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Means of Implementing the SDGs in African LDCs: Stylized Facts and Policy Options on Finance, Trade and Technology

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Outline of Presentation

I. Background

II. What are the Means of Implementation of the SDGs?

III. How do we determine the Financial Resources required to meet the SDGs?

IV. Why does Trade Matter for the SDGs?

V. How can Technology and Innovation Contribute to Achieving the SDGs?

VI. How do we Mobilize Resources for the SDGs in African LDCs?

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I. Background

- The SDGs represent a bold and ambitious agenda

- Its success or failure will depend largely on what happens in Africa, particularly the LDCs

- It will also depend on the extent to which the international community is willing to assist African countries and LDCs in mobilizing sufficient resources to finance the implementation of the Agenda.

→ Means of implementation are important

II. What are the Means of Implementation?

- The means of implementing the SDGs cover much more than finance. They include:

  - Financial resources
  - Policies
    - Trade and trade policy
  - Technology
  - Capacity building and expertise
  - Accountability mechanisms

III. What is the Financing Required to Meet SDG 1?

	Required GDP growth rate (%)	Domestic saving rate (%)	Required investment to GDP ratio (%)	Finance gap adjusted for ODA and FDI (% of GDP)
Africa	16.5	14.5	87.5	65.5
Central Africa	11.9	21.8	59.9	29.5
East Africa	25.0	7.2	96.1	83.0
Northern Africa	2.7	22.7	25.3	-3.7
Southern Africa	15.9	13.7	73.4	49.4
West Africa	18.0	12.4	88.2	68.7

Source: UNECA

Recent growth in LDCs less than what is required to meet the SDGs

Table Intro.1. Real GDP growth rates in LDCs, other developing countries and developed countries, 2002–2017
(Per cent)

	2002–2008	2012	2013	2014	2015	2016	2017
Total LDCs	**7.4**	**7.1**	**6.1**	**5.6**	**3.6**	**4.5**	**5.7**
African LDCs and Haiti	7.9	7.4	6.1	5.6	4.1	3.7	4.8
Asian LDCs	6.7	6.5	6.1	5.7	2.9	5.9	7.0
Island LDCs	3.9	5.2	2.9	4.3	3.3	4.4	4.8
LDCs by export specialization:							
Agricultural and food exporters	5.6	1.7	4.5	5.1	3.2	3.2	4.0
Fuel exporters	11.6	5.0	4.9	3.5	-4.5	1.1	3.6
Mineral exporters	6.0	5.9	6.6	6.7	3.8	4.4	4.7
Manufactures exporters	6.3	6.2	6.0	6.2	6.2	6.4	6.8
Services exporters	5.8	6.4	2.8	4.2	3.9	3.6	4.9
Mixed exporters	7.1	4.5	6.6	6.5	6.2	5.7	6.2
Other developing countries	**6.9**	**4.9**	**4.8**	**4.4**	**3.9**	**3.8**	**4.3**
All developing countries	**6.9**	**5.0**	**4.8**	**4.5**	**3.9**	**3.8**	**4.4**
Developed countries	**2.4**	**1.1**	**1.0**	**1.7**	**1.9**	**1.8**	**1.9**

Source: UNCTAD secretariat calculations, based on data from IMF, World Economic Outlook database (accessed May 2016).
Notes: Data for 2015 are preliminary; those for 2016 and 2017 are forecasts.
For the classificaiton of LDCs according to their export specialization, see p.xiii.
"All developing countries" consists of LDCs and other developing countries.

What we Know about Development Finance in African LDCs over the past decade?

- There has been a significant increase in domestic revenue, official development assistance (ODA), foreign direct investment (FDI) and Remittances over the past decade
- Domestic revenue accounts for more than 70 percent of total development finance
- ODA still dominates FDI and remittances as sources of external flows
- ODA to Africa in the last decade went mostly to the Social Sector.

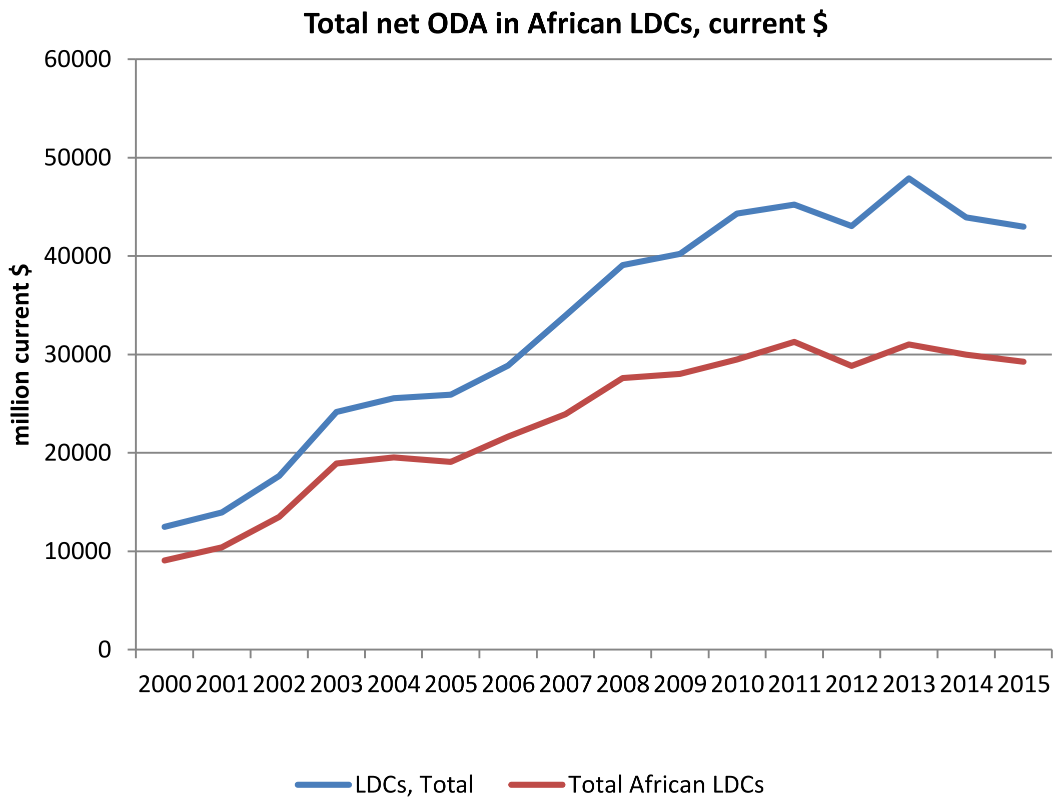


Table Intro.4. FDI inflows into LDCs, 2002–2015
(Millions of dollars)

Category	2002–2008 (annual average)	2010	2013	2014	2015
LDCs (total)	**10 939.3**	**23 762.9**	**21 366.4**	**26 311.2**	**35 107.1**
African LDCs and Haiti	8 402.2	13 690.0	16 767.7	22 952.7	28 067.3
Asian LDCs	2 430.3	9 765.7	4 503.2	3 266.2	6 910.7
Islands LDCs	106.9	307.1	95.4	92.3	129.1

Source: UNCTAD secretariat calculations, based on data from the UNCTAD FDI/MNE database (www.unctad.org/fdistatistics) (accessed July 2016).

Table Intro.5. Remittances inflows to LDCs, 2002–2015, selected years
(Millions of current dollars)

Category	2002–2008	2010	2013	2014	2015
LDCs (total)	**13 446.6**	**25 330.8**	**35 374.4**	**38 523.0**	**41 323.8**
African LDCs and Haiti	5 412.5	8 555.5	10 129.3	10 337.5	11 004.5
Asian LDCs	7 964.4	16 499.8	25 003.4	27 924.5	30 036.2
Islands LDCs	69.7	275.6	241.8	261.0	283.1

Source: UNCTAD secretariat calculations, based on data from the World Bank Migration and Remittances database (accessed July 2016).

Other Modalities for financing SDGs in Africa and LDCs

- Africa and LDCs need to broaden its sources of finance to achieve their development aspirations

- They should consider both traditional and complementary modalities of development finance (see some examples below)

  - Public private partnerships
  - Stemming illicit financial flows
  - Diaspora bonds
  - Guarantees

Public Private Partnerships (PPPs)

- PPPs are increasing in Africa

- Allows governments to leverage existing resources with those of the private sector

- PPPs in Africa: 10%of aggregate global value

Figure 21. Global distribution of infrastructure public–private partnerships by project count and value, 1990–2015

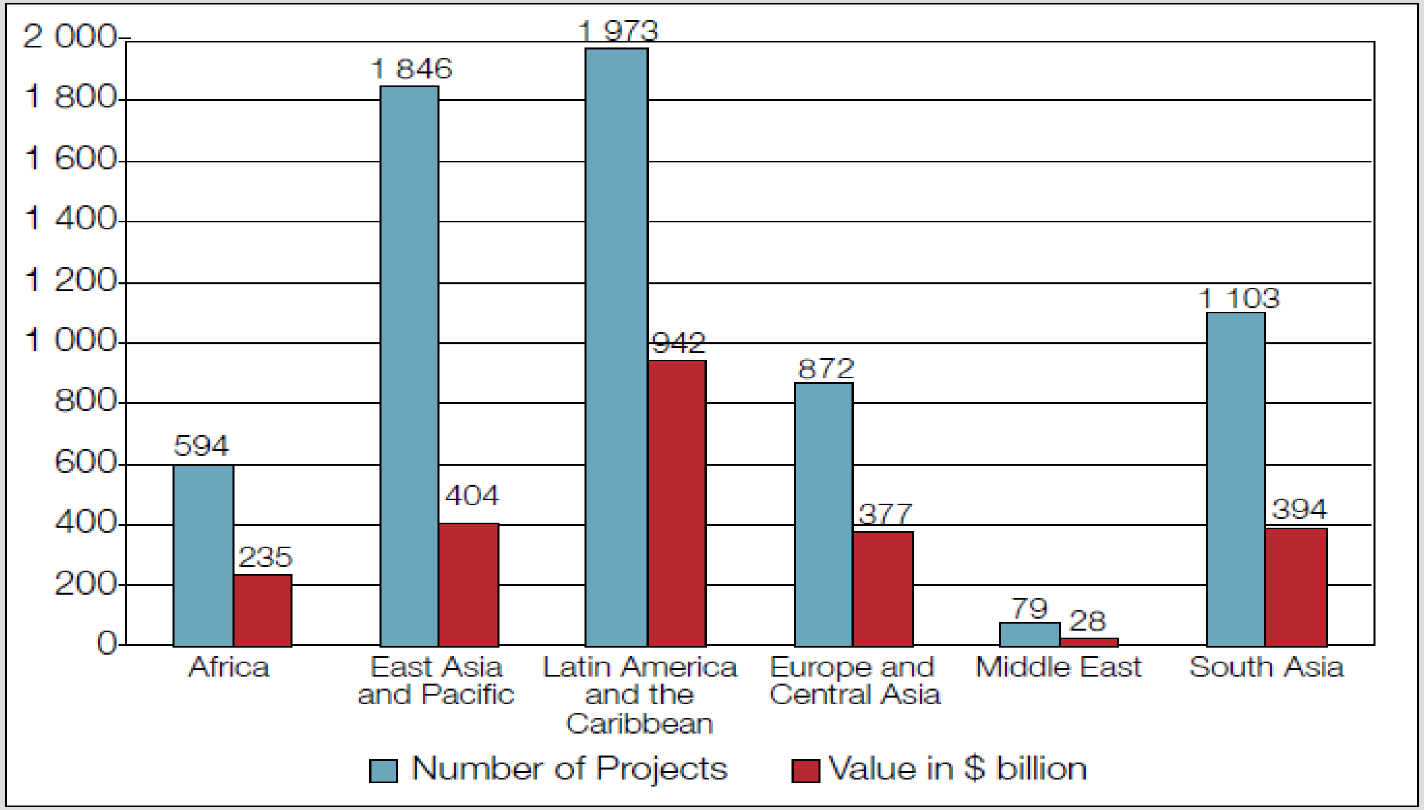
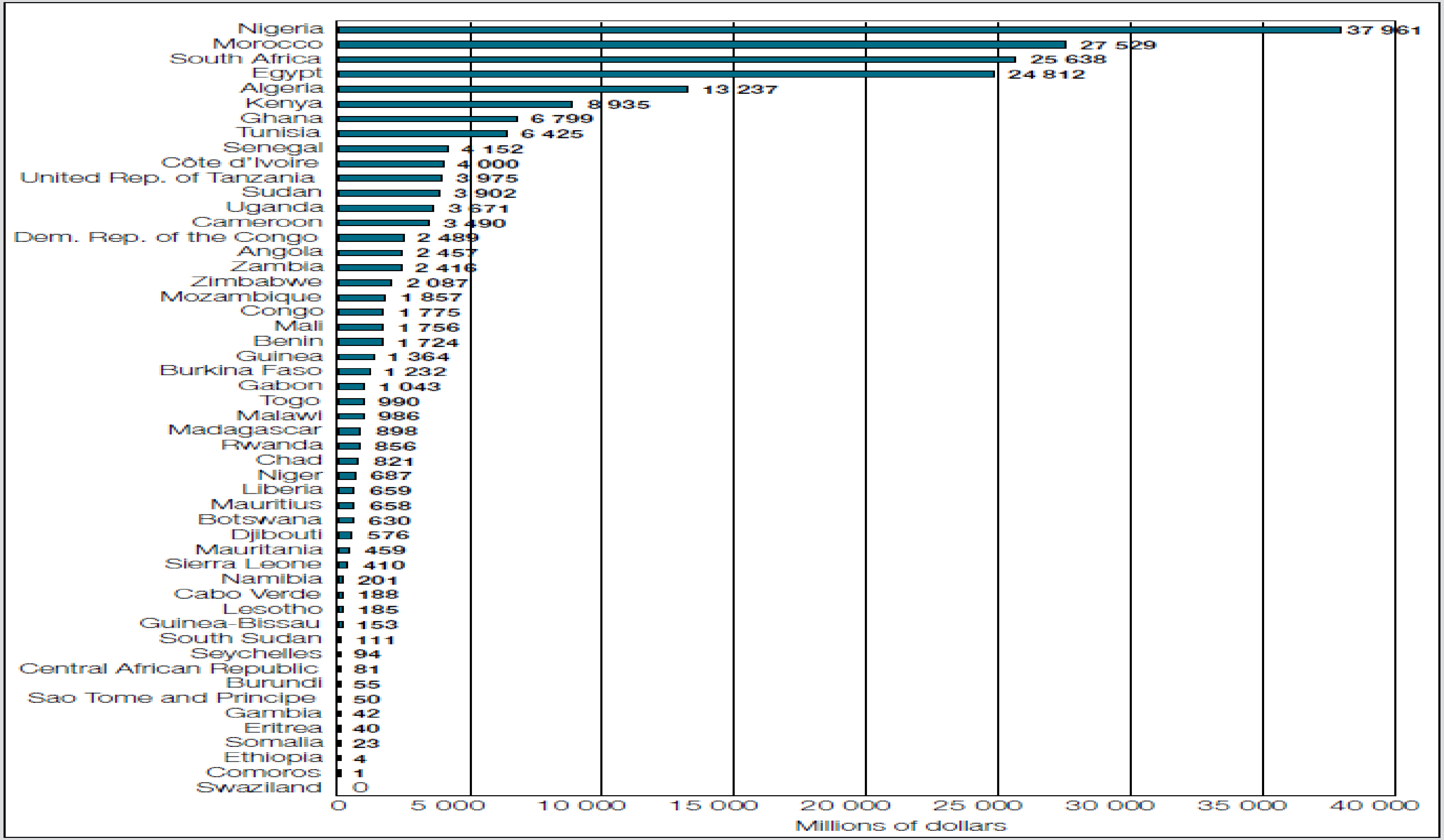


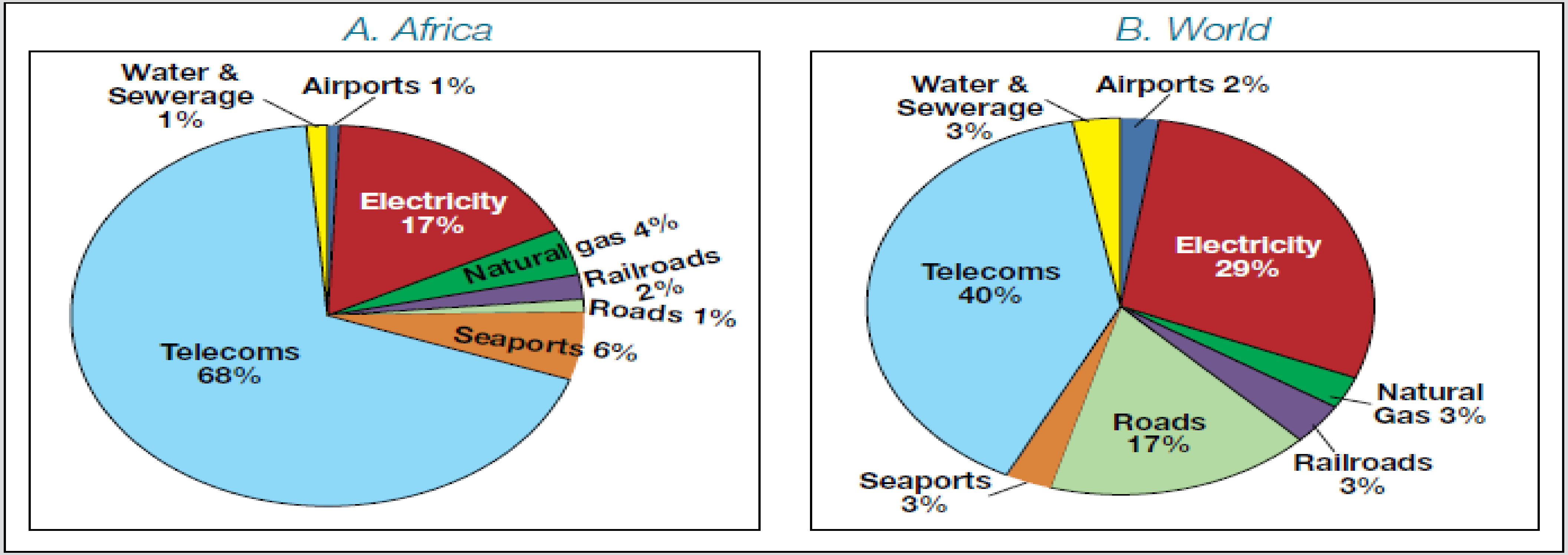
Figure 22. Cumulative public–private partnership investment in infrastructure, 1990–2014 (Millions of dollars)



Sources: World Bank, 2015b.

Sectoral distribution of PPPs

Figure 23. Sectoral distribution of public–private partnerships in Africa and the world, 1990–2015



Source: World Bank, 2015b.

Challenges and risk factors of PPPs

- *Possible negative impact on debt sustainability*
  - *Contingent liabilities create fiscal burden*

- Complex contractual arrangements
  - Lack of transparency and information asymmetry

- High financing cost of PPPs

- Lack of proper regulation

Illicit Financial Flows (IFFs)

- IFFs out of Africa are high and have been increasing
  - Africa loses $50 billion per year
  - Most of the losses are due to commercial (trade-related) activities of multinational corporations.

- IFFs deprive Africa and LDCs of important resources for development finance

- Need international cooperation to stem IFFs.

IV. Trade as a Means of Implementing the SDGs

- Most LDCs are heavily dependent on trade (exports and imports). Trade is a source of foreign exchange, intermediate inputs, employment, etc.

- Trade policy provides LDCs with important instruments to raise government revenue needed to finance development.
  - Tariffs and export taxes are examples of trade policy instruments.

- Trade policy is also a non-financial means of implementation through its impact on social and environmental development. For example,
  - Trade policy can affect food security and nutrition
  - It can affect health outcomes through facilitating access to essential medicines (TRIPS flexibilities on compulsory licensing)

V. How can Technology Contribute to Achieving the SDGs?

- There are two major challenges that African LDCs are facing today that have important consequences for poverty:
  - Weak structural transformation and lack of inclusive growth
- Technology will play a crucial role in addressing both challenges of transformation and inclusive growth. But it can play this role only if LDCs have better access to technology than is currently the case
  - Technology and innovation enhances productivity and fosters transformation
  - Access to technology gives vulnerable groups and opportunity to participate in the growth process, thereby reducing inequality

VI. How to Mobilize Resources for the SDGs in African LDCs

1. Strengthen domestic resource mobilization

- Better tax administration
- Make more efficient use of public resources
- Strengthen domestic financial infrastructure and systems
- Better economic governance and management
- Stem illicit financial flows

2. Increase the level of ODA and allocate it in a more strategic way
   - Allocating more aid to strategic production sectors
   - Using aid to strengthen capacity to mobilize domestic resources

3. Catalyze private finance
   - Incentivizing the private sector (investment guarantees etc)
   - Promoting corporate social responsibility
   - Creating a better environment for investment

4. Harness the potential of trade for growth and income generation
   - Better market access
   - Expanding export capacity
   - Diversifying production and exports

VII. Means of Implementation of the SDGs in Sierra Leone

- Sierra Leone is an LDC and a fragile state. It is also implementing the SDGs under very <u>challenging circumstances and conditions</u>:
  - Civil war between 1991 and 2001 crippled the economy
  - It was struck by the Ebola Virus Disease (May 2014-November 2015)
  - The international price of its leading export commodity (iron ore) crashed between 2014-2015.
  - GDP growth fell from 15.2 percent in 2012 to -23.5 percent in 2015.

- The national development plan, <u>Agenda for Prosperity</u>, covering (2013-2018) is the main instrument for operationalizing the SDGs. Other relevant instruments include:
  - Vison 2035 and National Ebola Recovery Strategy (2015-2017)

Linking Sierra Leone's Agenda for Prosperity with the SDGs

Eight Pillars of Agenda for Prosperity	SDG Related Goals
Diversified economic growth	Goals 7, 8, and 9
Managing natural resources	Goals 12, 13, 14, and 15
Accelerating human development	Goals 3, 4, and 6
International competitiveness	Goals 7, 8 and 9
Labour and employment	Goals 7, 8, and 9
Social protection	Goals 1, 2, and 10
Governance and public sector reform	Goal 16
Gender and women's empowerment	Goals 4 and 5

Institutional Arrangements for implementation

- Presidential Board on SDGs set up to provide strategic and policy guidance
- Ministerial Committee on SDGs provides operational guidance

Strategies for mobilizing resources for implementation

- Linked SDGs to the 2016 national budget
- Ensuring better disbursement of funds from central to local governments
- Strengthening domestic resource mobilization
- Exploring innovative finance solutions
- Promoting economic diversification
- Encouraging diaspora to contribute to human capacity development
- Promoting public private partnerships (PPPs)
- Curbing Illicit financial flows
- Promoting science, technology and innovation
- Harnessing the potential of regional cooperation for development