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Financing for Development

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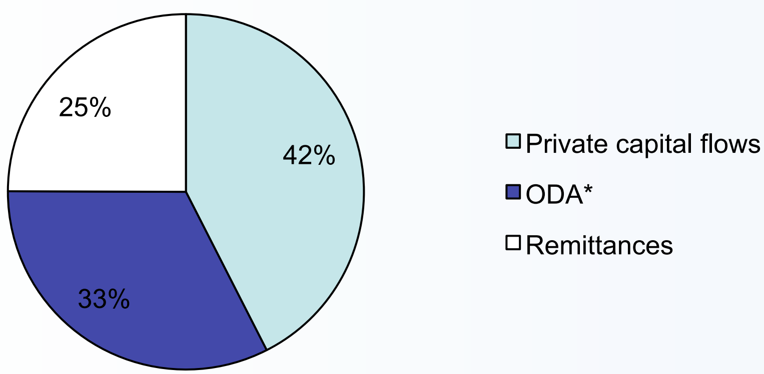
Financing for Development

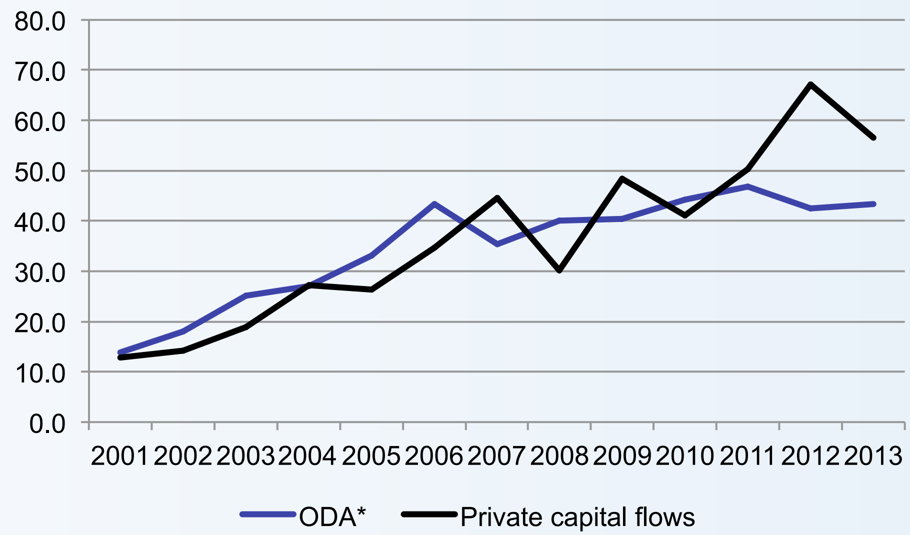
- Two interrelated and mutually reinforcing objectives:
  - **Stability** of the global financial system
  - **Reallocation of global investment** toward sustainable development

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

SSA: Total External Flows (2013)





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