

TO ADVANCE ECONOMIC FREEDOM

“Freedom honors and unleashes human creativity — and creativity determines the strength and wealth of nations.”

—President George W. Bush, November 6, 2003

Formula for Economic Growth and Development

Bringing developing countries into an expanding circle of freedom and prosperity through open markets and democratic governance is a central objective of U.S. foreign policy. In 2002, world leaders came to a balanced consensus on the requirements for development at the Financing for Development conference in Monterrey, Mexico. They agreed that the formula for economic growth and development includes national responsibility, good governance, trade liberalization, and mobilizing resources from within and abroad.

The Right Environment for Growth

Too often, debates in the United Nations focus heavily on foreign aid as the solution to development. However,



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foreign aid needs a proper enabling environment to support sustained growth. The U.S. has increased development assistance by 50 percent in the past four years, and is finding ways to foster an enabling environment for

Key Millennium Challenge Account Principles

- **Reduce Poverty through Economic Growth:** The U.S. focuses its efforts specifically on promoting sustainable economic growth that reduces poverty through investments in areas such as agriculture, education, private sector development, and capacity building.
- **Reward Good Policy:** Using objective indicators, countries are selected to receive assistance based on their performance in governing justly, investing their citizens, and encouraging economic freedom.
- **Operate in Partnership:** Countries that receive MCA assistance will be responsible for identifying the greatest barriers to their own development, ensuring civil society participation, and developing an MCA program. Each MCA country will enter into a public Compact that includes a multi-year plan for achieving shared development objectives and that identifies the responsibilities of each partner in achieving those objectives.
- **Focus on Results:** MCA assistance will go to those countries that have developed well-designed programs with clear objectives, benchmarks to measure progress, procedures to ensure fiscal accountability for the use of MCA assistance, and a plan for effective monitoring and objective evaluation of results.

growth. For example, the U.S. has taken a leading role in liberalizing trade in the World Trade Organization and in numerous bilateral agreements. The U.S. Millennium Challenge Account is President Bush’s initiative to support those countries that rule justly, invest in their people, and encourage economic freedom. If fully funded, it would represent the largest increase in U.S. assistance since the Marshall Plan. Where countries demonstrate the will to reduce corruption, invest in their people, and enable entrepreneurial activity, foreign aid can help.

UN Efforts

The 2004 report of the UN Commission on the Private Sector and Development, co-chaired by Paul Martin and Ernesto Zedillo, highlighted private entrepreneurs as essential agents of economic development, a view endorsed by G-8 leaders meeting in Sea Island, Georgia, in 2004. Private sector initiatives should be mainstreamed throughout the UN system, and the UN should give more attention to what countries can do domestically to promote economic growth. UN initiatives must emphasize the importance of good governance, rule of law, private resource flows, the elimination of corruption, property rights, and regulatory policies that build market confidence.