



STATEMENT ON BEHALF OF THE GROUP OF 77 AND CHINA BY MR MAHLATSE MMINELE, DEPUTY PERMANENT REPRESENTATIVE OF THE REPUBLIC OF SOUTH AFRICA TO THE UNITED NATIONS, AT THE JOINT PLENARY MEETING OF THE SECOND COMMITTEE WITH THE ECONOMIC AND SOCIAL COUNCIL ON THE TOPIC "DOMESTIC RESOURCE MOBILIZATION: WHERE TO GO AFTER ADDIS?" (New York, 10 November 2015)

Co-Chairs,

Allow me to deliver the following remarks on behalf of the Group of 77 and China. The Group appreciates statements made by all the distinguished panelists this morning.

Co-Chairs, The Group welcomes resolution 69/313, entitled "Addis Ababa Action Agenda of the Third International Conference on Financing for Development", which is an integral part of the 2030 Agenda for Sustainable Development, and supports and complements it and helps to contextualise its means of implementation targets with concrete policies and actions within the framework of a revitalised Global Partnership for Sustainable Development.

Co-Chairs,

The Group of 77 and China is of the firm view that the Addis Ababa Action Agenda was a good basis to unravel the questions on domestic resource mobilization. The debate on this issue is however, far from being finished.

The picture remains bleak for many developing countries and we thus believe that there is still much to be carried out before progress could be achieved in terms of improving the capacities of developing countries to mobilize resources at the national-level. Developing countries continue to face considerable challenges, and some have fallen further behind. Poverty, unemployment and inequality still persist in many of these countries.

Co-Chairs,

Poverty eradication in all its forms cannot be attained without sustainable economic transformation. Likewise, economic and social transformation cannot be achieved without a specific emphasis on education, industrialization, job creation and infrastructure development. Social transformation cannot be achieved without strengthening governments' institutional capacities to provide basic public services. It is fitting that these issues are adequately captured in the Sustainable Development Goals (SDGs) of the 2030 Agenda.

Co-Chairs,

The Group of 77 and China would like to underscore that domestic resource mobilization remains a primary responsibility of national authorities. Equally important, however, is international cooperation to strengthen tax systems as well as address gaps in areas such as illicit financial flows, capital flight and tax evasion, which undermine development efforts and must be tackled collectively.

Linkages should be made with systemic issues, including in international trade, which must be

addressed in order to allow for scaled up domestic resource mobilization. The Group recognizes that effective domestic resource mobilization can only be achieved through sustained, inclusive and equitable economic growth.

Individual Member States' regulations on public domestic financing must be the prerogative of national governments, in accordance with their own specific needs, objectives and imperatives. The manner in which other forms of financing are incorporated must also recognize the role of governments in regulating financing channels to fund their development programmes.

Co-Chairs,

Official Development Assistance (ODA) remains relevant and of critical importance in assisting developing countries to fill the developmental gaps in developing countries. Public international financing therefore remains crucial in this regard.

The Group of 77 would like to reiterate that the traditional definition of Global Partnership based on North-South Cooperation, should be maintained, with a re-affirmation of the fact that ODA remains the main source of international financing for development for many developing countries.

The current global economic situation makes it all the more necessary for developed countries to fulfill their ODA commitments to developing countries and to also provide genuine debt relief to the Least Developed Countries (LDCs), Small Island Developing States (SIDS) and many other developing countries that are vulnerable to debt crises and in the midst of crises. Many developing countries are still struggling to move forward economically following the 2007-2008 world financial crisis. These countries are also fragile and continue to be susceptible to any form of global economic shocks that may occur and as such pose a risk that could worsen the already bleak situation that has befallen them.

Co-Chairs,

Another issue that is of particular importance for domestic resource mobilisation, and which needs an increasing focus as well as targeted action by the United Nations and other relevant international bodies, is the impact that Illicit Financial Flows (IFFs) are having on draining resources away from developing countries. Illicit financial flows have an adverse impact on domestic resource mobilisation and the sustainability of public finances, particularly for African economies. The curbing of such flows is vital for the financing of the sustainable development goals. According to the "Report of the High Level Panel on Illicit Financial Flows from Africa:

I quote: "Over the last 50 years, Africa is estimated to have lost in excess of \$1 trillion in Illicit Financial Flows (IFFs) ♦ Currently; Africa is estimated to be losing more than \$50 billion annually in IFFs," close quote.

While an assumption may be that these losses are as a result of criminal activities or corruption, the Report found that commercial activities account for 65 percent of IFFs while criminal activities account for 30 percent and corruption for 5 percent. IFFs are defined by the High Level Panel as "money illegally earned, transferred or used". The emphasis was placed on "illegality of any stages of such outflows to indicate that a legal act in one geographical location does not nullify the intent and purpose of such outflows, which is to hide money even if legitimately earned". The term "illicit" was used because it was a "fair description of activities that, while not strictly illegal in all cases, go against established rules and norms, including avoiding legal obligations to pay tax."

The High Level Panel Report found that commercial activities that are intended to hide wealth,

evade or avoid tax, and avoid customs duties and domestic levies include (a) avoiding tax which relates to base erosion and profit sharing, (b) abusive transfer pricing, (c) trade mispricing, (d) misinvoicing of services and intangibles, (e) unequal contracts and (f) tax inversion. These activities were found to be achieved through exploiting the lack of information and capacity limitations of government agencies.

Recent findings around IFFs indicate that two thirds of the amount lost to developing countries is due to trade mispricing. A 2014 Global Financial Integrity Report found that emerging economies lost \$6.6-trillion in illicit financial flows between 2003 and 2012. The result is billions lost in potential tax revenues to governments. These astounding numbers are without doubt affecting human development.

Co-Chairs,

There is also a need for an enabling international environment to assist developing countries in improving their economic and productive capacities. Similarly, the United Nations needs to spearhead global efforts to assist Member States to achieve sustainable development through employment creation and decent work for all through its platforms and universal coverage. This can be done, inter alia, through the available tools in the UN development system and the attendant focus on strengthening the existing UN Office for South-South Cooperation through human resource, budgetary and financial means.

The Group would also like to underscore that the SDGs that are encapsulated in the recently adopted 2030 Agenda for Sustainable Development cannot be attained if they are not backed by the recognition of a need for urgent reform of the global financial and economic governance structures. The Group therefore, calls for the implementation of the 2010 International Monetary Fund (IMF) Quota and Governance Reform. It is critical that the IMF is well-resourced to be able to respond to members facing financial and economic crisis. The failure to implement the agreed reforms compromises the ability of the IMF to access the necessary resources to perform this critical function. In addition, the Group looks forward to the related commitment to further advance a more comprehensive reform process of the International Financial Institutions (IFIs).

Co-Chairs,

In conclusion, we would like to urge our development partners to assist in ensuring that international development cooperation is solidified and re-invigorated. There is need for a stronger partnership to be fostered rather than to castigate governments of developing countries for their current economic and developmental quagmires. The relevance and critical importance of international public financing from developed countries therefore cannot be overemphasized. Let us all focus our efforts in that direction as this would ultimately narrow the developmental gulf between developed and developing countries.

I thank you!