

**Total Engagement:
The Strategy To Promote
Successful Economic Development**



**September 2006
United States Department of State**

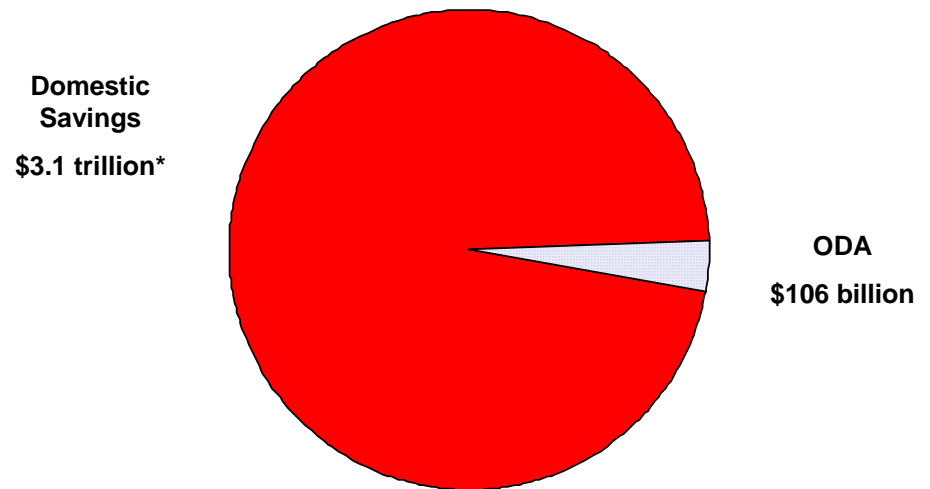
Developing Countries Should Harness All Available Financial Resources

For 2005, Official Development Assistance (ODA) from all sources totaled \$106 billion, tiny in comparison to over \$3.1 trillion of developing economy domestic savings.

By noted economist Hernando de Soto's estimates, the value of untitled real estate capital owned by the poor in the Third World is worth \$9.3 trillion.

The challenge is how to help harness such domestic resources for investment in economic growth.

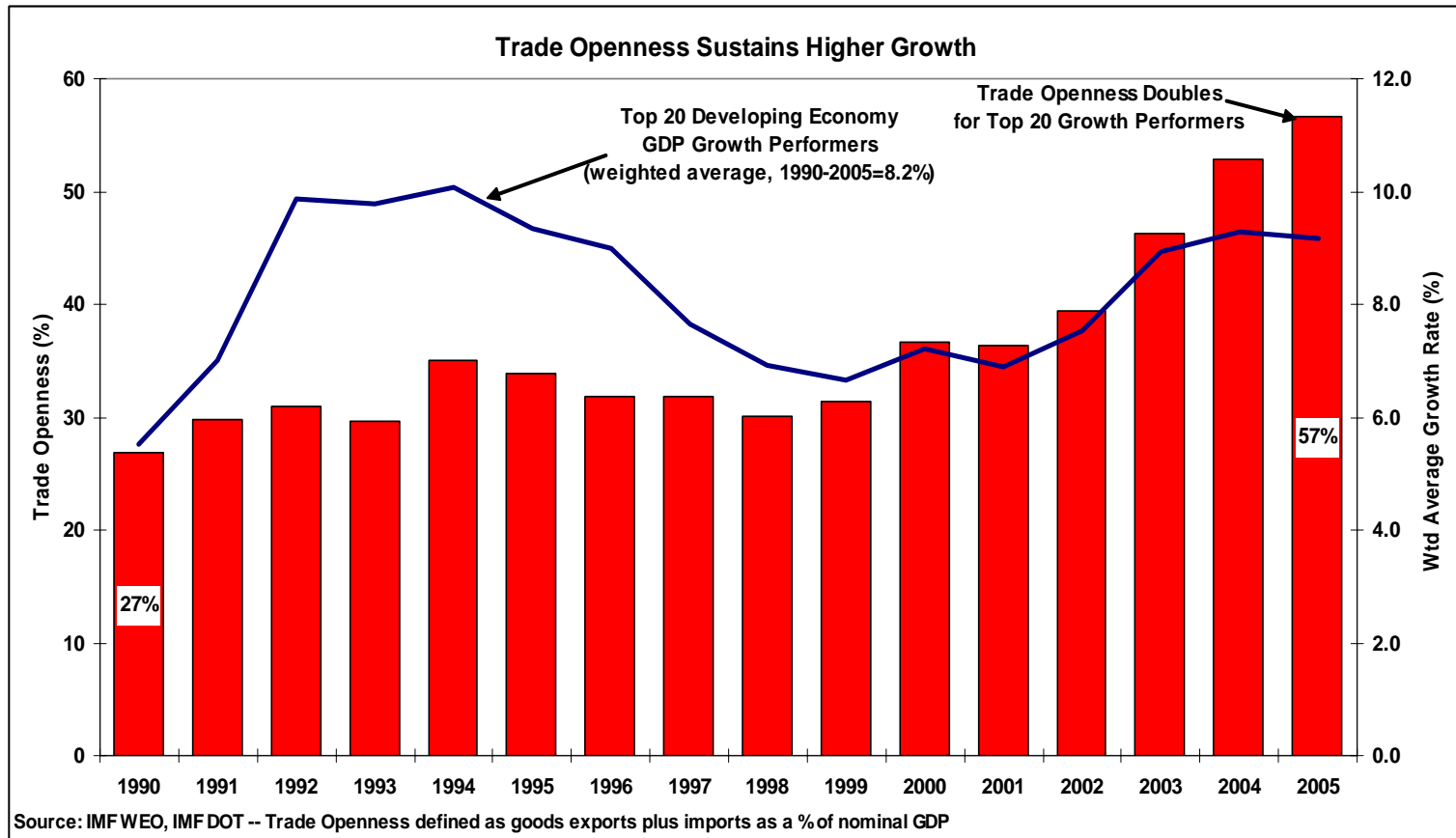
Developing Economy
Domestic Savings and ODA, 2005



Source: IMF, OECD DAC,
*2005 Dept. State Estimates

Sustain Economic Growth With Trade Openness

➤ The 20 best growth performing developing countries – averaging 8.2% real GDP growth a year over the past 15 years – also have nearly doubled how open their economies are to trade.



Developing Countries Must Reduce Trade Barriers to Sustain Trade Growth

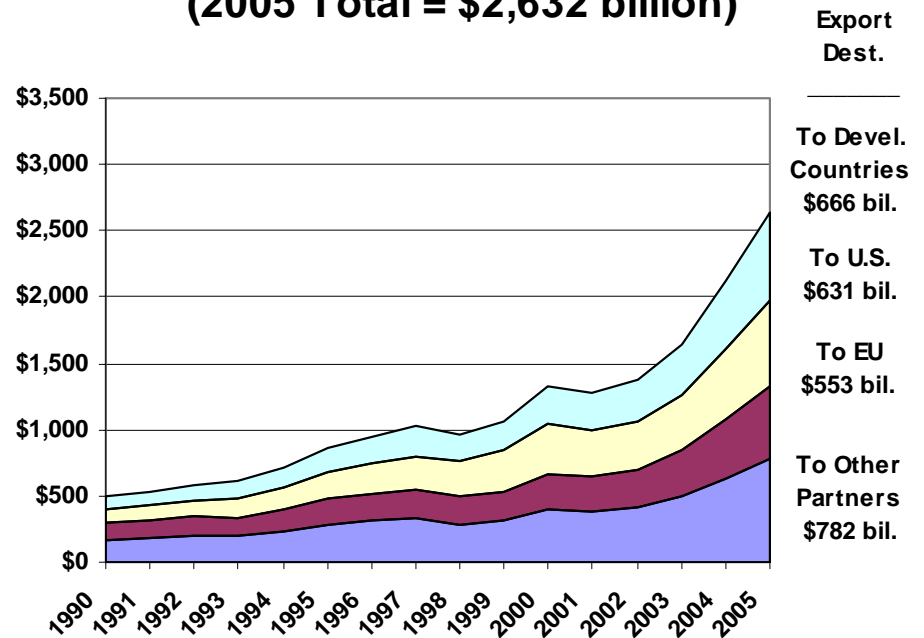
➤ Developing country goods exports increased to \$2.6 trillion in 2005 -- over one-third of their GDP.

➤ Developing country goods exports to other developing countries were \$666 billion last year – larger than to either the U.S. or the EU.

➤ At present, however, 70% of tariffs on trade are imposed by developing countries on other developing countries. Therefore, the largest trade increases for developing economies could come from lowering their own tariffs to one another.

➤ The United States gross goods imports from developing countries (\$631 billion) are larger than those for any other single nation.

**Developing Country Goods Exports
(2005 Total = \$2,632 billion)**



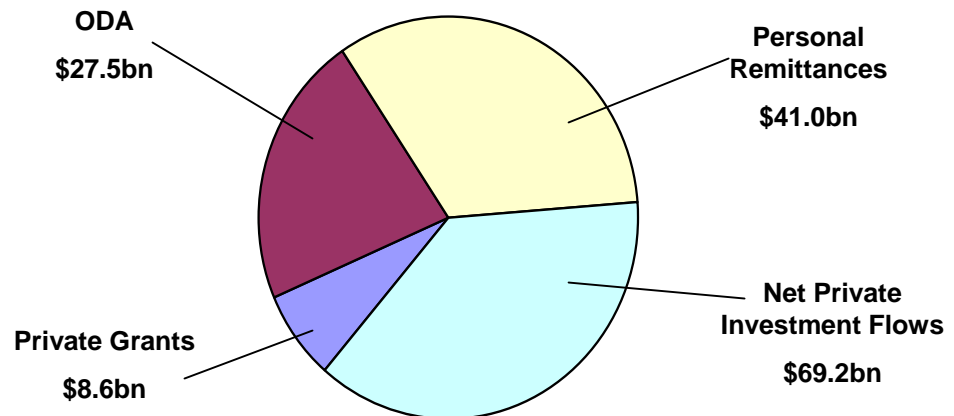
Source: IMF DOT via USAID ESDB

Total U.S. Financial Flows of \$146 Billion to Developing Countries Exceed ODA

Non-trade private financial flows from the U.S. excluding ODA -- i.e. personal remittances, net private investment, and NGO grants -- total some \$119 billion, over four times the size of U.S. ODA flows.

In addition, U.S. net goods imports from developing countries were \$487 billion in 2005 – dwarfing the size of other financial flows to these countries.

U.S. Non-Trade Financial Flows to Developing Countries
\$146.3 bil. = \$27.5 bil. ODA + \$118.8 bil. Other Flows



Source: USAID, OECD DAC, BEA.



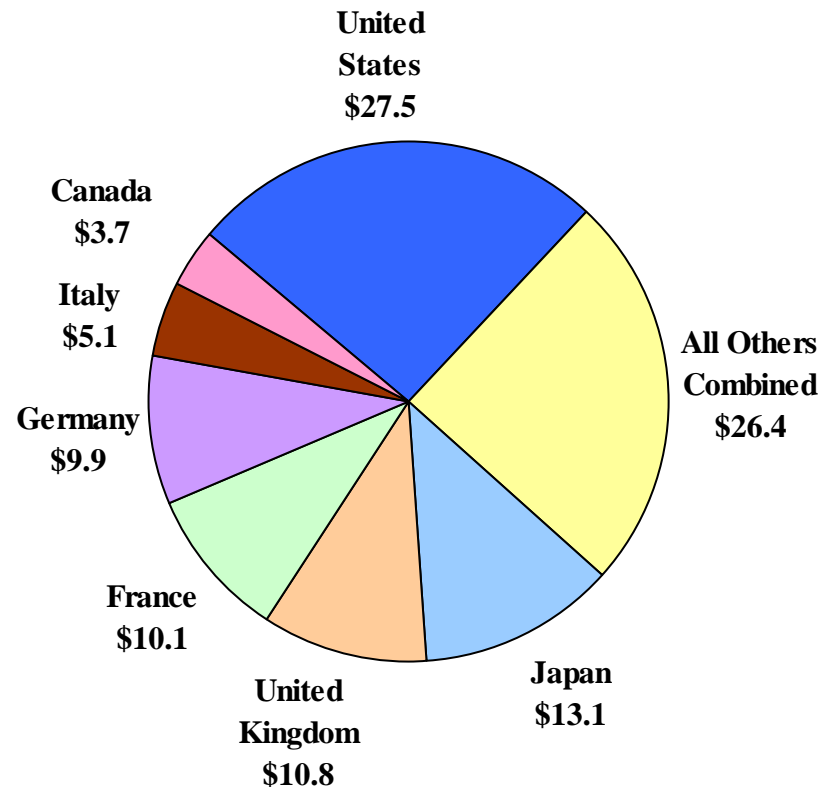
Recognize ODA as a Catalyst for Growth and Development

Official Development Assistance
Preliminary 2005 Total = \$106.5 Billion

➤ The United States is the world's largest contributor of development assistance at \$27.5 billion in 2005.

➤ U.S. ODA growth rate over the past 3 years has averaged 27.4%

➤ The contribution of assistance from the new Millennium Challenge Account -- \$4.2 billion already appropriated with \$3 billion requested for FY2007-- will significantly add to our funding for development.



In Billions of Dollars
Source: OECD DAC



Honor Pledges to Increase ODA

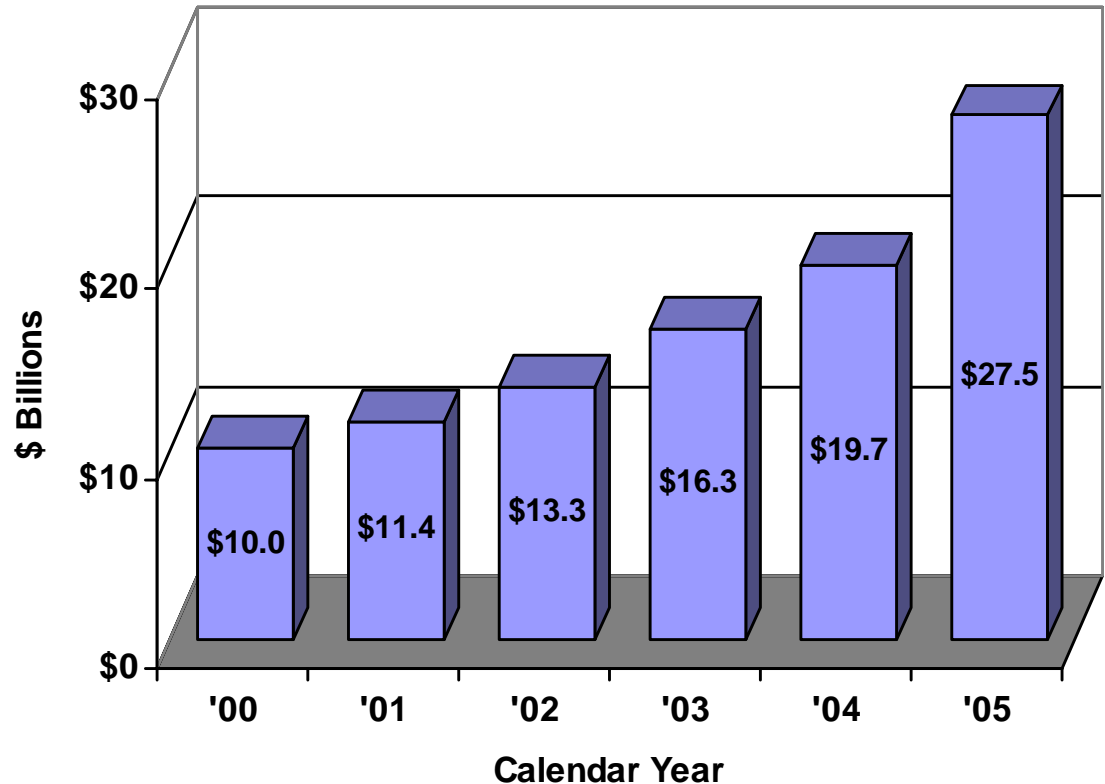
The U.S. Did So -- Early

➤ At a March 2002 UN Conference held in Monterrey, Mexico, the United States pledged to increase its foreign assistance by 50 percent over 2000 levels by 2006.

➤ The U.S. met that pledge 3 years early. U.S. ODA for 2003 was \$16.3 billion, more than 60 percent higher than it was in 2000.

➤ Including special funding for Iraq reconstruction, 2005 US ODA was \$27.5 billion, nearly three times 2000 ODA levels. Excluding Iraq reconstruction, US ODA funding increased 27% over 2004 levels.

Total Net US Official Development Assistance



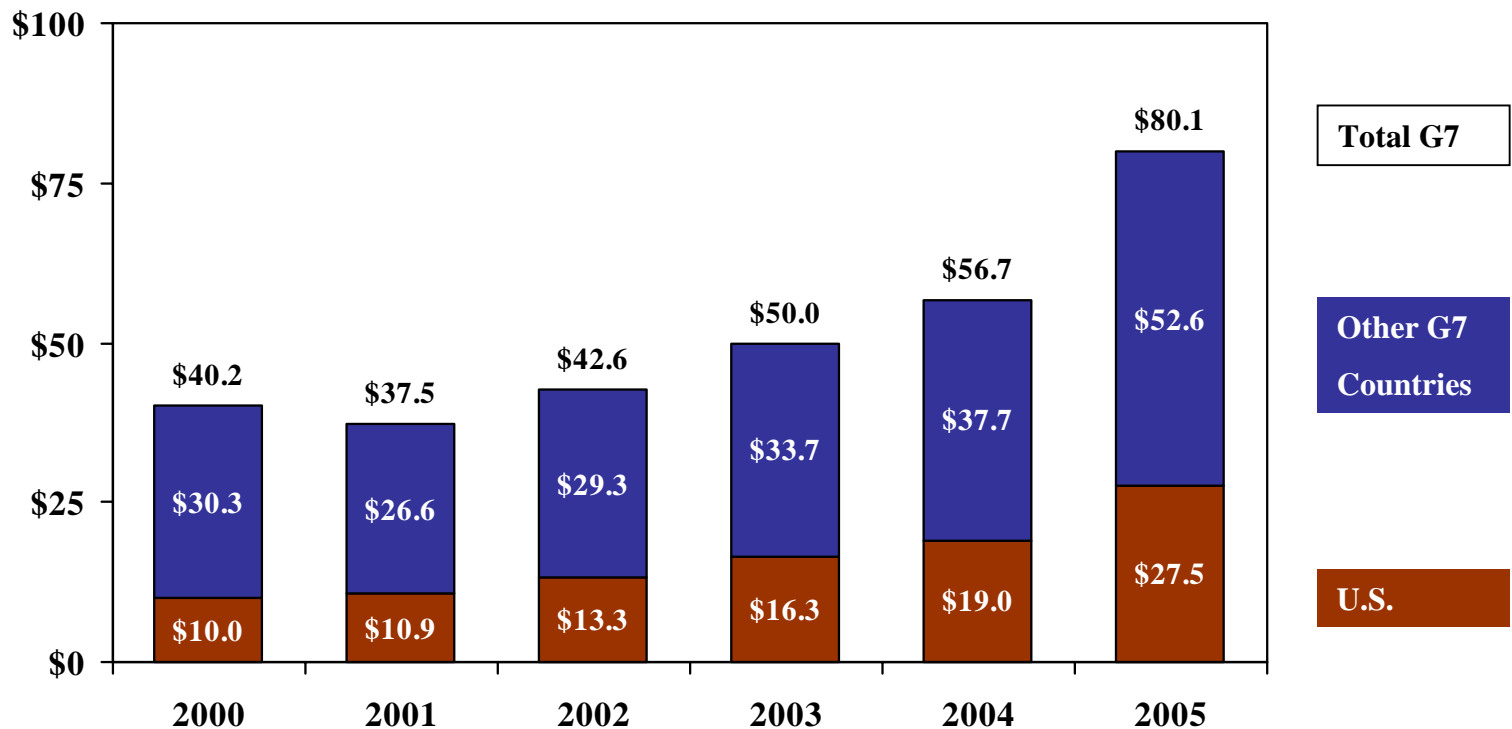
Source: OECD DAC



United States Growth in ODA Leads G-7

The United States ODA growth rate averaged 22.4% over the 2000-2005 period, nearly double the 11.7% average for other G7 nations.

US and Other G7 Country ODA



Source: OECD DAC



Millennium Challenge Account: From Concept to Reality

The Concept:

Give an incentive for poverty-reducing, sustainable strategies:

- **Good policies:** MCA supports countries that govern well, invest in health and education, and provide a positive economic climate.
- **Country ownership:** MCA countries design and implement their own programs with MCC support.
- **Results:** MCA Compacts identify clear goals and responsibilities from the start.

The Reality:

In the its first two years, the Millennium Challenge Corporation:

- Selected 23 countries, signed nine Compacts totaling over \$2.1 billion. Is on track for another \$900 million before the end of 2006.
- Approved eight Threshold Country Plans totaling approximately \$182 million. Reviewing several more proposals for MCC assistance.
- Worked to “reduce poverty through growth” with over 700 million people in 38 countries globally.

