plays in national development strategies. Financing for Development requires support to capacity building activities including trade facilitation, trade diversification, improving understanding of non-tariff measures, and improving collection of trade-related revenues.

We cannot forget that trade-related revenues account for 25% of government revenue in African economies! Indeed, the easiest taxes that a country collects are trade taxes, like tariffs and export taxes. And they are likely to remain a key source of public revenues in Least Developed Countries for years to come.

Improving efficiency in customs revenue collection through capacity building solutions -- such as UNCTAD's ASYCUDA customs automation system -- also help LDCs improve competitiveness by substantially reducing transaction time and costs.

The capacities that countries build from trading – through customs collection, establishing administrative procedures, etc. – are precisely the same capacities that build strong domestic resource mobilization capacity, and which also help make doing business easier for entrepreneurs and private sector actors.

And as countries liberalize their trade regimes, if they have not built up sufficient resource collection capacity and domestic institutions, they may not be able to later recover the tariff revenues lost from liberalization through domestic incomes and sales taxes.

The third message I would like to leave you with is the importance of sustainable governance of international investment to Financing for Development. The new reality of 21st Century trade and investment agreements must inform our journey to Addis. This means recognizing the important inter-linkage between trade and investment.

Participation in international trade mobilizes a significant amount of private business and financial resources for development purposes. This is particularly true for foreign direct investment (FDI) in developing countries, which is longer term than portfolio investment, and focuses on the creation of export platforms.

Plurilateral and regional trade and investment agreements have been proliferating in recent years. One important characteristic of such agreements is that they lay the ground for significant FDI in cross-border production networks, otherwise known as global value chains. Driven by private sector business activity, these value-chains can fuel the structural transformation of developing countries. This is really where private sector activity can enable development most.

Regional and global value chains help firms expand into new, more efficient activities, as their productive capacities grow. Such value chains take advantage of the growing importance of trade in services to create value and improve livelihoods of the workers who they employ and the customers they serve.

The past fifteen years have witnessed the parallel growth of FDI and trade via these value chains. This has resulted in an explosion of South-South exports of intermediate goods and South-North exports of final goods through bilateral and regional trade agreements.

Highlighting the role that the international community can play in facilitating these regional and global investments in trading activity through regional infrastructure and technical support will help our deliberations at Addis Ababa rise to meet the challenges posed by the SDGs.

Excellencies, Distinguished Colleagues,

As we enter the final stretch of this long road to Addis Ababa, let us not lose sight of our objective. We worry a lot about the balance of interests at the table, and about the new players who join the game. But what is most important is that we see the interlinkages that bring us together. It's not just about the sustainable future that we all want. It is about this wide world that we all share.

Thank you.