Statement by H.E. Mr. Omar HILALE
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On behalf of the African Group

Preparatory Process of the Third International Conference on Financing for Development
First drafting session
Private financing
New York, 29 January 2015

Co-facilitators,

I am pleased to deliver the following statement in relation with private financing, on behalf of the African Group.

Africa is on the rise and becoming one of the most attractive regions for investment and a pole for growth, offering an opportunity for governments across the continent to mobilize new resources, both domestically and internationally.

Currently Africa needs for a massive capital infusion to finance a number of crucial projects in areas including infrastructure, with particular emphasis on the Programme for Infrastructure Development in Africa (PIDA), mineral resources exploitation, agrobusiness, industrial development and economic diversification in general. Investing in these opportunities can be a lucrative venture for potential private equity and other investors, while helping to create millions of much needed jobs for Africa’s burgeoning population and lifting people out of poverty.

Domestic revenues are only part of the solution and cannot provide all of the necessary resources for meeting the SDGs. Private capital flows (foreign direct investment, portfolio and loan flows) and other forms of external flows will be essential. Public-private partnerships, can play a catalytic role in mobilizing private flows.

Africa currently is undertaken wide spread reforms that aim to ensure the enabling environment required for FDI inflows, with the global financial environment attracting FDI to Africa based on low yield investment opportunities in other regions.

For Infrastructure financing in Africa to reach the desired level, African countries are promoting Africa-owned private equity funds, deepening of infrastructure bonds, securitization of remittances and strengthening the existing Sovereign-backed Pension
Funds for development projects, with focus on improving policy and institutional environment to assure investment returns.

Co-facilitators,

As we understand the nature and characteristics of private funding and the need to further develop financial schemes that encourages FDI flows, it is equally important to highlight that achieving this must include a change in the mindset of private investors to ensure that their investment decision making is not based on profit only, but must incorporate sustainable development needs.

Co-facilitators,

While Philanthropy funding has positively impacted investment needs in Africa and supported its sustainable development needs, its effect has been limited due to the massive needs of the continent. Furthermore, we believe that when addressing private financing we cannot bundle remittances as a major sources of private financing as the majority of remittances aim at enhancing the lives of families in the recipient country, and address vulnerabilities associated with the increased prices of commodities and decreasing levels of subsidies in developing countries, leaving minimal amounts to be channeled to investment.

Co-facilitators,

In those lower-income countries where PPPs have their limitations, exploring other forms of innovative financing may be required. Regional options should also be examined. Ways to further involve African financial institutions, such as the African Development Bank and Regional Development Banks (for risk mitigation or for lending opportunities) should be considered. Regional development banks could yet play an important financial role in providing concessionary loans to support projects in infrastructure areas where private sector investment has in the past been limited.

We can also encourage Initiatives such as U.N. Global Compact who can serve as a platform for governments to engage with the private sector and discuss how best to mobilize finance to achieve the SDGs.

There is also a need to foster linkages between multinational companies and the domestic private sector, specifically facilitating the transfer of knowledge and skills to the region.

Government should incentivize investors to integrate local businesses into their value chains and to help provide educational, training and employment opportunities to local workers.

Lastly, we should encourage more impact investments aimed to deliver financial and social returns.

Thank you