

**The United States Perspective
On
Financing For Development -- Lasting Results**



**October 15, 2004
United States Department of State**

Financial Resources for Developing Countries

For the year 2003:

- Developing economy exports totaled **\$3.1 trillion**.
- Foreign direct investment flows into developing countries from OECD countries were **\$192 billion**.
- Portfolio investment flows into developing countries were **\$27.4 billion**.
- Workers' remittances to developing countries totaled **\$93 billion**.
- Official Development Assistance (ODA) from all sources totaled **\$77 billion**.

Source: World Bank WDI and GDF, OECD DAC, IMF DOT and WEO, IIF



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Trade as an Engine of Growth

❖ The evidence shows that countries more open to trade grow substantially faster than those not integrated into global markets.

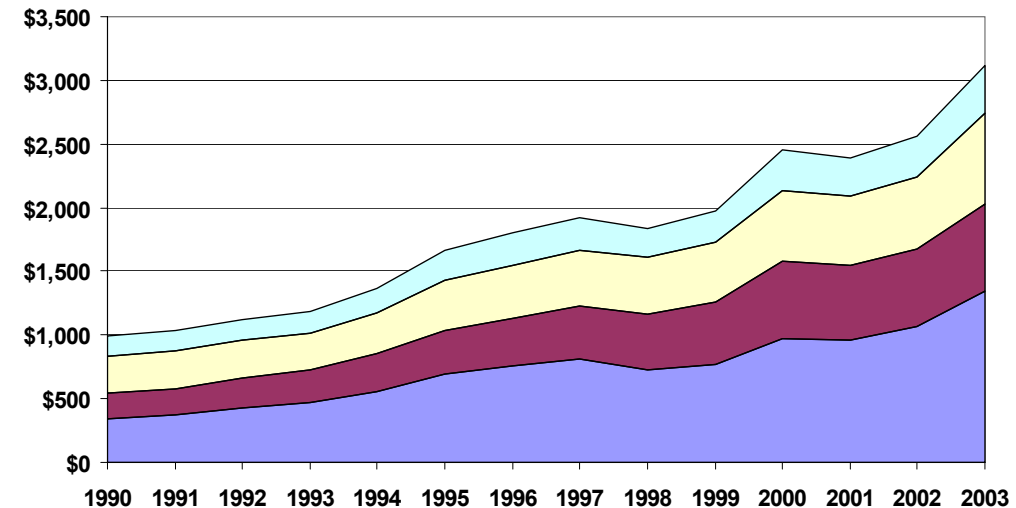
➤ Developing country exports amounted to \$3.1 trillion in 2003 -- over one third of their GDP.

➤ Over 40%, or \$1.35 trillion, of developing country exports go to other developing countries.

➤ Their United States trading partner imports over 20% of their exports, or \$679 billion -- more than any single country.

➤ World Bank estimates developing country income would rise by \$532 billion per year by 2015 with fully liberalized trade.

Developing Country Exports
(\$ billions)



Source: IMF DOT via USAID ESDB

2003
Exports
\$3,115 bil.
Of which:

To Others
\$370 bil.

To EU
\$717 bil.

To U.S.
\$679 bil.

To Devel.
Countries
\$1,349 bil.



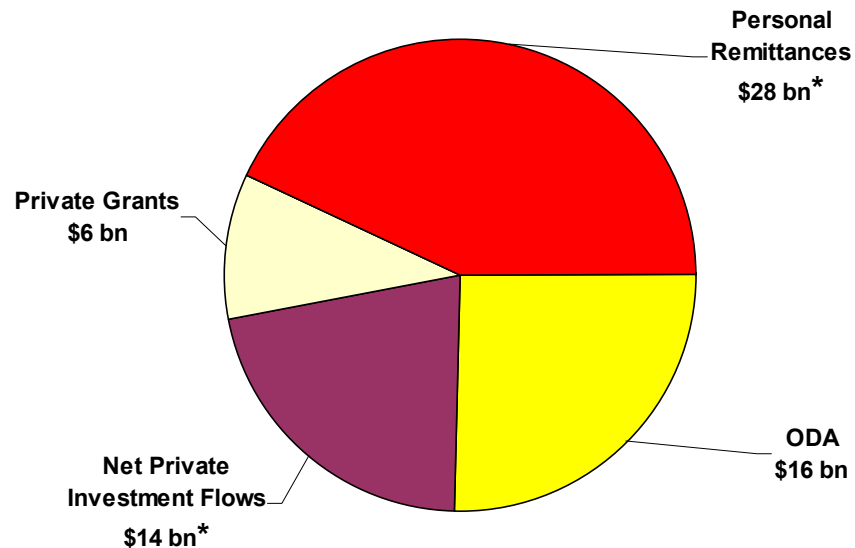
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U.S. Financial Flows to Developing Countries: \$46 Billion

Non-trade financial flows from the U.S. – personal remittances, net private investment, and NGO grants – total some \$48 billion, nearly three times the size of U.S. ODA flows.

U.S. Net goods imports from developing countries were \$354 billion in 2003 – dwarfing the size of other financial flows to these countries, and this figure does not include services trade.

U.S. Non-Trade Financial Flows to Developing Countries Year 2003 = \$48 Billion



Source: USAID, OECD DAC, *DOS estimate.

Note: Net Private Investment flows differ from the Foreign Direct Investment flows described earlier because they include not only net FDI flows, but also net long-term bank lending and other private securities and claims.

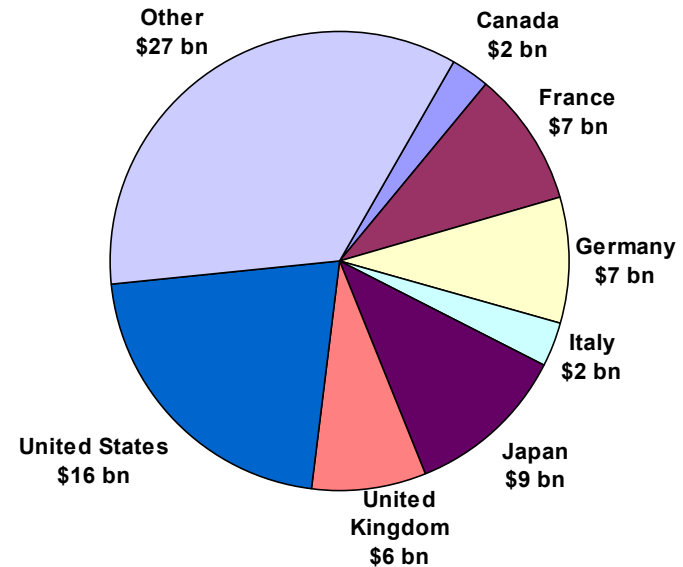


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Official Development Assistance (ODA) Can Be A Catalyst for Lasting Change

- The United States is the world's largest contributor of development assistance at \$16.3 billion.
- U.S. ODA growth rate over the past 3 years has averaged well over 12 percent.
- The contribution of assistance from the new Millennium Challenge Account -- \$1.0 billion in start-up money this year, ramping up to \$5 billion per year by FY2006 -- will significantly add to our commitment towards development.

Official Development Assistance
Preliminary 2003 Total = \$77.2 Billion



Source: OECD DAC



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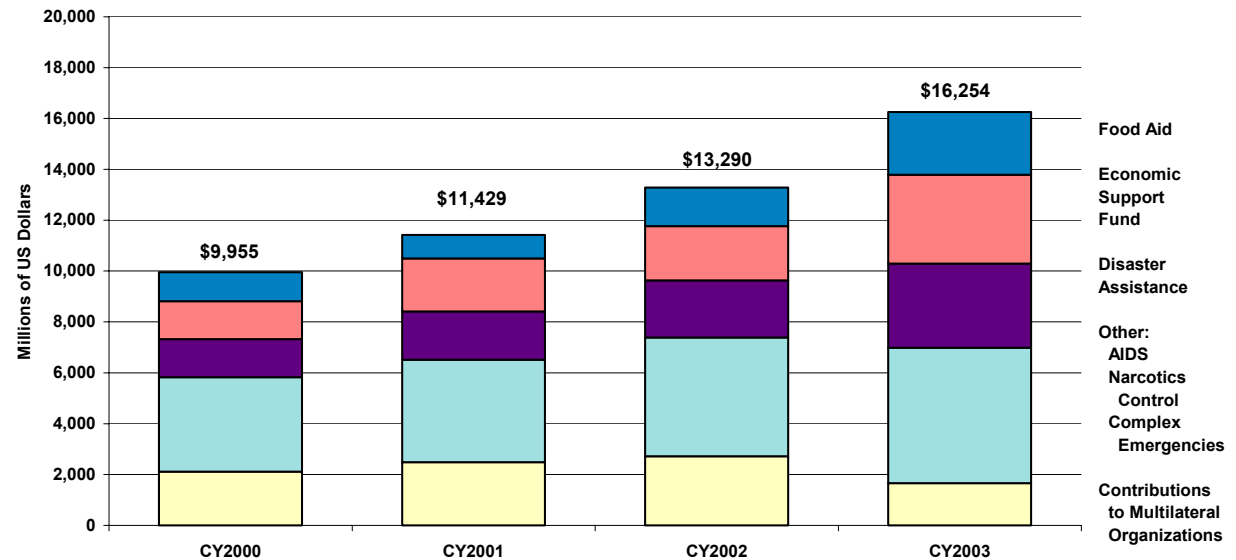
The United States Honors Its Pledge to Increase ODA -- Early

➤ At a March 2002 UN Conference on Financing for Development held in Monterrey, Mexico, the United States pledged to increase its foreign assistance by 50 percent over 2000 levels by 2006.

➤ The U.S. met that pledge 3 years early. U.S. ODA for 2003 was \$16.3 billion, more than 60 percent higher than it was in 2000.

➤ By 2006, U.S. ODA will be twice the 2000 contribution.

US Net ODA Disbursements by Select Funds



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The New U.S. Millennium Challenge Account: An Innovative Approach to Development

The MCA Rewards Nations that:

➤ Govern Justly

- With the Rule of Law
- With Accountability and Transparency
- By Protecting Human Rights
- By Fighting Corruption and Promoting Inclusion

➤ Invest in Their People

- By Promoting Educational Opportunity
- By Providing Resources for Public Health

➤ Encourage Economic Freedom

- By Enabling the Private Sector with Growth-Oriented Policies
- With a Stable Macroeconomic Environment
- Through Trade and Investment Openness
- By Promoting Enterprise and Opportunity



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Meeting the Challenges

Millennium Challenge Account puts incentives in place to reward development strategies that work:

- **First** - by setting high policy- and commitment-based MCA eligibility requirements, measured by independent, publicly available and objective criteria;
- **Second** - by providing substantial additional support to proposals developed by the countries themselves; and
- **Third** - by insisting upon measurable results on mutually agreed-upon development goals from our MCA partnerships.



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