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CAN FINANCE AID THE POOR?

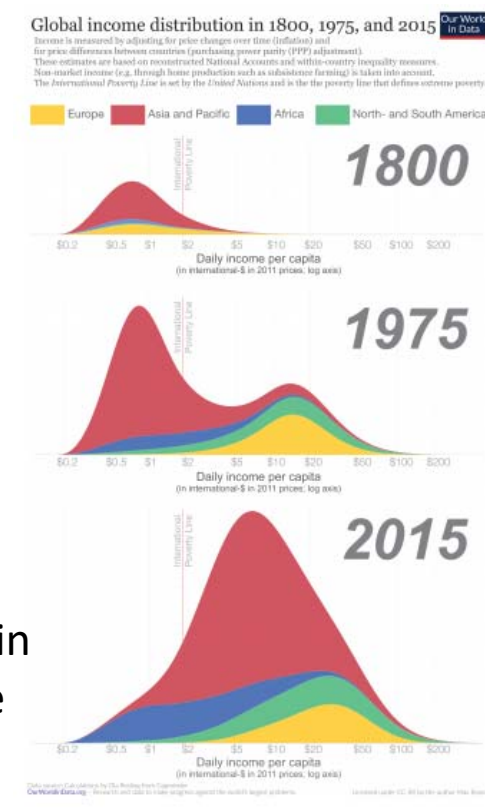
THE GLOBAL SAVINGS GLUT, FINANCE AND DEVELOPMENT

Professor Nathan Sussman

Overall inequality global inequality and poverty are decreasing

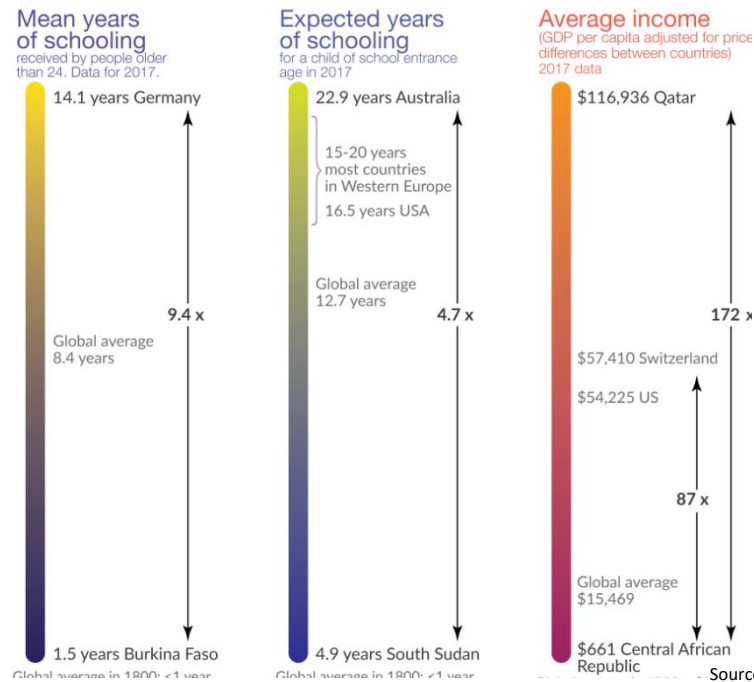
Gains made in Asia

But, poverty concentrated in Africa and the numbers are **higher**



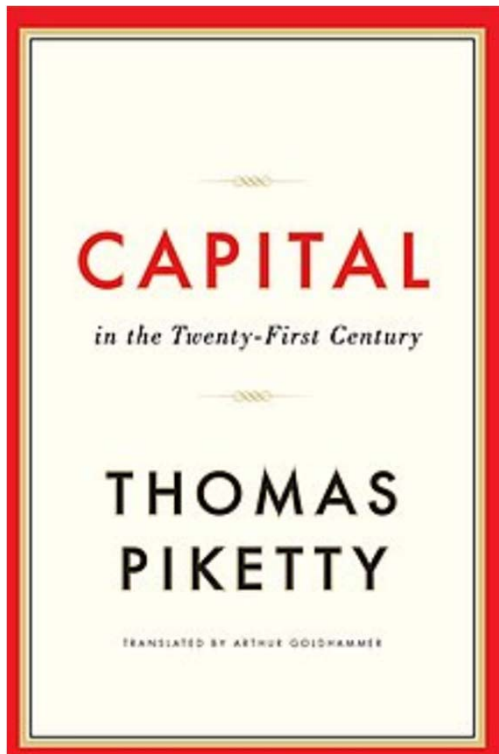
Source: Max Roser (2020) - "Global Economic Inequality". Published online at OurWorldInData.org. Retrieved from: 'https://ourworldindata.org/global-economic-inequality'

Opportunity gaps between 'North' and 'South'



Source: Max Roser (2020) - "Global Economic Inequality". Published online at OurWorldInData.org. Retrieved from: '<https://ourworldindata.org/global-economic-inequality>'

The role of financial capitalism: Wall Street versus Walmart



Savings' Glut?

Developments for total financial assets and liabilities of households and non-profit institutions serving households, 2008-2018 (billion EUR)



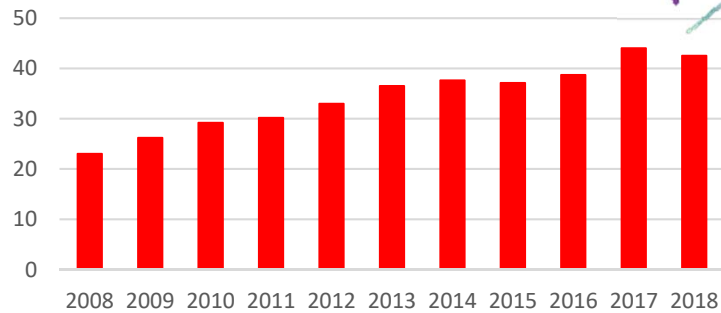
Note: 2012, break in series.
(*) Provisional.
Source: Eurostat (online data code: nasa_10_f_bs)

Real yields on long term safe assets

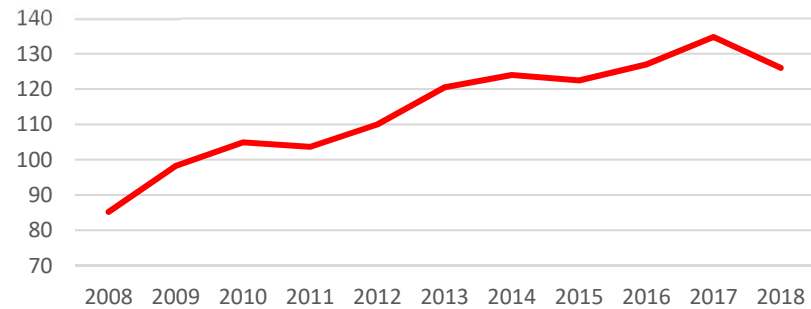


Pension fund assets on the rise

Total assets in funded and private pension plans, OECD, trillions of USD, 2008-2018



Total assets in funded and private pension plans, as % of GDP, OECD, 2008-2018



Major players in Pension's fund market

Country	Trillion \$US
United States	27.5
United Kingdom	2.8
Canada	2.5
Australia	1.9
Netherlands	1.5
Japan	1.4
Switzerland	1.0
Denmark	0.7
Sweden	0.5
Korea	0.5





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A solution: invest pension funds in poor countries' growth potential

Investment can speed convergence

Table 4: Number of years required for selected low-income countries to achieve middle-income status

Country	Year
Vietnam	2.5
Lao	3.7
Moldova	6.5
Sudan	7.6
Cambodia	9.5
Ghana	13.1
Kyrgyzstan	14.4
Papua New Guinea	14.8
Tajikistan	18.1
Nigeria	20.0
Nicaragua	22.0
Bangladesh	24.9
Mauritania	27.2
Liberia	28.7
Rwanda	33.9
Uganda	36.5
Nepal	43.0
Senegal	46.2
Cameroon	47.7
Mali	50.9
Burkina Faso	51.7
Malawi	86.8
Gambia	90.0
Congo	95.6
Benin	118.0
Sierra Leone	120.1
Haiti	149.5
Guinea	228.9
Niger	734.3

Source: Penn World Tables version 7.1.

Note: Future growth projections are based on the average per capita GDP growth over the period 1995-2010. Countries with negative growth rates 1995-2010 are not reported.

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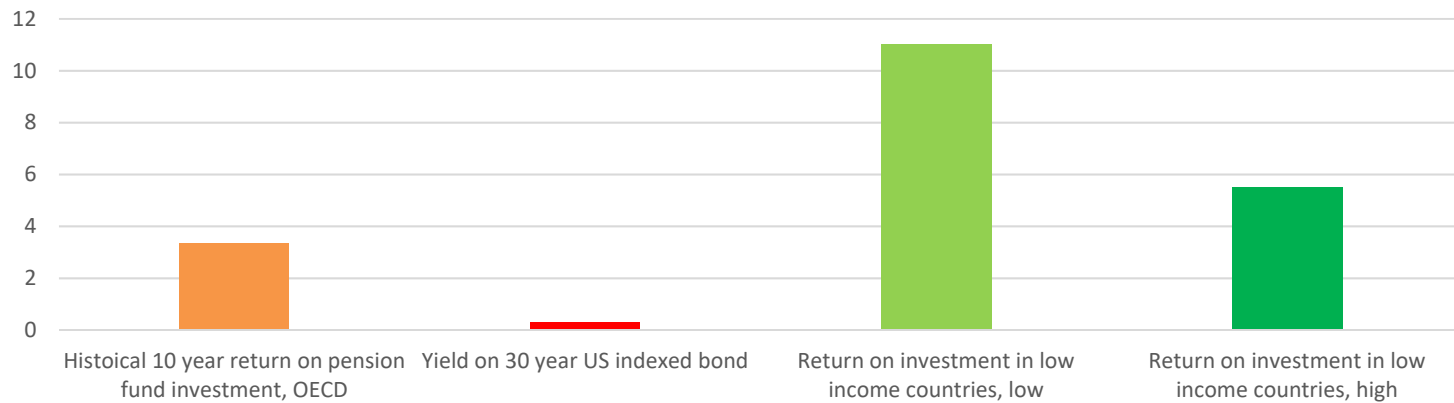
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WHAT'S IN IT
FOR ME?





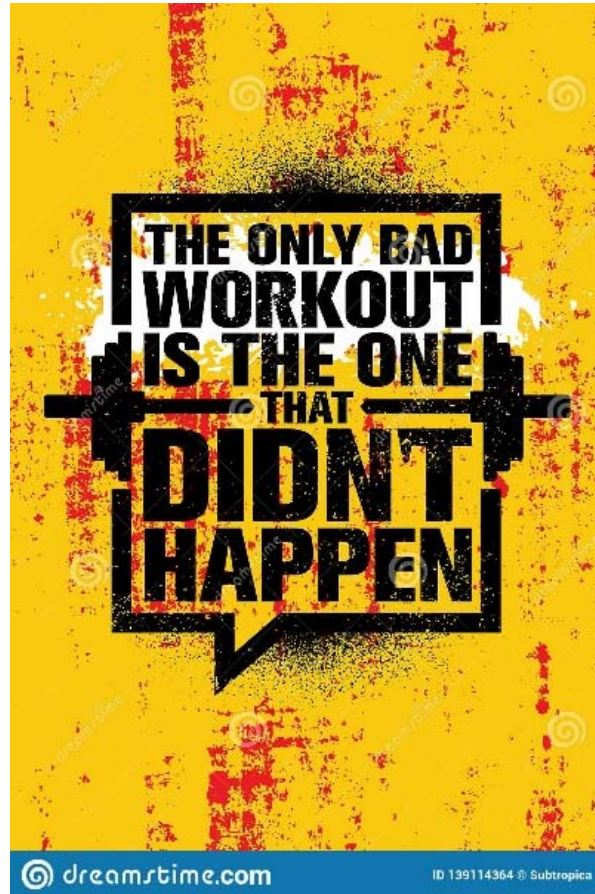
Comparison of potential annual yields percent



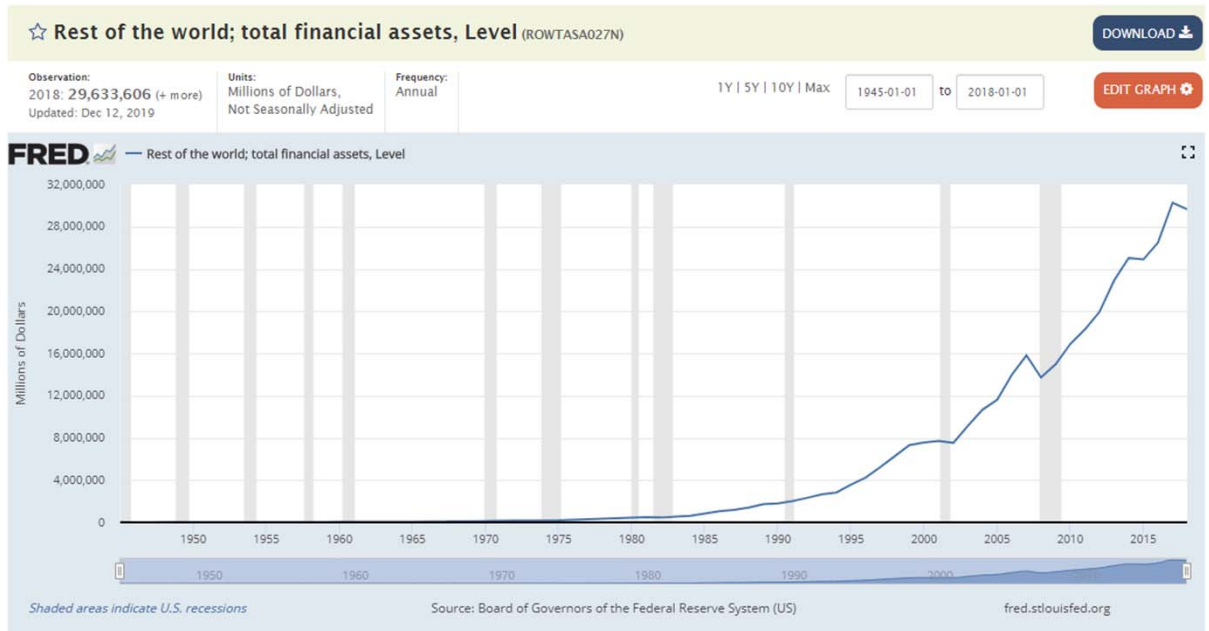
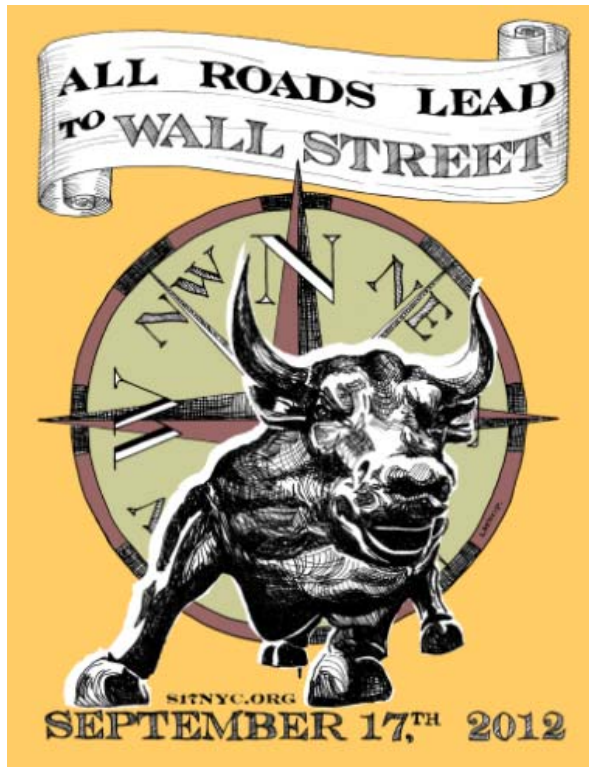
Assumptions: low estimate: convergence of portfolio of low income (\$740 per capita) to middle income economies (\$5,000 per capita) in 40 years. High estimate: in 20 years.
Reference – Swiss GDP per capita: \$80,000.

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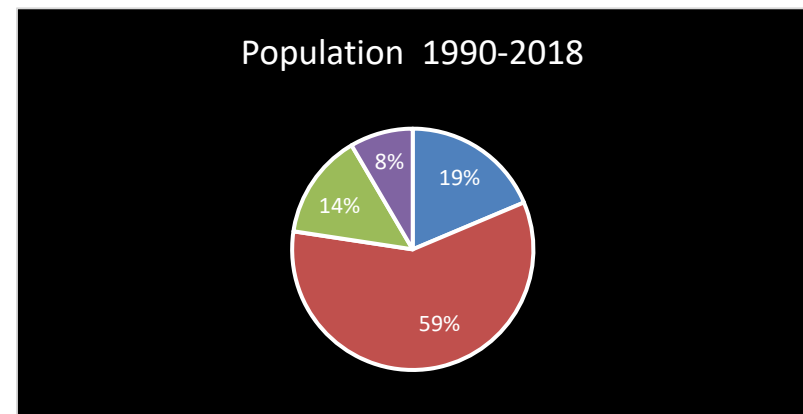
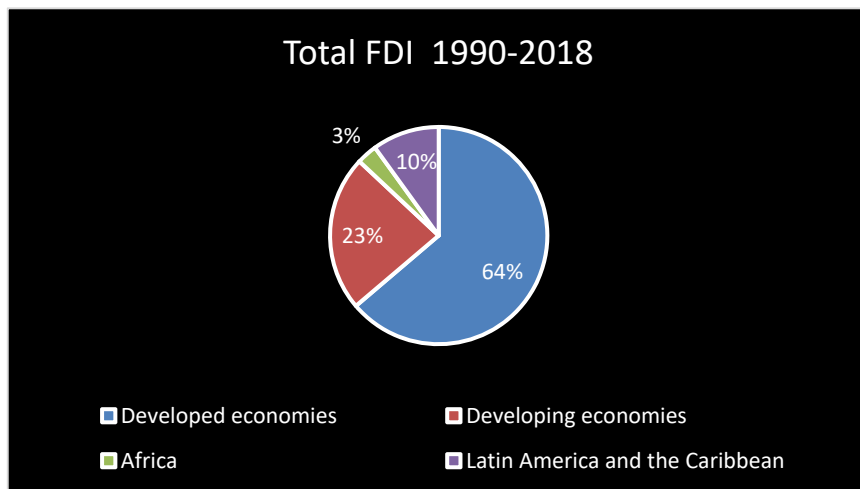
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Cumulative investment from abroad in U.S \$30 Trillion



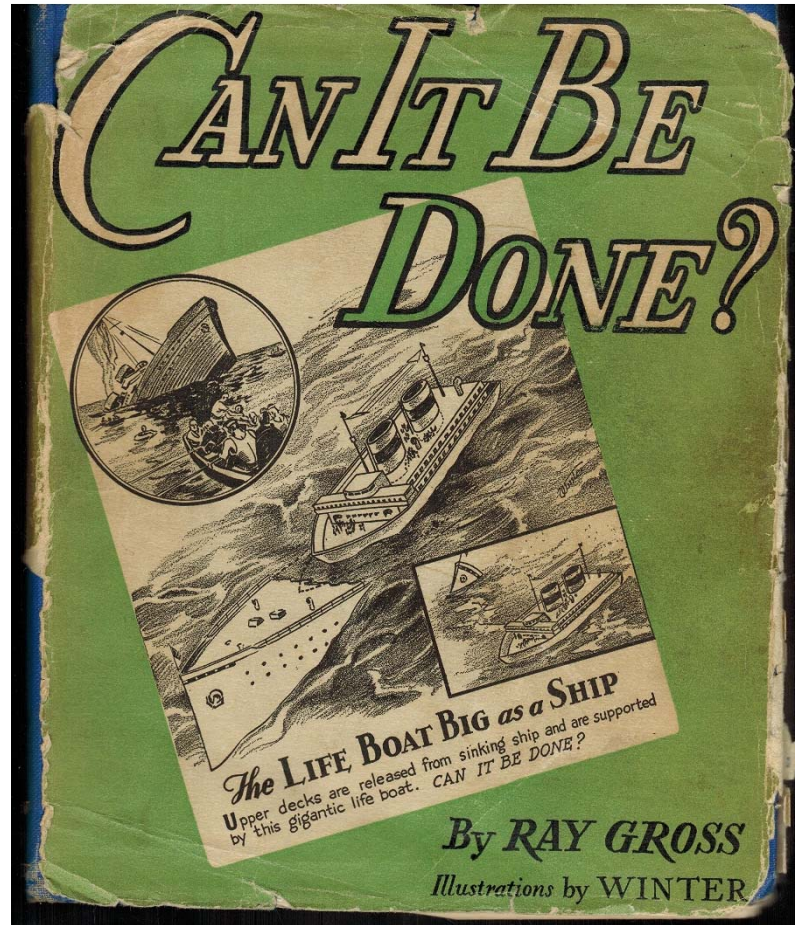
Mismatch between Foreign direct investment and population

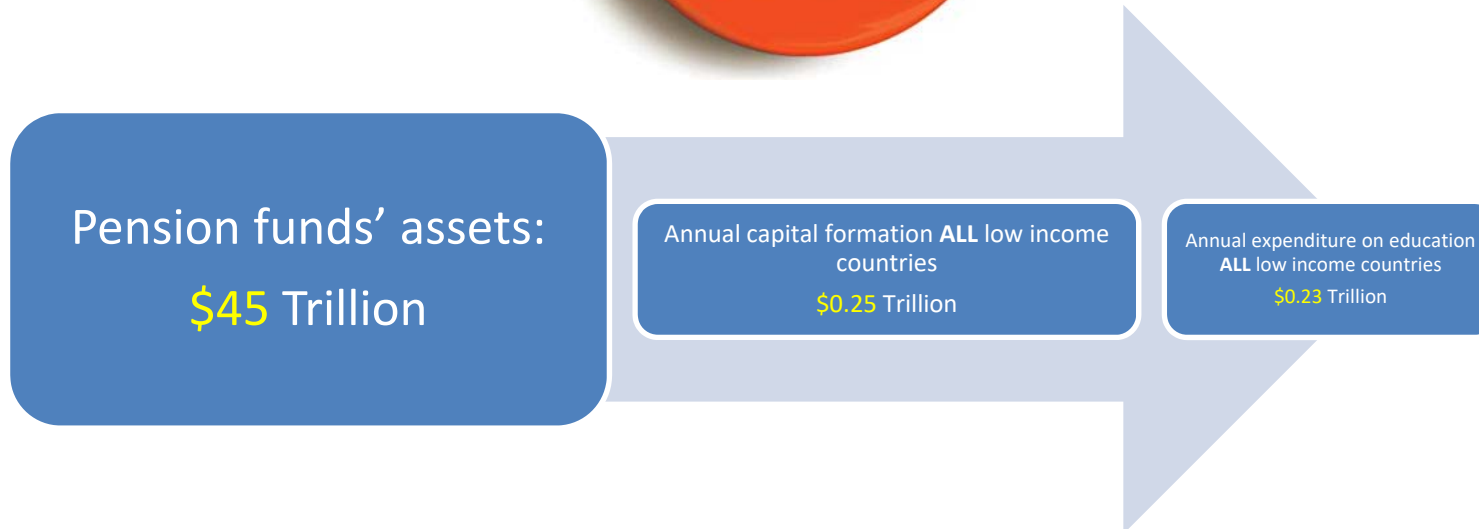


Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).

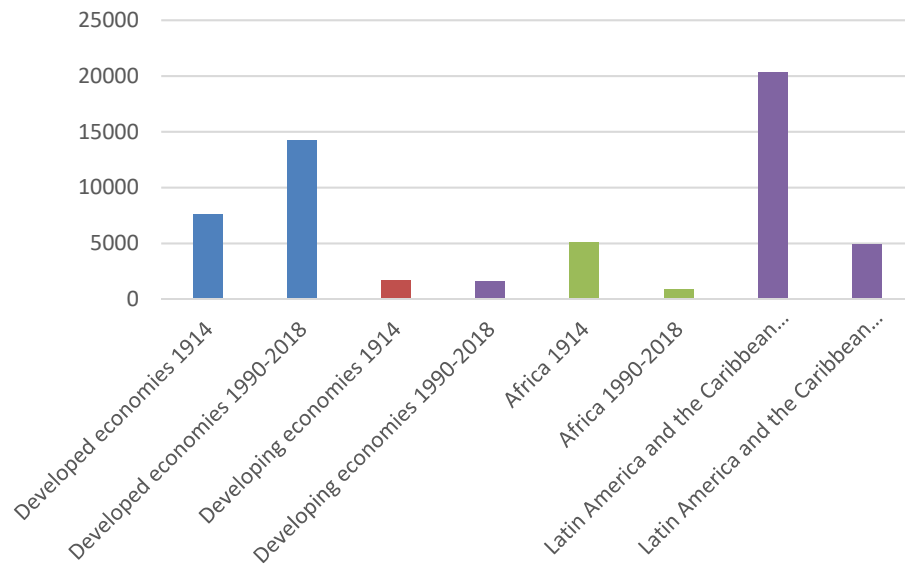
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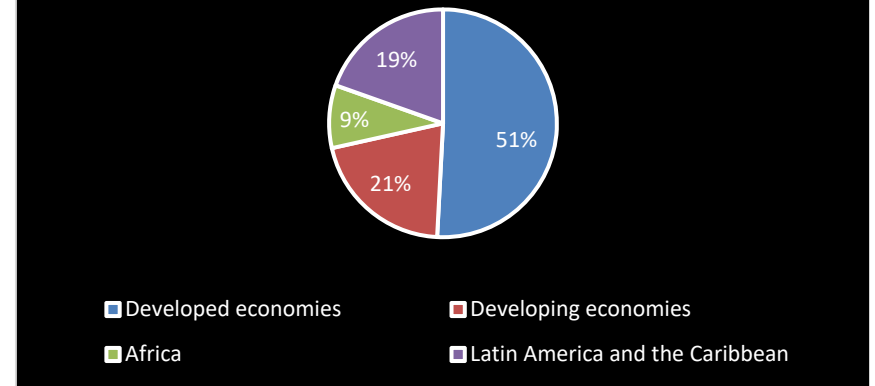




Total FDI per capita 1914 versus 1990-2018, \$us

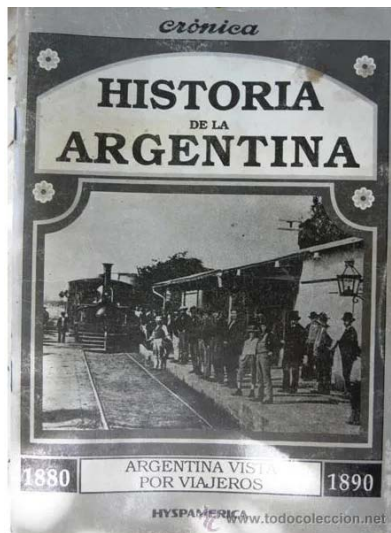


Total FDI 1914



Source: Historical FDI from Fishlow (1985, converted to 2018 \$US using <https://www.measuringworth.com/index.php>)

Infrastructure investment: From railways to renewable energy



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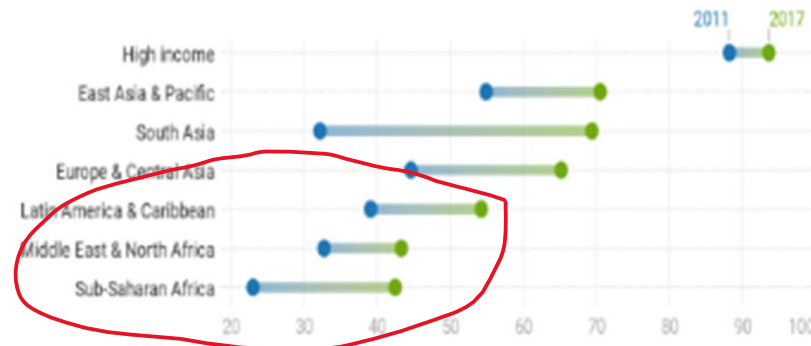
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In Just 6 Years, Financial Access Has Improved Dramatically. Worldwide

In just 6 years, financial access has improved dramatically worldwide

Accounts (% , ages 15+), 2011-2017



All regional aggregates exclude high income economies

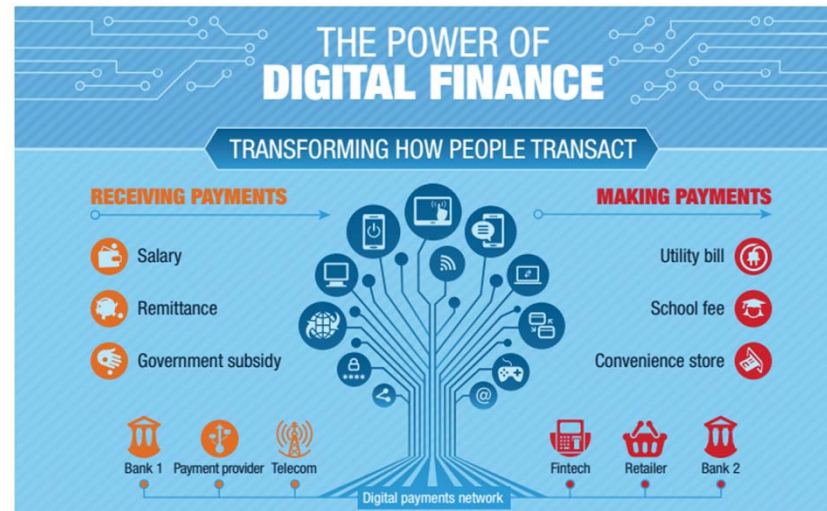
Source: [Global Financial Inclusion Database](#)

But still very low for lesser developed economies



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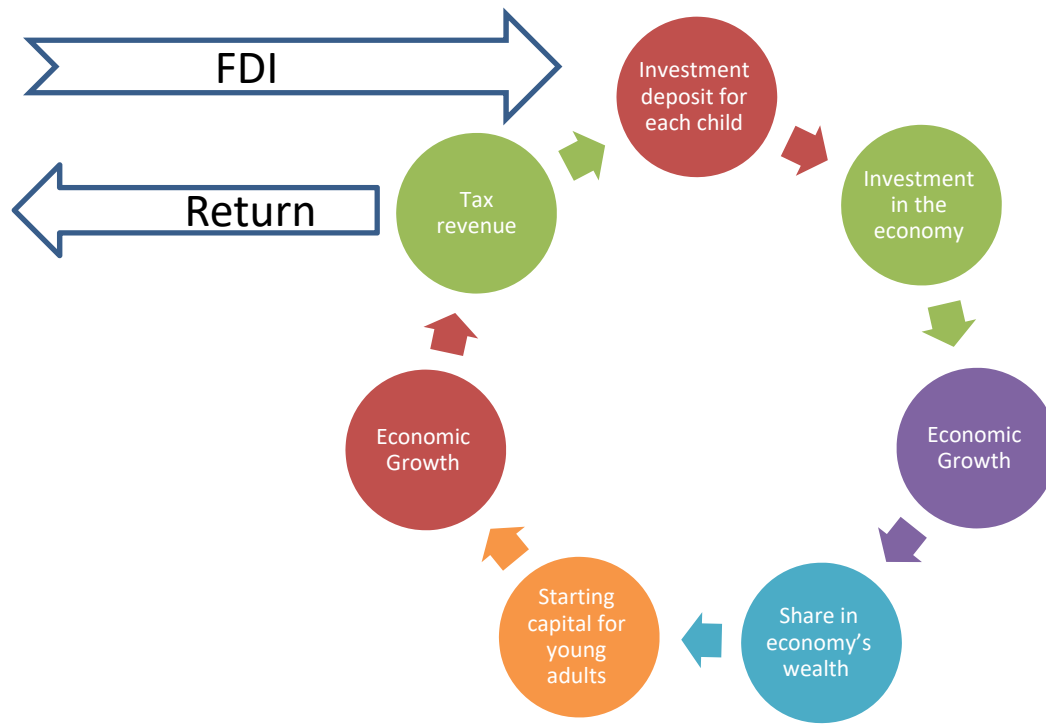
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STATE OF ISRAEL

MINISTRY OF FINANCE - CAPITAL MARKET, INSURANCE AND SAVINGS
DIVISION

Savings plan for each child - explanation



Investing \$10 per month in African children 0-18

Cost in billion \$U.S.

2020	2025	2030	2035	2040
69	77	84	90	97

Start up capital at age of 18

Rate of return	4%	6%	8%
Value of profolio	\$3475	\$4465	\$5775

to do list:

Capital Markets

Regulation

Assets

measure IMPACT

Thank
you!!