

Global financial resource flows

These profiles provide clear and detailed visualisations of the scale and trends for 11 international resources that flow to developing countries: other official flows, development finance institutions, development cooperation from government providers outside the DAC, private development assistance, climate change finance, innovative finance mechanisms, foreign direct investment, loans, remittances, military and security expenditure and portfolio equity.

The profiles unpack the data available on each resource flow, highlighting their scale, recent trends, information on who provides and receives these flows, and other important characteristics. They raise and address key issues for development finance and poverty. They are drawn from a variety of sources, including new information on a number of resource flows, and they highlight the known overlaps between data on different flows.

The profiles provide objective information about the scale and nature of wider resource flows to developing countries that can inform the debate about broader development financing and the roles of particular institutions, actors and resources.

More detailed and interactive information is available online at www.devinit.org, and Development Initiatives is always pleased to provide data and information through our helpdesks. Please refer to the profile endnotes and *Methodology* for more detailed explanations of terms and concepts.

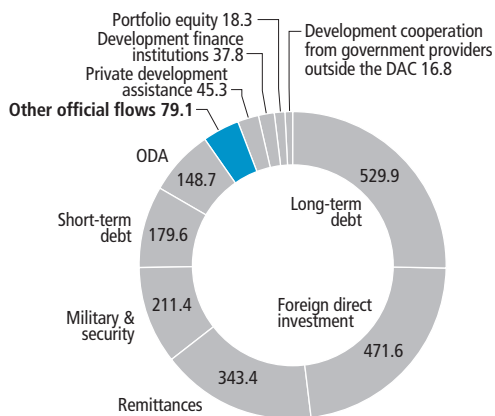
OTHER OFFICIAL FLOWS

US\$79.1 billion in 2011

Like ODA, other official flows are transactions by donor governments or multilateral bodies with countries on the DAC list of aid recipients. However, other official flows do not meet the conditions for eligibility as ODA. They are typically loans that are not sufficiently concessional to be counted as ODA, export credits and a small amount of grants deemed to be not aimed primarily at development. In 2011 the total amount of gross other official flows disbursed was just over half that of gross ODA, and more than half of other official flows were from multilateral donors.

Other official flows and other resource flows to developing countries

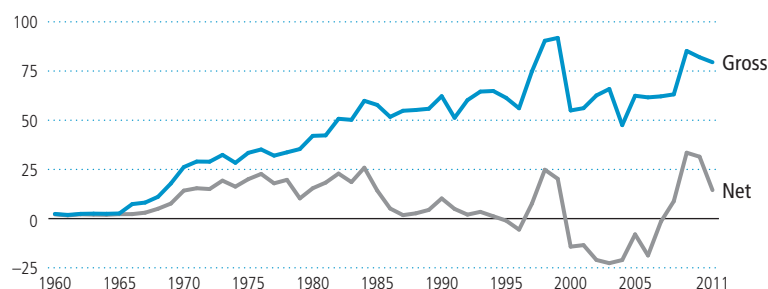
US\$ billions, 2011



Trends in other official flows

Other official flows have grown, but high levels of repayments have widened the gap between gross and net flows

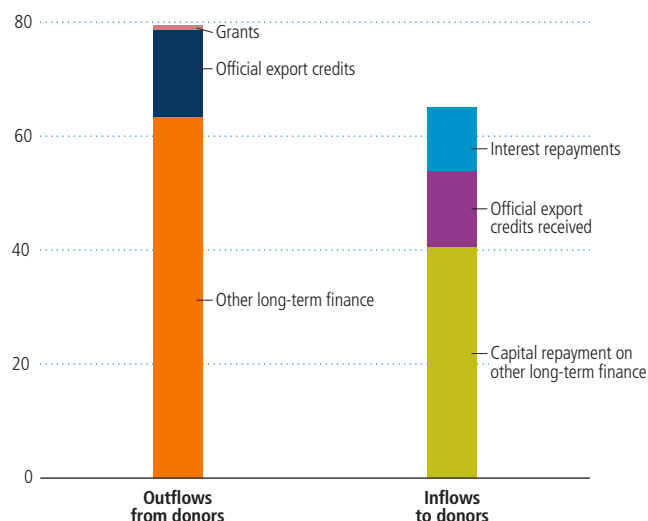
US\$ billions, 1960–2011



Composition of other official flows— inflows and outflows

Outflows from donors exceeded repayments by US\$14.5 billion in 2011

US\$ billions, 2011

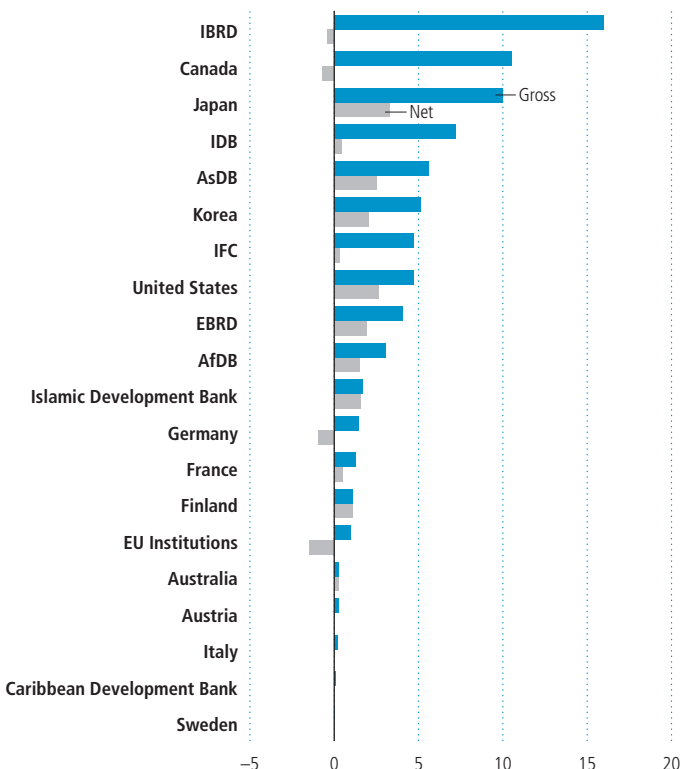


Data on net other official flows in the DAC database is misleading because old other official flows loans that are subject to debt relief are subtracted from the current other official flows values and reclassified as ODA. To obtain more accurate values for the net flow associated with other official flows in each year, principal and interest repayments are subtracted from gross outflows here. That other official flows are not highly concessional means that the reflows associated with them are large and, in several years, have meant that net other official flows resulted in resources flowing from developing countries to donors.

Who provides other official flows?

In 2011, of the top 20 providers of other official flows, 4 received more in repayments than they disbursed

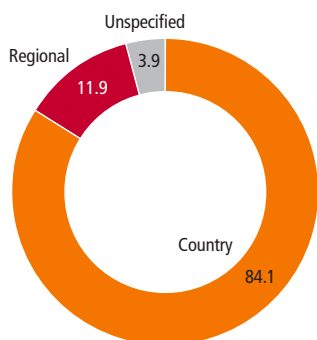
US\$ billions, 2011



Where do other official flows go?

Approximately a sixth of other official flows disbursements are not attributed to a specific recipient

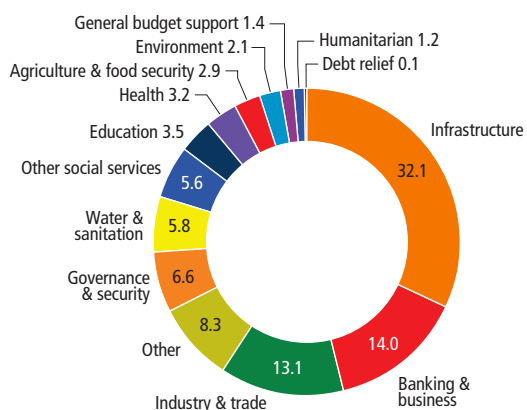
% of total, 2011



Sector composition of other official flows

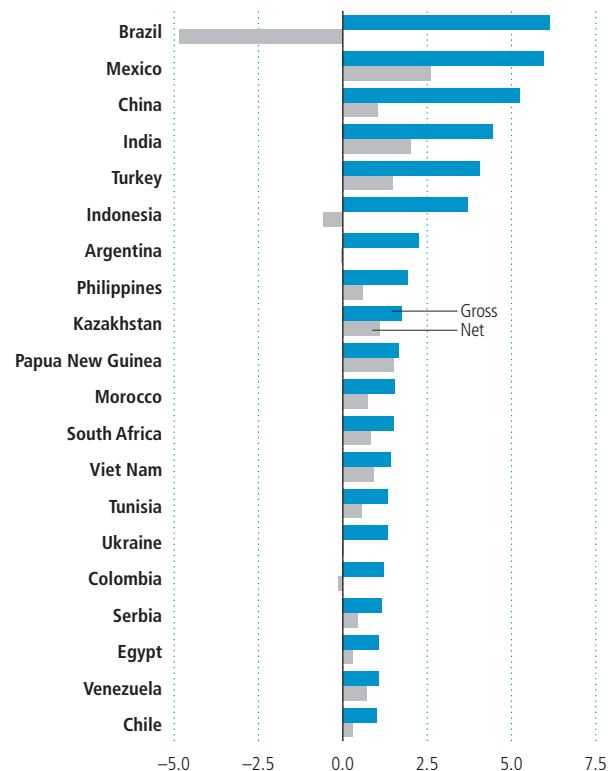
More than half of other official flows for which a sector is specified go to infrastructure or industry

% of total, 2011



Other official flows largely benefit more-prosperous developing countries

% of total, 2011

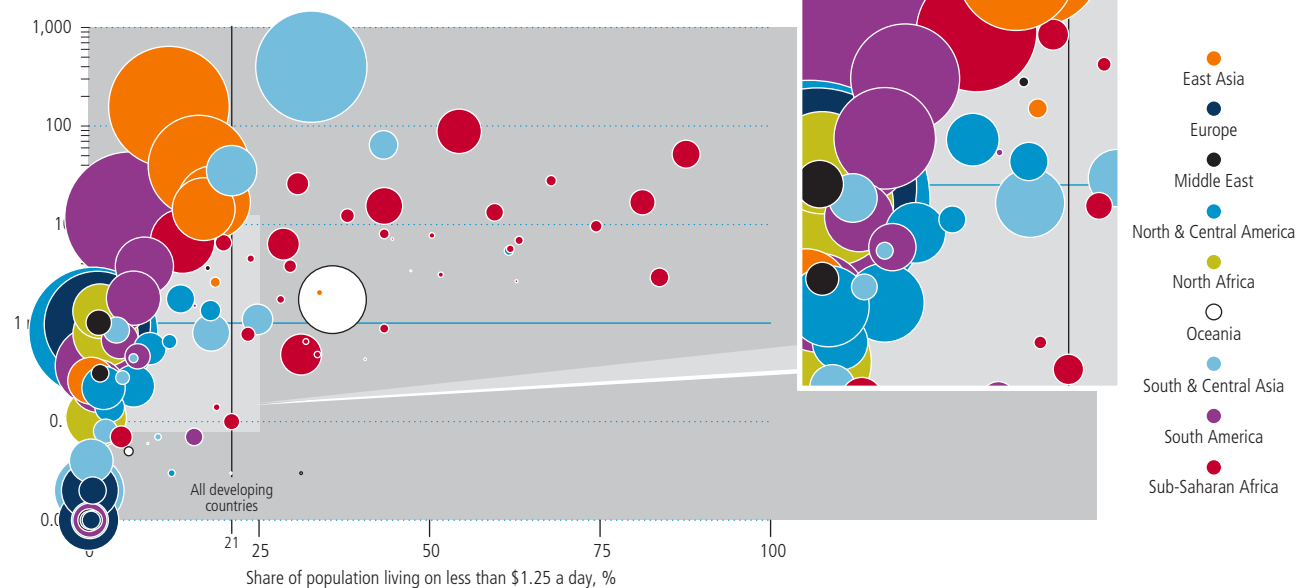


Other official flows are heavily concentrated in more prosperous developing countries, such as Brazil, China, India, Mexico and Turkey. This means that countries with high poverty rates are unlikely to be large-scale recipients. Other official flows are also used more heavily in infrastructure projects and in productive sectors of the economy and less in social and environmental projects.

Other official flows and poverty

Other official flows do not flow to countries with large proportions of poor people

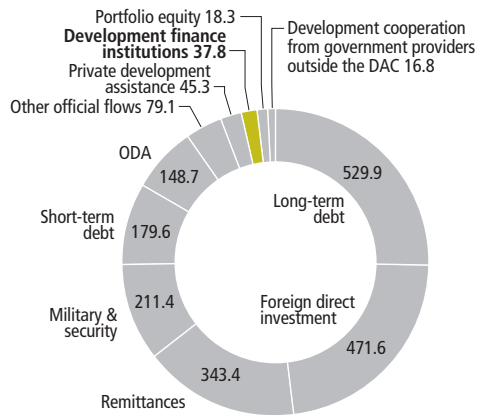
Number of people living on less than \$1.25 a day, millions (log scale), 2011



Note: Data is from the DAC. All data in US\$ is in 2011 prices. AfDB is the African Development Bank. AsDB is the Asian Development Bank. DAC is the Development Assistance Committee of the Organisation for Economic Co-operation and Development. EBRD is the European Bank for Reconstruction and Development. IBRD is the International Bank for Reconstruction and Development. IDB is the Inter-American Development Bank. IFC is the International Finance Corporation. ODA is official development assistance. PPP is purchasing power parity.

Development finance institutions and other resource flows to developing countries

US\$ billions, 2011



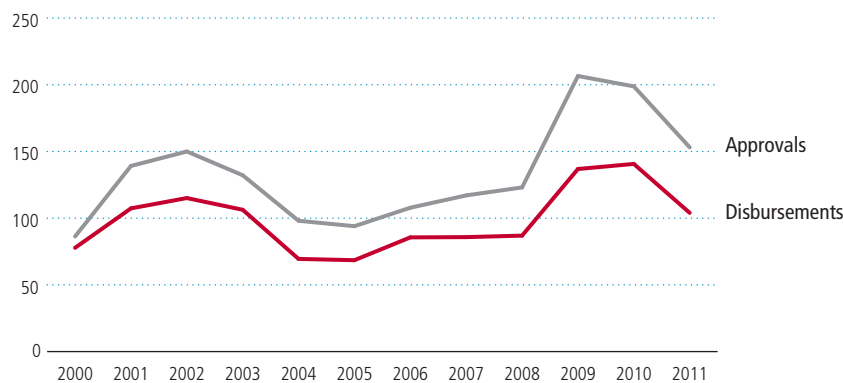
Development finance institutions are bilateral and multilateral institutions that provide financing to public and private institutions in developing countries. While some of their activities are captured as ODA or other official flows, a considerable portion is not recorded under these categories. Many of these institutions have grown rapidly in recent years.

- Excluding operations classified as ODA or other official flows, approvals by development finance institutions totalled an estimated US\$70 billion and disbursements US\$38 billion in 2011 (or US\$104.0 billion when ODA and other official flows are included).
- Loan approvals by development finance institutions have grown 77% in real terms since 2000.
- Multilateral development finance institutions provide the majority of finance.
- The main recipients of loans from development finance institutions are large emerging economies.

How much is there?

Flows from development finance institutions have grown rapidly but fluctuated since the early 2000s

US\$ billions, 2000–2011

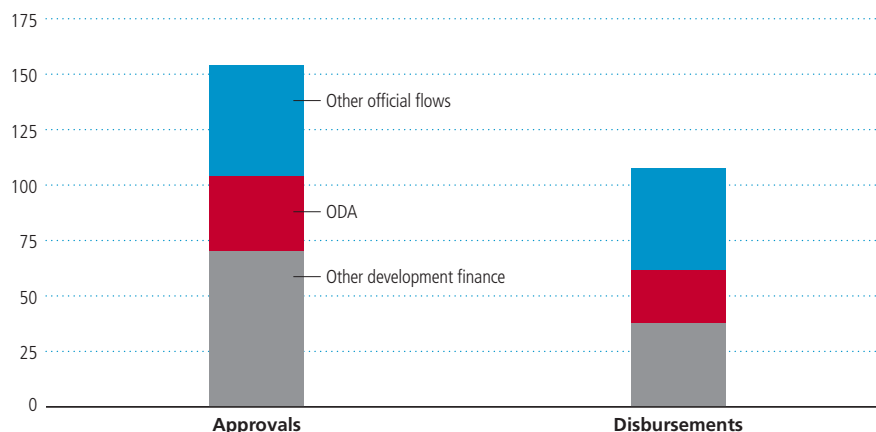


This source of financing has grown rapidly since the early 2000s. Total loan approvals by all institutions peaked at US\$207 billion in 2009. Data on development finance institutions is poor, with data for half the institutions covered available only after 2000. But for institutions with data, approvals have grown an average of 8% a year since 2000. Spikes in 2001 and 2002 were caused largely by the IMF providing bailouts and rescue packages to countries in crisis (notably Argentina, Brazil and Turkey). Development finance institutions operate under mandates ranging from a 'pure' development focus to supporting national interests. Several bilateral development finance institutions actively increased loan approvals during the global economic crisis as part of domestic stimulus packages to open markets for domestic businesses, boost exports and create jobs. Multilateral development finance institutions also increased expenditure during this period, responding to the G20's calls to increase the resources of multilateral development banks, demonstrated by the 68% increase in total approvals in 2009.

ODA, other official flows and other development finance

Development finance institutions provide a considerable amount of development finance that is not counted as ODA or other official flows

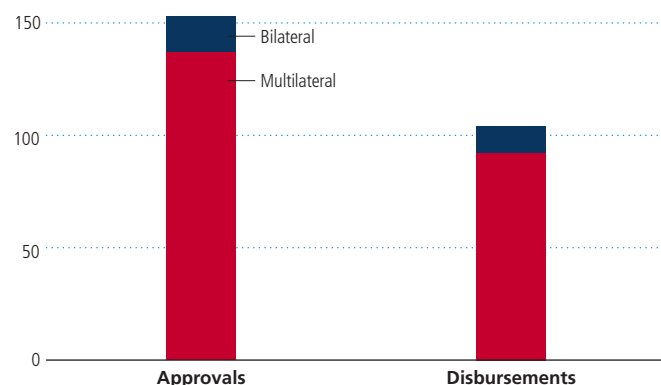
US\$ billions, 2011



Who provides development finance?

Multilateral institutions account for the majority of expenditure by development finance institutions

US\$ billions, 2011

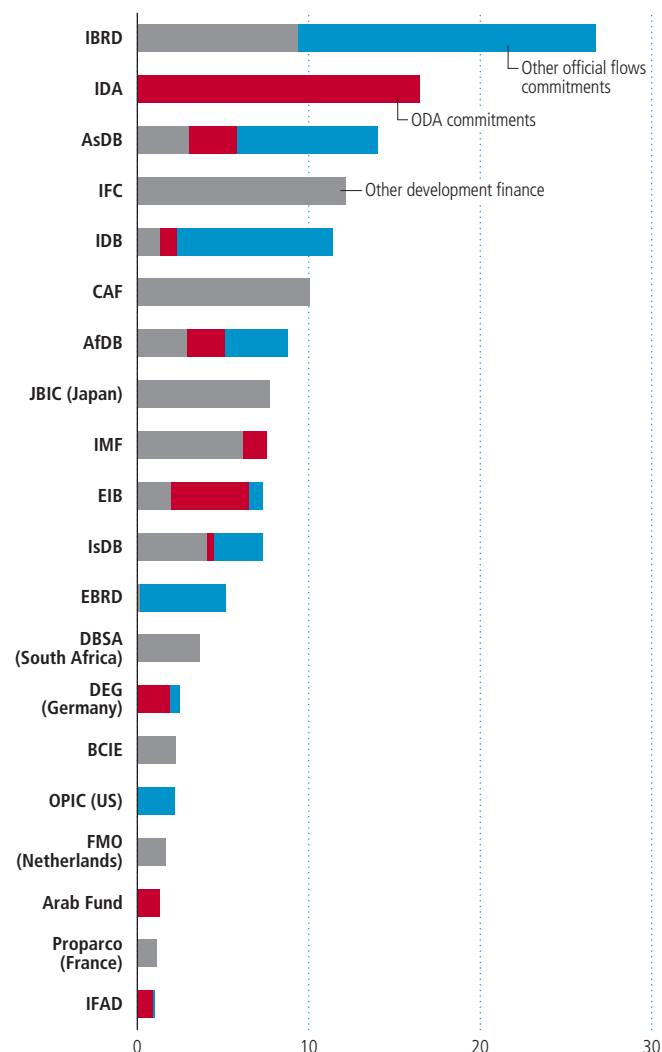


Multilateral institutions account for the majority of expenditure by development finance institutions. This stream of finance is highly concentrated: 10 institutions control roughly 80% of approvals, some US\$122 billion in 2011. The three main World Bank institutions (IBRD, IDA and IFC) made approvals of US\$55 billion in 2011, 45% of the total. Regional development finance institutions also account for a large share of expenditure, led by the Asian Development Bank and the Inter-American Development Bank. CAF (which focuses on Latin America) is the largest sub-regional development finance institution, with approvals growing 166% since 2000. Approvals by the EBRD have almost quadrupled since 2000, the largest percentage increase of all development finance institutions. JBIC (Japan) is the largest bilateral development finance institution, with approvals to developing countries totalling almost US\$8 billion in 2011.

One difference between multilateral and bilateral institutions is their engagement with the public sector. A majority of the loans from large multilateral institutions, such as the AfDB and the AsDB, are sovereign loans, while bilateral institutions, such as OPIC (United States), are oriented mostly to the private sector.

Development finance institutions report their activities differently

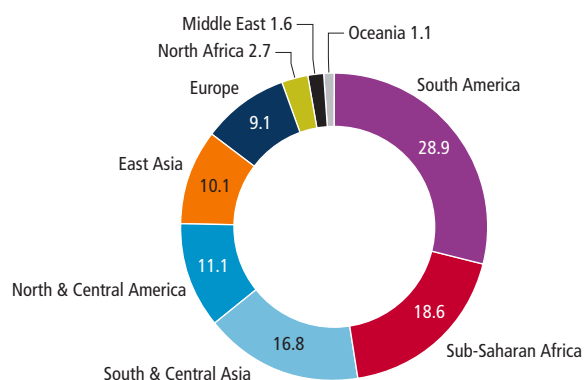
US\$ billions, 2011



Where does development finance go?

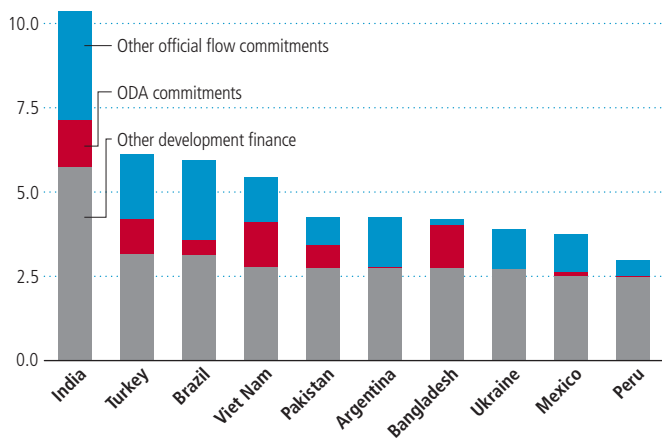
South America, sub-Saharan Africa, and South and Central Asia receive almost two-thirds of approvals from development finance institutions

US\$ billions, 2011



The largest volumes of loan approvals from development finance institutions go to emerging economies

US\$ billions, 2011



Note: AfDB is the African Development Bank. AsDB is the Asian Development Bank. BCIE is the Central American Bank for Economic Integration. CAF is the Latin American Development Bank. DBSA is the Development Bank of Southern Africa. DEG is the German Investment Corporation. EBRD is the European Bank for Reconstruction and Development. EIB is the European Investment Bank. FMO is the Netherlands Development Finance Company. IBRD is the International Bank for Reconstruction and Development. IDA is the International Development Association. IDB is the Inter-American Development Bank. IFAD is the International Fund for Agricultural Development. IFC is the International Finance Corporation. IMF is the International Monetary Fund. IsDB is the Islamic Development Bank. JBIC is the Japan Bank for International Cooperation. ODA is official development assistance. OPIC is the US Overseas Private Investment Corporation.

DEVELOPMENT COOPERATION FROM GOVERNMENT PROVIDERS OUTSIDE THE DAC

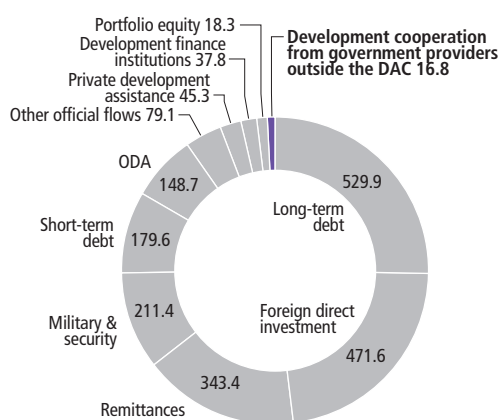
US\$16.8 billion in 2011

Development cooperation from government providers outside the DAC amounted to US\$16.8 billion in 2011, or 10% of global ODA, the largest share since 2000. Development cooperation from these providers quadrupled from 2000 to 2011, while DAC ODA doubled. Data is incomplete, so development cooperation flows by government providers outside the DAC are likely to be underestimated.

- The largest government provider of development cooperation outside the DAC is China, disbursing estimated US\$5.6 billion in 2011, comparable to ODA from Saudi Arabia (US\$5.2 billion), the second largest government provider outside the DAC, and Canada (US\$5.5 billion), the eighth largest DAC donor.
- Country recipients in the Middle East and sub-Saharan Africa account for 74% of development cooperation flows, thanks mostly to contributions from Saudi Arabia and China.
- About 20% of flows go to international organisations as either core or earmarked funding.

Development cooperation from government providers outside the DAC and other resource flows to developing countries

US\$ billions, 2011



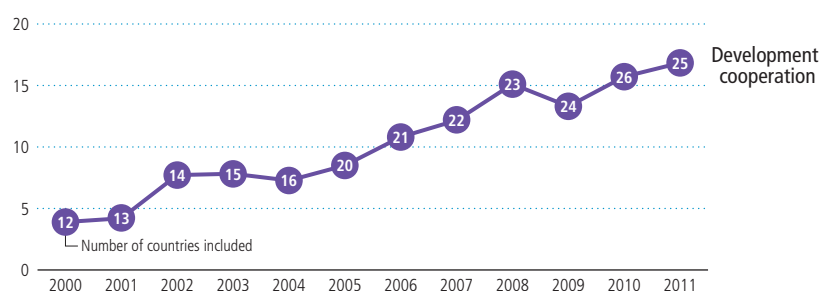
Development cooperation from government providers outside the DAC does not align completely to the DAC definition of ODA, and different providers adopt different definitions and reporting practices. Some countries, such as Russia and Turkey, aim to join the DAC and align to the ODA definition. Arab States use the ODA definition when reporting to the DAC, but countries such as the United Arab Emirates include additional flows in their own reporting. Emerging powers such as Brazil, China and India use a definition that reflects their own views of what constitutes development cooperation. Importantly, countries that receive aid also provide assistance to other developing countries: For example, of the 80 countries that reported their humanitarian assistance contributions to the UN Financial Tracking System in 2012, 50 were also ODA recipients.

Some of these providers have been disbursing official funding for development since the 1950s and have created their own measures, definitions, institutions, and international ties in the process. Flows remain small when compared with other development finance resources, such as DAC ODA or private development assistance from NGOs and foundations, but they are growing more quickly than ODA. The role of official development cooperation in eradicating poverty alongside other resources is increasingly relevant in the light of the growing importance of some of these providers as emerging economic and political powers.

How much is there?

Development cooperation from government providers outside the DAC increased by 4 times between 2000 and 2011, due in part to improving data

Gross disbursements, US\$ billions, 2000–2011



Note: Concessional loans for China are estimated for 2002–2009 by Brautigam (2011) and by Development Initiatives for 2010 and 2011.

The largest providers of development cooperation and the comparable DAC donors in volumes

Other development cooperation provider	Gross disbursements, US\$ billions, 2011	Closest DAC donor (larger or smaller)	Gross disbursements, US\$ billions, 2011
China	5.5 ^a	Canada	5.5
Saudi Arabia	5.2	Canada	5.5
Turkey	1.3	Korea	1.4
Brazil	1.0 ^b	Austria	1.1
United Arab Emirates	0.8	Portugal	0.7
India	0.8	Portugal	0.7
Kuwait (KFAED)	0.5	Greece	0.4
Russia	0.5	Greece	0.4
Poland	0.4	New Zealand	0.4
Chinese Taipei	0.4	Luxembourg	0.4

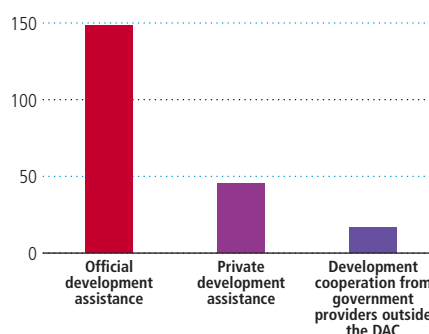
a. Concessional loans for China are estimated by Development Initiatives for 2011.
b. Data is for 2010.

Observed increases over 2000–2011 are due to both increased disbursements and better reporting. Current estimates present data for a limited number of countries, so flows are underestimated.

Volume comparisons with DAC donors have to be assessed carefully because composition varies greatly. ODA composition varies even among DAC donors, which have agreed on a general reporting standard for ODA and similar flows. Government providers outside the DAC may not follow these criteria.

Development cooperation from non-DAC providers is smaller than both ODA and PDA

Gross disbursements, US\$ billions, 2011

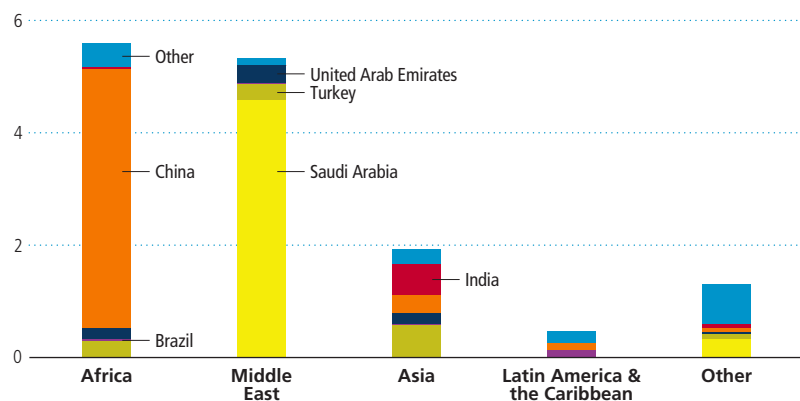


Note: Concessional loans for China are estimated by Development Initiatives.

Where does it go?

Large providers of development cooperation drive distribution towards Africa and the Middle East

Gross disbursements, US\$ billions, 2011

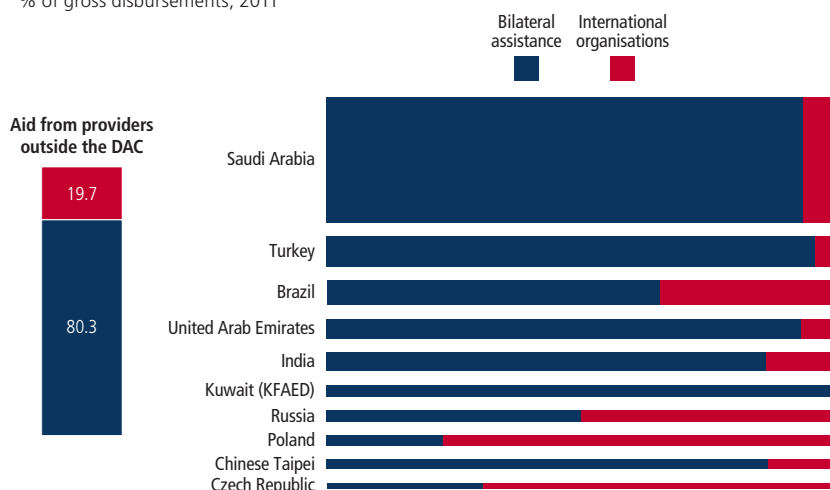


Note: Data for China is estimated based on previous distributions and future commitments. Data for India includes only technical and economic cooperation and excludes concessional lines of credit. Data for South Africa includes only transfers under the African Renaissance and International Cooperation Fund. Data on Brazil covers direct support to countries for humanitarian assistance, education cooperation, technical cooperation, and technological and scientific cooperation for 2010. For Brazil, China and India data may include countries that are not eligible to receive ODA, but those volumes are thought to be small.

How is it delivered?

As for DAC donors, proportions of contributions to international organisations vary widely between providers

% of gross disbursements, 2011

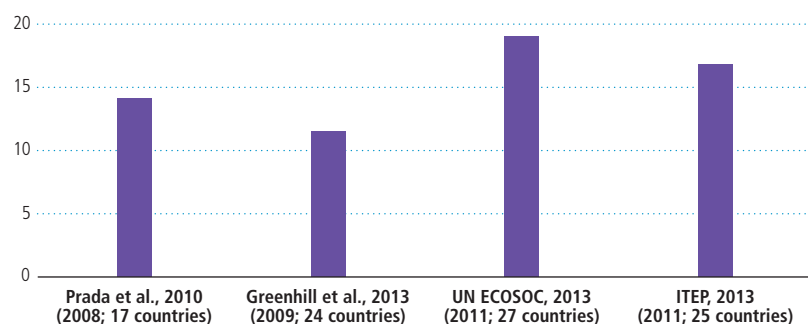


Note: Contributions to international organisations for Brazil, India and South Africa can be core or earmarked funding and include disbursements to bodies excluded from the list of ODA multilateral recipients. China is not included. Data for Brazil is for 2010.

Comparison of estimates

Estimates of development cooperation from other providers vary

Gross disbursements, current US\$ billions, various years



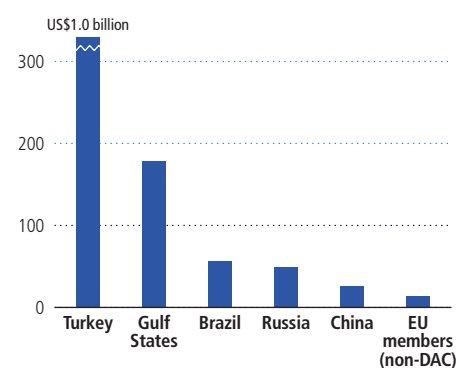
Note: Greenhill et al. covers non-DAC countries reporting to the DAC plus Brazil, China, India, Russia and South Africa; ECOSOC covers 27 countries plus 3 Southern multilateral organisations; ITEP covers non-DAC countries reporting to the DAC plus Brazil, China, India and South Africa. China concessional loans are estimated for 2011.

Most of the top providers of development cooperation have a strong regional focus. Saudi Arabia disburses 93% of its bilateral funds to the Middle East; United Arab Emirates, 44%. About 68% of development cooperation from Brazil is concentrated in Latin America and the Caribbean, and Asia receives 87% of flows from India. China, with its focus on Africa, and Turkey, which gives mostly to Asia but supports countries in a variety of regions, are exceptions.

Development cooperation from the group reaches mostly the Middle East and Africa, due to large disbursements from Saudi Arabia and China respectively. The regions each received more than US\$5 billion in 2011 and together accounted for 75% of bilateral development cooperation flows. Sub-Saharan Africa receives support from a variety of providers and is a focus for Brazil, which allocates 23% of its development cooperation to the region.

Turkey's large 2012 contributions increased official humanitarian assistance from non-DAC providers to US\$1.4 billion, 11% of the total

Gross disbursements, US\$ millions, 2012



Note: Data for Czech Republic and Turkey are preliminary.

Contributions to international organisations from government providers of development cooperation outside the DAC reached US\$2.3 billion in 2011, 20% of total disbursements from these governments. This includes multilateral core funding from providers that report to the DAC as well as contributions to international organisations from Brazil, India and South Africa. For countries that do not report to the DAC, details on whether these are core or earmarked funds are not available.

Humanitarian assistance is an important component of development cooperation for Turkey, Saudi Arabia and Brazil. Humanitarian assistance from government providers outside the DAC increased from US\$798 million to US\$1.4 billion between 2011 and 2012, driven by Turkey's increase. This corresponds to an increase from 6% to 11% of global official humanitarian assistance.

Note: Data is from national sources for Brazil, China, India and South Africa and from the DAC for Bulgaria, Chinese Taipei, Cyprus, Estonia, Hungary, Israel, Kuwait (KFAED), Latvia, Liechtenstein, Lithuania, Malta, Poland, Romania, Russia, Saudi Arabia, Slovak Republic, Slovenia, Thailand, Turkey and the United Arab Emirates (ODA and other official flows); the World Bank (remittances); and the UN Office for the Coordination of Humanitarian Affairs Financial Tracking System (humanitarian assistance). Data in US\$ is in 2011 prices, unless otherwise indicated. DAC is the Development Assistance Committee of the Organisation for Economic Co-operation and Development. ODA is official development assistance (aid).

PRIVATE DEVELOPMENT ASSISTANCE

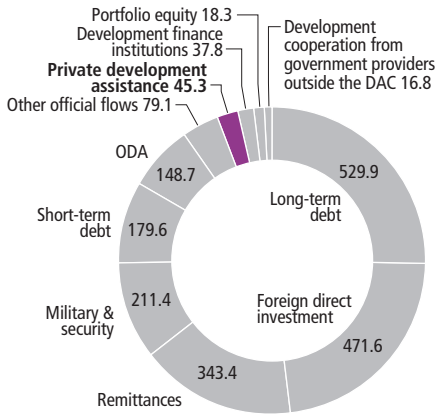
US\$45.3 billion in 2011

Private development assistance incorporates all international concessional resource flows voluntarily transferred from private sources to international development. Private development assistance providers and delivery agencies include NGOs, foundations and corporate giving.

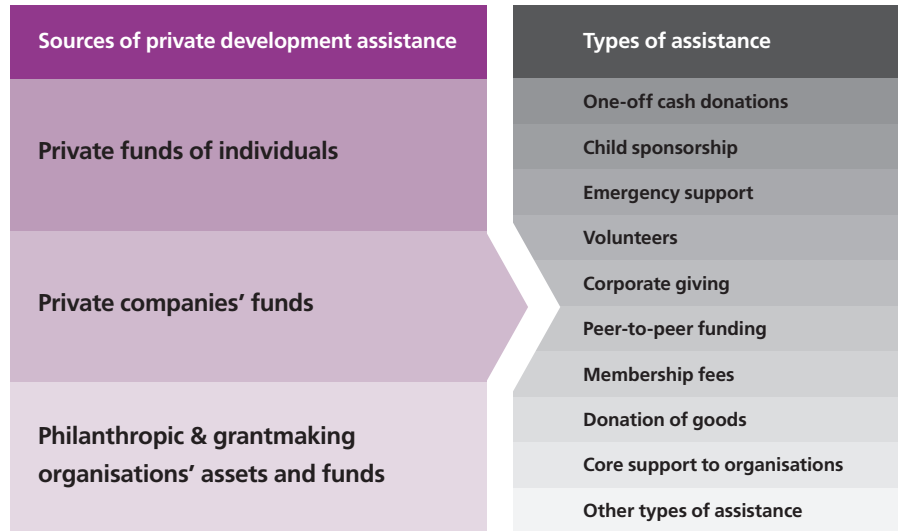
- The United States is the largest provider of private development assistance.
- The largest source of private development assistance is in the private contributions of individuals to international development.
- Private development assistance is channelled mostly through NGOs.

Private development assistance and other resource flows to developing countries

US\$ billions, 2011



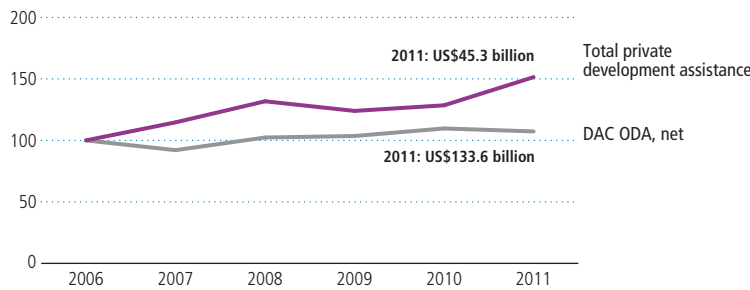
What is private development assistance?



How much is there?

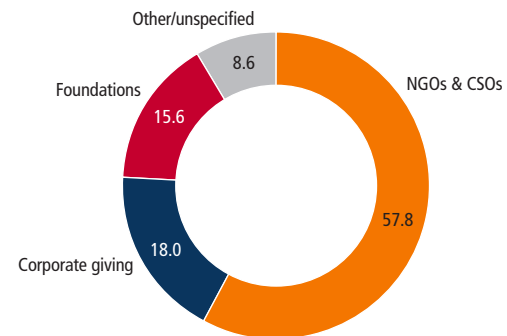
Private development assistance is growing faster than ODA

Index, 2006 = 100, 23 DAC countries



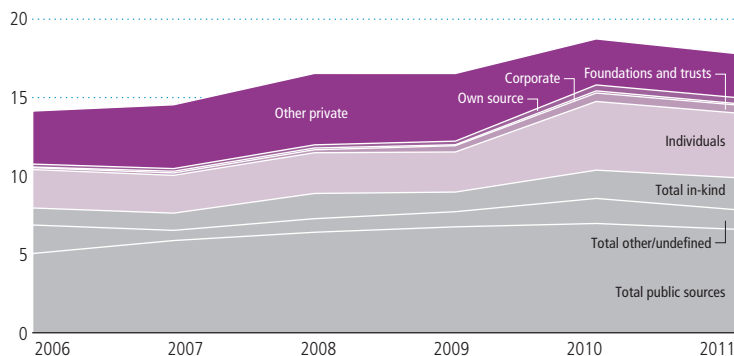
Private revenue channelled by NGOs is the main component of private development assistance

% of total private development assistance for 23 DAC countries



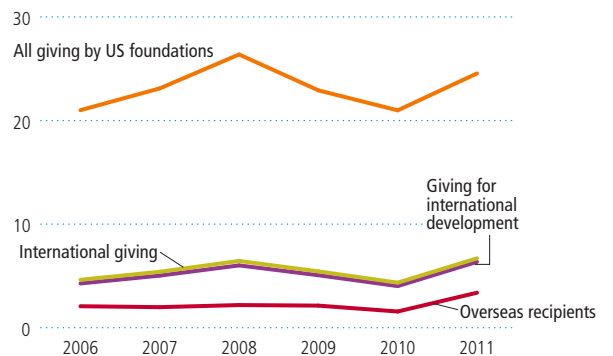
Private development assistance accounts for a larger share of NGO revenue than does public funding

Source of revenue for 31 international NGOs and confederations, US\$ billions, 2006–2011



Giving to international recipients is growing as a share of total foundation giving

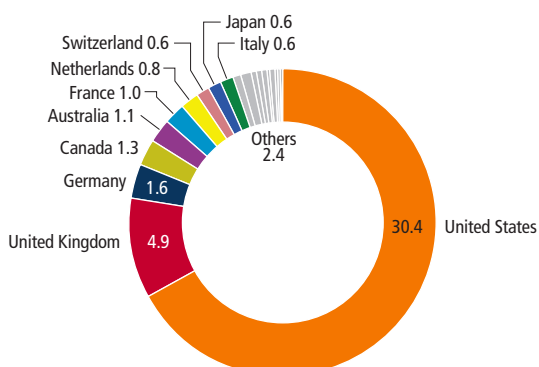
Giving by US foundations, US\$ billions, 2006–2011



Who provides development assistance?

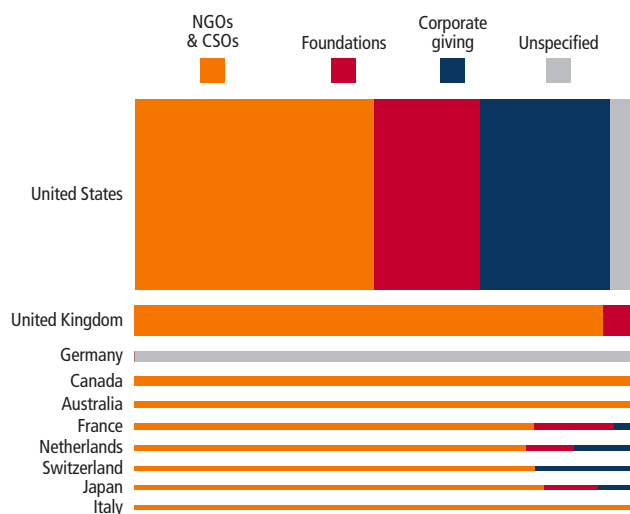
The United States is the largest provider of private development assistance

US\$ billions, most recent year available



The private development assistance bundle is different for each donor

% of total private development assistance for each donor, most recent year available



The legislative context affects overall levels of giving and reporting

Different legislative contexts affect the level of giving. Australia's, Japan's, the Netherlands' and the United States' legislations are highly conducive to philanthropic activity, based on the ease of registering NGOs, making cross-border donations and tax incentives. India and South Africa have implemented policies that give tax deductions to donors. Russia and China are amongst the countries with the most restrictive environments. Countries with better data availability and coverage will also appear as more generous.

Private development assistance is emerging in countries beyond the DAC

Local giving dominates giving from private sources in countries beyond the DAC. Available data shows the strong role of corporate giving, high net worth individuals and foundations as channels for giving. Four countries – China, Saudi Arabia, Turkey and the United Arab Emirates – collectively contribute an estimated US\$1.1 billion in private development assistance (likely an underestimation). Data on local giving from Brazil, China, India, Saudi Arabia, South Africa and Turkey places combined local giving in excess of US\$35.2 billion.

Asia: China and India

International giving from Asian countries is estimated to be low given the lack of philanthropic infrastructure and the primacy of local giving, according to the Economist Intelligence Unit.

The Chinese Red Cross and the China-Africa Hope project contributed at least US\$130 million in 2011 to international causes, according to media-based research project AidData. Local giving to non-profit organisations was US\$13.1 billion in 2011, according to the China Charity Donation and Information Center. This relatively low level of giving can be explained partly by restrictive legislation on non-profits. A UBS and INSEAD report on family giving finds that less than 1% of Chinese philanthropists give outside of China.

In India 694,000 non-profits are estimated to receive US\$9.3 billion from private sources, according to a 2007–2011 study by the Indian government. Foundations are a key channel for local giving: 3,072 non-profits are registered as working on international activities; however, data on their expenditure is not available. As with local giving, corporate giving and high net worth individuals account for a large share of giving, according to Bain & Company.

Middle East: Saudi Arabia and United Arab Emirates

Philanthropy in the six Persian Gulf states of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates is estimated at US\$15–20 billion in 2009, according to the World Congress of Muslim Philanthropists, but less than US\$2 billion is channelled through formal institutions. Local giving in Saudi Arabia is estimated at US\$533 million, based on donations from individuals received by 420 benevolent associations and 42 foundations registered by the Ministry of Labor and Social Affairs in 2008. Private development assistance by Saudi Arabia reached at least US\$488 million in

2010, according to the Global Public Policy Institute. The United Arab Emirates Office for the Coordination of Foreign Aid reports US\$133 million in private development assistance in 2011.

Africa: South Africa

In South Africa 63 nonprofits work on international activities, according to the Department of Social Affairs; however, expenditure data is lacking. BoE Private Clients estimates that 8% of South Africa-based high net worth individuals give internationally. Local philanthropy in South Africa is estimated at US\$120 million in 2011 by the African Grantmakers Network. This is likely to be an underestimation. In 2011 Trialogue measured giving by 99 corporations in South Africa at US\$761 million, of which 40% went to NGOs. Regional philanthropy in Africa is limited by lack of resources. The Global Fund for Community Foundations finds that 15 foundations across Africa have collective revenue of US\$2.1 million.

Europe: Turkey and Russia

Private development assistance from Turkey was US\$200 million in 2011, as reported to the OECD.

Giving in Russia is overwhelmingly local. The Russian government's first federal open tender for NGO funding was in 2006. Data on international giving is not available, and data on local giving reveals a young sector, with 100 foundations estimated to control no more than US\$800 million in 2010. A 2006 report by the Hudson Institute found that corporate donations dominate local giving, with Russia's 23 biggest corporations donating US\$1.5 billion in 2006.

The practical difficulties associated with registering an NGO in both countries is an example of a legislative context that creates barriers to private development assistance.

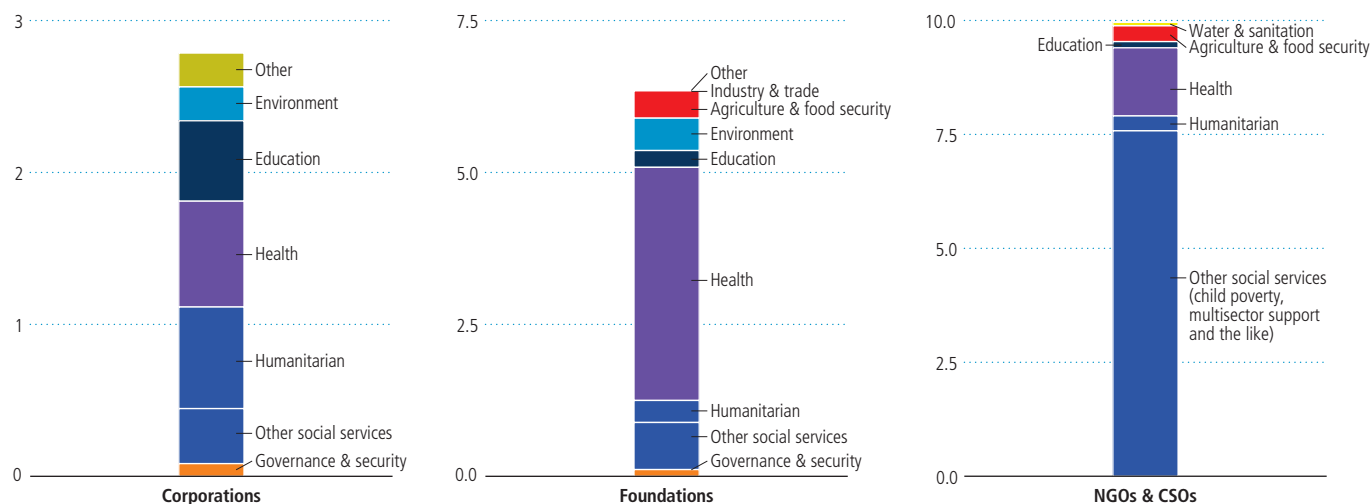
Latin America: Brazil

The AVINA Foundation–Inter-American Development Bank Latin American and Caribbean donor index estimates that 71 Latin American organisations provided US\$1.0 billion for the region in 2010. Brazil is the largest donor in the region, providing approximately US\$868 million, of which 73% was from nine organisations. Local giving data shows the fast growth of corporate giving in Brazil, estimated by McKinsey at US\$3.4 billion in 2007.

Where does private development assistance go?

Different providers of private development assistance focus on different sectors

US\$ billions, 2011



Note: Based on a sample of 213 corporations, 1,330 foundations and 31 international NGOs and confederations.

Private development assistance recipients (country perspective)

NGOs and foundations focus on different types of countries

Foundations: Top 10 developing country recipients in 2011	US\$ millions, 2011	NGOs: Top 10 country recipients in 2011	US\$ millions, 2011
India	120.7	Pakistan	342.1
China	117.3	Haiti	327.0
Kenya	103.6	Congo, Dem. Rep.	240.7
South Africa	99.4	Somalia	225.1
Mexico	81.3	Afghanistan	168.0
Brazil	35.3	Kenya	158.5
Viet Nam	33.9	Ethiopia	154.6
Philippines	33.3	Sudan	115.1
Peru	21.5	Iraq	93.0
Swaziland	18.3	South Sudan	86.5

Note: Based on a sample of 1,330 foundations and 19 international NGOs and confederations.

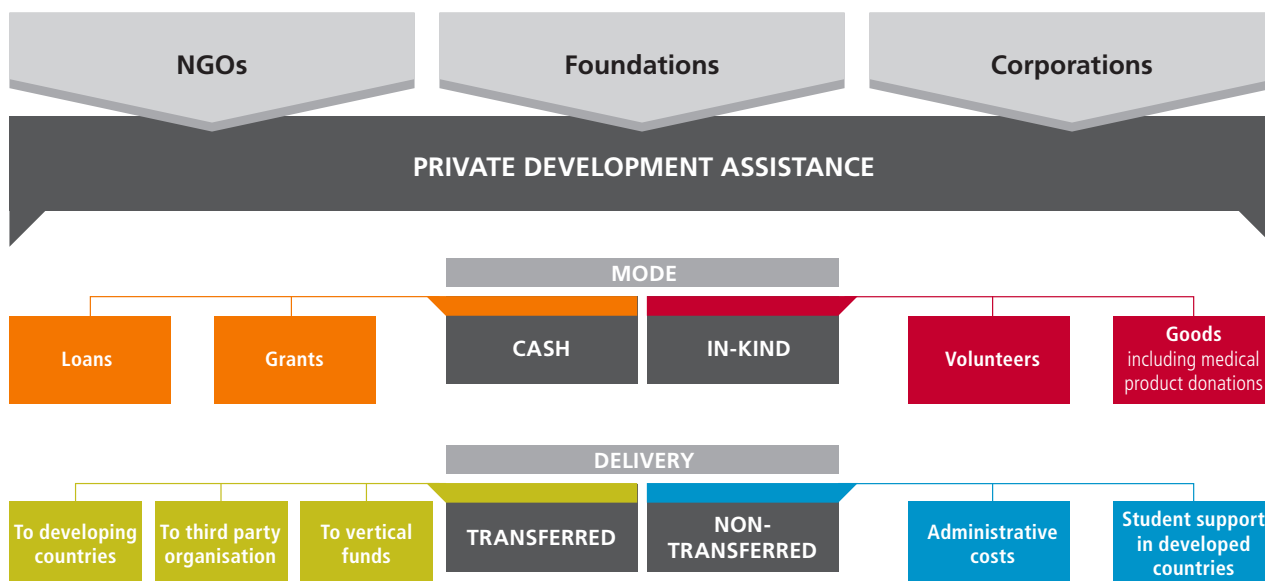
Traceability of private development assistance is low

Private development assistance does not behave like ODA: rather than supporting countries and being distributed based on country-level attributes, private development assistance generally supports specific projects, organisations or individuals. Individual giving to NGOs, for example, is often unrestricted. Individual donors often give to an NGO rather than to a country.

Similarly, foundation giving is oriented towards particular institutions rather than towards particular countries. Switzerland received US\$1.9 billion in foundation giving in 2011, of which 96% went to three organisations: the GAVI Alliance, the Global Fund and the World Health Organization.

Data on giving to specific regions is patchy and difficult to aggregate and compare across the three private development assistance flows, due to different classifications. Overall, the traceability of private development assistance is very low. Data from a sample of providers and delivery agencies reveals that foundations, NGOs, corporate giving and ODA behave differently.

Private development assistance delivery channels and modes



Delivery and concentration

Data on the share of private development assistance that is not transferred outside of the donor country, and assistance in-kind, is lacking on a global scale. In the United States at least 15% of private development assistance is not transferred, including donor costs and support to students from developing countries. At least 17% is donor-valued in-kind assistance, including a large share of drug and medical equipment donations from pharmaceutical firms.

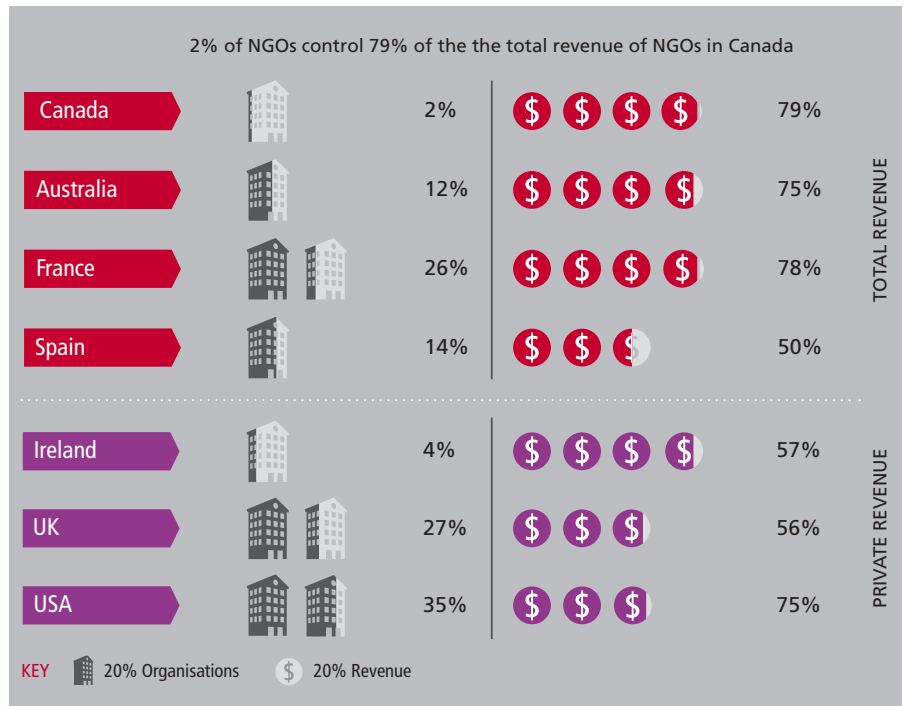
Data on private development assistance is lacking in coverage and quality

Diverse regulatory environments and legislative definitions of charitable organisations and international giving make international comparisons of private development assistance particularly difficult. National data sources offer different coverage and classifications of private development assistance providers and delivery agencies. Comparing and aggregating data on private development assistance from national sources is thus problematic.

A related challenge is the lack of standardisation of research methodologies for quantifying key information. Double counting is a risk because lack of access to underlying unaggregated data means that overlaps across flows and organisations cannot be measured. Because funds often transit through several bodies before reaching the final point of expenditure, relying on the reporting organisations to estimate the scale of private development assistance can easily yield overestimates. Finally, there is a considerable lack of detail in private development assistance reporting, which focuses more on domestic reporting needs than on recipient perspectives. Traceability to the final recipient, and disbursement figures by sector and country are often lacking. Due to the unreliability of data, estimates of private development assistance can vary enormously. The lack of coverage of available data limits comparability and validity of donor rankings.

Private development assistance resources are highly concentrated among a few organisations

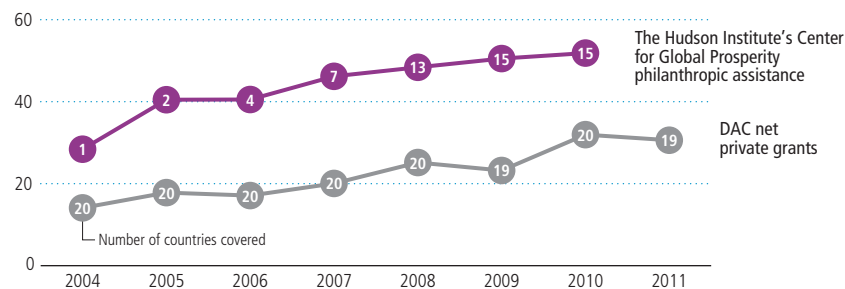
For countries with granular information available, data shows that a small share of organisations controls the majority of the revenue generated by all international organisations in the country. This is observable both for total revenue from all sources and for revenue from private sources specifically.



Note: Data is for the most recent year available.

Different data sources show different volumes

US\$ billions, 2004–2011



Note: Data is Development Initiatives calculations based on 2010 data from the Hudson Institute's Center for Global Prosperity (Denmark, Finland, Italy, Luxembourg, Netherlands, Norway, Portugal, Sweden, Switzerland, United Kingdom, United States), 2011 data from the OECD DAC (Austria, Germany, Greece, Korea, Turkey) and the following national sources. Australia: the Australian Council for International Development (2010/11); Belgium: ONG Livre Ouvert (2011); Brazil: the AVINA Foundation, the Inter-American Development Bank (2010), McKinsey & Company (2007); Canada: the Canadian Council for International Co-operation (2011); China: Economist Intelligence Unit (2011), UBS-INSEAD (2011), China Charity and Donation Information Center (2011); France: Admical (2012), Coordination SUD (2004), Observatoire de la Fondation de France (2009); India: London School of Economics India Observatory, Bain & Company (2012), Ministry of Statistics and Programme Implementation (2007–2011); Ireland: Dóchas (2012); New Zealand: the New Zealand Council for International Development (2011); Russia: the Columbia University School of International and Public Affairs (2010), Charity Aid Foundation Russia (2011); Saudi Arabia: the John D. Gerhart Center for Philanthropy and Civic Engagement (2008), World Congress of Muslim Philanthropists (2009), Global Public Policy Institute (2010); South Africa: African Grantmakers Network (2010), Trialogue (2010–2012), Statistics South Africa (2013), Global Fund for Community Foundations (2011–2012), BoE Private Clients (2010); United Kingdom: the Charities Aid Foundation (2011), Nuffield Foundation (2009/10); United States: the Foundation Center (2011), the United States Agency for International Development's Report of Voluntary Agencies Engaged in Overseas Relief and Development (2010); United Arab Emirates: Office for the Coordination of Foreign Aid (2011). NGO data: annual reports of 31 international NGOs and confederations (listed in *Methodology*). Corporate giving data: the Committee Encouraging Corporate Philanthropy, the Foundation Center. Data in US\$ is in 2011 prices except for country-level data for non-DAC countries, which are in current prices. Own source are funds that an organisation has generated for itself through sale of goods or services, interest or other means. Other/unspecified private development assistance is spending that cannot be allocated to NGOs, foundations or corporate giving due to the unavailability of detailed data or spending delivered in partnership across these channels and providers. High net worth individuals are individuals with assets over US\$1 million. CSOs are civil society organisations. DAC is the Development Assistance Committee of the OECD. NGOs are non-governmental organisations. ODA is official development assistance. OECD is the Organisation for Economic Co-operation and Development.

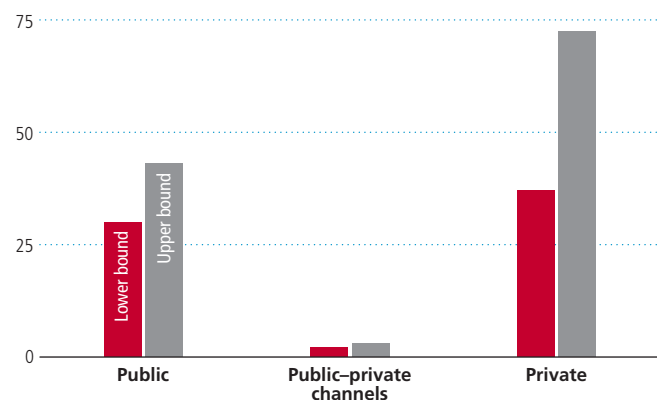
Climate change finance constitutes a range of public and private flows directed at initiatives to either mitigate the exacerbation of climate change or to minimise the impacts of climate change through adaptation. At the 16th Conference of Parties to the United Nations Framework Convention on Climate Change in 2010, developed countries committed to jointly mobilising US\$100 billion a year by 2020 to address developing countries' needs. Funds may come from a wide variety of sources, public or private, bilateral and multilateral, including alternative sources.

- The majority of climate change flows going to developing countries come from the private sector.
- Donors channel climate change flows through a number of specific funds.
- The majority of climate change finance is used for mitigation.

How much is there?

Total climate change finance from developed to developing countries was estimated at \$95 billion in 2009/2010, with more than half coming from the private sector

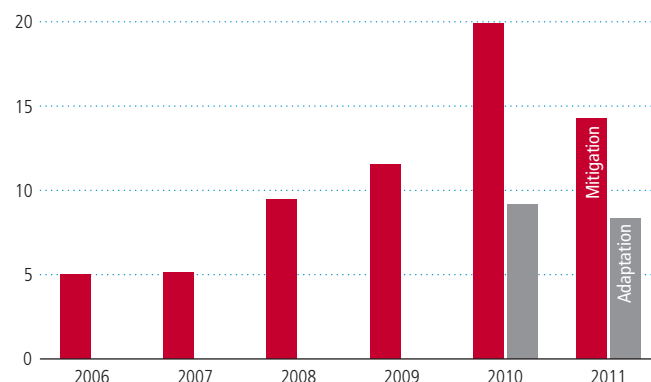
Climate change finance, US\$ billions, 2009/2010



Climate change finance ODA

ODA reported by donors as having a focus on climate change is substantial and increasing

Donor ODA reported to OECD as having either mitigation or adaptation as a primary or significant objective US\$ billions, 2006–2011

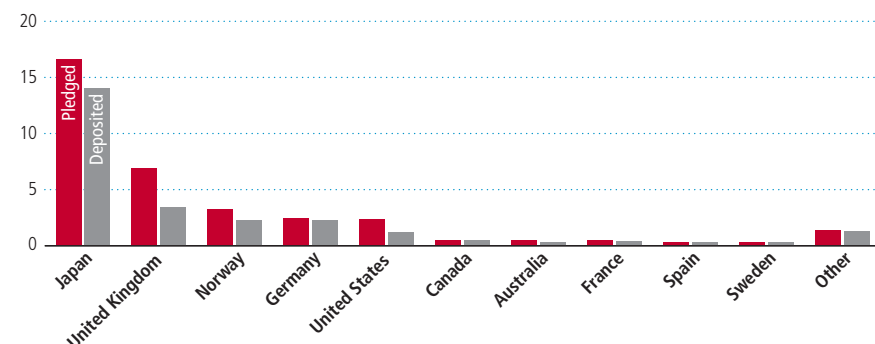


Climate change finance comes from a range of sources: public sources include bilateral and multilateral agencies and climate-specific funds, public-private initiatives include export credits and transactions through the Clean Development Mechanism, and private flows, by far the largest component, include philanthropy and private investment. Precise figures are unknown, necessitating volume ranges – particularly for private sources. Total climate finance from developed countries to developing countries grew an estimated 15% between 2009/2010 and 2010/2011.

Climate change funds

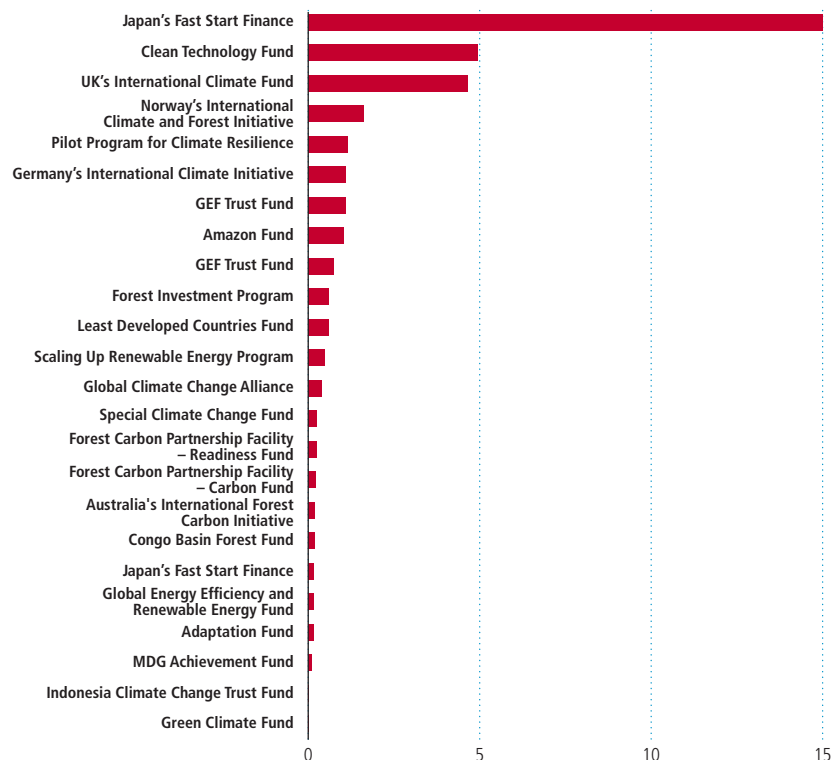
While donor pledges to specific climate funds are substantially less, and actual deposits smaller again

Cumulative pledges and deposits to climate change funds US\$ billions, 2002–2012



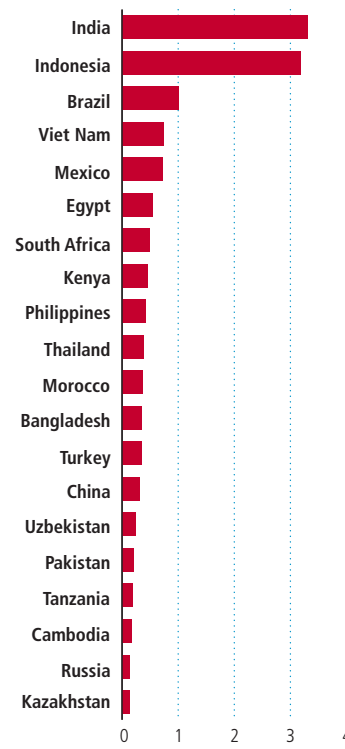
At least 24 climate-specific funds are managed through either bilateral or multilateral institutions

Cumulative pledges to climate change funds US\$ billions, 2003–2012



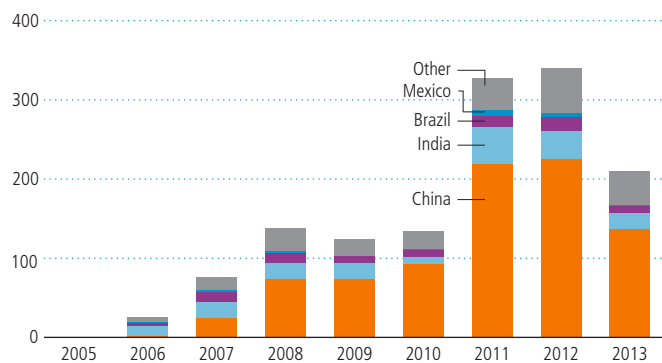
The destination of climate funds in aggregate is dominated by a few, more wealthy countries

Cumulative approved financing, US\$ billions, 2003–2012



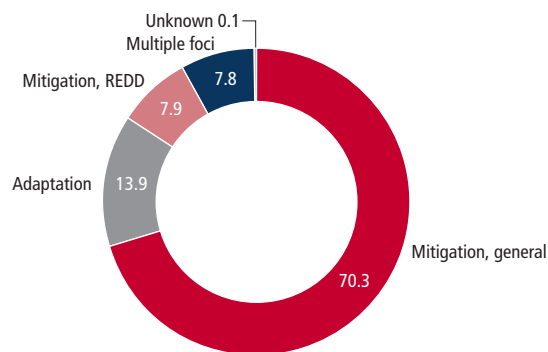
Most Clean Development Mechanism mitigation-driven investments have been directed to China, India and Brazil

Number of certified emission reductions, 2005–2013



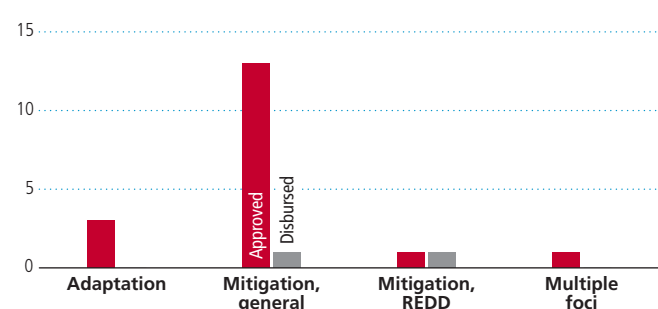
Mitigation also accounts for largest use of specific climate funds...

% of cumulative approved finance, 2003–2012



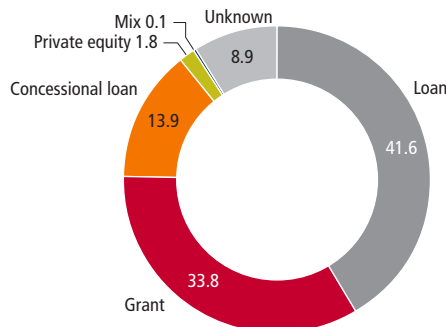
... but actual disbursements remain low for all uses

Cumulative approved and disbursed finance, US\$ billions, 2003–2012



Despite their public source, lending has accounted for 56% financing through specific climate funds

% of cumulative approved finance, 2003–2012



Note: Data is from the Development Assistance Committee of the OECD (ODA) and the Overseas Development Institute (climate funds). All data in US\$ is in 2011 prices. GEF is the Global Environment Facility. ODA is official development assistance. OECD is the Organisation for Economic Co-operation and Development. REDD is Reducing Emissions from Deforestation and Forest Degradation.

INNOVATIVE FINANCE MECHANISMS

US\$1.2 billion in 2011

The innovative finance bundle contains a mix of ODA, private development assistance and commercial flows. In 2011 nine innovative finance flows totalled US\$1.2 billion, including US\$800 million in donor contributions. The largest type of finance in the bundle is bonds issued through IFFIm.

- France is the largest provider of innovative finance.
- Innovative finance is channelled mostly through vertical funds in the health sector.

What is innovative finance?

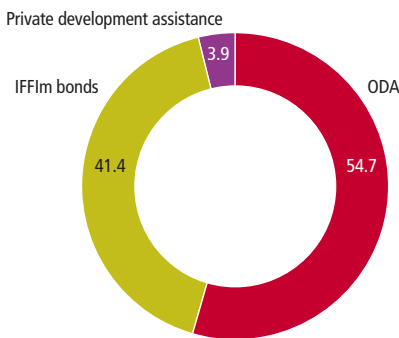
Innovative finance is a way of classifying a range of financial flows, estimated to be composed of ODA (55%), bonds raised on capital markets (41%) and private development assistance (4%). Mechanisms are characterised by pooling of resources, multilateral management of resources and blurring of private–public boundaries. Two major distinctions can be made: innovative sources of funds and innovative use of funds. Innovative finance can rely on market-based mechanisms, mechanisms based on compulsory charges, debt-based mechanisms or mechanisms based on voluntary contributions. Future mechanisms under consideration include the International Financial Transaction Tax, to be implemented by 11 European countries by 2014 and expected to generate an estimated €31 billion a year (US\$41 billion). France has already implemented a national financial transaction tax and allocated 10% of the revenue to development and climate change.

The nature of some innovative mechanisms results in high volatility as a whole, as pledges and contributions may be made at discrete points in time, resulting in sharp year-to-year fluctuations.

How much is there?

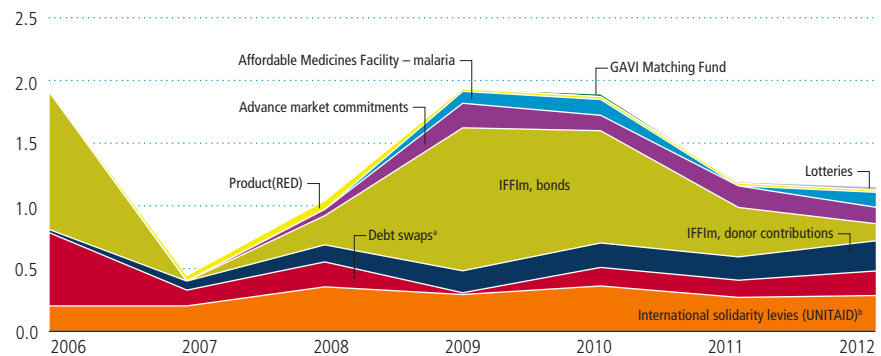
Some 55% of innovative finance is composed of ODA flows

Cumulative %, 2006–2012



Cumulative donor contributions to innovative finance since 2006 have reached US\$5.7 billion

US\$ billions, 2006–2012

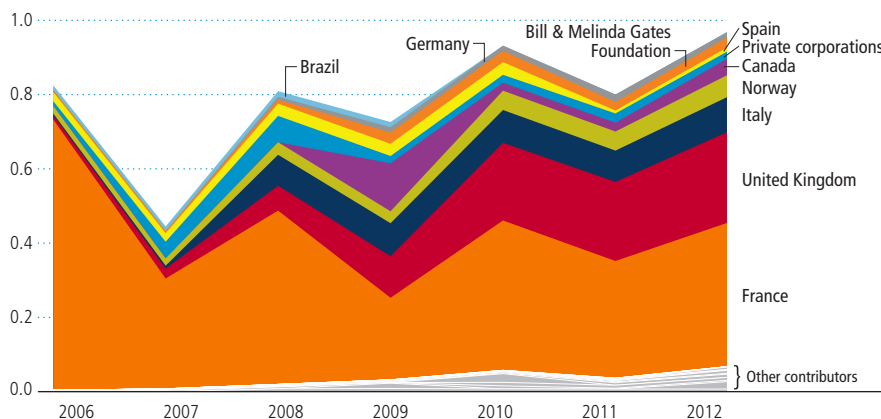


a. Deflated using deflators from creditor countries.
b. 2006–2007 contributions cannot be disaggregated and have been split equally between the two years.

Who provides innovative finance?

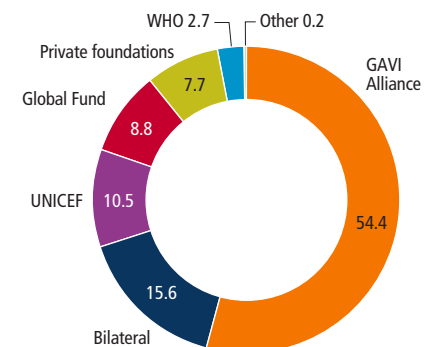
France is the largest contributor to innovative finance mechanisms

US\$ billions, 2006–2012



Innovative finance is channelled mainly through global funds such as the GAVI Alliance

% of total, cumulative 2006–2012



The health sector has attracted a large share of innovative sources or uses of funds: Vaccination, immunisation and communicable diseases such as HIV/AIDS have received a large share, including expenditure on research and development. French debt reduction and development contracts are multisectoral, and the Belgian Lottery development allocation focuses on food security.

Innovative finance is channelled mainly through multilateral organisations and global funds. Such financing is supported by many donors, from DAC donors to other government providers of development cooperation outside the DAC (Brazil, Russia and South Africa) to developing countries (Cameroon, Chile, Madagascar and Mauritius).

Nine innovative finance mechanisms

Mechanism and type		Description	Cumulative volume, US\$ billions, 2006–2012
Market-based (62% of total innovative finance)	IFFIm	IFFIm was created in 2006 to support the GAVI Alliance. It issues bonds on the international capital markets to convert long-term government pledges into immediately available cash resources. The bonds, which accounted for 68% of IFFIm flows in 2011, are sold against legally binding ODA commitments. To mid-2013, approximately \$2.2 billion has been disbursed on health programmes, representing 47% of GAVI programmes.	4.927
	Advance market commitments	Advance market commitments offer financing for vaccine development for developing countries and involve the GAVI Alliance, the World Bank and pharmaceutical companies. Donors guarantee a market for vaccines once they are developed, laying the foundation for a sustainable market and facilitating the leveraging of private resources.	0.673
	Affordable Medicines Facility – malaria	The Affordable Medicines Facility – malaria aims to expand access to malaria treatment. Supported financially by UNITAID, the UK, Canada and the Bill & Melinda Gates Foundation and managed by the Global Fund, the facility negotiates with drug manufacturers to reduce the cost of malaria treatment.	0.340
Based on compulsory charges (21%)	International solidarity levies (UNITAID)	International solidarity levies refer to an internationally coordinated and nationally implemented tax on airline ticket sales, which participating countries (including Cameroon, Chile, Congo, France, Korea, Madagascar, Mali, Mauritius, Niger and Korea) set individually. The levies, along with Norway's carbon dioxide tax and other bilateral contributions, fund UNITAID, the international drug purchase facility which aims to scale up access to treatment for HIV/AIDS, malaria and tuberculosis in low-income countries. The main beneficiary of UNITAID funding in 2011 was Nigeria, followed by Uganda and Kenya.	1.966
Debt-based (15%)	Debt reduction and development contracts	Debt reduction and development contracts allow French ODA debts to be refinanced through grants. Through these agreements, after a country repays its debt to France, France makes a grant in an equivalent amount to finance poverty reduction programmes that have been selected jointly with the receiving country. In 2011, C2D contracts were ongoing with 14 countries.	1.325
	Debt2Health	Under the Debt2Health initiative donor countries grant debt relief in exchange for a commitment by the beneficial country to invest half the amount of forgiven debt on Global Fund programmes. Creditor countries are Australia and Germany, and debtor countries are Côte d'Ivoire, Egypt, Indonesia and Pakistan. The debt swap between Germany and Egypt was used to finance health programmes in Ethiopia.	0.081
Based on voluntary contributions (3%)	GAVI Matching Fund	The GAVI Matching Fund is designed to raise US\$260 million for GAVI immunisation programmes by the end of 2015. Under the initiative, the UK Department for International Development and the Bill & Melinda Gates Foundation have pledged about US\$130 million combined to match contributions from corporations, foundations, their customers, members, employees and business partners.	0.041
	Product(REDD)	Product(REDD) is an initiative in which companies commit a share of their profits on goods branded with a Product(REDD) trademark to support Global Fund HIV/AIDS programmes in Ghana, Lesotho, Rwanda, South Africa, Swaziland and Zambia. Partners to date include American Express, Apple, Converse, Hallmark, Motorola and Starbucks.	0.209
	Lotteries	In 2010 the Belgian Development Cooperation received 39% of 2010 Belgian Lottery profits, of which approximately 20% went to the Belgian Fund for Food Security.	0.023
Total			9.586

Note: Data in table does not sum to total because of rounding. Innovative finance is not counted as a flow in its own right in this report to avoid double counting any overlap with other flows. Data is from the GAVI Alliance, the Global Fund, IFFIm, UNITAID, Product(REDD) and Belgian and French national sources. Data in US\$ is in 2011 prices. The Global Fund is the Global Fund to Fight AIDS, Tuberculosis and Malaria. IFFIm is the International Finance Facility for Immunisation. ODA is official development assistance. UNICEF is the United Nations Children's Fund. WHO is the World Health Organization.

FOREIGN DIRECT INVESTMENT

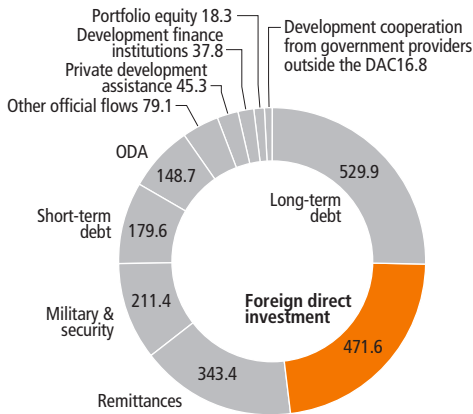
US\$471.6 billion in 2011

Foreign direct investment (FDI) is the second largest resource flow to developing countries in aggregate, and investments in developing countries have grown rapidly over the last two decades.

- FDI is highly concentrated: 10 countries account for 70% of all receipts by developing countries.
- Profits on FDI from developing countries are large – equivalent to 90% of new FDI in 2011.
- The value of FDI for poverty reduction is determined by the types of investments being made; however, data on this is poor.
- FDI is likely concentrated in a few key sectors, including infrastructure, metals and extractives.

FDI and other resource flows to developing countries

US\$ billions, 2011



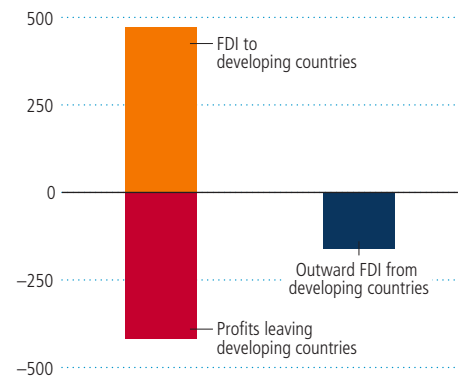
What is FDI?

FDI is the net inflows of foreign investments that acquire a lasting management interest in an enterprise based in a developing country. Net figures subtract disinvestments from new investments.

The strength and nature of FDI's impact depend on many factors, including the size, type, sector and location of the investment; the length of the project; the way in which it is financed; the motivation behind the investment; and policies and context in the destination country. FDI can have both positive and negative impacts, and it is not homogeneous: investments may be diverse and have conflicting impacts.

Inflows and outflows Profits leaving developing countries are significant

US\$ billions, 2011

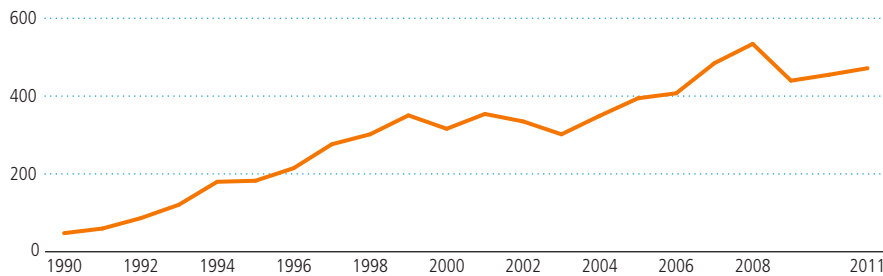


a. An unknown proportion of outward FDI from developing countries goes to other developing countries.

How much is there?

FDI in developing countries has grown an average of 11.7% a year since 1990

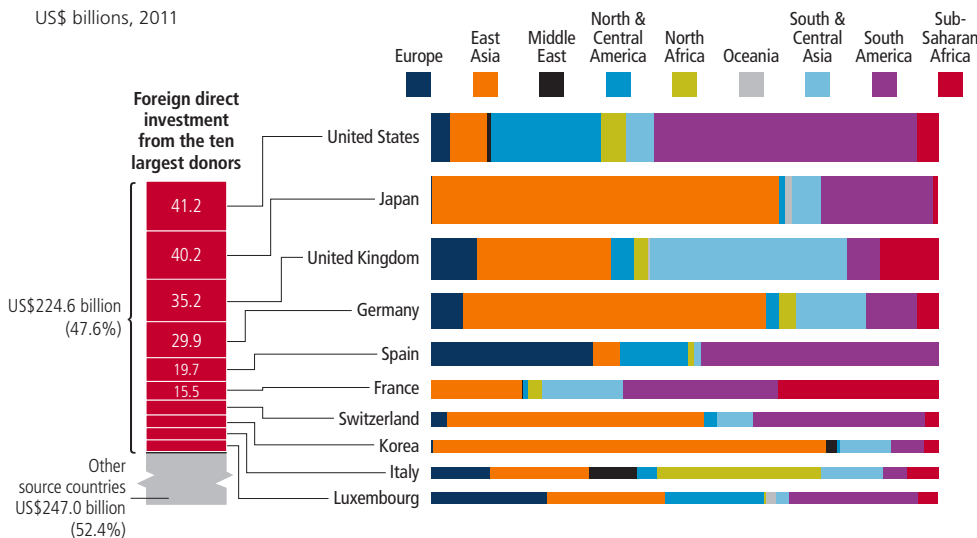
US\$ billions, 1990–2011



Who provides foreign direct investment?

Ten OECD countries account for almost half of all FDI in developing countries

US\$ billions, 2011



Note: Data limitations mean that non-OECD source countries are excluded from this data. This figure mixes bilateral FDI data from the OECD with UNCTAD data on total FDI, so proportions from other source countries are estimates.

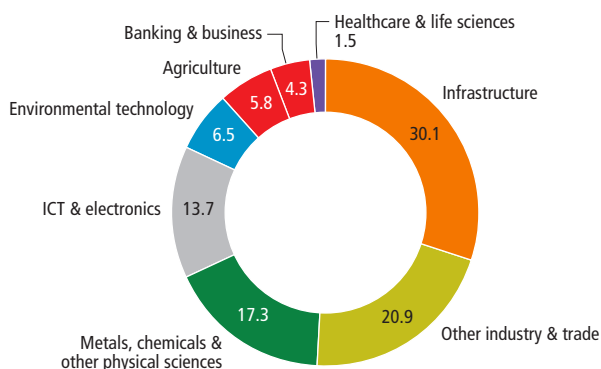
Foreign direct investment in developing countries has grown rapidly. In 2011, 36% of global FDI – or US\$471.6 billion – was made in developing countries. Profits on FDI leaving developing countries were equivalent to almost 90% of new investments in developing countries. This ratio has jumped since the global economic crisis, having averaged between 45% and 75% earlier in the 2000s.

The United States is the largest investor in developing countries, followed by Japan and the United Kingdom. The investment profiles of the largest investors are quite different: The United States and Japan invest most in countries that are geographically close (South America and East Asia); the United Kingdom invests most in South and Central Asia. Outward investments from developing countries totalled US\$160.1 billion, though data limitations mean it is not possible to quantify exactly how much of this is invested in other developing countries. China (US\$65.2 billion), Malaysia (US\$15.3 billion) and India (US\$14.8 billion) were the largest sources of FDI from developing countries in 2011.

What kinds of investments are being made?

Infrastructure is the largest FDI sector

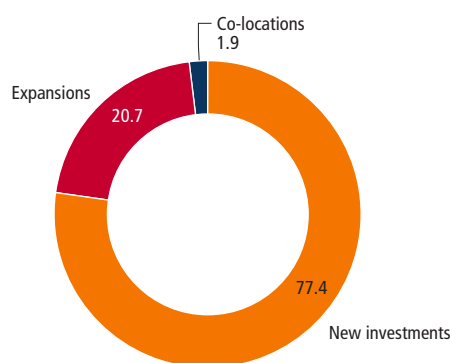
% of FDI to developing countries, 2011



Note: Data is based on announcements of planned investments, not actual recorded flows.

The majority of FDI goes towards new investments

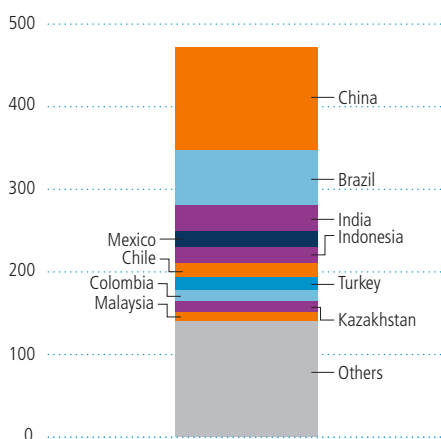
% of FDI to developing countries, 2011



Note: Data is based on announcements of planned investments, not actual recorded flows.

Ten countries account for 70% of FDI to developing countries

US\$ billions, 2011



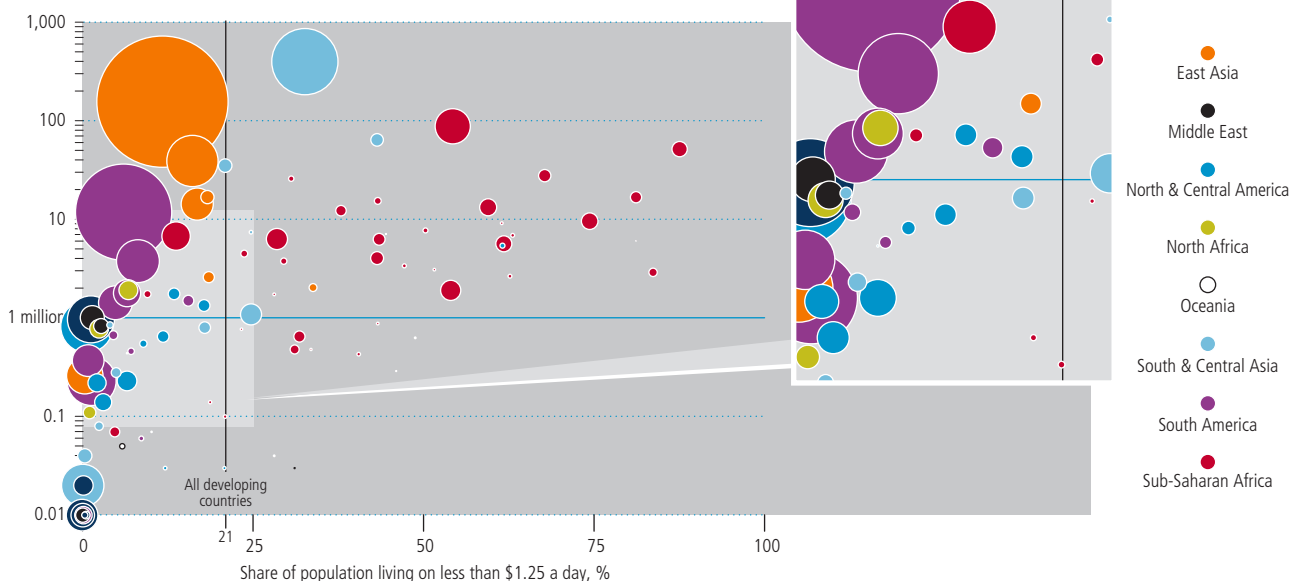
Information on the kinds of investments being made in developing countries is poor; the most comprehensive data is based on announcements of planned investments rather than actual recorded flows. Assuming there is no relationship between the sector or type of FDI and whether planned investments go ahead, almost half of FDI is for investments in infrastructure and metals, chemicals and physical sciences. Metals are the largest single sub-sector, followed by coal, oil and natural gas. Around three-quarters of FDI is for new investments, when a company sets up a new presence in a developing country.

FDI is highly concentrated: ten countries account for 70% of FDI received by developing countries. The largest recipient region was East Asia, with China alone receiving US\$123.0 billion in 2011 (26% of the total to all developing countries). Brazil, India, Indonesia and Mexico were the next largest recipient countries. Several factors drive the destinations of FDI, and the size of the recipient country market is a key factor. Many of the largest recipients are countries with larger populations, and many of these countries also have large numbers of people living in poverty. Most FDI is received by countries with lower proportional poverty rates, however.

Foreign direct investment and poverty

Most FDI is received by countries with lower proportional poverty rates

Number of people living on less than \$1.25 a day, millions (log scale), 2011



Note: Bubble size indicates the proportion of total foreign direct investment to the country in 2011.

Note: Data is from UNCTADstat, fDi Intelligence, the World Bank and the OECD's FDI by partner database. Data in US\$ is in 2011 prices. FDI is foreign direct investment. ICT is information and communication technology. OECD is the Organisation for Economic Co-operation and Development. UNCTAD is the United Nations Conference on Trade and Development.

LOANS

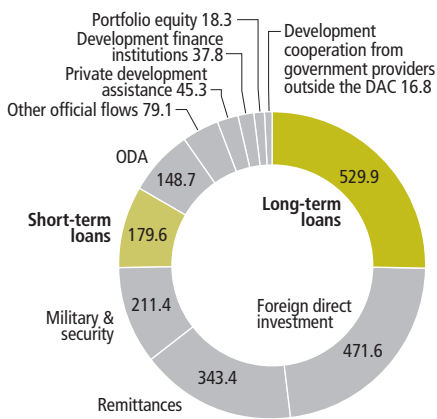
Long-term loan disbursements: US\$529.9 billion in 2011,
Short-term loan disbursements: US\$179.6 billion in 2011;
largest resource flow to developing countries in aggregate

Loans can provide valuable resources to public and private institutions in developing countries and stimulate development, although debt must be managed carefully. Loans to developing countries have grown during the 2000s, with considerable fluctuations, particularly in net short-term loans.

- Gross long-term loans are the largest single resource flow to developing countries in aggregate.
- Three-quarters of long-term loans to developing countries are taken on by private institutions.
- There are large outflows associated with loans: gross long-term loan disbursements totalled US\$530 billion in 2011, capital repayments US\$358 billion and interest payments US\$113 billion.
- Most loans are disbursed to large emerging economies like China, Brazil, Mexico and India.

Loans and other resource flows to developing countries

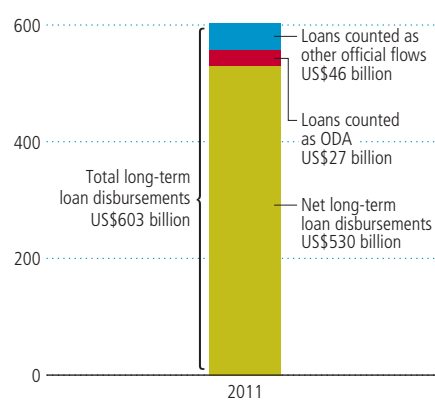
US\$ billions, 2011



Note: The rest of this profile and the rest of the report use long-term loan disbursements net of ODA and other official flows (US\$530 billion) to avoid duplication.

Some long-term loan disbursements are recorded as ODA or other official flows

US\$ billions, 2011



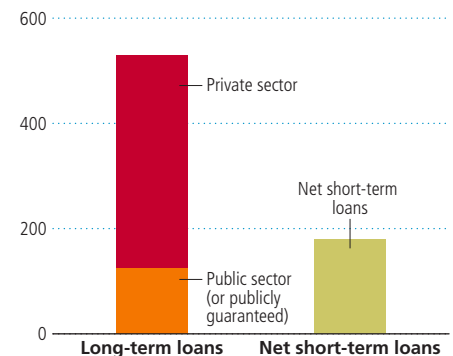
What are loans?

Loan disbursements are disbursements to borrowers in developing countries on debt that has been borrowed from foreign creditors. Long-term loans are those with a maturity exceeding one year; short-term loans have a maturity of less than one year.

Some concessional loans are counted as ODA or other official flows. In 2011 an estimated US\$27 billion in long-term loans was classified as ODA, and a further US\$46 billion as other official flows. There is likely to be further overlap with the US\$38 billion in net development finance institution disbursements; however, the underlying information is insufficient to quantify this.

The majority of long-term loans are taken on by the private sector

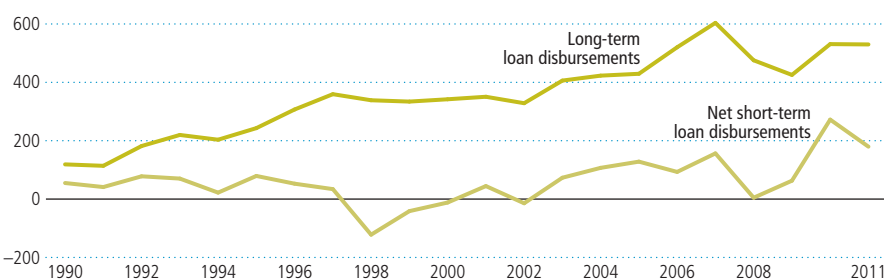
US\$ billions, 2011



How much is there?

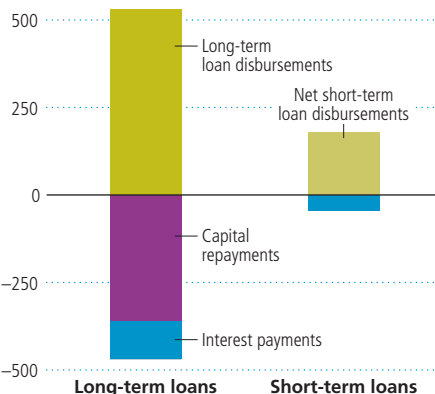
Long- and short-term loans to developing countries have increased since 2000

US\$ billions, 1990–2011



There are large differences between gross and net loans figures

US\$ billions, 2011



Loan disbursements to developing countries grew in the 2000s, despite the debt relief programmes of the mid-2000s. Long-term loans grew from US\$362 billion in 2000 to a peak of US\$596 billion in 2007. Net short-term loans grew to US\$150 billion before plummeting during the global economic crisis and rising sharply again in 2010 to US\$282 billion. Three-quarters of long term loans (US\$405 billion) are disbursed to private institutions, while only US\$125 billion is disbursed to (or guaranteed by) public institutions. Data on who provides these loans is scant, although the majority of loans to the public sector are from private sources.

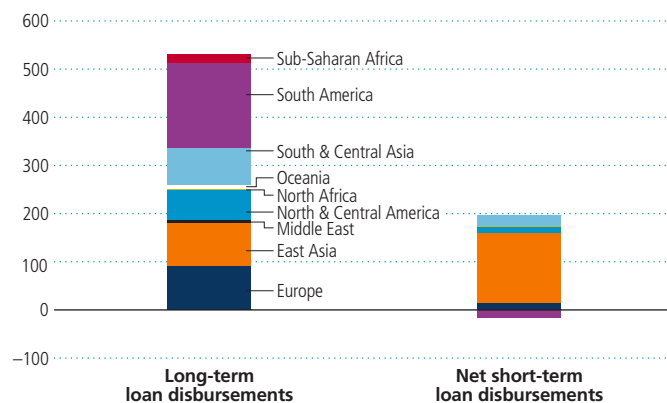
Loan disbursements to developing countries come with a repayment burden, and these outflows are large: Capital repayments from developing countries totalled US\$357.8 billion in 2011. Interest repayments totalled an additional US\$111 billion. Net short-term loan disbursements of US\$180 billion sit alongside interest repayments totalling US\$44 billion. The true value of loans to developing countries is determined not by the volumes of inflows or repayments, but by the way in which loans are put to use. However, it is important that the full picture of inflows and outflows is understood.

Gross long-term loan disbursements are the largest single resource flow to developing countries in aggregate

Where do loans go?

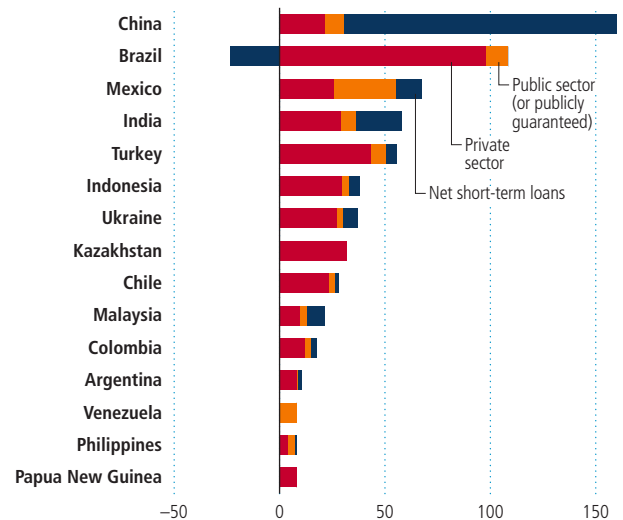
Developing countries in South America and East Asia receive the largest loan disbursements

US\$ billions, 2011



Large emerging economies are the largest borrowers

US\$ billions, 2011

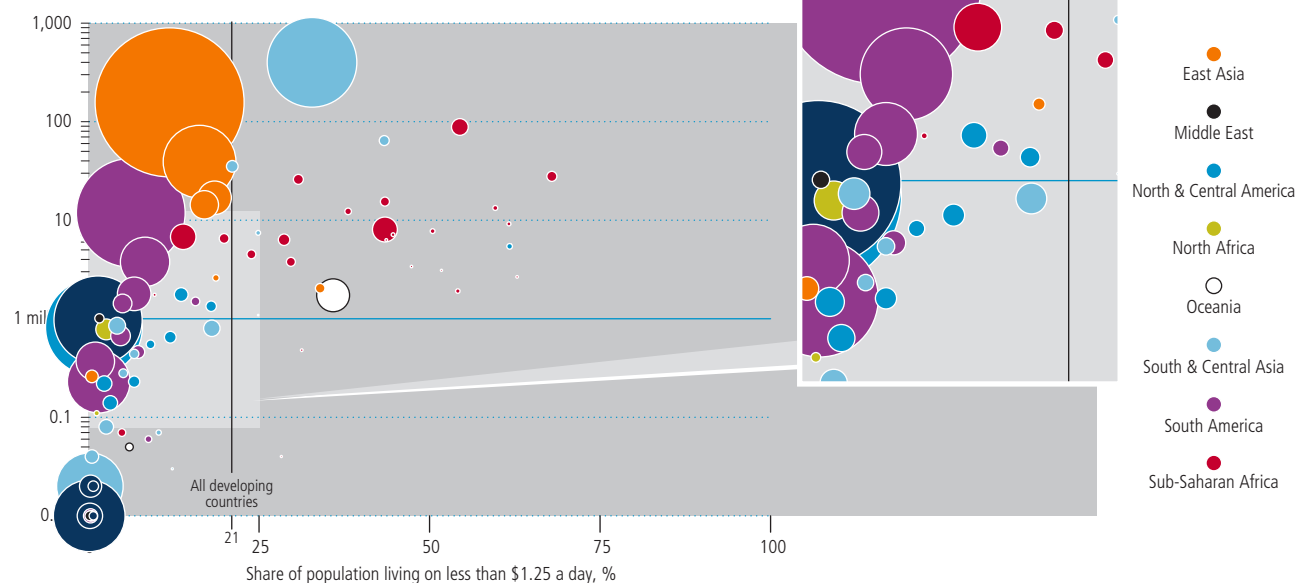


South America received the largest share of long-term loan disbursements to developing countries in 2011, and Brazil is the largest single recipient of long-term loans. Net short-term loans to Brazil were negative. China is the largest single recipient of loan disbursements overall, and the majority of loans to China were short term; China alone accounted for over 70% (US\$129 billion) of net short-term loans to developing countries in 2011. Most of the largest recipients of loans are emerging economies, and long-term loans to the private sector typically account for the majority of receipts. However, in Mexico the majority of loan disbursements in 2011 were to the public sector (or were publicly guaranteed), and Mexico received the largest volume of public loans in 2011 (US\$29.5 billion). Most loans were disbursed to countries with lower poverty rates, although many of the largest developing-country recipients of loans are larger economies with larger populations and, in many cases, large numbers of people living in poverty.

Loan disbursements and poverty

Most loans are disbursed to countries with lower poverty rates

Number of people living on less than \$1.25 a day, millions (log scale), 2011



Note: Bubble size indicates the proportion of total loans to the country in 2011.

Note: Data is from the World Bank DataBank. Data in US\$ is in 2011 prices. ODA is official development assistance.

REMITTANCES

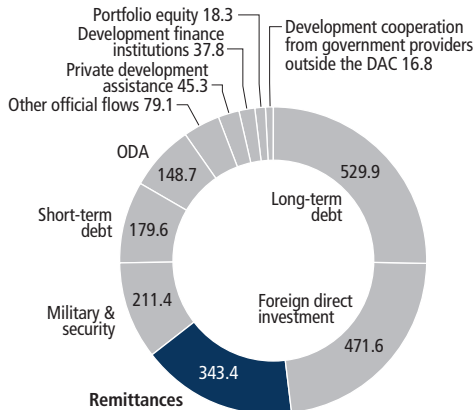
US\$343 billion in inflows in 2011

Remittances are important to many countries. At US\$343.4 billion in 2011, they are the third largest resource to developing countries in aggregate and have grown rapidly since the 1990s.

- Remittances are the largest flow to many countries with large numbers of poor people, including India, Nigeria, Pakistan, the Philippines and Viet Nam.
- The United States is the largest source of remittances, providing almost 30% of remittances received by developing countries.
- The true volume of remittances flows to developing countries is likely to be much higher than US\$343.4 billion as informal channels are not captured.

Remittances and other resource flows to developing countries

US\$ billions, 2011



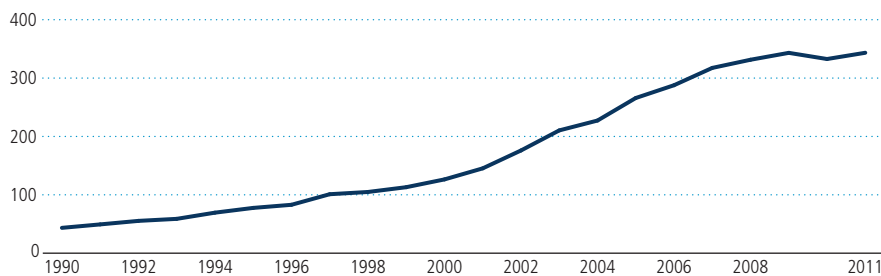
What are remittances?

Remittances are transfers of cash by migrant workers to family or friends in their country of origin. The data presented here describes recorded remittances sent through formal channels, totalling US\$343.4 billion to developing countries in 2011. The true volume of remittances is thought to be much higher, due to potentially large flows moving through informal channels.

How much is there?

Remittances have grown nearly eight-fold since 1990

US\$ billions, 1990–2011

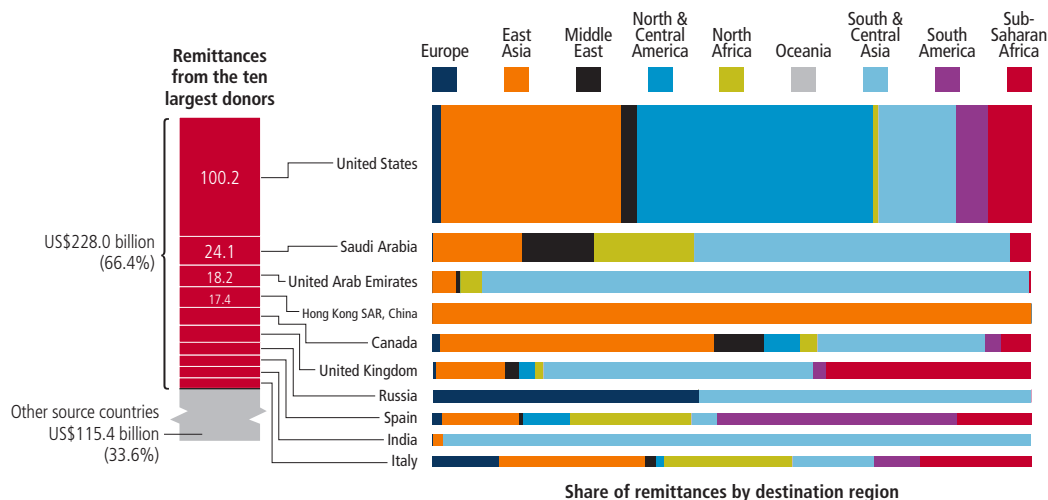


Remittances grew from an estimated US\$43.4 billion in 1990 to US\$343.4 billion in 2011. At an average 10% per year, this growth outpaced ODA. Although flows fell slightly during the global economic crisis, volumes of remittances have been more resilient than other resource flows. The United States is the largest single source of remittances and is estimated to provide almost 30% of total flows to developing countries. Many emerging economies are important sources of remittances, often to countries that are geographically close. Much of the growth has been driven by rising remittances to Asia, although historic data on the sources of remittances flows to developing countries is unavailable. The corridors through which remittances flow are complex and diverse, and this is reflected by the varied destinations of remittances from the largest source countries.

Who provides remittances?

The United States is the largest source of remittances to developing countries

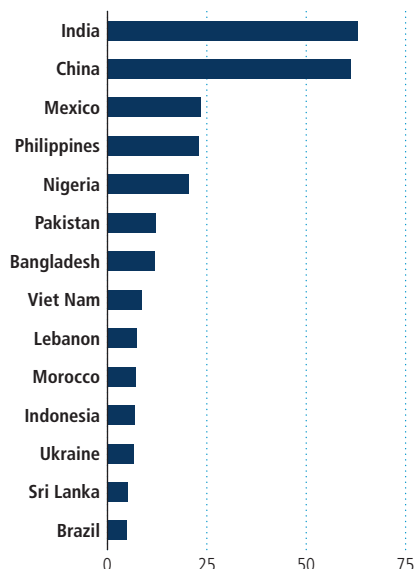
% of remittances received by developing countries, 2011



Where do remittances go?

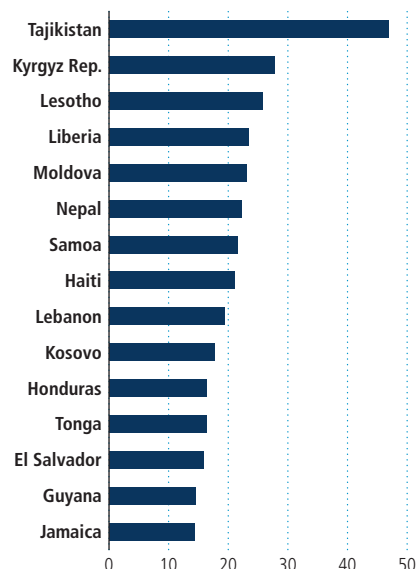
India and China receive the largest volumes of remittances

US\$ billions, 2011



As a share of national income, remittances play a major role in the economies of many smaller countries

% of GDP, 2011



Remittances flows are closely linked to patterns of migration: Many of the largest recipients are countries with big populations and large diasporas. Remittances are the largest international resource flow received by India, Nigeria, Pakistan, the Philippines and Viet Nam – all countries with large numbers of poor people. Receipts of remittances are relatively concentrated, and the ten largest recipients account for 70% of the total received by all developing countries.

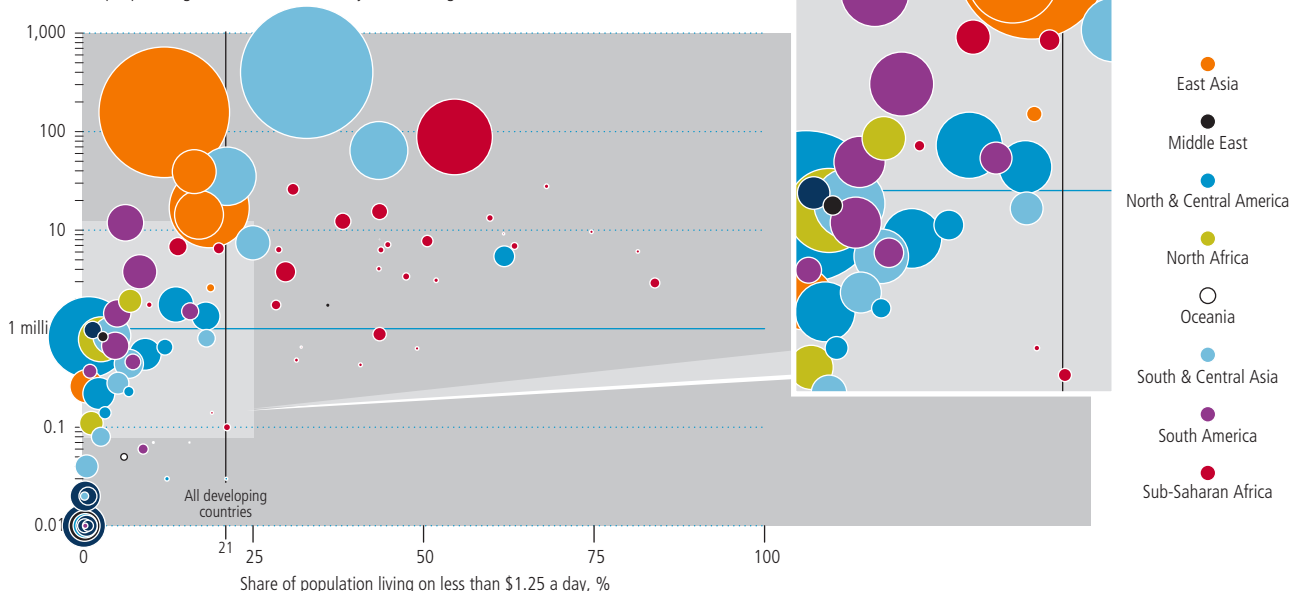
Many countries are both sources and recipients of remittances. India, the largest recipient of remittances among developing countries (US\$63.0 billion in 2011), is also the ninth largest source of remittances (US\$9.5 billion). Bangladesh received remittances totalling US\$12.1 billion and sent remittances totalling US\$3.8 billion. Remittances from developing countries totalled US\$38.7 billion in 2011.

The pattern of the largest recipients looks quite different as a proportion of national income. Although the total volumes received are smaller, remittances are equivalent to the largest proportion of income in smaller countries with large emigrant populations; Tajikistan, Kyrgyz Republic and Lesotho are the largest.

Remittances and poverty

Remittances are an important resource for many countries with large numbers of poor people

Number of people living on less than \$1.25 a day, millions (log scale), 2011



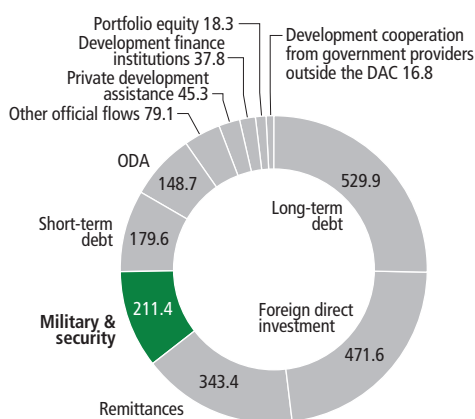
Note: Bubble size indicates the proportion of total remittances to the country in 2011.

Note: Data is from the World Bank's Migration and Remittances database. Data in US\$ is in 2011 prices. ODA is official development assistance.

There is a military and security dimension to resources to end poverty. Security is a primary concern of many people in poverty. Insecurity, conflict and instability are the enemies of prosperity and major drivers of poverty. Governments are already investing security and military resources in developing countries both to support their national interests and to promote security. Military and security assets are clearly important where instability, insecurity, humanitarian need and poverty meet. The volume, characteristics and allocation of military and security spending need to be visible as part of the overall picture of resources relevant to poverty eradication.

Military and security expenditure and other resource flows to developing countries

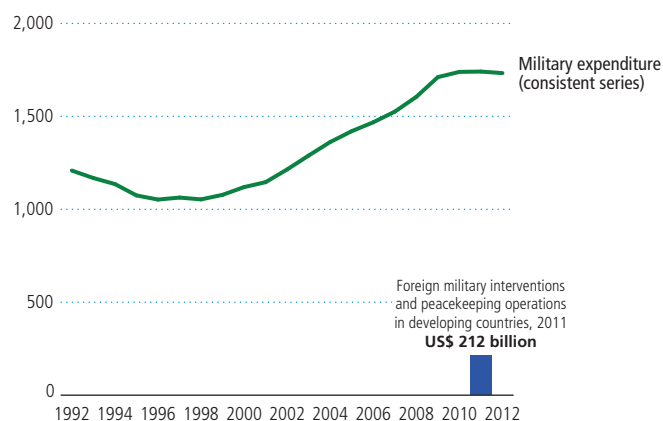
US\$ billions, 2011



Global military expenditure

Global military and security expenditures are levelling out after a decade of growth

US\$ billions, 1992–2012



Military and security expenditure in 2012 was an estimated US\$1.756 trillion, or 2.5% of global GDP. This is about 0.4% lower in real terms than in 2011, the first drop since 1998. Nonetheless, the 2011 total was higher than in any year since the end of the Second World War.

In comparison with the global military and security expenditure of US\$1.8 trillion, an estimated US\$212 billion was spent worldwide by states on military operations and peacekeeping in developing countries in 2011, directly and through multilateral operations that have a mandate from the UN Security Council (whether carried out by the UN or otherwise) or from the government of the country in which the operations take place (see Box 2). Of this total, US\$197 billion is accounted for by operations in Afghanistan and Iraq.

What is military and security expenditure?

The military and security expenditure of US\$212 billion in 2011 is an estimate of military operations and peacekeeping expenditure in developing countries. The figure is based on a calculation of spending worldwide by states both directly and through multilateral organisations such as the UN, NATO and the African Union.

Between the estimated cost of foreign military interventions and peacekeeping operations in developing countries and ODA, there is a potential for overlap between the figures. For example, spending on civilian crisis management missions such as those led by the EU which account for US\$418 million is also recordable as ODA. However, it is not possible to say with any degree of confidence how much of the estimated overall cost of foreign military interventions and peacekeeping operations of US\$212 billion might be counted as ODA.

BOX 1

Military and security expenditure: What counts as ODA?

Some expenditure on military and security is reported as ODA because a number of conflict prevention and resolution, peacebuilding and security expenditures meet the development criteria of ODA as set out by the DAC. Box 1 lists the areas included in ODA spending. The cost of these activities is calculated as the excess of over what the personnel and equipment would have cost to maintain.

- *Humanitarian assistance.* Additional costs beyond regular salaries and expenses that are incurred for the use of military personnel to deliver humanitarian assistance or perform development services are included in ODA. Forgiveness of military debt may also be reported as other official flows.
- *Bilateral participation in certain aspects of international peacekeeping operations.* The cost of a donor's bilateral participation in specific activities within international peacekeeping operations, net of any compensation received from the UN or other body, is reportable as ODA. International peacekeeping operations include any operation mandated or authorised by the UN through a Security Council resolution and conducted by an international organisation such as the UN, NATO, the African Union, the European Union, or other regional groupings of developing countries. These activities include:
 - Human rights and election monitoring.
 - Reintegration of demobilised soldiers.
 - Rehabilitation of basic national infrastructure.
 - Monitoring or retraining of civil administrators and police forces.
 - Security sector reform and other rule of law-related activities.
 - Training in customs and border control procedures.
 - Advice or training in fiscal or macroeconomic stabilisation policy.
 - Repatriations and demobilisation of armed factions and disposal of their weapons.
 - Explosive mine removal.
- *Civil police training.* Expenditure on police training in routine civil policing functions.

... and what doesn't count as ODA?

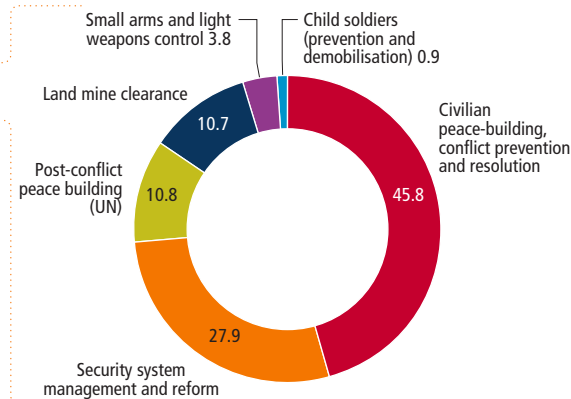
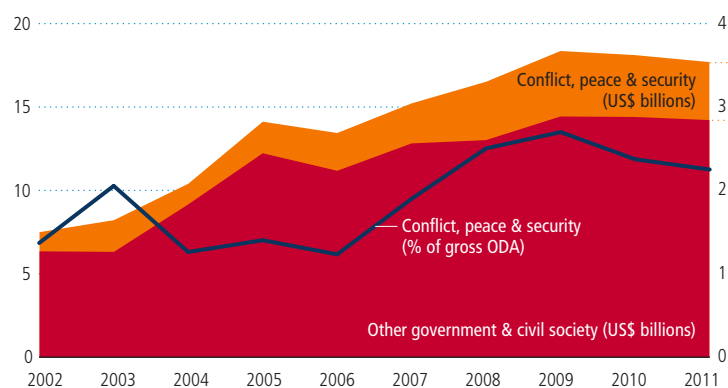
Expenditures on military and security spending that are not eligible to be included as ODA are military aid (financing of military equipment or services) as well as grants, official loans or credits for the supply or financing of military equipment and services; military contingents participating in peacekeeping operations; police training in counter-subversion methods, suppression of political dissidence or intelligence gathering on political activities; and activities combating terrorism.

Spending on conflict, peace and security within ODA has more than doubled since 2002; peacebuilding, conflict prevention and resolution receives the largest proportion of ODA within this sector

US\$ billions, 2002–2011

% of total gross ODA

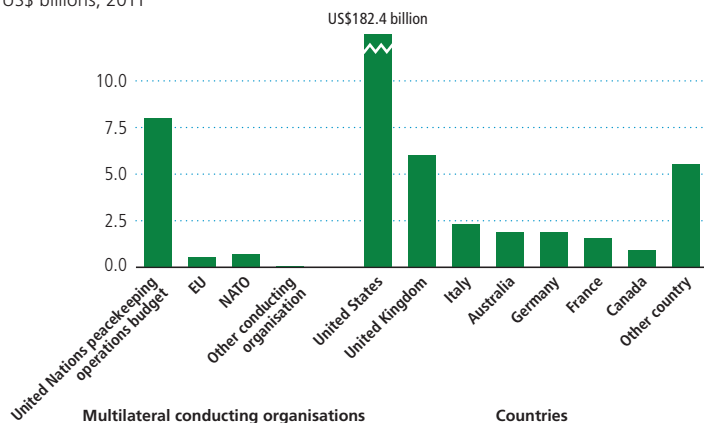
% of total



Peacekeeping operations and military interventions in developing countries

The United States has by far the highest spending on foreign military interventions and military and civilian peacekeeping operations in developing countries

US\$ billions, 2011



The governance and security sector (see Chapter 11), of which conflict, peace and security is a sub-sector, accounted for 11% of total ODA in 2011. More than US\$17.7 billion of ODA was spent on governance and security in 2011, of which conflict, peace and security accounted for US\$3.5 billion, with the remainder going to government and civil society. Within conflict, peace and security the lion's share (45.8%) of expenditure is directed at civilian peacebuilding and conflict prevention and resolution, while small arms and light weapon control receives only 3.8%.

BOX 2

Estimating the cost of foreign military interventions and peacekeeping operations in developing countries

Operations included in the total estimate of US\$212 billion for foreign military interventions and peacekeeping operations for 2011 are listed below. The list includes those with a major active military component, as well as military observer missions, police missions and civilian observer missions. Missions with a goal of preventing conflict or maintaining peace and security are included.

- International Security Assistance Force in Afghanistan: US\$129.3 billion.
- US operations in Iraq: US\$68.1 billion.
- UN operations: US\$7.8 billion (in 2011).
- NATO-led interventions in Libya: US\$3.6 billion.
- NATO Kosovo force: US\$831 million.
- Other operations (including, for example, French operations in Chad, Central African Republic and Côte d'Ivoire and the International Security Force [Timor-Leste]): US\$678 million.
- African Union Mission in Somalia: US\$621 million.

- EU and other civilian-led missions: US\$506 million (EU civilian-led peace missions – US\$418 million and OSCE and OAS – US\$88 million).
- European Union Force ALTHEA in Bosnia and Herzegovina: US\$182.1 million.
- The Mission for the Consolidation of Peace in the Central African Republic: US\$50 million.
- Commonwealth of Independent States Joint Control Commission Peacekeeping Force in Trans-Dniestr: US\$50 million.
- EU training mission Somalia: US\$ 31.7 million.

Some spending on peacekeeping operations qualifies as ODA (see above). This is likely to include US\$418 million spent by the EU on civilian-led peace missions and US\$88 million spent by the OSCE and OAS, though ODA from non-OECD countries is not always systematically measured. It is not possible to say with any degree of confidence how much of the above total might be counted as ODA. However, given the mandates of some missions, which often do not include components related to ODA activities, it is likely that this component is not trivial.

Note: Data is from the DAC (ODA and subsectors of military spending) and the Stockholm International Peace Research Institute (military spending and peacekeeping operations). All data in US\$ is in 2011 prices. DAC is the Development Assistance Committee of the OECD. DPKO is the United Nations Department of Peacekeeping Operations. GDP is gross domestic product. ODA is official development assistance (aid). NATO is the North Atlantic Treaty Organization. OECD is Organisation for Economic Co-operation and Development. OSCE is the Organization for Security and Co-operation in Europe.

PORTFOLIO EQUITY

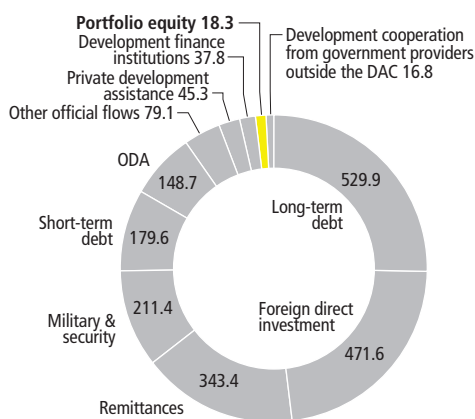
US\$18.3 billion in inflows in 2011

Portfolio equity flows are volatile, as recent trends show. Average total net inflows in 2009–2011 were US\$75.6 billion, four times flows in 2011. But portfolio equity can be useful to developing countries. Portfolio equity data is limited, but:

- Developing countries' share of global flows has been rising.
- South America had the largest inflows, followed by sub-Saharan Africa and East Asia.
- More-developed countries tend to see the largest flows (inward and outward).

Portfolio equity and other resource flows to developing countries

US\$ billions, 2011



What is portfolio equity?

Portfolio equity is a form of international investment that does not confer significant control or influence. 'Portfolio' refers to a group of assets. Investments of 10% or more of the value or control of an asset or company are considered FDI, while investments below this threshold are portfolio equity. Investors receive returns through interest payments or dividends and can use equity to spread financial risks across different markets. They can also sell their equity on to other investors.

Portfolio equity can enable companies in developing countries to quickly raise capital in order to fund increased capacity – for example, to respond to new economic opportunities – and finance external deficits, where trade and other financial outflows exceed inflows. But portfolio equity tends to be more volatile than FDI, which itself is generally more volatile than a number of other flows, including ODA. Ownership and control are thought to engender longer term commitment to FDI than to portfolio equity 'stocks and shares.' Because portfolio equity tends to follow shorter term financial returns, recipient countries can be vulnerable to changes in investor sentiment. If they perceive their capital to be at risk, such as during an economic or political crisis, they may withdraw that capital suddenly.

What data is available on portfolio equity?

International statistics on portfolio equity are very limited. The World Bank provides net inflows less outflows by recipient country, but it does not offer further breakdowns or information on source and destination country of portfolio equity flows. For 2011, the World Bank provides no data for 6 ODA recipient countries (Cuba, Democratic People's Republic of Korea, Palau, Somalia, Syria, and West Bank and Gaza), and zero flows for 83, improved coverage from 8 and 89, respectively, in 2000. The World Bank forecasts future flows but only at the regional aggregate level.

The IMF's voluntary Coordinated Portfolio Investment Survey provides some data on stocks of portfolio investment. Country coverage is limited, and the survey does not extend to breakdowns into the two components: portfolio equity and portfolio debt, which includes government and corporate bonds.

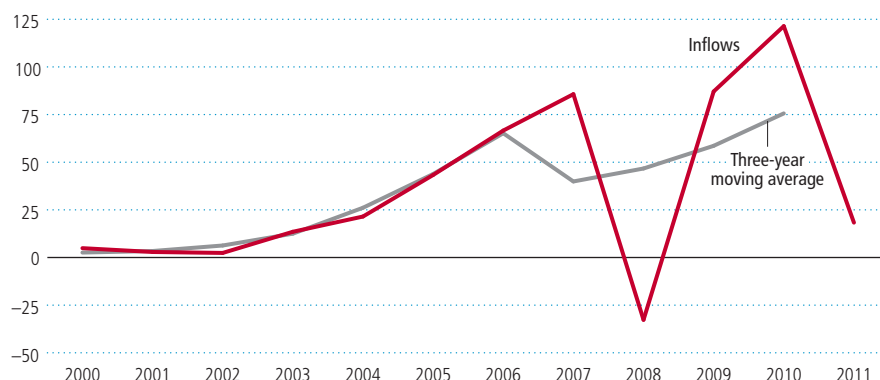
Portfolio equity trends

Recent trends in net inflows to developing countries illustrate the volatility of portfolio equity.

Inflows reversed dramatically in 2008 at the height of the global economic crisis then recovered rapidly in 2009 and reached a new high of US\$121 billion in 2010. As investor risk aversion increased in 2011, confidence in emerging markets weakened, and portfolio equity inflows to developing country fell back to US\$18 billion.

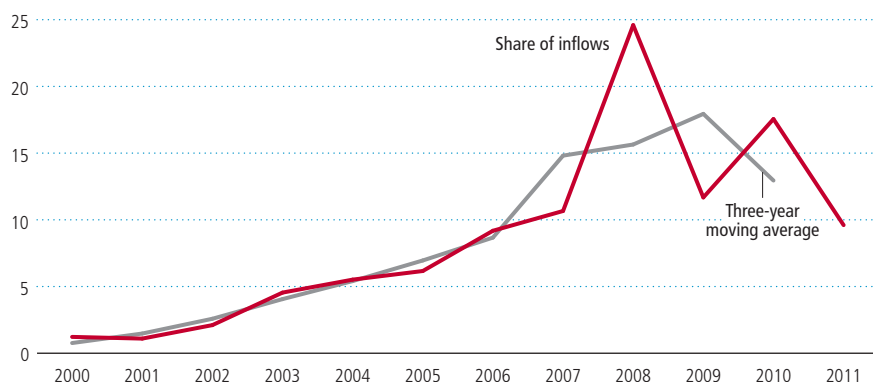
Portfolio equity flows have been volatile since 2007

Net portfolio equity inflows to ODA recipients, US\$ billions, 2000–2011



Developing countries' share of global portfolio equity inflows has been increasing

% of global net portfolio equity inflows to ODA recipients, 2000–2011



Developing-country inflows accounted for 10% of the world total in 2011. The largest portfolio equity flows tend to be from economies with more-developed capital markets, such as European countries, Japan and the United States.

But an increasing share of portfolio equity inflows is going to developing countries, peaking at almost a quarter in 2008, though lower and fluctuating since.

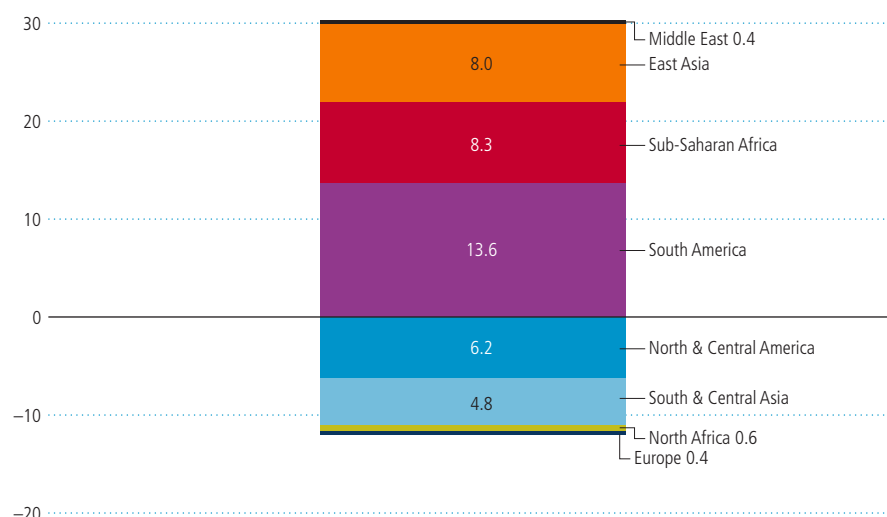
For emerging markets in particular, this is due in part to strong growth potential and the opening up and development of equity markets.

Sub-Saharan Africa had the second largest portfolio equity net inflows among developing regions in 2011

Net portfolio equity inflows, US\$ billions, 2011

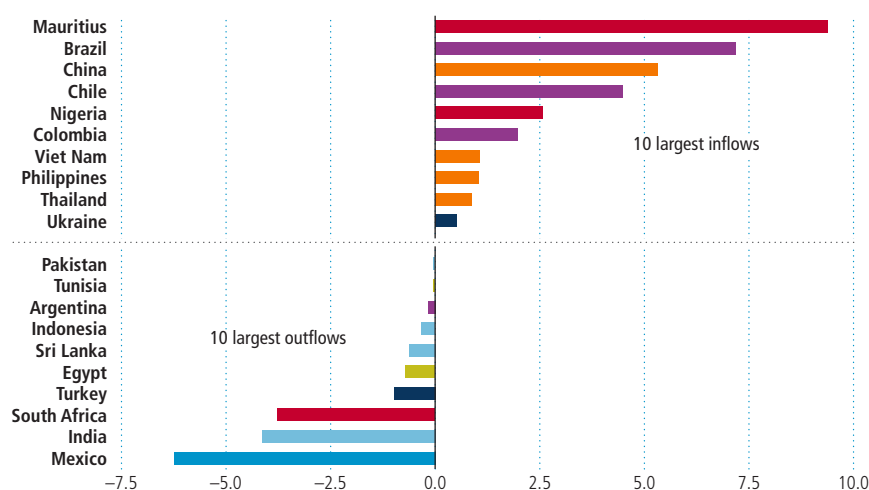
Portfolio equity inflows also vary by region. Among developing regions, South America had the largest inflows, followed by sub-Saharan Africa and East Asia, which includes China.

By contrast, developing countries in North and Central America and South and Central Asia saw substantial net outflows: where divestment of portfolio equity exceeded investments.



More-developed countries have the largest portfolio equity flows

US\$ billions, 2011



More-developed countries tend to see the largest portfolio flows, both inflows and outflows. Only two have among the ten largest net inflows globally in 2011 – Mauritius and Brazil. Within sub-Saharan Africa, only Mauritius and Nigeria are among the ten developing countries with the largest net inflows.

Note: Data is from the World Bank. Data in US\$ is in 2011 prices. FDI is foreign direct investment. ODA is official development assistance. IMF is the International Monetary Fund.