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## U.S. takes on new sensible approach to tackle poverty

By Jerry Large

We're still trying to figure out how best to relate to the rest of the world. For most of my life, our foreign relations were all about countering the communists.

In the aftermath of 9/11 we've been fighting mad, striking out with our military power and offending much of the world community in the process.

But something else has been going on in the background that makes more sense for us and for the world. It's a new approach, embodied in a new federal agency, the Millennium Challenge Corporation.

Specifically it is about reducing poverty, but more generally it is about bringing the best of ourselves to our relationships with other countries.

Inside and outside of government, influential people are talking about development aid as a way to make a safer world for ourselves while we help the world's poorest people move up. This is not about foreign aid as it existed during the Cold War, which often meant writing checks to any dictator who'd promise to be anti-communist.

And it isn't the kind of aid in which the donor country decides what is best for the recipient without understanding local needs. Or at least it isn't supposed to be.

Paul Applegarth, the chief executive officer of the Millennium Challenge Corporation, was in Seattle last week speaking to local business and political leaders who are championing some of the same ideas MCC represents.

He told me the idea for MCC grew out of the Monterrey International Conference on Financing for Development in 2002. The Bush administration proposed a Millennium Challenge Account to help developing countries, and Congress created the MCC to administer it.

The MCC opened for business in January. Business is the key word. The expectation is that business is what will change the status of poor countries, and toward that end the MCC seeks to reward countries that create the right climate for economic growth.

"Our mission is poverty reduction in the poorest countries. Our technique is growth," Applegarth said.

Here's how it works.

Seventy-five of the poorest countries were eligible for the first step, in which they are graded based on report cards from several international organizations. MCC uses 16 indicators to measure how each country is

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doing in three areas, "ruling justly, investing in their people, and encouraging economic freedom."

Countries aren't expected to be perfect, but better than most.

Sixteen countries made the cut this first time:

Honduras, Nicaragua, Bolivia, Mongolia, Georgia, Armenia, Sri Lanka, Vanuatu, Mozambique, Madagascar, Lesotho, Mali, Benin, Senegal, Ghana and Cape Verde.

They don't get money yet. There's a second phase in which the countries tell MCC their priorities. They present MCC with proposals that are judged on whether they will work, how success will be measured, how the priorities were picked (who all had a say), and what additional improvements will be made in governance, education and so on.

The successful ones will enter a three- to five-year development partnership with MCC.

In this arrangement, Applegarth said, "the country has to take responsibility for its own growth, policies matter, and the focus is on results."

If the program is ever fully funded — Bush called for \$5 billion a year beginning in 2006 — it would be huge for a foreign-aid program.

It would be money well spent.

The Seattle group that invited Applegarth to speak here last week, the Initiative for Global Development (founded by William H. Gates Sr., Dan Evans, Bill Ruckelshaus and Bill Clapp) came together to push the idea that eliminating extreme poverty is in America's best interest, "a safer, more humane and more prosperous world for all."

Applegarth says no one imagined the United States would take the lead on something like this, but he says the administration and people in both parties in Congress recognized something was missing from our national security strategy, which was based on two D's: defense and diplomacy. There needed to be a third D: development.

"Fundamentally, this is the way people want America to be in the world," he said, "This is the U.S. going out and trying to do something good for the world, reduce poverty, but do it in a way that is very American."