Financing for Development

5th Session of the Open Working Group on Sustainable Development Goals

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New York, November 25, 2013
Financing for Development

- Two interrelated and mutually reinforcing objectives:
  - **Stability** of the global financial system
  - **Reallocation of global investment** toward sustainable development
A decade after Monterrey:

- Private capital flows (FDI, portfolio Flows, and loan) to SSA grew by 19.4% per year to reach $67bn in 2012 from $14bn in 2002
- Private capital flows have overtaken ODA
Trends and Developments

» FDI remains the engine of private capital flows with South-South investment from BRICS countries rising quickly

» FDI averaged about 75% of total private capital flows to SSA

» BRICS countries’ share of FDI flows reached 25% in 2010

» Portfolio flows—negligible in 2002—have averaged $9.5bn over the decade and have grown faster since 2006

» Remittances have averaged $21.8bn over the decade or twice (some SSA countries receive 10% of GDP in remittance flows)

» Illicit Financial Outflows may have been twice as important as ODA
Domestic Policy Options

- The growth in external resources has the potential to complement **domestic resources** to achieve SSA’s ambitious transformation strategy:

  1. Deepening domestic financial sectors
  2. Developing local capital markets
  3. Strengthening the infrastructure for the financial system
  4. Continue strengthening *pull* factors
Five Priorities

» Reallocation of global investment toward sustainable development will require:

1. Getting more knowledge and skills transfer from FDI
2. Reducing illicit financial flows
3. Strengthening South-South partnership
4. Engaging the diaspora
5. Redefining and rethinking the role of aid