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UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

TRADE AND DEVELOPMENT BOARD

Sixty-second Executive Session

(25-27 January 2016)

Statement on behalf of the European Union and its Member States

by the Delegation of the European Union to the United Nations

Trade and Development Report, 2015: Making the International Financial Architecture Work for Development

Geneva, 25 January 2016

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Trade and Development Report, 2015: Making the International Financial Architecture Work for Development

Mr President,

I have the honour to speak on behalf of the European Union and its Member States.

We take note of the "Trade and Development Report, 2015: Making the International Financial Architecture Work for Development" that UNCTAD secretariat published last year. While we acknowledge the effort which has been put into it we may not share or agree with all the comments or opinions which sometimes tend to reflect a biased point of view. Moreover the report is wholly focused on the global financial system to the exclusion of the core topics of trade and development, which do not feature in the chapter titles until the last chapter. This has created an unbalanced report which does not reflect UNCTAD's mandate. While some elements of finance are recognized as interrelated to trade and development, this does not justify an entire annual report into the global financial infrastructure, a topic which is of course mandated to other international institutions. With this strong caveat in mind, I would like to offer the following observations on the content of the report:

The financial crisis (and the sovereign debt crisis that resulted from it) exposed fundamental problems in many developed countries, namely because of the excessive debt of the countries but also because of problems of supervision of the financial sector. It exposed the vulnerability of some of our countries as a result of the accumulation of significant macro-economic imbalances, and their spill-over effects to other countries.

We agree that fiscal policies may make a relevant contribution to lifting potential growth. Fiscal discipline is a pivotal element of macroeconomic stability, an essential condition for growth. Furthermore, tax incentives and expenditure policies combined with structural and institutional reforms can enhance growth by stimulating investment and promoting human capital.

Concerning Sovereign Debt Restructuring, the EU remains always actively engaged in international fora debates to identify solutions to this issue, such as the IMF, the Paris Club and the Paris Forum meetings. In this respect, we support a market-based approach to sovereign debt restructurings, namely through the introduction of collective action clauses (CACs) into sovereign debt contracts, which have become the market norm for sovereign issuances. This is also the prevailing approach in the euro area, where "model euro area" CACs with strengthened aggregation clauses were introduced in all euro area sovereign bonds with maturity above one year issued from January 2013.

Following the outcome document of the Addis Ababa Action Agenda on Financing for Development, we acknowledge the significant improvements which have been made since Monterrey in improving the processes for cooperative restructuring of sovereign obligations and in recognising the importance of sustainable borrowing and lending practices. While we note the ongoing discussions in the UN context, we maintain that **the IMF is the primary forum to discuss sovereign debt restructuring**.

Regarding long-term public finance, we acknowledge that Official Development Assistance (ODA) is an important addition to national resources, including for safeguarding and improving public services. The EU and its Member States are collectively the largest donor of ODA. We have reaffirmed our collective commitment to achieve 0.7% ODA/GNI target within the time frame of the 2030 Agenda for Sustainable Development. We recognize that, although it is only part of the solution, ODA is a catalytic source of funding for LDCs. This is why we have re-affirmed our specific ODA effort for the Least Developed Countries of 0.15-0.20% of GNI in the short term. We continue to encourage other developed countries, countries in transition, and developing countries in a position to do so, to make similarly ambitious commitments. The EU is committed to the implementation of the 2030 Agenda for Sustainable Development and will continue to support its partners, particularly the least developed and the most vulnerable.

But – as the Addis Ababa Action Agenda on Financing for Development recognises – this is about more than just aid. We must mobilise all resources, international and domestic, public and private, if we are to achieve the 2030 Agenda for Sustainable Development. Domestic actions in developing countries, including resource mobilisation and policy changes will be an important element to achieve the SDGs.

Domestic public finance is the main source of financing directly available to governments for spending on policy goals and is thus the most important element in a financing approach. Most countries could significantly increase their fiscal space and therefore their ability to finance development by introducing reforms aimed at mobilising domestic resources including fighting illicit flows.

In relation to international investment flows, Foreign Direct Investment (FDI) is amongst the major catalysts to development. Developing countries' domestic policies matter, especially good governance, economic and legal transparency and stability, for attracting FDI to a particular industry and our developing partners have the primary responsibility for promoting an attractive business environment.

On innovative financing, the EU actively explores new financing approaches that help to mobilise additional funding from new sources and partners. We also believe that there is a need to support countries to increase their own resources and to ensure that aid is a complement to, and not a substitute for, their efforts.

EU grants are mainly combined with loans from European public finance institutions and regional development banks through blending. In 2013 a total of almost €400 million of EU grants contributed to projects with an expected investment volume of about €7 billion –for example, the largest contributions were spent on projects in Sub-Saharan Africa (33%).

Mr President: We would like to conclude underlining our commitment: The EU and its MS remain determined to continue working together with our developing partners to help them addressing poverty reduction objectives and achieving sustainable development.

Thank you.