



US TOTAL RESOURCE FLOWS TO THE DEVELOPING WORLD IN 2005: THE PRIVATE REVOLUTION IN FINANCING DEVELOPMENT

80% of total US resource flows to the developing world are from private sources

The relationship between Official Development Assistance (ODA) and private flows into the developing world has reversed over the last 30 years. Understanding the diversity of sources in private flows to the developing world is critical to leveraging the effectiveness of public aid to poor countries. This is the rationale behind USAID's Global Development Alliance initiative (GDA). The GDA combines the assets and experience of strategic partners, leveraging partners' capital and investments, creativity and access to markets to solve complex problems facing government, business, and communities.

- USAID's Global Development Alliance initiative has been tracking sources of US money flows to the developing world in recent years.
- The latest financial data, displayed in this pie chart, underscore an important and growing trend – *The relationship between Official Development Assistance (ODA) and private flows into the developing world has completely reversed over 30 years.*
- As of 1969, 70% of resource flows from the US to developing countries came from ODA and 30% from private sources.
- New data from 2005 show that today private capital accounts for over 80% of flows to developing countries.
- Public flows as a portion of total financial flows to developing countries now account for less than 20%.
- Official public assistance overall has grown at an average annual rate of 5.5% over the past 25 years and remains the primary source of funding dedicated to development and humanitarian assistance.
- The fundamental realignment of monetary flows underscores the importance of building public-private alliances to achieve development impact, reduce widespread poverty, and help sustain democratic, well-governed states.

HIGHLIGHTS OF THE ANALYSIS

- Conservative estimates of resource flows to the developing world show that they have increased by nearly \$52 billion in the last two years, reaching approximately \$164 billion in 2005.
- U.S. FDI/Private Capital Flows and Remittances account for the largest categories of flows (at 42% and 25%, respectively).
- ODA makes up the third largest category of flows with approximately 17% of the total.
- While the share of ODA has shrunk over the past 25 years, the total value has grown from \$7.14 billion in 1980 to \$27.6 billion in 2005.
- Over 40 percent of 2005 ODA went to reconstruction and other assistance in Afghanistan and Iraq. If not for the conflicts in these countries it is possible to assume that ODA would be an even smaller percentage of the total pie.



- Estimates for remittances range widely. The U.S. Bureau of Economic Analysis (BEA) Balance of Payments estimate, the most conservative number available, found \$41 billion in transfers from the US to the world in 2005. In contrast, the InterAmerican Development Bank (IDB) estimated \$45 billion in personal transfers from the US to Latin America and the Caribbean alone. Estimates using a conceptual model developed by the World Bank come to \$61.7 billion.
- Private flows from philanthropic sources (grantmaking and corporate foundations), religious, non-governmental and academic organizations combined represent 16.1% of flows.

HISTORICAL OVERVIEW

- Charting the money flow was first undertaken by GDA staff based on 2003 numbers as a graphic representation of the value of partnering with the private sector.
- While many actors devote resources in cash and in other forms to alleviate global poverty, the power that resides in allying efforts is at the core of the GDA model.
- The 2005 analysis shows an overall increase in total resource flows of 40% over the 2003 findings, from \$113 billion to \$164 billion.
- These 2005 data show increases in ODA, remittances, and private capital flows.

METHODOLOGY¹

Figures are reported numbers rather than estimates, wherever possible. The principle in the determination of final numbers guiding this chart is to err on the conservative side. Specific methodological precepts include:

- Definition: Flows are grants, loans, and contributions from the U.S. Government (public), and direct investments, securities, bank credits, transfers, and individual and institutional giving from the private sector.
- Multiple data sets were consulted to corroborate the findings.
- Figures represent cash and not quantified in-kind contributions (to the degree this breakdown is available, which varies with the source).
- Contributions were not double-counted (i.e. a grant in ODA to an NGO is attributed to the original, official source).
- US private capital flows and ODA are widely accepted as the definitive figures.
- Primary sources: U. S. Bureau of Economic Analysis (BEA), Organization for Economic Co-operation and Development (OECD), Hudson Institute, Foundation Center, Committee Encouraging Corporate Philanthropy, Urban Institute, Institute of International Education, University of Indiana, faith-based groups, and USAID Internal estimates.

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¹ A detailed description of the 2005 Resource Flows Analysis can be found in the Guide.