ADVANCING DEMOCRACY, BUILDING PROSPERITY

ACCELERATING PROGRESS IN THE DEVELOPING WORLD

UNITED STATES OF AMERICA

2005

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ACCELERATING PROGRESS IN THE DEVELOPING WORLD

My administration's approach is based on the common sense idea that development aid works best in countries that are proving their commitment to govern justly, invest in their citizens, and open up their economies.

President George W. Bush
June 2005

We believe that international support for development will only defeat poverty if that support encourages sound economic and political institutions, if it leads governments to invest in their people, to trust their people and, above all, to free their people to work to their innate talents and aspirations.

Secretary of State Condoleezza Rice
April 2005

SUMMARY

Meeting U.S. Aid Commitments

The Millennium Declaration and the Monterrey Conference on Financing for Development consolidated wide international agreement that more effective approaches are needed to help the developing world achieve positive, long-term success. This "transformational development" approach requires a long-term commitment of resources and a dedication to innovation.

The United States has stepped up to this challenge and is helping developing countries make far-reaching, fundamental changes to further their economic and social progress—without encouraging dependence on foreign aid. During the Bush administration, official development assistance, or ODA, has doubled, and the United States remains the largest supplier of food aid. The United States is also leading the way in helping the developing world create innovative solutions in health, education, governance, agriculture and other sectors.

Innovating to Make Aid More Effective

Experience has shown that aid works best when certain conditions are in place. Countries committed to governing justly, respecting the rule of law, investing in their citizens' health and education, and opening up their economies tend to use their aid dollars most effectively and make the most progress against poverty and despair. Recognizing this truth, the United States took a dramatic step in 2002 when it launched the Millennium Challenge Account. The MCA promised extra help—of up to $5 billion a year—to developing countries that make those commitments. In 2005, an MCA compact was signed with Madagascar; others are being negotiated with Honduras, Cape Verde, and Nicaragua.

Encouraging Private Investment

In addition to providing ODA, the United States is the world leader in combined private and public cash flows to the developing world. Last year, people living in the United States sent over $31 billion to the developing world. Yet, as important as aid and remittances are to development, domestic and foreign investment and strong local commitment are also needed. For this reason, U.S. assistance is marshalling resources and commitment from a variety of sources in the private sector to accelerate development.

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Making Fragile States a Priority

Some states face an array of challenges that make them less able to move forward with their development. These states threaten the safety and prosperity of their own citizens as well as people beyond their borders. The United States is pioneering approaches to the development needs of these fragile states, including such long-term needs as political and financial reform. By focusing on these states, the United States is setting

The United States is the world leader in combined private and public financial cash flows to the developing world.

Nitin Madhav, USAID

Girls in Afghanistan are happy to be in school.

the stage for their successful long-term development, and reducing threats to its own security.

Keeping Focused on Africa

Over the past four years, the United States has greatly expanded its financial and diplomatic engagement with Africa. Economic growth has improved throughout the continent, and so have health, education, and signs of political reform. African leaders who have committed themselves to far-reaching political and economic reforms have received additional U.S. aid and resources. On June 7, 2005, President Bush announced that $674 million in additional aid will be used to respond to humanitarian emergencies in Africa. The funds will be used for emergency food aid as well as other humanitarian assistance. The United States has pledged to work with its African partners to improve the lives of all the continent's citizens.

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HONORING U.S. AID COMMITMENTS

Fulfilling Monterrey Consensus Pledges

The International Conference on Financing for Development, held in March 2002 in Monterrey, Mexico, was a watershed event. The United Nations organized the conference, inviting a full array of development partners and actors: governments; lending institutions such as the IMF and World Bank; the WTO; and businesses, corporations, and NGOs. Participants explored a wide range of innovative approaches to domestic and international development financing. All were searching for a better way to help developing countries.

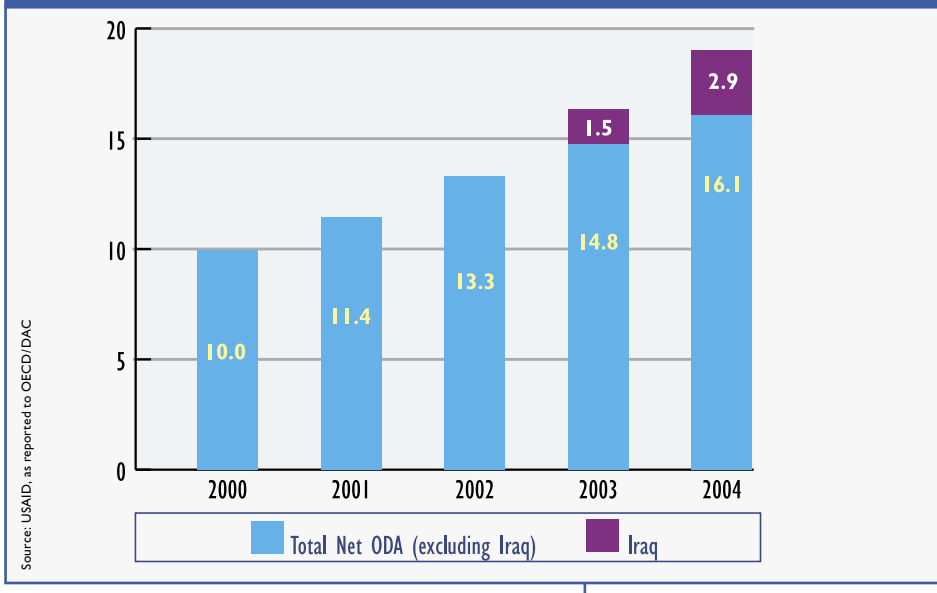
The conference resulted in the "Monterrey Consensus." The consensus stated that partnership and mutual responsibility were vital for long-term development success. While developed countries need to mobilize more aid resources, developing countries must work to promote sound policies, good governance, and the rule of law. Each must do its share. Ambitious targets were set for reducing hunger, improving education, making healthcare more accessible, and using environmental resources more sustainably. In 2005, the Commission for Africa released a report echoing the need for partnership and calling for improved governance: "Changes in governance are needed to make the investment climate stronger…. Without progress in governance, all other reforms will have limited impact."

Increasing Both Aid and Aid Effectiveness

The United States has surpassed Monterrey targets for increasing ODA, doubling it in four years. This increase, the fastest since the Marshall Plan, has been targeted on education, health, nutrition, agriculture, and other sectors. Over the past four years, the United States has

- tripled funding for basic education in developing countries
- provided over $2 billion to strengthen maternal and reproductive health and family planning programs
- contributed more than 50 percent of the World Food Program budget and significant bilateral food relief, and is the world's largest supplier of food aid
- increased funding for African agriculture programs by over 50 percent

DRAMATIC INCREASES IN U.S. ODA UNDER PRESIDENT BUSH
(US$ BILLIONS)



DEVELOPMENT GOALS OF THE MILLENNIUM DECLARATION SYNCHRONIZED WITH U.S. INITIATIVES

GOAL 1: Eradicate extreme poverty and hunger
- Initiative to End Hunger in Africa
- Trade for African Development and Enterprise

GOAL 2: Achieve universal primary education
- Africa Education Initiative
- Centers for Excellence in Teacher Training

GOAL 3: Promote gender equality and empower women
- Africa Education Initiative
- Anti-Trafficking in Persons Initiative
- Middle East Partnership Initiative

GOAL 4: Reduce child mortality
- Famine Fund
- Mother and Child HIV Prevention
- Presidential Emergency Plan for AIDS Relief
- Global Fund to Fight AIDS, Tuberculosis, and Malaria

GOAL 5: Improve maternal health
- Presidential Emergency Plan for AIDS Relief
- Global Fund to Fight AIDS, Tuberculosis, and Malaria

GOAL 6: Combat HIV/AIDS, malaria, and other diseases
- Mother and Child HIV Prevention
- Presidential Emergency Plan for AIDS Relief
- Global Fund to Fight AIDS, Tuberculosis, and Malaria

GOAL 7: Ensure environmental sustainability
- Water for the Poor
- Clean Energy Initiative
- Initiative Against Illegal Logging
- Congo Basin Forest Partnership

Increased aid effectiveness is also necessary. That is why the United States leads the multidonor effort to improve aid planning and implementation, and seeks to approach development more strategically. The United States increasingly partners with the public and private sectors, combining resources, know-how, and programming to achieve greater impact.

Achieving Development Goals of the Millennium Declaration

In exceeding its Monterrey commitments, the United States has also contributed greatly to progress on the development goals set out in the Millennium Declaration and signed by world leaders in September 2000.

Eradicate Extreme Poverty and Hunger (Goal 1)

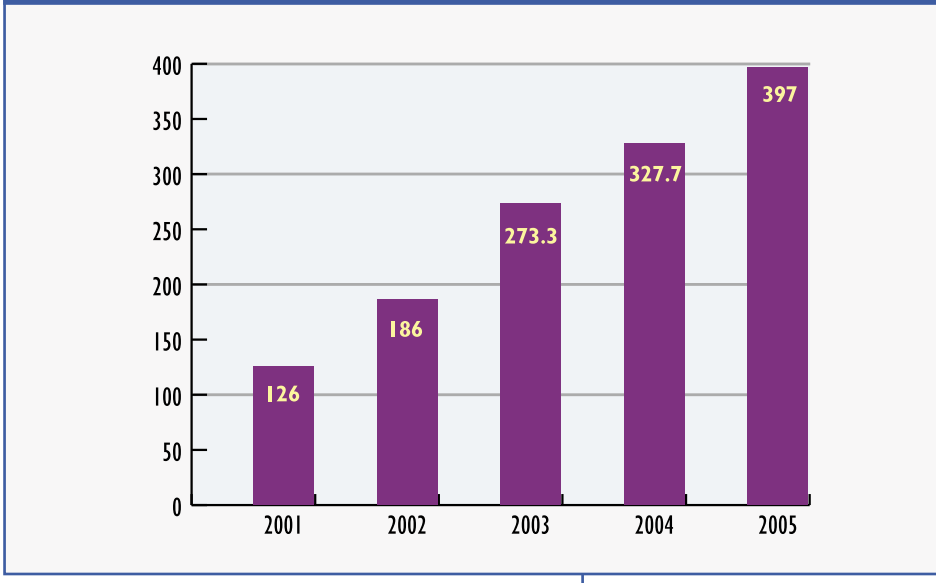
The United States supports agricultural research and market development programs in developing countries. The programs improve productivity and raise the incomes of the rural poor. For example, the key principles of the Initiative to End Hunger in Africa (IEHA) include building alliances and broad-based commitment from public and private development partners and investing in activities designed to eliminate hunger. IEHA invests in science and technology, trade and marketing, training, strengthening producer organizations, protecting the vulnerable, and improving environmental management.

In addition to remaining the leader in providing developmental and humanitarian assistance in Africa, the United States is committed to providing even more help through the Millennium Challenge Account. The MCA supports the poorest countries that govern justly, respect the

rule of law, support economic growth, and invest in their citizens' health and education. The MCA began with nearly $1 billion in funding in 2004, and President Bush has asked the amount for 2006 be tripled. After that, the administration has pledged to support annual funding at $5 billion per year.

The Millennium Challenge Corporation (MCC), which manages the MCA, has identified 17 countries eligible to submit proposals for funding. Cape Verde, Nicaragua, and Honduras are negotiating to sign compacts with the MCC. Madagascar signed its compact in April 2005. The MCC is working with 12 other countries to help them meet eligibility requirements.

BASIC EDUCATION FUNDING HAS TRIPLED UNDER PRESIDENT BUSH
(US$ MILLIONS)



Achieve Universal Primary Education (Goal 2)

Under the Bush administration, funding for basic education in developing countries has tripled. The United States provides major support for the global Education for All Initiative, now active in 39 of the 49 least developed countries. In 2002–03, the U.S. government leveraged $120 million in private funding with $54 million of its own to support basic education in developing countries. In addition, the president's Africa Education Initiative, launched in 2002, provides $200 million per year. So far, the initiative has trained over 200,000 new and current teachers, distributed almost 2 million textbooks to primary school students, and provided scholarships and mentoring for nearly 85,000 girls.

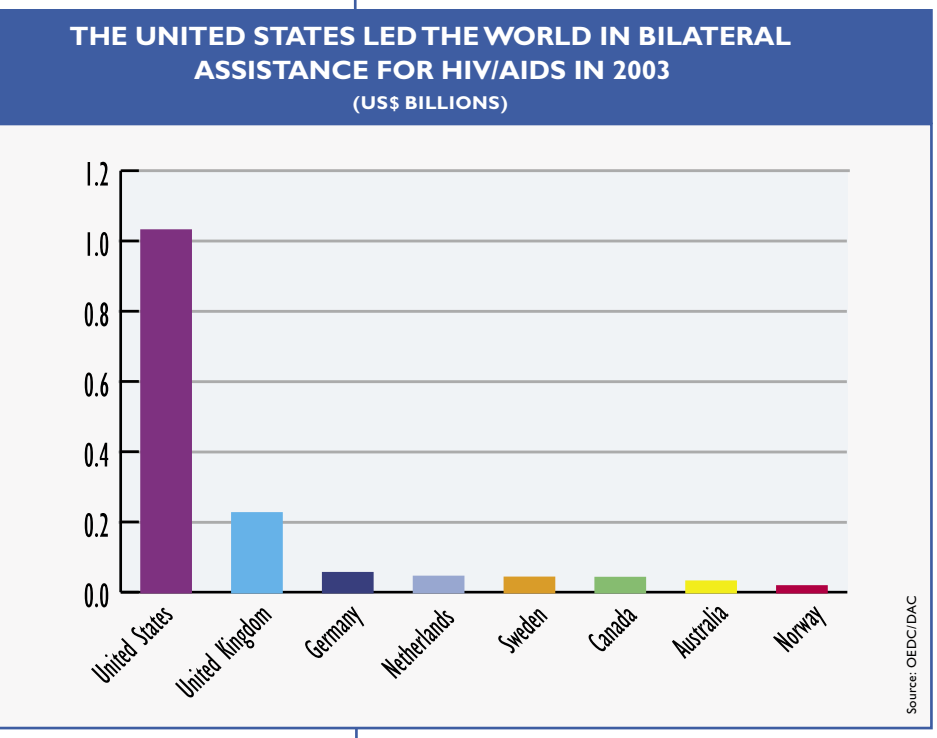
Promote Gender Equality and Empower Women (Goal 3)

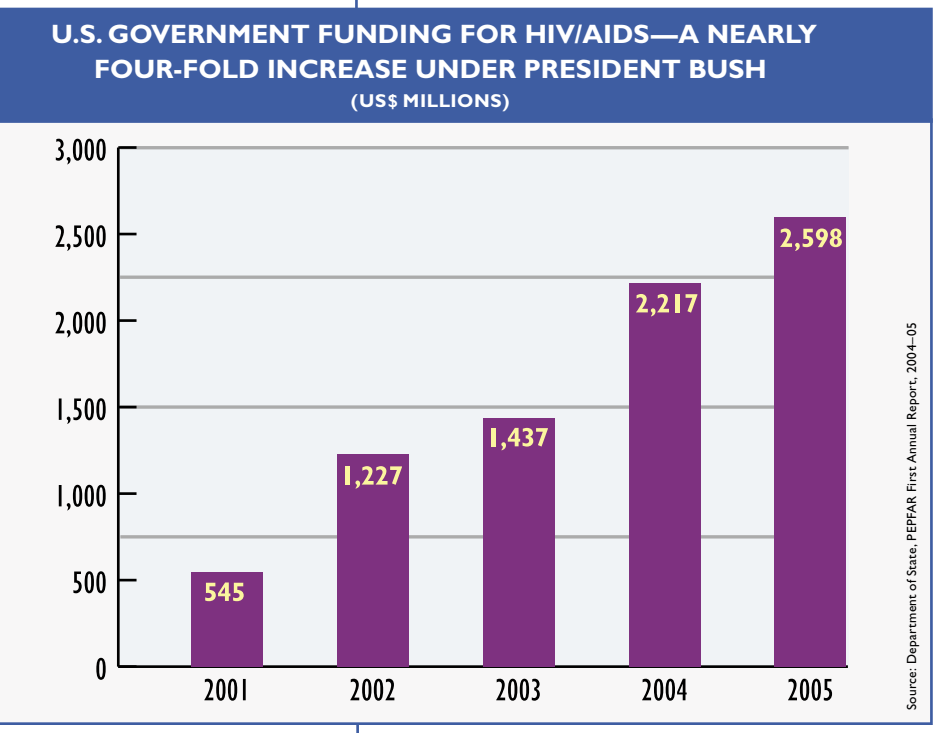
The Africa Education Initiative provides scholarships and other assistance for girls, makes schools more "girl friendly," and upgrades the quality of instruction. The Middle East Partnership Initiative supports economic, political, and educational reforms for all people in that region, but especially for women and youth.

In postconflict countries such as Bosnia-Herzegovina, where women and children often make up the majority of displaced persons and returnees, the United States began microcredit programs that provide loans primarily to women-headed households. Such loans enable families to become self-sufficient and help jumpstart local economies.

Reduce Child Mortality (Goal 4)

For 30 years, the United States led efforts to increase the percentage of children in developing countries immunized against measles, diphtheria, pertussis, polio, and tuberculosis. Since the





effort began, immunization rates have soared from 5 percent to 70 percent. The United States also plays a lead role in the Global Alliance for Vaccines and Immunization, supporting immunization programs in over 60 countries.

Since 1990, the United States has provided $2.5 billion to child survival programs. Because of this effort, over two-thirds of all needy children in over 40 countries receive lifesaving oral rehydration therapy, and over half receive vitamin A supplements. These and other efforts have dramatically reduced child mortality. In the late 1980s, 15 million children under age 5 were dying each year. By 2001, that figure had been reduced to 11 million, and the United States remains steadfastly committed to curbing preventable deaths among children worldwide.

Improve Maternal Health (Goal 5)

Effective voluntary family planning programs supported by the United States have improved the health and survival of mothers and infants. U.S. support for maternal health programs has greatly improved community care for pregnant women, increased the number of skilled attendants present at childbirth, and provided basic emergency obstetric care. Such programs have contributed to a 20–50 percent reduction in maternal mortality in countries such as Afghanistan and Bangladesh.

Combat HIV/AIDS, Malaria, and Other Diseases (Goal 6)

The $15 billion Presidential Emergency Plan for AIDS Relief (PEPFAR) is the largest international governmental health initiative related to a single disease. PEPFAR is combating HIV/AIDS in over 120 countries, but with a special focus

on 15 (12 in Africa). In these target countries, PEPFAR's goal is to treat 2 million HIV-infected people, prevent 7 million new infections, and provide care for 10 million HIV-infected individuals. With $1.5 billion in contributions and pledges, the United States is the largest donor to the Global Fund to Fight AIDS, Tuberculosis, and Malaria and the largest bilateral provider of assistance for HIV/AIDS, tuberculosis, and malaria. In 2003, the United States led the world in bilateral assistance for HIV/AIDS.

Ensure Environmental Sustainability (Goal 7)

The President's Congo Basin Forest Partnership protects the second largest tropical forest in the world. Since 2002, the partnership has intensively promoted local economic development, poverty alleviation, improved governance, and natural resource conservation. The Initiative Against Illegal Logging contributed over $13 million per year to combat illegal logging and destructive deforestation in the Congo and Amazon Basins and in Southeast Asia.

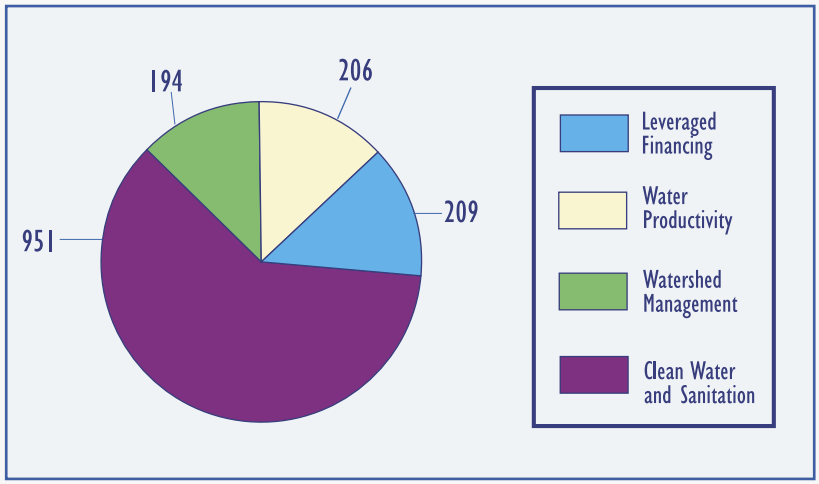
To improve the supply of safe drinking water, President Bush announced the U.S. Water for the Poor Initiative in August 2002. So far, the United States has provided $1.5 billion to over 70 countries to increase access to clean water and sanitation services, improve watershed management, and boost water productivity.

Offer Debt Relief

Many developing countries need debt relief, and a trade system that provides a level playing field and clear rules. Worldwide, the United States provided over $900 million for trade capacity building in 2004, contributed $600 million to the Heavily Indebted Poor Countries Trust Fund, and provided $94 million in bilateral debt relief to very poor countries. In addition, the Heavily Indebted Poor Countries Initiative provides debt relief to some of the world's poorest, most highly indebted countries. In June 2005, the Group of Eight Industrialized Nations (G-8) finance ministers agreed to immediately cancel 100 percent of the $40 billion debt obligations owed by 18 countries to the World Bank, African Development Bank, and the IMF.

Collaboration is underway with the development banks to expand their private sector assistance—especially to small and medium-sized enterprises—and to improve the business environment of developing countries. These are all essential ingredients for private sector development, sustained economic growth, and job creation.

THE UNITED STATES MOBILIZED $1.5 BILLION FOR WATER PROJECTS IN DEVELOPING COUNTRIES, 2003–04
(US$ MILLIONS)



GOING BEYOND ODA

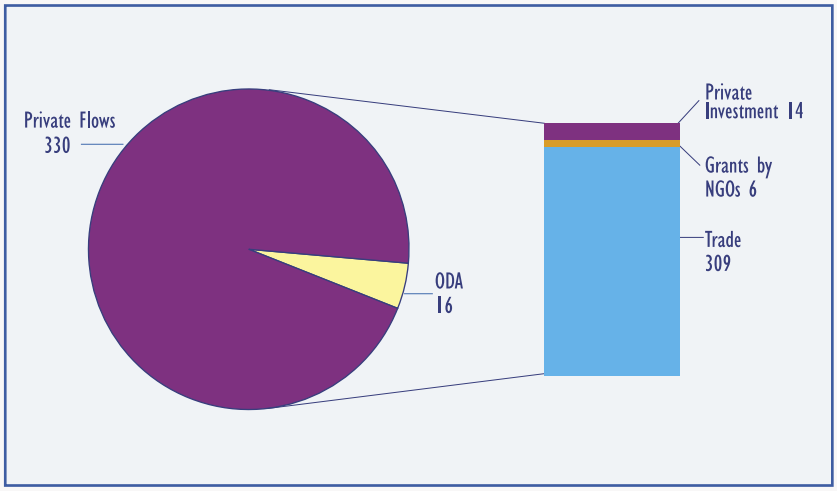
Welcoming the Private Sector to the Table

In assisting the developing world's economic growth, the U.S. government and citizens have gone far beyond simply providing ODA. In the 1970s, ODA accounted for 70 percent of U.S. resource flows to developing countries, and only 30 percent was private. Though total ODA funding has grown immensely, the proportions are now reversed: private flows currently make up more than 70 percent of net U.S. financial flows to the developing world, which totaled $346 billion in 2003. The dramatic shift in where the resources come from reflects the emergence of business and nongovernmental sectors as important partners in the development process.

Private individuals and organizations are a growing part of overall resource flows to developing countries. In 2003, remittances to developing countries from U.S. residents and temporary workers totaled $27.9 billion. An estimated 85 percent of flows to Latin America and the Caribbean came from North America, and more than three-quarters of that amount—$25 billion—came from the United States.

At the 2004 Special Summit of the Americas, President Bush and other leaders committed to reduce the costs of sending remittances by 50 percent by 2008. Fees associated with remittances from the United States to Latin America and the Caribbean now average $4 billion annually—nontransparent costs that reduce the potential impact of these funds. Other types of private giving—funds from NGOs, foundations, corporations, and religious institutions—totaled over $6.3 billion in 2003. This is another important source of support for programs that deliver services to the poor in the developing world.

U.S. PRIVATE FLOWS TO THE DEVELOPING WORLD GREATLY EXCEED ODA—TRADE LEADS THE WAY
(US$ BILLIONS)



Sources: OECD/DAC *International Development Statistics Online*, November 2004; *IMF Direction of Trade Statistics*, October 2004.

Encouraging Private and Local Investment

Development programs are far more likely to succeed when there is both local and foreign economic investment. Mobilizing domestic and international capital is critical, and domestic capital accumulation is particularly important. In 2003, 90 percent of total investments in developing countries were from domestic sources. In that same year, net private capital flows for investment in developing countries totaled over $14 billion—equal to U.S. ODA.

Foreign direct investment, or FDI, can accelerate development more quickly and dramatically than domestic investment alone. FDI integrates developing countries into the global economy by stimulating competition, sparking innovation, and introducing new technologies and

processes. The largest market in the world, the United States generates resource flows into developing countries when it imports goods. This provides foreign exchange that enables countries to buy machinery, equipment, and technology. U.S. imports also create additional demand that allows developing countries to expand production, employment, and income. With over $300 billion in net imports in 2003, the United States ranked first in financial flows to the developing world.

USAID

With substantial financial support from the Haitian diaspora, USAID reconstructed a primary school in Haiti.

GLOBAL DEVELOPMENT ALLIANCES LEVERAGE NON-ODA FUNDING

The Global Development Alliance (GDA) shows how well ODA can work in conjunction with private resource flows. Public-private alliances mobilize the resources of governments, businesses, and civil society to develop businesses, address health and environmental issues, and expand access to education and technology. Since 2002, alliances have matched $1 billion in U.S. funding with $3 billion in private funds. The alliances marry the breadth and experience of U.S. government expertise with the vision and resources of private-sector partners.

- In Angola, Chevron is providing $10 million of a $20 million alliance that provides support and training for enterprise development and helps build an economy shattered by 27 years of civil war.
- In India, the government is partnering with the United States, local NGOs, and the private sector to reduce pollution through improved transportation technology. U.S. loans accelerated the production and commercialization of new energy-efficient vehicles, helped lessen dangerous emissions from buses and other vehicles, and reduced the private sector's investment risk.
- The United States supports a public-private partnership that links producers of responsibly harvested forest products with major buyers that embrace social, environmental, and economic responsibility and want to develop a supply of products that encourages sustainable use of the forests. The alliance supports global markets for responsibly harvested forest products in over 30 countries.

SUSTAINING PROGRESS

Harnessing the Market to Sustain Progress

To sustain progress toward Millennium Declaration goals, locally generated resources will be required. Where will these resources come from? Economic growth and efficient governments create income and employment opportunities that help reduce poverty. Improved economies and governance also allow states to further invest in human capacity and physical infrastructure, making achieving the goals of the Millennium Declaration more of a self-sustaining process. The Commission for Africa report states it succinctly: "Accelerating growth, and ensuring the participation of poor people in that growth, is fundamental for poverty reduction."

USAID

USAID's Regional Quality Coffee Program facilitated the export of nearly 1,200 tons of quality coffee in 2004.

Programs that improve the business and investment environments create the foundation for market-driven economic growth. They do so by strengthening commercial law and regulatory frameworks, making it easier to open and close a business, and supporting and strengthening property rights. The World Bank's *Doing Business in 2005* concludes: "Heavy regulation and weak property rights exclude the poor from doing business… The payoffs from reform appear large."

Supporting Markets and Institutional Development

The United States is committed to providing the funding and knowledge needed to develop more dynamic and productive economies and build the institutions to sustain them. Programs to promote sound financial systems provide capital for productive investment and establish regulatory systems for financial sectors. U.S. funding for financial sector development averages $75–100 million per year.

Programs in agricultural development link producers to domestic, regional, and global markets, and they help developing countries adopt appropriate and sustainable agricultural policies. The United States provides funding to the Consultative Group for International Agricultural Research (CGIAR) to increase agricultural productivity, reduce hunger and food costs, increase the incomes of small-scale farmers, and manage the natural resource base.

U.S. trade capacity building programs help developing countries take advantage of opportunities created by trade liberalization. The United States is the largest single-country donor of trade

capacity building assistance. The United States invested over $400 million in 2002–04 in sub-Saharan Africa, as well as additional funds in other world regions. Trade facilitation, exports of nontraditional agricultural products, support for trade negotiations, and implementation of trade agreements are just some of the areas addressed.

In Africa, trade capacity building efforts help make farm products more competitive and support organizations that strengthen regional trade. The United States also participates in multilateral efforts such as the Doha Development Agenda and the Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries. These activities identify developing countries' trade-related priorities and technical assistance needs.

Leaving No One Behind

Development effectiveness is directly linked to the ability of countries and donors to recognize and address gender-related problems. The untapped energies and abilities of vulnerable populations, including women, must be harnessed to grow economies, reduce poverty, and overcome hunger. Addressing these development constraints has huge potential to turn vicious cycles into virtuous ones.

U.S. programming that targets women includes increasing women's political participation (Iraq), improving access to education (Afghanistan), and working with NGOs and local experts against human trafficking (India).

MOBILIZING PRIVATE FINANCE FOR DEVELOPMENT

The U.S. Government's Development Credit Authority (DCA) provides the full faith and credit of the U.S. Treasury to share credit risk with private financial organizations in developing countries. DCA credit unlocks private capital that, in combination with technical assistance and training, allows banks and local enterprises to achieve development results. To date, DCA has entered into 140 guarantee agreements with private lenders in 38 countries, providing over $1.2 billion in local lending.

These funds benefit local entrepreneurs, bringing them much needed capital to invest in their businesses. They also help farmers and agricultural enterprises increase their production and marketing capacity. Financing allows municipalities to expand and improve basic infrastructure, including introducing cost-efficient and nonpolluting technologies for industry and government.

- In South Africa, DCA joined with a local insurance group and South African banks to create a loan portfolio of $100 million that will ensure access to affordable housing for an estimated 50,000 HIV/AIDS-stricken households. Loans cover the costs of borrowers who may default on their mortgages due to illness.
- In the Philippines, DCA funds are mobilizing private funds to initiate water and sanitation projects in rural communities.
- In Croatia, DCA guarantees based on revenues generated from new contracts resulted in more commercial credit available to farmers and agribusinesses, creating the potential for increased quality, productivity, and competitiveness in national and international markets.

IMPROVING GOVERNANCE, BUILDING DEMOCRACY

Democracy and respect for human rights have long been central to U.S. foreign policy. Supporting democracy promotes fundamental American values and helps create a more secure, stable, and prosperous world. Democratically governed nations are more likely to secure peace, expand markets, grow their economies, combat terrorism and crime, uphold human rights, avoid humanitarian crises, improve the environment, and protect human health.

A guiding principle of the Millennium Challenge Account is that countries that govern justly make better development partners. Countries with weak democratic governance, social development, and economic growth suffer from poor development prospects. Corruption, in particular, undermines development because it weakens institutions and distorts the economy. Democracy and human freedom contribute to stability and prevent state collapse. Further, when states are rebuilding, the reconstruction process must be democratic and inclusive. Without strong democratic systems, reconstruction efforts are jeopardized.

The United States focuses on expanding political freedom and competition, promoting justice and human rights through rule of law, developing civil society, and strengthening democratic and accountable governance.

The U.S. goal is to support the growth of democratic movements and institutions everywhere. To reach that goal, the United States focuses on expanding political freedom and competition, promoting justice and human rights through rule of law, developing civil society, and strengthening democratic and accountable governance.

- The 2002 Afghanistan *Loya Jirga* national assembly, held only months after the fall of the Taliban regime, owes much to the support of the United States, the first and largest donor. This support was pivotal to convening the delegates who ratified the new constitution.

Thomas Hartwell, USAID

Mokhtars in Iraq learn about the process for choosing community representatives to serve on a new district council.

The United States also supported the October 2004 presidential elections.

- Equally dramatic were the peaceful democratic transitions in Georgia in 2003 and Ukraine in 2004. In the decade that preceded the "people power" movements in both these countries, the United States supported projects to build democratic institutions and civil society, establish rule of law and a democratic legislative base, and develop an independent press.
- In Iraq, the United States delivered three dozen "ministries in a box" worth $3.9 million. These kits, which include office equipment, desks, chairs, and computers, helped the Iraqi ministries reopen and begin working again after the widespread looting that followed the war.

Governments and organizations across Africa are demonstrating their will to govern justly by adopting principles of democratic governance and improved accountability. The United States is fully committed to efforts by the New Partnership for Africa's Development (NEPAD) to strengthen democratic governance. NEPAD's program of action signals the world that African leaders are ready to take primary responsibility for their own development and for improved governance.

U.S. programs in Africa, Asia, and elsewhere promote democratic government and good governance. Many programs also integrate democratic principles of transparency, participation, and accountability throughout their development portfolios.

Mark Storella, Department of State

Cambodians display their voter's cards as they line up at a polling station.

Increased global awareness of corruption and its consequences has provided an opportunity for the United States to help its partners fight corruption. The United States is working with African leaders to end corruption through the $7.5 million Anti-Corruption Initiative, launched in 2003 to promote citizen awareness and increase transparency in key government processes.

The United States is fully committed to efforts by the New Partnership for Africa's Development to strengthen democratic governance.

HELPING THE POOR IN FRAGILE STATES

The Unique Problems of Fragile States

Mutual responsibility is integral to development. However, the poor should not suffer or be forced to carry the burden of poor governance. Countries whose basic institutions and governance are weak are termed "fragile." Fragile states are characterized by poor security, weak governance, and institutions with limited capacity to provide law and order, sanitation, water, and electricity. They are unable to make the far-reaching fundamental changes that allow economic and social progress to be made independently of foreign aid. Some of the complex and interrelated weaknesses of fragile states are ineffective governments that are perceived as illegitimate, environmental degradation, and severe economic instability. These weaknesses produce further institutional instability and human suffering and divert resources from longer-term development efforts. However, short-term needs must never be overlooked. President Bush has proposed making $300 million in food aid available for the local purchase of commodities to feed the hungry while supporting the development of local markets.

USAID

Residents of Gjakova, Kosovo, celebrate the rebuilding of the war-damaged town.

A New U.S. Strategy for Fragile States

To address the special problems of helping the poor in fragile states, the United States released its *Fragile States Strategy* in January 2005. The strategy draws on international research on the development impacts of weak governments, criminal and terrorist networks, humanitarian crises, and poverty.

The United States continues to

- develop new methods to assess root causes of problems, increase focus on institution-building programs, and start new security sector programs in fragile states
- work directly with at-risk populations in conflict areas to alleviate sources of potential conflict, including border disputes, interethnic tensions, unemployment, and competition over resources
- provide post-tsunami assistance in Asia that will improve early warning systems and repair and rebuild infrastructure to make it more resistant to future disasters

- target conflict mitigation funds that address the causes and consequences of instability, violent conflict, and extremism, and that better integrate conflict mitigation and management into development strategies and programs

A Well-Coordinated U.S. Response

The U.S. Office of Coordinator for Reconstruction and Stabilization is a key player in responding to crises, collaborating to prevent conflict, increasing global peacekeeping and peacebuilding capacity, calling attention to at-risk societies, and fostering international dialogue.

For 2006, the United States has proposed a $100 million Conflict Response Fund. This fund will allow for more rapid deployment to address the needs of fragile states.

Dr. Endang, CARE

Chlorinating water in Indonesia following the 2004 tsunami.

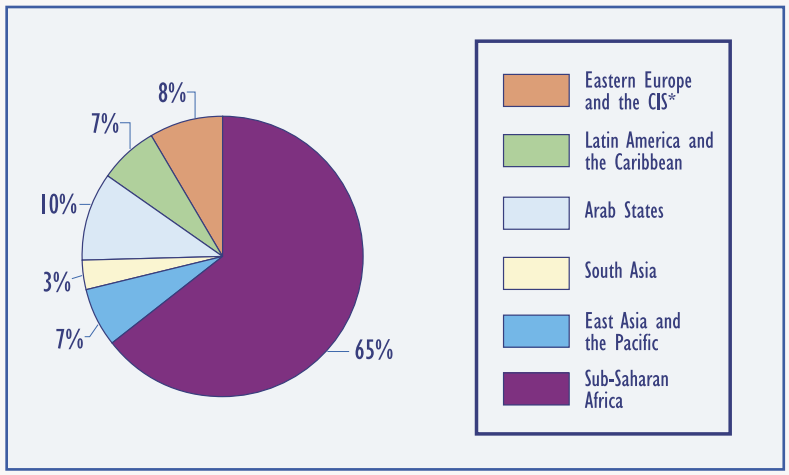
KEEPING A FOCUS ON AFRICA

Africa matters deeply to the United States. Over the past four years, the United States has greatly expanded its financial and diplomatic engagement with Africa. At the same time, African leaders have made great strides in advancing freedom and addressing some difficult development challenges. Nevertheless, 38 of the 59 countries considered "far off-track" for achieving goals of the Millennium Declaration are in Africa.

The United States tripled ODA—to nearly $4.6 billion—between 2001 and 2003.

The United States tripled ODA to Africa—to over $3.2 billion—in 2004. Central to U.S. efforts in Africa are six ongoing presidential initiatives related to food security, education, forest conservation, HIV/AIDS and other diseases, and trade. There are also ongoing initiatives to fight corruption and mitigate and manage conflict. These initiatives support and complement long-term U.S. programs in Africa that cover the breadth of development.

REGIONAL DISTRIBUTION OF COUNTRIES AT RISK OF NOT MEETING THE GOALS OF THE MILLENNIUM DECLARATION



Source: *Human Development Report 2003*

Improving Health

In 2005, African countries will receive over $1.1 billion for HIV/AIDS prevention and treatment. Africa—where 25 million people are infected with HIV/AIDS—is the major beneficiary of the Presidential Emergency Plan for AIDS Relief. In the first eight months of 2004, the plan provided treatment for 155,000 people, 98 percent of whom are in Africa. The United States has also provided about $1.5 billion to the Global Fund to Fight AIDS, Tuberculosis, and Malaria. Sixty-one percent of the fund's $3.4 billion in grant funding goes to sub-Saharan Africa. Africa is also the priority for U.S. bilateral child health and malaria programs, and received most of the bilateral funding devoted to eradicating malaria. Similarly, 10 African countries are top priorities for bilateral TB programs, complementing emergency plan programs in nine of these countries by expanding TB treatment and diagnosis.

Combating Hunger and Decreasing Poverty

Harnessing science, technology, and market forces to increase small-scale agricultural productivity, the Initiative to End Hunger in Africa (IEHA) has already benefited 353,500 vulnerable households. In 2004, this initiative provided $67 million to support efforts in six countries and three multicountry regions to improve food security. IEHA will also address challenges such

as the need for greater access to markets and agricultural information.

Advancing Education

So far, the Africa Education Initiative has trained over 200,000 new and current teachers, distributed almost 2 million textbooks to primary school students, and provided scholarships and mentoring for nearly 85,000 girls. U.S. education programs try to take advantage of natural overlaps between areas such as health and education to improve children's lives.

Promoting Economic Growth

The African Growth and Opportunity Act (AGOA), launched in 2001 and strengthened in 2004, is stimulating trade opportunities for African businesses and creating jobs. As evidence of this success, U.S. non-oil imports from AGOA-eligible sub-Saharan countries rose by over 20 percent—to $3.5 billion—in 2004. The Trade for African Development and Enterprise Initiative (TRADE) is spending $95 million over four years. TRADE aims to take advantage of AGOA opportunities, forge business links that increase Africa's share of global trade, and improve policies and strengthen public services that support trade.

Advancing Environmental Sustainability

The Congo Basin Forest Partnership (CBFP) supports efforts to protect the vast rainforest in six Central African countries. Africa contains 45 percent of the world's biodiversity but has the world's highest rate of deforestation. CBFP and other U.S. efforts are improving forest and natural resource governance by using community-based management, combating illegal logging, and enforcing poaching laws. With U.S. assistance, communities living in and near forest or wildlife areas are learning to share responsibility for (and the economic benefits of) sustainable natural resources management. In Namibia, for example, community-based natural resources management enterprises contributed nearly $14 million to the economy in 2004.

Encouraging Good Governance

Twelve U.S. partner countries are participating in the Anti-Corruption Initiative. Launched in 2003, the initiative aims to reduce corruption by promoting citizen awareness and participation

Laura Lartigue, USAID

Young men participate in a USAID-sponsored carpentry training program in Sierra Leone

MADAGASCAR IS FIRST MCA BENEFICIARY

The Republic of Madagascar recently signed a compact for an MCA grant of nearly $110 million. Three projects will work together to help Malagasy in rural areas secure formal property rights to land; access credit and protect savings; and receive training in agricultural production, management, and marketing techniques. The projects are designed to

- formalize the land tenure system
- improve the weak banking system
- make essential financial services available in rural areas
- improve credit skills
- drastically cut delays in payments for goods and services

These projects will work together to raise rural incomes and transform the rural economy from subsistence agriculture to a market economy.

USAID

A U.S.-funded irrigation pump helps small farmers in Kenya.

and increasing transparency in key government processes. The United States also supports efforts by the New Partnership for Africa's Development (NEPAD) to improve economic performance and natural resource utilization, increase agricultural productivity, combat infectious diseases, strengthen democratic governance, improve food security, promote greater access to quality education, and increase trade and investment. NEPAD's policy framework and program of action send a very positive signal that African leadership is increasingly ready to take primary responsibility for economic and social development and improved governance. At the same time, NEPAD continues to deepen its support among African government leaders, and its roadmap for action is gaining wider credibility.

Africa and the Millennium Challenge Account (MCA)

In the near future, even more U.S. aid will be devoted to Africa—8 of 17 countries fully eligible for MCA funding are in sub-Saharan Africa, as are 7 of the 13 "threshold" countries. The MCA's Threshold Program is designed to assist countries committed to undertaking the reforms necessary to improve policy performance and eventually qualify for MCA assistance.

The Challenges of Fragile States in Africa

Africa's development challenges are not solely related to extreme poverty. More than two-thirds of the countries in sub-Saharan Africa are failing to meet the goals of the Millennium Declaration. Many of these are fragile states. Weak or nonexistent democratic governance blocks social

development and economic growth and leads to civil unrest.

Unless democracy and good governance prevail, the development challenges (and threats to U.S. security) will increase, and stability will become more difficult to attain. U.S.-supported efforts to improve democratic governance and promote increased accountability create the conditions for lasting peace and improved security. In sub-Saharan Africa, these efforts advance long-term development and complement opportunities offered by the Millennium Challenge Account.

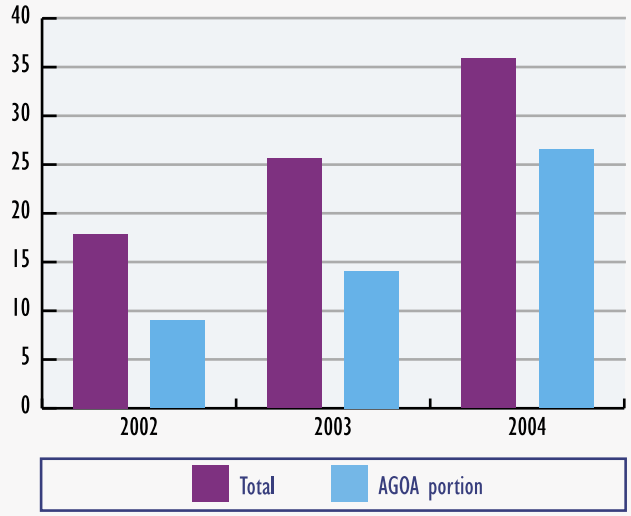
Among its many development efforts, the United States has been very active in addressing fragile states issues in Africa:

- The United States was a founding participant of the Kimberley Process Certification Scheme, designed to keep conflict diamonds out of the legitimate diamond trade. In Sierra Leone, where illegally traded diamonds fueled an 11-year civil war, legal diamond mining in 2004 netted $120 million, a 76 percent increase over 2003.
- Diplomatic efforts helped secure peace in Liberia and Sudan, as well as between Ethiopia and Eritrea.
- Under the G-8 plan to enhance African peacekeeping capacity, 13 of 25 African battalions deployed worldwide have received U.S. training and equipment. The United States has supported regional peacekeeping in Sierra Leone and Côte d'Ivoire and demobilization of soldiers in Angola.
- The United States is training peacekeepers under the African Contingency Operations Training and Assistance Program, conducting

Eric Draper, White House

President Bush meets on accelerating trade with the presidents of Botswana, Ghana, Mozambique, Namibia, and Niger at the White House in June 2005.

AGOA SPURS INCREASED AFRICAN EXPORTS TO THE UNITED STATES, 2002–04
(US$ BILLIONS)



Source: U.S. Dept. of Commerce, Bureau of Census

military education seminars at the Africa Center for Strategic Studies, and working with African mediators and subregional organizations to resolve conflict. Other programs seek to avert imminent violence, mitigate ongoing violence, and address the causes and consequences of conflict.

- The President's Global Peace Operations Initiative, announced at the Sea Island G-8 meeting in 2004, will provide $114 million in 2006 and an expected $660 million over five years for peacekeeping operations in Africa and elsewhere.

Improving Trade

The U.S. government has forged alliances with European and American companies to create jobs, raise incomes, and increase exports. There are already signs of improvement in Madagascar, Benin, Kenya, Mozambique, and Namibia. Botswana and South Africa rank in the top 25 percent of 145 countries ranked by the World Bank's *Doing Business in 2005*. Ghana's stock exchange returned 144 percent in 2004. According to an IMF report, real GDP growth in sub-Saharan Africa increased in 2004 to an eight-year high of 5 percent, and average inflation has fallen to 25-year lows. Thirteen non-oil-producing African countries had growth rates above 5 percent, and this trend is expected to continue.

In 2004, two-way U.S. trade with sub-Saharan Africa rose 37 percent—to $44.4 billion.

Through the Trade for African Development and Enterprise Initiative, the United States is helping African countries become more competitive, gain greater access to global markets, and take better advantage of opportunities through AGOA. As a result, in 2004 two-way U.S. trade with sub-Saharan Africa rose 37 percent—to $44.4 billion—and AGOA imports totaled $26.6 billion, an 88 percent increase over 2003.

The United States aligns its development strategy with international priorities to accelerate prosperity. A key component of this strategy is ensuring that ODA is used more effectively and complements and facilitates other resource flows. It is increasingly evident that only through real partnership between the developed and developing countries can sustainable development be fully achieved and Monterrey and Millennium Development commitments honored.

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