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Speech by Mr. Martin Chungong, IPU Secretary General

Opening ceremony
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Your Highness,
Excellencies,
Secretary-General, Rebeca Grynspan,
Distinguished colleagues,
Ladies and gentlemen,

It gives me great pleasure to address you today. I commend UNCTAD on its leadership in convening this Forum so unique for the way it brings all of the relevant actors together.

At the outset, I must admit that, as the Secretary General of the IPU, a political organization, I am not an expert on investment and finance issues. Yet there are some thoughts that I can share with you from the many discussions our members – from 179 parliaments around the world – have had over the years, as well as a little bit of my personal views.

As the UN Secretary-General said this morning, the SDGs are badly off track and a key reason for this is that not enough resources are being mobilized through both public and private sectors.

To be clear: in a global economy of $100 trillion there is plenty of money for the SDGs even if we discount current historically high debt levels and the costs of ongoing crises, from food to climate change.

Yes, the SDGs need an injection of trillions of dollars, but it is not entirely as if we must first earn the money before we can spend it. The problem, as I see it, is first and foremost a *distributional* problem: how resources are being collected and spent, and the rules that govern investments within countries and globally.

I want to use this opportunity today to make a strong pitch for public finance as a key source of development finance. In the process, I hope to clear the air of some of the misconceptions about the relationship between public and private investments.

Parliaments and parliamentarians are in the business of adopting laws, including the key budget bill, through which the whole fiscal framework of a country – revenues and expenditures combined – comes to life. It is through these instruments that public finance for development can and must be mobilised, beginning in the much richer developed countries.

The SDG finance problem really begins on the revenue side of the ledger, meaning, that not enough taxes are collected *on the better off* that can be channelled into national and international efforts for sustainable development.

Tax systems in many jurisdictions across the world are too regressive, taking relatively more from the poor and the middle classes than from the rich, particularly shareholders in highly profitable corporations. Absurdly, work – what most people do for a living - is taxed more than idle capital. Illicit capital flows continue virtually unabated. Financial transactions like the purchase of stocks and bonds, or of foreign currency, are either not taxed or taxed a pittance compared to the VAT charged on goods and services. Highly profitable fossil fuel companies get tax breaks and direct subsidies that they do not need. The effective corporate tax rate (even if we go by the minimum of 15% agreed by the G20) is still quite low by historical comparisons.

I do not have time to cover the whole list of inequities built into tax systems around the world. My point is simply that they need to be fixed urgently, beginning in high income countries where resources are greater, and a lot of finance could be redirected to public investments at home and abroad.

There would be more money for bilateral aid, to be sure, but also more money to boost the lending capacity of international development banks, more money for debt cancellations and restructuring, more money to finance special facilities to fight climate change, achieve universal health coverage, restore biodiversity and so forth.

On the expenditure side, without a doubt governments need to re-think their priorities. As I mentioned, fossil fuel subsidies but also other kinds of subsidies make no sense whatever and must be dramatically reduced, if not eliminated, with savings invested in the green economy. We are talking of hundreds of billions each year in fossil fuel subsidies alone that are not just a big throwaway but that end up costing trillions of dollars down the line in terms of health care costs, environmental remediation, and lost economic opportunities.

Another good illustration of expenditures to be reallocated of course is the global military budget, which has now reached the stratospheric amount of over 2 trillion dollars.

Over and above this simple math, there is a deeper change that needs to happen in the way public expenditures are perceived, that is, as dead-end *costs* instead of the *investments* that they really are.

All of the public goods that people need, from health care to education, public transport, infrastructure of all kinds, increase human well-being but also have a very direct benefit to the economy as a whole. It is perhaps because of this fundamental misconception that in far too many countries counter-productive austerity policies carry the day.

Much has been said in recent years about de-risking and leveraging private investments through private-public partnerships (PPPs) and other kinds of government support. I have nothing against the idea per se, but let me remind you that at the end of the day a more fundamental way to attract private investments is via public investments in health, education and all of the public goods that support work and skill development. For developing countries to go up the value chain and become less dependent on commodities, building more stable economies, investments in human capital and public goods are more important than attracting foreign investors with tax breaks with few conditions attached.

As far as PPPs proper, I can tell you that they are of concern in many parliaments for a number of reasons, which come down to a lack of transparency and accountability. Far too often, parliaments have only scant knowledge of PPP contracts that sound expedient at first only to end up costing the public purse more in terms of lost revenue, higher user fees, and increased liabilities should anything go wrong down the road.

Last but not least on this short list of misallocated expenditures, as Secretary General Grynspan has just reminded us, there is of course the cost of debt servicing. As UNCTAD reported recently, countries where a total of 3.3 billion live are spending more in debt servicing than in health and education. Clearly the solution here cannot depend only on the debtor countries themselves but on deep reforms in the international financial architecture.

To start with, a new financial architecture would make it easier for countries to borrow in their own currencies, on longer terms and at lower rates. It would set up a proper sovereign debt restructuring mechanism. It would enable the IMF to issue trillions of dollars in Special Drawing Rights. And it would certainly allow for a much greater voice for developing countries, as principal borrowers, on the boards of the World Bank and IMF.

In sum, what is most notable about these few ideas I have presented is that they all involve a simple act of political will. And I agree that Parliaments are critical to mobilizing that political will.

We do not need to wait for new wealth to be produced, or new money to be minted. We can act now with the tools we have and the solutions that are quickly available, and with that make a real difference to the implementation of the SDGs before it is really too late.

Thank you.