
□ MILLENNIUM CHALLENGE ACCOUNT UPDATE

**U.S. AGENCY FOR INTERNATIONAL
DEVELOPMENT
FACT SHEET
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MILLENNIUM CHALLENGE ACCOUNT UPDATE

On March 14, 2002, President Bush announced that the United States will increase its core assistance to developing countries by 50 percent over the next 3 years, resulting in a \$5 billion annual increase over current levels by FY 2006. This increased assistance will go to a new Millennium Challenge Account (MCA) that funds initiatives to improve the economies and standards of living in qualified developing countries. The goal of the MCA is to reward sound policy decisions that support economic growth and reduce poverty.

The President instructed the Secretary of State and the Secretary of the Treasury to develop a set of clear, concrete, and objective criteria for measuring progress. To aid in this process, the Administration is reaching out to other potential donor countries, developing countries, non-governmental organizations (NGOs), universities and think tanks, the private sector, and other interested parties.

AID LINKED TO SOUND POLICIES

The MCA recognizes that economic development assistance can be successful only if it is linked to sound policies in developing countries. In sound policy environments, every dollar of aid attracts two dollars of private capital. In countries where poor public policy dominates, aid can harm the very citizens it is meant to help – crowding out private investment and perpetuating failed policies.

The funds in 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 education, 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 individual entrepreneurship unleash the enterprise and creativity for lasting growth and prosperity.

MILLENNIUM CHALLENGE ACCOUNT GUIDING PRINCIPLES

In order to ensure that Millennium Challenge Account funds promote growth and reduce poverty in developing nations, funds will be distributed according to the following guiding principles:

- Country selection will be keyed to potential for economic growth and poverty reduction. All countries selected will have demonstrated their commitment to sound policies in the areas listed above.

- Funds will be distributed in the form of grants. Where appropriate, programs funded by this account will be coordinated with ongoing programs and leverage other funding streams, both from within the recipient country and from other private, bilateral and multilateral donors.

- Qualifying countries will be encouraged to actively engage with us in formulating uses for MCA funding through a participatory process involving local and federal elected officials, civil society, and development partners.

- The development priorities, investment needs, and growth potential of selected countries will determine how funds are allotted.

- Where possible, the Millennium Challenge Account will seek to broaden development partnerships by including new partners, such as private sector firms, national and local governments, U.S. and local universities, foundations, and international and local NGOs [non-governmental organizations].

- Building capacity for quality data development and continuous country and project performance monitoring will be important components of the MCA and will be incorporated into its implementation.

THE ADMINISTRATION'S COMMITMENT TO THE DEVELOPING WORLD

The United States is 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 \$17.1 billion to support these activities in FY [fiscal year] 2002.

KEY FACTS

- The United States is the world leader in humanitarian assistance and food aid, providing over \$2.5 billion in 2001.
- The United States is the top importer of goods from developing countries, importing \$449 billion in 2001, eight times the amount of total Official Development Assistance (ODA) to developing countries from all donors.
- The United States is the greatest 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.
- At \$11 billion, the U.S. is the top provider of Official Development Assistance (ODA) in 2001. This ODA is expected to increase substantially from 2001 to 2003 in key sectors:
 - HIV/AIDS – 54 percent
 - Basic Education – 50 percent
 - Trade and Investment – 38 percent
 - Agriculture – 38 percent
- 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 percent
 - Asia and the Near East – 39 percent
 - Latin America and the Caribbean – 29 percent
- The United States is the largest donor to the multilateral development banks (MDBs). The Administration's FY 2003 budget request for the MDBs totals more than \$1.4 billion and includes significant increases in U.S. contributions to both the International Development Association and the African Development Fund.
- The MCA will complement, not replace, these existing efforts. □