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First session of the Preparatory Committee for the fourth International Conference on Financing for Development

Muli-Stakeholder Round Table Discussion on "Domestic and international private business and finance"

Thursday, 25 July 2024 11:30 – 13:00

Speaking notes

Good morning, ladies and gentlemen. Thank you for the opportunity to present some opening remarks to this preparatory meeting.

The state of development in emerging and developing countries is not healthy. As we move towards the fourth Conference on Financing for Development, bold and urgent steps are required to remedy the state of development finance. In general, investment in emerging and developing countries accelerated in the early 2000, fell sharply after the global financial crisis, picked up modestly towards the end of the last decade, fell again during Covid and is yet to show sustainable signs of recovery.

Average GDP growth in emerging markets slowed from above 5 percent prior to 2010 to about 3 percent today, and that figure is even lower if we exclude China. The pace of poverty reduction has slowed dramatically, and in some countries, has reversed. The much-heralded convergence in living standards trumpeted at Doha during the second Financing for Development Conference is now just a pipe dream. We are a long way away from annual investment in emerging and development markets approaching $500 billion, as was set out at the adoption of the Sustainable Development Goals.

The third Financing for Development conference said all the right things. It spoke about complementing official development assistance with trade and private sector financing; it spoke of opening access to markets to poor and middle-income countries, it spoke of enhanced roles for the development finance institutions, it spoke of a shared commitment to financing a just transition to a greener future. The fourth Financing for Development Conference does not have to re-invent the wheel. Instead, it requires a recommitment to implement what we have already agreed to. New pledges and commitments make the news while an implementation plan doesn’t sound sexy. However, it is this very implementation where we have collectively fallen short.

Clear implementation plans are needed on all the themes announced previously. Domestic resource mobilization is fundamental in empowering sovereign states to become the drivers of development. Global agreements on cross-border tax cooperation and challenging tax avoidance are critical. Capacity building and data sharing amongst tax authorities can go a long way in making emerging and developing states more viable.

The private sector plays a multiplicity of roles from innovator to financier, from producer to consumer, from insurer to employer. Domestic private sector growth requires certain basic elements; the rule of law, the absence of corruption, transparent tax and customs rules and a level playing field. Foreign companies want the same thing. In such an environment, foreign companies can support the business ecosystem, partnering with local companies and contributing towards development and economic growth. Employment growth requires stable and predictable ecosystems for businesses to operate in.

Infrastructure investment in energy (especially renewable energy), rail, roads, ports, airports and water supply networks, including treatment plants, have the highest multipliers for growth and development. Infrastructure financing is the area where cooperation between governments, donors, multilateral development banks, private financiers and private companies has the best chance to make a meaningful impact on development. Again, an enabling ecosystem with predictable rules can mobilise hundreds of billions of dollars for investment.

Trade is an area where some progress has been made since the third Financing for Development Conference. Trade volumes, both amongst developing countries and with more advanced economies has grown steadily, notwithstanding a slump during Covid. This positive development must be supported, both through better logistics infrastructure but also through deeper partnerships with the private sector in the areas of trade finance, insurance and technology transfer. Long-term, durable relationships between private companies across the world is the surest sign of sustainable development.

Allow me to conclude my opening remarks by raising a few specific issues that have bedevilled the financial sector’s participation in development. Since the 2008 financial crisis, there has been a sharp reduction in correspondent banking relationships between advanced and developing countries. This trend, together with Financial Action Task Force rules have raised the costs of doing business in developing countries in general and in Africa in particular. Increasing levels of trade protection in advanced economies (sometimes for understandable reasons) has negatively impacted poor and emerging market access to developed markets, potentially undermining the progress that has been made in growing private sector trade volumes. Near-shoring and protectionism, together with what I call technological bifurcation between the west and the east, further risks raising the costs of doing business in emerging markets.

The fourth Financing for Development conference provides us with an opportunity to tackle the systemic issues hobbling development finance and private sector-led growth in the world. We must take collective responsibility to implement the grand resolutions that we have previously made. Progress will require a rebuilding of trust amongst the development stakeholders and that requires a fresh approach to relationship building across the divides. The private sector is well placed to play our part in this renewed push.

In this regard, we welcome the establishment of the Business Steering Committee to support the preparatory work for FFD4. This steering Committee will be co-chaired by the Global Investors for Sustainable Development (GISD), to leverage private sector support for the conference and to put the issue of sustainable development firmly on the global agenda.

I Thank you.