Talking Points

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Panel intervention on "Rethinking the funding and financing strategies of the UN development system to deliver on the 2030 Agenda"

Economic and Social Council 2017 Operational Activities for Development Segment

Wednesday, 1 March 2017, 10:00 am – 11:30 am

- We are aware that if the current funding trends continue, it would not be possible for the 2030 Agenda to be achieved on time or even until a next century or so. We are not in favor of renaming the " 2030 Agenda" to "2300 agenda". (Note: message pointed out by Mr. Yannick Glemarec, Deputy Executive Director, UN-Women). Rather there is a need for serious discussion on how funding approaches can become more sustainable. The topic of this panel is therefore both relevant and timely.

- As a representative from the Government of a program country, I would like to share some reflections from that perspective, with 2 key messages.

- The funding and financing strategies and modalities devised by the UN Development System need to take into account the specific country context from a financing perspective. It is recognized that there have been dynamic changes and differences in financing landscapes – with significant differences even among countries within the same region.

- In Lao PDR, the Government has recognized that in order to chart our course to achieving our development priorities, graduating from Least Developed Country status and progressing towards the SDGs, we needed to have data and evidence on the financing landscape specific to our country context.

- In 2015 we therefore commissioned a Development Finance Assessment with support of UNDP and other partners, which mapped the types of finance and trends in different types of finance in, and to, Lao PDR.
- More than a quantitative mapping, the Development Finance Assessment also looked at the institutional and policy context we have in place in Lao PDR for channeling different types of finance toward achieving development goals. These of course have different characteristics, and advantages and limitations.

- My first point is therefore that country context matters. While global policy processes, and global and regional estimates of financing needs for the SDGs are important, our experience has found great value in having country-specific evidence and recommendations within which to think about reforms - and to have dialogue with our partners on how they can support us on this.

- For example, at the regional level, there has been a strong narrative that Asia is increasingly a middle income region with ODA becoming less important. However, in Lao PDR, ODA remains an extremely important finance flow.

- Nevertheless, the Government recognizes that we need to make sure we are using the limited ODA we have as smartly as possible.

- For example the Development Finance Assessment pointed out that we need to consider the right balance between having ODA not only support social sectors, but also support strengthening of environment for private sector investment - to "leverage ODA". The assessment noted that for our current 5-year development plan, 76 percent of finance is expected to be contributed by the private sector and only 12 from ODA. This illustrates that we need to look at the issue of 'leveraging' public finance.

- <u>The second point I would therefore like to make is that leveraging development cooperation matters more than ever before</u>. As we can see international public financing constitutes only a tiny sliver of international flows. This needs to be increasingly used to leverage and redirect the other flows.
  - Leveraging, for instance, by enhancing access to finance, in particular for the poor. The UN Capital Investment Fund for example is supporting a programme in Lao PDR that has provided access to finance to nearly 50,000 people, in part through mobile banking.

  - Leveraging, for instance - as mentioned - by creating an enabling environment for the private sector in support of achieving national development results. It is the private sector that pays the taxes that we need to fund national development programmes.

  - Leveraging, for instance, by ensuring efficient and effective spending of public revenues through the budget. A study by the Copenhagen Consensus has looked into value for money on different projects in another country in my region, Bangladesh. While most projects had a rate of return of between 1 and 20 US$ per US$ spent, the winner was the e-procurement system, with a rate of return of US$ 663 per 1 US$ invested. This is what leveraging means. In Laos we are therefore introducing an e-procurement system in the public works sector.

  - And leveraging by addressing illicit flows. Global Financial Integrity has shown that 3.2 trillion (that is over 3,000 billion) US$ flow out of developing countries each year, be it through debt payment, repatriation of profits and illicit financial flows – the latter constituting an estimated 1.1 trillion US$. At the same time developing countries receive only 1.3 trillion US$ per year, of which 130 billion

US$ in ODA. We need to also urgently address this issue. Who is better positioned to do so than the UN Development System?

Ladies and gentlemen,

- The question of UN system's funding modalities, be it pass-through or pooled, is an important one. However, in the programme countries the crucial question is how development cooperation can be leveraged to address the true obstacles to our development. If we do not get this right, if we do not address these important points, then perhaps it would indeed be more realistic to rename the 2030 Agenda to 2300 agenda