PRIME MINISTER

ANTIGUA AND BARBUDA

CHAIRMAN – Group of 77 & China

Financing Development Projects and Challenges

Intervention by Prime Minister W. Baldwin Spencer in the session on "Development Projects and New Trends"

Moderated by John Defferios of CNN

Mr. Moderator,

In the few short minutes I have been allotted, permit me to make a few points:

1. Middle income countries such as my own face proportionally huge developmental challenges, yet we lack the in-country financial wherewithal to meet them. Simply put, we need, yet lack, financial resources to implement our long-term development projects and programmes. This forces us to look beyond our shores. But as we do so we are conscious of the fact the landscape for official development assistance (ODA) has changed dramatically. For example, of the $100+ billion of official development assistance disbursed by rich countries to developing countries in 2005 only $38 billion was oriented towards long-term development projects and programs.

Of this $38 billion, perhaps half reached the intended beneficiaries. The balance of the money is tied up in special purpose funds like debt relief and technical assistance, or in administrative costs incurred in both the donor and recipient country.

2. We have often told to look to capital markets. However, private capital markets are, of course, concentrated primarily in the more advanced OECD countries, with the EU accounting for 36% of the total and the US for 31%. The domestic capital markets of the emerging market countries are much smaller in aggregate terms, accounting in total for about US$ 15 trillion in capital value, or 11.6% of the world total. **Yet, enormous investment gaps persist in both middle and low income countries.** According to recent World Bank analyses, the infrastructure investment needed to keep up with projected growth in the developing world is estimated as equivalent to an average 5.5% of the developing countries' annual GDP (with above-average needs in some of the lowest income countries). Currently, however, the public sector, which on average accounts for about three-quarters of all infrastructure investments, is spending only around 2 to 4% of GDP on infrastructure. These infrastructure deficits have serious long-term implications: it is estimated that increasing Latin America's infrastructure to the typical level in East Asia would contribute an additional 1.4-1.8% in annual GDP growth and reduce income inequality by 10 to 20%.

3. The developmental needs of developing countries for remain enormous – and far beyond the resources that the countries themselves and the official agencies (MDBs and bilaterals) can directly mobilize themselves. And while it is true that the full potential of the world's private capital markets to help finance development is not being captured, and that a limited number of developing countries

have succeeded in attracting substantial volumes of private flows, domestic and/or international, into development-oriented investments, the experience of the past 15 years shows that private capital mobilization for development-oriented investments has been uneven, unreliable and inadequate.

4. Where do we go from here? Clearly then, new avenues have to be explored if we are to meet this large gap between the developmental needs of developing countries on the one hand and ODA from developed countries on the other. One such avenue is south-south cooperation. On this front, I am heartened to note that bilateral cooperation between countries of the South can and do bring new approaches to development cooperation. South-South Cooperation (SSC) which refers to cooperative activities between newly industrialized southern countries and other, lesser-developed nations of the Southern Hemisphere, include activities such as developing mutually beneficial technologies, services, and trading relationships. SSC aims to promote self-sufficiency among southern nations and to strengthen economic ties among states whose market power is more equally matched than in asymmetric North-South relationships. SSC is important to these nations for two reasons. First, SSC contributes to economic advances in southern nations, and, second, SSC lacks the overtones of cultural, political, and economic hegemony sometimes associated with traditional North-South aid

5. We need to improve business environments, especially regulatory and legal frameworks, within our own countries as well as the overall skill set and governance of actors across both our private and public sectors. Critical skill sets include accounting, auditing, business planning, project development and management, credit analysis, dispute resolution, and strengthening legal systems and the rule of law.

6. Project development funding needs to be increased dramatically in scope and committed on a long-term basis (over five years) and should come in a variety of formats: technical assistance grants or revolving funds to finance the development costs of infrastructure projects. Project development funds are not only critical for covering initial costs, but may be able to build in self-sustaining revenues from successful projects.

Thank You.