



Opening Remarks

by

Dr. Ngozi Okonjo-Iweala

Coordinating Minister for the Economy

&

Honourable Minister of Finance

Federal Republic of Nigeria,

at

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1. Distinguished ladies and gentlemen, this gathering is the first of a number of very important international meetings that Nigeria will host during the year 2014. The Centenary in February, African Finance Ministers and Central Bank Governors end March, World Economic Forum Africa early May. So it gives me great pleasure to welcome you all to this meeting of the Leading Group on Innovative Financing for Development, holding in Abuja for the first time.

2. The work of the Leading Group is growing in its importance. While it is true that the focus of several developing countries, particularly those in Africa, is rapidly shifting away from aid dependence to a more sustainable platform for development which is trade and investment promotion, the fact remains that a number of African countries are still aid dependent. Official Development Assistance (ODA) in countries like Rwanda and Malawi, accounts for at least 20 percent of their respective GDPs, according to recent OECD statistics. Post-conflict states like Liberia and South Sudan also fall into this category.
3. The amounts of resources required annually to meet the developmental goals of developing countries are significant. According to the UNDP, about \$30 billion per annum is needed to eradicate hunger globally, and \$25 billion and \$36 billion are required annually for HIV/AIDS and education respectively. Another \$10 billion is required annually to control malaria and tuberculosis. Similarly, Africa's significant infrastructural gap would require \$120 billion annually to close the gap.
4. ODA, which peaked at around \$128 billion in 2010 has declined for 2 years running, standing at \$125.6 billion in 2012, according to a recent McKinsey Report. So far, very few high income countries have met the commitment of 0.7% of GNI. Additionally, the quality of ODA is inadequate because it is neither long term nor predictable enough to finance expansion of public investments in core social services. It is clear therefore that ODA would not be sufficient to close these gaps.

5. As the world rounds up the MDGs and the Post-2015 development agenda is set, sub-Saharan African countries would need to find innovative means of mobilizing resources to finance development in addition to whatever ODA there is, and the question now is how do we go about this in the post-MDG era. Across the globe, efforts are increasingly focused on innovative ways for financing development, and these range from levying creative taxes to fund specific development projects, to soliciting for solidarity contributions, and to debt-based instruments. As a way out, I believe innovative financing for development should focus on a number of approaches.
6. First, even though it may not sound innovative, more efforts must be made at mobilizing resources domestically, and this is what we are trying to do in Nigeria. The gaps in Nigeria's non-oil revenue collections present significant opportunities for raising revenues for development financing. Whilst other middle-income African countries and emerging economies have an average tax revenue to GDP ratio of 20%-30%, Nigeria has a comparatively low tax revenue to GDP ratio of 7%. This shows that even though our FIRS has been successful in increasing tax revenues in recent years, there is still scope for further improvement.
7. For developing countries, an important challenge in improving tax compliance concerns ways to increase tax revenues from the informal sector. The informal sector comprises about 40 percent of GDP in many developing countries. However, a significant number of them do not pay taxes. In Nigeria, we discovered that about 75 percent of "registered"

firms were not in the tax system. Moreover about 65 percent of registered tax payers had not filed their tax returns in the past 2 years! We observed that the majority of tax evaders were firms such as contractors, professional services providers, and landlords. Unpaid real estate rentals in Nigeria were estimated at about \$250 million per annum. Such audit exercises can enable governments and donors to focus enforcement on specific sectors which can yield a good “bang for the buck”. Now we have embarked on plugging these leakages and we expect that our non-oil revenues will increase by \$500 million.

8. Second, another way to finance development is by cutting illicit financial flows and the recovery of stolen assets. This is a significant potential for countries with a history of weak institutions such as Nigeria. An estimated \$3-\$5 billion of Nigeria’s public assets were looted and sent abroad between 1994 and 1998. These sums are substantial in light of Nigeria’s public assets- 2.6% to 4.3% of the 2006 GDP, and 20.6% to 34.4% of the 2006 Federal Budget. According to cost estimates from the World Bank, that amount of money could provide anti-retroviral therapy for 2 million people infected with HIV/AIDS over a ten year period or 200 million insecticide treated nets. The Stolen Asset Recovery Initiative of the World Bank and UNODC, which I played a prominent role in its development, was developed to enable and guide countries in this process since international support is critical to its success.

9. Third, we've seen more innovative approaches such as:

- UNITAID's airline ticket levies, which are essentially a domestic tax on airline tickets, and are used to fund HIV/AIDS, Tuberculosis, and Malaria treatment. These are known to raise as much as \$251 million a year. Nigeria is currently considering whether and how to become involved in Airline Levy. As you heard, we already have an airline levy but will look into whether we can add a small amount to this that can be shared with UNITAID;
- Currency tax levies – which are a tax on foreign exchange transactions, have also been proposed. The OECD estimates that levying 0.005% on major currencies would yield some US\$33 billion a year;
- Debt-based instruments, like bonds sold in international capital markets against legally binding long-term ODA commitments from a set of countries. These have been used to fund GAVI campaigns and have raised billions of dollars.
- Weather-based insurance instruments, to protect against adverse weather conditions like flood and droughts that have a direct impact on food production. The African Union has recently launched the African Risk Capacity (ARC) to insure member countries against such risks.

- Remittances are another important source of Finance to rely on. Nigeria receives about 10 billion in Remittances according to World Bank estimate, one of the highest recipients in Africa. It is certainly an area to look at. We are trying to tap into this for national development purposes for infrastructure. For the first time in our Financial history, We intend to float a Diaspora bond this year to tap into this.
10. Other initiatives involve the auctioning or sales of emission permits; action from the corporate sector in the form of “Product RED” – a trademark licensed to global companies that pledge a share of profits from sales of RED products raising millions of dollars for the Global Fund; and so on.
 11. Distinguished ladies and gentlemen, while we need to get creative, we need to also focus on improving the effectiveness of existing mechanisms for development financing. I hope that this meeting will provide a good opportunity for the members to deepen the dialogue on innovative financing platforms that would further enrich the continuing debate on the financing mechanisms for the Post-2015 Development Agenda.
 12. Once again, I welcome you to Nigeria.