



FINANCIAL FLOWS

Capital flows to Developing Countries

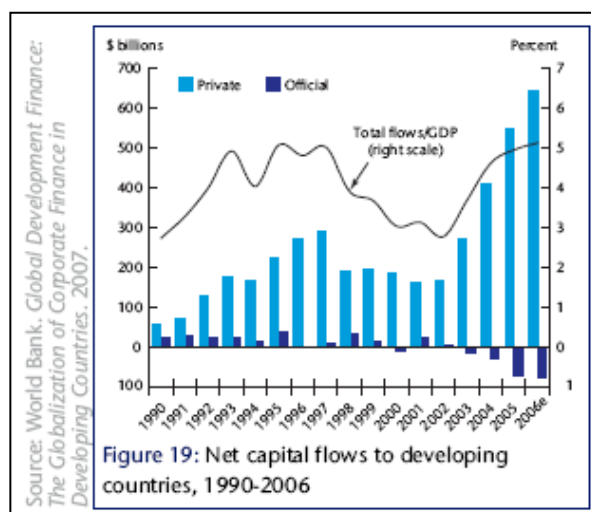
- In 2007, **net private capital flows to developing countries totaled US\$1.03 trillion**, a 40% increase from 2006 establishing a **record high**.¹
- Equity flows, representing the bulk of capital flows, reached US\$615.9 billion in 2007. Of this amount, foreign direct investment (FDI) accounted for US\$470.8 billion and portfolio equity US\$145.1 billion.²
- FDI to developing countries represented approximately one-third of global FDI flows of US\$1.54 trillion in 2007.³

- In Africa, FDI totaled US\$35.6 billion in 2007. FDI allocations for the major host economies were the following:

Egypt:	10.2%
Morocco:	5.2%
South Africa:	5%
Sudan:	2.2%
Tunisia:	1% ⁶

Remittances

- Global remittance transfers more than doubled over the past decade, rising from US\$102 billion in 1995 to US\$262 billion in 2005. It is estimated that this figure reached US\$318 billion in 2007.⁷
- **Unrecorded remittance transfers through informal channels are conservatively estimated to amount to at least 50% of the recorded flows.**⁸



- **Notably private capital flows dwarf development assistance, but the poorest 51 countries were recipients of only 8% of total capital flows.**⁴

Where does the Capital Flow?

- For 2007, FDI allocations for host developing economies were the following:

Developing Economies:	29%
Asia and Oceania:	18%
Latin America & the Caribbean:	8.2%
Africa:	2.3% ⁵

Aid and debt relief

- In 2007, OECD countries provided USD 103.7 billion in development aid, down by 8.4% from 2006. This drop was expected due to the end of exceptionally high levels of debt relief in 2005/06 (notably for Iraq and Nigeria).⁹
- Regional shares of total net ODA (estimates): Africa 40%, Asia 30%, Americas 10%, Oceania 5%.¹⁰
- The top 10 ODA recipients in 2006 were (in decreasing order) Iraq, Nigeria, Afghanistan, India, Ethiopia, Vietnam, Sudan, Congo, China and India.¹¹
- Bilateral aid to sub-Saharan Africa, excluding debt relief, increased by 10% in real terms. This represents an improvement donors still face a real challenge to meet the Gleneagles G-8 summit projection to double aid to Africa by 2010.¹²
- Total ODA is projected to grow to US\$130 billion by 2010.¹³
- In terms of net ODA, the largest donors in 2007, by volume, were the United States, followed by Germany, France, the United Kingdom and Japan.¹⁴



- The United Nations 0.7% target of GNI was met or exceeded by Denmark, Luxembourg, the Netherlands, Norway and Sweden.¹⁵
- **Thirty-three countries receive debt relief** through either the Debt Relief Initiative for Heavily Indebted Poor Countries (HIPC), created in 1996, or the Multilateral Debt Relief Initiative (MDRI), created in 2006.¹⁶
- For some countries the present value of debt as a percentage of GNI is higher than 100%.¹⁷

Access to finance

- In Bangladesh, almost half of the poor who received credit rose above the poverty line. In contrast, only 4% of those without credit did.¹⁸
- Globally, only 1 billion of the world's population are believed to have bank accounts.¹⁹
- According to the World Bank, only about one in six of potentially 3 billion people who could use formal financial services are currently being reached.²⁰
- For the microfinance industry, a major challenge today is to scale up services in order to reach the large number of potential clients who currently lack access to financial services.²¹

Notes

- ¹ The World Bank. *Global Development Finance Report 2008*. Data & Research. <http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTDECPROSPECTS/EXTGDF/EXTGDF2008/0,,menuPK:4989774~pagePK:64167702~piPK:64167676~theSitePK:4989766,00.html> (accessed 26 June 2008)
- ² The World Bank. *Global Development Finance Report 2008*. Data & Research. <http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTDECPROSPECTS/EXTGDF/EXTGDF2008/0,,menuPK:4989774~pagePK:64167702~piPK:64167676~theSitePK:4989766,00.html> (accessed 26 June 2008)
- ³ UN Commission on Trade and Development. *Foreign Direct Investment Reached New Record In 2007*. Press. <http://www.unctad.org/Templates/webflyer.asp?docid=9439&intltemID=1528&lang=1> (accessed 26 June 2008)
- ⁴ The World Bank. "Private Capital Flows to Developing World Hit US647 Billion". News & Broadcast. <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:21349085~pagePK:64257043~piPK:437376~theSitePK:4607,00.html> (accessed 26 June 2008)
- ⁵ UN Commission on Trade and Development. *Foreign Direct Investment Reached New Record In 2007*. Press. <http://www.unctad.org/Templates/webflyer.asp?docid=9439&intltemID=1528&lang=1> (accessed 26 June 2008)
- ⁶ UN Commission on Trade and Development. *Foreign Direct Investment Reached New Record In 2007*. Press. <http://www.unctad.org/Templates/webflyer.asp?docid=9439&intltemID=1528&lang=1> (accessed 26 June 2008)
- ⁷ The World Bank. *Migration and Remittances Factbook 2008*. Data and Research. <http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTDECPROSPECTS/0,,contentMDK:21352016~isCURL:Y~menuPK:3145470~pagePK:64165401~piPK:64165026~theSitePK:476883,00.html> (accessed 26 June 2008)
- ⁸ The World Bank. *Migration and Remittances Factbook 2008*. Data and Research. <http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTDECPROSPECTS/0,,contentMDK:21352016~isCURL:Y~menuPK:3145470~pagePK:64165401~piPK:64165026~theSitePK:476883,00.html> (accessed 26 June 2008)
- ⁹ Organization for Economic Co-operation and Development. Development Co-Operation Directorate. *Debt Relief is Down: Other ODA rises slightly*. Aid Statistics. http://www.oecd.org/document/8/0,3343,en_2649_34447_4038_1960_1_1_1_1,00.html (accessed 26 June 2008)
- ¹⁰ Organization for Economic Co-operation and Development. Development Co-Operation Directorate. *Development Aid at a*

Glance – 2006 Edition.

<http://www.oecd.org/dataoecd/59/5/37781218.pdf> (accessed 26 June 2008)

¹¹ Organization for Economic Co-operation and Development. Development Co-Operation Directorate. SourceOECD. *Development Aid at a Glance – 2007 Edition*. <http://oberon.sourceoecd.org/vl=3241848/cl=12/nw=1/rpsv/devaid2007/c-2-1-1.htm>

¹² Organization for Economic Co-operation and Development. Development Co-Operation Directorate. *Debt Relief is Down: Other ODA rises slightly*. Aid Statistics. http://www.oecd.org/document/8/0,3343,en_2649_34447_4038_1960_1_1_1_1,00.html (accessed 26 June 2008)

¹³ WTO. 2005 Press Release. *Aid for trade capacity in poorer countries up by 50 per cent since Doha* http://www.wto.org/english/news_e/pres05_e/pr427_e.htm (accessed 26 June 2008)

¹⁴ Organization for Economic Co-operation and Development. Development Co-Operation Directorate. *Debt Relief is Down: Other ODA rises slightly*. Aid Statistics. http://www.oecd.org/document/8/0,3343,en_2649_34447_4038_1960_1_1_1_1,00.html (accessed 26 June 2008)

¹⁵ Organization for Economic Co-operation and Development. Development Co-Operation Directorate. *Debt Relief is Down: Other ODA rises slightly*. Aid Statistics. http://www.oecd.org/document/8/0,3343,en_2649_34447_4038_1960_1_1_1_1,00.html (accessed 26 June 2008)

¹⁶ The World Bank. March 2007. *Debt Relief*. News & Broadcast <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:20040942~menuPK:34480~pagePK:34370~theSitePK:4607,00.html> (accessed 26 June 2008)

¹⁷ World Resource Institute. *Debt: Present value of debt as a percent of GNI 2002*. Earth Trends. <http://earthtrends.wri.org/text/economics-business/map-500.html> (accessed 26 June 2008)

¹⁸ Grameen Bank. *Grameen Bank at a Glance – May 2008*. <http://www.grameen-info.org/bank/GBGlance.htm>

¹⁹ Consultative Group to Assist the Poor (CGAP), *Mobile phones revolutionize African banking*, quoted in OneWorld.net. <http://us.oneworld.net/article/view/149573/1/3356> (accessed 26 June 2008)

²⁰ World Bank. *Issue Brief on Microfinance*. <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:20433592~menuPK:34480~pagePK:64257043~piPK:437376~theSitePK:4607,00.html> (accessed 26 June 2008)

²¹ World Bank. *Issue Brief on Microfinance*. <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:20433592~menuPK:34480~pagePK:64257043~piPK:437376~theSitePK:4607,00.html> (accessed 26 June 2008)