
□ HEALTH AND EDUCATION KEY TO NEW FOREIGN AID PLAN

By Andrew Natsios, Administrator, U.S. Agency for International Development

A country cannot truly live up to its potential nor can its people reach a decent standard of living without improving its public health and education, says Andrew Natsios, head of the U.S. Agency for International Development (USAID). Natsios argues that without investment in the social sector, governments are unlikely to experience the multiplier effect education has on economic growth, health, democracy and governance.

He warns that investments in the health sector are essential to reduce the risk of social and economic disruptions that can result when HIV/AIDS and other infectious diseases reach the scale of pandemics. The Millennium Challenge Account (MCA) can help countries committed to good primary education and public health go beyond basic goals and build upon their success in these areas to drive up productivity and economic growth, he says.

The Millennium Challenge Account (MCA) that President Bush announced in March 2002 will add \$5 billion a year to U.S. foreign aid but will require countries to show they are improving the health and education of their own people before getting MCA assistance.

To reduce global poverty through economic growth, the MCA will “reward nations that root out corruption, respect human rights and adhere to the rule of law . . . invest in better healthcare, better schools and broader immunization . . . and have more open markets and sustainable budget policies,” Bush said.

The 50 percent increase in overall U.S. foreign aid that the MCA will bring is based on the foundation of good governance – commitments of honest governments to rule justly and protect the liberty and property of the people.

The investment in social programs – from primary education to vaccination – that the President set as a benchmark countries need to meet to obtain MCA aid is far more critical to economic development than it might at first appear.

Even if correct economic strategies are in place – stable currency, balanced national budget, market economy – and there is good infrastructure for production and trade – roads, electricity, ports, telecommunications – a country cannot truly live up to its potential nor can its people reach a standard of living considered acceptable for modern times without improving the health and education of its people.

For this reason, the Millennium Challenge Corporation (MCC) created to administer the MCA will measure each applicant country to be sure it is working on behalf of the health and education of its people. In too many countries, this has not been the case.

The Millennium Challenge Account is meant to be a tool or instrument in the hands of reformers in any country where powerful oligarchic interests and corruption block change. This puts an arrow in the quiver of the reformers.

Political and economic reform is what’s needed before a country takes off and reaches a new level of growth.

For years we Americans have argued about foreign aid. Some said it was a waste of taxpayer money. Others said corrupt governments grabbed the lion's share of the aid. And still others said we needed to do more for millions of needy people overseas. President Ronald Reagan stressed the need to teach people how to earn their own living rather than supply them with humanitarian aid as a permanent entitlement.

The current state of the world – with anti-Western sentiment in the Islamic world and the spreading HIV/AIDS pandemic in Africa and elsewhere – makes these arguments of the 1990s about whether to extend foreign aid seem out of date.

Development assistance now takes its place alongside defense and diplomacy as one of the three essential components of American foreign policy, according to President Bush's National Security Strategy.

The administration has made a new commitment to see that aid is truly effective and helps lead developing countries towards improving their own public health, education, nutrition and other basics that modern humanity has come to expect as its universal birthright.

“The goal of the MCA is to reduce poverty by significantly increasing the economic growth trajectory of recipient countries,” according to a White House February 5, 2003, background paper.

“This requires an emphasis on investment that raises the productive potential of a country’s citizens and firms.”

Education is especially important because of the multiplier effect it has – beyond literacy – on economic growth, democracy and good governance. A woman with a sixth-grade education will produce more food with no additional inputs or skills.

Education helps people cast an informed ballot.

And educated women have fewer children while the children they do bear have a greater chance of survival.

Health is vital if people are to escape from poverty. In many developing countries, millions are ill with recurring bouts of malaria that sap their ability to work at jobs or produce the very food they and their families need to survive. Similarly, the HIV/AIDS pandemic has infected 60 million people, and so many farmers, teachers and other necessary workers are ill or dying in parts of Southern Africa that several countries are at risk of massive economic and social failure.

USAID has long been involved in helping countries improve their health and education and is ready to assist countries that wish to qualify for MCA funds.

Countries eligible for MCA funding will be identified by 16 indicators that will be used to assess national performance. The 16 are divided into three groups: governing justly, promoting economic freedom and investing in people.

To determine how countries are performing in these areas, the MCC will examine reports by prominent institutions such as the World Bank, the International Monetary Fund, the Heritage Foundation and Freedom House. The four indicators that a country is investing in the health and education of its people will be determined

by using the World Bank and national sources. Those four are:

- **Public primary education spending as a percent of gross domestic product (GDP).**

Literacy is critically important for development. It allows mothers to read and understand directions on medicine bottles and food packages; it allows workers to tackle higher-paying jobs; it enables people to learn about health risks and business opportunities through newspapers and flyers. Some low-income countries spend a lot on education, but much of that goes to sending the children of the elite to university for free, instead of giving primary education to all – a priority for obtaining MCA funds.

- **Primary education completion rate.**

Even if money is allocated for primary education, this does not guarantee an educated population. Corruption, poor quality of teaching, child labor and barring girls from school or religious education may leave many children too poorly educated to participate in development. Therefore the completion rate will be a factor in MCA eligibility.

- **Public expenditures on health as a percent of GDP.**

It is no longer acceptable that only people living in wealthy countries or the elites in the developing world have access to medicine and treatments that ease pain, prolong life and enable us to live healthier, more productive lives. Unless countries show they are allocating funds to fight malaria, tuberculosis, diarrhea and other illnesses that sap the productive strength of a people, MCA funds will not be available.

- **Immunization rates for diphtheria, pertussis, tetanus and measles.**

Even if a country allocates sufficient funds to health, they may be tilted towards costly MRI machines and other equipment or treatments that serve the elite in the cities rather than the basic health needs of the rural and urban poor. Vaccination rates will reveal whether they are reaching the poor majority.

To be eligible for MCA funding, a country must show it is performing on two of the four social investment criteria listed above. In addition, each country must perform adequately on three of the six criteria for governing justly and promoting economic freedom.

Once a country meets those criteria, the final decision on eligibility will be made by the MCC board, which will be chaired by the Secretary of State and include the Secretary of the Treasury and Director of the Office of Management and Budget. The chief executive officer of the corporation will be confirmed by the Senate.

In the past, countries received foreign aid based on need. About 15 percent of that assistance went through governments and the rest through non-government organizations, universities, cooperatives, trade associations, professional associations and faith-based groups and businesses.

Such aid – including humanitarian relief in the case of natural and man-made disasters – will continue through USAID and other U.S. government agencies. However, the MCA asks applicant nations, “What have you done for your own people?” before inviting countries to participate.

If a government is putting children through primary school, then MCA can help do something about providing graduates with jobs or help create secondary school systems.

Each selected country will sign a contract with the MCC that provides for financial accountability of MCA funds and includes a limited number of clear and measurable objectives as well as regular benchmarks to measure progress.

In order to drive up productivity and economic growth, MCA will focus on a few key areas: agriculture, education, private enterprise, private sector promotion, good governance, health and trade and investment.

MCA rules and funding are part of the Millennium Challenge Act of 2003, which awaits congressional approval. It authorizes \$1.3 billion in fiscal year (FY) 2004 with spending going up until FY 2006 when the full \$5 billion per year will be budgeted.

Since the MCC will only have a staff of 100 – some of whom will likely be USAID staff and experts assigned to the new body – MCA aid will be carried out and monitored by a variety of actors, including USAID staff and missions overseas, non-governmental organizations, faith-based relief groups and others.

President Bush said in his National Security Strategy (NSS) that U.S. assistance to poor countries remains a basic part of foreign policy because of America’s ethical values as well as U.S. national interest in preventing states from failing. Poverty and despair abroad often return to America in the form of disease, drugs, illegal migration, and the loss of the common environment of the planet.

“Finally, the United States will use this moment of opportunity to extend the benefits of freedom across the globe,” the NSS says. “We will actively work to bring the hope of democracy, development, free markets, and free trade to every corner of the world.”

The MCA is the biggest increase in American foreign aid in perhaps 40 years. □