

U.S. Resource Flows to Developing Countries and Multilateral Organizations, 1993–97

THE BUREAU OF Economic Analysis (BEA) prepares annual estimates of U.S. resource flows to developing countries and multilateral organizations as part of the annual U.S. statistical submission to the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD). These resource flows consist of grants, loans, and contributions from the U.S. Government and of direct investments, securities, bank credits, and transfers from the U.S. private sector. As shown in table 1, U.S. resource flows are separately estimated, on a net disbursements basis, for two DAC groups of aid recipients: "Part I—Developing Countries" and "Part II—Developing Countries in Transition."¹ Resource flows to multilateral organizations oriented fully or partly to development in these countries are also included.

U.S. resource flows to Part I countries decreased from \$58.2 billion in 1993 to \$47.0 billion in 1995 before surging to \$75.0 billion in 1997. Overall U.S. resource flows to Part I countries approached 1 percent of U.S. gross national product (GNP) (System of National Accounts basis) in 1997. Flows from the private sector accounted for 81–90 percent of annual Part I totals. Direct investment abroad increased from \$20.6 billion in 1993 to \$30.0 billion in 1997; net flows of securities and bank credits decreased from \$23.8 billion in 1993 to \$13.4 billion in 1995 before surging to \$36.4 billion in 1997.

In contrast, official flows decreased significantly in 1993–97. For official development assistance (ODA), bilateral country grants and capital subscriptions to multilateral organizations both decreased, and the amortization of loans by developing countries exceeded the extension of new credits in each year of 1993–97. For other official flows, net totals were small,

1. Known as the "List of Developing Countries and Territories" for many years, the DAC List of Aid Recipients was split into two parts in 1993 in recognition of the new aid requirements for transition economies of Eastern Europe and of the rapid progress of some developing countries with reduced aid needs. Part I countries are the "traditional" developing countries to which aid can be counted as official development assistance. Part II countries are the "more advanced" developing countries of Central and Eastern Europe (Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, and the Slovak Republic) and of the Newly Independent States of the former Soviet Union (Belarus, Russia, and Ukraine). In 1996, the Bahamas, Brunei, Kuwait, Qatar, Singapore, and the United Arab Emirates were reclassified from Part I to Part II's more advanced developing status. In 1997, Bermuda, Cayman Islands, Cyprus, Falkland Islands, Hong Kong, Israel, and Taiwan were reclassified from Part I to Part II status, and Moldova shifted from Part II to Part I status. For the history, structure, and functions of the OECD and the DAC, as well as an enumeration of member countries and the classification of aid recipients, go to the OECD Web site at <www.oecd.org>.

but the conversion of defaulted credits of foreign borrowers under U.S. Government loan guarantee programs into long-term credits under rescheduling agreements was substantial in 1993–97. (For a description of how the flow estimates are organized, see the section on "Classification of Flows.") Two special developments affected official flows in 1995–97: The 1995–96 flows were disrupted by the shutdown of U.S. Government operations related to the budget stalemate late in 1995, which deferred significant resources to early 1996, and the level of total assistance to Part I countries fell as Israel and 12 other countries were reclassified to Part II status in 1996–97.

U.S. resource flows to Part II countries increased sharply from \$3.9 billion in 1993 to \$18.3 billion in 1997, largely reflecting the reclassification of 13 countries from Part I to Part II status in 1996–97.

Historical Perspective

As shown in table 2, the composition and distribution of U.S. resource flows to Part I countries have changed markedly. Official flows were over 70 percent of total flows in the 1960's, but private flows have been the dominant source of resources in the 1990's, exceeding 90 percent of total flows in 1997. Although its composition changed dramatically, total U.S. resource flows were stable at 0.7 percent of GNP in the 1960's and 1970's, fell to 0.5 percent in the 1980's, and returned to 0.7 percent in the 1990's.

Within official flows, bilateral ODA grants were the primary form of assistance (peaking at \$12.1 billion in 1991), and net ODA flows to multilateral organizations grew through the 1980's but leveled off in the 1990's. Net ODA loans grew in the 1960's and 1970's, slowed in the 1980's, and became negative in the 1990's as the amortization of credits exceeded new lending. After a surge in the 1970's, net other official flows decreased over 40 percent in the 1980's and remained at that level in the 1990's. As the debt burden of developing countries increased in the late 1980's and early 1990's, the United States joined other creditor nations to forgive and reschedule significant amounts of official credits.

Within private flows, direct investment abroad totaled \$9.8 billion in the 1960's and rocketed to \$150.8 billion in 1990–97. Similarly, net securities and bank credits were a cumulative \$5.3 billion in the 1960's and soared to a cumulative \$98.3 billion in 1990–97; the growth slowed in the 1980's, when inflows to the United States from Part I countries exceeded outflows for several years, but surged in the 1990's and reached a record \$36.4 billion in 1997. Net grants by

NOTE.—This report was prepared by William McCormick.

Table 1.—U.S. Resource Flows to Developing Countries and Multilateral Organizations, 1993–97

[Millions of dollars]

| (outflows +; inflows -) | 1993 | 1994 | 1995 | 1996 | 1997 |
|--|---------------|---------------|---------------|---------------|---------------|
| Flows to Part I—Developing countries¹ | 58,235 | 59,738 | 46,984 | 55,730 | 74,991 |
| Official development assistance (ODA), net | 10,123 | 9,927 | 7,367 | 9,377 | 6,878 |
| Bilateral grants, net | 8,496 | 8,301 | 6,387 | 7,672 | 5,633 |
| Program aid | 2,101 | 2,311 | 1,422 | 3,244 | 1,030 |
| Technical cooperation | 3,310 | 2,796 | 2,614 | 2,787 | 2,741 |
| Food aid | 1,095 | 1,187 | 771 | 420 | 718 |
| Emergency and distress relief | 669 | 1,132 | 789 | 585 | 340 |
| Debt forgiveness (principal and interest) | 667 | 226 | 128 | | 175 |
| Other ² | 654 | 649 | 663 | 636 | 629 |
| Bilateral loans, net | -1,179 | -1,017 | -773 | -755 | -694 |
| Food aid loans, amounts extended | 293 | 146 | 109 | 152 | 153 |
| Other loans, amounts extended | 22 | 27 | 10 | 9 | 7 |
| ODA rescheduling, amounts extended ³ | 694 | 53 | | | 271 |
| Amounts received and offsetting entries ⁴ | -2,188 | -1,243 | -892 | -916 | -1,125 |
| Multilateral grants, capital subscriptions, and lending, net | 2,806 | 2,643 | 1,753 | 2,460 | 1,939 |
| Grants to UN agencies | 749 | 852 | 718 | 732 | 739 |
| Food aid through UN | 302 | 283 | 258 | 178 | 253 |
| Grants to other international organizations | 227 | 208 | 196 | 266 | 264 |
| Capital subscriptions (issuances) | 1,541 | 1,312 | 594 | 1,300 | 700 |
| Concessional lending to multilateral agencies, net | -13 | -12 | -13 | -16 | -17 |
| Other official flows (OOF), net | 140 | 867 | 1,473 | 1,118 | 287 |
| Export-related transactions, amounts extended | 450 | 715 | 612 | 922 | 1,265 |
| Investment-related and other transactions, amounts extended | 518 | 553 | 595 | 636 | 672 |
| OOF rescheduling, amounts extended ⁵ | 1,760 | 1,261 | 2,156 | 1,590 | 975 |
| Amounts received and offsetting entries ⁴ | -2,588 | -1,662 | -1,890 | -2,030 | -2,625 |
| Private flows at market terms, net | 45,405 | 46,330 | 35,642 | 42,726 | 65,308 |
| Direct investment abroad, net | 20,562 | 21,407 | 23,228 | 23,308 | 29,962 |
| Securities and bank credits, net | 23,817 | 19,838 | 13,404 | 19,472 | 36,417 |
| Private export credits under guarantee programs, net | -621 | 4,479 | -780 | 943 | 2,697 |
| Multilateral securities, net | 1,647 | 606 | -210 | -997 | -3,768 |
| Grants by nongovernmental organizations, net | 2,567 | 2,614 | 2,502 | 2,509 | 2,518 |
| Flows to Part II—Developing countries in transition¹ | 3,851 | 2,949 | 3,289 | 4,904 | 18,308 |
| Official aid, net ⁶ | 1,647 | 2,422 | 1,280 | 1,694 | 2,516 |
| Other official flows, net | 1,071 | 87 | -8 | -24 | 5 |
| Private flows at market terms, net | 825 | 146 | 1,720 | 2,939 | 14,740 |
| Grants by nongovernmental organizations, net | 308 | 294 | 297 | 295 | 1,047 |
| Addenda: | | | | | |
| U.S. GNP at current prices ⁷ | 6,372,300 | 6,744,400 | 7,070,400 | 7,446,500 | 7,853,100 |
| ODA as a percentage of GNP (percent) | .16 | .15 | .10 | .13 | .09 |
| Total flows to Part I countries as a percentage of GNP (percent) | .91 | .89 | .66 | .75 | .95 |

1. Flows are net disbursements to Part I and Part II developing countries (includes development-oriented multilateral organizations) on the list of aid recipients as designated by the Development Assistance Committee of the Organization for Economic Co-operation and Development.
 2. Includes primarily administrative costs of agencies dedicated to foreign assistance.
 3. Includes new loans to retire outstanding credits and capitalize interest.
 4. Includes credit repayments, retirement of existing loans with proceeds from rescheduling, and offsetting entries related to debt forgiveness (principal only).
 5. Includes new loans to retire outstanding credits, capitalize interest, and convert defaulted credits of foreign borrowers under U.S. Government loan guarantee programs into long-term credits.
 6. Official flows to Part II countries that have the same concessional and qualitative features as ODA are designated official aid. Only flows to Part I countries are eligible to be recorded as ODA.
 7. GNP entries are standardized System of National Accounts data.

NOTE.—In 1996, the Bahamas, Brunei, Kuwait, Qatar, Singapore, and the United Arab Emirates were reclassified from Part I to Part II status. In 1997, Bermuda, Cayman Islands, Cyprus, Falkland Islands, Hong Kong, Israel, and Taiwan were reclassified from Part I to Part II status, and Moldova shifted from Part II to Part I status.
 Source: U.S. Department of Commerce, Bureau of Economic Analysis, from information made available by operating agencies.
 GNP Gross national product

nongovernmental organizations grew steadily from the 1960's through the 1980's but slowed in the 1990's.

The destination of U.S. resource flows was influenced by major foreign policy initiatives and worldwide economic developments. ODA flows went primarily to Asia in the 1960's and 1970's as part of the U.S. support of that area. During the 1980's and into the 1990's, implementation of the Sinai Accords made Israel and Egypt the top recipients of ODA resources. ODA flows to the Americas relative to overall ODA flows decreased in the 1970's, but they rebounded in the 1980's and 1990's with new U.S. initiatives to developing countries of the Western Hemisphere. For private flows, the Americas were the largest recipients; however, the share to Asia increased strongly over the past 30 years.

Table 2.—U.S. Resource Flows to Part I Developing Countries and Multilateral Organizations, Select Aggregates and Distributions, 1960–97

| | 1960–69 | 1970–79 | 1980–89 | 1990–97 |
|--|---------------------|----------------|----------------|----------------|
| | Millions of dollars | | | |
| Total resource flows, net | 51,298 | 108,738 | 189,762 | 361,021 |
| Official development assistance, net | 34,637 | 40,103 | 83,814 | 78,038 |
| Bilateral grants, net | 22,234 | 17,337 | 54,554 | 65,758 |
| Bilateral loans, net | 8,502 | 12,070 | 7,540 | -8,065 |
| Multilateral grants, subscriptions, and lending, net | 3,902 | 10,697 | 21,720 | 20,345 |
| Other official flows, net | 1,590 | 6,696 | 3,904 | 3,964 |
| Private flows at market terms, net | 15,070 | 54,040 | 86,143 | 258,320 |
| Direct investment abroad, net | 9,811 | 32,864 | 45,385 | 150,783 |
| Securities and bank credits, net | 5,259 | 18,806 | 31,174 | 98,259 |
| Grants by nongovernmental organizations, net | n.a. | 7,899 | 15,901 | 20,698 |
| | Percent | | | |
| Distribution: | | | | |
| Official development assistance, net | 68 | 37 | 44 | 22 |
| Bilateral grants, net | 43 | 16 | 29 | 18 |
| Bilateral loans, net | 17 | 11 | 4 | -2 |
| Multilateral grants, subscriptions, and lending, net | 8 | 10 | 11 | 6 |
| Other official flows, net | 3 | 6 | 2 | 1 |
| Private flows at market terms, net | 29 | 50 | 45 | 72 |
| Direct investment abroad, net | 19 | 30 | 24 | 42 |
| Securities and bank credits, net | 10 | 17 | 16 | 27 |
| Grants by nongovernmental organizations, net | n.a. | 7 | 8 | 6 |
| Percent of GNP at current prices:¹ | | | | |
| Total resource flows, net | .7 | .7 | .5 | .7 |
| Official flows, net ² | .5 | .3 | .2 | .2 |
| Private flows, net ³ | .2 | .4 | .3 | .5 |
| Geographic distribution: | | | | |
| Official development assistance, net bilateral: | | | | |
| Europe | 7 | 2 | 2 | 1 |
| Africa | 12 | 17 | 32 | 36 |
| America | 18 | 11 | 16 | 16 |
| Asia | 59 | 56 | 33 | 28 |
| Oceania | 1 | 3 | 3 | 2 |
| Unspecified ⁴ | 3 | 12 | 15 | 15 |
| Private flows at market terms, net bilateral: | | | | |
| Europe | n.a. | 7 | 4 | 1 |
| Africa | n.a. | 6 | 6 | 3 |
| America | n.a. | 73 | 67 | 58 |
| Asia | n.a. | 14 | 23 | 39 |
| Oceania | n.a. | | (*) | (*) |
| Unspecified | n.a. | | | |

* Less than 0.5 percent.

n.a. Not available.

1. Percentages based on cumulative totals for both GNP and select aggregates.

2. Includes both official development assistance and other official flows.

3. Includes both private flows at market terms and grants by nongovernmental organizations.

4. Includes multi-regional disbursements and administrative costs of agencies dedicated to foreign assistance.

NOTE.—Flows are on a net disbursements basis. Part I countries are the "traditional" developing countries on the Development Assistance Committee List of Aid Recipients to which aid can be counted as official development assistance.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, from information made available by operating agencies.

GNP Gross national product

Background

The OECD, which consists of 29 countries with advanced market economies, aims to promote policies among members to achieve the highest sustainable economic growth and employment, to contribute to economic and social welfare, to coordinate efforts in favor of developing countries, and to expand multi-lateral, nondiscriminatory trade. Within the OECD, the DAC is the specialized committee that addresses economic and social issues of developing countries by providing a forum for member countries to coordinate assistance policies and monitor resource flows in order to enhance efforts for sustainable development. As part of this mission, the DAC collects and publishes statistics on resource flows from members to developing countries.²

Through an agreement with the U.S. Agency for International Development (the U.S. representative to the DAC), BEA has compiled data on U.S. resource flows to developing countries and multilateral organizations for the DAC since the 1960's. BEA's compilations follow DAC reporting conventions at aggregate and bilateral levels. Tables 1 and 2 of this report are adaptations of the main data elements submitted to the DAC.

DAC Reporting Directives

DAC reporting directives follow closely most of the balance of payments accounting guidelines outlined in the International Monetary Fund's *Balance of Payments Manual, 5th Edition*. Accordingly, most of the concepts used in BEA's data submissions to the DAC are similar to those in the U.S. balance of payments accounts, but DAC reporting directives require special treatment in some situations.³ Examples of special treatment follow:

- Capital subscriptions to international and regional banks are reported on an issuance basis (when lines of credit are established) and not on an encashment basis (when drawdowns are made on the lines of credit).

2. Aid statistics for DAC members are available in two annual publications, *Development Co-operation Report: Efforts and Policies of the Members of the Development Assistance Committee* (Paris: OECD Publications, 1999) and *Geographical Distribution of Financial Flows to Aid Recipients* (Paris: OECD Publications, 1999).

3. Estimates are based on details used to estimate the following lines in table 1 of the U.S. international accounts published in the January, April, July, and October issues of the SURVEY OF CURRENT BUSINESS:

- Line 14, U.S. Government income receipts
- Line 30, U.S. Government grants
- Line 31, U.S. Government pensions and other transfers
- Line 32, Private remittances and other transfers
- Line 40, U.S. credits and other long-term assets
- Line 41, Repayments on U.S. credits and other long-term assets
- Line 42, U.S. foreign currency holdings and U.S. short-term assets, net
- Line 44, Direct investment, U.S. private assets abroad, net
- Line 45, Foreign securities, U.S. private assets abroad, net
- Line 47, U.S. claims reported by U.S. banks, not included elsewhere

- Military assistance is not included except when the military agency is the executive agent for development or humanitarian efforts (including in-country narcotics support, threat reduction and demobilization, and post-conflict peacebuilding operations).
- Only long-term credits (repayment terms that exceed 1 year) are included.
- Annuity/pension transfers and personal remittances are not included.
- Only direct investment and private unilateral transfers to developing countries are included; comparable flows to DAC member countries from developing countries are not included.
- Certain transactions are included that do not enter the balance of payments accounts (for example, refugee costs for the first year within the donor country).
- Banking flows through 13 select developing countries are not included, because the financial intermediation performed by these countries primarily facilitates financial flows to developed countries rather than to developing countries.⁴

Classification of Flows

U.S. resource flows originate from either the public sector ("official flows") or the private sector. Flows from the public sector are divided into two categories: Official development assistance (ODA) and other official flows. For flows to be classified as ODA, they must be official in nature (originate from Federal, State, and local agencies); have a development or welfare motive (the main objective promotes economic and social development in the aid recipient); be concessional in character; and be directed to Part I countries or development-oriented multilateral organizations. Bilateral ODA grants are classified into the following categories: Program aid ("cash" or "in-kind" transfers for budget or balance of payments support, financing of capital goods and commodities, and wide-ranging development plans in a defined sector in which the recipient country concurrently executes its own development plans in the same sector); technical cooperation (transfers that increase the stock of human intellectual capital and its use); food aid (including freight donations); emergency and distress relief (including aid to refugees and for migration); debt forgiveness (principal and interest for qualifying official credits); and other (primarily administrative costs of agencies dedicated to foreign assistance). Bilateral ODA grants are dominated by disbursements from the U.S. Agency for International Development, but many other agencies participate in the delivery of U.S. assistance abroad.

4. The 13 countries are Aruba, the Bahamas, Bahrain, Bermuda, Cayman Islands, Hong Kong, Lebanon, Liberia, Netherlands Antilles, Panama, Singapore, Vanuatu, and the Virgin Islands (UK).

Bilateral loans from the U.S. Government may also be classified as ODA if they have a development motive and a “grant element” of 25 percent or more—a DAC concept of concessionality for financial instruments that is measured as the difference between the face value of the loan and the present value of associated service payments over the lifetime of the loan (calculated at a 10-percent discount rate), with the difference expressed as a percentage of the face value. These ODA loans are primarily food aid credits extended under the Title I program of Public Law 480, but they also include significant credits extended to replace qualifying official loans under rescheduling agreements and the capitalization of related interest. Offsetting entries consist of ODA loan repayments from recipient countries, liquidation of existing loan balances with new credits from rescheduling agreements, and entries for loan forgiveness.

Both voluntary and assessed contributions to multilateral organizations with a development orientation, as well as capital subscriptions and lending to international and regional development banks, may be classified as multilateral ODA. Commodity donations

through both the World Food Program and the International Emergency Food Reserve of the United Nations are also classified as multilateral ODA.

Official resource flows that do not qualify as ODA are designated other official flows (OOF). These flows primarily consist of credits extended by the Export-Import Bank and the Commodity Credit Corporation in support of U.S. exports, but they also include credits extended by the Overseas Private Insurance Corporation and other U.S. Government agencies, the rescheduling of OOF loans, the capitalization of related interest, and the conversion of subrogated assets into long-term credit instruments. Offsetting entries include principal repayments on OOF loans and the retirement of outstanding loans under rescheduling agreements.

Private flows include U.S. direct investment abroad, securities transactions, banking transactions, and export credits of private banks participating in guarantee programs of the U.S. Government.

Grants by nongovernmental organizations include institutional remittances and private contributions to

UNICEF. 