STATEMENT ON BEHALF OF THE GROUP OF 77 AND CHINA BY MR. MAHLATSI MMINELE, DEPUTY PERMANENT REPRESENTATIVE OF THE REPUBLIC OF SOUTH AFRICA TO THE UNITED NATIONS, AT THE FIRST DRAFTING SESSION OF THE PREPARATORY PROCESS FOR THE THIRD INTERNATIONAL CONFERENCE ON FINANCING FOR DEVELOPMENT (New York, 28 January 2015)

Co-Facilitators,

At the outset let me thank the Co-Facilitators for a substantive Elements-Paper which in their own words said that "the elements there-in are no means exhaustive but intended to stimulate further thinking on the main challenges and the most transformative ideas to address them". The Group of 77 and China sees the elements providing a feasible basis to a good Zero Draft.

Co-Facilitators be rest assured that the Group of 77 and China will actively and constructively participate in this process. It has been a long wait for our Group for this Third Conference to take place since the last one which was held in Doha in 2008.

Co-Facilitators,

The Group of 77 and China concurs that the financing needs for sustainable development are enormous particularly in developing countries. Hence our untiring efforts in eradicating poverty remain ever paramount.

In response to your letter of 21 January 2015, the Group of 77 and China would like to submit the following preliminary thinking on your elements of which the Group had also found them open-ended:

In terms of structure, the Group of 77 and China feels that the proposed structure by the Co-Facilitators does not resemble the Monterrey Consensus. Monterrey Consensus in your structure has been expanded, for example Private Finance has been emphasised and become its own Chapter; International Public Finance - one Chapter of Monterrey Consensus has been split into two; and an addition of Technology, Innovation and Capacity Building as a stand-alone chapter. The Group of 77 and China maintains that the structure of Monterrey Consensus be the basis for the development of an Outcome Document for the Third International Conference.

Co-Facilitators,

When it comes to elements, the Group maintains that Financing for Development (FfD) in general terms shall remain the conceptual framework for the mobilization of resources. It shall remain an independent process.

Therefore in the spirit of maintaining the structure of the Monterrey Consensus, we are of the view that the proposed title of "Domestic Public Finance" need to return to its original title of "Mobilizing Domestic Public Financial resources for Development". The Group of 77 and China reiterates that this issue needs an enabling international environment in our common pursuit of growth, poverty eradication and sustainable development. An enabling international environment is made possible by addressing international systemic issues, which is a core part of both the means of implementation and a global partnership for development.

Co-Facilitators,

As early as 2002, the Monterrey Consensus recognized that an enabling domestic environment is vital, and efforts to create such an enabling domestic environment should be supported by the international community.

In this regard we note with interest some suggest in the Elements paper that should be prioritized in this area, including:

- Insuring the public share of economic rents in resource-rich countries is equitable and stable, including developing an agreed set of principles for concession and royalty agreements and strengthening government capacities to successfully participate in the extractives sector;

- Strengthening international tax cooperation to tackle tax avoidance and evasion, including reaching agreement in the FfD process on an official definition of cross-border illicit financial flows (IFFs) and upgrading the UN Tax Committee into a standing intergovernmental committee.

Co-Facilitators,

Whilst the Group of 77 and China acknowledges private finance support to sustainable development, it remains the Group's submission that public funding should always take precedence over private financing. These two concepts cannot be put on equal footing. Private finances are profit driven. The balance between the Domestic and International Financing should be maintained as reflected in the Monterrey Consensus Document.

Private finance, including foreign direct investment and various forms of private sector investments, must facilitate structural change, technological upgrading and productivity growth for developing countries, while also preserving national policy space so that domestic development can benefit from foreign investments.

For the topic of International Public Finance, ODA will always remain relevant and will remain political in nature. Global partnerships (should be in the singular) for development in respect of the unfinished business of MDG 8 should continue. South-South and Triangular Cooperation will remain relevant as a compliment to North-South cooperation.

Not only should ODA and other public financing commitments be honored and enhanced by the FfD process, but the definition and measurement of ODA should improve development finance quality, quantum and effectiveness for developing countries.

Trade will remain an engine for development and should be at the heart of the developing countries. This will always be elusive to the G77 and China as long as a universal, rule-based, open, non-discriminatory and equitable multilateral trading system is not agreed upon. This should be one of the key deliverables in the Addis Ababa Outcome Document.

Key issues pertaining to trade which have been outlined in Goal 17 of the Sustainable Development Goals, such as agricultural subsidies, must be taken into consideration for the upcoming FfD third conference.

Co-Facilitators,

Whilst we recognized that you had expanded the Monterrey Consensus by adding technology, innovation and capacity building as key drivers in the eradication of poverty. Disparities between the developed and the developing nations on these elements are so immense that any possibility of an attempt to close them will be gladly welcomed by the Group of 77 and China.

In this regard, we note with interest some suggestions in the Elements paper including:

- Strengthening public interest exemptions under the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) for health and technologies for climate change mitigation and adaptation;
- Setting up innovation funds to support innovative enterprises in the early stages of the technology cycle;
- Scaling up ODA for science and innovation to support research and development technology diffusion, as well as national innovation funds and innovation centres;
- Setting up a facilitation mechanism to promote the development, transfer and dissemination of clean and environmentally sound technologies to developing countries on concessional and preferential terms, to support achievement of the SDGs;
- Setting up, expeditiously, the Technology Bank for the LDCs;
- Ensuring intellectual property regimes and the application of TRIPS flexibilities are fully consistent with sustainable development;
- Encouraging United Nations specialized agencies, funds and programmes with technology-intensive mandates to further promote the development and diffusion of relevant technologies through their respective work programmes.

Co-Facilitators,

The Group of 77 and China concurs with you that sustainable debt financing is an important element for mobilizing resources for growth and development. Hence the Group is eagerly awaiting the Ad Hoc Committee on Debt Restructuring Mechanism to start its work in ensuring that the Multilateral legal framework is established as a matter of urgency. We note with interest the suggestion in the Elements paper for Improving the framework for sovereign debt restructuring.

The Group of 77 and China believes that greatest development reversals have occurred in episodes of external debt crisis and it would be a betrayal of the financing for development process if the outcome at Addis Ababa did not reflect sufficient progress in this area.

Co-Facilitators,

Important regulatory financial reforms are important so to avert future crisis similar to the 2008 world financial crisis triggered in the developed economies which even today has adverse effects on small and developing economies of the South. Exchange rate stability is also particularly significant in the current context of changes in the monetary policies of developed countries. Systemic issues are therefore pertinent in this regard.

In this regard, we note with interest some suggestions in the Elements paper:

- Strengthening the use of SDRs, including implementing SDRs as the main international reserve asset and systemically issuing SDRs, with a development dimension in the allocation;
- Reducing volatility of financial markets and private capital flows, including: enhancing global macroeconomic stability including through policy coordination and policy coherence; removing obstacles to capital account management and regulations, including in trade and investment agreements; limiting capital account spill overs from source countries with international coordination; adopting measures to ensure the proper functioning of food commodity markets and

their derivatives, and facilitating timely access to market information;
- Reducing systemic risks of banking and shadow-banking systems, enhancing the regulation and supervision of under-regulated financial;
- Aligning international rules and standards with sustainable development objectives;
- Enhancing developing countries representation in global economic governance

Co-Facilitators,

Monitoring, data and follow-up is a new element and not captured in the Monterrey Consensus and Doha Declaration. The group is mindful of the fact that this element may have been highlighted in other processes but may need more intergovernmental engagement especially on the role of non-State actors.

Co-Facilitators,

In Conclusion, your indicative set of elements which you had provided by way of "food for thought" make unclear relationship between the FfD process and other ongoing processes which deal specifically with issues of climate change under the UNFCCC, trade issues under the WTO, Technology Transfer Mechanism, and debt sustainability. The Group of 77 and China will much appreciate to get a sense of how much of these issues will be covered under the FfD process? How much will be covered under the SDGs process without duplication and encroaching on mandates of specific institutions dealing with these specific issues?

In operational terms, the linkage between FfD and the Means of Implementation should come out clearly as we build synergies with the post-2015 development agenda.

The element of monitoring, data and follow-up, envisaged in the FfD Process as proposed by your Elements-Paper has also been proposed in the SDGs process. How different will the institutional set-up be in the two processes? Do you see us using the same mechanism to follow-up implementation of both FfD and SDGs?

I Thank You.