

Helping Developing Nations

President George W. Bush has said that combating poverty is a moral imperative and has made it a U.S. foreign policy priority. To meet this challenge, the President has proposed a "new compact for development" that increases accountability for rich and poor nations alike, linking greater contributions by developed nations to greater responsibility by developing nations.

Increased Development Assistance

The President announced in a speech at the Inter-American Development Bank on March 14, that the United States will increase its core development assistance by 50% over the next 3 years, resulting in a \$5 billion annual increase over current levels. These additional funds will go to a new Millennium Challenge Account that will fund initiatives to help developing nations improve their economies and standards of living.

Aid Linked to Sound Policies

The new compact recognizes that economic development assistance can be successful only if it is linked to sound policies in developing countries. In sound policy environments, aid attracts private investment by two to one - that is, every dollar of aid attracts two dollars of private capital. In countries where poor public policy dominates, aid can actually harm the very citizens it was meant to help.

The funds into the Millennium Challenge Account will be distributed to developing countries that demonstrate a strong commitment toward:

- **Good governance.** Rooting out corruption, upholding human rights, and adherence to the rule of law are essential conditions for successful development.
- **The health and education of their people.** Investment in schools, health care, and immunization provide for healthy and educated citizens who become agents of development.
- **Sound economic policies that foster enterprise and entrepreneurship.** More open markets, sustainable budget policies, and strong support for development will unleash the enterprise and creativity for lasting growth and prosperity.

The President has instructed the Secretary of State and the Secretary of the Treasury to reach out to the world community to develop a set of clear, concrete and objective criteria for measuring progress in the above areas.

Why is the President Proposing This New Initiative?

In two generations, per capita income in developing countries has nearly doubled. Illiteracy has been cut by a third - giving more children a chance to learn and prepare for a brighter future. Infant mortality in the poorest countries has been almost halved - giving more children a chance to live. Nations from India to Chile have changed old ways and found new wealth. Yet in this world of growing opportunity, there are entire regions untouched by progress. The statistics are alarming:

- One half of the world's population today lives on less than \$2 a day.
- For billions of people, especially in Africa and the Islamic world, poverty is spreading, and per capita income is falling.
- In Malawi, thousands of teachers die each year from AIDS, and life expectancy has fallen to 38 years.

- In Sierra Leone, one third of all babies born today will not reach the age of 5.

President Bush wants to close the growing divide between nations that are making progress and those that are falling deeper into need and despair. This growing divide is a major source of sorrow and instability in the world, and the President wants to include every African, Asian, Latin American and Muslim in an ever-expanding circle of development.

Success Stories in the Developing World

Marrying good policies to aid has put many countries on a path toward a stronger, more prosperous future. For example:

- Mozambique's economy grew 10 percent in 2001. In fact, over the 1990s, Mozambique averaged roughly 6 percent annual growth.
- Sound policies allowed Uganda to open its schools to more children and increase teacher pay by 2,700 percent. Over the last decade, Uganda has averaged annual growth rates of roughly 7 percent.
- Bangladesh, a nation that was once a symbol of famine, has transformed its agricultural sector. Rice production, for example, is up nearly 70 percent since the mid-1970s.

The Administration's Commitment to the Developing World

The United States is consistently the world's largest bilateral donor to the developing world. While many donors provide economic assistance, the United States provides resources both to strengthen security and foster economic growth. Congress appropriated in FY 2002 \$17.1 billion to support these activities.

Key Facts

- The United States is the world leader in humanitarian assistance and food aid, providing over \$3 billion combined in 2000.
- The United States is spending \$1 billion per month for the war on terrorism. In addition, the United States contributed \$976 million to international peacekeeping in 2001.
- The United States is the top importer of goods from developing countries, importing \$450 billion in 2000, eight times greater than all Official Development Assistance (ODA) to developing countries from all donors.
- The United States is the top source of private capital to developing countries, averaging \$36 billion annually between 1997 and 2000.
- The United States leads the world in charitable donations to developing countries -- \$4 billion in 2000.
- The U.S. is one of the top two providers of Official Development Assistance (ODA). In 2000, the United States provided \$10 billion in ODA. This ODA is expected to increase substantially from 2001 to 2003 in key sectors:
 - HIV/AIDS - 54%
 - Basic Education - 50%
 - Trade and Investment - 38%
 - Agriculture - 38%
- USAID's core "Development Assistance" account is expected to increase 22 percent overall from 2001 to 2003, with significant increases in key regions:
 - Africa - 30%
 - Asia and the Near East - 39%
 - Latin America and the Caribbean - 29%

Growth Agenda for the World Bank & Other Development Banks

Beyond its direct bilateral efforts, the United States recognizes the importance of the Multilateral Development Banks (MDBs) in promoting economic growth and poverty reduction in the poorest countries. That is why the President has proposed a vigorous growth agenda to make these institutions more effective in raising standards.

Grants. Last June President Bush called on the World Bank and other development banks to provide up to 50 percent of their assistance to the poorest countries in the form of grants. This proposal recognizes that it is time to "stop the debt" for the poorest countries, especially for such urgent priorities as basic education, health care, and clean water that do not generate the revenues necessary to service loans. Many poor countries and development experts have recognized the importance of this proposal:

- Over 20 African nations -- from Benin to Tanzania -- have indicated their support for increased grants.
- Groups as diverse as the AFL-CIO, Catholic Relief Services, Friends of the Earth, the Heritage Foundation, and Oxfam have also voiced support.

Performance-Based Replenishment. The United States has also proposed a performance-based financing framework for its contribution to the International Development Association (IDA) -- the component of the World Bank that provides assistance to the poorest countries. In addition to the funds announced today:

- To demonstrate his commitment to these proposals and to these institutions, the President's budget requests an 18 percent increase for IDA over the next three years -- equivalent to a pledge of \$2.85 billion -- if the World Bank demonstrates it can use the funds to achieve measurable results.
- The President's budget also includes an 18 percent increase to the African Development Bank's fund to assist the poorest -- by far, the largest increase among the major donors.

The Administration's Commitment to Fighting HIV/AIDS

The President recognizes that HIV/AIDS is ravaging many poor countries, especially in Africa. The Administration is strongly committed to fighting this disease:

- In FY 2003, the President proposed \$1.1 billion to help fight HIV/AIDS in the developing world -- a 13 percent increase over FY 2002.
- Last year the President pledged U.S. support for a Global Fund to fight HIV/AIDS and other infectious diseases -- to date the Administration has committed \$500 million to this Fund and will work with Congress to increase this commitment as the Fund proves successful.
- In total, the Administration proposes spending over \$16 billion in FY 2003 to combat HIV/AIDS around the globe.