Remarks by Omar Kabbaj, President of the African Development Bank Group at the Paris Conference on Development Finance

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Paris
Introduction

Your Excellencies,
Distinguished Participants,
Ladies and Gentlemen,

At the outset, permit me to express my appreciation to the Governments of France and the United Kingdom for organizing this conference and the very fruitful exchange of views that it has already made possible. We also welcome warmly the clear commitment of the two governments -- as well as others -- to find workable mechanisms to significantly scale up official development assistance (ODA).

In my brief remarks, I would first like to stress – like others before me -- the urgency of substantially increasing development assistance and hence the related urgency of finding effective mechanisms to do so. I will then suggest a few criteria that could be usefully applied in assessing the feasibility and the contributions of the various innovative proposals that we are discussing today.

The Urgency of Increasing Development Financing and Finding New Mechanisms

Mr. Chairman,

As both Ministers Nicolas Sarkozy and Gordon Brown reminded us eloquently this morning, a large number of developing countries, mostly in Africa, are unlikely, on present trends, to achieve the MDGs by 2015. Indeed, many may take decades to meet them. While most observers would in principle accept the need to increase ODA, some skepticism is, however, expressed about the
capacity of the low-income developing countries to use a larger volume of resources effectively.

I shall not repeat what Mr. Camdessus and other speakers have already stated regarding the absorptive capacity of African countries. I believe it is, however, important to stress the far-reaching reforms that a large number of these countries have implemented over the last decade. Our own assessment of countries eligible for the African Development Fund shows that, while much remains to be done, close to three quarters of the forty countries have improved considerably their macroeconomic policies as well as strengthen their institutions. These have, in turn, resulted in a significant improvement of GDP growth rates and other macroeconomic indicators.

At the regional level, I should add that African countries have launched the NEPAD initiative, aimed at improving both political and economic systems of governance, nationally and regionally. An innovative feature of the initiative is the African Peer Review Mechanism (APRM) to which some 17 countries have already subscribed.

There is therefore little question in our minds that African countries can continue to build on the achievements of the recent past as well as continue to make substantial progress towards the MDGs. In this regard, greater attention will need to be given to accelerating economic growth and to creating employment opportunities. This will, however, crucially depend on a significant scaling up of ODA to help finance critical investments in agriculture, education, health, and infrastructure. In addition, there is a need to address other critical issues such as the resumption of the Doha round of trade talks and reducing debt to sustainable levels.
Criteria for Assessing the Innovative Approaches

Mr. Chairman,

In assessing the various innovative proposals that have been put before us to raise additional resources to finance development, I believe that we could usefully apply four criteria: additionality; feasibility; efficiency; and effectiveness.

With respect to additionality, I believe it is important to stress that the proposed innovative approaches should aim at augmenting current levels of ODA and not substitute for other sources of funding. In this regard, one of the major advantages of the International Finance Facility, proposed by Chancellor Brown and supported by France, is its clear goal of doubling the level of ODA.

With regards to the feasibility of the various proposals, it needs to be noted that some of the approaches proposed -- particularly the global taxes such as the ‘Tobin tax’ and the tax on carbon emissions -- link development assistance to other major policy objectives. While these policy objectives are in themselves laudable, they are however likely to require considerable time before a global consensus -- necessary for their implementation -- is reached. A similar consensus would also be required for the proposal to issue new SDRs. Linking new development financing to global taxes or to SDRs is therefore likely to delay the availability of additional resources.

With respect to the third criterion – efficiency – the proposals need to be judged by the extent to which the mobilized resources would be made available for development. This would require that the costs of raising and administering the resources be kept to a minimum. In this regard, it should be noted that the cost of ensuring compliance for some of the global taxes could be quite high. The
efficiency criterion would also require that existing institutions, such as bilateral and multilateral development agencies, be used to channel the additional resources to avoid duplication of effort and unnecessary costs, as the IFI proposes.

With regards to the fourth criterion – *effectiveness* – a strong case can be made that the proposed mechanisms should contribute to improving the *quality* of aid, by enhancing its predictability and by providing a longer time-horizon for ODA.

**Concluding Remarks**

Mr. Chairman,

Let me conclude by reiterating the urgency of finding innovative approaches for mobilizing additional development resources. As I noted earlier -- and as many speakers before me have stressed -- scaling up ODA is critical if low-income countries and, in particular, African countries are to achieve the MDGs. We believe that the proposal to establish the International Finance Facility could constitute an effective mechanism to raise additional resources quickly and make them available to developing countries. It is also a mechanism that meets the four criteria that I have suggested -- it therefore clearly merits our strong support.

I thank you for your kind attention.