



THE U.S. APPROACH TO INTERNATIONAL DEVELOPMENT:

Building on the Monterrey Consensus

The U.S. is deeply committed to helping the world's developing countries grow out of poverty. President Bush has made it clear that expanding the circle of freedom and prosperity is in the fundamental interest of the United States and all nations around the world. No nation contributes more total resources to international development than the United States.

The U.S. approach to development assistance builds on the Monterrey Consensus, articulated at the International Conference on Financing for Development in Monterrey, Mexico in March 2002, which emphasizes national responsibility, rule of law, governments accountable to their people, and sound economic policies.

Basic tenets of the Monterrey Consensus are:

- Each country is responsible for its own economic development. Each country must devise and implement its own policies, in line with its international obligations, that create the conditions for development and growth.
- Governments must adopt sound economic policies and create responsive democratic institutions. Good



governance, observance of human rights, and a vibrant private sector help create the necessary conditions for economic growth.

- To achieve sustainable growth, countries must utilize all development resources — including trade, foreign and domestic investment, domestic savings, private donations, and remittances — as well as official assistance.

TWO-TRACK U.S. APPROACH

- Working in partnership with the recipient countries, the U.S. provides official development assistance (ODA) through bilateral programs and multilateral institutions to finance specific development programs and projects. The U.S. supports increased assistance to developing countries that have demonstrated that they can use that aid effectively.
- The U.S. also works for reforms in the international trade system to remove barriers so developing countries can more readily compete and grow through their own efforts.



U.S. ASSISTANCE

Official Development Assistance (ODA): Since 2000, the U.S. has nearly doubled its appropriation of ODA, with the total reaching \$19 billion in 2004. The Bush administration exceeded the aid pledges made at Monterrey to increase ODA to countries that govern justly and are accountable to their people, and joined with G-8 partners this year in agreeing to double aid to Africa by 2010.

Properly administered, ODA can be an important catalyst for development. U.S. aid finances a wide variety of economic and human development projects and programs in developing countries around the world. These include technical assistance to help countries create competent institutions to improve governance, and aid that goes directly to help the private and civil sectors.

Millennium Challenge Account (MCA): This innovative program helps developing countries that govern justly, invest in their people, and encourage economic freedom. Seventeen countries are eligible to apply for MCA assistance and five countries have signed MCA compacts — primarily to address rural development — totaling nearly \$1 billion. The Millennium Challenge Corporation (MCC), which administers MCA, also reached technical assistance agreements of roughly \$25 million with eight of the 17 countries. MCC has also established a Threshold Program with thirteen other countries and has reached the basis of agreements with two of those countries to provide more than \$30 million in aid to address issues such as educating girls and fighting corruption. Launched in 2004, the MCA emphasizes country ownership, with countries designing and administering their own MCA programs. Success is measured against targets for economic growth and poverty reduction.

Special Threats and Emergencies: The U.S. provides assistance for special threats, such as HIV/AIDS and other diseases, which threaten developing countries. President Bush's 2004 Emergency Plan for AIDS Relief commits \$15 billion over five years to combat HIV/AIDS, making it the largest international health initiative for a single disease ever undertaken by any nation. The U.S. is a founder and the largest donor of the Global Fund to Fight AIDS, Tuberculosis, and Malaria, and provided \$459 million for this fund last year. President Bush pledged new assistance to combat Malaria in Africa at the G-8 Summit in July. He committed to \$1.2 billion in increased funding over five years to cut Malaria on the continent by 50 percent. Bush also took steps in June to add \$674 million to the resources for responding to humanitarian emergencies in Africa, bringing the total for 2005 to more than \$2 billion. The U.S. is the world's largest and fastest donor of emergency humanitarian relief after natural disasters, such as the December 2004 Indian Ocean Tsunami.

Debt Relief: The U.S. government has agreed to forgive 100 percent of eligible bilateral debt of countries under the Highly Indebted Poor Countries (HIPC) debt relief initiative. For 18 of these countries, the United States has already forgiven eligible debt. At the July G-8 Summit, the U.S. and U.K. gained support for a proposal that would cancel 100 percent of the debt obligations of the HIPC countries to the World Bank, African Development Bank and International Monetary Fund — amounting to \$40 billion for the 18 countries immediately eligible, and up to \$56 billion when all HIPC countries reach eligibility. The U.S. also spearheaded historic debt relief for Iraq through the Paris Club, and supported a debt moratorium for countries hurt by the Tsunami.





ASSISTING DEVELOPMENT THROUGH GREATER TRADE

Developing countries that increase their international trade are most likely to achieve the kind of sustained and broad-based economic growth that will help their citizens climb out of poverty.

The U.S. is the largest importer of developing countries' goods. In 2004, U.S. net purchases of developing countries exports totaled \$394 billion.

Removing Trade Barriers: U.S. policy seeks to encourage growth in developing countries through a more open international trading system – removing the barriers that now hinder many developing country exports. The U.S. is playing a leading role in the Doha Round of trade negotiations that will reduce trade barriers to the benefit of developing countries. Successful conclusion of the Doha negotiations will provide a significant practical contribution to developing countries' growth efforts.

A major U.S. objective in the Doha Round is the reduction of industrialized countries' trade-distorting agricultural subsidies. This would greatly benefit the developing countries' agricultural exports, which now must compete with subsidized industrial country farm products. A successful conclusion of the Doha Round that lowered tariffs and other trade and investment barriers would increase developing countries' trade, which in turn could generate the growth that would lift hundreds of millions of people out of poverty. Developing countries agreeing to lower their own barriers to trade with each other is a vital part of this process. Seventy percent of tariffs paid by developing countries go to other developing countries.

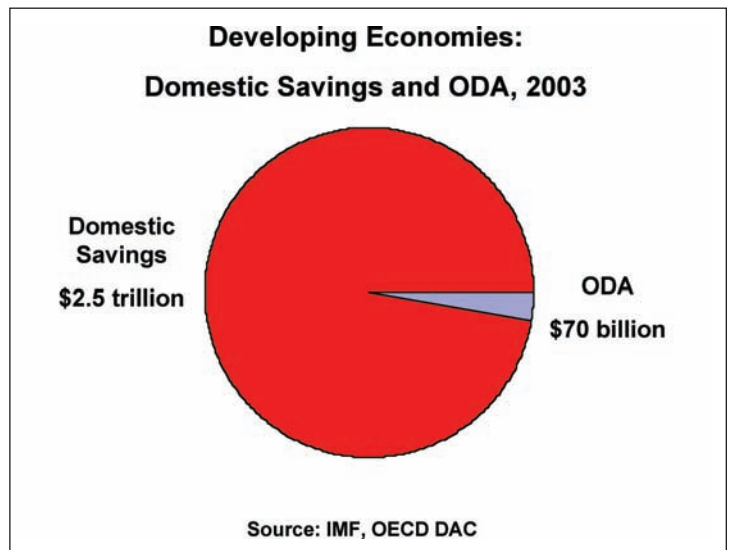
Increasing Trade Opportunities: The U.S. has unilaterally opened its market to developing countries, most recently in the African Growth and Opportunity Act (AGOA), which removed U.S. tariffs for 98 percent of African products. AGOA has helped boost U.S. two-way trade with sub-Saharan Africa by 57 percent during the 2001-2004 period. Total AGOA exports increased by 88 percent in 2004 – to \$26.6 billion, nearly three-quarters of sub-Saharan Africa's overall exports to the U.S.

Building Trade Capacity: The U.S. is the biggest donor of trade capacity funding, providing \$921 million in 2004. Trade capacity building assistance helps recipient countries take advantage of increased trade opportunities.

DEVELOPING COUNTRIES MUST USE THEIR RESOURCES EFFECTIVELY

While the U.S. and other advanced countries can help through aid and by seeking reforms in the world trading system, the developing countries themselves have the biggest responsibility for making certain that all development resources are utilized effectively. Today, trade and investment flows, domestic savings, remittances, and other private transfers dwarf global ODA contributions. The most important task for the developing countries is to establish conditions that encourage foreign and domestic investors to effectively utilize domestic savings, remittances, and private donations.

Domestic Savings and Foreign Private Investment: Domestic savings are a major resource for developing countries. In 2003, they were estimated to equal \$2.5 trillion. This



dwarfs global ODA, which in 2003 totaled \$70 billion. Foreign direct investment, which totaled \$152 billion in 2003, also exceeds ODA, as do workers' remittances, valued at \$116 billion. Developing countries must adopt policies that encourage domestic savings to remain in their home countries to contribute to growth and development and that encourage foreign investment.

Private Contributions: Private contributions, in general donations to charities that fund projects in developing nations, are also important. The OECD estimates that charitable transfers by non-government organizations to developing countries amounted to around \$15 billion in 2003. The real total for private giving, however, is likely to be much higher. The U.S. estimates that its private organizations and citizens donated around \$22 billion in 2003 to charities and non-governmental organizations operating overseas.

U.S. Assistance Snapshots:

- U.S. ODA has risen faster over the last four years than at any time since the Marshall Plan, totaling approximately \$19 billion in 2004.

- The United States is the world's largest donor of humanitarian aid, providing \$3.3 billion in 2003.
- In 2003, the U.S. committed \$1 billion in bilateral assistance for the control of HIV/AIDS, \$805 million more than the next largest donor. In FY 2004, the U.S. budget for international HIV/AIDS programs totaled \$2.4 billion. The U.S. is the largest investor in the Global Fund to Fight AIDS, Malaria, and Infectious Disease, accounting for over 30 percent of all contributions.
- The United States is the largest donor to the World Food Program. In 2004, the U.S. contributed over \$1.06 billion worth of food aid to WFP, almost 50 percent of the total contributions to the organization.
- U.S. funding for basic education assistance tripled from \$126 million in 2001 to almost \$400 million in 2004.
- The President's Global Peace Operations Initiative (GPOI), announced in 2004, is expected to provide \$660 million over five years to increase U.S. assistance to peace operations in Africa and elsewhere. ■



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