

**KEEP
AMERICA'S PROMISE
TO AFRICA**

www.datadata.org

DATA is a new organization which aims to reduce poverty in Africa by raising awareness of the DEBT, AIDS and TRADE crises in Africa, and by suggesting policy changes to tackle these crises.

DATA also aims to raise awareness of the importance of DEMOCRACY, ACCOUNTABILITY and TRANSPARENCY in African governance- to make sure that assistance for African people goes where it's intended and makes a real difference.

DATA has offices in Washington DC, Los Angeles and London and is funded by the Bill and Melinda Gates Foundation, the Open Society Institute, Mr. Dick Kiphart and the SFO Foundation.

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THE CRISIS AND PROMISE IN AFRICA

Africa is the poorest continent on earth with tremendous untapped potential. One in three Africans south of the Sahara desert does not get enough to eat every day. Only one in three children completes elementary school. Average life expectancy in Africa is just 49 years, and in countries hardest-hit by AIDS, just 30 years. In too many places in Africa, things are getting even worse. While poverty has fallen in much of the rest of the world, 20 African countries are poorer today than they were 20 years ago. Overwhelming debt burdens, falling international development assistance levels, the onslaught of AIDS, and the combination of falling prices for Africa's exports and unfair international trade policies are pushing Africa backwards, stealing the gains of a generation of hard-working African people.

Africa's crisis is an open invitation for disease, discontent, and violence that can spread far beyond Africa itself. What we sometimes forget is that it doesn't have to be this way. Africa has the capacity to prosper, to care for its own people and to make significant contributions to the global economy.

In recent years, effective development assistance has helped some African countries take hold of their destiny, beat back AIDS and reduce poverty. Many countries have taken a lead in fighting AIDS and poverty, and through the New Partnership for Africa's Development, they are offering an African vision of how poverty can be reduced, diseases fought, and how the continent's economies can turn around. Through a combination of Presidential and Congressional initiatives, we as Americans have now committed ourselves to building on that success and investing in Africa's future through a meaningful package of assistance. The Millennium Challenge Account (MCA) and the Emergency AIDS Relief Plan—the two most significant promises in terms of new development assistance—are outlined in this brief report.¹ If fully delivered in the right way, these promises can help Africa help itself in a meaningful, sustainable manner.

¹ Further efforts to combat unsustainable debts and make trade fairer would also make an enormous impact on the well-being of Africa; for more information on such initiatives, please see DATA's policy overview called "The DATA Deal" at www.datadata.org/DATAreportfinal.pdf



AMERICA'S PROMISES

With a great deal of support from the growing constituency across America, the President and Congress have *promised* meaningful initiatives for Africa. Each promise is important on its own, but together they are historic. If fully funded, these two initiatives will work in tandem to deliver a **one-two punch** against poverty and disease in Africa.

1

Punch One--The Millennium Challenge Account (MCA) offers new assistance in new ways to a select few countries that are poised to grow—The MCA is designed to give more money to countries that are leading the fight against corruption and poverty so that they can invest in basic health and education and to prime their economies to take off.

The MCA is based on the concept that if a country is committed to its people, its governance, and economic growth, then it will be better positioned to invest new resources effectively and efficiently.

Bush originally announced that the MCA would channel a

total of \$10b over three years (2004-2006), reaching an annual expenditure of \$5b by 2006. The MCA represents a new experiment in development assistance and would provide significant new resources to a select group of countries that demonstrate true commitment to governing justly, fostering economic freedom and investing in their people. Countries that qualify may write applications for MCA funds in which they specify their poverty-reducing

goals and would enter into contractual relationships with the new Millennium Challenge Corporation in order to achieve those specified goals.

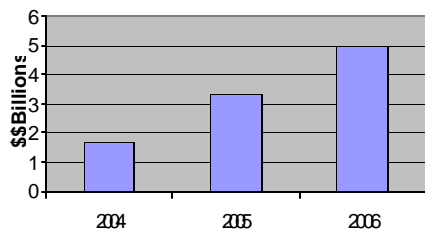
Which African countries are likely to qualify?

Ghana, Lesotho, Namibia,
Senegal, South Africa,
Swaziland

Which come close?

Benin, Burkina Faso, Cape Verde, The Gambia, Malawi, Mali, Mauritania, Mozambique, Sao Tome & Principe, Togo

MCA Resources



2

Punch Two-- U.S. Leadership Against HIV/AIDS Act--The AIDS funding is for countries which may otherwise fall back and implode under the catastrophic impact of AIDS—Emergency AIDS relief is a humanitarian, security and economic necessity—for all of Africa and for the rest of the world.

On May 27, 2003, President Bush signed the U.S. Leadership Against HIV/AIDS Act (HR 1298) which authorizes \$15b over five years to fight AIDS—almost \$10b of which is new money. The Act answers the President’s call for bold new advances in the fight against global AIDS both through direct U.S. assistance to 14 hard-hit countries and by expanding the U.S. commitment to the Global Fund to Fight AIDS, TB and Malaria with “up to \$1 billion,” so long as the U.S. contribution leverages a proportional share from other donors. The Act also includes an amendment that would **increase debt relief** for qualified countries with special provisions for those battling HIV/AIDS.

12 of the 14 hard-hit countries are in Africa:

- Botswana
- Cote d'Ivoire
- Ethiopia
- Kenya
- Mozambique
- Namibia
- Nigeria
- Rwanda
- South Africa, Tanzania
- Uganda, Zambia

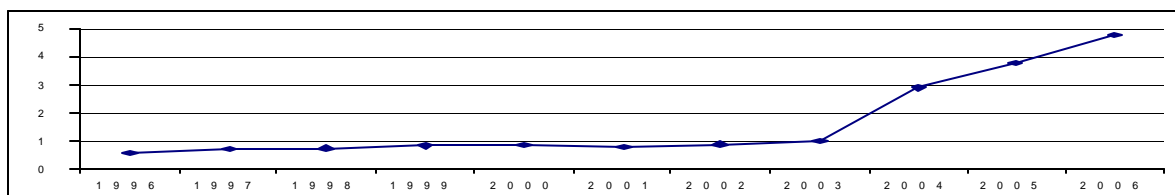


The President originally proposed that the \$15b plan would prevent 7 million people from contracting AIDS, would provide life saving treatment for 2 million people and would provide care for 10 million people and orphans impacted by the disease. If the \$3b authorized by Congress in 2004 leverages more resources from other donor countries and African governments as it is intended, the impact of these funds will multiply even further:

\$3 billion in 2004 will enable the U.S. to save lives and considerable amounts of money—By frontloading the \$15b requested by the President and spending \$3b in 2004 and 2005 as authorized in the new Global AIDS Act, the U.S. can prevent an additional 2.3 million people from contracting the HIV virus in those two years alone which means that the U.S. will save approximately \$1.3b per year on the antiretroviral therapies those individuals would have eventually required.

Both of these promises were made within the context of a third promise—that they would be **additional** to current spending on the poorest people and would **not** come at the expense of other key health and development accounts but rather would boost spending from a relatively stagnant \$1b per year to almost \$5b per year by 2006.

Promised Increase in U.S. Development Assistance to Africa (\$bns)P



The two-pronged approach for scaling up development assistance heralds a new era in America’s commitment to Africa that recognizes the great variation in circumstances and needs among African countries. But **big promises require big checks** from Congress. Big promises require those who made them to fight to see them through.



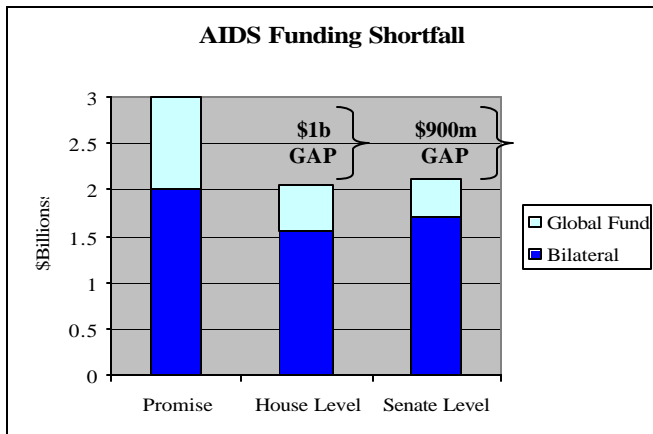
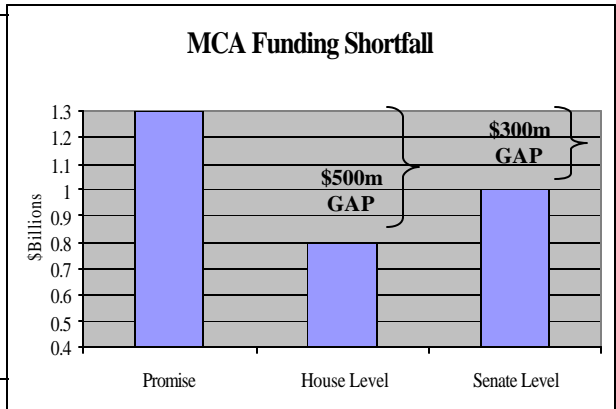
ARE WE CURRENTLY ON TRACK TO DELIVER THESE PROMISES?

The House of Representatives and the Senate Appropriations committee have passed separate bills that allocate resources for foreign assistance spending in 2004. These are the accounts that will be used to fund America's promises to Africa—or not.

As the charts below show, neither the House of Representatives' bill nor the Senate bill would fully fund America's promises. They fall short on all three promises with cuts to AIDS funding, the MCA and other key health and development accounts.

Promise #1: The President requested \$1.3 billion in 2004 for new assistance delivered in new ways through the innovative Millennium Challenge Account (MCA)

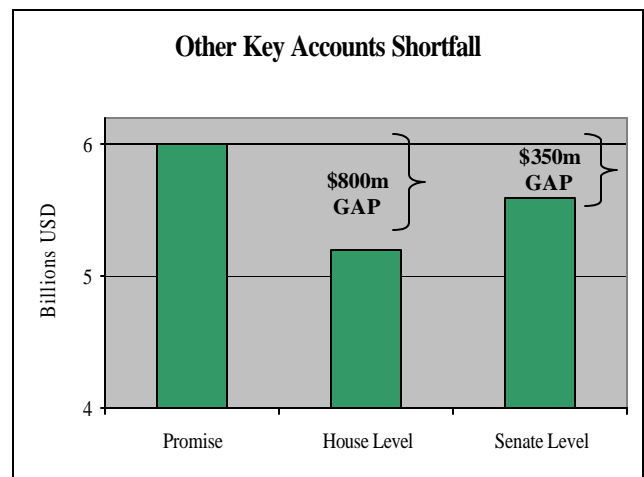
After originally planning to request \$1.7b in 2004, the President submitted a budget request for \$1.3b for the MCA. The House has allocated only \$800 million for the MCA in 2004 which is \$500 million LESS than the \$1.3 billion requested by the President. The Senate has allocated \$1 billion which is \$300 million LESS than the President's request.



Promise #2: Congress and the President signed the U.S. Leadership Against HIV/AIDS Act in May 2003 which authorized \$3 billion in 2004 to fight global AIDS.

While the President originally requested \$2 billion for AIDS, TB and malaria in 2004, he signed a bill that was passed by Congress authorizing a total of \$3 billion. Unfortunately, both the House and Senate only allocated approximately \$2 billion—falling almost \$1 billion short of the total promised in the global AIDS bill.

Both of these promises were made within the context of a third promise—that they would be **additional** to current spending on the poorest people and would **not** come at the expense of other key health and development accounts. In addition to resources for AIDS and the MCA, the President requested \$6 billion for other key accounts including Child Survival and Health, Development Assistance, Bilateral Assistance for programs such as debt restructuring, refugee assistance, and disaster assistance, and funding for key international financial institutions like the World Bank. The House bill would cut these other key accounts by **\$800m** and the Senate bill would cut **\$350m**—funds that must be restored along with the AIDS and MCA funds—in order for America to truly keep its promise to Africa.



CAN THE SUMS PROMISED BE EFFECTIVELY SPENT?

The ultimate decision as to whether we fully deliver our promises or not will be made this fall by Congress and the President when the final appropriations bill is enacted. Skeptics argue that the full amounts promised for the MCA and the Global AIDS Act cannot be effectively spent. DATA argues that Africa needs every cent we've promised and that in partnership either with responsible government or responsible charities on the ground we can spend it responsibly, effectively and efficiently.

THE U.S. CAN SPEND \$1.3B THROUGH THE MCA IN 2004

Because the MCA is a new initiative, many argue that we do not yet know if we can spend \$1.3b in the first year. The reasons that significant resources are necessary to make the MCA work are two-fold. The MCA must be ample enough to both finance significant developmental progress in the qualifying countries while also providing enough of an incentive to those countries that did not qualify to institute reforms. Without enough funds to fuel real progress and therefore real results, the MCA may be prematurely judged a failure. Countries will not reform in order to qualify if what awaits them in the MCA is little more than current development assistance flows. First year funding levels in fact have already been cut from the \$1.7b originally envisioned by the White House in the spring of 2002.

Because the Administration has not yet released a list of MCA-eligible countries, there are not yet any illustrative examples of what countries in Africa could do with the MCA resources when they become available. We need not wait for the conclusive list to be released to fathom the difference substantial new resources could make on those countries committed to using them for development. For example, Senegal—which is a small country in western Africa with a strong history of democratic governance and a clear commitment to poverty reduction—is an ideal candidate for the MCA.

The MCA is designed to provide the means for countries like Senegal to make rapid advancement on development priorities. While there are several areas in which a larger investment could make a real impact on the quality of life in Senegal, two areas that can illustrate the potential are health and education.

- ✓ Senegal has already successfully fought back an HIV/AIDS rate from a peak of 1.7% down to 0.5% but health care access overall is quite limited: only 8 doctors are available for every 100,000 people. Current expenditures on health are \$12 per person per year, which is much less than the \$40 recommended as a minimum by the WHO Commission on Macroeconomics and Health. MCA resources could be used to scale-up health expenditure per capita to reach this goal.
- ✓ Enhancing access to education is another high priority objective. Currently, only 59% of children are enrolled in primary school but MCA resources could be used to fuel an education for all campaign.

These two objectives alone would cost approximately \$600m annually between 2005 and 2015. As the MCA is scaled up from \$1.3b in 2004 to \$5b annually in 2006, resources available for Senegal (if allocated according to country size) could reach as high as \$100m in 2004 and perhaps as high as \$400m by 2006, enabling Senegal to make great strides towards these goals and others.



THE U.S. CAN EFFECTIVELY SPEND \$3B TO FIGHT AIDS, TB AND MALARIA IN 2004

The Administration has argued that the U.S. Congress should appropriate no more than \$2 billion for AIDS, TB and Malaria and research in 2004. This is consistent with the President's original budget request but it is not consistent with the authorizing bill passed with overwhelming bipartisan support and signed by the President or the subsequent "Sense of the Senate" vote on AIDS funding. Furthermore, the main argument used by the Administration—that no more than \$2b could be effectively spent—is not consistent with the latest research from AIDS and health experts as well as the spirit of the President's announcement. Political decisions may lead the Administration to advocate spending no more than \$2b, but this level of funding should not be advocated based upon an inaccurate "absorptive capacity" limitation argument.

1. Recent experience and research shows that at least \$3b can be absorbed and used effectively

Recent breakthroughs in simplifying drug regimens and reductions in drug pricing, and lessons learned from the successes of Uganda, Senegal and other resource-poor settings have paved the way for the international community to scale up its efforts to fight AIDS. We can now aggressively build upon prevention, care and treatment programs that have been proven to work. Costings which take into account these breakthroughs show that we have not yet fully utilized the *existing* capacity in Africa or other hard hit regions.

The best costings available reveal that—using *existing infrastructure*—the world's poorer countries could absorb \$8.2b for AIDS programming costs in 2004 and Africa *alone* could spend more than \$3.1b.² A one-third U.S. share of the global total for these program costs is \$2.7b. However, in order to make this comparable with the broader scope of the Global AIDS bill and the President's plan, we need to add the President's request for research (\$300m) and his request for TB and malaria (\$100m - which is minimal and below the level required)—giving a total U.S. share of \$3.1b for 2004.

2. \$2b fails to utilize existing capacity beyond 14 countries

The President's \$2b request for 2004 would direct approximately \$900m to 14 countries³. Of the \$1.1b remaining, \$400m is requested for research, TB and malaria, leaving \$700m for AIDS in all other countries. In other words, the Administration's argument presumes that only \$700m could be effectively absorbed in the rest of Africa and the world. While DATA supports the targeted focus on these 14 hard-hit countries, three-quarters of Africa is left from the list as are countries such as Russia, China and India. These are countries with tremendous needs and large untapped capacity which the National Intelligence Council has identified as second wave countries where the rise of HIV/AIDS is likely to have "significant economic, social, political and military implications."⁴ The Administration's plan would flatline spending in the rest of the world at \$700m annually while epidemics in these countries are projected to escalate exponentially over the next few years.

² "Financial resources for HIV/AIDS programs in low- and middle- income countries over the next five years" UNAIDS 13th meeting of the Program Coordinating Board, December 2002.

³ \$900m = \$450m new assistance + \$300m Presidential Mother to Child Transmission Initiative (PMTCT) for the 14 countries + at least \$150m in existing bilateral AIDS assistance.

⁴ "The Next Wave of HIV/AIDS: Nigeria, Ethiopia, Russia, India and China" National Intelligence Council September 2002.



3) \$2b fails to utilize the growing capacity of the Global Fund to Fight AIDS, TB and Malaria

While the Administration has expressed some level of concern regarding the management of an additional \$1b expenditure, the good news is that the programming mechanism already exists. The Global Fund to Fight AIDS, TB and Malaria is proving a trustworthy mechanism for programming these resources to complement bilateral programs. Global Fund grants are programming resources while further pushing the capacity envelope by dedicating 40% of resources towards increasing human and physical infrastructure in recipient countries. The Fund expects almost \$3b of high quality applications by the end of 2004—one third of which would effectively and efficiently utilize the additional \$1b. U.S. pledges through 2003 represent 33% of the Fund's pledges. To maintain that ratio and still allow the full \$1b to be programmed through the Global Fund, DATA and other advocacy groups are working with international non-US donors to ensure that a full \$2b is raised from other sources so that the U.S. may expend the full \$1b without exceeding a 33% share of contributions.

4) In order to make sure capacity constraints don't slow us down in the future, we can build more capacity

The above argues that we can spend \$3b effectively within the current capacity landscape but the President has committed the U.S. to do more than just work through existing capacity. With inspiring words, he has charged us with investing in expanded infrastructure capacity.

"We will set up a broad and efficient network to deliver drugs to the farthest reaches of Africa, even by motorcycle or bicycle. We will train doctors and nurses and other health care professionals so they can treat HIV/AIDS patients. Our efforts will ensure that clinics and laboratories will be built or renovated and then equipped. Child care workers will be hired and trained to care for AIDS orphans, and people living with AIDS will get home-based care to ease their suffering."⁵

We know there is untapped capacity on the ground right now, waiting for the resources needed to utilize it. To ensure that capacity does not become more of a hindrance to expenditures in the future, we must invest more up front and then use the newly trained health care workers and rebuilt systems to program even more services and drug delivery.

In summary, \$3b can be spent effectively. That is the factual argument. The more difficult questions is –why should \$3b be spent in 2004? The answer is because by spending the extra \$1b in 2004, the U.S. will save millions of lives and billions of dollars.

If allocated in accordance with spending patterns identified by the Global Fund to Fight AIDS, TB and Malaria, the additional \$1b could:

- ✓ prevent an additional 1.6 million people from contracting HIV/AIDS in the first year of the program and
- ✓ treat 400,000 people who would otherwise die within 24 months

These enhanced prevention efforts alone would save the international community the \$1b it would eventually cost every year to put these individuals on ARV therapy not to mention costs such as training the teachers and civil servants to replace those who died from AIDS and caring for the children orphaned when their parents die from AIDS.

⁵ Remarks by the President in Announcement of the New Coordinator of U.S. Government Activities to Combat HIV/AIDS Globally, 2 July 2003



CONCLUSION

Americans have spoken up about how important Africa is to them. The President and Congress have now made promises on behalf of the American people. These promises are each important, but taken together they are historic.

- **The MCA** - The MCA alone would increase development assistance to Africa from approximately \$1b in 2003 to almost \$3.5b in 2006. The MCA provides new aid in new ways, enabling African countries to spend more on education, health, clean water and infrastructure. As the President said when announcing the MCA, it will be “a new compact for global development, defined by new accountability for both rich and poor nations alike. Greater contributions from developed nations [will] be linked to greater responsibility from developing nations.”⁶
- **HIV/AIDS** - In the words of President Bush, “seldom has history offered a greater opportunity to do so much for so many.”⁷ By spending \$3b rather than \$2b on AIDS in 2004, we can
 - *Prevent an additional 1.6 million infections*
 - *Treat an additional 400,000 people with life-saving antiretrovirals who may otherwise die within 24 months*
 - *Provide thousands of people and orphans with the care they so desperately need***Furthermore, if funding is scaled up in a way that leverages more resources from other donors and from African countries, this initiative can achieve much more.**
- **NO CUTS TO OTHER PROGRAMS** - If we fully deliver these promises without cutting other key health and development accounts, we will truly multiply our efforts to assist Africa and will not detract from similarly crucial initiatives to address other key aspects of development.

Does Africa need more than these initiatives to truly escape the cycles of poverty it currently endures? Absolutely. For example:

- Africa needs **fairer international trade rules** so that it can earn its own resources to grow its economies and help its poorest residents;
- Africa needs **deeper debt cancellation** so that countries do not have to pay so much on old debts that they can’t afford clean water or schoolbooks for their children;
- Africa needs more **foreign investment** that promises to abide by anticorruption and socially responsible standards.

Africa needs these things, but we have not yet promised them. What we *have* promised is to start by fighting AIDS and poverty through the MCA and the Global AIDS bill without cutting other key accounts. Together they constitute an historic promise made on behalf of all Americans, to the poorest people in the poorest countries, and especially in Africa. We are nearing a moment of truth when Congress must make the final decision in partnership with President Bush, this fall. We will know then whether the promises have been kept—or not. In the meantime, millions of lives—and perhaps the future of the entire continent —hang in the balance.

“I have fought the good fight, I have finished the race, I have kept the faith.” II Tim. 4:7RSV

⁶ Remarks by the President at the InterAmerican Development Bank, March 14, 2002

⁷ State of the Union Address, January 28, 2003

