UNITED NATIONS

A

General Assembly

Distr.
GENERAL

A/51/291
15 August 1996

ORIGINAL: ENGLISH

Fifty-first session
Item 96 (b) of the provisional agenda*

MACROECONOMIC POLICY QUESTIONS: FINANCING OF DEVELOPMENT, INCLUDING NET TRANSFER OF RESOURCES BETWEEN DEVELOPING AND DEVELOPED COUNTRIES

Net transfer of resources between developing and developed countries

Report of the Secretary-General

I. INTRODUCTION

1. Two years ago, the General Assembly adopted resolution 49/93 of 19 December 1994 on the net flows and transfer of resources between developing countries and developed countries. The report of the Secretary-General to the Assembly at that session (see A/49/309) had concluded that a long-awaited shift had finally taken place in the net transfer of financial resources to the developing countries. The sum of all financing and investment income flows in and out of the developing countries plus the changes in their official reserve holdings, all taken together, had become a net inflow. This meant that the total value of imports of goods and services by the developing countries could become larger than the total value of their exports, the "net transfer" providing the financial resources to make the additional imports possible.

2. This was the kind of relationship that had once been typical, when net financial resources from abroad had boosted the spending capacity of developing countries above what could be purchased out of the value of domestic production, and where the foreign savings that underlay the net financial inflows supplemented domestic savings and raised investment. For almost all of the 1980s, however, exactly the reverse had been the experience: developing countries as a whole had transferred financial resources abroad on a net basis, exporting more than they imported and using the trade surplus to effect the transfer.

* A/51/150.

96-20909 (E) 300996

3. An outward net transfer of resources by a developing country is not, per se, something to be decried, even if it is commonly called a "negative transfer". The "negative" comes from the convention in balance-of-payments accounting to show outward payments as negative numbers and inward receipts as positive ones. A negative transfer can be a reflection of economic strength, as when rapid rates of growth generate more domestic savings than the economy can absorb in new investment. The problem in most countries which had negative transfers in the 1980s is that it instead reflected the sudden discontinuance of private financial inflows in the face of large interest and repayment obligations from past inflows.

4. This is why a series of reports has been produced by the Secretary-General to monitor the net transfer issue, of which the present report is the sixth. The reports were set in motion after the call by the Economic and Social Council to the international community in July 1986 "to take appropriate and effective measures ... to halt and reverse the net transfer of resources from developing to developed countries" (Economic and Social Council resolution 1986/56 of 22 July 1986, para. 7). Half a decade later, the actual turnaround occurred.

5. When the General Assembly agreed, in resolution 49/93, to retain the review of the net transfer of resources on its agenda, the positive - and by 1993 quite large - net aggregate transfer was a new phenomenon. There was no certainty that it would be maintained. Moreover, it was clear that the swing from transfers that were negative to positive had affected only a limited number of countries. It was also clear that strong positive inflows arose mainly because there was a new interest in the international financial sector in placing funds in certain developing countries. Most other countries had yet to attract such funds. In addition, there were some worrisome signals concerning the prospects for the official financial flows upon which a large number of developing countries relied, especially official development assistance.

6. The General Assembly thus requested the Secretary-General to continue to monitor the financial flows and net transfers of the developing countries and report on them in the World Economic and Social Survey. 1/ The Assembly also requested the Secretary-General to report to the fifty-first session of the Assembly on the implementation of resolution 49/93, which included a comprehensive statement of domestic and international macroeconomic policy needs in developed and developing countries, as well as policy needs in the areas of international trade and finance. Developments in many of the relevant areas are the focus of other reports to the Assembly (especially the forthcoming reports on global financial integration: challenges and opportunities and the external debt crisis and development (A/51/294)), as well as the reports of international institutions that are to be taken as background documentation to the work of the Assembly (see resolution 50/227 of 1 July 1996, para. 32). The present report focuses on recent developments in the net flows and transfers to the developing countries and the particularly difficult situation facing the international community in the realm of official financial cooperation for development.

II. RECENT DEVELOPMENTS IN THE NET FINANCIAL TRANSFER TO DEVELOPING COUNTRIES

7. The main geographical dimensions of the net transfer of financial resources to the developing countries may be sketched quickly. In aggregate, there has been a large net transfer to the developing countries in every year since 1991 (see table 1). The very large transfer out of Latin America and the Caribbean in the 1980s reversed direction in 1992, although the net inflow was almost eliminated in 1995. Western Asia, once a source of financial transfers to the rest of the world, has been absorbing them for over a decade, albeit in declining amounts in recent years, as Governments undertook adjustment measures. The rest of Asia has alternated between supplying financial resources on a net basis and absorbing them, most recently the latter. The net transfer of Africa, which had been negative and positive in different years in the 1980s, has remained positive since 1993. Finally, the least developed countries, which are found in all main developing-country regions, have as a group continuously received a positive net transfer, albeit an amount that has grown rather slowly in dollar terms since the 1980s.

8. Of course, it is not the aggregate of developing countries that receives the net transfer but individual countries. Out of 93 developing countries for which rather detailed balance-of-payments and external debt data are available and that are thus monitored regularly, 21 had negative net transfers of financial resources over the period 1991-1994, despite the switch at the aggregate level to a positive net transfer. 2/ The country with the largest negative transfer in this period, averaging over $10 billion a year (almost 2 per cent of GDP), was Brazil (see table 2). The next largest negative transfer, that of China, was only one third as large and reflected very different circumstances (i.e., Brazil faced major external debt and domestic adjustment problems in this period, 3/ while China's experience reflected the rapid build-up of savings that accompanied its rapid economic growth).

9. In an earlier period, 1985-1990, when negative transfers were more prevalent, Brazil also had the largest negative transfer, also about $10 billion a year. In that period, 29 countries had made net transfers abroad. The second largest negative transfer, that of the Republic of Korea, was two thirds of the Brazilian transfer and represented very different circumstances than those which pertained in Brazil.

10. Finally, it is significant in fully appreciating the variety and relative magnitudes that underlay the aggregated data that three of the five countries with the largest negative net transfers in the 1985-1990 period were three of the five countries with the largest positive net transfers in 1991-1994, namely, Argentina, the Republic of Korea and Mexico. The shift between the two periods in these three countries alone represented more than $40 billion a year. Most countries have been far less affected than these three. Moreover, some of the new flows were unsustainably large; indeed both Argentina and Mexico experienced very steep declines in their net transfer in 1995.

Financial dimensions of the net transfers

11. The net transfer of financial resources of the 93-country sample was almost $40 billion in 1995. But when all the financial flows in and out of these countries are added together, including interest and other investment income payments, the net inflow - called the net transfer on a financial basis - was about $94 billion (see table 3).

12. Clearly, a very considerable volume of financial resources was made available to the developing countries in 1995, well over $50 billion of which was added to official reserve holdings instead of being used to expand imports. Indeed, accumulated reserve levels might now seem quite comfortable for many countries, based on such standard indicators as the number of months of imports that can be purchased from the reserve holdings. 4/ However, as the Mexican crisis demonstrated in 1994, large reserve holdings can be expended very rapidly when a country develops a high demand for imports and foreign financial inflows start to disappear. 5/ This notwithstanding, the accumulation of large levels of reserves helps to boost the confidence of foreign investors, although reserves do not substitute for appropriate macroeconomic policy, at least not indefinitely.

13. Regarding the recent composition of the financial flows themselves, several facts stand out (see tables 3 to 7). First, flows of foreign direct investment (FDI) have shown a steady and strong upward trend. This is mainly accounted for by the virtual explosion of FDI in Asia, particularly East Asia. Net FDI in Asia rose above $50 billion - four times the level of 1990 - and accounted for four fifths of the net flow of FDI to the 93 countries in 1995. As the growth of earnings remittances from direct investment naturally lags behind the surging growth in investment itself, the net financial transfer associated with direct investment has reached unprecedented, if temporary, levels. 6/

14. FDI to developing countries is attracted by an "investment climate characterized by growing markets and increasingly favourable regulatory frameworks, coupled with the general trend for firms from all countries to invest abroad in order to remain competitive internationally". 7/ In this regard, the strong direct investment flows to Asia seem to reflect the overall dynamism of the region. Direct investment flows to Latin America have also grown, although not nearly so strongly, reflecting the somewhat more fragile situation in several economies. At the same time, there has been no notable pick-up in flows to Africa as a whole and hardly any flows at all to sub-Saharan Africa.

15. The same group of countries which have attracted the bulk of FDI have also been the major users of medium and long-term private credit (primarily bank loans and bonds). Indeed, the combination of net repayments and debt write-offs of medium-term obligations to Africa's private creditors has exceeded new disbursements in every year since 1990.

16. International purchases of non-debt securities - i.e., portfolio equity flows, which are shares of stock purchased as a financial investment rather than as a direct investment - are not captured separately in the balance-of-payments data of many developing countries and are by default lumped together in the data

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in tables 3 to 7 with short-term credit inflows and outflows. Data from other sources that have been assembled directly on equity flows, however, point to a continuing strong interest in the international financial sector in the purchase of developing-country stock issues. Even if the preliminary estimate of gross equity flows to developing countries in 1995 was less than half of what it was in 1993, it was still more than $20 billion. Almost two thirds of the latter amount entailed purchases of Asian securities and most of the rest was Latin American. 8/

17. It can thus be seen that the strong attraction of Asia to direct investors has been repeated in the international credit markets and in the international equity arena. Even though there are many factors which determine the attraction of a particular country as a location for direct investment, as a prospect for international borrowing, or as a location for the placement of funds in securities of one form or another, it seems that there is an interrelationship among the sources of flows. That is, it appears that corporations seeking to extend their international operations and portfolio managers seeking to diversify their holdings look to see where other types of investors are focusing their attention, as well as what other investors in their own financial sector are doing. Moreover, when all three types of flows are attracted to a country it is likely to be one that is having a sustained and substantial rate of economic growth, which is the soundest basis for the return of the profits and interest that the investors anticipate from their activities.

18. In addition, it has been observed that a significant shift in financial flows to one or two economically dominant countries in a region generates externalities (or the so-called contagion effects) for the smaller neighbouring countries. 9/ The re-entry of Chile and Mexico into international capital markets in 1990 seemed to make investors in developed countries more willing to place funds in other emerging markets in Latin America. By the same token, the balance-of-payments difficulties of Mexico and then Argentina in late 1994 and 1995 created negative sentiment among investors towards the region as a whole. On the other hand, investors have since seemed to differentiate more among emerging markets. For example, Brazil was reported to have attracted unprecedented levels of private inflows in the second half of 1995, while private capital continued to eschew other emerging Latin American markets. 10/

19. The ability of China and South and East Asian countries to attract increased amounts of long-term private credits in 1995 was another indication of an increased ability on the part of the investor to discriminate credit risk in different developing countries. Besides reduced private lending of this form to Latin America, the terms of new loans issued to Latin American borrowers toughened in 1995, in line with market perceptions of country risk, with widened yield spreads and shortened maturities. The flows of portfolio equity investment to Latin America also shrank sharply in 1995 while the decline in flows to South and East Asia was much more moderate.

20. In 1995, while investor confidence in Latin American economies was being rebuilt and while economic adjustment imperatives were cutting down import and net transfer levels, there was a surge in official flows. The total increase in net official credit flows was about $25 billion (see table 3). Virtually all of it was accounted for by the increased flow of official credit to Latin America,

which certainly helped to rebuild depleted reserve levels (see table 4). The Asian economies on the whole are making smaller demands on official sources of credit (see table 7). The very different degrees of access to international private financial resources among the three largest developing-country regions highlight the continued importance of official transfer in Africa. In spite of this, official credit flows to Africa have stagnated (see tables 5 and 6). Non-requited official grants to Africa, meanwhile, have declined (see tables 5 and 6).

21. In short, while the swift implementation of emergency packages following the Mexican crisis raised total official financing to developing countries, more traditional operations have shown a different trend. Indeed, the net transfer from the multilateral financial institutions to the developing countries has been negative in almost every year since 1987, the exceptions in 1990 and 1995 being the result of special financing in each case (see table 8). While the demand for concessional lending remains strong, the trend in non-concessional official lending reflects, at least in part, the fact that some middle-income developing countries with broad access to international financial markets can now raise funds on less cumbersome terms than those associated with lending from multilateral financial institutions. 11/

III. INTERNATIONAL POLICY CHALLENGES: OFFICIAL FINANCIAL COOPERATION

22. The relatively strong access, as noted above, to a variety of private sources of financing by several countries in Asia represents the cumulative effect of years of economic growth, structural adaptation and sustained macroeconomic policy efforts. However, it is indeed quite possible that some of the more successful countries could find themselves once again in a less advantageous situation. Policy-making for macroeconomic balance and economic development in a changeable global economy is a subtle art. As discussed in more detail in the aforementioned report on global financial integration, financial markets are not always accurate judges of economic policy needs and they can be fickle ones. The development process thus still requires a strong official international presence to assist in times of stress in individual countries and to address problems of a global nature that put development progress at risk.

23. This requires, in particular, a strong International Monetary Fund (IMF) with the capacity to stand behind its policy advice with sufficient financial support of adjusting countries. In this regard, it is noteworthy that three important sets of IMF financing discussions are advancing towards agreement. One is the expansion of contingency resources, namely, the General Arrangements to Borrow (GAB), upon which the Fund would be able to draw in event of need. Originally constituted as a pledge of mutual support by 11 major developed countries, an agreement on how to structure and operationalize an expanded GAB may be announced by the 1996 fall meetings of IMF and the World Bank. The second set of financial discussions involves increasing the Fund's own resources through the Eleventh General Review of Quotas. Preparatory work on this has been undertaken by the Executive Board of the International Monetary Fund, although agreement is not expected this year.

24. Agreement could be reached, however, on the third funding negotiation, that for the Enhanced Structural Adjustment Facility (ESAF). Until now, ESAF has been a temporary funding mechanism based on exceptional contributions that provided loans on highly concessional terms in support of adjustment programmes in low-income countries. The current ESAF commitment authority expires at the end of 1996. The Interim Committee of IMF has already declared its support for the ESAF as "the centrepiece of the IMF's strategy to help the low-income countries" and for "establishment of a self-sustained ESAF". 12/ ESAF is also expected to play a central financing role in the IMF component of the new multilateral debt initiative. 13/ Agreement on its future funding is thus essential.

25. ESAF operates with borrowed resources provided to IMF by member Governments and a subsidy account to reduce the interest rate on loans made using the ESAF funds. Resources for the subsidy account have been provided up until now as grants or concessional loans from interested members. The Managing Director of the International Monetary Fund suggested that about half the required subsidy resources might be generated by proceeds from the sale of a modest amount of IMF gold. The proposal involves the sale of up to 5 per cent of IMF gold reserves (which total over 103 million ounces). Gold reserves are carried in IMF accounts at a value of special drawing rights (SDR) 35 an ounce (about $50 at end June 1996), against much higher market prices (about $382 an ounce at the end of June). Sales of even small amounts of gold would thus produce large profits which could be deemed to accrue to the Fund. The interest income deriving from the investment of these profits could then be used to help finance the needed subsidy. The remaining resources would come from bilateral contributions, as before. Although there is not a consensus behind the proposal of a gold sale, discussions on it have continued. A decision on ESAF funding is expected by the IMF and World Bank annual meetings in the fall of 1996.

26. For most developing countries, the need for international official support goes beyond adjustment financing measures and is rather in the nature of traditional development cooperation. Most of those countries require such support on a highly concessional basis, i.e., as official development assistance (ODA).

27. In this regard, international attention must be focused on the preliminary estimates of aid flows by the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD). Member countries of the DAC have always been the largest source of ODA, but they have become the source of almost the entire aid flow since the economic situation deteriorated in certain major oil-exporting developing countries and in the European countries with economies in transition from central planning to market structures. Indeed, rising DAC aid flows in the 1980s tended to offset the declining flows from the other donor countries. However, according to OECD sources, DAC aid flows peaked in 1992, and with a 9.3 per cent drop in 1995 they have now fallen 13.5 per cent below that peak, measured in constant prices and exchange rates.

28. Total DAC aid fell to 0.27 per cent of the combined gross national product (GNP) of DAC countries in 1995, putting them the furthest they have been from the United Nations aid target of 0.7 per cent of GNP since the target was

adopted in 1970 as part of the International Development Strategy for the Second United Nations Development Decade (General Assembly resolution 2626 (XXV), para. 43).

29. Clearly, long-standing international cooperation commitments are being re-examined. The United States of America, once the largest donor, has slipped to the fourth position. DAC reported that the United States aid ratio had fallen to 0.10 per cent of GNP in 1995, the lowest since such accounting was introduced in 1950. However, while the volume of United States aid dropped 28 per cent in 1995, aid flows in constant prices and exchange rates also fell 5 per cent or more in Canada, France, Germany, Italy, Portugal, Spain, Switzerland and the United Kingdom.

30. Only four DAC donors reported significant increases in ODA in real terms in 1995, namely, Belgium (23 per cent), Finland (7.9 per cent), Ireland (21.1 per cent) and the Netherlands (14.1 per cent). Only four countries have met the United Nations aid target (Denmark, the Netherlands, Norway and Sweden).

31. ODA from the largest donor, Japan, increased only 1.1 per cent in real terms (dropping Japan's ODA ratio to 0.28 per cent of GNP from 0.29 per cent). Moreover, in July 1996 the Government of Japan announced that the maximum allowable rise in ODA for its fiscal 1997 budget will be 2.6 per cent, the lowest increase since 1979 and well below the overall spending limit of 3.4 per cent. While ODA spending has been one of the highest growth items in Japan, this development seems to suggest that the future growth of Japanese ODA flows will be more tightly constrained.

32. These disheartening developments in ODA are being reflected, quite naturally, in the concessional channels of multilateral cooperation. In particular, the resource commitments, which are on a grant basis, of the operational agencies of the United Nations system dropped from $3.5 billion in 1994 to $3.1 billion in 1995, while the largest multilateral lending agency, the International Development Association (IDA) of the World Bank committed $6.0 billion in concessional loans in 1995, down from $7.3 billion in 1994. 14/ The African Development Fund (ADF), the concessional arm of the African Development Bank, made no new lending commitments in 1995, nor any in 1994. 15/ Resources of the ADF had been exhausted at the end of 1993 and ADF replenishment was not agreed upon until May 1996.

33. In the case of IDA, part of the difficulty was that it did not have at hand all the resources that had been committed to it in its Tenth Replenishment (IDA-10), which covered the three fiscal years of the World Bank that ended in June 1996. In March 1996 an agreement was finally reached among IDA contributors for funding the next three-year period (IDA-11). 16/ The refunding agreement was unique in that it applies to the second and third years of the replenishment period. The first year is to be supported by an interim fund in which the United States would not participate (nor would United States firms be eligible to compete for procurement contracts on IDA projects funded from the interim fund). Instead, the United States Government pledged to pay its arrears under IDA-10. The latter required adoption of legislation by the United States Congress to appropriate $934 million for the arrears payment. As this report was being written, the relevant legislation was working its way through both

houses of the Congress, but in neither house was the full amount included. This is a matter that must be monitored closely since it is considered a key part of the commitments made in the IDA-11 funding agreement.

IV. CONCLUSION

34. Analyses of the net transfer of resources of developing countries typically highlight several issues that are of concern to the international community (which is why, despite continued controversy, the concept continues to be used in different forums). These concerns range from the volatility of private financial flows to middle-income countries, to the disappointing developments in concessional assistance to low-income countries. In addition, the net transfer of resources, as a measure of international cash flow, has traditionally been closely associated with analyses of debt problems. A discussion of recent trends in the net resource transfers could thus focus on all three sets of issues. However, given that other reports that focus on private financial flows and on debt are being presented to the General Assembly, this report has focused on the recent data on overall net transfers and on the pressing challenge in the realm of official development assistance.

35. One lesson of the recent surge in net transfers is the reminder that there are dangers as well as opportunities in the international financial market place. It may be an old lesson, but it nevertheless remains vital: Governments need to be concerned not only with the overall volume of net financial inflows, but also with their durability. The combination of sustainable domestic policies and strong economic growth seems to set the stage for the more desirable mixes of private financial inflows.

36. The relative absence of private-sector net transfers to Africa in the first half of the 1990s underlines another point. The limited attractiveness to potential foreign investors of low-income, slow growth and often distressed economies means that official sources of finance must still carry much of the burden if these countries are to invest more than their limited domestic savings allow and accelerate their economic growth. The recent stirring of the African economy 17/ suggests that the continent may be able to make better use of resource inflows than might have been the case earlier. Africa should be allowed to try and for this more, not less, official assistance is required. The United Nations System-Wide Special Initiative on Africa, announced in March 1996, could lay the foundation for a new international impetus in this direction.

37. From its earliest days, the United Nations has been a lightning rod for debate and action on international cooperation for development. Donors regularly reaffirm the principles of development assistance at the United Nations and Governments have made commitments at a series of United Nations conferences that would seem to encumber additional resources under the rubric of official development assistance. Yet, as we race to the twenty-first century, statistics on ODA point in another direction.

38. At its heart, development assistance is a political question: Governments allocate monies from their national budgets for ODA and if ODA levels are

falling it is because public spending priorities are changing. If it were only a question of one country reducing its commitment, others might successfully pressure that country to participate or, as a fall-back, replace that country's resources with their own. But the data on ODA suggest that the pessimism on this question is more widespread, however much misplaced. We know that judiciously applied in the proper circumstances and targeted in appropriate ways, aid promotes development. It thus seems to be a question of determining how to recover political momentum for development assistance.

Notes

1/ See the World Economic and Social Survey, 1995 (United Nations publications, Sales No. E.95.II.C.1), section entitled "Investment and the net transfer of financial resources" (and associated tables in the Statistical Annex) and the World Economic and Social Survey, 1996 (United Nations publication, Sales No. E.96.II.C.1 and Corr.1), section entitled "The international transfer of financial resources" (and associated tables in the Statistical Annex).

2/ Reasonably complete data are not yet available for all countries in the sample for 1995.

3/ Brazil only reached the final debt restructuring agreement with its commercial bank creditors in 1994, the same year this successful anti-inflation adjustment programme came into effect (on the latter, see World Economic and Social Survey, 1995, op. cit., section entitled "Brazil's innovative attack on inflation".

4/ At the end of 1995, the reserves of the 93-country sample, taken together covered four months of imports of goods, services and interest payments, the comparable ratio for Latin America and the Caribbean was five months of imports (see World Economic and Social Survey, 1996, op. cit., table A.28).

5/ More precisely, with the growth of imports swelling Mexico's deficit in the balance of trade in goods and services in 1994, an additional $5 billion in net financial transfers was required; however, the foreign purchases of Mexican securities declined by more than $20 billion, depriving Mexico of that source of foreign exchange inflow and thus, instead of adding to reserves (almost $5 billion had been added in 1993), Mexico drew down its reserves by $20 billion (data of International Monetary Fund).

6/ While a considerable portion of direct investment inflows might be spent on purchases of imported capital equipment, the data for the net transfer associated with direct investment in tables 3 to 7 do not represent the value of associated imports. They represent, rather, a financial capacity to purchase imports. Indeed, some of the foreign currency inflow would likely be exchanged for local currency (e.g., for local construction costs) and some of those funds could then be added to official reserves.

7/ United Nations Conference on Trade and Development, World Investment Report 1995: Transnational Corporations and Competitiveness (United Nations publication, Sales No. E.95.II.A.9), p. xxiii.

8/ See World Economic and Social Survey, 1996, op. cit., table III.2.

9/ See Guillermo A. Calvo, Leonardo Leidermān and Carmen M. Reinhart, "Inflows of capital to developing countries in the 1990s", Journal of Economic Perspectives, vol. 10, No. 2 (spring 1996).

10/ See Economic Commission for Latin America and the Caribbean, Preliminary Overview of the Latin American and Caribbean Economy 1995, December 1995.

11/ See Gōran Ohlin, "The negative net transfers of the World Bank" in United Nations Conference on Trade and Development, International Monetary and Financial Issues for the 1990s (United Nations publication, Sales No. E.95.II.D.3).

12/ Communiqué of the Interim Committee of the Board of Governors of the International Monetary Fund, 22 April 1996, para. 6.

13/ For a discussion of the new debt initiative, see "External debt crisis and development", report of the Secretary-General (A/51/294), sect. III.

14/ See World Economic and Social Survey, 1996, op. cit., table A.34.

15/ Ibid., p. 76.

16/ For a summary of the consideration of this issue by the IMF/World Bank Development Committee in April 1996, see "External debt crisis and development", report of the Secretary-General (A/51/294).

17/ See Economic Commission for Africa, Report on the Economic and Social Situation in Africa, 1996 (E/ECA/CM.22/6, 29 April 1996).

Table 1. Net transfer of financial resources of groups of developing countries, 1985-1995 a/

(In billions of United States dollars)

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995 b/
Africa	-7.4	2.1	-3.3	3.5	0.4	-10.8	-6.4	-1.4	1.3	6.3	5.8
Sub-Saharan Africa c/	3.1	6.0	6.0	7.8	6.3	8.1	8.7	10.8	8.7	6.6	7.7
Latin America and the Caribbean	-30.6	-11.9	-18.1	-21.8	-27.3	-27.1	-8.9	8.4	14.3	6.4	0.4
West Asia	18.3	34.4	22.1	27.3	19.1	4.3	51.9	39.8	34.3	17.2	10.1
Other Asian countries	4.1	-11.1	-29.9	-18.2	-11.0	-8.6	-7.2	-7.3	9.1	0.8	14.6
China	12.5	7.4	-0.3	4.1	4.9	-10.7	-11.6	-5.0	11.5	-7.6	-5.5
Four exporters of manufactures d/	-12.1	-22.7	-3.0	-26.4	-21.7	-11.5	-7.1	-8.6	-12.6	-13.0	-7.1
All developing countries	-17.6	11.0	-32.7	-16.6	-24.7	-38.5	30.1	38.7	66.6	35.6	38.4
Memorandum items											
Sample of 93 countries e/	-17.3	-4.1	-34.0	-32.4	-29.7	-28.1	-5.2	14.2	47.3	35.6	38.0
Least developed countries f/	6.5	7.7	7.8	9.2	9.4	11.2	11.5	13.3	11.7	10.2	12.3

Source: World Economic and Social Survey, 1996 (United Nations publication, Sales No. E.96.II.C.1), table III.1.

a/ Expenditure basis (negative of balance of payments on goods, services and private transfers).

b/ Preliminary estimate.

c/ Excluding Nigeria and South Africa.

d/ Hong Kong, Republic of Korea, Singapore and Taiwan Province of China.

e/ Ninety-three capital-importing countries, for which sufficient data are available.

f/ Covering 43 out of the 48 least developed countries.

Table 2. Countries with the largest positive and negative net financial transfers, 1985-1994 a/

(In billions of United States dollars per year)

	1985-1990	1991-1994
Five countries with largest negative net transfer in 1991-1994		
Brazil	-10.4	-9.5
China	3.0	-3.2
Indonesia	-1.6	-2.8
Nigeria	-3.5	-2.5
Egypt	1.2	-1.7
Five countries with largest negative net transfer in 1985-1990		
Brazil	-10.4	-9.5
Republic of Korea	-6.6	3.3
Mexico	-5.6	12.5
Argentina	-3.8	4.2
Nigeria	-3.5	-2.5
Five countries with largest positive net transfer in 1991-1994		
Mexico	-5.6	12.5
Thailand	0.8	6.9
Argentina	-3.8	4.2
Republic of Korea	-6.6	3.3
Pakistan	1.0	2.2
Five countries with largest positive net transfer in 1985-1991		
India	4.5	1.8
China	3.0	-3.2
Egypt	1.2	-1.7
Bangladesh	1.1	0.7
Pakistan	1.0	2.2

Source: Department for Economic and Social Information and Policy Analysis of the United Nations, based on data of the International Monetary Fund.

a/ Based on sample of 93 countries for which adequate balance-of-payments and debt data are available.

Table 3. Net transfer of financial resources of capital-importing developing countries, 1985-1995 a/

(In billions of United States dollars)

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995 b/
Transfer through direct investment											
Net investment flow	8.3	6.1	9.3	15.4	17.4	16.8	22.7	30.9	46.8	58.7	63.6
Direct investment income: net	-8.7	-7.9	-8.9	-9.9	-11.5	-12.9	-12.6	-13.7	-16.2	-17.0	-17.8
Net transfer	-0.4	-1.7	0.5	5.5	5.9	3.9	10.1	17.2	30.6	41.7	45.8
Transfer through medium- and long-term foreign private borrowing											
Net credit flow	13.5	9.1	4.3	12.0	3.2	10.8	14.7	27.5	31.6	36.9	38.0
Interest paid	-38.9	-34.3	-33.5	-38.7	-32.6	-29.3	-28.1	-27.4	-24.8	-29.4	-42.3
Net transfer	-25.5	-25.2	-29.2	-26.8	-29.4	-18.6	-13.5	0.1	6.8	7.5	-4.3
Transfer through net stock transactions, short-term borrowing and domestic outflows c/											
Net transfer	-11.4	-6.8	-13.5	-22.3	-10.9	2.5	21.7	24.6	36.8	1.6	29.3
Transfer through private grants: net	3.7	4.7	5.0	6.2	4.8	6.3	7.9	9.5	9.0	7.9	8.0
Transfer through official flows											
Official transfers (grants)	10.8	10.3	11.7	12.3	13.3	17.6	17.7	15.8	12.7	10.4	10.4
Net official credits	19.0	18.5	16.0	13.5	20.1	22.2	20.6	16.3	17.4	10.4	35.9
Interest paid	-12.8	-15.7	-16.5	-17.9	-18.1	-20.6	-21.9	-22.1	-23.2	-24.5	-31.1
Net transfer	17.0	13.1	11.2	7.9	15.4	19.2	16.4	10.0	7.0	-3.7	15.2
Total net transfer (financial basis)	-16.5	-16.1	-26.0	-29.5	-14.3	8.2	42.6	61.4	90.2	55.0	94.0
Use of official reserves d/	-0.8	12.0	-8.0	-2.9	-15.4	-36.4	-47.8	-47.2	-42.9	-19.4	-56.0
Total net transfer (expenditure basis)	-17.3	-4.1	-34.0	-32.4	-29.7	-28.1	-5.2	14.2	47.3	35.6	38.0

Source: World Economic and Social Survey, 1996 (United Nations publication, Sales No. E.96.II.C.1), table A.27.

Note: Direct investment is net of reinvested earnings (cash flow approach); official credits include use of IMF credit; interest includes IMF charges; private grants include net flow of gifts from overseas residents (excluding workers' remittances) and grants by non-governmental organizations.

a/ Sample of 93 countries, excluding the surplus-energy exporters (Brunei Darussalam, Iran (Islamic Republic of), Iraq, Kuwait, Libyan Arab Jamahiriya, Qatar, Saudi Arabia and the United Arab Emirates) and recent surplus countries (Hong Kong, Singapore and Taiwan Province of China).

b/ Preliminary estimate.

c/ Calculated as a residual (includes short-term trade financing, normal and unusual outflows ("capital flight"), arrears on interest due and other flows captured in balance-of-payments data as "errors and omissions" and presumed to be financial flows.

d/ Additions to reserves are shown as negative numbers.

Table 4. Net transfer of financial resources of Latin America and the Caribbean, 1985-1995 a/

(In billions of United States dollars)

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995 b/
Transfer through direct investment											
Net investment flow	3.8	2.4	3.9	6.7	5.0	5.0	8.9	11.5	9.7	12.3	9.4
Net dividends and other income	-2.9	-3.4	-3.4	-4.4	-5.9	-6.0	-5.3	-6.0	-6.3	-7.2	-8.3
Net transfer	0.8	-1.1	0.5	2.3	-0.9	-1.0	3.6	5.4	3.5	5.1	1.1
Transfer through private credit											
Medium- and long-term foreign private borrowing											
Net credit flow	2.7	-0.6	1.5	0.3	-6.3	2.5	4.2	6.8	17.8	15.7	9.9
Interest paid	-25.5	-21.2	-20.3	-23.8	-15.7	-12.4	-11.1	-10.9	-9.9	-13.2	-18.7
Net transfer	-22.8	-21.8	-18.8	-23.5	-22.1	-9.9	-7.0	-4.0	7.9	2.5	-8.8
Short-term borrowing and net domestic outflow c/											
Net transfer	-11.6	-0.2	-0.2	-10.6	-5.6	-7.2	11.7	31.9	22.7	-0.1	13.0
Transfer through private grants: net	1.1	1.1	1.2	1.7	1.6	2.9	3.8	3.8	3.4	3.1	3.4
Transfer through official flows											
Official transfers (grants)	2.5	1.5	2.1	2.0	2.2	3.4	2.3	2.6	2.0	1.8	1.6
Net official credits	6.3	6.1	4.1	4.1	4.8	7.2	0.9	-0.8	2.1	-2.7	25.5
Interest paid	-4.1	-5.3	-5.5	-5.9	-5.8	-6.9	-8.0	-8.2	-8.8	-8.6	-10.7
Net transfer	4.7	2.3	0.7	0.3	1.3	3.7	-4.8	-6.5	-4.7	-9.5	16.5
Total net transfer (financial basis)	-27.7	-19.6	-16.6	-29.8	-25.7	-11.4	7.3	30.7	32.7	1.1	25.2
Use of official reserves d/	-2.9	7.7	-1.5	8.0	-1.6	-15.7	-16.3	-22.3	-18.4	5.3	-24.8
Total net transfer (expenditure basis)	-30.6	-11.9	-18.1	-21.8	-27.3	-27.1	-8.9	8.4	14.3	6.4	0.4

Source: Department for Economic and Social Information and Policy Analysis of the United Nations, based on data of IMF and World Bank and United Nations Secretariat estimates.

a/ Sample of 25 countries and territories.

b/ Preliminary estimate.

c/ Calculated as a residual (includes short-term trade financing, normal and unusual outflows ("capital flight"), arrears on interest due and other flows captured in balance-of-payments data as "errors and omissions" and presumed to be financial flows.

d/ Additions to reserves are shown as negative numbers.

Table 5. Net transfer of financial resources of Africa, 1985-1995 a/

(In billions of United States dollars)

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995 b/
Transfer through direct investment											
Net investment flow	2.4	1.6	1.9	2.1	3.9	1.5	2.0	2.3	2.8	4.1	3.0
Net dividends and other income	-2.1	-2.0	-2.6	-2.3	-1.6	-2.1	-1.8	-1.5	-2.6	-2.5	-2.9
Net transfer	0.3	-0.4	-0.7	-0.2	2.3	-0.6	0.2	0.8	0.1	1.5	0.2
Transfer through private credit											
Medium- and long-term foreign private borrowing											
Net credit flow	0.3	1.9	2.2	3.4	1.5	-0.7	-1.5	-1.7	-0.7	-0.5	-0.3
Interest paid	-4.1	-3.2	-3.0	-3.6	-3.9	-3.8	-3.6	-3.6	-2.6	-2.7	-4.1
Net transfer	-3.7	-1.4	-0.8	-0.2	-2.4	-4.6	-5.2	-5.3	-3.2	-3.1	-4.4
Short-term borrowing and net domestic outflow c/											
Net transfer	-2.7	0.1	-6.0	-3.0	-5.0	-4.8	-3.0	-1.1	2.6	0.7	3.0
Transfer through private grants: net	1.1	1.4	1.2	1.2	1.3	1.3	1.7	2.0	2.0	1.2	1.7
Transfer through official flows											
Official transfers (grants)	4.5	4.9	5.7	6.2	7.4	9.8	9.5	8.7	6.4	4.3	3.7
Net official credits	4.9	5.1	5.6	5.4	6.4	5.8	6.6	5.9	4.3	5.7	4.3
Interest paid	-2.8	-3.6	-3.2	-4.1	-4.2	-4.8	-4.9	-4.7	-4.4	-5.3	-5.1
Net transfer	6.6	6.5	8.1	7.5	9.7	10.7	11.2	9.9	6.2	4.7	3.0
Total net transfer (financial basis)	1.8	6.2	1.8	5.4	5.8	2.5	5.2	6.3	5.7	3.8	1.8
Use of official reserves d/	-4.6	1.5	0.2	1.6	-1.6	-7.6	-6.5	-4.1	-2.7	1.9	-0.0
Total net transfer (expenditure basis)	-2.8	7.6	2.0	7.0	4.2	-5.1	-1.3	2.2	3.0	5.8	1.8

Source: Department for Economic and Social Information and Policy Analysis of the United Nations, based on data of IMF and World Bank and United Nations Secretariat estimates.

a/ Sample of 44 countries.

b/ Preliminary estimate.

c/ Calculated as a residual (includes short-term trade financing, normal and unusual outflows ("capital flight"), arrears on interest due and other flows captured in balance-of-payments data as "errors and omissions" and presumed to be financial flows.

d/ Additions to reserves are shown as negative numbers.

Table 6. Net transfer of financial resources in Sub-Saharan Africa, 1985-1995 a/

(In billions of United States dollars)

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995 b/
Transfer through direct investment											
Net investment flow	0.5	0.3	0.5	0.4	0.5	-0.1	0.8	0.3	0.2	0.2	0.1
Net dividends and other income	-0.8	-0.8	-1.1	-1.0	-1.1	-1.4	-1.2	-1.4	-1.3	-1.2	-1.3
Net transfer	-0.3	-0.5	-0.6	-0.6	-0.6	-1.5	-0.4	-1.1	-1.1	-1.1	-1.2
Transfer through private credit											
Medium- and long-term foreign private borrowing											
Net credit flow	-0.1	0.2	-0.1	0.5	0.2	0.0	0.5	0.1	0.1	-0.6	-1.1
Interest paid	-1.1	-1.0	-0.9	-0.8	-0.7	-0.7	-0.7	-0.6	-0.4	-0.5	-0.9
Net transfer	-1.2	-0.8	-0.9	-0.2	-0.5	-0.7	-0.2	-0.5	-0.3	-1.2	-2.0
Short-term borrowing and net domestic outflow c/											
Net transfer	-0.2	1.0	-0.6	0.7	-1.9	0.9	0.3	0.9	1.1	-0.3	1.4
Transfer through private grants: net	0.8	0.7	1.0	1.0	0.9	1.1	1.5	1.8	1.8	1.8	2.0
Transfer through official flows											
Official transfers (grants)	3.3	3.9	4.7	5.3	6.1	6.1	5.7	6.2	4.5	4.4	4.3
Net official credits	2.8	3.3	4.2	4.2	4.1	4.3	4.0	4.2	3.7	3.6	3.5
Interest paid	-1.3	-1.7	-1.6	-1.7	-1.6	-1.6	-1.8	-1.5	-1.4	-1.8	-1.7
Net transfer	4.8	5.5	7.3	7.7	8.6	8.8	7.9	8.9	6.8	6.2	6.1
Total net transfer (financial basis)	3.9	6.0	6.1	8.6	6.5	8.5	9.1	10.1	8.3	5.6	6.2
Use of official reserves d/	-0.8	-0.0	-0.1	-0.8	-0.2	-0.4	-0.4	0.8	0.4	1.0	1.5
Total net transfer (expenditure basis)	3.1	6.0	6.0	7.8	6.3	8.1	8.7	10.8	8.7	6.6	7.7

Source: Department for Economic and Social Information and Policy Analysis of the United Nations, based on data of IMF and World Bank and United Nations Secretariat estimates.

a/ Sample of 39 countries, excluding Nigeria and South Africa.

b/ Preliminary estimate.

c/ Calculated as a residual (includes short-term trade financing, normal and unusual outflows ("capital flight"), arrears on interest due and other flows captured in balance-of-payments data as "errors and omissions" and presumed to be financial flows.

d/ Additions to reserves are shown as negative numbers.

Table 7. Net transfer of financial resources in Asia, 1985-1995 a/

(In billions of United States dollars)

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995 b/
Transfer through direct investment											
Net investment flow	3.1	3.7	5.8	9.7	9.6	12.7	15.4	17.4	35.2	40.6	51.1
Net dividends and other income	-4.3	-3.2	-3.6	-4.0	-5.0	-6.0	-6.2	-7.0	-7.5	-8.5	-9.5
Net transfer	-1.2	0.4	2.2	5.7	4.6	6.7	9.1	10.4	27.8	32.2	41.6
Transfer through private credit											
Medium- and long-term foreign private borrowing											
Net credit flow	11.3	8.3	-0.7	4.5	6.5	9.0	12.5	17.6	8.8	23.5	39.3
Interest paid	-8.2	-8.5	-9.0	-9.8	-11.7	-11.3	-11.5	-10.8	-11.0	-11.8	-13.8
Net transfer	3.1	-0.2	-9.7	-5.3	-5.3	-2.3	1.0	6.8	-2.2	11.7	25.5
Short-term borrowing and net domestic outflow c/											
Net transfer	9.0	6.6	7.8	-9.9	-2.6	-3.4	15.7	-5.1	6.6	-9.4	-16.9
Transfer through private grants: net	1.0	1.6	1.9	2.6	1.1	1.1	1.7	3.0	3.0	2.6	2.3
Transfer through official flows											
Official transfers (grants)	4.5	4.7	4.5	4.8	4.3	3.7	4.1	3.9	3.4	4.1	4.3
Net official credits	8.1	6.7	7.6	7.2	11.6	10.2	14.7	13.6	12.9	7.5	8.1
Interest paid	-4.8	-5.9	-6.7	-6.9	-7.2	-7.9	-8.3	-8.8	-10.0	-10.9	-13.5
Net transfer	7.8	5.4	5.4	5.0	8.8	6.0	10.5	8.8	6.4	0.8	-1.1
Total net transfer (financial basis)	19.7	13.9	7.7	-1.9	6.6	8.1	38.0	23.9	41.5	37.9	51.3
Use of official reserves d/	3.1	-21.7	-36.3	-14.3	-18.7	-19.2	-44.7	-29.2	-29.7	-54.7	-35.3
Total net transfer (expenditure basis)	22.7	-7.9	-28.6	-16.2	-12.1	-11.1	-6.8	-5.3	11.8	-16.8	16.0

Source: Department for Economic and Social Information and Policy Analysis of the United Nations, based on data of IMF and World Bank and United Nations Secretariat estimates.

a/ Sample of 21 countries, including China and India. Hong Kong, Singapore and Taiwan Province of China are not included. Also excluded are surplus-energy-exporters, namely Brunei Darussalam, Iran (Islamic Republic of), Iraq, Kuwait, Qatar, Saudi Arabia and the United Arab Emirates.

b/ Preliminary estimate.

c/ Calculated as a residual (includes short-term trade financing, normal and unusual outflows ("capital flight"), arrears on interest due and other flows captured in balance-of-payments data as "errors and omissions" and presumed to be financial flows.

d/ Additions to reserves are shown as negative numbers.

Table 8. Net transfer of financial resources from multilateral financial institutions to developing countries, 1985-1995 a/

(In billions of United States dollars)

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995 b/
International Monetary fund	-2.7	-5.6	-7.4	-6.8	-4.4	-2.7	-2.5	-2.8	-3.2	-2.3	8.5
Multilateral development banks	6.6	5.8	3.7	2.5	3.0	3.7	0.6	-1.6	-0.6	-5.1	-3.1
Concessional	3.5	3.9	4.7	4.7	4.5	5.3	5.7	5.9	5.7	7.2	..
Total	3.9	0.2	-3.7	-4.3	-1.3	1.0	-1.9	-4.4	-3.7	-7.4	5.4
Memorandum items											
International Bank for Reconstruction and Development	1.8	0.6	-1.2	-2.9	-2.5	-2.1	-6.1	-8.4	-6.2	-9.9	-8.5
International Development Association	2.6	2.8	3.5	3.4	3.1	3.8	3.9	4.4	4.0	5.1	5.8

Source: Department for Economic and Social Information and Policy Analysis of the United Nations Secretariat, based on data provided by the World Bank.

a/ Sample of 93 developing countries.

b/ Preliminary.
