High-level Meeting

On

"South-South and Triangular Cooperation in the Post-2015 Development Agenda: Financing for Development in the South and Technology Transfer"

Remarks

by

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Allow me at the outset to thank the Government of Bangladesh for hosting this high level meeting on South-South cooperation, which comes at a crucial juncture in the global development calendar, as our delegations back in New York embark on the final stretch of what is proving to be a challenging negotiation process to adopt the Outcome Document of the UN Summit in September, laying out an ambitious and transformative Post-2015 Development Agenda, including Sustainable Development Goals (SDGs), Means of Implementation (MOI's) and a reliable Follow-up and Monitoring process for both the SDG's and the MOI's.

Parallel to the Post-2015 process, our delegations are also negotiating the Final Document of the Third Conference on Financing for Development (FFD) that will be held in Addis Ababa in July. What will be agreed upon in Addis will be the basis for the MOI's component of the Outcome Document in September. Without adequate financing, the implementation of the Post-2015 Agenda risks derailment and we might end up in 2030 facing the same issues that have held our nations from achieving faster developmental strides, such as poverty, inequality, conflict, economic stagnation, underinvestment and environmental degradation.

The unmet needs in developing countries are immense, particularly in the fields of poverty eradication, infrastructure, education, health, agriculture, food security, capacity building and technology; and they are bound to increase with growing populations and increased urbanization, mainly in infrastructure, where some estimates put the number at an additional 1 to 1.5 trillion dollars annually by 2020. Meeting those needs requires a comprehensive approach that bolsters the financial and non-financial capacities of developing countries, drawing on resources in the public and private spheres, and on the domestic, regional and international levels.

Official Development Assistance (ODA) remains a main source for facilitating the achievement of sustainable development, particularly in the field of poverty eradication, ending hunger and other social fields of development. Thus, it is imperative for developed countries to meet their ODA commitments of 0.7% of GNI by 2020. However, ODA in its traditional forms, particularly in its North to South direction, is limited in scope and quantity, and there will be a need to devise methods which would allow the use of ODA to better leverage other sources of finance particularly from the private sector.

Multilateral Development Banks have also a particularly useful role to play in this regard, through the provision of both concessional and stable long-term non-concessional development finance by leveraging contributions and capital, and by mobilizing resources from capital markets. They should utilize their balance sheets to the fullest extent possible, notwithstanding the need to maintain their financial integrity. Their assistance should also include middle income countries which continue to face complex and diverse challenges like persistent inequality, climate change, natural disasters, institutional weakness, high debt levels and protracted humanitarian crises as in Lebanon.

The biggest required investments will be in resilient and sustainable infrastructure, in energy, transport, telecommunications, and water supply and sanitation. However, with the multiple economic, political and institutional risks facing investment environments in developing countries, the cost of financing the required infrastructure would be high putting an immense pressure on the budgets of governments and making them more vulnerable to fiscal and monetary shocks. The current North-led multilateral financial infrastructure remains conservative and risk averse, despite recent reform attempts, thus, limiting its ability at alleviating constraints on financing infrastructure investment.

Here comes the role of South-led development banks, whether we're talking about MDB's with global scope like the New Development Bank (the BRICS Development Bank) or with large regional scope like the Asian Infrastructure Investment Bank, or smaller regional MDB's like the Arab Fund for Social and Economic Development, and even those national development banks and funds that provide international, regional and sub-regional development support like the Kuwait Fund for Arab Economic Development.

(I'll give later a brief account about the experience of Arab MDB's and NDB's and their positive contribution to development in the Arab region and in Africa in the past few decades.)

I will highlight mow a few areas in which South-led development banks could provide an added value to the current financial infrastructure.

<u>First</u>, they would expand the existing financing pool by tapping on some of the vast public and private savings that have been accumulated in the South during the last couple of decades, including those long-term foreign exchange assets placed in Sovereign Wealth Funds, and mostly invested in developed countries at very low yields. For example, according to a recent ESCWA report, compared to Arab investments outside the region, Arab intraregional investments remain meagre not exceeding 11.2 % of total investments of Arab sovereign funds outside the region, which are estimated at around US$1,1616 billion; most being located in the US (around 50%) and Europe (around 20%).

<u>Second</u>, they would be more understanding of the needs of developing countries, and their financing would be targeted at priority projects as identified by countries of the South. They could draw on the successful experiences of other emerging and developing countries in addition to existing regional and national development banks from the North and the South, to finance adequate capacity building and technology facilitation projects that would contribute to the formulation of sound legislation, strengthening taxation systems, government institutions and good governance as a whole.

Third, they would provide an expanded level of concessionality compared with that provided by North-led MDB's or bilateral ODAs. It is worth noting here that such concessionality should always be checked against the financial integrity of MDB's and their sound credit rating levels.

Fourth, they would be more willing to provide support to infrastructure and other development projects that promote regional and sub-regional integration in countries of the South.

The guiding principles to South-South cooperation are many, primary among them is that South-South does not substitute, but complements North-South cooperation; in addition to the respect of national sovereignty, ownership and independence; non-interference in domestic affairs; alignment with national priorities; regional integration, unity, solidarity and equality among partners. Most of those guiding principles have characterized the development cooperation among Arab countries in the past decades including the activities of the different Arab and Arab-led national and Multilateral Development Banks.

The experience of the Arab Fund for Economic and Social Development is of particular significance is this regard. Established by the Arab League in 1968, it has focused on the promotion of social development and poverty reduction in Arab countries by financing projects covering health care, education, drinking water, rural development, and social welfare. This has been carried out by providing concessional loans to governments and public corporations and enterprises at relatively low interest rates, extended loan terms and grace periods. And staying faithful to the main objective at its establishment, that is, strengthening Arab economic integration, it has also financed joint Arab projects in the fields of electricity, transportation and communication. Since it started its operations the fund has disbursed more than 600 loans equivalent to 29 billion dollars, in addition to 540 grants costing 680 million dollars.

Also worth noting in this context is the Kuwait Fund for Arab Economic Development which extends loans on concessional terms to finance development projects in the Arab region and beyond it to developing countries in Asia, Sub-Saharan Africa and Latin America. The Fund also provides technical assistance to finance the costs of feasibility studies of projects, as well as training nationals of borrowing countries. Since 1961 the Fund has provided loans to 104 countries in amounts exceeding 18 billion US dollars in addition to grants in the amount of around 700 million dollars. In addition, the Fund subscribes in the capital of international and regional development institutions, including the Arab Fund for Economic and Social Development, and the Arab Bank for Economic Development in Africa (BADEA) and others.

BADEA's activity has contributed for years to Africa's development. The bank's loans of 3.5 billion dollars since 1975 have contributed to the achievement of projects in the fields of infrastructure, agriculture, and social development. It has also provided technical assistance in the form of feasibility studies and institutional support in the amount of 142 million dollars. It has even financed Arab exports to 10 African countries in the amount 187 million dollars.

The above list is not exhaustive. Other regional and national Development Banks and funds have also contributed immensely to development in the Arab and wider region, like the Abu Dhabi Fund for Development (1971), the Saudi Fund for Development (1975) and the Islamic Development Bank (1975).

The wide ranging activities and experience of the development banks and fund in our region could be of particular benefit to the new South-led development banks that have been established in the past few years.

Despite the magnitude of the ODA assistance in the Arab region, financing the development in the Arab region continues to fall far short of the immense economic, social, environmental needs, let alone the humanitarian and reconstruction needs caused by protracted conflicts and instability in the region and impeding its long term development -such as in Syria, Iraq, Libya, Yemen, Sudan and Somalia. Added to that is the sharp decline in global oil prices in the last few years which puts additional strain on the budgets of oil producing Arab countries limiting their ability at providing additional assistance bilaterally or through multilateral instruments. Hence, in the upcoming years, governments in the Arab region will have to increasingly rely on attracting other sources of finance, particularly from the private sector through Foreign Direct Investment in sustainable infrastructure and reconstruction projects. There will also be a need to tap on some of immense savings of Arab emigrants abroad.

Finally, solidarity remains the ultimate and noblest principle in South-South cooperation, whether bilateral or multilateral. The support that my country, Lebanon, has received from Arab countries and Arab development banks, and from other countries in the South, has been crucial for its reconstruction, economic growth, stability, resilience and unity at different phases of its troubled history in the last couple of decades. It was provided in the form of grants, loans, deposits in the Central Bank hard currency reserve, technical assistance and trade facilitation.

Finally, another form of solidarity that I believe is worth mentioning is philanthropy, and the significant financial and non-financial contributions philanthropists could make should be harnessed and directed toward achieving national sustainable development goals in developing countries.

Thank you.