WELCOMING REMARKS

HIGH LEVEL AFRICA EVENT ON:

AID AS A CATALYST FOR DOMESTIC RESOURCE MOBILISATION IN AFRICA

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It is an honour and privilege to welcome you to this HIGH Level Africa Event on: " Aid as a Catalyst for Domestic Resources Mobilisatin" organised in the margins of the 3rd Global Partnership Steering Committee meeting which is to be held right here in Addis Ababa, Ethiopia, on Thursday and Friday, July 25 – 26, 2013. That Steering Committee meeting is critical in building the necessary momentum leading to the Inaugural Ministerial-Level meeting to be held early in 2014.

Allow me to thank you for being so gracious as to accept our invitation to attend this event.
I am highly confident that you have much to contribute. A line-up of knowledgeable panelists has been assembled to set the stage for hopefully highly inter-active sessions.

The question of domestic resources mobilization first came to light in a strong manner at the Ministerial meeting in Lisbon, Portugal, in preparation for UN- LDCs IV in Istanbul. It was towards the end of 2010. I will confess that I was a sceptic at that time wondering how one can "…squeeze water out of a stone without the magic rod or wand of Moses". But there was a "Damascene" conversion right there to the point that I was requested, impromptu, because one of the panelists could show up, to make a presentation on the subject and it was well received. The panelist from AfDB actually skillfully eschewed the core of the subject matter and talked about something else. To-day the AfDB is at the fore-front advocating domestic resources mobilization especially for infrastructure development that would assist in economic transformation. It is a welcome development.

African countries themselves, in the preparations leading to Busan, took the plunge and threw their weight behind the concept and ended up championing it. So the quest for effective mobilization of domestic resources for development has gathered and is continuing to gather momentum. AfDB is coming up with an interesting package called Africa50 Fund (President Kaberuka prefers it to be called Africa50) specially designed to raise funds for a particular category of infrastructure projects in the continent that neither fall comfortably into public funding arena, or do not fully attract private investment, yet would contribute towards development and intra-Africa as well as global trade. Perhaps the panelist from AfDB will elaborate.

Now Domestic Resource Mobilisation in Africa has become one of the mantras. It is now widely accepted, that for true liberation and convincing sovereignty a high degree of self-reliance, in, among other things, mobilizing own resources for both recurrent and developmental purposes (as well as building confidence by accumulating reserves), is imperative.

Proper tax structure, competent and meticulous administration are imperative to domestic resource mobilization on the public front. That tax structure should not only be competently administered, but must also be accompanied by punctual and competent auditing system. Plugging leakage holes of tax evasion and tax avoidance are challenges that need to be met and quickly. Proper introduction of systems such as the Integrated Financial Management Information Systems have been found to be particularly useful in meticulously tracing flows within the government financial management system. Incentives for tax compliance would also go some way in encouraging revenue collection. Again this is being done elsewhere.

Proper, up to standard Financial Sector Regulation and Supervision is key. Appropriate framework has to be put in place and adequate capacity to administer it should be developed and deployed. Basel based committees housed under Bank for International Settlements (BIS) have take the lead in this regard. Functional payment, clearing and settlement systems are also critical. They should be truly reliable/secure, fast and convenient. Meticulous supervision and good payment systems would enable tracing of illicit flows and money laundering and therefore easier to stop them.

Blocking illicit outflows in the form of over-pricing, transfer pricing or money laundering or through other innovative methods, is critical to retain financial resources in the country and in the continent.

Keeping a sharp eye on the Transnationals, especially those in extractive industries, is well advised. Their notoriety in manoevres of not accurately reporting production and proceeds thereof and often under-payment on labour invokes this call. Improved and harmonized international accounting standards and disclosure requirements should go some way towards containing illegitimate financial outflows.

International co-operation is essential in stopping illicit financial outflows and fight against corruption.

There are indeed pockets of unused financial resources in the system in our countries. For instance, liquidity in the banks tends to be plentiful. Funds are held idle. Banks simply buy bonds, enjoy the yield and then pass on a small fraction to depositors in the form of interest of deposits. There is excessive risk aversion. Measures should be taken to encourage banks take reasonable risks, especially foreign owned banks.

Nurturing the informal and semi-formal savings and loans associations or societies should prove to be a step in the right direction in mobilizing domestic financial resources. These associations and societies carried the weight during the economic hardships of the 1080s and 1990s. Some have grown and have become a force in the financial sector in their own right and are less risk averse in lending towards productive activities.

Incentives for saving should be somehow devised to realize this vision of domestic resource mobilization. This has been and is being done in some instances.

Of course strong, stable, sustained and inclusive economic growth is a path towards domestic resource mobilization as it will lead to raised incomes, broadened and deepened tax bases and better revenue collection by the authorities. This calls for quality public expenditure or pro-growth public expenditure. Diversification and value addition are key to accelerated growth. To achieve that, there has to be appropriate infrastructure developed, human development and other enablers. The Agriculture and industrial development should follow. With such value addition, value chains Africa would join regional, continental and global supply chains. The vision of substantially increased intra-Africa Trade would become a reality. It will further propel economic growth. Saving would increase in the economy. UNCTAD says, for maximum gain by Africa, such production and trade is best undertaken largely by African enterprises. African owned enterprises should form a significant part in production and trade. This puts a high premium on the private sector development effort on the continent.

Much can be mobilized through the remittances from the diaspora. Charges on transfers have to be reduced. Billions are absorbed by transfer enterprises such as the Western Union and Money Link through exorbitant charges on transfers. Liberalisation of that type of market could lead to lower rates as has been witnessed in the case of Rwanda.

Aid, therefore, should assist in putting up the appropriate structures and process associated with the domestic financial resources mobilization. They should be the catalyst for Domestic Resource Mobilisation. Africa and development partners should work hand-in-hand in this endeavor.

It remains for me to thank member of the family NPCA and the AUC's ever so dependable and devoted partner, UNDP, for collaborating with AUC in making this event a reality that it is. We thank the experts here present who have graciously agreed to be in the panels to share their knowledge, experience and wisdom with us.

I now wish to invite the His Exellency the Deputy Chair of the African Union Commission, H. E. Erastus Mwencha, a man of tremendous experience and insight to do the honours and formally open this event.

Your Excellency we await your message!