**FOREIGN CAPITAL AND THE DOMESTIC ECONOMY**

Foreign capital is critical for economic growth and development especially in the developing world, where most economies lack capital investment to spur growth. Foreign capital flows are required for the following reasons:

1. Boosting economic growth
2. Creating economic development
3. Transferring technology
4. Creating industries and business
5. Improving social and physical infrastructure.
6. Mediating poverty

**Source of Foreign capital**

The developed economies have been the traditional sources of capital to the developing world. These economies have capital, which they invest in various economies, which demonstrate attract capital returns. Foreign capital can be grouped into two categories:

1. Foreign Portfolio Investment: These are Foreign capital traded on the stock market of recipient.
2. Foreign direct investment: These are foreign investment aimed to establish business enterprise, where foreign ownership in either complete or partial.

Foreign capital has assumed an increasing dimension in the global economy, particularly in the era of globalization, with the rapid movement of capital across international borders. The development has spurred economic growth in several countries, particularly in emerging markets where they have contributed to the growth of the economies of recipient countries. Led by such countries as china, India, Brazil, Chile, Mexico, Indonesia, Thailand etc, several developing economies for rapid growth and development.

In the case of Nigeria, the nation has also attracted considerable foreign investments over the past several decades. Most of the investments are targeted at the nations petroleum industry, which is the cornerstone of the economy. However, in recent times, other sectors have attracted foreign investments. The communications industry has benefited considerably from foreign capital, transforming the sector with the introduction of GSM and associated technologies. Also, agriculture has attracted foreign investment in recent times setting the stage for the transformation of the sector.

**FOREIGN AID IN THE NIGERIA ECONOMY**

Foreign aid is an important instrument of diplomacy targeting developing economies. The roles of foreign aid are as follows:

1. Assisting the transformation of developing economies.
2. Spurring international trade and development.
3. Providing humanitarian assistance, particularly in emergencies.
4. Transferring technologies.

In Nigeria, Foreign aid has become a critical instrument for mobilizing resources for economic development. Foreign aid into the economy has been received in the country from the following sources:

* Bilateral agencies e.g USAID, DFID, SIDA, DANUSA, etc
* Multilateral agencies e.g United Nation, African Union, World Bank, IMF etc.
* International Private agencies e.g The Red cross, WATER AID, Medicines san frontier, OXFAM etc.

Foreign aid in Nigeria can be broadly grouped into 2 categories

1. Development Aid
2. Humanitarian Aid

**Development Aid**

Nigeria receives development aid from a vanity sources, including international agencies promoting development. Resources are channeled through the Federal or state government targeting particular sectors or programmes. These vary from education and health, to infrastructure development. Resources donated as Foreign aid are grants that are not subject to repayment. However, there is need to demonstrate accountability on how the resources are expended.

This usually requires monitoring and evaluation of projects on which resources have been expanded.

**Humanitarian Aid**

International aid agencies, both public and private are active in Nigeria; providing resources, particularly in the case of emergencies. Emergencies can be grouped into natural or human induced. The former stems from natural disasters, including flooding and erosion, wildfires, droughts etc. On the other hand, human-induced disaster as associated with political or social instability, including Violent conflict and rebellion. These often trigger emergences as men, women and children are displaced and becoming Internally Displaced Persons (IDPs). These people often lose their livelihoods and becoming vulnerable to homelessness and hunger.

Therefore, humanitarian agencies in the country have intervened in the past and are presently involved in relief activities targeting IDPs. They offer such items as food shelter materials, medicines etc. The aid is usually available in shelters where IDPs are gathered or made available to the Federal or the state government or are donated directly to victims. In case of the former, the government agencies involved are required to be accountable for the use of resources they obtained.