



Shockwatch bulletin:

the changing nature of private capital flows to sub-Saharan Africa

Zhenbo Hou, Jodie Keane, Jane Kennan, Isabella Massa and Dirk Willem te Velde

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in preliminary form for discussion
and critical comment

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Acronyms

BIS	Bank for International Settlements
BRICS	Brazil, Russian Federation, India, China, South Africa
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GNI	Gross National Income
HIC	High-Income Country
ICC	International Chamber of Commerce
IIP	International Investment Position
IMF	International Monetary Fund
LIC	Low-Income Country
MIC	Middle-Income Country
NDIP	Net Direct Investment Position
NFA	Net Foreign Asset
NIIP	Net International Investment Position
NOIP	Net Other Investment Position
NPIP	Net Portfolio Investment Position
ODA	Official Development Assistance
RRDC	Resource-Rich Developing Country
SSA	Sub-Saharan Africa(n)
SWIFT	Society for Worldwide Interbank Financial Telecommunication
UK	United Kingdom
UNCTAD	United Nations Conference on Trade and Development
US	United States

Executive summary

This Bulletin examines to what extent the international macro crises over the past few years have affected private capital flows and investment positions in sub-Saharan African (SSA) countries. Overall it paints a positive picture of increasing private sector capital flows, after a subdued period just after the onset of the global financial crisis of 2008–9. But it also reports on the rapidly changing nature of private capital flows to SSA, with bond flows, international lending and portfolio flows playing an increasingly important part in growing private capital flows.

There are a number of notable trends characterising the changing nature of private capital flows to SSA.

- **Inward foreign direct investment (FDI) flows** to SSA increased from less than US\$ 15 billion in 2001 to about US\$ 37 billion in 2011 (based on United Nations Conference on Trade and Development (UNCTAD) data), with declines in 2009 and 2010 due to the global financial crisis. In 2010 FDI flows from Brazil, Russian Federation, India, China and South Africa (the BRICS) to SSA represented 25% of total FDI flows.
- **Net portfolio equity inflows** to SSA started to recover after the crisis to reach US\$ 16 billion in 2010 (World Bank data) but declined in 2011 because of activity in South Africa (portfolio flows to the rest of SSA increased over 2010–11). They were close to zero at the start of the decade, and there were outflows of US\$ 5 billion in 2008. Recent indications for portfolio inflows (equity and bonds) point to a buoyant picture e.g. in Nigeria.
- **Bond flows** to SSA increased from close to US\$ 2 billion in 2001 to US\$ 7 billion in 2007, but turned negative in 2008 (World Bank data). They have since recovered to US\$ 6 billion in 2011 and experienced much dynamism into 2012 and 2013. Several African countries have now issued bonds and others are considering doing so in 2013. Bond yields in Zambia – where the US\$ 750 million bond issue (to finance infrastructure) in September 2012 was reportedly oversubscribed 15 times – were, at 5.4%, lower than in some European countries (Greece, Portugal, and Spain) in the past year. Nigeria, Angola, Ghana, Kenya and Rwanda together plan to issue US\$ 4 billion of bonds in 2013.
- **International bank lending** exposure reached a high of US\$ 118 billion in 2007, from around US\$ 60 billion at the start of the decade, then dropped during the financial crisis but have since increased to a new high of US\$ 138 billion in September 2012 (Bank for International Settlements (BIS) data).
- Using various flows from one data set (World Bank), Table ES 1 shows that the **share of FDI in private capital flows** to SSA has declined, from nearly 100% in 2001 to around three quarters of total flows in 2011 (albeit with a larger share during the global financial crisis, e.g. in 2008). The evidence in this Bulletin (e.g. significant bond activity in Zambia or equity inflows in Nigeria) suggests that capital flows beyond FDI will also be important for SSA over 2012–13 and into the future, although this will affect the more developed SSA countries more than SSA fragile states which will continue to rely on official development assistance (ODA) (and increasingly FDI) for some time.
- Private capital flows to SSA are larger than (i) **ODA** to SSA (at US\$ 43 billion in 2011, US\$ 14 billion in 2001), (ii) **remittances** to SSA (at US\$ 31 billion in 2011, US\$ 4.8 billion in 2001), (iii) **Chinese (announced) loans** to Africa (US\$ 7 billion per annum over 2013–15); total ODA-like flows by BRICS were US\$ 3.8 billion in 2011 (Organisation for Economic Cooperation and Development, Development Assistance Committee), (iv) **International Finance Corporation investments** of US\$ 2.2 billion in SSA in financial year 2011; (v) **International Development Association/International Bank for Reconstruction and Development credits** to SSA (US\$ 36.3 billion in 2011).

Table ES 1: The changing nature of private capital flows to SSA, 2001–11

	SSA (incl. South Africa)					
	2001	2007	2008	2009	2010	2011
FDI, net inflows (US\$ billion)	15	30	39.1	34.7	28.8	40.9
Bond flows (US\$ billion)	2	7.5	-1.6	2	1.4	6
Net portfolio equity inflows (US\$ billion)	-0.9	10.2	-5.7	10.8	16	8.3
Total above (US\$ billion)	16.1	47.7	31.8	47.5	46.2	55.2
Ratio FDI in total above	0.93	0.63	1.23	0.73	0.62	0.74
	SSA (excl. South Africa)					
	2001	2007	2008	2009	2010	2011
FDI, net inflows (US\$ billion)	7.7	24	29.5	29.3	27.5	35.2
Bond flows (US\$ billion)	0	1.9	0	0.2	-0.2	1.5
Net portfolio equity inflow (US\$ billion)	0.05	1.5	-1	1.4	10.1	12.1
Total above (US\$ billion)	7.75	27.4	28.5	30.9	37.4	48.8
Ratio FDI in total above	0.99	0.88	1.04	0.95	0.74	0.72

Source: World Development Indicators, authors' own calculations.

This Bulletin also examines levels and trends in Africa's public and private wealth, as reported in official statistics (this means capital flight and Africa's investment assets will be underreported).

- Using official data, we estimate that very few SSA countries have a positive **net international investment position (NIIP)**. SSA's NIIP was a negative US\$ 200 billion in 2010 according to the official statistics, but – as noted above – these underreport capital flight (which some estimate to be around a cumulative US\$ 800 billion over the period 1970–2010) and gross assets abroad. There was a marked improvement in the net wealth position over 2003–7 across the board and after 2008 this increase has continued in 16 SSA countries, but it reversed in 24.
- The **net direct investment position (NDIP)** was negative for SSA over 2009–11, hovering around -14% of gross domestic product (GDP) according to International Monetary Fund (IMF) data. Underlying this, there are large gross liabilities and assets for direct investment in SSA which amounted to 37% and 24% of GDP respectively in 2010 (according to the IMF data). UNCTAD data suggest that the net FDI position in 2011 was a negative 21% of GDP.
- The **gross positions on portfolio investment** (on the basis of a handful of the largest SSA countries) range between 10 and 30% of GDP, whilst the **net position** was around 10–15% of GDP.
- The data suggest that **external debt** in SSA declined as a percentage of GDP up until 2008, but that this decline was halted with the onset of the global financial crisis.
- **Private external long-term debt** increased dramatically in most African countries over 2008–11, doubling in South Africa and increasing by 60% in the group of countries for which we have data (Angola, Cameroon, Côte d'Ivoire, Madagascar, Mauritius, Nigeria, Senegal, Tanzania, Uganda, Zambia and Zimbabwe).
- **Public debt** (as a percentage of GDP) has stabilised in most country groups after rapid declines due to debt relief in the mid-2000s, although it has increased in Africa's middle-income countries (MICs).
- **Domestic credit to the private sector** (as a percentage of GDP) continued to increase over 2008–11, at a similarly rapid rate to that experienced during 2003–8. Notable exceptions include Zambia, Seychelles, Nigeria and South Africa, which have suffered declines in recent years.
- African countries (especially oil-exporting countries) have used **international reserves assets** to cushion the impact of the global financial crisis and finance a worsening of the current account.

Private capital flows play an increasingly important role in African development. Their volumes and volatility affect growth prospects. In this context, policy makers need to be concerned with the impact of private capital flows and consider the following issues.

- Policy makers need to watch how different current account experiences accumulate into **diverging net asset positions**. On present trends, with current accounts still deteriorating in many countries, there will be winners and losers in net assets unless increased inward investment is used to grow and develop sustainably. Some countries may develop unsustainable negative wealth positions (e.g. by not attracting sufficient capital or by failing to invest bond receipts wisely).
- Countries need to watch the **composition of private capital flows** carefully. There has been a move towards non-concessional and private (bond financing, bank lending) financing and the composition of private capital flows is also changing. The way in which countries regulate FDI and respond to it is different from managing the systematic implications of and responding to rapid increases in private external debt, portfolio flows, and bond flows. Bond issuances have become increasingly popular, especially following the Zambian experience of 2012, and a question is whether and how other, poorer African countries can use this experience to issue government bonds in the future.
- As a first step, countries will need to improve the availability of the **information necessary to manage the transition towards new types of private capital flows as well the situation after the transition**. This requires better reporting on gross and net assets and liabilities not only by African countries but also by other investors in Africa, including increased transparency by G20 countries. In this respect, the United Kingdom (UK) and Germany report stocks data for far fewer African countries than does China. It would be useful if developed countries increased the transparency of their FDI reporting and also reported on their FDI assets and liabilities to Africa on a country-by-country basis (e.g. through the G8 or G20).
- As a second step, countries (and agencies supporting them) will need to develop **institutions (in the broadest sense) to regulate and respond to changes in capital flows**. Such institutions can over the mid to long run (and short run in some countries) contribute to aid-exit. We have described the extent to which seven SSA countries have already issued bonds, and there are many plans for more. There are advantages (e.g. fewer conditions, longer maturities), but also challenges (the build-up of debt requires good debt management departments and good returns on use of funds in order to repay private creditors rather than official institutions).

In conclusion, after a marked impact of the global financial crisis on private capital flows to SSA shortly after 2008, there now seems to be a return to a new normal of a more diversified and growing set of capital flows. New and growing capital flows offer increasing opportunities for African countries to finance their growth and development, but major challenges need to be addressed.

1 Introduction

We have in the past year published two Shockwatch Bulletins (Massa et al., 2012a and 2012b) highlighting the importance of external shocks such as the euro zone crisis and oil price shocks for low-income countries (LICs). Both Bulletins pointed to the different levels of LIC vulnerability to different types of crises and examined how countries had already been affected by trade and financial flows. This Bulletin examines to what extent the crises over the past few years have affected private capital flows and investment positions in SSA countries. Overall, it shows that private sector capital flows are increasing, after a subdued period during the global financial crisis. But the nature of private capital flows is changing, with bond flows, international lending and portfolio flows becoming an increasingly important part of private capital flows across SSA.

A key question that policy makers face is how private capital flows have been affected during the recent global crises and periods of instability over the last decade. How have crises affected SSA and are there any long-term effects in terms of capital stocks? The normal way to examine these issues is by providing updates on capital flows, and we do this here. But we also need to understand international investment positions (IIPs) to obtain a longer-term perspective. Countries can run a government or current account deficit for a few years, but such deficits would accumulate to potentially unsustainable levels if this persisted over a longer period of time. We know what happens when governments run out of credit: they need to spend less or raise taxes. When countries continue to run current account deficits financed by capital inflows, and when aid is not remaining at high level, their currency will need to depreciate and the productivity of inflows to be enhanced. If these measures fail they will run into severe balance sheet problems and will continue to be in need of international support. We therefore examine the available data for both flows and positions.

We examine private capital flows in Section 2 and investment positions in Section 3 of this Bulletin. Section 4 concludes.

2 Private capital flows to Sub Saharan Africa

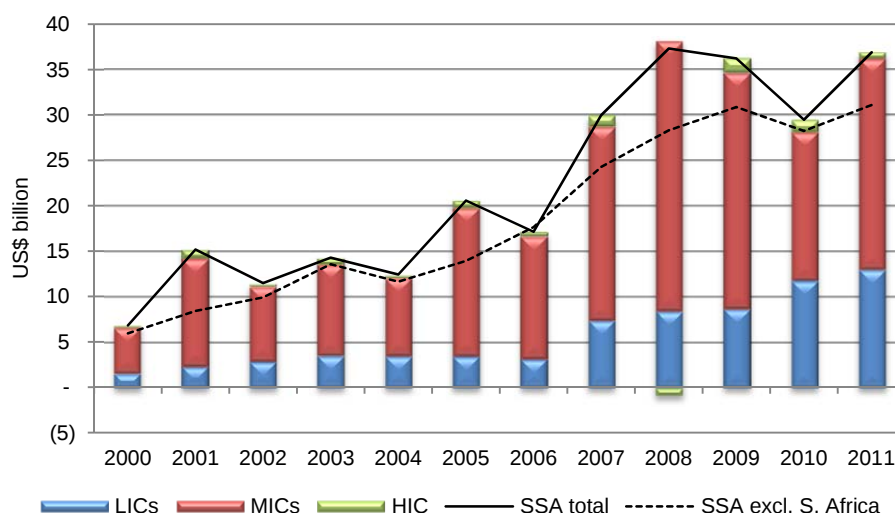
This section discusses private capital flows to SSA and examines FDI flows, portfolio flows, bond flows, bank lending and trade finance in turn in more detail in Sections 2.1–2.5. Section 2.6 summarises the findings.

2.1 Foreign direct investment

According to UNCTAD data and estimates (UNCTAD, 2013) global FDI declined by 18% in 2012 to US\$ 1.3 trillion. From a 2007 peak of US\$ 2 trillion it fell to US\$ 1.8 trillion in 2008 and then US\$ 1.2 trillion in 2009, followed by a recovery in 2010 and 2011 to US\$ 1.4 and US\$ 1.6 trillion respectively. The estimated decline in FDI in 2012 is in marked contrast to the increases in GDP, fixed capital formation, trade and employment. But developed countries accounted for 90% of the US\$ 300 billion drop in 2012, and – for the first time – developing countries received more FDI (US\$ 680 billion) than developed (US\$ 550 billion). FDI to developing countries overall was relatively resilient, decreasing by only 3%. FDI to Africa and Latin America actually increased (by 5.5% and 7% respectively), but there was a 10% decline in flows to Asia.

FDI flows to SSA have experienced a significant increase over the past decade, moving from less than US\$ 7 billion in 2000 to about US\$ 37 billion in 2011 (Figure 2.1; UNCTAD, 2012). Between 2006 and 2008 inward FDI to SSA grew by about 118%, reaching its highest level at US\$ 37.3 billion. In 2009 and 2010 FDI inflows to SSA declined owing to the global economic and financial crisis. This led to a number of planned investments in, among others, South Africa, Democratic Republic of the Congo, Liberia, Malawi, Ethiopia and Tanzania being postponed or cancelled (Brambila-Macias and Massa, 2010). In 2011 FDI inflows rebounded to a value very close to the 2008 pre-crisis level.

Figure 2.1: SSA: inward FDI flows, total and by income group



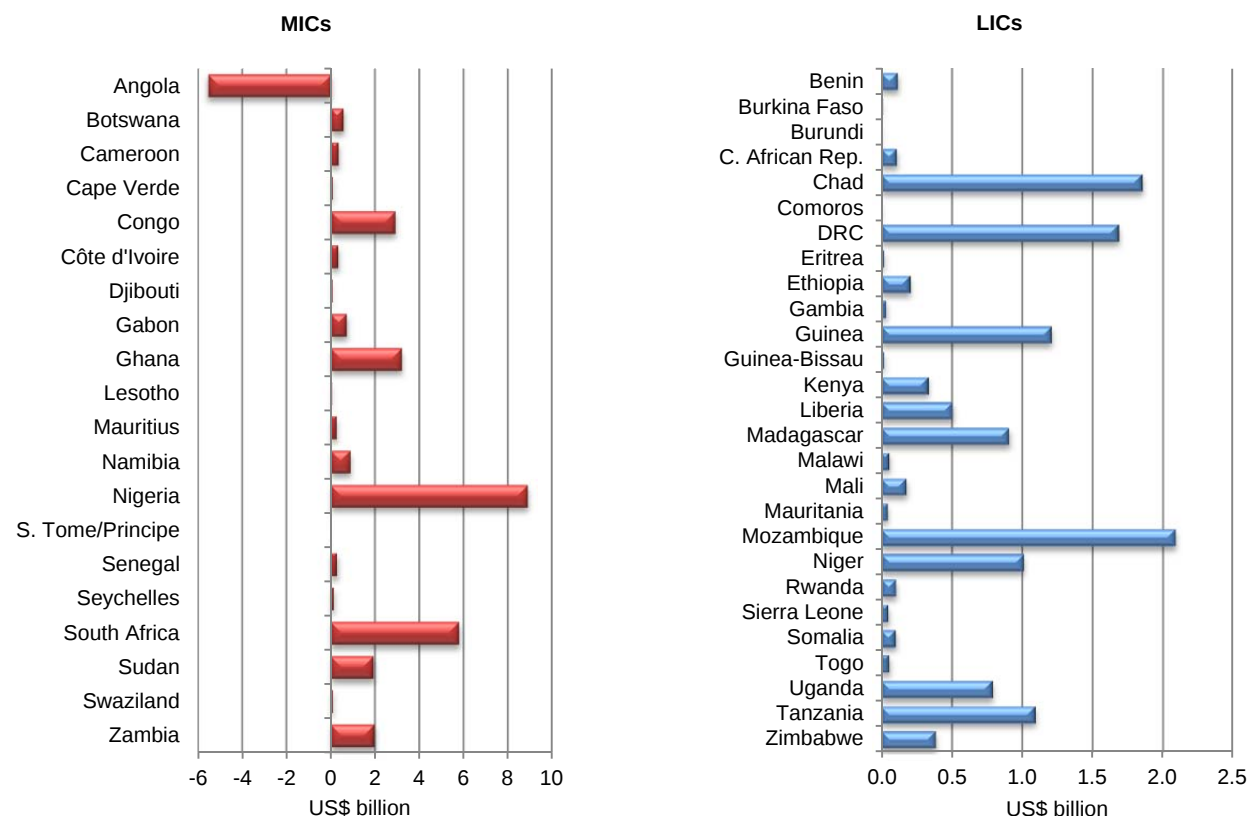
Note: Country income groups as per World Bank classification at July 2012.
Source: Authors' calculations based on data from UNCTADSTAT.

Although African countries have long been seen as attractive because of Africa's vast natural resources endowment, a recent survey conducted by the Economist Intelligence Unit (2012) suggests that a number of other factors have also been significant in enhancing SSA attractiveness to investors over the past few years. The most important, in order of importance, are: (i) Africa's emerging middle class and different consumption patterns; (ii) its strong economic growth; and (iii) high commodity prices. These are followed by several other factors such as increasing political stability, favourable demographics, and improved fiscal and monetary policy.

As is evident in Figure 2.1, MICs have attracted the bulk of inward FDI to SSA over time. However, this was also the group which suffered the largest declines in FDI inflows in 2009 and 2010.

Indeed, while FDI inflows to LICs experienced year-on-year increases of 3% and 35% in 2009 and 2010 respectively, those to MICs declined by about 13% and 37% in the same years. Among MICs, Nigeria and South Africa were the largest recipients of inward FDI in 2011; Mozambique, Chad, Democratic Republic of the Congo, Guinea, and Tanzania were the top five LIC destinations of FDI inflows (Figure 2.2).

Figure 2.2: SSA: inward FDI flows by country, 2011



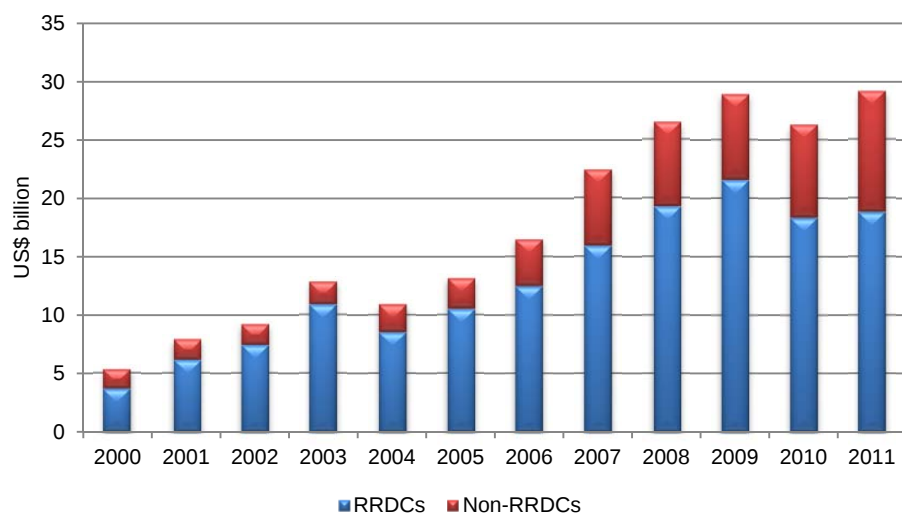
Note: Country income groups as per World Bank classification at July 2012.
Source: Authors' calculations based on data from UNCTADSTAT.

It is noteworthy also that over the last decade most of the FDI inflows to SSA MICs and LICs were to natural-resource-rich developing countries (RRDCs),¹ as shown in Figure 2.3. However, the increase in FDI flows to non-resource rich countries (non-RRDCs)¹ was greater than in those to RRDCs. FDI directed to RRDCs was affected by the global turmoil, experiencing a year-on-year decline of 15% between 2009 and 2010, while that to non-RRDCs continued to increase.

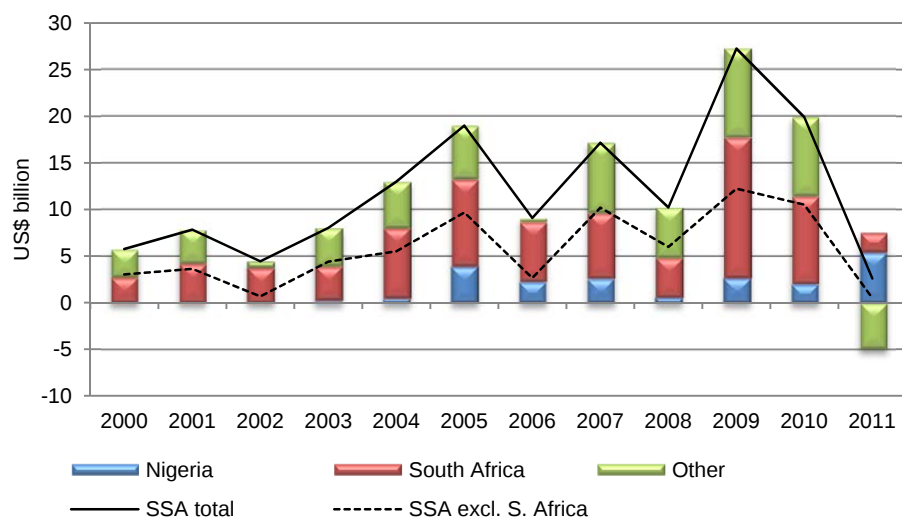
Looking at the countries of origin of FDI, Europe is a key investor in SSA and, as Figure 2.4 shows, FDI inflows to SSA from European Union (EU) countries experienced an upward trend up until 2009, before contracting in 2010 and 2011, partly because of the euro zone crisis.

The BRICS have also become important investors in Africa. Data show that in 2010 BRICS represented 25% of total FDI flows to the continent (Table 2.1). FDI flows from the EU, which is still the largest investor in Africa, accounted for 41% of the region's FDI flows in the same year.

1 Throughout this Bulletin SSA RRDCs are as defined in IMF (2012), Appendix 1, i.e.: Angola, Cameroon, Chad, Congo, Côte d'Ivoire, Democratic Republic of the Congo, Equatorial Guinea, Gabon, Guinea, Liberia, Mali, Mauritania, Niger, Nigeria, Sudan, Zambia.
SSA non-RRDCs are defined in this Bulletin as all other *LIC or lower-middle-income* SSA countries.

Figure 2.3: SSA: inward FDI flows by RRDCs/non-RRDCs

Notes: See footnote 1 (page 3) for countries included in RRDC/non-RRDC aggregates.
 Source: Authors' calculations based on data from UNCTADSTAT.

Figure 2.4: SSA: Inward FDI flows from EU

Notes: Data are for EU25 2001–3 and for EU27 as from 2004. 'SSA total' = Eurostat aggregate 'African ACP [African, Caribbean and Pacific] states' (which includes South Africa).
 Source: Authors' calculations based on data from Eurostat.

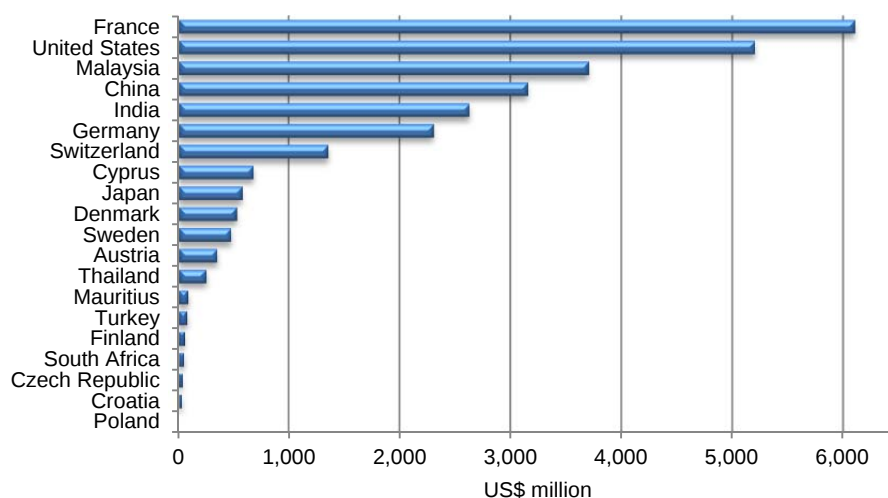
Table 2.1: Africa: estimated FDI inflows, 2010

	Millions of dollars	Share in total (%)
Home region		
Total world	39,540	100
<i>Developed countries</i>	26,730	68
EU	16,218	41
North America	9,281	23
<i>Developing economies</i>	12,635	32
Asia	9,332	24
<i>South-East Europe and Commonwealth of Independent States</i>	175	0
Memorandum		
BRICS	10,007	25

Source: UNCTAD (2013).

Among BRICS, the major investor in Africa is China, followed by India and South Africa (Figure 2.5).

Figure 2.5. Africa: top 20 investors in terms of FDI flows, 2011

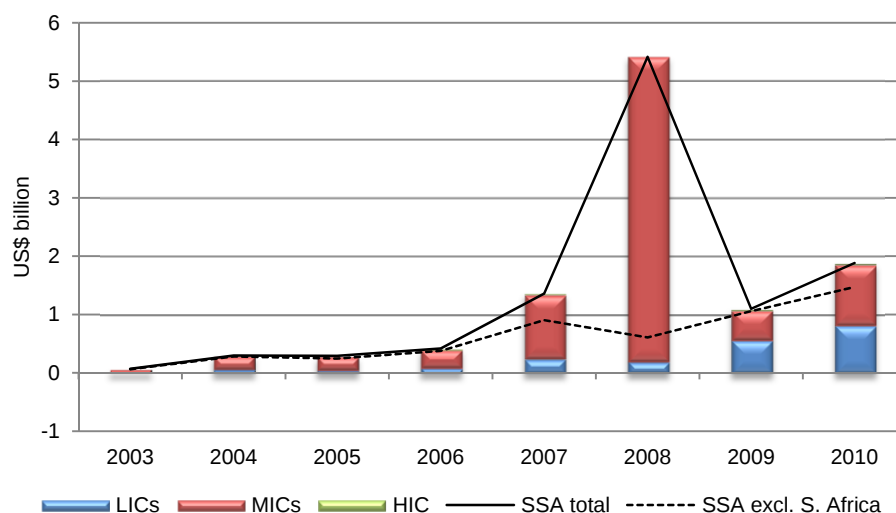


Note: Data shown are only for those countries reporting outward FDI to Africa in 2011.

Source: Adapted from UNCTAD (2013).

Chinese FDI flows to SSA have grown very rapidly since the mid-2000s, reaching a high of US\$ 5,416 billion in 2008 (Figure 2.6). After experiencing an 80% decline in 2009 after a one-off large investment, they recovered slightly to US\$ 1,883 billion in 2010 – which is still significantly below the 2008 peak.

Figure 2.6: SSA: inward FDI flows from China, total and by income group



Note: Country income groups as per World Bank classification at July 2012.

Source: Authors' calculations based on Ministry of Commerce of People's Republic of China (2009 and 2011: Table 1).

A number of factors within China as well as within SSA have contributed to the increase in Chinese investment in SSA countries (Mlachila and Takebe, 2011). The Chinese factors include:

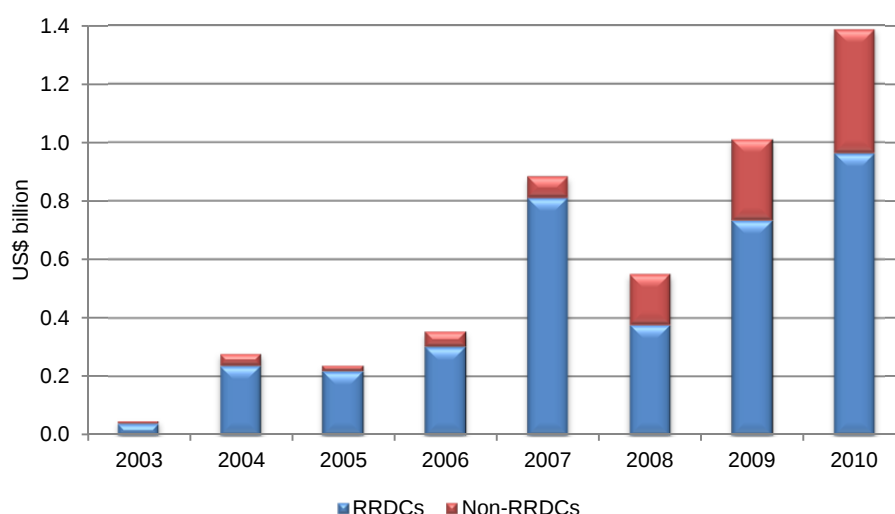
- *abundant foreign reserves*: China has accumulated significant foreign reserves and wants to invest abroad to prevent its local currency from appreciating;
- *increasing natural-resource security concerns*: in order to support the high growth rates at home, China needs to buy natural resources abroad, since it is able to produce only less than half of its domestic needs, and it prefers to do this by investing;
- *Chinese government support for outward FDI* as part of the 'Going global' policy, partly because of the above two reasons;

- *rising labour costs in China*: the increasing competition for labour and rising wages in the home market lead Chinese firms to seek lower labour and production costs abroad;
- *more acceptance of risk*: there are studies suggesting that Chinese investors are less risk averse than those from developed countries (see, e.g., Center for Chinese Studies, 2010).

A key factor in Chinese FDI to SSA was Africa's richness in natural resources (Mlachila and Takebe, 2011). For example, the continent has large reserves of oil (e.g. in Nigeria and Angola) and is also rich in non-fuel minerals (e.g. platinum and gold in South Africa, cobalt in Democratic Republic of the Congo, copper in Zambia and diamonds in Angola). Besides this, other macroeconomic and structural factors (e.g. improved investment and business environment, better macroeconomic conditions, and privatisation processes, among others) are also relevant to the increase of Chinese FDI in SSA.

Chinese FDI flows to SSA are directed mainly to RRDCs such as South Africa, Sudan, Nigeria, and Zambia (UNCTAD, 2013).

Figure 2.7: SSA: inward FDI flows from China by RRDCs/non-RRDCs



Notes: See footnote 1 (page 3) for countries included in RRDC/non-RRDC aggregates.

Source: Authors' calculations based on Ministry of Commerce of People's Republic of China (2009 and 2011: Table 1).

However there is evidence that Chinese FDI to SSA is becoming increasingly diversified, moving into manufacturing and services sectors (Table 2.2). This is the case even in RRDCs such as Zambia, where Chinese FDI flows have targeted not only the mining sector but also the financial, telecommunication, tourism, garments, textiles, and agro-processing sectors.

The manufacturing and services sectors have attracted the biggest share of Indian FDI flows to Africa, while Brazilian FDI has focused mainly in the natural-resource sector (UNCTAD, 2013; Mlachila and Takebe, 2011). Russian FDI flows to Africa, however, are both resource-seeking and market-seeking (UNCTAD, 2013). It is also worth noting that Indian and Brazilian FDI tend to be concentrated in a limited number of countries in SSA. For example, the bulk of Indian FDI in Africa is directed to Mauritius, while Brazilian FDI flows are mainly concentrated in Angola and Liberia (UNCTAD, 2013; Mlachila and Takebe, 2011).

Table 2.2: Selected SSA countries: Chinese FDI by sector

Country	Oil/gas	Mining	Agriculture	Services	Infrastructure	Manufacturing
Angola	X	–	–	Telecommunications	Housing, roads, railways	Light vehicles
Chad	X	–	–	–	Roads, power plant	–
Ethiopia	–	X	–	Telecommunications, electricity, water	Construction	Garments, shoes/leather
Gabon	X	X			Port, railway, power plant	
Ghana	–	–	Poultry	Small-scale trading, import/export	–	Garments, shoes/leather
Kenya		X	Coffee	Telecommunications	Roads	Garments, shoes
Madagascar	–	–	Sugar	Financial, telecommunications	–	Garments
Mali	–	–	Cotton	Electricity, water	Construction	Food processing
Nigeria	X	–	–	Telecommunications, technical services	Construction	Agro-processing
Mauritius	–	–	–	Small-scale trading, import/export	–	Garments, textiles
Uganda	–	X	Cotton	Telecommunications, electricity	Construction	Electronic goods, agro-processing
Zambia	–	X	Cotton	Financial, telecommunications, tourism	Construction	Garments, textiles, agro-processing

Source: Mlachila and Takebe (2011).

2.2 Portfolio equity flows

Portfolio equity inflows to SSA have been rather volatile over the last decade (Figure 2.8). Having taken off in the mid-2000s, they reached a high of about US\$ 17 billion in 2006 (of which 89% went to South Africa). In 2007, however, portfolio equity inflows experienced a significant decline of 40% because of the global financial crisis, and in 2008 they even reversed.

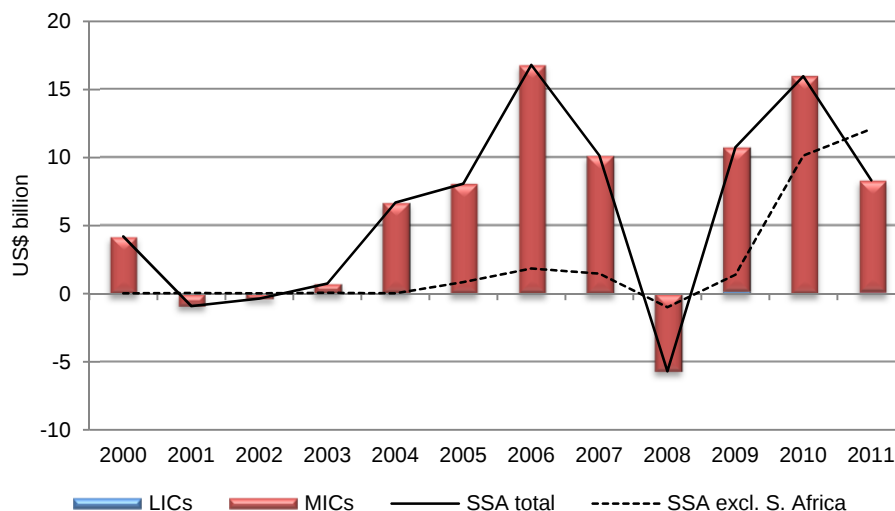
This clearly shows that SSA's equity markets were not immune to financial contagion during the crisis. The slowdown and reversal in portfolio equity inflows to SSA countries were, indeed, consistent with the sharp fall of their stock markets. Table 2.3 shows that stock markets in South Africa, Nigeria, Kenya, Mauritius, and Côte d'Ivoire were hit hard in 2008.

Table 2.3: Selected SSA countries: stock index change in 2008

Index	% change in 2008
Nigeria All Share Index	-46
Mauritius All Share Indices	-36
Nairobi Stock Exchange 20-Share Index	-34
Johannesburg Stock Exchange All Share Index	-26
BRVM (Regional Securities Exchange) Composite Index	-11

Source: African Development Bank (2009).

In 2009 portfolio equity inflows to SSA started to recover, reaching a new high of about US\$ 16 billion in 2010 (Figure 2.8). Although flows declined by about 47% when the euro zone crisis hit in 2011, there were no outflows as in 2008. Massa et al. (2012a) report that stock markets in countries such as Nigeria and Kenya were strongly affected by the euro zone crisis, experiencing heavy sell-offs as a result of a global flight to safety.

Figure 2.8: SSA: Net portfolio equity inflows, total and by income group

Note: Country income groups as per World Bank classification at July 2012.

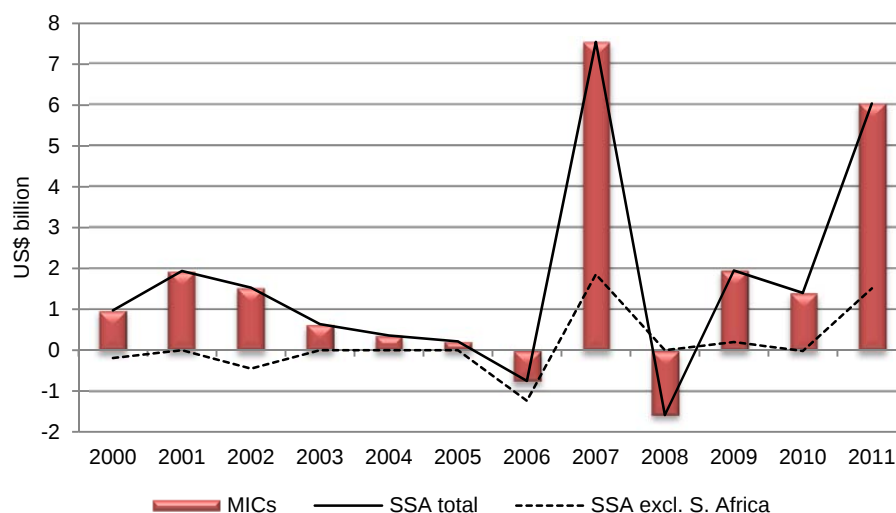
Source: Authors' calculations based on data from the World Bank's World DataBank (drawn from IMF, Balance of Payments database, and World Bank, International Debt Statistics).

Notwithstanding the storms of the global financial and euro zone crises, stock markets in SSA have made important progress over the past decade. A few African stock exchanges have gained a place among the world's best performing (in terms of stock prices) markets a number of times since 1996. For example, in 2011 the Tanzania Stock Exchange was the sixth best-performing stock exchange in the world, followed by Botswana (Jacobs, 2012). In some countries where stock exchanges do not yet exist, steps are being taken to fill the gap. This is the case in Angola, as well as Somalia and South Sudan (*ibid*). Technological upgrading of the trading systems is also planned in countries such as Nigeria (*ibid*). All this contributes to making SSA equity markets more attractive to portfolio investors. Nevertheless a number of serious challenges need to be met in order to facilitate growth in portfolio equity inflows. First is the fact that SSA stock markets are still thin and very illiquid. Stock market regionalisation may help to overcome this barrier, and there are already a few initiatives in this direction. The anglophone countries are planning to form a regional stock exchange under the umbrella of the Economic Community of West African States; Kenya, Uganda, and Tanzania aim to create a regional stock exchange in East Africa; and the Southern African Development Community has also proposed the formation of a regional stock exchange (Senbet and Otchere, 2008).

2.3 Bond flows

Bond flows in SSA have also been volatile over the past decade (Figure 2.9), and concentrated in MICs. Appendix A presents existing and potential issuers in Africa and rating issues. After having reached a peak value of more than US\$ 7 billion in 2007, when Nigeria, Ghana, and Gabon issued bonds internationally for the first time, these flows were strongly hit by the global financial crisis in 2008.² Many bond issuance plans were put on hold. In particular, Ghana cancelled plans for a US\$ 300 million debt issue owing to poor global market conditions; Kenya delayed a planned debut US\$ 500 million Eurobond; Tanzania postponed plans to issue a debut Eurobond totalling at least US\$ 500 million; and Uganda did not issue a debut Eurobond to fund infrastructure projects (Brambila-Macias and Massa, 2010).

² Nigeria issued a US\$ 350 million private corporate bond in January 2007 and a US\$ 75 million private corporate bond in March 2007; Ghana issued a US\$ 750 million Eurobond in September 2007; Gabon issued a US\$ 1 billion 10-year Eurobond in December 2007.

Figure 2.9: SSA: Bond inflows, total and by income group

Note: There are data for only 11 SSA countries, and for a maximum of six in any given year (and only two in four of the years shown). Such data as there are relating to SSA LICs (US\$ -770,000 to Democratic Republic of the Congo in 2005) are not shown here.
Source: Authors' calculations based on data from the World Bank's International Debt Statistics.

A substantial recovery in bond flows occurred in 2009. In 2010 bond inflows to SSA declined by about 28% to US\$ 1.4 billion, and then increased to US\$ 6 billion in 2011. This shows that compared to the 2007–8 global financial crisis, when several bond issuance plans were put on hold in SSA countries, the euro zone crisis has affected bond inflows much less. Indeed, Namibia and Senegal were still able to issue bonds successfully for the first time, notwithstanding the crisis in the euro area (Massa et al., 2012a).

There has been a rapid scaling up of bond flows in 2011 and 2012 (judging by recent reports) and more is expected for 2013 (some argue that Africa is set for a sovereign debt rush³), suggesting that bonds flows are likely to be an important source of non-concessionary external finance for a number of African countries which are gradually graduating out of the poorest economy status (e.g. Ghana or Zambia).

There are many recent examples of increased bond volumes and declining yields. In Zambia, bonds worth US\$ 750 million at a yield of 5.4% were issued in September 2012 and they were reportedly oversubscribed 15 times. Bond yields were lower than in some European countries (including Spain⁴). One of the reasons why these bonds were popular was because there was a clear plan for the government to use the bond receipts to invest in infrastructure.

Nigeria is expected to issue a US\$ 1 billion Eurobond to fund power and gas sector reforms later in 2013.⁵ This is twice as much as it sold in 2011 (Nigeria has a US\$ 500 million 6.75% 2021 bond outstanding, which is trading at 4.15% yield).

Angola plans to issue its first sovereign Eurobonds in 2013 to raise US\$ 1 billion. Its plans to launch a US\$ 4 billion Eurobond in 2009 were halted by a drop in oil prices which led to balance of payments problems. A US\$ 500 million Eurobond planned for 2011 was also abandoned.⁶

Ghana issued the first Eurobonds in SSA outside South Africa in 2007 and it is expected to sell a further US\$ 750 million in 2013.⁷

3 See <http://on.ft.com/XdE7Li>.

4 See <http://on.ft.com/QpulSj>.

5 See <http://bit.ly/XWlsXQ>.

6 See <http://bit.ly/11whAN2>.

7 See <http://bit.ly/16wt56E>.

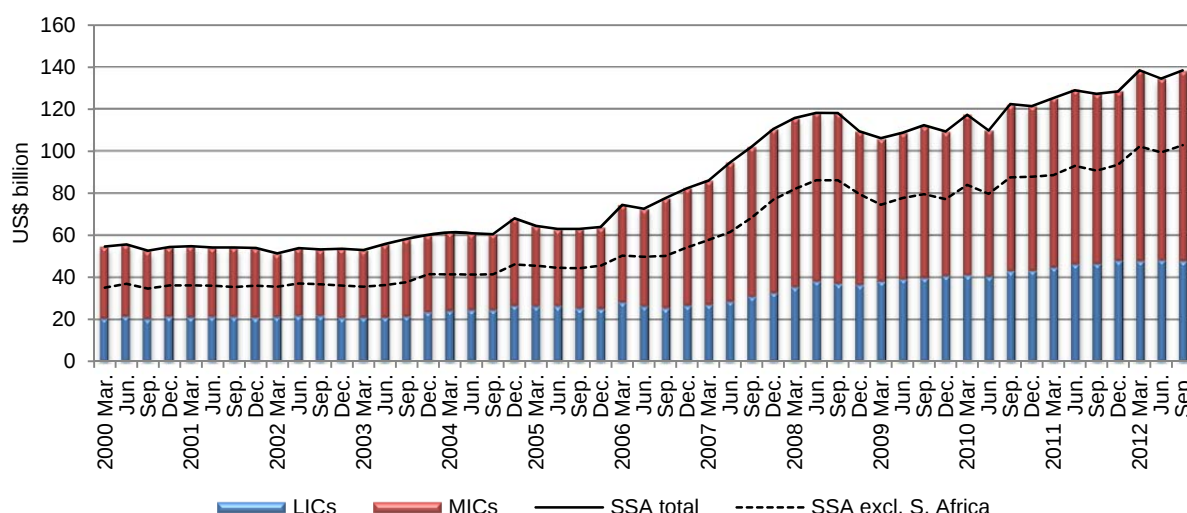
African countries are keen on Eurobonds because debt raised on the international markets does not come with conditions attached. It can also be of a longer maturity. However risks remain as foreign currency swings can make repayments expensive. This is why government surpluses or the presence of natural-resource reserves will be helpful in attracting bond financing.

2.4 Cross-border bank lending

During the past decade cross-border bank lending to SSA has increased significantly. As shown in Figure 2.10, after being relatively stable at around US\$ 60 billion at the beginning of the decade cross-border bank lending started to increase after 2005, a period which coincided with strong regional growth rates. The new increasing trend reached its peak in 2008, when total inflows amounted to about US\$ 118 billion. The global financial crisis and the consequent credit crunch took their toll but, despite a minor adjustment, inflows resumed their upward trend in mid-2010. In late 2010 they reached pre-crisis levels and in 2011 they surpassed that level, leading to a new high in 2012 (US\$ 138 billion in September 2012).

Nevertheless, it is important to highlight that throughout the period covered in Figure 2.10 the larger proportion of cross-border bank lending has always been directed to MICs (US\$ 90 billion in September 2012), while LIC inflows have remained more modest (US\$ 48 billion in September 2012). This might be because of to the higher level of banking infrastructure and institutions in MICs than in LICs, which still need to improve significantly their banking and financial structures.

Figure 2.10: SSA: cross-border bank lending, total and by income group



Note: Total international claims, immediate borrower basis. Country income groups as per World Bank classification at July 2012. Cross border bank lending to SSA's only high-income country (HIC) (Equatorial Guinea) was relatively minor (averaging less than US\$ 100 million a year) and is not shown here.

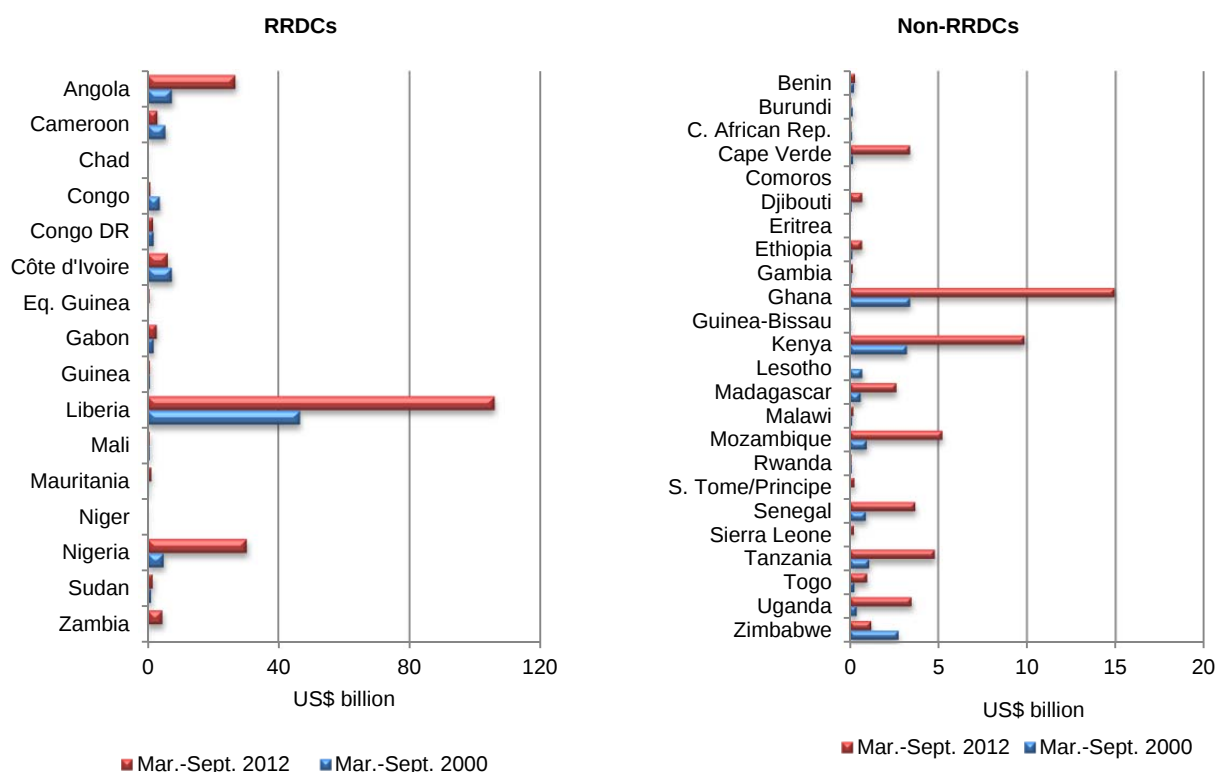
Source: Authors' calculations based on BIS Consolidated Banking Statistics: Table 9a (Quarterly Review, March 2013).

Focusing on RRDCs, we can see from Figure 2.11 that three countries have seen large increases in cross-border bank lending inflows in the past decade: Liberia, Nigeria and Angola. These countries have become the main recipients of cross-border bank lending within the SSA region. In the case of Liberia, inflows rose from a total of roughly US\$ 40 billion in March–September 2000 to more than US\$ 100 billion in the same period in 2012. In the case of Angola, cross-border bank lending has more than tripled, rising from about US\$ 8 billion in March–September 2000 to almost US\$ 27 billion in 2012. Nigeria also saw a significant increase, from roughly US\$ 5 billion in 2000 to US\$ 30 billion in 2012.

Moving to non-RRDCs, Ghana, Kenya, Mozambique and Tanzania attracted the largest amounts in 2011 (Figure 2.11), although their inflows were smaller than those directed to the major RRDC recipients. The increases experienced by these three non-RRDCs are significant. Ghana saw a fivefold increase, from US\$ 3 billion in March–September 2000 to US\$ 15 billion in the same period

in 2012. Kenya's inflows rose from US\$ 3 billion in 2000 to nearly US\$ 10 billion in 2012. Flows to Mozambique and Tanzania followed roughly the same trajectory, each increasing from US\$ 1 billion in March–September 2000 to around US\$ 5 billion in 2012. Zimbabwe, however, experienced a decrease in cross-border bank lending inflows, from nearly US\$ 3 billion in March–September 2000 to only US\$ 1 billion in 2012.

Figure 2.11: SSA: cross-border bank lending to RRDCs/non-RRDCs, by country



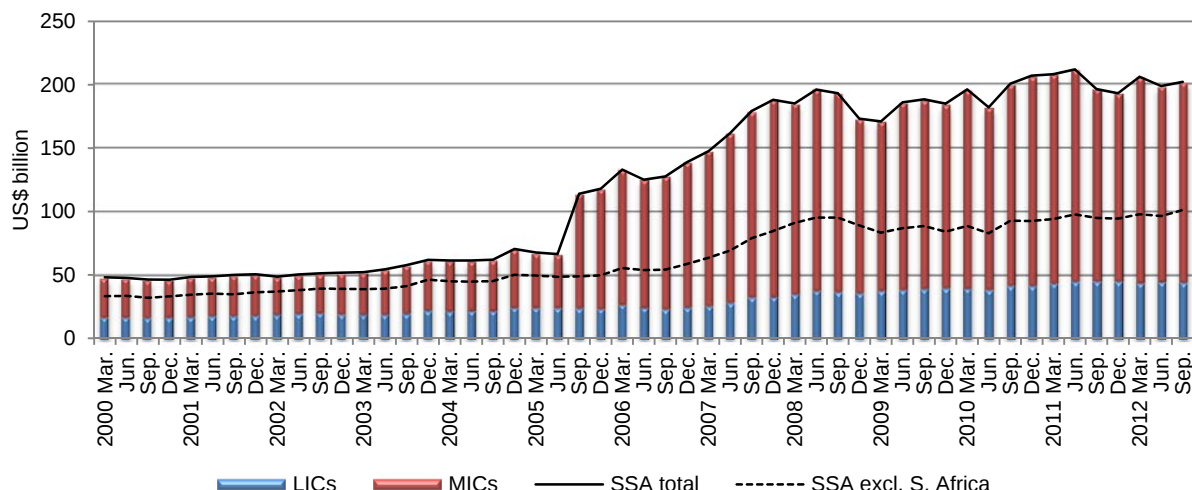
Note: Total international claims, immediate borrower basis. See footnote 1 (page 3) for countries included in RRDC/non-RRDC aggregates.

Source: Authors' calculations based on BIS Consolidated Banking Statistics: Table 9a (Quarterly Review, March 2013).

Looking at the sources of cross-border bank lending to SSA, it appears that European banks have increased their presence in the continent significantly during the past decade (Figure 2.12). The trend in the early 2000s was relatively flat, with flows at an unchanged level of about US\$ 50 billion during the first part of the decade. But flows experienced a sharp increase and began a new upward trend after 2005. This was reversed slightly in 2008 as a result of the global credit crunch, but the decline was short lived and cross-border bank lending inflows started increasing again in 2009. Currently the level of inflows seems to have stabilised at around US\$ 200 billion, compared to the US\$ 50 billion destined for SSA at the beginning of the decade. However, it is worth noting that it is MICs rather than LICs which are attracting the majority of cross-border bank lending from European banks.

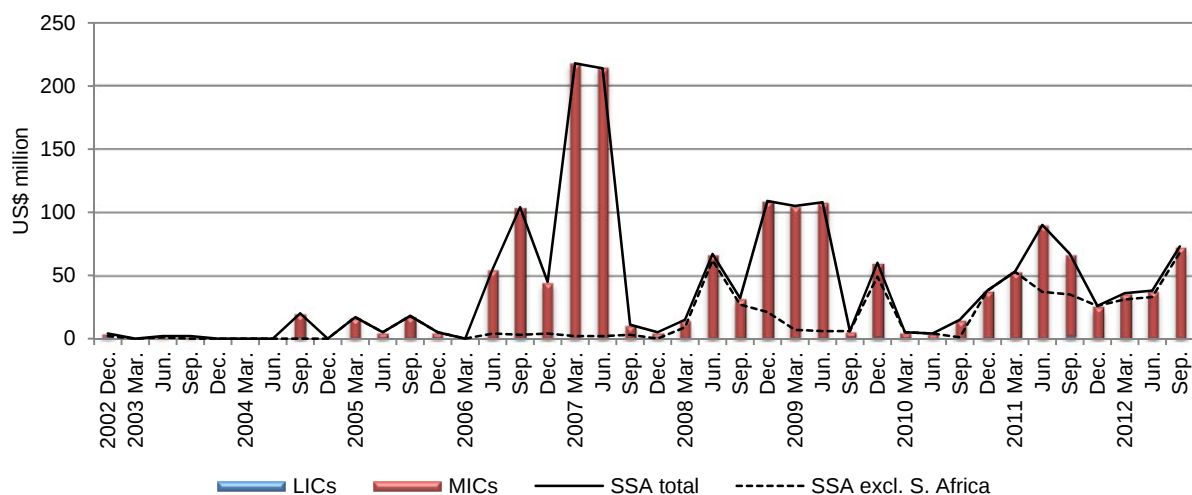
Emerging economies such as Brazil and India are also starting to increase their lending to the continent. So far, Brazil's inflows have been rather volatile (Figure 2.13).

India's cross-border bank lending flows towards SSA seem to be much more stable and show an upward trend (Figure 2.14).

Figure 2.12: SSA: cross-border bank lending by European banks, total and by income group

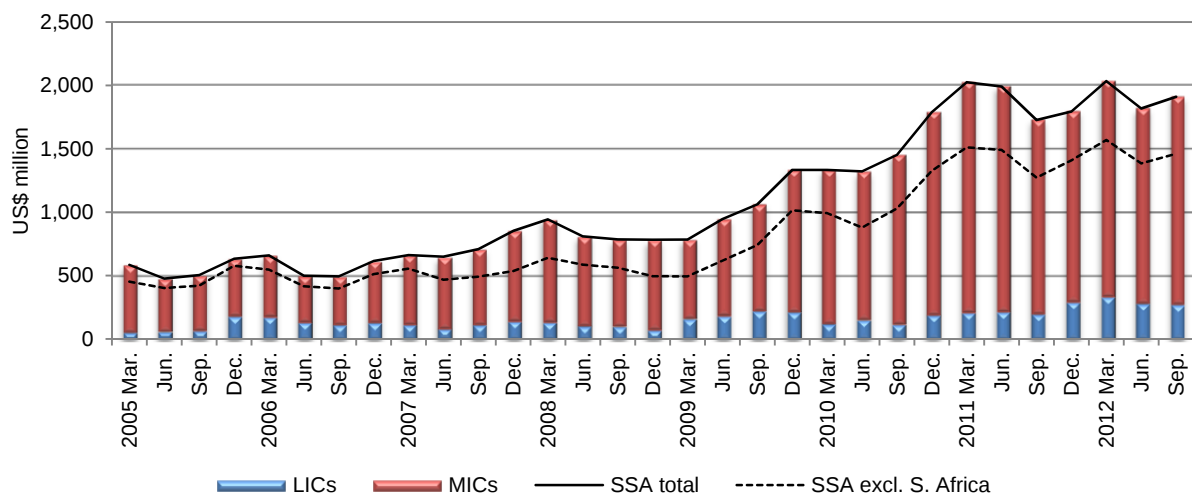
Note: Total international claims, immediate borrower basis. Country income groups as per World Bank classification at July 2012. Cross border bank lending to SSA's only HIC (Equatorial Guinea) was relatively minor (averaging less than US\$ 300 million a year) and is not shown here.

Source: Authors' calculations based on BIS Consolidated Banking Statistics: Table 9b (Quarterly Review, March 2013).

Figure 2.13: SSA: cross-border bank lending by Brazilian banks, total and by income group

Note: Total international claims, immediate borrower basis. Country income groups as per World Bank classification at July 2012.

Source: Authors' calculations based on BIS Consolidated Banking Statistics: Table 9b (Quarterly Review, March 2013).

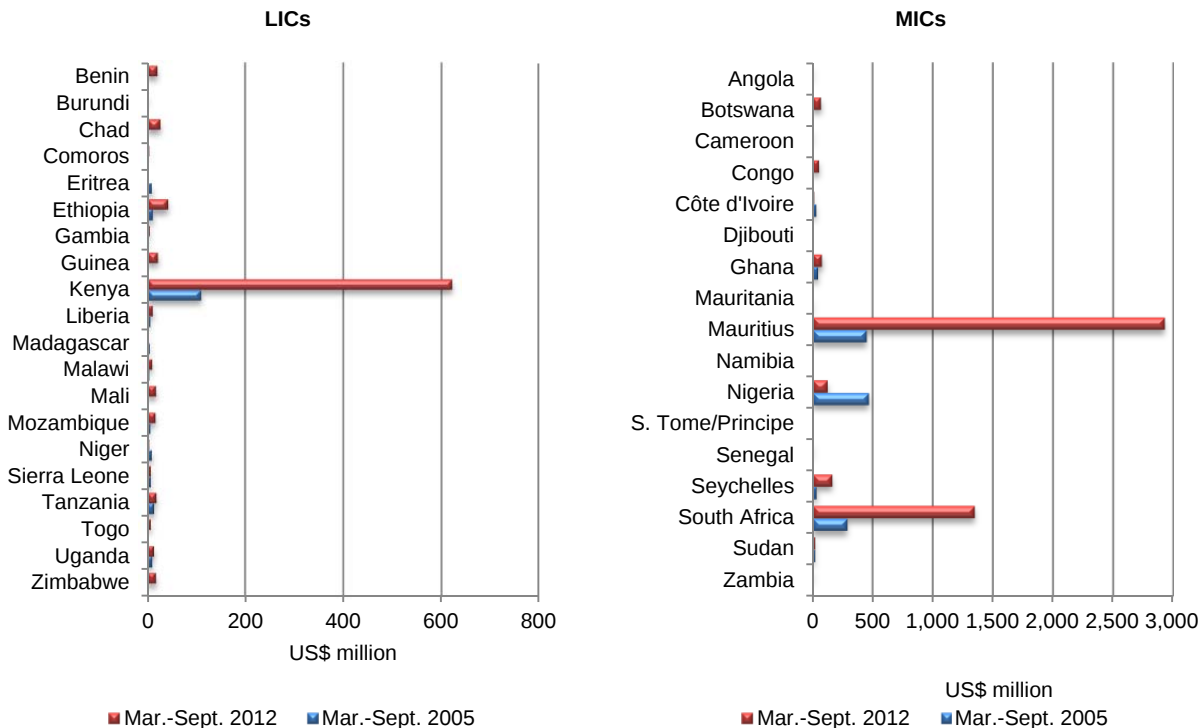
Figure 2.14: SSA: cross-border bank lending by Indian banks, total and by income group

Note: Ultimate risk basis. Country income groups as per World Bank classification at July 2012.

Source: Authors' calculations based on BIS Consolidated Banking Statistics: Table 9d (Quarterly Review, March 2013).

India's cross-border bank lending to the SSA region was concentrated on a few countries (Figure 2.15). If we look at LICs, Indian banks have targeted mainly Kenya, which attracted US\$ 100 million in the first nine months of 2005 and more than US\$ 600 million in the same period in 2012. However, as in the case of international bank lending by European banks, the main beneficiaries of Indian cross-border bank lending flows are MICs: South Africa and, in particular, Mauritius have seen a significant surge in flows from India. Those to Mauritius rose from nearly US\$ 500 million in March–September 2005 to almost US\$ 3,000 million in 2012; for South Africa the increase over the same period was from just under US\$ 300 million to US\$ 1,300 million. In Nigeria, however, flows contracted, from nearly US\$ 500 million (similar to Mauritius) in 2005 to just over US\$ 100 million in 2012.

Figure 2.15: SSA: Cross-border bank lending by Indian banks, by country



Note: Ultimate risk basis. Country income groups as per World Bank classification at July 2012.

Source: Authors' calculations based on BIS Consolidated Banking Statistics: Table 9d (Quarterly Review, March 2013).

2.5 Trade finance

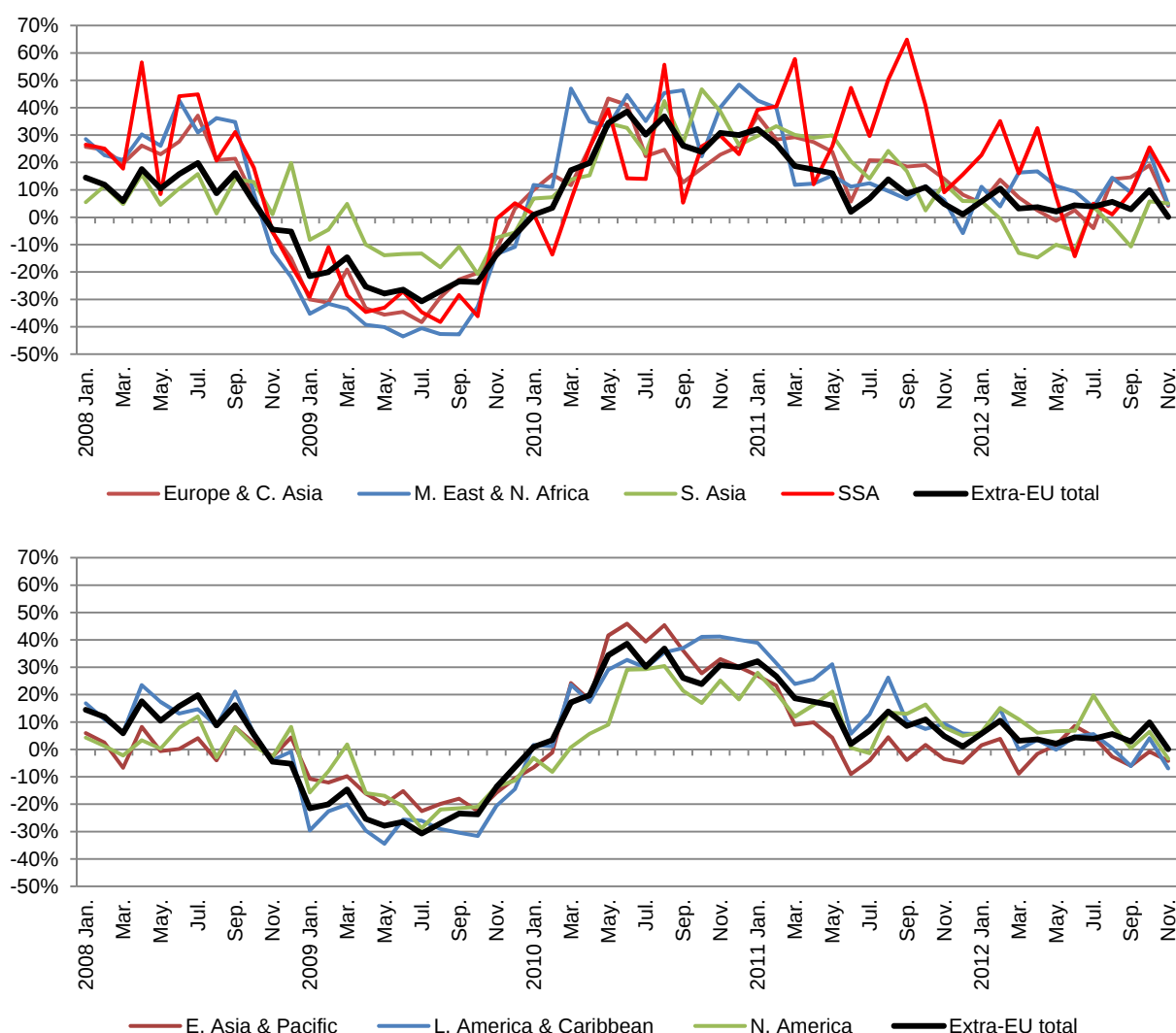
This section explores the extent to which more restrictive credit conditions for trade finance have arisen since the euro zone crisis, as well as the global financial crisis more generally. We provide a brief overview of trade flows before going on to discuss recent trends in the provision of trade finance, as well as new regulations introduced since the global financial crisis and the euro zone crisis which have been posited as adversely affecting the supply of trade finance.

2.5.1 Recent trade flows

For the period since the previous bulletin (in October 2012), it is difficult to identify clear trends in EU imports across trading partners, although monthly year-on-year growth rates have declined. As shown in Figure 2.16, imports into the EU during the last quarter of 2012 show little change across trading partners such as East Asia and the Pacific, Latin America and the Caribbean and North America. Although imports from SSA exhibit a somewhat more volatile trend in terms of monthly year-on-year fluctuations, in the last quarter of 2012 growth rates increased compared to 2011. This was also the case for some of the other trading partners presented in Figure 2.16, including Europe and Central Asia and the Middle East and North Africa. Given that generally the level of imports into the EU appears to exhibit no substantial change during the last quarter of 2012 – in

terms of either rapid increase or decrease – what have recent trends been in the provision of trade finance? Have trade finance lending conditions tightened, with the potential to affect trade adversely?

Figure 2.16: EU imports: year-on-year change



Source: Authors' calculations based on data from Eurostat.

2.5.2 Recent trade finance flows

According to the International Chamber of Commerce (ICC) survey on trade finance for 2012, which includes the views of some 229 banks operating in 110 countries, there is a general perception that the financial problems that affected trade in 2009 and the early part of 2010 have diminished. For example, overall volumes of trade finance in 2011 were up or largely unchanged, and the percentage of trade credit lines that were cut for corporate and financial institution customers continued to fall.

Despite these trends, however, because the main lenders of trade finance are based in developed countries⁸ – and therefore subject to increasing regulation as policy makers continue to address issues highlighted by the global financial crisis – there are concerns that developing countries may suffer disproportionately in the medium to long term as a result of a review of capital/loan ratios

⁸ Overall the market for the provision of trade finance is very concentrated, with only around 10–15 banks responsible for all flows globally.

under Basel II and III requirements. It is these new regulations that have led to concerns being raised by ICC members regarding their effects on the market for trade finance.

For example, there are concerns that since Basel II requires risks to be minimised, this could reduce flows to least developed countries which are considered high risk. A more general criticism relates to the fact that Basel regulations are based on risk-weighted assets,⁹ which can mean that trade finance is over weighted. Basel III includes enhanced minimum capital and liquidity requirements.¹⁰ The overall effect of these regulations on the market for trade finance could be to reduce availability for borrowers from developing countries, particularly in SSA, and increase costs.

There are differences across countries in terms of how trade transactions are financed. For example, most trade between developed countries is undertaken on an 'open account' basis, by general credit (usually secured on other types of collateral such as companies' property and other assets) and often financed by local banks. This means that any form of trade finance will be complex. Most trade between developed and developing countries – when it is not intra-firm – is undertaken on a cash basis, i.e. payment on delivery. It is the transition from firm-based credit to bank-based credit which is difficult. For example, where a credit history does not exist, it may be difficult for firms to obtain letters of credit from banks so as to finance trade. Some of the types of trade finance therefore include:

- on an open account basis;
- using letters of credit; or
- payment on delivery.

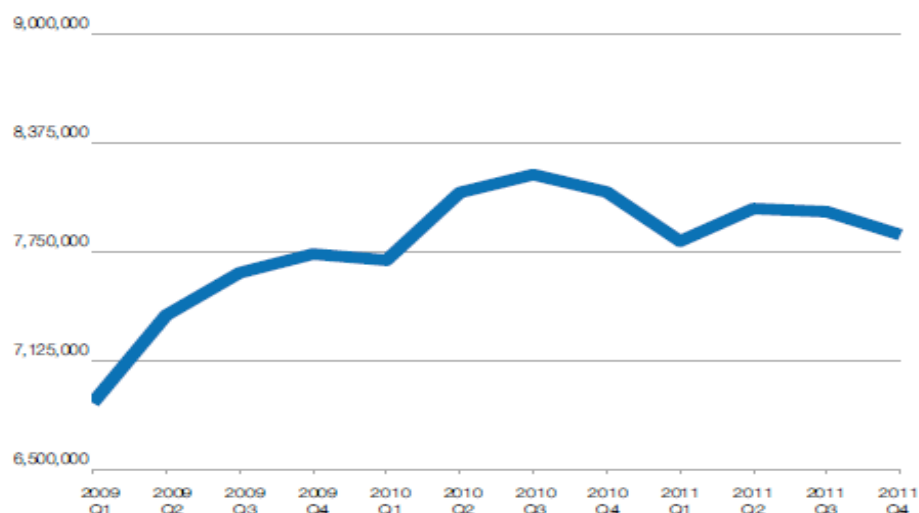
Most trade finance falls within the first category, which is financed by banks. Society for Worldwide Interbank Financial Telecommunication (SWIFT) bank transactions can therefore be used as a proxy. As shown in Figure 2.17, following a small decline in trade finance traffic channelled through the SWIFT payments system – which is global – in the first quarter of 2010, there was also a decline in the first quarter of 2011. European banks are major players in trade finance: large European banks accounted for 36% of global trade finance in 2011; French and Spanish banks alone provided 40% of trade credit to Latin America and Asia. It is known that euro zone banks have been cutting back their trade finance operations (The Economist, 2012). Therefore the slowdown in SWIFT transactions for trade traffic may have been a result of spill-over effects of the euro zone crisis on financial markets (see Massa et al., 2012a), although much more evidence is needed to substantiate this fully.

In addition to the potential effects of regulatory changes on the market for trade finance, liquidity conditions have tightened because transactions are usually dollar-denominated and lenders are finding it harder to access dollar liquidity for transactions that are perceived to be risky. The need for European banks to reduce their balance sheet liabilities is resulting in a reduction of trade finance activities which are short term in nature (The Economist, 2012). The resultant shortfall may mean that other banks that are not based in European countries need to step in to address these shortfalls.

Two surveys substantiate these posited direct effects on the availability of trade finance: the ICC/IMF Market Snapshot (2012) and the IMF/BAFT-IFSA 6th Annual Trade Finance Survey (2011). The results from these surveys – across operators and borrowers within the global trade finance market – include the following.

9 With risks calculated on the assumption of perfect markets. However, markets tend to switch from under-pricing risk when liquidity is abundant to over-pricing when it is scarce, as most visibly demonstrated by the current financial crisis which has shown the limitations with the assumption of perfect markets.

10 See the following for a comparison of Basel II and Basel III: <http://bit.ly/QTvsZO>.

Figure 2.17: SWIFT category 7 trade traffic evolution

Note: 'Traffic' refers to live transaction messages sent over the SWIFT network; 'category 7' messages are flows for commercial and standby letters of credit and guarantees.

Source: ICC (2012).

- Nearly 75% of the banking institutions surveyed reported pressure on the cost of funds and liquidity available due to preparations for implementing the Basel III requirements (ICC/IMF survey). Many respondents also reported added pressures on their operations (costs and liquidity) from new regulatory requirements under Basel II (approximately 75% of respondents).
- Increases in trade finance interest rate spreads that are in line with increases for other types of credit of similar maturity (IMF/BAFT-IFSA survey).
- There is a clear division between regions in terms of their expectations for future developments in the trade finance markets, with a clear split between Asia and the euro zone. Almost 59% of respondents in Emerging Asia expected trade finance conditions to improve in 2012, compared to 16% in the euro zone, and almost half of respondents in the latter expected things to get worse (ICC/IMF survey).¹¹
- However, since over one-third of trade finance products offered by banks worldwide come from euro zone banks any lending constraints will have a negative impact globally on trade finance.
- The majority of respondents to the ICC/IMF survey (90%) indicated that 'less credit or liquidity available at counterparty banks' would affect their trade finance activities to either a 'large extent' or 'some extent'. This share is substantially higher than the just over 50% that noted the same during the 2008–9 global financial crisis.

In sum, the authors of the most recent survey undertaken by the ICC/IMF (2012) recommend that policy makers study carefully the potential unforeseen impact of proposed regulatory changes such as Basel III changes on trade finance; this is because of concerns that the new Basel capital framework could make trade finance less accessible and less affordable, particularly for traders less integrated within the global system – such as small- and medium-sized enterprises.

2.5.3 Short-term lending

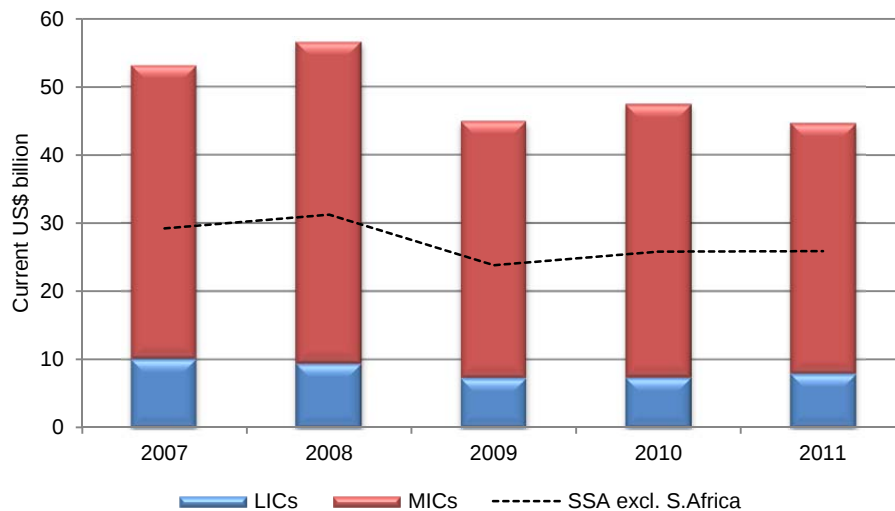
Since it is difficult to obtain information on the extent to which the availability of letters of credit for developing country traders has increased or decreased since the euro zone crisis, we use other indicators on the availability of trade finance. For example, in his analysis of ten financial crises Ronci (2004) uses the change in outstanding short-term credit in US dollars as a proxy for trade financing flows. However some of the limitations of this indicator include the exclusion of trade

¹¹ See also Minto (2012).

finance associated with intra-firm trade by multinationals, trade related to FDI, trade financed by domestic banking sources, and trade that is financed outside of the banking system.

Another imperfect proxy for trade finance includes changes in external debt positions. The BIS collects quarterly data on external debt positions, and countries also report their gross external debt in balance of payments statistics. As shown in Figure 2.18, these data indicate that short-term external debt stocks for SSA have declined since the global financial crisis and also between 2010 and 2011, which may have been as a result of the euro zone crisis.

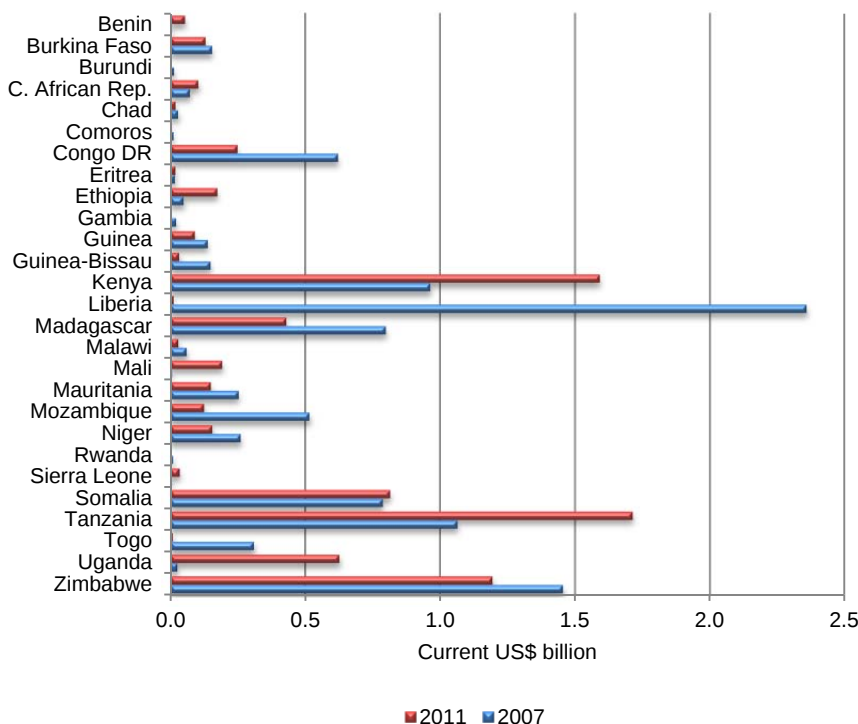
Figure 2.18: SSA: external debt stocks, short-term (current US\$ billion)



Source: Authors' calculations based on data from World Bank, International Debt Statistics.

As shown in Figure 2.19, however, although there has been a dramatic increase in the external debt of countries such as Kenya and Tanzania, other countries (notably Liberia) have experienced dramatic declines. Much more detailed country analysis is required to establish if this reflects a decline in the availability of trade finance, compared to other sources of finance.

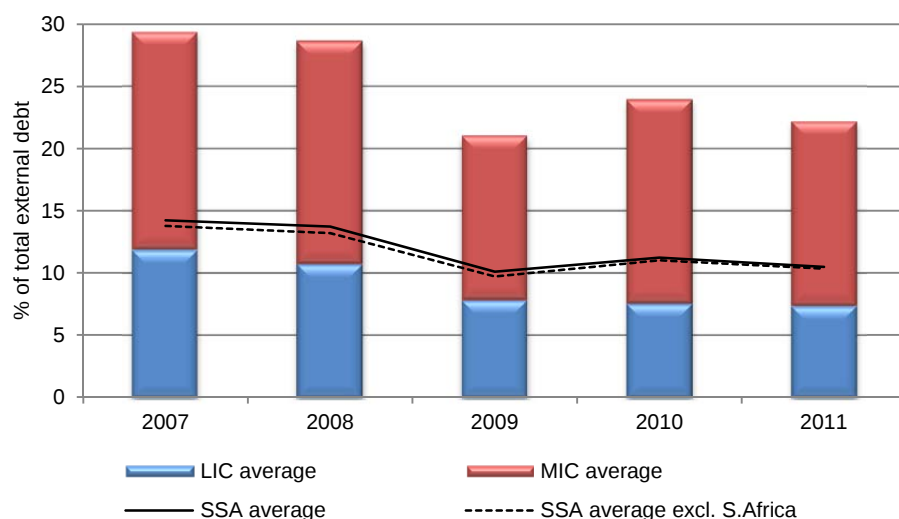
Figure 2.19: SSA: LIC external debt stocks by country, short-term (current US\$ billion)



Source: World Bank, International Debt Statistics.

If we look at the share of external debt classified as short term in total external debt, we can see a slight decline between 2010 and 2011 for SSA and for MICs (Figure 2.20). For LICs, however, the share appears to have remained relatively stable.

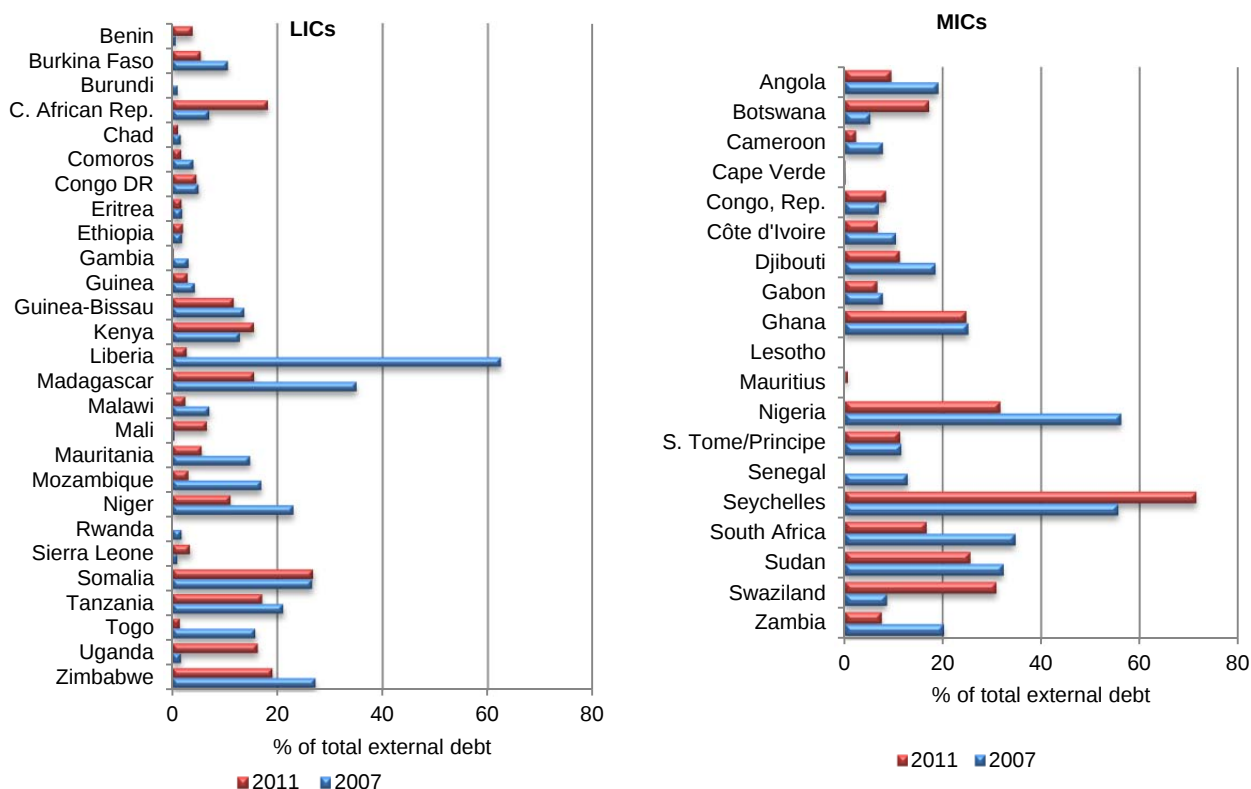
Figure 2.20: SSA: short-term debt, average (% of total external debt)



Source: Authors' calculations based on data from World Bank, International Debt Statistics.

Looking at this share in individual SSA countries (Figure 2.21), we can see that generally it declined between 2007 and 2011, with a few exceptions which most notably include Central African Republic, Kenya, Benin and Sierra Leone among LICs and Botswana, the Republic of Congo, Seychelles and Swaziland among MICs. This matters if it indicates challenges in the availability of trade finance, which could have knock-on effects on the ability to trade; much more detailed country analysis is required to establish whether or not this is actually the case.

Figure 2.21: SSA: short-term debt by country (% of total external debt)

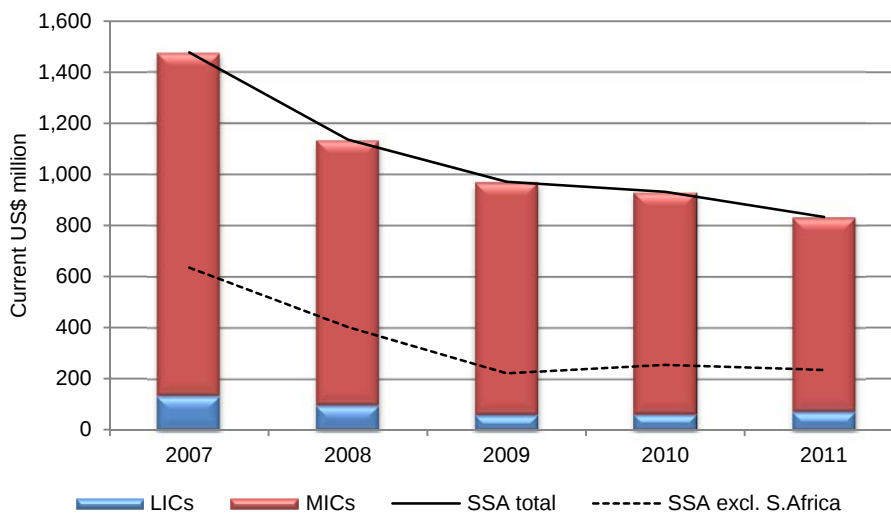


Source: World Bank, International Debt Statistics.

2.5.4 Costs of financing

Not only does credit become scarce during a financial crisis, but it can also become more expensive. Interest rate spreads – the difference between lending rates minus deposit rates – may increase and the maturities of bank-finance decline.¹² During the global financial crisis of 2008–9 spreads on financing deals rose dramatically, with subsequent effects on the cost of trade finance. Since then interest rates have been kept at historical lows, as policy makers try to revive economies and move out of recession. However, because of increased perceptions of risks, interest rate spreads have increased. Interest rate payments on short-term debt may help to provide an indication of the costs of trade finance. These payments declined for SSA as a whole in 2011 (see Figure 2.22).

Figure 2.22: SSA interest payments on external debt, short-term

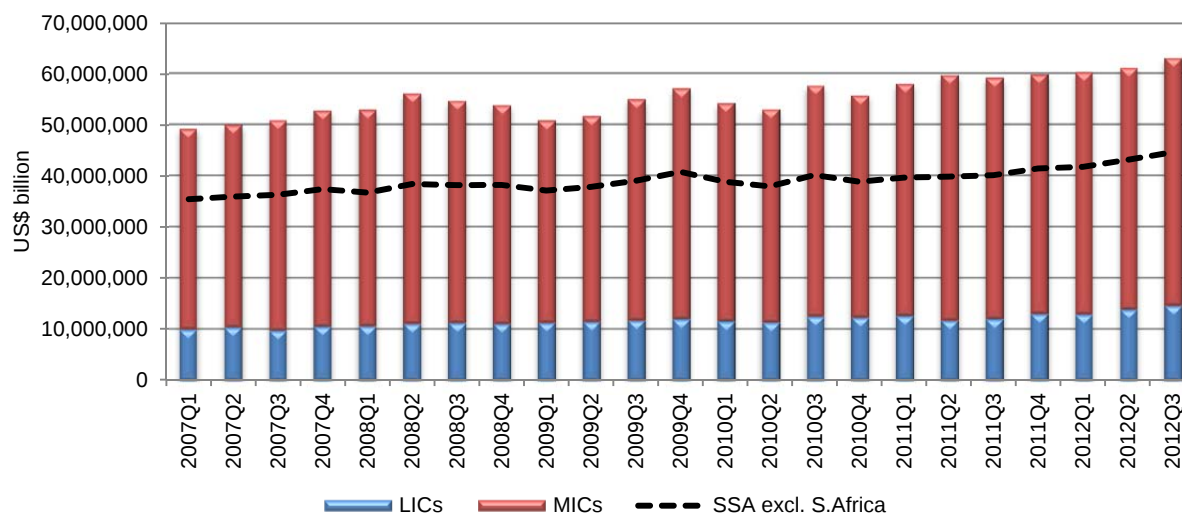


Source: Authors' calculations based on data from World Bank, International Debt Statistics.

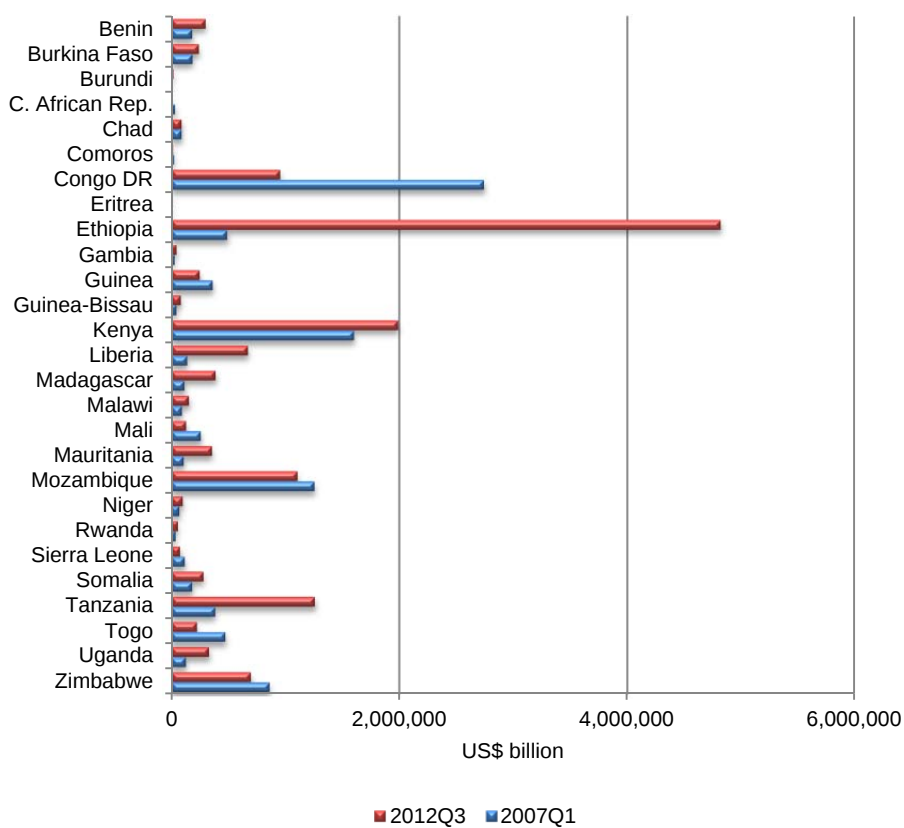
2.5.5 Insured export credit exposure

While there have been some declines in SSA in short-term external debt, from 2010 onwards export credit exposures increased in SSA as a whole (Figure 2.23). Looking at the LICs individually, there were many increases in exposure, with particularly large rises for Ethiopia and Tanzania (Figure 2.24).

¹² For example, what began in Asia between 1997–8 spilled over to Russia and then Brazil and the Latin American region in the following years as investors withdrew capital. In the case of Brazil, maturities of remaining bank-financed trade facilities fell from 360 days to as short as 30 days and interest rate spreads increased from about 100 basis points to 600 basis points over the London Interbank Offered Rate (LIBOR); there is evidence that confirmation fees for letters of credit also soared (IMF, 2003).

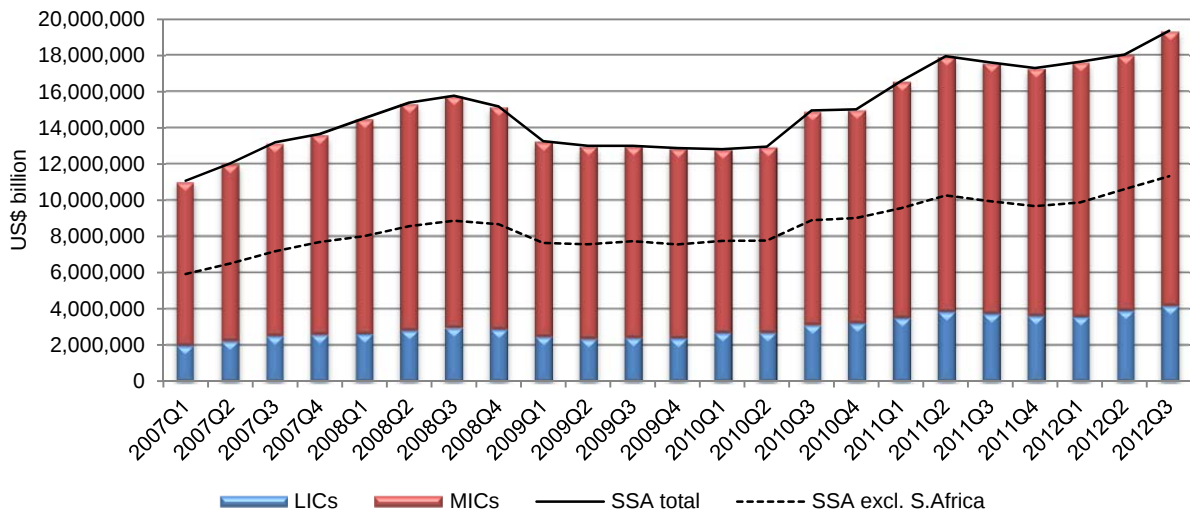
Figure 2.23: SSA: insured export credit exposure, Berne Union

Source: World Bank, Joint External Debt Hub.

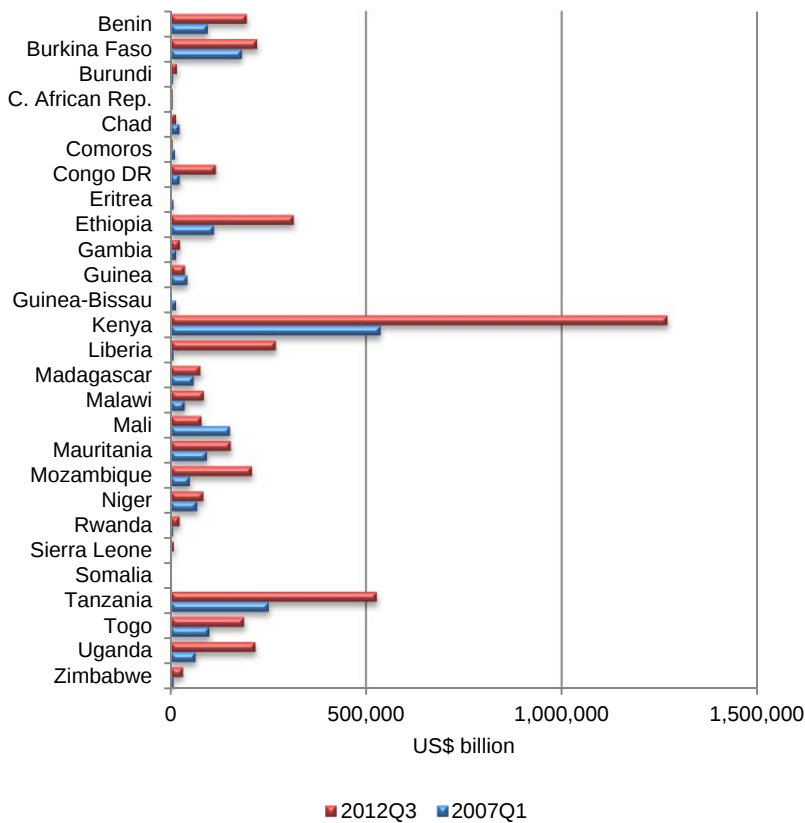
Figure 2.24: SSA: LIC insured export credit exposure by country, Berne Union

Source: World Bank, Joint External Debt Hub.

A different picture emerges, however, if we examine short-term insured export credit exposure. In this case, we can see that there was an increase between 2010 and 2011 for SSA – particularly if compared to growth in exposures during the pre-crisis period of 2007 to 2008 (Figure 2.25). For some LICs in SSA – including Kenya, Tanzania and Ethiopia – there have been considerable increases (Figure 2.26).

Figure 2.25: SSA: insured export credit exposures, short-term

Source: World Bank, Joint External Debt Hub.

Figure 2.26: SSA: LIC insured export credit exposures by country, short-term

Source: World Bank, Joint External Debt Hub.

There remain concerns over the supply of trade finance, and the results of surveys across financial institutions and borrowers substantiate this. They arise from general trends regarding increased risk aversion by lenders because of the current period of deleveraging by the global financial system, in addition to the new regulations introduced since the global financial and euro zone crises.

Development finance institutions are adapting to these new circumstances. For example, the African Development Bank this year launched a 'Trade Finance package' of US\$ 200 million which will support Ecobank Transnational Incorporated's trade finance activities in Africa. This fund is intended to demonstrate appetite for Africa risk. In addition it recognises that, while major African

banks have been able to raise funds from capital markets, second- and third-tier lenders are under greater pressure to meet their clients' needs and face higher borrowing costs.¹³

According to the results of a survey undertaken by the Asian Development Bank in the last quarter of 2012 across banks within the region (Asian Development Bank, 2013), demand for global trade finance of around US\$ 1.6 trillion was unmet, US\$ 425 billion of it in developing Asia. The Bank therefore estimates that an increase of 5% in the availability of trade finance could result in an increase of 2% in production and 2% more jobs. The results of the survey also show clearly, however, the difficulties in deciphering the effects of recent financial crises on the provision of trade finance in developing countries, since the banks surveyed identified a number of factors inhibiting their financial support for trade, including poor payment records by correspondent banks, low country ratings in developing countries, and weak banking systems. Despite this, regulatory challenges posed by Basel III are also highlighted as potential new constraints to trade finance activities.

The two regional development banks are also working together to collaborate and share best practice with regard to supporting trade finance. The results from the Asian Development Bank generally highlight the importance of collaboration between multilateral development banks, government, financial institutions, and companies to ensure that maximum financial support to trade is available, given the interlinked component parts of trade finance, business expansion, and job creation – needed to promote growth.¹⁴ Improved data on the supply of trade credit could also assist in making comparisons between global trade finance and global trade (Auboin and Engemann, 2012) and determining the interrelation between them.

2.6 Summary

The above analysis shows that inward FDI flows to SSA have experienced a significant increase over the past decade, with MICs attracting the bulk of investment. Europe remains the largest investor in the region, but BRICS economies, and China in particular, have become increasingly important investors, focusing not only in the natural resource sector but also in the manufacturing and services sectors which are important for job creation and industrial growth.

Portfolio equity flows have been rather volatile. They have been hit hard during the global financial crisis, but in 2010 they were up again reaching a new high. Recent indications paint a buoyant picture, as portfolio inflows in Nigeria increased to US\$ 11 billion in the first three quarters of 2012 from US\$ 3.8 billion in the same period the year before (Institute of International Finance (IIF), 2013; the IIF measures this as foreign buying of both equities and fixed income securities and proceeds from foreign issues). To foster growth in portfolio equity flows it is important to overcome a number of challenges, in particular the fact that stock markets in many SSA countries are still thin and very illiquid.

Bond flows have seen a rapid scaling up in 2011 and 2012 and more is expected for 2013. This suggests that SSA is tapping into new markets, and that bond flows are likely to become an important source of non-concessionary external finance (see also Appendix A).

Cross-border bank lending has increased remarkably over the past decade, with the largest proportion being directed to MICs. Despite a withdrawal of banking exposure during the global financial crisis, international bank lending flows began increasing in mid-2010 and reached a new high in 2012. European banks have significantly increased their presence in SSA over the past decade, but emerging economies such as Brazil and India have also increased their lending.

There remain concerns over the supply of trade finance and the results of surveys across financial institutions and borrowers substantiate this. They arise from increased risk aversion by lenders

¹³ See <http://bit.ly/16Fz8HR>.

¹⁴ See <http://bit.ly/YXyKhg>.

because of the current period of deleveraging by the global financial system, in addition to new regulations introduced since the global financial and euro zone crises. As over one-third of trade finance products offered by banks worldwide come from euro zone banks, any lending constraints will have a negative impact globally on trade finance. There are difficulties however, in terms of deciphering the effects of recent financial crises on the provision of trade finance in developing countries.

3 Net investment positions in SSA

This section examines what the recent changes in trade and capital flows have meant for the IIPs of developing countries, and African countries in particular. There have been rapid changes in capital flows – as explained in the previous section – and this section examines how this has affected long-term positions.

Box 1: Definitions of terms used in this section

The international investment position (IIP) of a country is a statistical statement that shows at a point in time the value of financial assets of residents of an economy that are claims on non-residents including gold bullion held as reserve assets; and the liabilities of residents of an economy to non-residents.

The net foreign asset (NFA) position of a country is defined by the World Bank as the value of the assets that a country owns abroad, minus the value of the domestic assets owned by foreigners. The net foreign asset position of a country reflects the indebtedness of that country.

Total external debt is debt owed to non-residents repayable in foreign currency, goods, or services and is the sum of public, publicly guaranteed, and private non-guaranteed long-term debt, use of IMF credit, and short-term debt. External debt is a financial obligation to a creditor who is not a resident of the debtor's country

Short-term debt includes all debt having an original maturity of one year or less and interest in arrears on long-term debt.

Reserve assets consist of those external assets that are readily available to and controlled by a country's authorities for direct financing of international payments imbalances, for indirect regulation of the magnitude of such imbalances through intervention in foreign exchange markets to affect their currency's exchange rate, and for other purposes. The category of reserve assets defined in the IMF Balance of Payments Manual comprises monetary gold, special drawing rights, reserve position in the IMF, foreign exchange assets (consisting of currency, and deposits and securities), and other claims.

External assets are financial savings/investments to a debtor who is not a resident of the saver's country.

Capital flight is flows that have entered or ought to have entered the country as a result of trade and financial transactions between residents and foreign counterparts but which have not been recorded in a country's official statistics.

Sources: IMF, World Bank.

3.1 Introduction: concepts

We examine the IIP of a country, which – together with the balance of payments, the NIIP, and other changes in financial assets and liabilities account – summarises the economic relationships between the residents of an economy and non-residents.

At any time, the NIIP (Net International Investment Position) of a country is defined as:

$$(1) \text{ NIIP} = \text{NDIP} + \text{NPIP} + \text{NOIP} + \text{RES}$$

Where NDIP = Net Direct Investment Position, NPIP = Net Portfolio Investment Position, NOIP = Net Other Investment Position; and RES = Reserve Assets (reserve assets do not have a counterpart in the liabilities).

The position at time t can be estimated as:

$$(2) \text{ NIIP}(t) = \text{NIIP}(t-1) + \text{CA}(t) + \text{REVAL}(t)$$

Where CA = Current account balance and REVAL = Revaluation. Any current account surplus leads to an increase in financial inflows which will add to the NIIP.

The NIIP is a measure of a country's net wealth. It is likely to be positive in countries with a persistent current account surplus (e.g. China) and negative in countries that run current account deficits (e.g. US). The analysis of NIIP allows one to examine (IMF, 2008): (i) economic relations with the rest of the world (e.g. the inward investment stock); (ii) measures of financial openness amongst a range of others (assets plus liabilities as a percentage of GDP); (iii) expected future interest payments and dividends (rates of return on investment).

The NIIP analysis also includes indicators of financial stability as it allows the calculation of ratios such as external debt to GDP, short-term debt to reserves, and indicators of liquidity such as trade credit to imports of goods and services. The NIIP analysis can examine recent events such as the global financial crisis from a balance sheet approach. One proxy of the NIIP has been 'net foreign assets' which is the sum of foreign assets held by monetary authorities and deposit money banks, less their foreign liabilities (as used in the World Development Indicators database).

The other stock data we will analyse in this section include external debt (gross liabilities) and international reserves (gross assets). Analyses on external debt for LICs tend to emphasise the role of public external debt, but this is by no means the only type of debt. External debt plays an important role in debt sustainability analyses of countries used by the IMF. External debt is often expressed as a ratio of GDP or exports. Countries use reserves in times of adversity, e.g. at the time of the global financial crisis. If reserves dry up, and if a country has no access to credit, it might not be able to import and it could come to an economic standstill. Reserves are often expressed as the number of months a country can cover imports.

3.2 Net international investment position

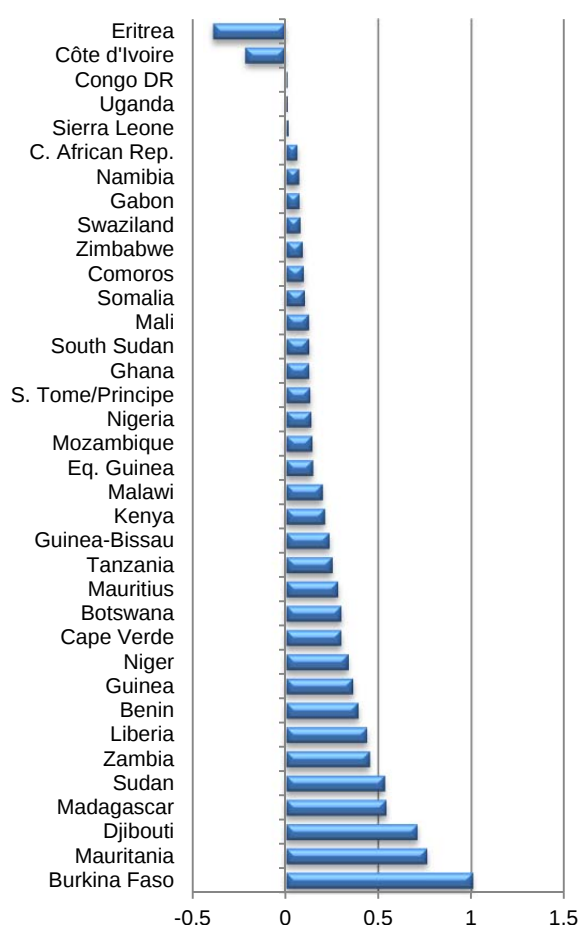
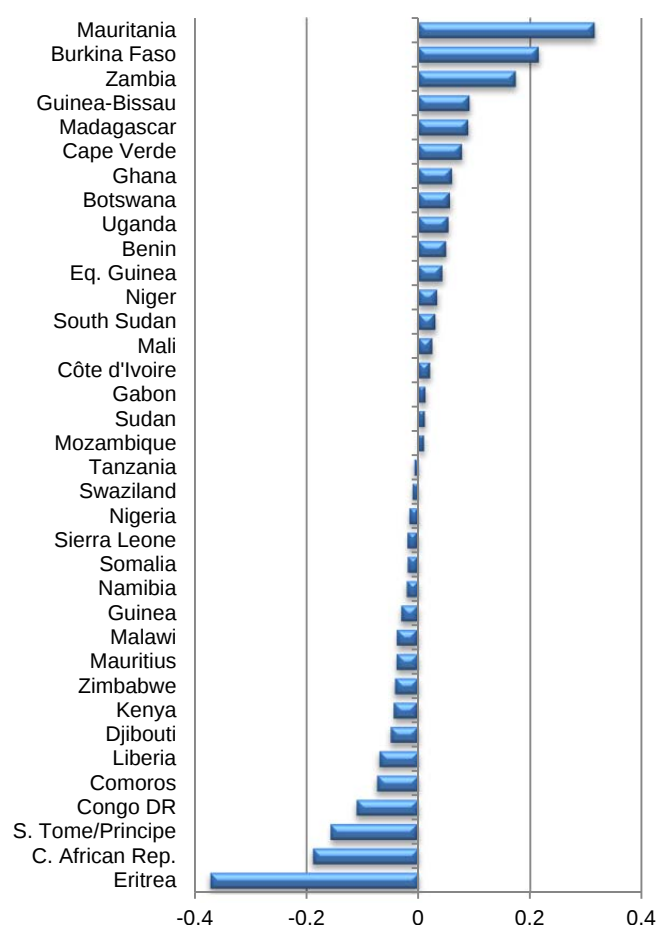
The lack of data on NIIP is a significant problem in doing a NIIP analysis for SSA. While some economies report liabilities as an established practice for external debt purposes, collecting stock data on assets, particularly on direct investment abroad and portfolio assets, may require the development of new data sources. Capital flight is underreported but is a significant challenge. Boyce and Ndikumana (2012) estimate that real capital flights for 33 SSA countries, 1970–2010, amounted to some US\$ 814 billion, or 79% of GDP (much bigger than the gross assets and liabilities). According to the classification, capital flight amounted to US\$ 189 billion over 2003–7 and US\$ 86 billion over 2008–10. Country specific data are presented in Appendix B.

We have used three data sources for a NIIP analysis. First, the World Bank includes data on the NFA. The data (Figures 3.1A and B) show that the NFA as a ratio of Gross National Income (GNI) differs considerably by country. However, the origin of the data is not clear and they seem to be overly positive for nearly all SSA countries, which is counterintuitive. Even the NFA data for US (not shown) are positive, whilst the NIIP for the US is negative (see, e.g., Schmitt-Grohe and Uribe, 2013).

We therefore use two other data sources. The first uses data from Lane and Milesi-Ferretti (2007) on NIIP for more than 100 countries up to 2007. We then extrapolate NIIP using equation 2 (adding the value of the current account each year to the estimated NIIP positions for the previous year), assuming that the revaluation component since 2007 has been negligible. Table 3.1 shows the results. The data (expressed as a percentage of GDP) suggest that:

- five SSA countries had a positive NIIP in 2003 (Botswana, Djibouti, Mauritius, Namibia and Swaziland), and eight in 2007 (these five plus Angola, Gabon, and Nigeria);
- during the financial crisis, we estimate that the NIIP was positive for seven countries in 2008, five in 2009, four in 2010 and three in 2011 (we had fewer data for the latter period);
- there was a significant improvement in the NIIP for 35 SSA countries (for which there are data) between 2003 and 2007, but only 16 countries improved their NIIP over the period 2007 to 2010. For those 16 countries the improvements over 2007–10 were mostly less than over 2003–7.

While very few SSA countries had a positive NIIP in 2003, 2007 or 2011, continued economic growth in most of SSA led to an improvement in the net wealth position over the period 2003–7 across the board and by and large this continued for 16 SSA countries during the global financial crisis, whilst there was a reversal for 24 SSA countries. Figure 3.2 shows NIIP (as a ratio of GDP) for 2010.

Figure 3.1A: SSA: NFA by country, 2011 (ratio of GNI)**Figure 3.1B: SSA: changes in NFA by country, 2007–11 (ratio of GNI, percentage points)**

Source: World Bank, World Development Indicators.

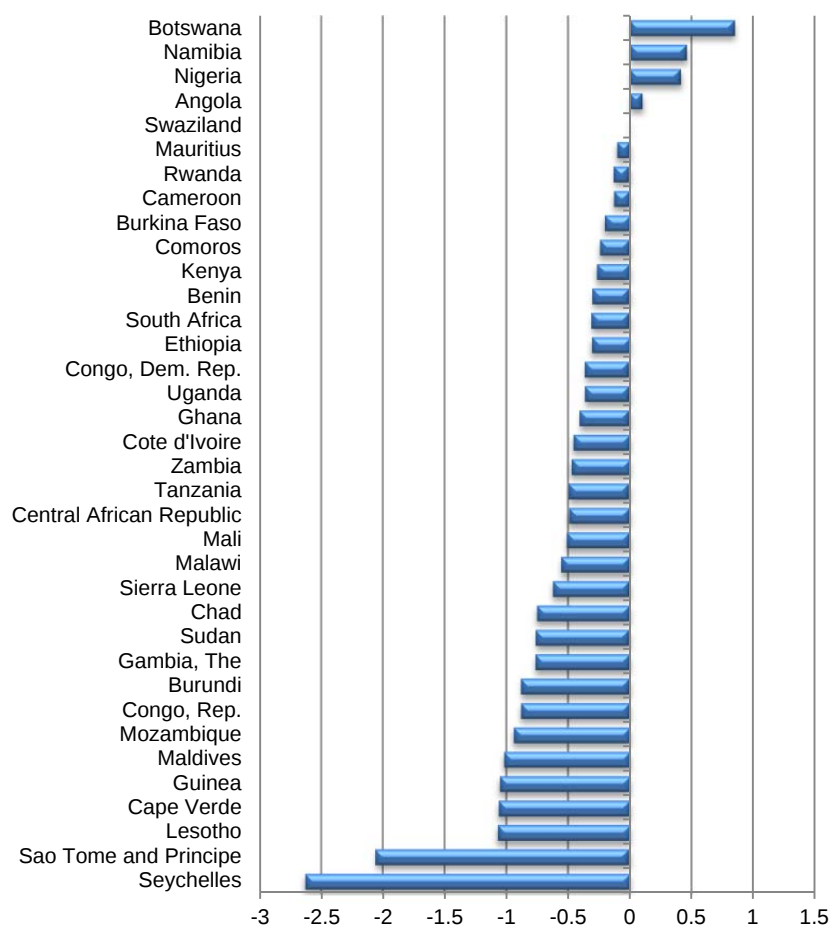
Table 3.1: SSA: NIIP by country (as a ratio of GDP)

Country	2003	2007	2008	2009	2010	2011	Change 2003–7	Change 2007–10
Angola	-1.50	0.03	0.10	0.02	0.10	0.09	1.53	0.08
Benin	-0.43	-0.05	-0.12	-0.22	-0.30		0.38	-0.25
Botswana	0.71	1.00	0.98	1.10	0.86		0.29	-0.14
Burkina Faso	-0.20	-0.08	-0.18	-0.23	-0.21		0.12	-0.13
Burundi	-1.43	-0.81	-0.82	-0.82	-0.88	-0.89	0.62	-0.07
Cameroon	-0.53	-0.03	-0.04	-0.10	-0.13		0.50	-0.11
Cape Verde	-0.86	-0.83	-0.84	-0.98	-1.07	-1.09	0.03	-0.24
Central African Republic	-0.84	-0.58	-0.50	-0.50	-0.50		0.26	0.08
Chad	-1.53	-0.92	-0.77	-0.91	-0.76		0.61	0.16
Comoros	-0.52	-0.28	-0.25	-0.25	-0.24		0.24	0.04
Congo, Dem. Rep.	-1.80	-0.47	-0.41	-0.42	-0.36		1.32	0.11
Congo, Rep.	-2.37	-1.27	-0.90	-1.11	-0.89		1.11	0.38
Côte d'Ivoire	-0.92	-0.64	-0.52	-0.46	-0.46		0.27	0.18
Djibouti	0.15	-0.07	-0.29	-0.34			-0.22	0.07
Equatorial Guinea	-0.98	-0.19						
Eritrea	-0.68	-0.78						
Ethiopia	-0.76	-0.26	-0.26	-0.28	-0.32	-0.32	0.51	-0.06
Gabon	-0.39	0.18						
Gambia, The	-1.43	-1.13	-0.89	-0.88	-0.77	-0.67	0.31	0.36
Ghana	-1.01	-0.22	-0.31	-0.40	-0.41		0.80	-0.19
Guinea	-0.94	-0.92	-1.14	-1.13	-1.06	-1.21	0.02	-0.14
Guinea-Bissau	-2.03	-1.28	-1.08	-1.15			0.75	1.28
Kenya	-0.25	-0.10	-0.15	-0.21	-0.27	-0.36	0.15	-0.17

Country	2003	2007	2008	2009	2010	2011	Change 2003–7	Change 2007–10
Lesotho	-2.39	-1.30	-1.19	-1.13	-1.08		1.09	0.22
Madagascar	-0.75	-0.27						
Malawi	-1.23	-0.20	-0.34	-0.41	-0.56	-0.63	1.03	-0.37
Mali	-0.64	-0.27	-0.34	-0.41	-0.51	-0.46	0.37	-0.24
Mauritania	-1.96	-1.14						
Mauritius	0.05	0.21	0.07	0.00	-0.11	-0.22	0.15	-0.31
Mozambique	-1.19	-0.63	-0.63	-0.77	-0.95	-0.81	0.56	-0.32
Namibia	0.09	0.56	0.59	0.57	0.46	0.41	0.47	-0.10
Niger	-0.76	-0.22	-0.30	-0.56			0.54	0.22
Nigeria	-0.61	0.16	0.27	0.41	0.42	0.39	0.77	0.26
Rwanda	-0.67	0.09	0.02	-0.06	-0.13		0.76	-0.22
Sao Tome and Principe	-2.97	-0.93	-1.25	-1.56	-2.06		2.03	-1.13
Senegal	-0.59	-0.26	-0.36	-0.45			0.33	0.26
Seychelles	-1.06	-1.99	-2.31	-2.75	-2.64		-0.92	-0.65
Sierra Leone	-1.58	-0.27	-0.35	-0.47	-0.63	-1.01	1.31	-0.35
Somalia								
South Africa	-0.08	-0.25	-0.34	-0.36	-0.31	-0.31	-0.17	-0.06
South Sudan								
Sudan	-1.53	-1.01	-0.83	-0.94	-0.76		0.52	0.25
Swaziland	0.53	0.33	0.26	0.12	-0.01		-0.20	-0.34
Tanzania	-0.49	-0.30	-0.37	-0.44	-0.49	-0.64	0.19	-0.20
Uganda	-0.62	-0.15	-0.22	-0.28	-0.36	-0.51	0.47	-0.21
Zambia	-2.27	-0.73	-0.65	-0.70	-0.48	-0.40	1.54	0.25
Zimbabwe	-0.78							
Average (unweighted)		-0.42	-0.43	-0.51	-0.53	-0.51	0.50	-0.06

Source: Lane and Milesi-Ferretti (2007), World Development Indicators, own estimations.

Figure 3.2: SSA: estimated NIIP by country, 2010 (as a ratio of GDP)



Sources: Lane and Milesi-Ferretti (2007), World Development Indicators, own estimations.

Our new estimates are very similar to the NIIP estimates reported officially in the case of Rwanda but differ from those reported by Mauritius (there are few others that report such positions officially). In Rwanda's case, the National Bank of Rwanda (2012) also reported a gradual decline in their NIIP from US\$ 104.89 million in 2006 to US\$ -627.07 million in 2011; whereas Botswana recorded a strong and positive NIIP in 2011, amounting to US\$ 10.806 million (Bank of Botswana, 2012), which is consistent with our findings. Data from the Statistics Division of the Bank of Mauritius do not match with our finding, but there are two statements on NIIP for the year 2010 and these two figures for the year have differed by a factor of ninety.¹⁵

The second data source (to address the issues with NFA data) is to use (partial) IIP data as reported by the IMF. Co-ordinated Direct Investment Survey (CDIS) data provide us with figures on international direct investment positions, but they are incomplete, especially for SSA. They lack detail on most SSA countries, except for the biggest economies. Appendix C, Table C1 shows data (from the IMF) for a range of countries, with the data for SSA in bold. It shows that:

- the NDIP was negative for SSA over 2009–11 and hovered between -10% and -14% of GDP in 2011;
- the gross liabilities and assets for direct investment in SSA amounted to 37% and 24% of GDP respectively in 2010.

We also include data on FDI stocks (outward, inward and net) as a percentage of GDP in Appendix C, Table C2 on the basis of UNCTAD data. The data suggest that the net FDI position was a negative 21% of GDP in 2011. Figure 3.3 shows net FDI stocks as percentage of GDP.

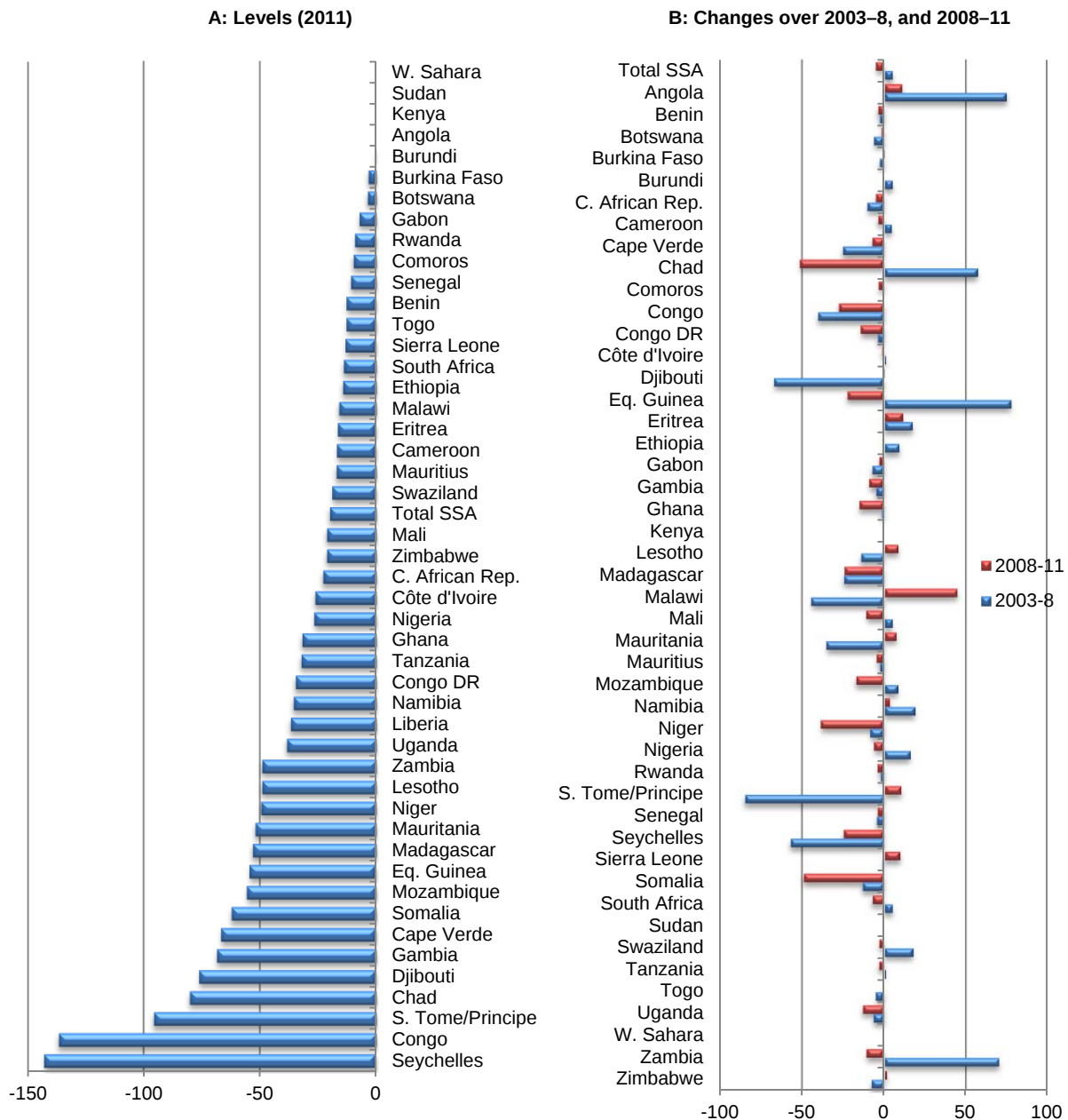
We also report IMF data on the portfolio investment position of SSA countries (see Appendix D, Table D1 for data on NIIPs for regions, and Table D2 for data on gross portfolio investment positions, both assets and liabilities). We have summed data for individual countries to obtain a regional average for SSA (Table 3.2), which suggests that gross positions are between 10 and 30% of GDP, but that the net position is not more than around 10–15% of GDP (net and gross numbers are driven largely by Mauritius and South Africa).

Table 3.2: SSA: NIIP

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Assets (US\$ billion)	31.93	51.67	68.76	88.20	122.81	158.61	232.18	198.44	280.77	311.09	268.25
Liabilities (US\$ billion)	25.49	30.64	50.96	72.03	94.00	103.95	133.34	82.78	136.71	193.01	177.94
Assets–Liabilities (US\$ billion)	6.44	21.03	17.80	16.17	28.81	54.66	98.84	115.66	144.06	118.08	90.30
Assets (% of GDP)	0.10	0.16	0.16	0.17	0.20	0.22	0.28	0.21	0.32	0.29	0.22
Liabilities (% of GDP)	0.08	0.09	0.12	0.14	0.15	0.14	0.16	0.09	0.15	0.18	0.15
Assets–Liabilities (% of GDP)	0.02	0.06	0.04	0.03	0.05	0.08	0.12	0.12	0.16	0.11	0.07

Source: Authors' calculations based on IMF data.

15 See <http://bit.ly/XlyQ6k> and <http://bit.ly/12uPI47>.

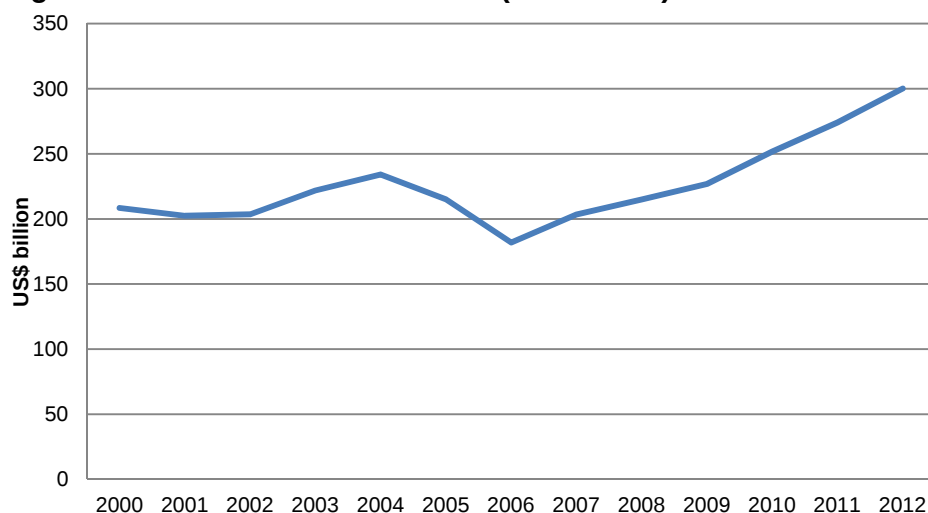
Figure 3.3: SSA: net FDI stocks (outward–inward) by country (% of GDP)

Source: UNCTAD.

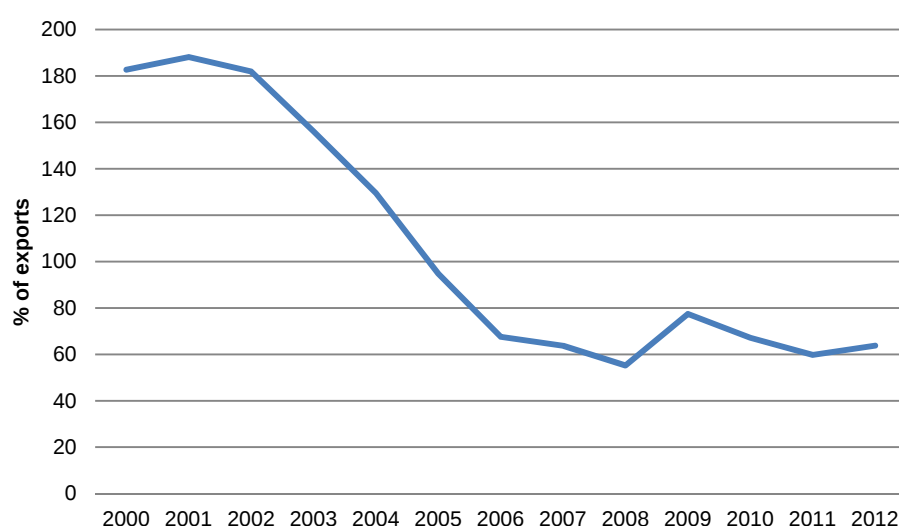
3.3 External, public and private debt

We also present data on (public and private) external debt and external assets. The total external debt of the SSA economies has been slowly rising in nominal terms since 2006. As Figure 3.4 shows, it was largely constant until 2006, the year after debt cancellation took place for a number of African countries. The level of external debt increased during the global financial crisis.

However, the ratio of external debt to exports fell steadily to about 60% after the debt cancellation in 2005 (Figure 3.5). Since then it has been almost flat despite a slight upwards movement during the recent financial crisis.

Figure 3.4: SSA: total external debt (US\$ billion)

Sources: IMF World Economic Outlook Database October 2012. (estimate for 2012)

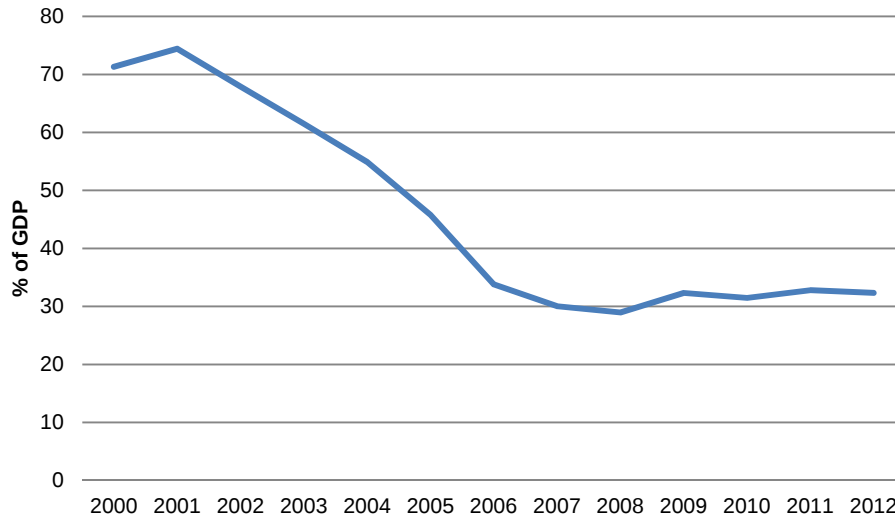
Figure 3.5: SSA: total external debt (% of exports)

Source: IMF, World Economic Outlook Database, October 2012 (estimates for 2012).

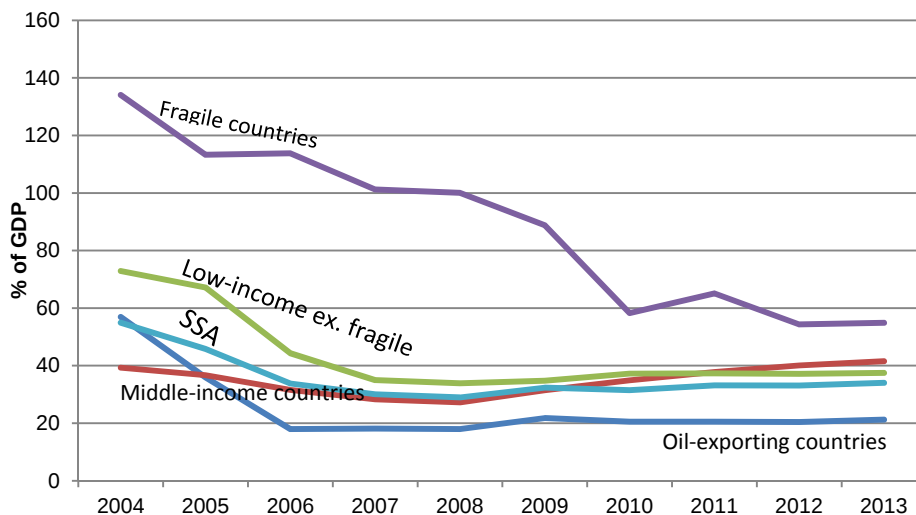
General government gross debt (the public part of total external debt) as a percentage of GDP decreased up to 2005 (mainly through debt relief) but it has remained stable since then (Figure 3.6). According to Moody's, most of this debt (some 75%, in 2011) is held by bilateral and multilateral agencies, while commercial bank loans and international bond issues each accounted for 10%.¹⁶

Figure 3.7 shows public debt as a percentage of GDP for various country groups in SSA. A downward trend is apparent for all groups over the period 2004–6, with the percentages remaining relatively stable thereafter (although there has been an increase in debt to GDP in African MICs recently and a further drop for fragile states).

16 See <http://bit.ly/QhR17j>.

Figure 3.6: SSA: general government gross debt (% of GDP)

Source: IMF, World Economic Outlook Database, October 2012 (estimates for 2012).

Figure 3.7: SSA: general government gross debt by country group (% of GDP)

Notes:

Fragile countries: Burundi, Central African Republic, Congo (Democratic Republic), Côte d'Ivoire, Eritrea, Guinea, Guinea-Bissau, Liberia, Togo, Zimbabwe.

Low income (ex. fragile): Benin, Burkina Faso, Ethiopia, Gambia, Kenya, Madagascar, Malawi, Mali, Mozambique, Niger, Rwanda, Sierra Leone, Tanzania, Uganda.

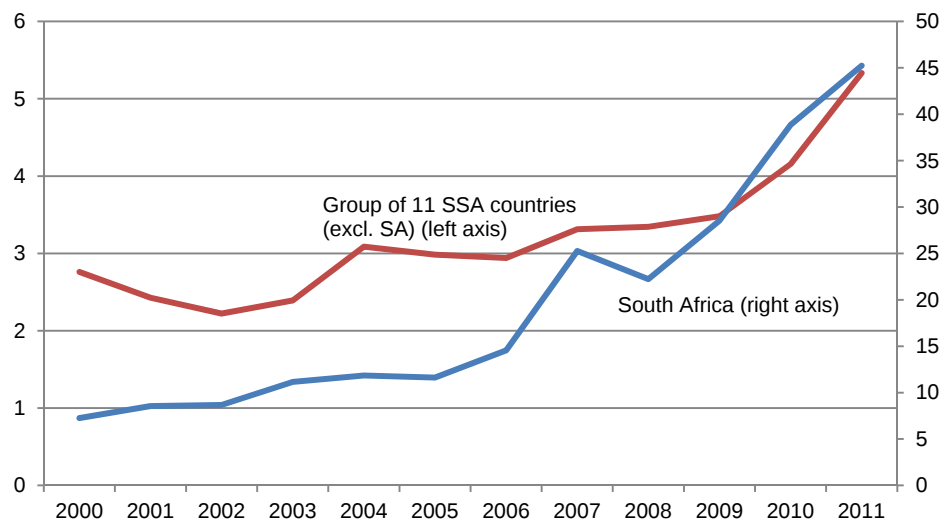
Middle-income countries: Botswana, Cape Verde, Ghana, Lesotho, Namibia, Senegal, Seychelles, South Africa, Swaziland, Zambia;

Oil-exporting countries: Angola, Cameroon, Chad, Republic of Congo, Equatorial Guinea, Gabon, Nigeria. (South Sudan not included.)

Source: Africa Regional Economic Outlook, extracted from IMF data warehouse, including estimates for 2012–13.

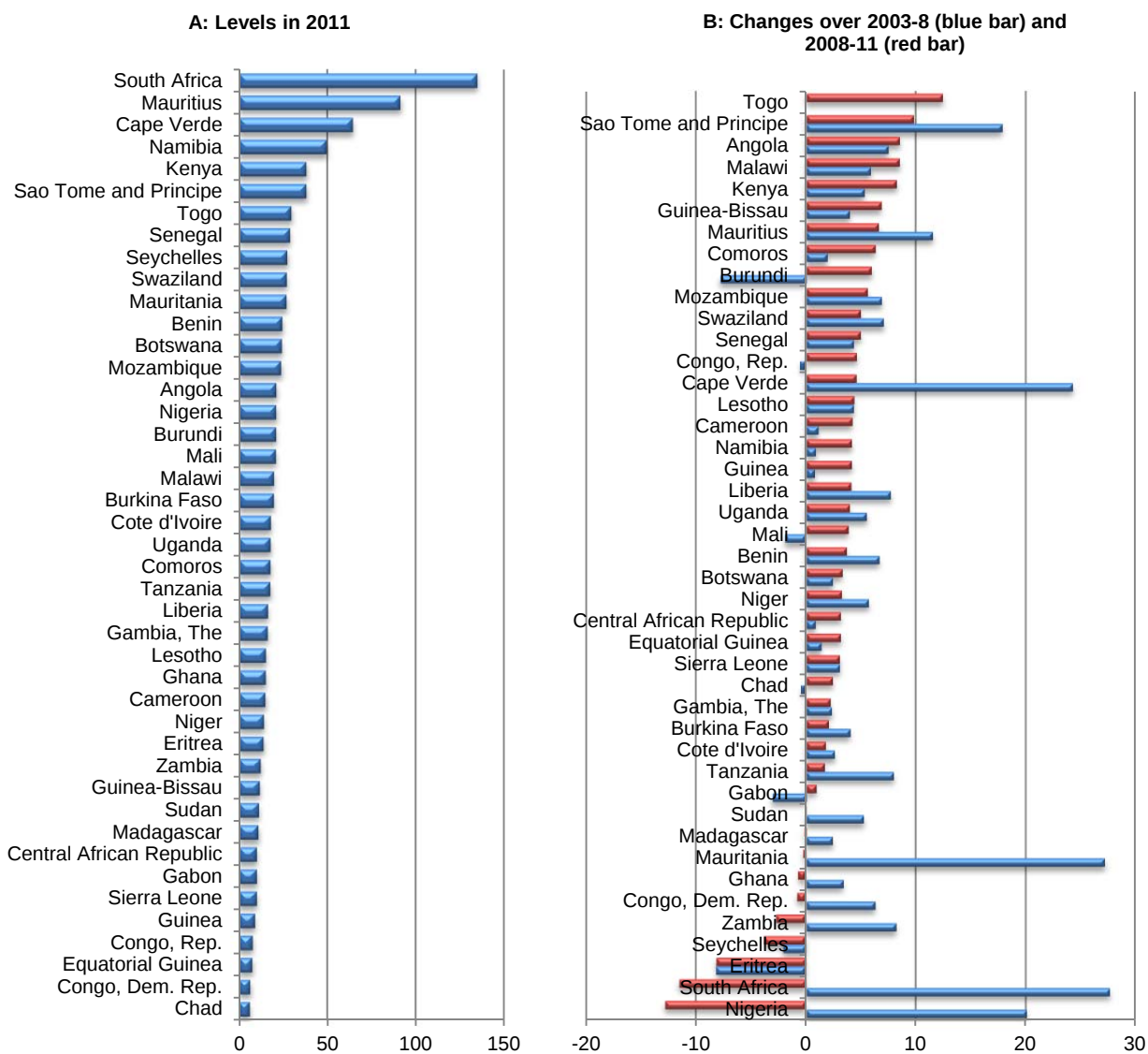
Private external debt increased dramatically over the period 2009–11 for South Africa and for a group of 11 African countries for which we have data, growing by some 20–30% a year in 2010 and 2011 (Figure 3.8). There is very little attention to private debt in external debt analyses.

We also examine private sector debt using data from the World Development Indicators on credit to the private sector. Countries with a higher level tend to be at a higher level of development, if a country is in financial and/or external debt problems it would have to lower its domestic (public and private) debt and decrease credit to the private sector (or get aid, refinancing or debt relief). Figure 3.9 shows that credit to the private sector has declined for some countries such as Zambia, Seychelles, Nigeria and South Africa (where the ratio declined markedly over 2008–11). However, overall, most SSA countries (excluding such countries as Burundi and Mauritania) have seen similar increases in their credit-to-GDP ratio in the two periods shown (2003–8 and 2008–11), suggesting that recent crises have not affected the availability of domestic credit in most SSA countries.

Figure 3.8: SSA: private sector external debt stocks, long-term (US\$ billion)

Note: SSA countries include: Angola, Cameroon, Côte d'Ivoire, Madagascar, Mauritius, Nigeria, Senegal, Tanzania, Uganda, Zambia, Zimbabwe.

Source: World Bank, World Development Indicators.

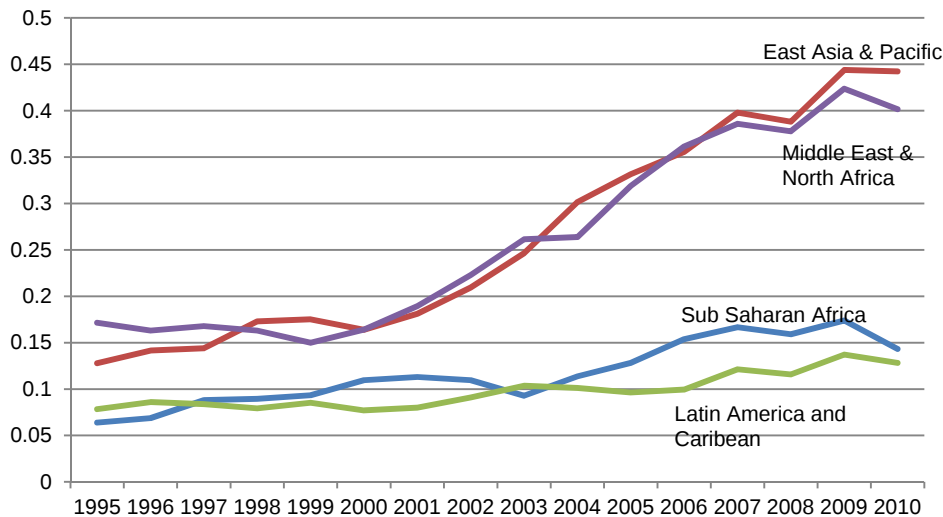
Figure 3.9: SSA: domestic credit to the private sector, by country (% of GDP)

Source: World Bank, World Development Indicators.

3.4 Reserve assets and the current account

Reserves as a percentage of GDP for various world regions are shown in Figure 3.10, which also shows that this ratio declined by more in SSA in 2010 (the latest year for which data are available) than in the other regions included in the figure.

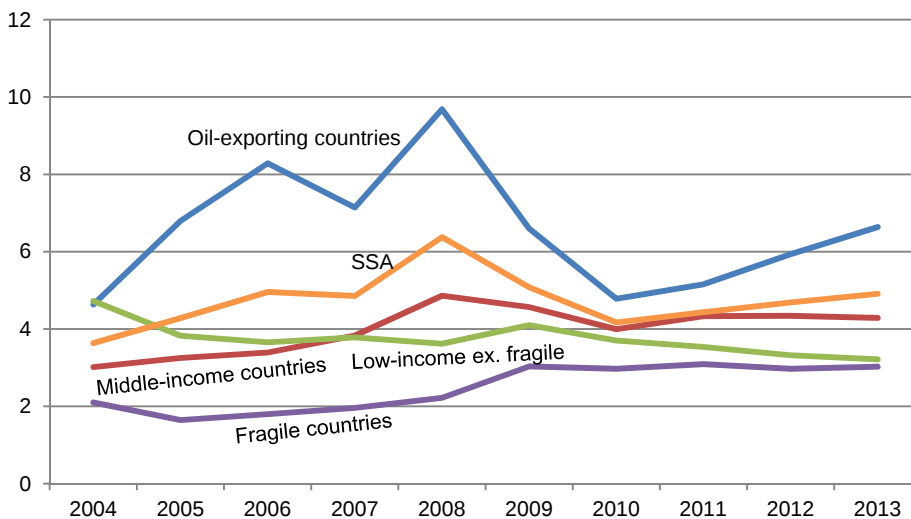
Figure 3.10: International reserves, by region (% of GDP)



Source: World Bank, World Development Indicators.

Figure 3.11 plots reserve assets expressed as months of imports. Other than in fragile states the ratio declined during the global financial crisis (2008–10), but has remained constant since then and is forecast to remain so. The level varies across country groups, and is still low for fragile states and LICs.

Figure 3.11: SSA: foreign reserves, by country group (months of imports)



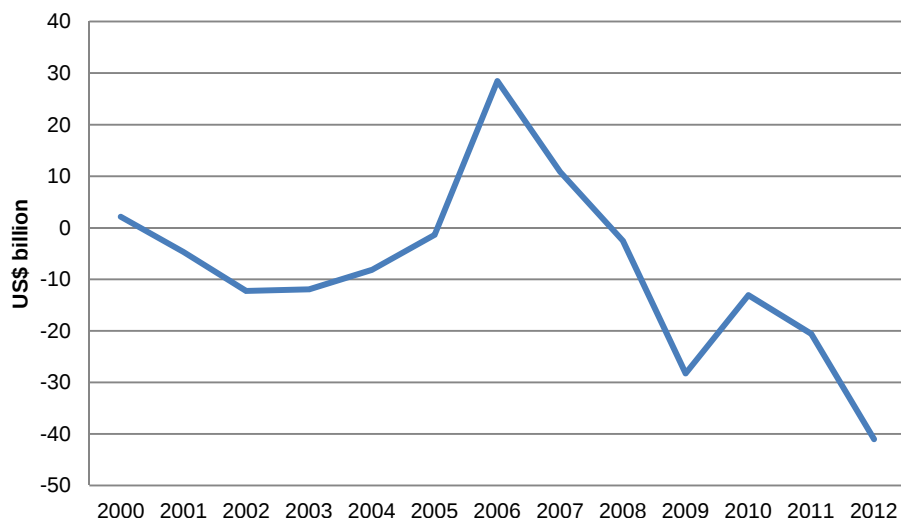
Note: See Figure 3.7 for composition of the country groups shown here.

Source: Africa Regional Economic Outlook, IMF. Actuals and estimates for 2012–13.

Reserve assets had to be used in many SSA countries (particularly oil exporters, and MICs to some extent) to cushion the impact of the global financial crisis during 2008–10. In particular they were needed to cover shortfalls in the current accounts. The current account balance of the SSA economies has fluctuated over the last decade. It was negative for the first half of the last decade but became positive between 2005 and 2007. The financial crisis knocked the current account balance back to the negative in 2008 and the trend since then has been one of further deterioration – another indication of the impact of external economic shocks on this group of economies.

Expressed as a percentage of GDP, the current account balance was 4% in 2006 and moved to -2% in 2011 and an estimated -3% in 2012

Figure 3.12: SSA: current account balance (US\$ billions)



Source: IMF World Economic Outlook database 2012. Estimates for 2012.

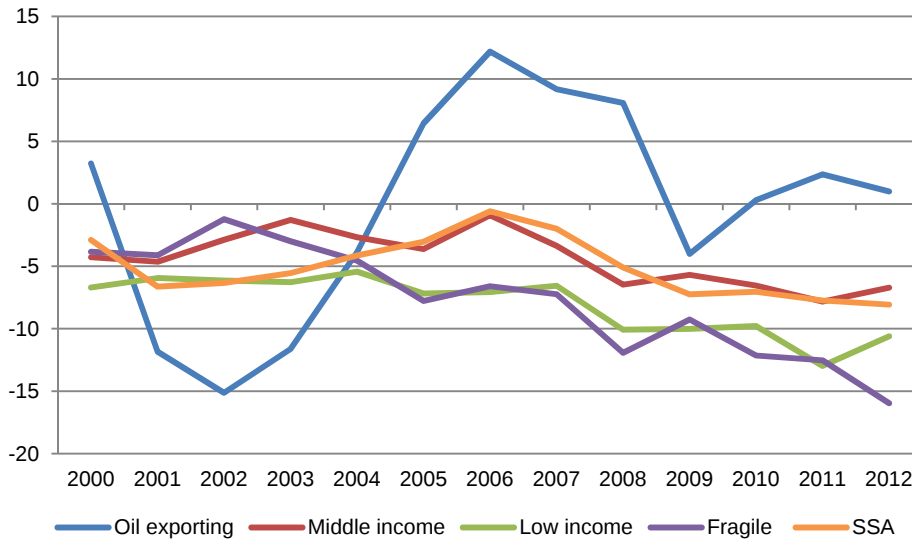
A closer look at the current account positions on a country-by-country basis confirms that oil-exporting countries and non-oil-exporting countries have been affected differently by recent shocks. Large oil-exporting countries such as Angola and Nigeria experienced significant trade surpluses in the early 2000s owing to emerging market led high oil prices, before a sudden drop in oil price as a result of the onset of the global financial crisis in 2008. Whilst Nigeria's trade surplus has stabilised at a relatively low level after 2009, Angola's trade surplus has already returned to its pre-crisis level. One might argue that such resilience in responding to external shock could be explained by the country's close economic ties with emerging market economies, which remained fairly resilient after the crisis (although it is also normal for oil countries to have large fluctuations). China is Angola's largest trading partner and export destination. In contrast, fluctuation in the current account is much less apparent in non-oil-exporting countries, where the current account balance has modestly and steadily deteriorated in the negative since the early 2000s.

Figure 3.13 shows current account to GDP ratios for different country groups in SSA. It shows that the recent average consolidation for SSA as a whole masks improvements for oil exporters and steady declines for others (since 2007). This suggests that there is a dichotomy between those countries (oil exporters) which record current account surpluses that contribute to net foreign assets, and many other countries which record current account deficits and will see their net foreign asset position worsen over time.

3.5 Summary

There have been rapid and large changes in capital flows to SSA countries over the past decade. What is not clear, because of the lack of good data, is how these changes have affected gross and net investment positions over time. We have put together a number of indicators to estimate how positions may have changed over time.

We first examined the **NIIP**, where we extrapolated stock data estimates from 2007 to 2010 and 2011 using data on the current account. While very few SSA countries had a positive NIIP in 2003, 2007 or 2011, continued economic growth in most of SSA led to an improvement in the net wealth position over 2003–7 across the board. This continued for 16 SSA countries during the global financial crisis, but there was a reversal for 24 countries.

Figure 3.13: SSA: current account balance to GDP ratio, by country groups (%)

Note: See Figure 3.7 for composition of the country groups shown here.

Source: IMF World Economic Outlook database 2012. Estimates for 2012.

Breaking down the NIIP into **(gross and net) direct and portfolio investment positions** we observed that the NDIP was negative for SSA over 2009–11 and around 14% of GDP (in 2011). Underlying this, there are large gross liabilities and assets for direct investment in SSA which amounted to 37% and 24% of GDP respectively in 2010 (according to the IMF data). The gross positions on portfolio investment (on the basis of a handful of the largest SSA countries) are between 10 and 30%, but the net position is not more than around 10–15% of GDP. Data permit doing this at individual SSA country level only for some countries. Of course, we also need to bear in mind that capital flight which was not reported may have amounted to 79% of GDP over the period 1970–2010 (Boyce and Ndikumana, 2012).

The data suggest that **external debt** in SSA declined as a percentage of GDP up until 2008, but this decline was halted with the advent of the global financial crisis. **Public debt** stabilised in most African country groups, although it increased in Africa's MICs in recent years. African countries (especially oil-exporting countries) have used **reserves** to cushion the impact of the global financial crisis and finance a worsening of the current account. In conclusion, all the available stock/position data suggest that there had been a marked change for SSA by around 2008. Prior to this date, the NIIP improved across the board, debt to GDP declined, and reserve assets to GDP increased. Since 2008, however, the NIIP has been more varied: debt to GDP and reserve to GDP ratios have stopped falling, and reserves have been used to finance current account deficits.

4 Conclusions and policy implications

Overall this Bulletin has painted a very diverse picture on capital flows to SSA. New types of private capital flows have (re-) emerged (e.g. bond flows, portfolio investment) and the volume of capital flows has been on the increase in recent years after a considerable negative turn during the global financial crisis. This downturn and changes in trends for SSA as a whole are visible in indicators such as NIIP, external public debt, external private debt, reserves and the current account. Major differences continue to exist between SSA countries.

The nature of capital flows to SSA is changing in terms of types of capital attracted, types of source countries, and types of countries taking part in international finance. Inward FDI flows to SSA increased from less than US\$ 15 billion in 2001 to about US\$ 37 billion in 2011, with an intervening decline during the global financial crisis. New investors have taken hold in SSA. In 2010 BRICS' FDI flows to Africa represented 25% of total FDI flows. Net portfolio equity inflows to SSA recovered after the crisis and reached US\$ 16 billion in 2010, having been close to zero at the start of the decade and -US\$ 5 billion in 2008. Bond flows to SSA increased from close to US\$ 2 billion in 2001 to US\$ 7 billion in 2007 but turned negative in 2008. They have since recovered to US\$ 6 billion in 2011, and appear to have risen in 2012 and are expected to rise in 2013. More African countries are issuing bonds. Bond yields in Zambia – where the US\$ 750 million bond issue in September 2012 was reportedly oversubscribed 15 times – were 5.4%, which at the time was lower than in southern European countries (such as Greece, Portugal and Spain). International bank lending exposure increased to US\$ 118 billion in 2007 from around US\$ 60 billion at the start of the decade, then dropped during the financial crisis but has since increased to US\$ 138 billion in September 2012.

The share of FDI in total capital flows has declined from close to 100% in 2001 to around 75% in 2011 for SSA (see Table ES 1). Private capital flows are larger than (i) ODA to SSA at US\$ 45 billion in 2010 (US\$ 14 billion in 2001), (ii) remittances to SSA at US\$ 31 billion in 2011 (US\$ 4.8 billion in 2001), and (iii) Chinese loans to Africa (US\$ 7 billion per annum over three years). Other flows such as philanthropic flows have been discussed in Greenhill *et al.* (2013)

We have examined the available data on NIIPS in SSA. These show a significant improvement in the net wealth position over 2003–7 in most of SSA, but this continued for only 16 countries (of those for which there were data) during the global financial crisis, while 24 experienced a reversal. Using IMF data, the NDIP was -14% of GDP for SSA in 2011, consisting of large gross liabilities and assets of direct investment amounting to 37% and 24% of GDP respectively in 2010 (according to the IMF data). Using UNCTAD data, the average net FDI stock is 22% for SSA. The gross positions on portfolio investment (on the basis of a handful of the largest SSA countries) are between 10 and 30% of GDP, whilst the net position is not more than around 10–15% of GDP.

External debt in SSA declined as a percentage of GDP up until 2008, but this decline was halted in the period afterwards with the advent of the global financial crisis. Public debt stabilised in most country groups, although it has increased in Africa's MICs in recent years. Private external debt increased markedly in 2009 and 2010 for 12 SSA countries for which we had data. Private credit has not been affected in most SSA countries, except for countries such as Nigeria, South Africa, Seychelles and Zambia. African countries (especially oil-exporting countries) have used reserves to cushion the impact of the global financial crisis and finance a worsening of the current account, but there is a dichotomy between oil exporters, which have again recorded positive current accounts, and other country groups, which have seen their current account ratios decline steadily since 2007.

Private capital flows play an increasingly important role in African development. Their volumes and volatility affect growth prospects. In this context, policy makers need to be concerned with the impact of capital flows and consider the following issues.

- Policy makers need to watch how different current account experiences accumulate into **diverging net asset positions**. At current trends, with current accounts still deteriorating in many countries, there will be winners and losers in net assets unless increased inward investment is used to grow and develop sustainably. Some countries may develop unsustainable negative wealth positions.
- Countries need to watch the **composition of private capital flows** carefully. There has been a move towards non-concessional and private (bond financing, bank lending) financing and the composition of private capital flows is also changing. The way in which countries regulate FDI and respond to it is different from managing the systematic implications of and responding to rapid increases in private external debt, portfolio flows, and bond flows. Bond issuances have become increasingly popular, following especially the Zambian experience in 2012, and a question is whether and how other, poorer African countries can use this experience to issue government bonds in the future.
- As a first step, countries will need to improve the availability of the **information necessary to manage the transition towards new types of private capital flows as well the situation after the transition**, and such information needs to include information on gross and net assets and liabilities. This can be done by (i) better reporting by African countries, but also (ii) better reporting by investors, including through increased transparency of G20 countries. Appendix E shows the available country information on FDI stocks: the UK reports on only four African countries, Germany on 12 and China on 50. It would be useful if developed countries increased the transparency of their reporting on FDI and also reported on their FDI assets and liabilities to Africa on a country-by-country basis.
- As a second step, countries (and agencies supporting them) will need to develop **institutions** (in the broadest sense) to regulate and respond to changes in capital flows. Such institutions can over the mid to long run (and short run in some cases) contribute to aid-exit. Appendix A suggests that Moody has identified seven existing African bond issuers, seven bond issuers likely to return and six potential new bond issuers. Bonds may over time complement and displace ODA (although many SSA countries will continue to rely on ODA for some time), and complement existing other official flows, but these bond flows as well as other potentially more volatile capital flows need to be developed and managed for development outcomes (e.g. they are often the first to decline in times of crisis).

In conclusion, after a marked impact of the global financial crisis on private capital flows to SSA shortly after 2008, there now seems to be a return to a new normal of a more diversified and growing set of capital flows. New and growing capital flows offer increasing opportunities for African countries to finance their growth and development.

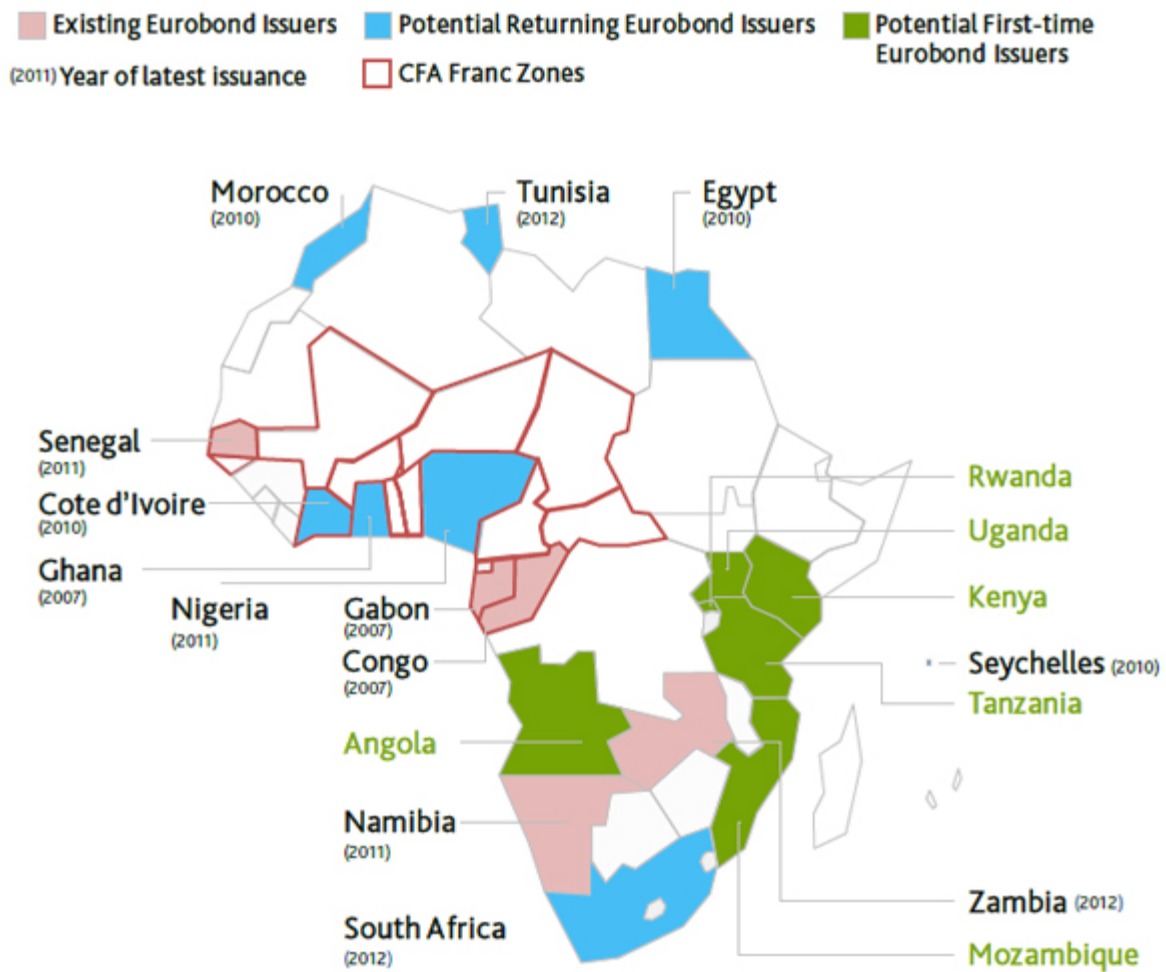
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Appendix A: Bond activity and rating in Africa

Existing and potential international issuers in Africa



Source: Moody's (accessed from <http://on.ft.com/XdE7Li>)

SSA ratings and bond issues

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Angola																FMS		
Benin								S										
Botswana						MS												
Burkina Faso									S									
Cameroon								FS										
Cape Verde								F						S				
Gabon													FS\$					
Ghana								FS					\$					
Kenya											S	F						M
Lesotho							F											
Madagascar										S								
Mauritius		M																
Mozambique								F	S									
Namibia										F							\$	
Nigeria											FS	\$						M
Rwanda											F						S	
Senegal					S										\$		M	
Seychelles											S\$					F		
Uganda										F				S				
Zambia																	FS	M\$

F Fitch
 M Moody's
 S Standard & Poor's
 \$ bond issue

Source: Fitch

Accessed from <http://on.ft.com/XDgfBC>.

Appendix B: Capital flight estimates for SSA

Capital flight, 2010, US\$ billion

Country	2003–7	2008–10
Angola	26.1	12.4
Botswana	5.7	2.2
Burkina Faso	-0.4	0.1
Burundi	1.8	1.0
Cameroon	-5.9	-1.8
Cape Verde	0.9	0.7
Central African Republic	0.1	-0.1
Chad	0.3	-0.5
Congo, DR	5.8	3.1
Congo, Rep.	11.3	2.3
Côte d'Ivoire	8.0	-3.0
Ethiopia	4.5	5.0
Gabon	7.7	4.3
Ghana	1.5	3.3
Guinea	-1.2	-0.7
Guinea-Bissau	0.5	0.4
Kenya	0.6	-5.5
Lesotho	0.3	0.1
Madagascar	0.7	-0.4
Malawi	-1.5	-0.5
Mauritania	0.2	0.2
Mozambique	-0.2	0.9
Nigeria	103.4	85.5
Rwanda	-0.4	-0.8
Sao Tome and Principe	0.2	0.1
Seychelles	0.8	0.0
Sierra Leone	0.9	1.2
South Africa	-25.5	-42.9
Sudan	29.8	5.6
Swaziland	0.6	-0.5
Tanzania	1.1	-1.4
Togo	-0.4	7.2
Uganda	3.9	0.9
Zambia	6.1	-6.3
Zimbabwe	1.6	-3.0
Total SSA countries listed	188.6	68.9

Source: Boyce and Ndikumana (2012).

Appendix C: Direct investment positions

Table C1: Direct investment positions, US\$ million (SSA countries in bold)

Country	Inward investment			Outward investment			NDIP		
	2009	2010	2011	2009	2010	2011	2009	2010	2011
Armenia	4,016	4,338	5,231			119	-3,939	-4,255	-5,112
Aruba	4,392	4,450	4,911		83		-4,392	-4,450	-4,911
Australia	396,902	483,493	515,275	312,210	381,048	344,221	-84,692	-102,445	-171,054
Austria	298,611	258,786	251,399	290,351	267,815	290,866	-8,260	9,029	39,467
Azerbaijan	7,085	7,648	9,113	5,558	5,790	6,323	-1,527	-1,858	-2,790
Bahrain	14,998	14,700					-14,998	-14,700	0
Bangladesh	5,315	6,196	6,331	119	98	106	-5,196	-6,098	-6,225
Barbados	327	2,667	4,292		861	930	-327	-1,806	-3,362
Belarus	8,537	9,904	12,987	145	205	290	-8,392	-9,699	-12,697
Belgium	451,065	388,124	415,049	404,797	401,888	430,413	-46,268	13,764	15,364
Benin			563			33			-530
Bhutan	32	55					-32	-55	0
Bolivia	5,371	6,890	7,749				-5,371	-6,890	-7,749
Bosnia and Herzegovina	6,592	6,296	6,409				-6,592	-6,296	-6,409
Botswana	1,849	2,292	3,282	836	575	240	-1,013	-1,717	-3,042
Brazil		651,041	705,689		128,358	134,916	0	-522,683	-570,773
Bulgaria	43,987	42,888	43,784				-43,987	-42,888	-43,784
Canada	547,336	584,581	595,002	601,679	639,336	670,417	54,343	54,755	75,415
Chile	119,640	144,326	144,729				-119,640	-144,326	-144,729
China, P.R.: Hong Kong	845,721	973,526	1,029,794	715,872	799,481	971,819	-129,849	-174,045	-57,975
China, P.R.: Macao	10,523	13,600	14,522	976	680	671	-9,547	-12,920	-13,851
China, P.R.: Mainland	1,232,496	1,569,606	1,906,908						
Costa Rica	12,386	14,066	16,202	545	649	1,106	-11,841	-13,417	-15,096
Croatia	36,511	34,963	30,898	6,564	4,387	4,552	-29,947	-30,576	-26,346
Cyprus	54,685	56,739	69,111	44,759	50,428	47,994	-9,926	-6,311	-21,117
Czech Republic	125,827	128,504	121,912	14,805	14,923	13,238	-111,022	-113,581	-108,674
Denmark	114,622	100,440	98,771	166,355	168,974	175,647	51,733	68,534	76,876
El Salvador	7,696	7,731	8,172	6	6	6	-7,690	-7,725	-8,166
Estonia	15,304	15,551	16,161	5,498	5,546	4,791	-9,806	-10,005	-11,370
Finland	73,851	74,684	73,788	118,774	128,219	125,289	44,923	53,535	51,501
France	1,023,562	984,015	973,112	1,522,592	1,568,983	1,597,466	499,030	584,968	624,354
Georgia	6,584	8,533	9,651				-6,584	-8,533	-9,651
Germany	918,395	892,245	927,505	1,120,709	1,134,932	1,356,096	202,314	242,687	428,591
Ghana	4,689	5,962					-4,689	-5,962	0
Greece	42,001	39,959	29,177	39,014	42,761	43,735	-2,987	2,802	14,558
Guatemala		6,517			382		0	-6,135	0
Honduras	5,996	6,793		44	42		-5,952	-6,751	0

Country	Inward investment			Outward investment			NDIP		
	2009	2010	2011	2009	2010	2011	2009	2010	2011
Hungary	265,352	212,506	223,238	187,204	146,027	170,731	-78,148	-66,479	-52,507
Iceland	8,629	11,767	12,575	9,270	11,138	11,567	641	-629	-1,008
India		225,547	201,014		63,031	62,600	0	-162,516	-138,414
Indonesia	108,795	160,735	185,804				-108,795	-160,735	-185,804
Ireland	250,103	285,575	251,674	295,335	340,114	313,763	45,232	54,539	62,089
Israel	55,798	60,185	66,553	57,371	66,301	71,870	1,573	6,116	5,317
Italy	364,426	328,057	339,268	486,376	489,651	520,003	121,950	161,594	180,735
Japan	200,143	214,880	225,787	740,927	831,076	962,790	540,784	616,196	737,003
Jordan	20,791						-20,791	0	0
Kazakhstan	72,013	81,446	94,843	6,438	15,699	19,481	-65,575	-65,747	-75,362
Korea	121,179	134,160	133,665	120,441	143,157	171,533	-738	8,997	37,868
Kosovo		2,620	2,883		115	132	0	-2,505	-2,751
Kuwait	4,602	5,184	6,138	21,092	21,856	23,473	16,490	16,672	17,335
Kyrgyz Republic	940	1,034	1,271	1	2	2	-939	-1,032	-1,269
Latvia	11,602	10,751	12,092	891	880	863	-10,711	-9,871	-11,229
Lithuania	13,216	13,271	14,266	2,300	2,086	2,079	-10,916	-11,185	-12,187
Luxembourg	1,894,903	1,954,715	2,653,457	1,796,857	1,890,996	2,731,302	-98,046	-63,719	77,845
Macedonia, FYR	4,525	4,369	4,722	96	110	108	-4,429	-4,259	-4,614
Malaysia	78,895	101,630	114,555	79,579	96,758	106,217	684	-4,872	-8,338
Mali			1,672			31	0	0	-1,641
Malta	9,387	16,510	15,685	382	1,693	1,617	-9,005	-14,817	-14,068
Mauritius	179,265	185,784	201,084	166,971	168,274	233,053	-12,294	-17,510	31,969
Mexico	289,515	347,515	343,709	81,825	108,717	98,520	-207,690	-238,798	-245,189
Moldova	2,530	2,911	3,330			233,053	-2,530	-2,911	-3,330
Mongolia	463	4,407					-463	-4,407	0
Montenegro		4,231	4,272				0	-4,231	-4,272
Morocco	22,337	24,030	21,059				-22,337	-24,030	-21,059
Mozambique	3,748	4,379		2	1		-3,746	-4,378	0
Nepal	442	522	515				-442	-522	-515
Netherlands	3,239,248	3,274,244	3,327,456	3,937,669	4,031,794	4,117,806	698,421	757,550	790,350
New Zealand	68,323	70,001	75,133	15,391	16,652	19,238	-52,932	-53,349	-55,895
Nigeria	11,156	34,543	48,614				-11,156	-34,543	-48,614
Norway	134,170	148,828	149,161			172,513	-134,170	-148,828	23,352
Pakistan	17,621	19,812	19,772	1,849	1,362	1,240	-15,772	-18,450	-18,532
Panama	18,019	20,369	23,157				-18,019	-20,369	-23,157
Paraguay	2,664	3,109	3,431				-2,664	-3,109	-3,431
Peru	34,521	38,841		1,291	1,239		-33,230	-37,602	0
Philippines	21,194	25,071	25,590	911	3,841	4,105	-20,283	-21,230	-21,485
Poland	185,688	215,513	198,031	29,559	44,444	49,657	-156,129	-171,069	-148,374
Portugal	114,710	111,685	109,085	68,471	66,732	68,050	-46,239	-44,953	-41,035
Romania	70,314	68,747	69,495				-70,314	-68,747	-69,495

Country	Inward investment			Outward investment			NDIP		
	2009	2010	2011	2009	2010	2011	2009	2010	2011
Russian Federation	378,837	489,256	455,904	302,188	365,905	361,738	-76,649	-123,351	-94,166
Rwanda		343			29		0	-314	0
Samoa	72	75	79	3	3	3	-69	-72	-76
Saudi Arabia	142,213	169,206					-142,213	-169,206	0
Serbia	17,074	20,779	22,874				-17,074	-20,779	-22,874
Seychelles	1,049	1,081	1,029				-1,049	-1,081	-1,029
Singapore	473,389	586,358	617,922				-473,389	-586,358	-617,922
Slovak Republic	52,537	50,284	51,292	3,153	3,334	4,210	-49,384	-46,950	-47,082
Slovenia	11,150	10,453	11,276	8,787	8,143	7,803	-2,363	-2,310	-3,473
South Africa	117,434	153,133	134,391	72,583	89,453	78,533	-44,851	-63,680	-55,858
Spain	594,830	591,455	590,697	588,560	611,342	606,019	-6,270	19,887	15,322
Sweden	331,833	346,227	334,996		343,917	335,913	-331,833	-2,310	917
Switzerland	492,654	617,809	643,038	775,113	989,739	1,027,637	282,459	371,930	384,599
Thailand	106,934	139,286	146,120	14,030	20,358	36,253	-92,904	-118,928	-109,867
Turkey	111,663	135,801	113,542	22,250	22,509	26,398	-89,413	-113,292	-87,144
Uganda	3,905	4,523					-3,905	-4,523	0
Ukraine	38,017	48,315					-38,017	-48,315	0
United Kingdom	1,055,771	1,135,149	1,063,652	1,595,191	1,634,730	1,724,658	539,420	499,581	661,006
United States	2,069,438	2,264,385	2,547,828	3,518,655	3,790,918	4,155,551	1,449,217	1,526,533	1,607,723
Uruguay	12,536						-12,536	0	0
Venezuela			31,568				0	0	-31,568
West Bank and Gaza		1,378	1,505				0	-1,378	-1,505
Zambia	6,288	9,029	7,727	95	375		-6,193	-8,654	-7,727
Total (all countries)	20,365,756	22,755,921	23,815,889	20,381,387	22,190,947	24,287,290	15,631	-564,974	471,401
Total SSA	329,383	401,069	396,690	240,487	258,707	311,859	-88,896	-142,362	-84,831

Source: IMF (<http://www.imf.org>) Coordinated Direct Portfolio Survey and Coordinated Portfolio Investment Survey, available form <http://elibrary-data.imf.org/QueryBuilder.aspx?s=323&key=1445284> .

Country	Outward FDI as % GDP						Inward FDI as % GDP						Net (Outward-Inward) FDI as % GDP					
	2003	2008	2009	2010	2011		2003	2008	2009	2010	2011		2003	2008	2009	2010	2011	
Swaziland	5.08	1.95	2.61	2.45	1.95		38.68	17.94	25.59	24.90	20.88		-33.60	-15.99	-22.98	-22.45	-18.94	
Togo	0.17	1.72	3.01	3.98	3.94		7.91	14.21	16.33	17.88	16.73		-7.75	-12.49	-13.32	-13.90	-12.79	
Uganda	0.00	0.00	0.00	0.00	0.00		19.14	25.58	29.87	32.77	38.75		-19.14	-25.58	-29.87	-32.77	-38.75	
United Republic of Tanzania	0.00	0.00	0.00	0.00	0.00		30.08	29.24	30.20	30.60	32.73		-30.08	-29.24	-30.20	-30.60	-32.73	
Western Sahara	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	
Zambia	0.00	6.63	9.99	14.18	17.93		108.90	45.31	72.01	67.59	67.27		-108.90	-38.68	-62.02	-53.41	-49.33	
Zimbabwe	3.60	4.61	4.50	4.12	3.55		18.96	28.09	29.30	25.19	25.19		-15.37	-23.48	-24.80	-21.07	-21.64	
Total SSA	9.66	7.76	11.43	11.97	9.16		30.45	23.34	32.81	33.36	29.59		-20.79	-15.59	-21.37	-21.39	-20.42	

Source: UNCTAD (www.unctad.org) http://unctadstat.unctad.org/ReportFolders/reportFolders.aspx?sRF_ActivePath=P,5,27&sRF_Expanded=P,5,27

Appendix D: Portfolio investment positions

Table D1: Net portfolio investment positions by region, 2011 (US\$ million)

	EU	Other European Economies	North Africa	SSA	North America	North Atlantic and Caribbean	South America	Economies of Persian Gulf	Other Near and Middle East Economies	Central and South Asia	East Asia	Oceania and Polar Regions	Total (Annual)
EU	770,418	-233,684	-18,667	-114,315	434,191	-2,835	-384,396	3,103	18,652	-357,058	-94,600	-75,245	-54,437
Other European Economies	467,558	13,440	-536	-1,642	-56,123	18	-41,162	1,011	-4,019	-72,043	-8,066	-16,694	281,742
North Africa	64,872	3,319	-23	-509	22,889	0	8	3,154	-136	71	515	0	94,160
SSA	152,875	16,724	-28	10,927	28,788	-4	-2,339	806	-79	-73,220	-12,505	2,851	124,796
North America	346,963	159,991	-131	-7,784	-41,252	-2,891	-196,276	240	-6,166	-157,506	121,346	-24,188	192,346
North Atlantic and Caribbean	-94,777	50,328	-156	-9,581	623,847	-2,361	-35,624	1,058	-6,516	-117,455	-235,615	-1,679	171,470
South America	376,320	43,673	-40	905	174,771	-3	-24,623	0	-171	634	43,109	14,718	629,292
Economies of Persian Gulf	15,244	571	-1,228	620	10,630	0	-362	4,560	-2,119	-8,604	3,854	-21,578	1,589
Other Near and Middle East Economies	-13,901	6,012	-96	-176	-6,256	0	-302	1,496	757	-2,270	-1	0	-14,736
Central and South Asia	261,946	50,791	-104	-3,567	165,961	-10	-3,437	1,120	938	-131,944	39,715	4,061	385,472
East Asia	187,701	24,122	0	4,101	-65,713	-46	-50,339	122	6	-232,924	-958,429	-66,878	-1,158,278
Oceania and Polar Regions	143,971	22,859	-30	2,651	105,780	-7	-7,848	0	-48	-13,759	19,729	15,353	288,652
World	2,454,580	142,341	-21,059	-118,442	1,391,530	-8,273	-758,249	17,335	-13,740	-1,183,733	-1,203,864	-227,024	471,401

Source: IMF (<http://www.imf.org>) Coordinated Direct Portfolio Survey and Coordinated Portfolio Investment Survey, available form <http://elibrary-data.imf.org/QueryBuilder.aspx?s=323&key=1445284>.

Table D2: Portfolio investment positions, by SSA country (US\$ million)

	Assets			Liabilities			Net Positions		
	2009	2010	2011	2009	2010	2011	2009	2010	2011
Angola	0	0	0	369	435	730	-435	-730	-369
Benin	0	0	0	5	25	49	-25	-49	-5
Botswana	0	538	405	379	140	235	-140	-235	-379
Burkina Faso	0	0	0	81	2	31	-2	-31	-81
Burundi	0	0	0	1	0	77	0	-77	-1
Cameroon	0	0	0	100	176	597	-176	-597	-100
Cape Verde	0	0	0	63	194	64	-194	-64	-63
Central African Republic	0	0	0	248	30	0	-30	0	-248
Chad	0	0	0	0	0	0	0	0	0
Comoros	0	0	0	7	5	0	-5	0	-7
Congo, Democratic Republic	0	0	0	492	543	211	-543	-211	-492
Congo, Republic	0	0	0	177	251	243	-251	-243	-177
Côte d'Ivoire	0	0	0	1,656	1,886	1,573	-1,886	-1,573	-1,656
Djibouti	0	0	0	102	3	3	-3	-3	-102
Equatorial Guinea	0	0	0	0	4	5	-4	-5	0
Eritrea	0	0	0	1	98	95	-98	-95	-1
Ethiopia	0	0	0	80	116	79	-116	-79	-80
Gabon	0	0	0	564	771	1,034	-771	-1,034	-564
Gambia, The	0	0	0	1	3	25	-3	-25	-1
Ghana	0	1	620	891	2,030	2,173	-2,030	-2,173	-891
Kenya	1	2	2	783	954	921	-954	-921	-783
Lesotho	0	0	0	350	15	24	-15	-24	-350
Liberia	43	74	42	6,902	7,607	5,779	-7,607	-5,779	-6,902
Madagascar	0	0	0	97	50	29	-50	-29	-97
Malawi	0	0	0	93	19	18	-19	-18	-93
Mali	0	1	1	4	70	19	-70	-19	-4
Mauritania	0	0	0	82	9	61	-9	-61	-82
Mauritius	181,584	176,948	128,886		0		181,584	176,948	128,886
Mauritius	415	252	291	8,443	12,448	15,532	-12,448	-15,532	-8,443
Mozambique	43	69	51	224	125	204	-125	-204	-224
Namibia	22	32	23	493	335	814	-335	-814	-493
Niger	5	12	15	13	12	14	-12	-14	-13
Nigeria	1,977	1,638	1,993	453	3,989	3,230	-3,989	-3,230	-453
Reunion	0	0	0	36	26	3	-26	-3	-36
Rwanda	0	0	0	2	113	249	-113	-249	-2
Sao Tome and Principe	0	0	0	-44	14	1	-14	-1	44
Senegal	0	0	0	476	505	853	-505	-853	-476
Seychelles	16	9	20	90	170	167	-170	-167	-90
Sierra Leone	0	0	0	94	76	111	-76	-111	-94
Somalia	0	0	0	0	0	0	0	0	0
South Africa	96,561	131,136	135,522	110,689	158,036	141,173	-158,036	-141,173	-110,689
Sudan	33	118	120	239	328	269	-328	-269	-239
Swaziland	1	0	5	279	231	284	-231	-284	-279
Tanzania	0	1	0	705	186	64	-186	-64	-705
Togo	0	19	18	57	73	45	-73	-45	-57
Uganda	0	0	21	191	66	153	-66	-153	-191
Western Sahara	0	0	0	0	0	0	0	0	0
Zambia	0	0	0	372	442	308	-442	-308	-372
Zimbabwe	0	0	1	363	403	397	-403	-397	-363
Total SSA	280,767	311,093	268,247	136,705	193,015	177,944	-11,364	-752	-7,608

Source: IMF (<http://www.imf.org>) Coordinated Direct Portfolio Survey and Coordinated Portfolio Investment Survey, available from <http://elibrary-data.imf.org/QueryBuilder.aspx?s=323&key=1445284>.

Appendix E: Comparing UK, German and Chinese reporting on FDI in Africa

FDI stocks in Africa: UK, Germany and China, 2010

UK (£ million)		Germany (euro million)		China (US\$ million)			
Africa	30,143	Africa	8,180	Africa	13,042		
<i>of which</i>		<i>of which</i>		<i>of which</i>			
Kenya	474	Egypt	744	Algeria	937	Liberia	82
Nigeria	1,858	Algeria	267	Angola	352	Libya	32
South Africa	10,245	Côte d'Ivoire	5	Benin	39	Madagascar	230
Zimbabwe	15	Ghana	16	Botswana	179	Malawi	32
		Kenya	52	Burundi	7	Mali	48
		Libya	654	Cameroon	60	Mauritania	46
		Morocco	156	Cape Verde	5	Mauritius	283
		Mauritius	482	Central African Rep.	47	Morocco	56
		Nigeria	72	Chad	80	Mozambique	75
		South Africa	5,251	Comoros	4	Namibia	47
		Tanzania	7	Congo, DR	631	Niger	379
		Tunisia	218	Congo, Rep.	136	Nigeria	1,211
				Côte d'Ivoire	33	Rwanda	42
				Djibouti	12	Sao Tome	0
				Egypt	337	Senegal	45
				Eq. Guinea	86	Seychelles	19
				Eritrea	13	Sierra Leone	41
				Ethiopia	368	South Africa	4,153
				Gabon	125	Sudan	613
				Gambia	1	Tanzania	308
				Ghana	202	Togo	58
				Guinea	136	Tunisia	3
				Guinea-Bissau	27	Uganda	114
				Kenya	222	Zambia	944
				Lesotho	9	Zimbabwe	135

Sources: UK Office for National Statistics MA4; FDI Stock statistics, Deutsche Bundesbank; Ministry of Commerce of People's Republic of China (2011: Table 2).

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