



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 completely reversed over the last thirty 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 their 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 thirty years.*
- As of 1969, 70% of resource flows from the US to developing countries came from ODA and 30% from private sources.
- As the new data from 2005 show, today private capital accounts for over 80% of resources to developing countries.
- Public funding of development, once the driving force for international giving, has diminished in proportion, and now accounts for less than 20%. However, the total value of ODA has increased by an annual rate of 5.5% over the past twenty-five years.
- 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

- Between 2003 and 2005 alone, flows increased by \$47 billion, bringing the total flow of financing from the US to the developing world in 2005 to \$158.5 billion.
- US private capital flows and remittances account for the largest categories of flows (at 44% and 26% respectively).
- ODA makes up the third largest category of flows at 18% of the total.
- Although the share of ODA has continued to shrink, over the past twenty-five years the total value of public flows has grown by \$21 billion, from \$7.14 billion in 1980 to \$28.62 billion in 2005.



- Over forty 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 even a smaller percentage of the total pie.
- Determining authoritative figures for private remittances is not possible. Estimates range widely, from \$41.3 billion in total transfers from the US to the world as a whole, (US Bureau of Economic Analysis), to \$45 billion in personal transfers from the US to Latin America and the Caribbean alone, estimated by the InterAmerican Development Bank. This second number would result in US transfers to the developing world of more than \$70 billion when combined with other developing regions. The number used here is the most conservative.
- Private flows from philanthropic sources (grantmaking and corporate foundations), religious, non-governmental and academic organizations combined represent 38%.

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 42.5% over the 2003 findings, from \$111.2 billion to \$158.5 billion.
- These 2005 data show dramatic increases in ODA, remittances, and private capital flows.

METHODOLOGY¹

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

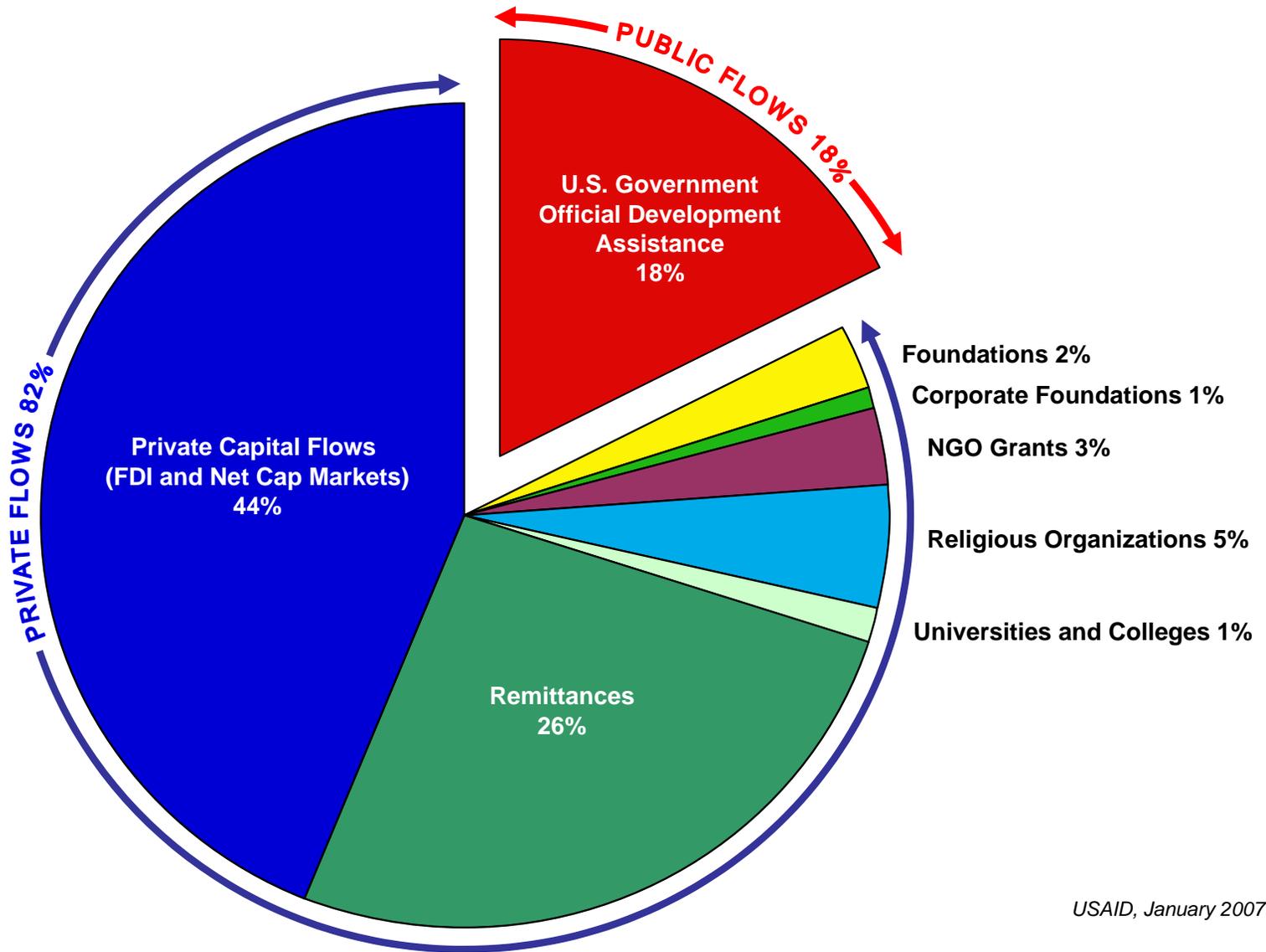
- Definition: Flows are grants, loans, and contributions from the US Government (public), and direct investments, securities, bank credits, transfers, and individual and institutional giving from the private sector.
- Multiple data sets were consulted to corroborate the findings.
- Figures represent 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 reliable figures.
- Primary sources: Bureau of Economic Analysis, OECD, *The Chronicle of Philanthropy*, The Foundation Center, Faith-Based Groups, and USAID Internal estimates.

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



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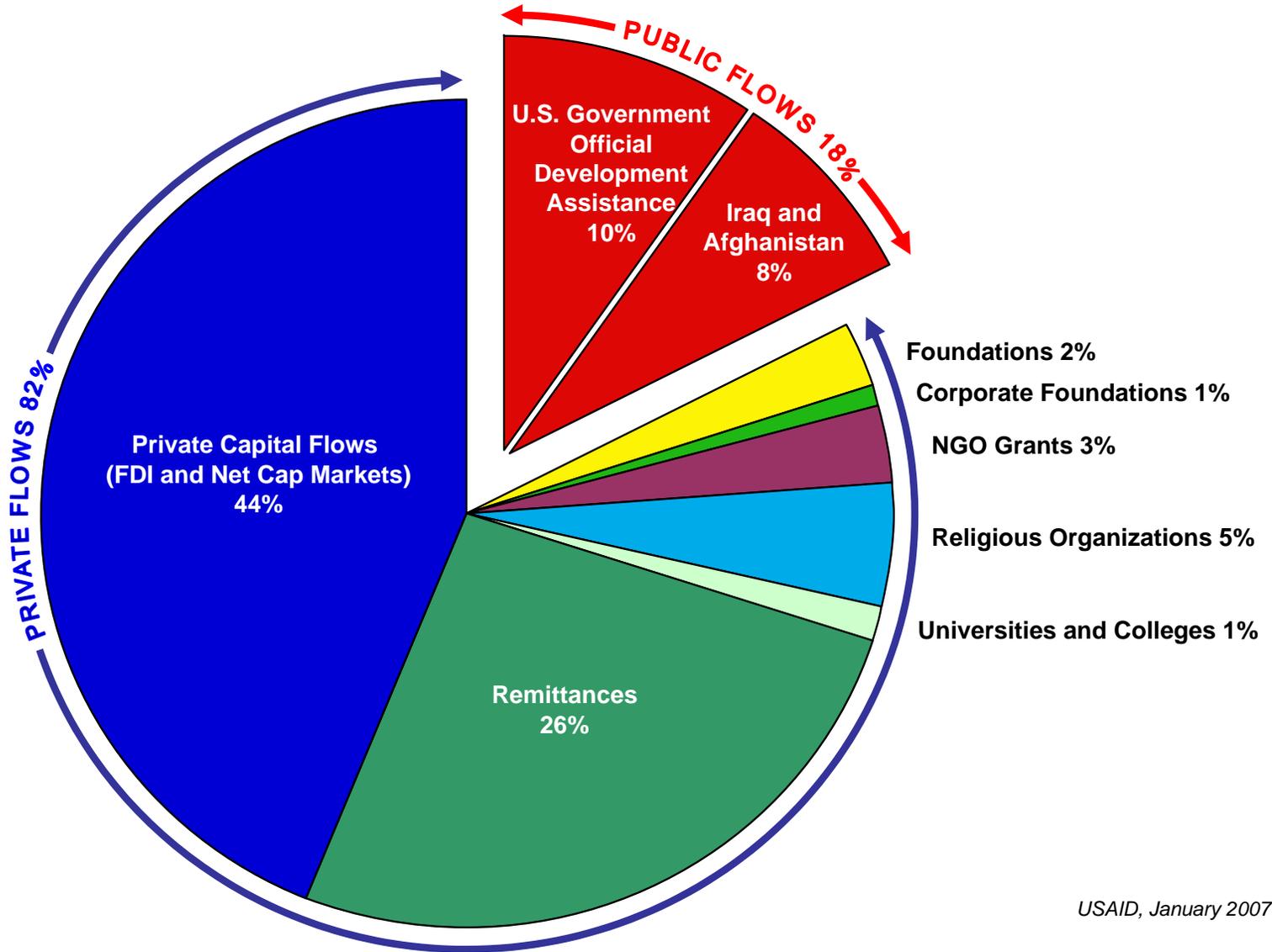
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