

Foreign Assistance Builds a Foundation for Sustainability

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The U.S. Agency for International Development (USAID), with its mission to support long-term and equitable economic growth, will be among the principal actors carrying out the Bush administration's vision for sustainable development. Administrator Natsios reflects on the changing philosophy in foreign assistance.

The end of the Cold War and the rise of globalization have brought tremendous change to the political and economic dynamics that shape the world. As the U.S. government's principal institution working to fight poverty and end hunger in developing countries, USAID has recognized how these changing global forces also necessitate a new vision for development assistance.

In the Bush administration, we are reconstructing the concepts of foreign assistance, and keeping pace with the momentum of the private sector. We are also informed with the vast experience we've gained from the successes and failures of aid programs over the last 40 years.

We are changing the concept of what foreign assistance should achieve. Foreign assistance is not merely a transferal of money from the North to the South. We are rethinking what foreign assistance is all about, rethinking the purpose of foreign assistance, recognizing that it's not how much you spend in foreign aid—it's how you spend it.

We have learned that transferring large amounts of cash into the treasuries of developing country budgets is not a fail-safe way to achieve long-term economic, social, and democratic sustainability. We have learned that to sustain growth over a long period of time, aid programs must work to attract private sector capital in order to develop economies.

All of the countries that were once poor and have become prosperous in recent decades have done it through private sector growth and official development assistance. Foreign assistance has helped these countries achieve sustained growth to eliminate poverty. They've done it through technology transfer, through institution building, through improved health services, and through policy reform. Successes in these investments have shown us that foreign assistance spending in these areas will create the environment for private sector-led growth.

For this reason, President Bush announced in March 2002 that the United States would create the Millennium Challenge Account to provide additional development assistance to a select number of developing countries that demonstrate a strong commitment toward good governance, the health and education of their people, and sound economic policies that foster enterprise and entrepreneurship. The Millennium Challenge Account will increase the baseline level of official development assistance by \$5,000 million over the next three years, amounting to an unprecedented 50 percent increase in official development assistance from the United States.

Technology Transfer

The “green revolution” in Asia is the best example of the stunning progress that can result from technology transfer. Genetically modified wheat, developed in Mexico by an American-led team, increased yields and was widely distributed for planting through India and Pakistan. The success of these crops helped to avert famine in the 1960s, but not through a transfer of official development assistance (ODA). The “green revolution” fundamentally was a technology transfer of improved seed varieties and of new kinds of equipment that allowed smaller farmers to grow more food. It’s a movement of fertilizers and different kinds of inputs that helped small farmers increase food production. The “green revolution” was a spectacular success brought about by an alliance between American scientists, U.S.-based foundations, the World Bank, and USAID.

In Africa, technology transfer has helped to create dramatic increases in yields. In Mali’s inner delta region, for instance, rice production doubled between 1993 and 2000 as a result of USAID-supported programs that created incentives to invest in better rice varieties and processing technology, improving the management of both agricultural and natural resources. In this administration, we are working to encourage African farmers to make use of the latest agricultural research, which we know can increase productivity.

Institution Building

Since the end of the Cold War, developing countries have made a dramatic movement toward democratic capitalism as the operative model of governance. In making that transition, however, many countries discovered that they did not have the institutional experience to operate all the mechanisms of a democratic

system. They had never held free and fair elections with a full ballot of candidates from multiple parties. They were not prepared to run a parliament, not prepared to have journalists and broadcasters looking at the problems of government in a very public way.

USAID and other donor governments have facilitated institution building to help these countries set in place all the mechanisms operating in an open democratic society. We are supporting programs to train people in the management of their new democratic institutions. We are training journalists to understand solid fact-based reporting, and the concepts of fairness and balance. We are training government officials in how to govern in an open way. We are sponsoring democracy programs introducing new approaches to crisis management and conflict analysis to assist opposing parties in resolving their issues peacefully and within the framework that a democratic system provides.

Policy Reform

USAID has also been instrumental in assisting countries to reform their policy environment as they move from the socialist economic model toward a free market model. If a country isn’t adhering to macroeconomic policies that will sustain a free market, no amount of foreign assistance is going to lift that nation from poverty to prosperity. Policy reform is an absolute prerequisite for long-term sustainable development.

USAID has been helping countries make the policy adjustments necessary to adopt macroeconomic policies that will attract investment. So we’ve been providing guidance to nations in how to control inflation, stabilize currencies, and prevent counterfeiting. Through these reforms, countries can create an economic environment where farmers and businesses have incentives to grow and produce because they are assured their profits will be safe. Creation of this economic stability lays the foundation for prosperity and an end to poverty. Over and over again, policy reform has proven itself to be an absolute prerequisite for long-term sustainable development.

Public Services

Policy reforms carry over into the arena of public services as well. Many governments in the developing world have been unable to provide quality public services at a reasonable cost to a large portion of the population.

USAID has helped build institutional capacity of the ministries in these countries to carry out public services. The last 40 years have witnessed dramatic improvements in child mortality, in maternal mortality, and in literacy levels in many countries. As a result of the programs we've supported, institutional capacity has increased, allowing improvement in the delivery of these critical public services.

We've made significant progress through the decades in our recognition of the interrelationship between the successful delivery of these public services and a nation's capacity to overcome poverty and achieve long-term sustainability. Mothers must be healthy if babies are to be healthy. Children must be healthy in order to learn and become educated. Education creates a capable, productive workforce that will lead a nation to prosperity.

President Bush has established an increase in spending for education in the developing world as a top priority. USAID funds devoted to this purpose will increase from \$100 million to \$170 million in two years.

Leadership

As USAID pursues foreign development assistance on these four tracks, we also remain keenly mindful that strong, capable local leadership is profoundly important in achieving success. Only where national commitment exists can these initiatives take hold and bring results.

Mozambique provides an outstanding example. This East African nation had one of the most brutal civil wars in the last quarter of the 20th century after independence from Portugal. Two to 3 million people died of starvation. Terrible atrocities were committed. A decade of Marxist economic policies had failed to build upon the country's rich agricultural land and mineral resources, leaving Mozambique as one of the poorest countries in the world. Fighting ended in the 1990s, a constitution and a multi-party democracy were adopted, and an international aid effort began. By 2001, Mozambique experienced a 14 percent growth rate in its economy during a one-quarter period.

Leadership is a fundamental element in that progress. Prime Minister Pascoal Manuel Mocumbi is very proud of having created a policy environment where there is widespread investment across the country. Areas that experienced famine during the civil war are now

exporting foods as a result of USAID agricultural programs. Dr. Mocumbi is deeply interested in agriculture, and his cabinet members are among the most able ministers I've seen in many developing countries. They created the policy environments and they attracted capital to build on the base they created.

Private Sector

The model for foreign development assistance has evolved at the same time another relevant trend has developed in recent decades. In 1969, 70 percent of all capital flows from the United States to the developing world were in the form of foreign assistance. Now only 20 percent of all capital flows from the United States to the developing world come from official development assistance. Eighty percent of the money now flows from private entities—foundations, nongovernmental organizations (NGOs), universities, and most significantly, private companies. The statistic is the inverse of what it was 30 years ago.

U.S. foreign aid policies must evolve in keeping with that trend. Under an initiative called the Global Development Alliance, these organizations are joining the U.S. government as partners in helping developing nations chart a course toward sustainability. One-third of USAID's budget flows through international and American-based NGOs to the developing world. Another third is distributed through universities, private associations, and locally based NGOs. The final third is spent through the private sector.

With these partners, USAID will build alliances to target specific development objectives, matching our resources with theirs to accomplish those objectives. We've joined with a software company to bring Internet access and computer training to the developing world. In other arrangements, companies are working with USAID to assist governments in creating regulatory policies that will address illegal lumbering and deforestation in ways that will preserve environmental resources while still allowing some opportunity for harvesting resources.

Accountability

The achievements made by foreign aid from the United States and other industrialized nations over the last few decades are impressive. Infant and child death rates in the developing world have been reduced by 50 percent. Health conditions around the world have improved more

in the last 50 years than in all of previous human history. Smallpox has been eradicated; polio nearly so.

To insure a continued domestic commitment to these worthwhile programs, USAID must assure accountability and results from the programs it funds. Our programs oriented toward policy reform must meet specified benchmarks for balancing budgets, achieving macroeconomic norms, and controlling inflation. We work with local governments to reach those goals each year. All of USAID's 71 country programs are assessed by

performance indicators, which set targets for signs of achievement such as increasing literacy, reducing child mortality, and increasing immunization rates.

The people of the United States have a profound humanitarian commitment to improve the quality of life in less privileged nations. They also know that aid is most successful when it is no longer needed. The greatest assistance the United States can give to developing nations is the achievement of self-sufficiency and sustainability.