

USAID Administrator Andrew S. Natsios

Message to the Advisory Committee on Voluntary Foreign Aid (ACVFA)

Public Meeting

“The New Compact for Development: Designing a Blueprint for Change”

May 22, 2002

MR. NATSIOS: I'm Andrew Natsios, Administrator of the United States Agency for International Development. I regret not being able to be with all of you today due to a schedule conflict, but we are about to enter, as a country, into a major new relationship with the developing world, and I wanted to make some comments on that before all of you today.

This is the third major presidential initiative in foreign assistance since the end of the Second World War – the first, being Harry Truman's doctrine for assistance to prevent Russia from absorbing Greece and Turkey, and then, of course, the Marshall Plan. The real beginning of AID was during the Marshall Plan. That was the first set of presidential initiatives.

The second set was under Jack Kennedy when he created, by executive order, our agency forty years ago, and then he proposed the Alliance For Progress.

This is the third time that a President has proposed a major new direction for foreign assistance. I'm sure all of you have heard the President's speech, or read it, but I wanted to talk a little bit about how the MCA – the President's Millennium Challenge Account – will relate to the existing portfolio of AID.

We should make clear at the outset that the MCA is in addition to – that is, on top of – the existing foreign aid program of the United States. The MCA does not take the place of it, but will be in addition to it. The importance of that is that many countries that may not well qualify for the MCA will continue to have the kind of assistance program that is now in place, that AID runs, with all of your help, in over 80 countries.

The way we've reconceived of our mission is to prepare countries to reach the threshold where they might be eligible to qualify for the Millennium Challenge Account at some point in the future. We're going to focus our efforts more intensively on those activities that will help a country to qualify.

Thus, in terms of the traditional portfolio, we see our role as preparing countries in the various sectors that the President spoke about in his speech before the Inter-American Development Bank, and then, later, at Monterrey.

One of the things that I learned 12 years ago, when I started with AID, was the effect that AID programs have in other countries. Depending on how they're structured and what conditions are attached to them, they can

either move a country toward reform or impede reform. Or, they may actually support the status quo and undermine reform efforts to move the country in the right direction.

We believe that we need to put more tools in the hands of those forces and individuals in each of the countries we work in, who are trying to change their society but haven't succeeded because there are vested interests opposed to change.

There are vested interests in countries in the north and countries in the south. The question is: How can we put instruments of authority or tools of authority in the hands of the reformers to make changes that will be permanent, that are absorbed into the society, and that will not go away once the aid program stops?

I know that President Bush, Senior, when he initiated the Partnership for the Americas, made an agreement with Latin American democratic leaders that, if their countries were to democratize and establish free markets, the United States would respond by increasing foreign assistance, drafting a free trade agreement, and third, helping with their debt burden, renegotiating their debts.

In the early 1990s many leaders in Latin America told me that they used that program to prevent the oligarchies and the mercantilist interests, and the military in the country, from interfering with their democratic reforms. In other words, the reformers used an American foreign assistance initiative as a way of facilitating and energizing and supporting change – democratic change, free market change – in their societies. And in some ways, this program, as the President has conceived of it, is meant to put a tool in the hands of those people who want to change their societies by supporting them against vested interests.

Finally, I just wanted to say to all of you that the \$5 billion that is talked about in the President's program is a very large amount of money. We will do a lot of damage to this program if there is effort by interest groups to pressure Congress into earmarking this money.

One of the major problems we have in the foreign assistance program is that the people who really know what should be done, where money should be spent in each country, and how it should be spent – the ministers of governments themselves, AID mission directors, the ambassadors to the countries, and civil society, are the ones with the least influence over the allocation of resources because so much is earmarked in the existing program.

We believe that the Millennium Challenge Account, to do its work, to accelerate prosperity and development in the countries of the world that are very poor, will best succeed if we leave the discretion at the local level to make those decisions, and not have them made arbitrarily in Washington.

Thus, avoiding earmarks is a major part of what we think will allow the flexibility for this program to succeed. We're going to need your help, though.

The fact of the matter is that we need the private and public universities in the United States, we need the business community, we need NGOs and private voluntary organizations, local and international NGOs, to work with us on this, particularly in the areas that they have expertise in. One area, of course, is education – public education, primary education – which is a big focus of the President's and a big focus of ours in the Bush administration.

We also need your help in the health sector, because this is another area that the President emphasized countries have to show commitment to in order for us to qualify them to be considered for this account.

The second thing you can help with is the democracy sector: in particular, the ruling justly condition that the President has placed on qualifying for these funds. If a country does not rule justly, then it is not going to qualify. There are a lot of different definitions of what that means, but we know that the NGOs that work in democracy can be very helpful to us, particularly in the areas of the rule of law, of human rights, of property rights, of all of the conditions that go into making a free economy secure, and of protecting people's political rights from arbitrary state action.

We need your support as partners, and we look forward to working with you in the future. Thank you very much.