Mr. Thomas Gass, Assistant Secretary-General, UN DESA

Thank you very much,

Chair,

Distinguished Excellencies,

Ladies and Gentlemen,

It is a difficult act to follow. We have had such a dense flow of information here, and the whole issue of financing isn’t always the easiest to digest – this excellent outline of the different needs of financing, as Mr. [Erik] Solheim has presented so ably. But we have also heard of, these past days in Vienna, about the specific challenges that the LLDCs face – the high transport costs, low incomes, the weakness of the private sector. So we have a vicious circle that makes it difficult for countries to attract Foreign Direct Investment and of course to mobilize the taxes which are so important.

The Almaty Programme of Action recognized that ODA was very important for LLDCs to achieve the MDGs, and indeed since Monterey, ODA disbursements to LLDCs have doubled, increasing from $12.2 billion in 2003 to $25.9 billion in 2012. Nonetheless relative to their GNI, ODA has fallen for the LLDCs as a group, from over 8 percent in 2003 to under 4.5 percent in 2012, which is partly due to the growth of some of these countries that Erik Solheim has pointed to.

LLDCs also received little foreign direct investment. FDI to LLDCs of $30 billion in 2013 represents only 2 percent of global FDI flows, with three-fourths of these investments going to six mineral-exporting LLDCs. Furthermore FDI inflows to LLDCs fell by 11 percent in 2013, compared to nine percent rise in global flows. So apart from these mineral-exporting LLDCs, it is difficult for LLDCs to attract FDI.

Trends in the area of external debt have been more positive. The external debt of LLDCs has declined, largely as a result of the Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative, however, landlocked developing countries not eligible for debt relief have very high level of debt as a percentage of gross national income. To meet the large financing needs and to achieve sustainable development beyond 2015, LLDCs will rely on additional financing from all sources – domestic and international, public and private.

In this regard, the recent report of the Intergovernmental Committee of Experts on Sustainable Development Financing, and I am pleased to recognize Ambassador [Dragan] Županjevac, who is one of the members here from Serbia. This committee proposed a basket of policy options for countries to choose from, but under the premise that countries would have establish sustainable development financing strategies that would be the basis for taking decisions regarding domestic policies, regulatory and
institutional environment for sustainable development. Basically it is recommend that countries align their annual budgets and medium-term expenditure frameworks with national sustainable development strategies, enabling the countries to lead what is happening and to make sure that these different flows of financing come together.

Public finance and particularly ODA has an important role to play, especially for those countries most in need. The Expert Committee recommended that the level of concessionality of international public finance should take into account both a country’s level of development and the type of investment. This would help ensure that while financing for basic social needs remains highly concessional, financing will still be available for other crucial areas, particularly infrastructure. They also recommended that ODA be used to strengthen the capacity in countries to raise and to manage taxes, as Mr. Solheim has also mentioned. International public funds that are less concessional than ODA, such as some loans from the IMF, the World Bank and others, can be important sources of medium and long-term finance for countries to draw upon.

It is important to ensure that the LLDCs are not refrained from accessing solely on the basis of their income such as concessional funds. Financially viable projects should instead be considered on a case-by-case basis while keeping in mind debt sustainability considerations. In this regard, currently a variety of multilateral and regional institutions designed to finance infrastructure exist: the World Bank is developing a Global Infrastructure Facility, the African Development Bank has launched the Africa50 Infrastructure Fund, and the new Asian Infrastructure Bank would seek to provide financing to infrastructure projects. More broadly the committee report suggests new types of mechanisms for blended finance, which in addition to pulling the funds between the private and public sectors, would also bring together the expertise and knowledge of investors and the governments and help overcome some of the informational constraints that impede direct investment. However, while the committee emphasized the potential of blended finance, it underscored the importance of risk analysis of those structures to avoid privatizing gains while the public sector maintains the risks. Significant capacities are needed to design structures that share the risk and rewards fairly. ODA and other forms of assistance will need to play a role in capacity building in this regard.

A lot has been about building an enabling environment for economic growth, I don’t want to come back to that point, but we had a side event on remittances, and I would like to just take a few minutes to refer to that. There are five countries that have remittances that are higher than 25 percent of their GDP. You have a country, Tajikistan, which has over 50 percent of its GDP from remittances. Now you can imagine that in such countries not dealing with the issue of remittances, is not dealing with the elephant in the room. These remittances are hugely important for foreign exchange reserves and while I am not saying that these are public funds – they are not, they are private funds – the way the policy environment is established to make sure that these remittances actually lead to a better livelihoods and to a more sustainable development in a country is hugely important.

A notable example has been Bangladesh, which has established a migrant welfare bank. You can imagine, if you are a migrant and had to leave a country such as Nepal for
example, which bank wants to land you money if you go overseas for three years? You do not have any collateral, so who is going to lend you money? The only person to lend you money is an uncle in the village who will lend it to you at a 48 percent interest rate. So we have to reduce the cost of remittance, but we also have to help these populations to integrate them into a more formal financial sector so that they can have a safer migration. This is just one example. If you can provide training as Nepal and Bangladesh are doing, then you are also contributing a lot to making sure the remittances do so in a way that strengthens their livelihood and makes development more sustainable. Of course there are number of issues – the reduction of the cost of remittances which is also one of the targets under the SDGs, but also the possibility of building, like in Rwanda, the umurenge system of local rural cooperatives that receive funds from remittances and can make them accrue to the community.

So many ideas and important policies, and I want to end with what Amina [Mohammed] has just said – we are on the road to Addis Ababa, and this is hugely important. A number of delegations have come to see at the office and asked, how can we make the post-2015 a success? I say, bring your highest possible dignitary to Addis, bring a minister of finance. Make sure your minister of finance is involved in the process in Addis. This is not only for ministers of foreign affairs. It has to involve the minister of finance so that we can go really strongly into this post-2015 summit next year and come out with an ambitious visionary outcome.