Opening Remarks by Angel Gurría, OECD Secretary-General

28 May 2009, Paris, OECD Headquarters

Dear Ministers, Ladies and Gentlemen:

It is a great pleasure to welcome you to this sixth plenary meeting of the Leading Group on Solidarity Levies to Fund Development. With 55 member countries, supported by several other observer countries, civil society organisations and international organisations like the OECD and the World Bank, this group is becoming a key driver for development around the world.

I am very pleased that we are gathering so many bright minds here today to try to find together better and more innovative ways to finance development. And I say very pleased because this is an urgent matter. Worryingly, world poverty is rising again. It hurts admitting it, but today the Millennium Development Goals (MDGs) are further away from our reach than some years ago. This is unacceptable.

1. We cannot let the crisis reverse development progress

Most developing countries had been growing at impressive rates during the first five years of this Century, applying macroeconomic responsible policies and managing to pull millions of people out of poverty. But now their perspective is bleak: by the end of the year, the number working poor living with less than 2 dollars a day can increase by more than 100 million and the number of hungry people in the world can increase by another 104 million.

Poor countries' economies are being affected by stagnating remittances, drying-up of capital flows and investment, falling revenues in relation with the contraction in world trade and commodities crisis. The World Bank estimates that overall the financial shortage for developing countries could reach 700 billion dollars.

This financial contraction will put a tremendous extra pressure on domestic budgets in poor countries. But it should also press our agendas to collectively reflect upon all steady and additional sources of financial support, and on how we can use these in the most synergetic and effective way. Innovative financing for development is an increasingly important instrument; a complementary way to help developing countries overcome their structural challenges; to help them achieve a long term sustainable development.

In the last seven years, since the Monterrey International Conference on Financing for Development, a range of new financing mechanisms have been launched. You have heard of the air-ticket solidarity levy financing the international drug purchase facility UNITAID, or the International Finance Facility for Immunization, or the Product Red initiative supported by the rock band U2. They all have contributed to better results.
The time has come to take stock of this wealth of experiences and to look in more detail at

their impact on the global aid architecture and on countries' strategies, priorities and systems. This is critical to ensure the transparency, the accountability and the effectiveness of our development policies which, with the economic downturn, require even more public support and increased resources.

Recently, OECD DAC members reaffirmed their aid commitments and agreed to maintain aid flows at levels consistent with their commitments. We must fulfil these promises. We are already falling seriously short of our Gleneagles commitments; especially for Africa. OECD keeps track of global ODA flows and I can tell you that even the forward plans notified to us by bilateral and multilateral agencies for 2010 two months ago show a considerable gap.

Innovative financing for development can help complement traditional development aid mechanisms to achieve these commitments on time. They can help us to get closer to the MDGs and improve the global governance framework. But we must be careful to conduct this type of financial innovation with effectiveness and responsibility. The current crisis is a clear lesson of how can financial innovation derail from its original objectives if it is not carried out within transparent and trustable frameworks.

2. Making the most of innovative finance

Let me share with you four principles that we, at OECD, consider essential to reap the best fruit of innovative finance for development:

1. The first key principle is that innovative financing should not constitute a way to bypass basic budget and fiscal rules. It should instead contribute to enhancing good public sector policies in countries. Innovative financing should not discourage countries from their emphasis on raising domestic revenues and developing equitable and fairly administered fiscal policies as a fundamental pillar of development. Innovative finance should contribute to build up the capacity of tax administrations in developing countries; this is "the new frontier" in development policy.

Recent OECD work on combating global tax evasion will help these countries counter the use of tax havens to diminish their revenue gap. It is difficult to measure the impact of more transparent taxing regimes on developing countries' economies, but some NGOs estimate that it could be between 50 and 250 billion dollars a year.

2. A second principle is that we need to pay as much attention to the ways we channel the additional resources as we do to the ways in which we raise them. As the High Level Task Force on Innovative Financing for Health Systems highlighted recently, whilst diversity of additional funding is welcome, multiplicity of delivery channels and institutions should be avoided. Innovative financing mechanisms must comply with the Paris Declaration and the Accra Agenda for Action on aid effectiveness. These agreements call for strengthened country ownership, alignment within countries priorities and institutions, and greater use of country systems.

3. Thirdly, innovative finance for development should be designed taking into consideration the long term also. There can be a good case for raising money quickly through financial markets to support interventions with effective and sustained impact on the population. This has been possible for immunisation for instance. But we should not support those approaches that create public finance liabilities for the future. Passing the cost of our policies to the next generations is not innovation, it is a big mistake.

4. The fourth principle I would like to stress is that we should ensure innovative financing mechanisms are simple, transparent and easy to understand for the public opinion. This is even more important when they call on private solidarity participation, in addition to compulsory contributions through budget and taxes. We have to sensitise people about the wider benefits of contributing to broader aid objectives and interventions which place partner countries in the driver seat. But this requires a specific effort to ensure, as it was stressed in the Landau Report, effective and transparent governance.

In parallel to these principles it is also highly important that we work together to give rationality to the effervescent development scenario. Development assistance architecture has changed a lot in the past years. It has become more plural and complex. There has been a proliferation of actors ─ including global programmes and funds, non-governmental organisations, foundations, public-private partnerships and philanthropic and voluntary contributions; along with DAC donors, multilateral agencies and emerging donors. Financing mechanisms ─ some of them being innovative ─ contribute to development results as well as to a variety of global public goods.

Managing this increasing diversity is quite challenging for countries. It is therefore critical that the commitments to improve the effectiveness of aid, including increased alignment and harmonisation, are fulfilled. This is a prerequisite to getting the most out these additional resources.

3. OECD will continue to accompany this process

The OECD has acknowledged the importance of innovative financing, as well as its strong potential in complementing ODA to accelerate progress towards the MDGs. We will, most certainly, continue to incorporate this important topic in our work on Development Financing and to contribute to the working groups of the High Level Task Force and the Leading Group on Solidarity Levies to Fund Development.

Several OECD countries ─ like France, the United Kingdom, Norway and Italy ─ have been at the forefront of innovative financing. This is also a priority for some of our closest partners, like Brazil and Chile. As we can see in the dedication that the French authorities have devoted to this important event, they will make sure to keep this challenge at the top of our agenda.

I'm particularly pleased to mention that yesterday evening the Development Assistance Committee endorsed an Action Plan for "responding to global development challenges at a time of crisis". This plan recognizes the diversity of instruments, channels and sources that, alongside or beyond ODA, deliver important development results. It also includes the decision to strengthen the monitoring and benchmarking of this landscape of activities financed by, and beyond ODA.

We want to promote greater public understanding and complementarities between ODA and other forms of development finance. This will undoubtedly require more effort from several different parts of the OECD, including those responsible for monitoring ODA and other official flows. But this is an important step forward. Especially important when aid development needs are growing faster than aid development flows.

Ladies and Gentlemen:

We need to continue to share lessons, bringing together all stakeholders. We did it in our past Global Forum on Development on "Lessons for Development Finance from Innovative Financing in Health" (last October) and it was a most enriching and productive experience. I want to take this opportunity to confirm the OECD's availability to provide space and expertise for such discussions in the future.

Development is our shared responsibility. There are already too many interdependencies to think that any country can progress at the margins of the desperation of the poorest countries. This crisis is teaching us a great deal about the "togetherness" of this planet. And it is giving us a unique opportunity to produce a stronger, cleaner and fairer global economy. I am confident that with your collective intelligence and inclusive multilateral cooperation this time we will succeed!