



# U.S. Development Assistance to Africa and to the World: What Do the Latest Numbers Say?

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CGD Notes

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U.S. development assistance to sub-Saharan Africa has risen from a low of \$1.5 billion in 1996 to \$6.6 billion in 2006. But it still averages less than \$9 per African per year.

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One of the most prominent changes in U.S. foreign policy in recent years is a rapid increase in development assistance. As President George Bush travels to Africa this week, we take a look at U.S. development assistance globally and to sub-Saharan Africa (SSA), based on recently released data on global development assistance flows through 2006.<sup>2</sup> We also examine progress on President Bush's pledge, made on the eve of the 2005 G8 summit in Gleneagles Scotland, to double U.S. assistance to Africa between 2004 and 2010. Our analysis reaches the following conclusions:

*With respect to U.S. development assistance globally:*

- After increasing steadily since 1997, total U.S. development assistance (measured in constant 2005 dollars) fell 18% in 2006, from \$27.9 billion to \$22.9 billion. Nevertheless, the 2006 amount is more than double the 2000 level.
- The vast bulk of the increase since 2000 is due to huge increases in assistance to Iraq and Afghanistan and to a small number of large debt relief operations. After accounting for these factors, global assistance increased about 40% between 2000 and 2006, a significant increase, but at about the same pace as the previous five years.
- Almost all of the increase in assistance has been delivered through bilateral rather than multilateral channels. U.S. contributions to multilateral agencies have fallen in recent years, and now

account for only about 10% of all U.S. development assistance.

*With respect to U.S. development assistance to sub-Saharan Africa:*

- U.S. development assistance to SSA (bilateral and multilateral) rose from a low of \$1.5 billion in 1996 (in constant 2005 US dollars) to \$2.3 billion in 2000, then increased rapidly to \$6.6 billion in 2006.
- Three major one-time debt relief deals accounted for \$1.5 billion of the 2006 figure. Excluding debt relief, the increase in U.S. development assistance to SSA was still substantial, increasing from \$2.3 billion in 2000 to \$5.1 billion in 2006.
- Despite the large overall increase, U.S. development assistance to SSA averages less than \$9 per African per year.
- HIV/AIDS programs accounted for about \$1 billion in disbursements to SSA in 2006.
- The allocation of U.S. development assistance to Africa has weakened in recent years, with much smaller shares of funding going to the poorest countries and to the best governed countries.
- After accounting for one-time debt deals, the U.S. pledge to double assistance to SSA between 2004 and 2010 appears to be slightly behind pace, but not substantially so. As HIV/AIDS and malaria programs continue to

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<sup>2</sup> The official source for definitions, data and information on foreign assistance is the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD).

ramp up and the Millennium Challenge Account begins to disburse funds, the United States may still be on track to double assistance to SSA by 2010.

## U.S. Global Development Assistance

U.S. Official Development Assistance (ODA)<sup>3</sup> fell sharply in the early 1990s, both globally and to Africa, as a result of the end of the Cold War and stiff opposition to foreign assistance by some members of the U.S. Congress. It reached a nadir of \$8.1 billion in 1997 (measured as amounts actually disbursed, rather than commitments, and in constant 2005 US dollars) and then increased 38% to \$11.2 billion in 2000, as shown in Figure 1. It then grew rapidly to \$27.9 billion in 2005. *However, in 2006 U.S. ODA fell 18% to \$22.9 billion*, mainly because the 2005 figure was unusually large as a result of a one-time \$3.9 billion debt relief package for Iraq. Nevertheless, the 2006 figure is more than double the 2000 figure. The vast majority of

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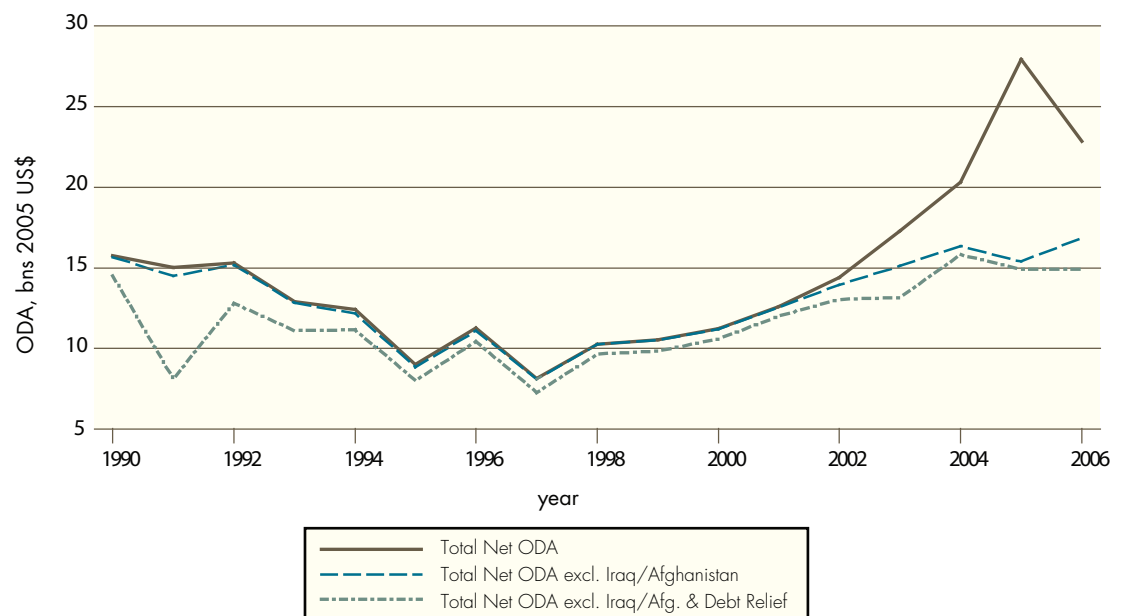
the increase in U.S. development assistance since 2001 is accounted for by assistance to Iraq and Afghanistan and by a small number of large debt relief operations.

## Iraq and Afghanistan

Development assistance to Iraq and Afghanistan reached \$12.5 billion in 2005, accounting for 45% of all global U.S. development assistance. The large spike in 2005 was due to the large Iraq debt relief package. In 2006, after the debt deal, ODA for Iraq and Afghanistan fell to \$6.2 billion, but still accounted for more than one-fourth of all global U.S. ODA.

*Excluding assistance to Iraq and Afghanistan, global U.S. ODA increased about 50% between 2000 and 2006, from \$11.2 billion to \$16.8 billion* (Figure 1). There has been little change in global U.S. ODA outside of Iraq and Afghanistan since 2004.

**Figure 1. Excluding assistance to Iraq and Afghanistan and debt relief, global U.S. ODA increased about 40% between 2000 and 2006**



<sup>3</sup> According to DAC definitions, assistance to low-income countries—technically referred to as Official Development Assistance (ODA)—consists of grants and subsidized loans (including technical assistance and commodities) that are designed to promote economic development and welfare as their main objective (thus excluding assistance for military or other nondevelopment purposes). This definition of development assistance is not perfect, and is sometimes criticized for not distinguishing among different types of assistance (e.g., humanitarian or food aid versus assistance for economic development), excluding certain types of assistance (like the value of peacekeeping forces), or for other reasons. Nevertheless, the DAC data are based on internationally recognized agreements and standards, and have the advantage of (by-and-large) consistency over time and across countries, so we rely on them for this analysis.

<sup>4</sup> All debt relief figures are for U.S. bilateral relief (i.e., they do not count the U.S. share of multilateral debt relief).

## Debt Relief

Another major contributor to the increase in U.S. ODA in recent years is debt relief.<sup>4</sup> Debt relief is accounted for differently than other components of ODA. The value of debt relief is the charge to the creditor country's budget for writing off the debt in the year of the debt relief, and does not represent new funding to the recipient. Of course debt relief is beneficial to the debtor since it represents a future cash flow savings (in the form of debt service that has been forgiven). But the ODA accounting for debt relief can be misleading since it shows a large amount of assistance in the year of the write-off, even though it is not an immediate cash inflow to the debtor. Moreover, since it is a one-time deal, it is typically followed by a sharp decline in measured ODA in the following year.

Debt relief affects ODA figures every year, but three sizeable recent debt deals had an unusually large effect on recent numbers. Debt relief to Nigeria added \$597 million to U.S. ODA in 2006, Iraq added \$3.9 billion in 2005, and the Democratic Republic of the Congo added \$1.4 billion in 2003 and an additional \$689 million in 2006 (in constant 2005 US dollars). Debt relief added \$2 billion to U.S. ODA in 2006, an unusually high number.

*Excluding Iraq, Afghanistan and debt relief, global U.S. ODA increased by about 40% from \$10.6 billion in 2000 to \$14.8 billion in 2006*, as shown both in Figure 1 and Table 1. By comparison, in the previous three years it increased 44% from \$7.3 billion in 1997 to \$10.6 billion in 2000.

**Table 1.**

### U.S. Global Official Development Assistance

<i>(constant 2005 \$, millions)</i>	<b>1997</b>	<b>2000</b>	<b>2006</b>
Global Total	8,127	11,223	22,863
Iraq and Afghanistan	37	24	6,024
Debt Relief	773	633	2,007
<b>Total, excluding Iraq, Afghanistan, and debt relief</b>	<b>7,317</b>	<b>10,565</b>	<b>14,832</b>

Source: OECD/DAC.

### Bilateral vs. Multilateral Assistance

Another characteristic of the recent increases in development assistance is that it has been delivered predominately through bilateral rather than multilateral channels (such as the World Bank, the African Development Bank, the United Nations, and the Global Fund). Despite the rise in total development assistance, U.S. contributions to multilateral institutions actually fell from \$2.9 billion in 2000 to \$2.3 billion in 2006. As a result, the share of multilateral assistance has fallen from 25% to 10%, compared to the average of all other major donors of 30% (Figure 2).

### U.S. Development Assistance to sub-Saharan Africa

U.S. development assistance to SSA (bilateral and multilateral) rose from a low of \$1.5 billion in 1996 to \$2.3 billion in 2000, a 50% increase in four years. Since then, it has grown rapidly, more than tripling over six years to reach \$6.6 billion in 2006 (Figure 3). Of this amount, about \$5.4 billion was delivered bilaterally, and about \$1.2 billion was contributed through multilateral organizations.<sup>5</sup> Even with the large increase, U.S. ODA to SSA averages less than \$9 per African per year.

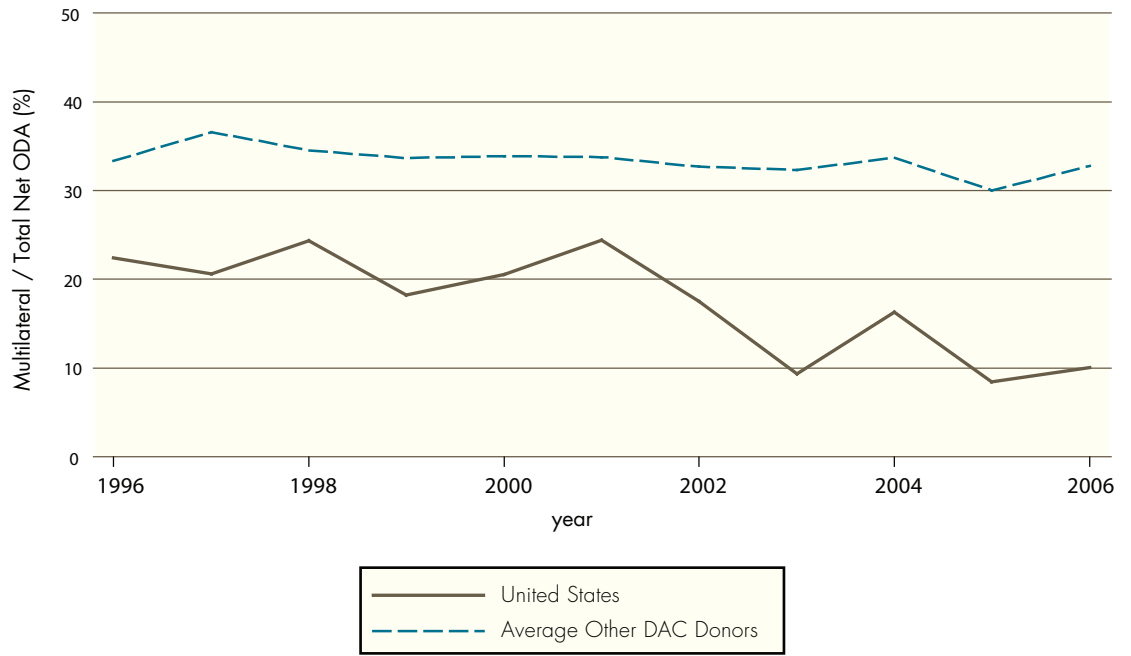
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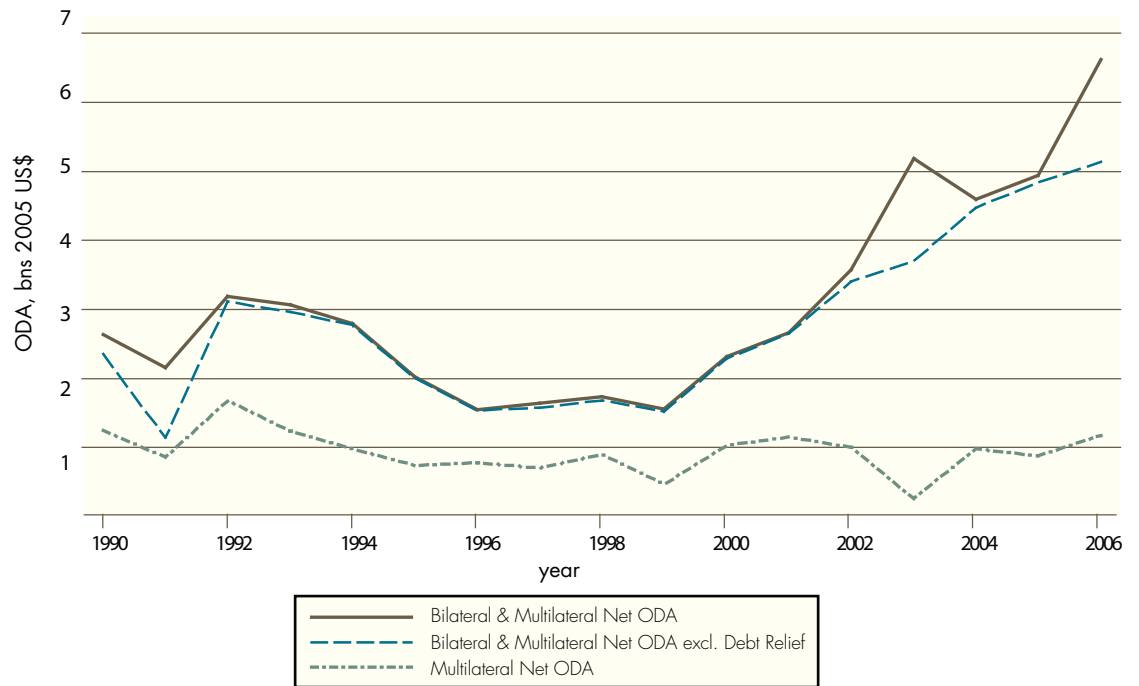
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<sup>5</sup> A specific country's share (in this case, the U.S. share) of multilateral assistance that goes to a particular country or region is calculated indirectly by the DAC. Each donor country's total contribution to each multilateral agency is prorated by the multilateral agency's assistance to that country or region.

**Figure 2. The share of U.S. assistance through multilateral channels has fallen sharply since 2001**



**Figure 3. U.S. Assistance to sub-Saharan Africa has increased rapidly since the late 1990s**



Three major factors contributed to the increase in U.S. development assistance to Africa: debt relief (large deals in Nigeria, the Democratic Republic of Congo, and Zambia), humanitarian assistance, and funding for HIV/AIDS programs. One important new program that did not contribute to the aid increases is the Millennium Challenge Account. While the Millennium Challenge Corporation has committed \$3.1 billion to eight SSA countries over the next five years, through November of 2007 it had disbursed just \$100 million.

### Debt Relief

The U.S. and other creditor countries have provided substantial amounts of debt relief to countries in SSA since the early 1990s, especially since the introduction of the Heavily Indebted Poor Country (HIPC) program in 1997. Three recent deals—two of which were particularly large—had important effects on the accounting for U.S. development assistance to Africa in 2006: Nigeria (\$597 million), the Democratic Republic of Congo in 2006 (\$689 million), and Zambia (\$188 million).

These three deals added \$1.5 billion to the U.S. ODA figure for 2006. Excluding debt relief, U.S. development assistance to SSA in 2006 was \$5.3 billion, still substantially larger than the comparable 2000 figure (also excluding debt relief) of \$2 billion.

### Humanitarian Assistance

The United States has dramatically increased humanitarian assistance to SSA in recent years. Emergency assistance increased from \$114 million in 2000 to \$1.7 billion in 2006 (measured in 2005 US dollars). Humanitarian assistance accounted for 9% of U.S. bilateral assistance to SSA in 2000; by 2006 it accounted for 31%.

### HIV/AIDS Programs

Perhaps the most important new U.S. development assistance program in SSA is the President's Emergency Plan for AIDS Relief (PEPFAR). In January

2003 President Bush announced the new \$15 billion, five-year program, designed to triple U.S. commitments from about \$1 billion to \$3 billion per year. Since the announcement, new annual commitments for funding have exceeded the original plan, although (as is always the case with assistance) actual disbursements have lagged. Precise data on U.S. disbursements for HIV/AIDS programs in SSA for 2006 are not yet available, but preliminary data suggest disbursements of approximately \$1 billion, or nearly one-fourth of U.S. bilateral assistance (excluding debt relief).

### Major Recipients in SSA

The two largest recipients of bilateral U.S. ODA in SSA in 2006 were the Democratic Republic of Congo (\$839 million) and Nigeria (\$787 million). These large amounts are due mostly to debt relief (Zambia was the fifth largest recipient at \$310 million, again mostly because of debt relief). Excluding debt relief, the two largest recipients were Sudan (\$739 million) and Ethiopia (\$316 million). Both were large recipients of emergency food aid.

The allocation of bilateral U.S. ODA to SSA has changed significantly in recent years. The United States provides a much *smaller* share of its development assistance to the poorest countries in SSA, and a much *smaller* share to the best governed countries. In 2000, about 37% of all U.S. bilateral assistance to SSA went to the poorest income quartile of countries; by 2006 that share had dropped to 18%. Similarly, in 2000 about 33% of funding went to countries in the highest quartile of the World Bank Institute's governance indicators; by 2006 the share had dropped to 11%.

### The Pledge to Double Assistance to Africa

On June 30, 2005, on the eve of the G8 summit at Gleneagles, President Bush announced that "The United States has tripled overseas development assistance to Africa during my presidency and we're making a strong commitment for the future:

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The United States provides a much smaller share of its development assistance to the poorest countries in SSA, and a much smaller share to the best-governed countries.

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between 2004 and 2010 I propose to double assistance to Africa once again, with a primary focus on helping reforming countries.”

At the time, the United States actually had not tripled assistance to Africa, but had doubled it from \$2.1 billion in 2000 to \$4.5 billion in 2004, still a considerable increase. To meet the president’s pledge, the United States would have to double ODA to SSA to \$8.9 billion in 2010, and focus more assistance to reforming countries.

Two years into the pledge, there is positive, although somewhat mixed, progress. On the one hand, in terms of putting “a primary focus on helping reforming countries,” the data show a *smaller* share of U.S. funding going to the best governed countries in Africa. On the other hand, in terms of the quantity of assistance, on the surface it appears that the U.S. is well ahead of the pledge, with U.S. ODA to SSA increasing by almost 45% from \$4.6 billion in 2004 to \$6.6 billion in 2006 (measured in constant 2005 US dollars). To keep pace with the pledge of doubling assistance over six years,

an increase of 33% over two years is required. However, the 45% figure is inflated by the debt deals for Congo, Nigeria, and Zambia, totaling \$1.5 billion. Excluding debt relief, the two-year increase was 14% in real terms, from \$4.5 billion to \$5.1 billion (in current, or nominal, dollars the increase was about 22%). To be sure, the increases since 2004 have been sizable, but are somewhat below the pace implied by the pledge to double assistance over six years.

Still, even excluding debt relief, there are good reasons to believe that U.S. assistance to SSA will continue to increase in the next several years. First, disbursements for HIV/AIDS programs are continuing to grow rapidly. Second, the U.S. has introduced a new malaria program that should add to the totals in the near future. Third, MCC disbursements are likely to accelerate in the next several years. **If bipartisan support continues for these programs over the next several years without a decline in support for other important existing programs, the U.S. looks likely to succeed in doubling assistance to SSA by 2010.**