<u>Statement by Hon. Abdou Kolley, Minister of Finance and Economic Affairs of The Gambia at the Third International Conference on Financing for Development, Addis Ababa, Ethiopia July 13-16, 2015</u>

Mr. President,

This Third International Conference on Financing for Development cannot have come at a better time as world leaders prepare for the September UN Summit to adopt a Post-2015 development agenda that will succeed the Millennium Development Goals (MDGs). The Sustainable Development Goals (SDGs) as they are called, are expected to build upon the successes registered under the MDGs and learn lessons therefrom, but with a higher level of ambition. The SDGs mark a fundamental shift from the MDGs in that "**no one will be left behind"** and this explains the 17 goals and 169 targets covering economic, social and environmental dimensions of development. As the SDGs seek to make improvements in all aspects of people's lives in a sustainable way, they also come with heftier price tag and their successful implementation will require strong political will and financial commitment on the part of all.

Let me therefore briefly speak to three issues of importance to the SDG agenda: which are domestic resource mobilization; private sector finance and participation; and overseas development assistance.

On **domestic resource mobilization**, many developing countries face fiscal constraints, which inhibit their ability to tackle poverty in a meaningful way. The challenge over the years for many of these countries in mobilising domestic resources has been narrow tax bases, their economies being largely dominated by the informal sector which is difficult to tax. Developing countries must however intensify their resource mobilizing efforts by expanding their tax bases to finance and attain inclusive sustainable development. This is even more imperative in light of dwindling income from international trade taxes partly resulting from regional and international trade agreements.

While efforts must be taken to tackle the largely informal economies, various government policies must be aligned and harmonized to bring about the desired and meaningful impact on people's lives. There is further need to also ascertain the efficient utilization of public finances in order to achieve sustainable growth. To this end, budgetary reforms geared towards fiscal discipline, strategic allocation of resources and operational efficiency are prerequisites. Our policies must be supportive of a conducive environment for private sector growth to enhance trade and encourage investments, as this would subsequently lead to more vibrant economies, thereby increasing tax revenues for sustainable development.

Mr President, distinguished delegates, this takes me to the issue of **private finance and participation** as a necessary condition for realisation of the SDGs. In effect, the attainment of the SDGs will require huge financial investment, which cannot be met from domestic resources alone, whatever the will. According to the UNCTAD World Investment Report 2014, approximately US$4 trillion will be required every year from 2015 to 2030 in developing countries alone for the SDGs to be achieved. However, given the current levels of investment in all SDG-related sectors by both public and private bodies, developing countries still face a funding gap of $2.5 trillion per year.

It is unlikely that government budgets and official development aid will be able to compensate fully for this funding gap, thus the need for increased private sector finance and participation, especially in the development of requisite infrastructure. In addressing the investment needs of the SDGs, increased use of risk-sharing tools can encourage more private investment. In particular, Public-Private Partnerships (PPPs) offer many features that can help alleviate poor risk-return ratios. PPPs enable cost-sharing and risk-sharing, thereby reducing the uncertainty faced by private investors, and they can be tailored according to existing socio-economic and market constraints. Thus if properly structured and balanced, PPPs can be a viable way of boosting much needed private investment in support of the SDGs.

Finally Mr. President, **overseas development assistance** has been a relatively stable source of development financing for the poorest economies with limited or no access to international capital markets. The Monterrey Declaration (2002) has identified the comparative advantage of aid as a complement to other sources of financing for development, especially in those countries with the least capacity to attract private direct investment. For many least developed countries such as the Gambia, Small

Island developing states and landlocked developing countries, ODA is still a significant source of external financing and is critical to the achievement of the national and international development goals.

While acknowledging that the recent financial crisis affected many countries, there is need for DAC members to step up their ODA in line with the ambitious nature of the SDGs, by meeting their ODA commitments of 0.7 per cent of GNI. Though ODA will have to continue to be an important source of finance to complement other sources, including domestic and private capital, one big push for the SDGs is the speedy conclusion of a balanced and development-oriented Doha Round. Indeed trade has the potential to lift many LDCs out of poverty, but this can only happen if the major obstacles, including farm subsidies, are eliminated and allowing for a fairer trade between and among countries. Similarly, global efforts are needed to address the massive illicit flows from developing and least developed countries to developed nations, which some estimate to far outweigh ODA inflows. This can be a significant source of financing the SDGs, and together with better trade terms, significantly reduce LDCs dependence on aid.

In conclusion, Mr. President, achieving the objectives and the goals of sustainable development cannot be business as usual. The collective devotion of the international community to global development must be reflected in the ramping up of the means of implementation including finance. We must work together to mobilize adequate financial resources and explore various innovative options for their successful implementation. There is need for a robust and ambitious outcome from this conference. The outcome must call for a good balance of the various sources of finance and reflect a revitalized global partnership for sustainable development. The outcome must take into account different national realities, capacities and levels of development and pay particular attention to the circumstances of African countries, least developed countries, landlocked developing countries and small-island developing states.

Thank you for your kind attention.