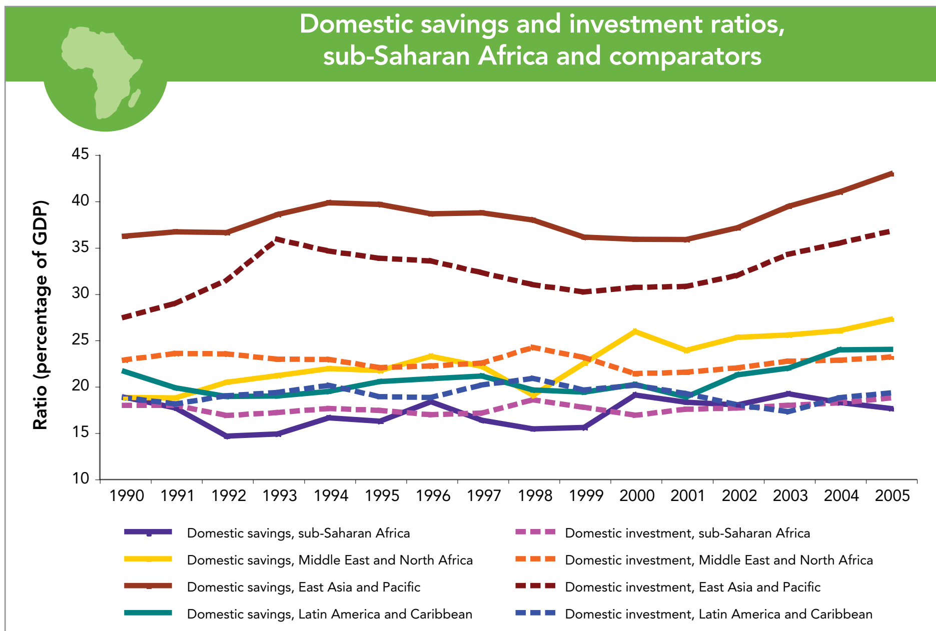


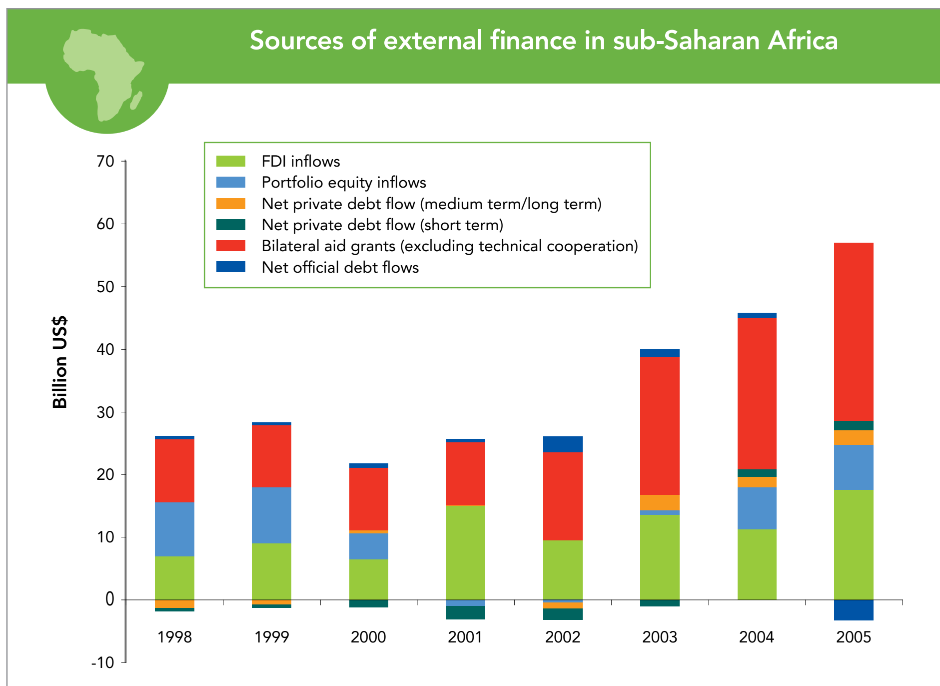
Source: World Development Indicators 2007.

Domestic savings and investment remain low.

Relative to developing countries in Asia and Latin America, sub-Saharan Africa has the lowest investment ratios.[38] Over the period 2000-2005, domestic investment as a proportion of GDP remained stable at 18 per cent in sub-Saharan Africa, while growing from 30 to 36 per cent in East Asia and the Pacific. Low savings are a main factor for the observed low investment rate in the region. Over the period 2000-2005, domestic savings as a proportion of GDP were 17 per cent in sub-Saharan Africa and 26 per cent in the Middle East and North Africa. In East Asia and the Pacific, they reached more than 40 per cent at the end of the period. There are wide differences in savings patterns across countries. Botswana, the Congo, Gabon and Nigeria have savings rates greater than 30 per cent. The majority (28 countries) of the remaining countries in the region for which data are available have positive but low savings ratios. Eleven countries had negative savings rates over the period 2000-2004.

> "African countries need to mobilize domestic resources, and receive the support promised by development partners. In some areas, particularly in infrastructure, the private sector can provide important co-financing."

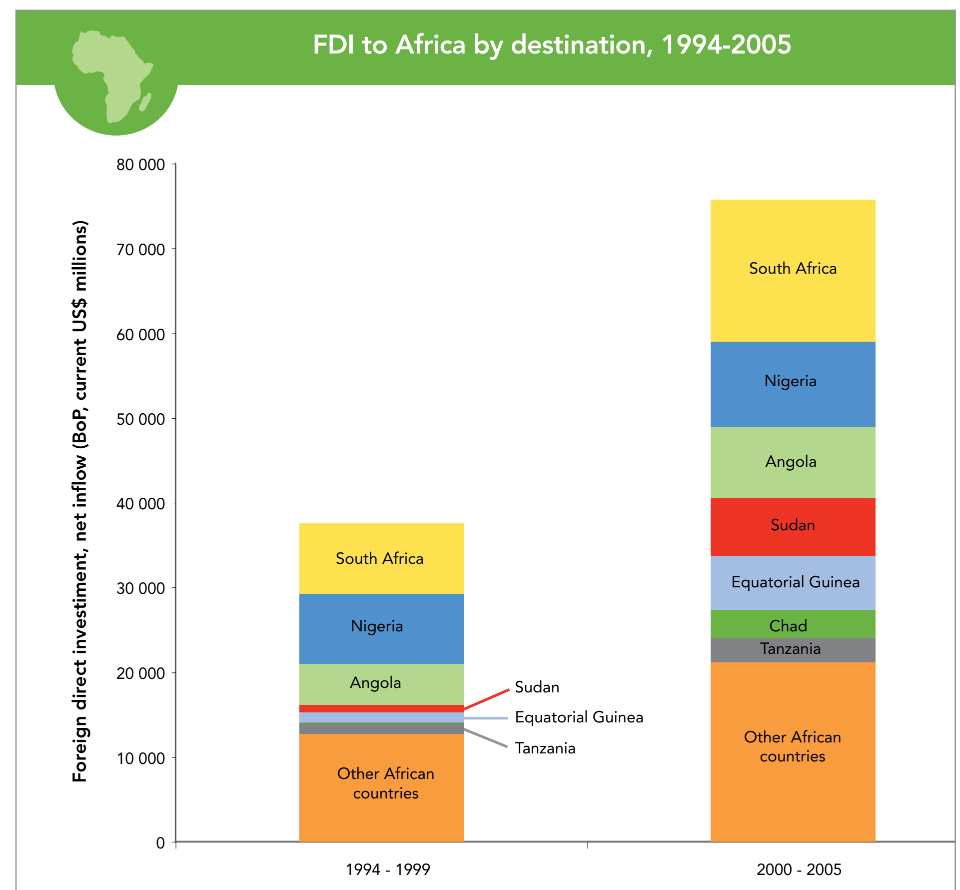
Ban Ki-moon
UN Secretary-General, 2008



Source: World Bank, Global Development Finance 2006.

External resources are crucially important in financing development in the region.

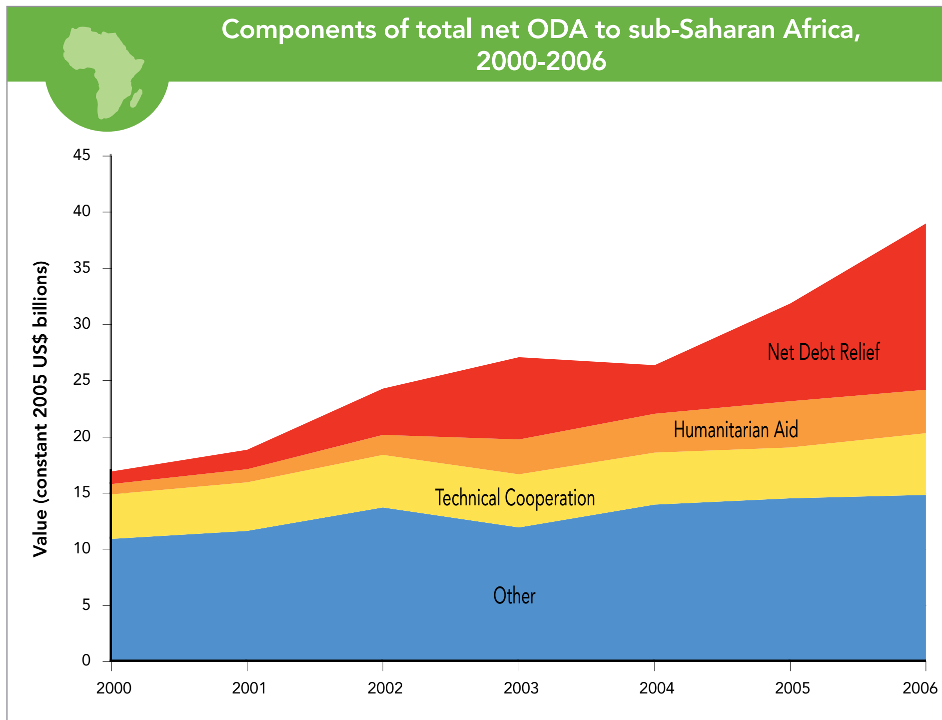
In recent years, the importance of private capital flows has been comparable to that of official flows. However, the former tend to be more volatile as well as concentrated in a few countries in the region. A large part of private capital flows are in the form of equity, as opposed to debt. In fact, between 1998 and 2002 net private debt flows to the region were negative. This decline in debt was accompanied by a shift from short- to medium- and long-term debt. In turn, a large part of the net equity flows to the region has taken the form of foreign direct investment (FDI), as opposed to portfolio equity inflows. The latter have shown a great deal of volatility, reflecting sudden changes in investors' perceptions of risks and returns. Aggregate FDI flows have shown less volatility and more than doubled from 1998 to 2005. However, the region as a whole, with an estimated $17.6 billion FDI flow in 2005, still attracts less FDI than many individual developing countries.[39]



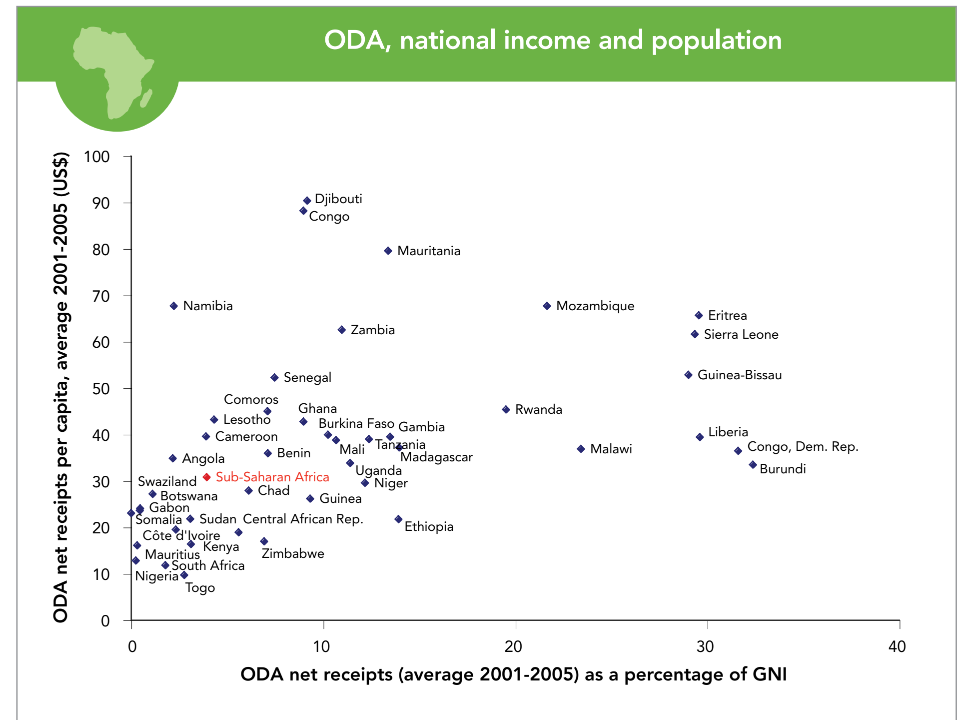
Source: World Development Indicators 2007.

In the last decade, the bulk of FDI has been concentrated on a handful of countries.

South Africa, Nigeria and Angola alone have represented about half of total net FDI from 1994 to 2005. A large proportion of FDI goes to the oil sector. Over the last 15 years, 70 per cent of FDI has been invested in five out of the seven African oil-exporting countries as well as in South Africa. European and North American countries have been the main foreign investors in sub-Saharan Africa. However, FDI from developing countries, particularly from South Africa, China and India, as well as from Malaysia and Brazil, has increased substantially.[40]



Source: OECD, 2008.



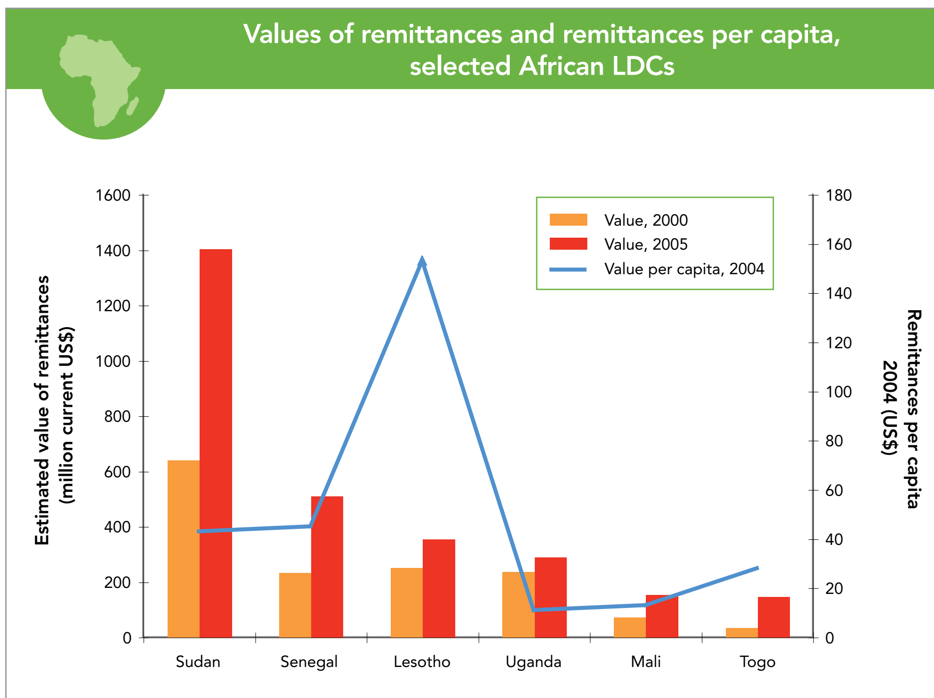
Source: OECD, 2007.

Aid has grown, but needs to be increased to meet agreed targets.

Since the beginning of the century, the continent has benefited from substantial inflows of official development assistance (ODA). After the Millennium Summit, numerous high-level international initiatives have put a renewed emphasis on the need for developed countries to substantially increase aid for sub-Saharan Africa. At that Summit, developed countries also agreed to roughly double ODA flows to Africa in 2010 compared to 2000. A substantial part of the increase in aid flows in the most recent years has come from debt relief. Aid other than debt relief should increase in coming years if commitments to double aid to Africa are to take effect.[41]

ODA receipts across African countries show a wide variability.

When calculated on a per capita basis or compared to countries' national incomes, ODA receipts vary widely across sub-Saharan African countries. Between 2001 and 2005, net ODA receipts for sub-Saharan Africa (including regional aid) represented about 4 per cent of GNI, or slightly under US$ 31 per capita. ODA receipts have represented more than 30 per cent of GNI in countries recovering from wars such as Burundi, the Democratic Republic of the Congo, Eritrea, Liberia and Sierra Leone. By contrast, ODA flows have represented less than 1 per cent of national income in countries such as South Africa, Mauritius, Gabon, Côte d'Ivoire and Botswana.



Source: UNCTAD, 2007.

Note: Remittance data need to be interpreted with care, given that the reliability of coverage appears to differ significantly between countries as well as for individual countries from year to year.

Remittances are an important contributor to sub-Saharan Africa's economies.

Although still less important than in the Middle East, North Africa and Asia, remittance flows have grown steadily over time and it is estimated that they account for at least 1.5 per cent of sub-Saharan Africa's GDP.[42] For individual countries, especially those with high out-migration rates, remittance flows are central to the economy. For some countries, remittances per capita are of the same order of magnitude as ODA.[43] Remittances can stimulate consumption and investment in receiving countries, help relax foreign exchange constraints and contribute to poverty alleviation. Their contribution to development, however, is still not well known, although there is evidence that they are more directed to consumption than investment.