

# **Testimony of Constance Berry Newman, Assistant Administrator, Bureau for Africa**

## **U.S. Assistance to Promote Economic Freedom and Democracy in Africa**

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### **I. Good News in Africa**

Mr. Chairman, Ranking Member Biden and members of the Committee, I would like to thank you for inviting me to appear before your committee to discuss a continent with much promise and with significant challenges. That continent is, of course, Africa. Today, promise, potential and opportunity exist in Africa. The hope for the future is based on current experiences in many countries on the African continent. This is good news for the United States. A more prosperous, healthy and stable Africa is in America's best interest, and contributes to U.S. efforts to foster world-wide economic growth and increased trade and to combat transnational security threats.

At the same time, there are serious threats to Africa's future from the devastating effects of the HIV/AIDS pandemic to long-standing armed conflicts. Today, however, I will be focusing predominantly on the encouraging developments taking place in Africa. Unfortunately, much of the good news coming out of Africa is often not carried in international media reports.

First, the positive results of the African Growth and Opportunity Act (AGOA) of 2000 demonstrate Africa's potential to increase its share of world trade. In the first six months of 2002, imports under the AGOA and Generalized System of Preferences program totaled almost \$4 billion, a 20% increase over the same period a year earlier. Under these programs, apparel imports increased seven-fold and transportation equipment more than doubled. Second, according to Freedom House, over the last decade, the number of free democracies in Africa has more than doubled from four to 10 and more than half the countries on the continent are in the transition from partly free to free. The successful 2002 democratic elections in Kenya, the efforts by Angola to secure peace and a prosperous future after

decades of war, and the anti-corruption drive in Zambia further underscore this trend toward improving political and economic governance in Africa.

I emphasize the positive news in trade and democracy because the U.S. played a strong role in both of these developments. When the Congress passed AGOA, it signaled to Africa that the U.S. wanted Africa to become an important trading partner. Africa has responded. Our missions have been actively engaged in promoting trade capacity building. In 2002, USAID missions spent over \$85 million in such activities, from workshops on the complex rules of the international trading system to programs that help African businesses build on their strengths to become globally competitive.

Regarding the growth of democracy and democratic values, embassies and USAID missions have promoted democratic values through diplomacy, through support for elections, through the bolstering of civil society organizations and advocacy groups, and through strengthening parliaments and judiciaries to strengthen the rule of law. The Administrator's report, "Foreign Aid in the National Interest," makes a strong case for institutions of democratic and economic governance as the basis for promoting prosperity and well-being. The Bureau for Africa has promoted democracy throughout the continent with the resources made available for this purpose.

These positive U.S.-backed developments are further reinforced by the initiative that has been taken by Africans themselves through the New Partnership for Africa's Development (NEPAD). NEPAD is first and foremost a pledge by African leaders to the people of Africa to consolidate democracy and sound economic management, and to promote peace, security and people-centered development. Experience has shown that for countries to realize their full potential, and to take advantage of opportunities to address the principal constraints to poverty reduction, they must reform from within, in partnership with the international community. NEPAD, which was launched in 2001, provides a welcome new framework for Africans who plan to take charge of their own destiny. Given what we know about ownership of the ways in which the challenges of the continent can be met, the U.S. and the international community have pledged to develop partnerships with those countries that demonstrate adherence to NEPAD's principles.

## **II. Challenges to Overcome through Foreign Assistance**

Despite the encouraging trends, we must not be blind to the serious challenges facing Africa. Sub-Saharan Africa is the world's poorest region, and average living standards lag far behind those in the rest of the world. Almost half of Africa's 690 million people live on less than 65 cents a day. HIV/AIDS is having a tremendous impact on the most economically

productive part of the population in many African countries, and the recent famine in southern Africa in part is rooted in reductions in agricultural productivity related to HIV/AIDS. At the current population growth rate of 2.6% a year, reaching the Millennium Development Goal (MDG) of reducing poverty levels in sub-Saharan Africa by 50% by 2015 will require a 7% annual growth rate. Africa's greatest challenge is to achieve rapid and sustained economic growth. It is not currently doing so, but there is reason to believe it can do so. First, countries such as Uganda, Ghana and Mozambique have achieved sustained growth rates at or exceeding five percent per year, an accomplishment no one believed possible until they did so. Mozambique's objective is to sustain its double-digit growth by attracting foreign direct investment and ensuring the investment climate is attractive for domestic and foreign investors alike. Its performance over the past seven to eight years, with the exception of the year of the devastating floods, shows what can be accomplished. Other African countries have taken notice.

To reach the MDG for reducing poverty, concerted action is required along multiple fronts: increasing agricultural productivity and improving the competitiveness of African products; diversifying the economic base; building human capacity through improved educational opportunities, especially for girls; expanding information and telecommunications networks; strengthening African capacity to manage economic and natural resources; improving the enabling environment for trade and investment and curbing the spread of HIV/AIDS, malaria, and tuberculosis.

The U.S. is helping Africa do all this through the initiatives that are the centerpieces of USAID's program. These are the two Presidential Initiatives: Trade for African Development and Enterprise (TRADE) and the Africa Education Initiative and the two administration initiatives: the Initiative to End Hunger in Africa and the Congo Basin Forest Partnership. These initiatives constitute \$133 million of the \$1.041 billion requested for fiscal year 2004. They represent the most innovative, targeted programming of the resources requested to address Africa's challenges. The initiatives build upon the successes of our current programs which make up \$908 million of the \$1.041 billion requested. Of the existing programs, by far the largest is our request is the \$325 million in funding to combat the HIV/AIDS pandemic. \$134 million is requested for agriculture and \$121.5 million is requested for education. These are the highest priority sectors in our budget request.

Mr. Chairman, the United States can assist Africa to carry out all of these programs and to achieve its goals for durable and measurable development results. A significant part of what the U.S. does comes from private investments, civil society and faith-based contributions, all of which combined now far exceed official development assistance levels. We

active seek public-private partnerships, focusing on ways to leverage our own public resources investments with private investments to assure a greater impact for both. These are the basic principles of development articulated by the President at the Monterrey Conference last year. In fiscal year 2002, the Africa Bureau committed over \$30 million in over fifty agreements where the USAID contribution was matched or exceeded by funding from corporations, universities, and philanthropic groups. We also made use of the Development Credit Authority to mobilize local capital to fund development initiatives. The best example of this has been the mobilization of mortgage financing for low-income HIV/AIDS-affected households in South Africa.

Whatever innovations we use to increase the impact of our investments in development assistance, our objectives are clear. We believe it is critical for the U.S. in Africa to assist all people to prosper through the pursuit of equitable, sustained economic growth on the foundation of strong institutions of democratic and economic governance. We see everything we do in Africa as building upon these basic American values: rewarding individual initiative and enterprise in a free market system and promoting individual liberties and freedom in democratic societies. These values are universally shared and are the foundation for everything we want to help Africans achieve.

### **III. Managing the Assistance Programs**

As we strive to assist Africa in achieving its development objectives, we are mindful of the challenge posed to our officers and employees in the medium-term from increased security risks. Six of 22 USAID Missions and two of the three Regional Offices in sub-Saharan Africa exist in critical and high-threat security situations. Of these eight field offices, funding for new facilities that meet new security standards has been allocated for three. We will continue to work to secure the funding that is critical for safe operations.

As we stated in the Congressional Budget Justification, USAID continues to determine the human resource needs required to have the most efficient and effective field operations. This has resulted in shifting direct hire staff positions in the field based on priorities. Overseas direct-hire field staff levels will increase from 216 to 227, including nine additional HIV/AIDS professionals and training positions for junior officers entering the workforce. Washington-based Africa Bureau staff levels will remain constant at 91. Even as the program has grown in size and complexity, we have worked hard to streamline operations. Operating expense constraints are such that we have decided to scale down significantly several of our small to medium size missions and reallocate staff to regional platforms. This will permit USAID to oversee assistance programs more efficiently throughout Africa.

USAID also anticipates working in close cooperation with potential Millennium Challenge Account countries and with the Millennium Challenge Corporation that will implement recipient country programs. As the Administrator has said, "USAID is the official U.S. development agency and as such the best practices of USAID will not only be desired but required if MCA is to succeed. Therefore we will embrace this chance to offer some of our own USAID professionals to complement this new organization and to provide our best experience and know how." We anticipate the opportunity to develop substantial new assistance programs in Africa that respond to the intent of NEPAD and the principles of the Millennium Challenge Account; that is to say that those countries that are ruling justly, investing in people, and promoting economic freedom should be further assisted in their efforts.

In summary, Mr. Chairman, American national interests in combating terror, defusing regional conflict, promoting democratic freedoms, and promoting global economic growth and American core values that champion human dignity make it imperative that we accord a high priority to Africa. Today, we are seeing the fruits of our development efforts. There are promising signs of change in many African countries. We are heartened by the new spirit of collaboration and partnership as reflected through NEPAD and are committed to match Africa's efforts to untap its full potential. We have confidence that under your leadership the United States will contribute substantially to a better future for a prosperous and democratic Africa.

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