Composition of financial flows to Sub-Saharan African countries: ten years into the Monterrey Consensus on the Millennium Development Goals

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Africa 2014 - African Studies Centre

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	Gross National Income (GNI) per capita
Low Income Country (LIC)	< US$ 950
Low Middle Income Country (LMIC)	< US$ 3,975
Upper Middle Income Country (UMIC)	< US$ 12,275

2000 2010

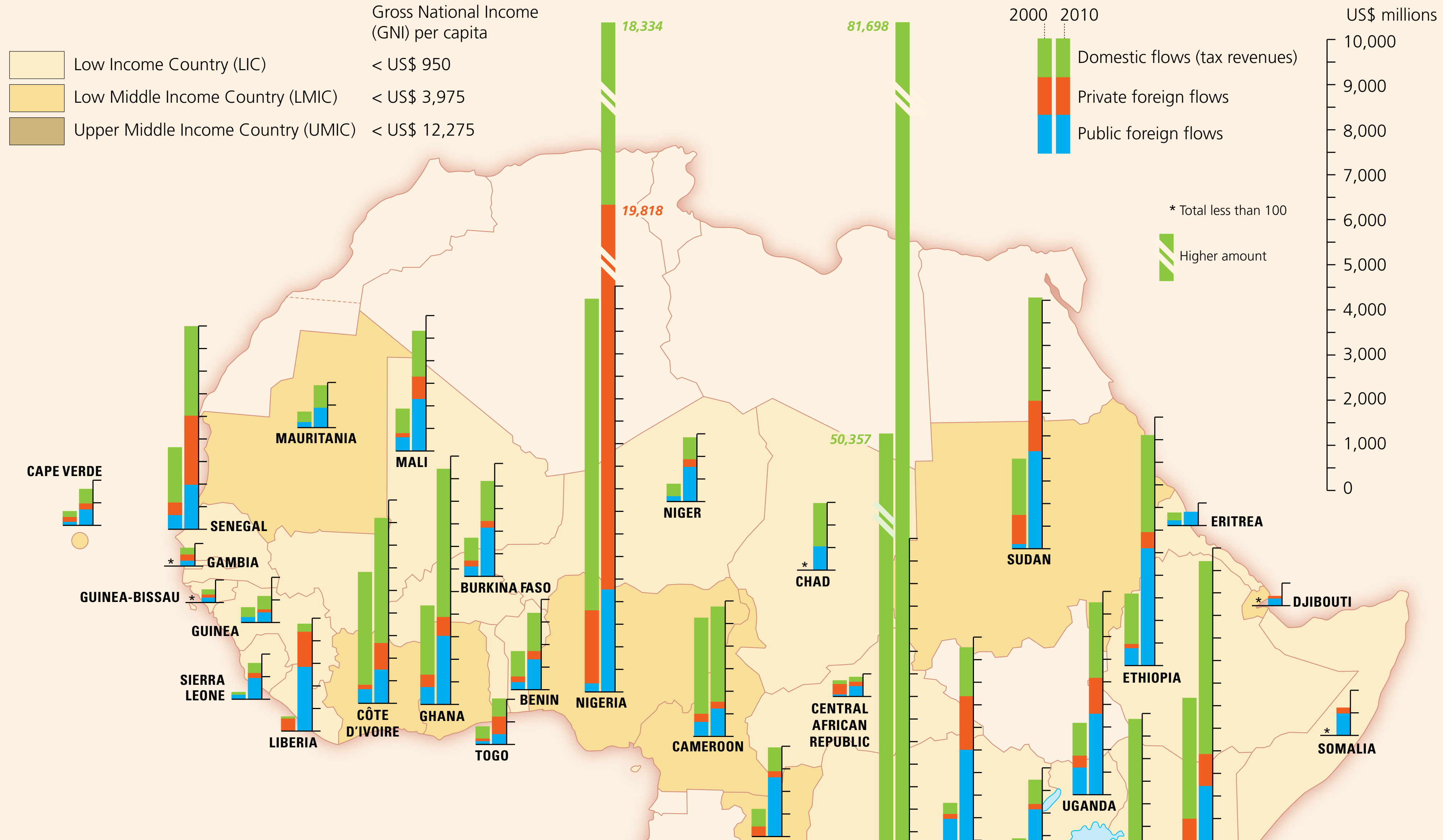
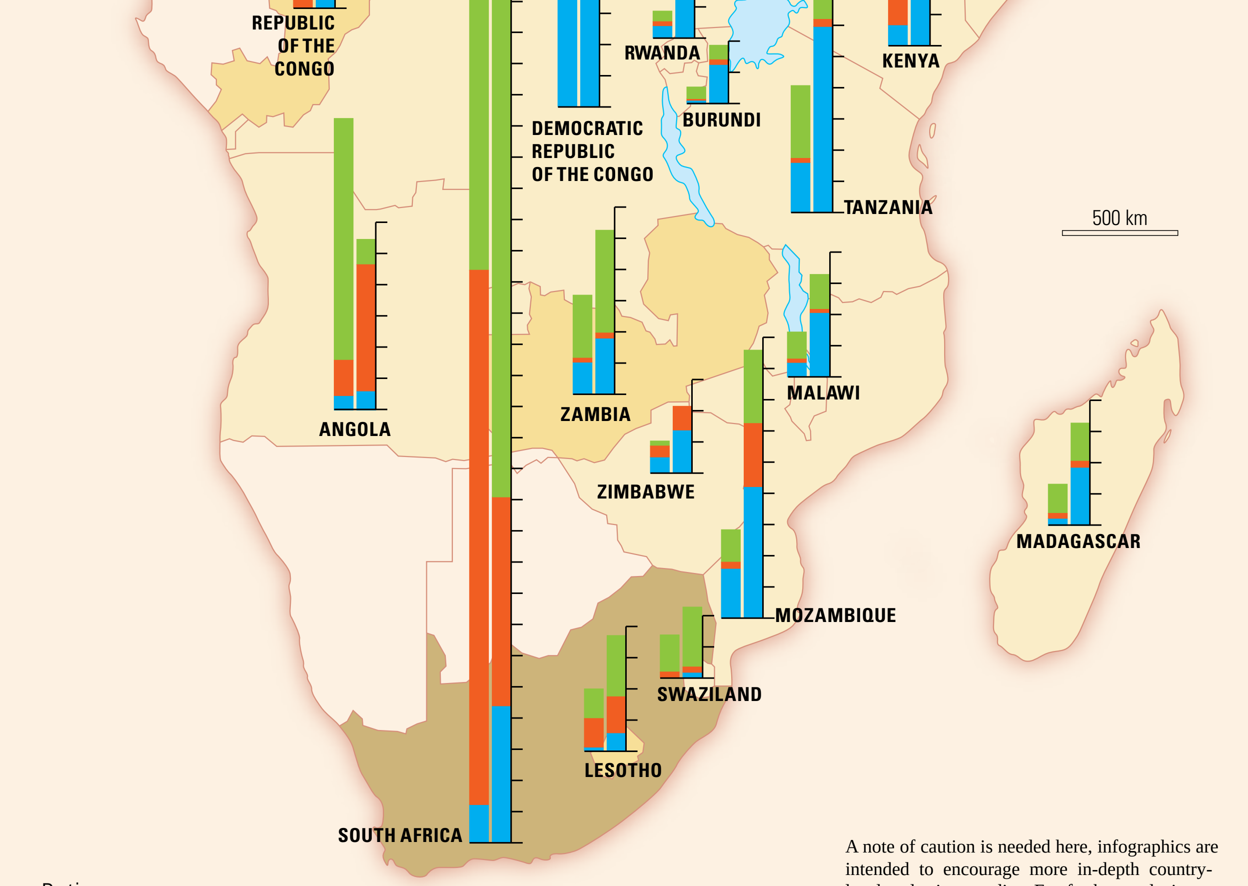
Domestic flows (tax revenues)

Private foreign flows

Public foreign flows

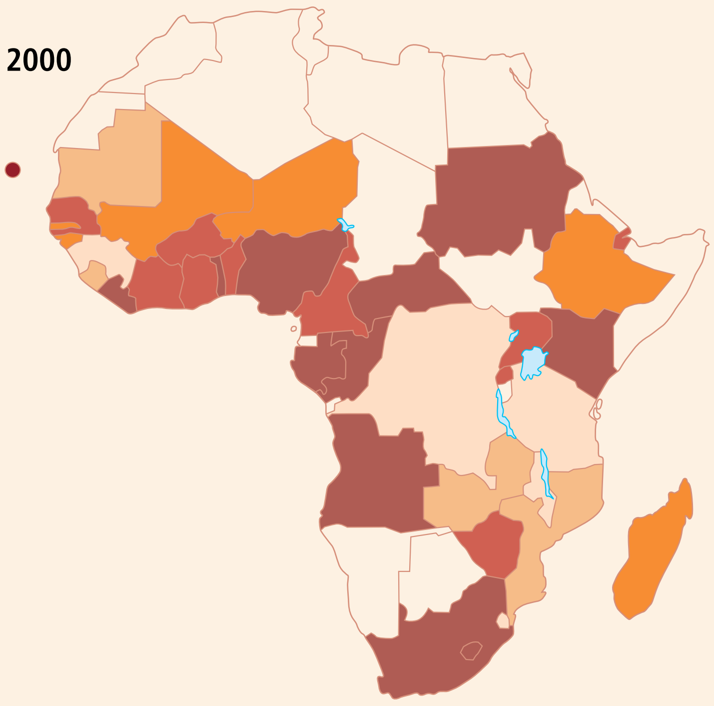
* Total less than 100

Higher amount

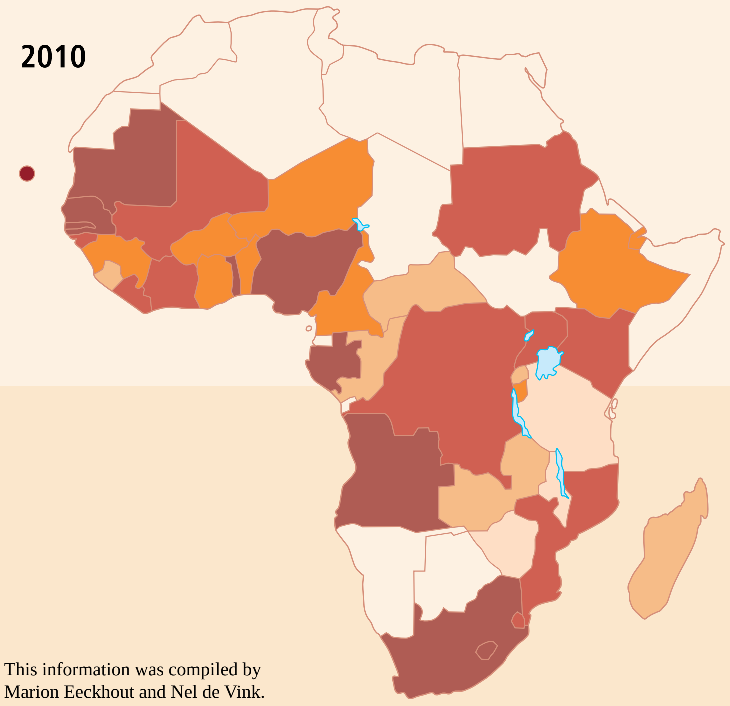



Ratio of private foreign flows to public foreign flows

2000



2010



Ratio

- Significantly more private flows than public flows
- Satisfactory level of private flows to public flows
- Less satisfactory level of private flows
- Disappointing lack of private flows relative to public flows
- Worrying lack of private flows, therefore very aid dependent

A note of caution is needed here, infographics are intended to encourage more in-depth country-level and micro studies. For further analysis, see the background recources mentioned below. 'Poor numbers' always play a role in any interpretation of African statistics. This is partly mitigated by choosing a longer and well-researched timeframe while not succumbing to sophisticated data analysis. It is maintained that the trends and tendencies observed represent long-term changes in the aid landscape, despite the effects of the 2009 global financial crisis. These maps highlight the rapidly changing aid landscape.

The main map is based on the World Bank's breakdown of developing countries into the following categories: 'Low Income Countries' with a Gross National Income (GNI) per capita of less than 950 US$, Lower Middle Income Countries with a GNI per capita up to US$ 3975 and Upper Middle Income countries with a GNI per capita up to US$ 12275. N.B. The OECD/DAC and UNCTAD use a slightly different category for so-called 'Least Developed Countries'. These have a low GNI per capita and additionally are considered particularly vulnerable to economic and political shocks and to low integration in world trade markets. Most countries in Sub-Saharan Africa that qualify as LIC's are also LLDC with the exception of Kenya. The categories of 'public flows' on the map consist of ODA (Offical Development Assistance) which is recorded by the OECD/DAC in its development-aid statistic database. This consists of grants, donations and very-concessional lending from bilateral and multilateral public organizations, vs. Other Official Flows (OOF) and Non-Traditional Development Assistance (NTDA), i.e. less-concessional lending and non-conventional mechanisms of financing.

This information was compiled by
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The maps on the front present a bird's-eye view of the trends in the volume and composition of cross-border financial flows to developing countries over the past decade in general and to Sub-Saharan Africa in particular. To put the modest size of cross-border flows into a realistic perspective, volumes of domestic tax revenues are presented too. These numbers serve as a reminder of the reality on the ground in an era when new ambitions are on the verge of being formulated in the run-up to the 'Beyond 2015 Summit' that will be held at the end of 2015 when a new set of Sustainable Development Goals will be negotiated.

Millennium Declaration and Monterrey Consensus

The pinnacle of international consensus was celebrated at the Millennium Declaration in 2000 and the Monterrey Consensus on Financing for Development in 2002 when the set of seven MDGs was agreed upon. The eighth formed part of a renewed global partnership that aimed to deliver on the financing needs for achieving the seven MDGs by 2015. The international commitment among OECD countries to spend 0.7% of their GNI (gross national income) on Official Development Assistance (ODA) was replaced by a pledge to double ODA resources by 2015, which was in fact met by 2010. Concurrently, the commitment to increase ODA resources to Sub-Saharan African countries by US$ 65 bn annually has nearly been achieved. Admittedly, this was largely as a result of bilateral donors taking over debt service payments to multilateral organizations (better known as the HIPC and MRDI initiatives) to a time of roughly US$ 120 bn. At present 23 LICs have reached the 'HIPC completion point' which is a condition required before releasing US$ 80 bn and 6 MICs have qualified for an amount of US$ 40 bn. However, this impulse had tapered out by 2007 and 2008.

Observations for the overall group of developing countries

The overall trend is positive and by 2010 the total volume of financial flows for development had increased by more than had been expected in 2000. Yet, admit the overall growth of financial flows, changes in the composition of flows are emerging. First of all, the volume of private flows relative to public flows from a commercial or non-commercial origin is increasing. This is considered as a positive sign of growing confidence among private actors in a more conducive economic and institutional environment in developing countries in general. The number of countries qualifying as LMICs is on the rise and is considered more attractive and less risky for private-sector financiers. The third positive message is that countries in Sub-Saharan Africa are exhibiting the same trends as the overall group of developing countries, but with a different emphasis as explained below.

Observations on the group of Low Income Countries (LICs)

A similar analysis restricted to the group of Low Income Countries (countries with a Gross National Income (GNI) per capita of less than US$ 950 per capita) showed that LICs exhibit higher ratios of public flows to private flows than the overall group of developing countries, which is considered here as an indication of continuous higher aid dependency. Still, the increase of 8% in the ratio of private flows over the past decade is astounding. (Figures show that the volume of financial flows increased threefold from US$ 65 bn to US$ 229 bn, while the ratio of public flows to private flows fell from 88%/12% in 2000 to 80%/20% in 2010, while private remittances surged to US$ 625 m, which is presumably underreported). Within the category of public cross-border flows, there is a remarkable shift from Official Development Assistance (ODA) towards Other Official Flows (OOF) and Non-Traditional Development Assistance (NTDA). ODA accounts for grants and very-concessional lending, while OOF and NTDA both stand for less concessional lending and non-conventional mechanisms of financing.

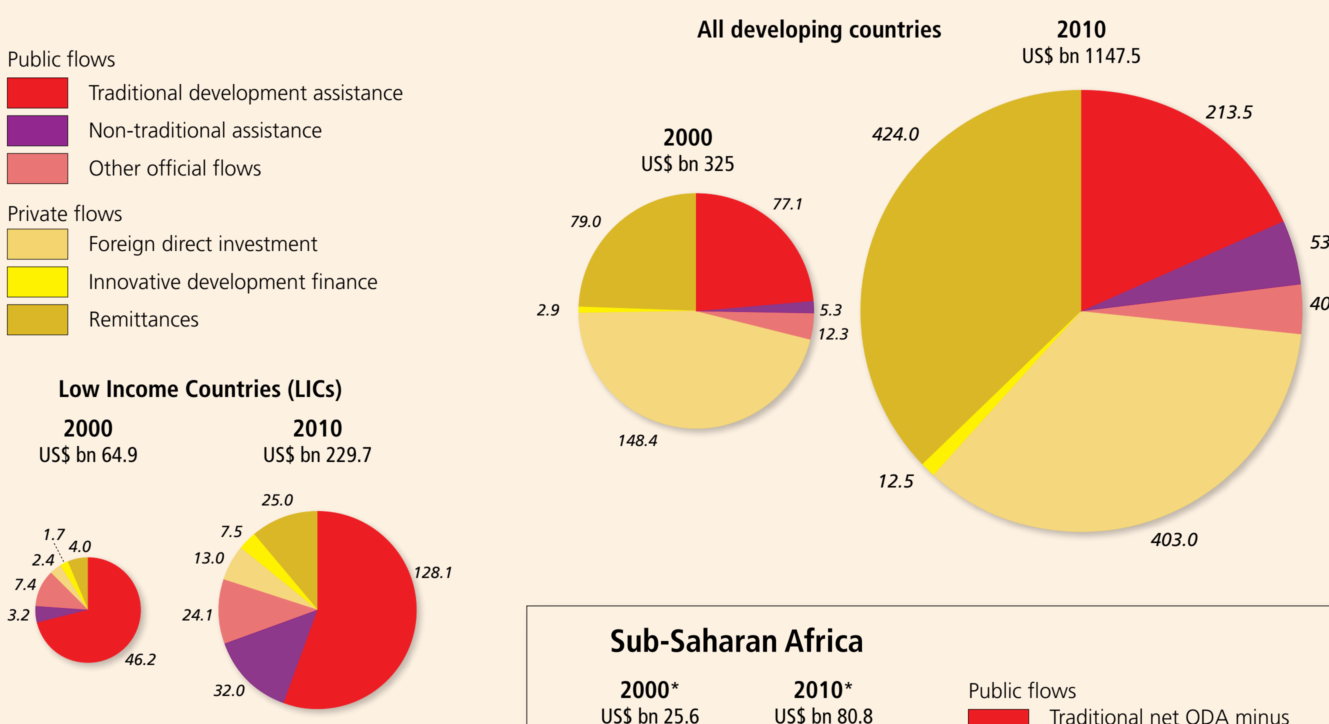
Observations on Sub-Saharan African

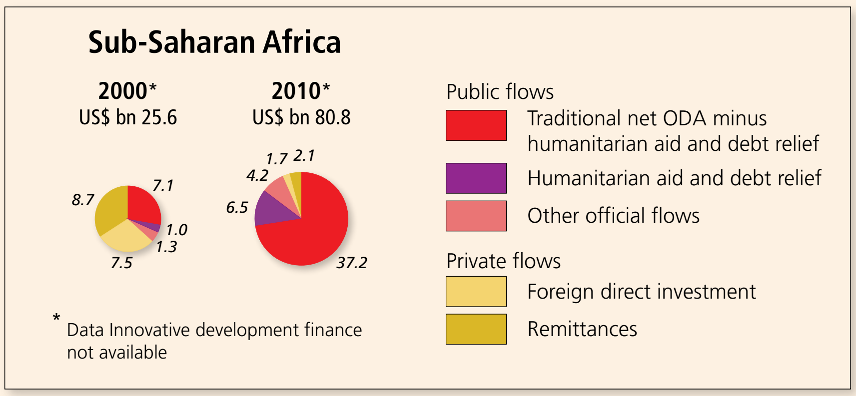
The trend among countries in Sub-Saharan Africa is similar, but distinct. Overall there is a positive trend with improving GNI per capita figures, as is exemplified by the decline in the number of LDCs from 16 to 11 while the number of LMICs and UMICs increased from 21 to 23 and from 4 to 7 respectively. Both observations point to improving GNI per capita figures. In fact the resilience of Sub-Saharan African economies was surprising. The first-round shock effect of the global financial crisis was overcome after a year or two. All in all the downward pressure on GNI and even on GDP growth rates was limited, remaining at a sturdy 5% to 6% annually.

Total flows increased threefold over the past decade, yet public flows grew relatively more (fivefold) than private flows (just twofold), which is counter-intuitive. This points to an uncomfortable observation that the ratio of public to private flows has become more skewed towards aid dependency. This could be a case of 'poor numbers' as Morten Jerven put it and of 'the numbers deceiving us'

Summary The overall trend in increasing volumes of cross-border financial flows is positive. It is also encouraging that the volume of private financiers, whether from commercial or non-commercial origins, is picking up. The trend in Sub-Saharan Africa is not so clear-cut but with some pragmatic adjustments to knowledge and realistic knowledge on the ground, these so-called 'poor' numbers are perhaps not deceiving us so much and Jerven may be barking up the wrong tree.

Financial flows and their composition





These infographics are based on statistical material in a background paper for the Financing for Development conference that will be held in Addis Abeba in July 2015 entitled. Stocktaking of Financial Flows to Developing Countries Ten Years into the Millennium Declaration by M. J. Eeckhout (MINBUZA/ DMM-IF/08/08/14) and Stocktaking of Financial Flows to Sub-Saharan African Countries for the AU/UNECA Preparatory Meeting for the Same FfD Ten Years Summit, also by by M. J. Eeckhout (MINBUZA/DMM-IF/10/10/14 forthcoming).
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The African Studies Centre (ASC)

The ASC in Leiden, founded in 1947, is the only research institute in the Netherlands devoted entirely to the study of Africa. Its primary aims are to undertake scientific research on Africa in the social sciences and humanities and to promote a better understanding of African societies. It is an independent institute but maintains close links with Leiden University, as part of LeidenGlobal. The ASC's work is not only of importance to researchers but also to policymakers, journalists, NGOs, businesses and other organizations.

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Library The ASC's Library, Documentation and Information Department has the most extensive and specialized collection on Africa in the Netherlands in the fields of the social sciences (including law and economics) and the humanities. The library, which is open to the general public, has more than 80,000 books, 1500 documentaries and feature films from and about Africa, and subscribes to nearly 750 periodicals. *African Studies Abstracts Online* offers some 10,000 abstracts and journal articles and web dossiers provide background information on specific topical events and themes.

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Afrika-Studiecentrum Series
African Dynamics
African Studies Collection
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Research Masters in African Studies The ASC offers a two-year Research Masters in African Studies in cooperation with Leiden University's Faculty of Humanities and the Faculty of Social Sciences. About 60% of the students on this course come from outside the Netherlands.

Thesis Award A prize is awarded annually for the best Masters thesis on Sub-Saharan Africa by a student at a university in the Netherlands or in Africa. The winning thesis is published in the African Studies Collection series.

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