

## **Mobilizing Domestic Resources for Africa's Transformation**

Remarks by H.E. Cristina Duarte, Minister of Finance and Planning, Cabo Verde

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Excellences, Honorables, Ladies and Gentlemen

Let me begin by congratulating the UN System for its leadership and vision on this issue of “Finance for Development”. It is an honor to be here.

Our delegation from Cabo Verde would like to stress, among all, the importance of domestic resource mobilization, as a key element in addressing the challenge of “financing development”. This, in our view, is the mobilization of Africa's own resources to finance Africa's development. Domestic resources mobilization must entail a much-improved management of natural resources, enhanced capacity to capture and manage fiscal resources, and better deployment and management of financial resources.

Let me talk about these three points briefly.

First, the management of natural resources must be improved. The inadequacy in our management of our resources partly explains the paradox of development: A continent endowed with so many resources is the poorest. We, African policy makers can and must do better. This will require us to solve the problems of mispricing, rent seeking, ineffective mineral property rights, and the opaqueness surrounding the management of our natural resources.

Second, we, African policy makers, must enhance our institutions to capture and manage fiscal resources. Here the key challenge before us is ending tax avoidance and evasion. If we wait for an international mechanism to do so ... we will wait another 30 years. We do have a determinant role to play... let's start now! . According to UNECA, Africa loses on annual basis about 50 billion USD to illicit flows while AfDB indicates that the continent needs US\$24 billion annually to implement universal access to reliable energy and cleaner power.

Third, we must better deploy and manage our financial resources. What Africa is not losing to illicit funds is “officially” kept out of the continent in form of international reserves, pension funds and others. It is time for Africa to end the leakages and to deploy its resources for development and not wait 5 years for a loan, sometimes full of negative conditions, to finance a structural project to promote development. Sometimes I have the impression that we wait for our own financial resources.

Excellencies,

There are solutions ....

The challenge however is that African policy makers and development partners need to change. We need a new paradigm, to enhance and revitalizing the existing one will not be enough. We must shift from excessive focus on managing poverty to focusing on structural transformation.

We must retain and better manage our wealth in Africa.

We must mobilize what is ours while also promoting cross border investments in Africa. This is the best time, given the geo-political changes taking place.

For small island nations such as ours, our main resource is the sea. We need to build the capacity to take control of it. We must do better whether it is in negotiating fisheries contract with partners, policing our seas to end illegal fishing, or to mapping and better harnessing our ocean resources.

Critical for all African countries, whether it is the big resource-rich or the much smaller one, is the need to empower the African private sector along the value chain, from small farmers to Dangotes. . Imagine what Africa can do if we are able to close the leakages and mobilize Africa's resources flowing out for investment purposes on the continent? We could strengthen financial intermediation and our financial system. We could use the resources and a strengthened financial system to build a strong indigenous private sector. One of the biggest challenges facing African governments over the next decade is ensuring the emergence of a genuine capitalist class and private sector in Africa. We cannot develop or transform our continent without them.

It is the route to industrialization and job creation in Africa. Take for example agriculture where Africa has a huge potential and a great promise! We need our private sector to serve Africa's US\$30 billion food market. African policy makers must however create the conditions, including building

infrastructure as well as institutions. Agriculture offers Africa an opportunity to be a strong player in the global value chains and to increase the local value component. This is an opportunity to be seized, given that global food demand is expected to increase by 70% in 2050 and about 50% of the world's uncultivated arable land is in Africa.

To our partners, development will only happen through win-win partnerships and with a focus on transformative agenda. Partners cannot support development on the one hand while, in some cases, harboring illicit flows on the other. This is the incoherence debated in the Round Table 2. They must not give aid on the one hand while using the same aid to pressure countries to accept bad deals. Again, this is the incoherence debated in the Round Table 2.

We, African policy makers must do what is needed to build strong and accountable institutions, facilitate good governance and upgrade our technological and productive capacity in order to effectively participate in global value chains, industrialize and transform our economies.

Finally, let me conclude by quoting Chinua Achebe, one of Africa's greatest writers, in the book *Anthills of the Savannah* when he said "While we do our good works let us not forget that the real solution lies in a world in which charity will have become unnecessary."

## Examples to use during conversation/dialogue

### **Financial Sector**

Two-thirds of African adults have no bank account. The consequence is they are locked out of the financial system, with no access to savings, credit and insurance. While we have 3 bank branches for 100,000 adults in sub-Saharan Africa, Asia has 8 and the Eurozone 38.

### **Agriculture:**

The world's population is increasing. Similarly, the middle class is rising. Global food production must increase by 70% by 2050 to meet global needs. Africa has the potential to meet global needs and become the world's food basket. However, African farmers perform at 40% of its potential. Only 5% of its farmland is irrigated against Asia's 41%. The result is a continent that is a net food importer.