

**Embargoed Until 10:00 a.m. EDT
Monday, July 1, 2002**

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Treasury Secretary Paul H. O'Neill
Remarks to the Economic and Social Council of the United Nations
New York, New York
July 1, 2002

Mr. President, Mr. Secretary General, your Excellencies, and distinguished guests of the Council, it is an honor to join you today as the Special Guest of the high-level segment of this year's Economic and Social Council session.

As you begin your annual session on human development, I feel great cause for optimism. In the year 2002, I believe we are seeing a breakthrough for human development around the world. From the U.N. conference in Monterrey this March, through the G-8 summit in Kananaskis last week, a consensus has been forming among the world's economic and political leaders. For fifty years we have accepted, and expected, too little from development aid.

Now, at last, we are ready to make changes, and make a difference.

It was in this spirit of impatience and hope that I went to Africa last month, to ask one pivotal question: how can the people of the United States and the developed world best support Africans in their efforts to achieve prosperity? I felt that the answers could serve not just that continent, but the entire developing world.

Those twelve days were intense. I met people like Sister Benedicta, who cares for mothers and children with AIDS in her Ethiopian hospital and orphanage. Her strength of spirit and commitment to service affected me profoundly. I met Rejoyce, a new mother in an AIDS clinic in South Africa. Rejoyce confronted her disease, and spared her newborn son from HIV. She was truly joyful that her boy would live a longer, happier life. And in Uganda, I met Lukia, a widow who opened a restaurant with micro-loan funding and a lot of hard work. This woman lost her husband a dozen years ago, and had to feed four children without income. Now she employs a dozen of her neighbors, supports her family, owns a home, and has become a leader in the community.

As I met these amazing women and so many others on my trip, I saw that in the right environment – where there is leadership – aid works.

Knowing that aid can work, we have a moral duty to demand as much. Assistance should make a real difference in people's lives.

In the past, too much aid has scattered into the winds of lawlessness, corruption, and unaccountability, and too little has targeted results that build a foundation for economic growth. Too often, aid has been sustenance for bureaucracy, rather than investment in people.

And sometimes it is we the donors who are at fault. We prescribe western solutions for problems that only local leaders can solve.

Moreover, we have often given aid without setting standards for accountability, and defining clear measures for success. In my experience, that is a recipe for failure. How can we know that primary education aid is working unless we know how many children have the full functional ability to read, write and compute by the time they are ten years old?

We donors become too absorbed in our long-term plans when we could be making a difference for people right now. Yes, development is complicated. But complexity cannot be an excuse for delay.

In Africa, I saw three investments that are vital to realizing human potential, where we could make a difference today: clean water, primary education, and fighting HIV/AIDS. Under the leadership of President Bush, the United States is already stepping up its commitments in these areas, concomitant with a new pledge for good governance and pro-growth policies from key African leaders.

First, clean water. Water fit for drinking is, surely, one of the most essential elements of a dignified, civilized life. Yet 300 million people in sub-Saharan Africa lack access to clean, safe water – more than the total population of the United States.

One insight from my Africa tour is that we can help local and national efforts to bring clean water to many towns and villages fairly quickly. In West Africa, for example, one organization estimates that clean water and basic sanitation can be provided at a cost of about \$17 per person, per year, over five years. That is one well for 400 people, and includes the additional costs of training, maintenance, sanitation, and hygiene education for sustained, positive outcomes. And we must not forget the urban poor. Low-cost options such as the extension of existing services from cities to outlying areas are available and can be implemented quickly.

Clearly, working together we can make an enormous difference in a very short time, at a reasonable, achievable cost.

Every new well liberates hundreds of people, especially women and children, from preventable, debilitating illness and meaningless, wearisome work. They are freed to pursue dreams for a better life.

The second important investment I saw was in primary education. A prosperous future requires that children enter school at an early age, and stay in school, with well-trained teachers and adequate materials.

In parts of Africa such as Uganda, they've had success in increasing primary school enrollment. Education quality is improving as well. I visited schools where they have gone from a ratio of 16 students per book down to six per book.

But surely we can get every student his or her own book. It would cost only an estimated \$18 million per year to buy one textbook for each of four core subjects for every primary student in Uganda, for example. That is a small step, but a manageable one, and it would make a big difference in the learning environment for those students.

No, books alone do not make an education – but we need to start somewhere. The perfect tomorrow should not be the enemy of a better today.

President Bush is stepping up to support primary education in Africa. He has committed to doubling funds for his African Education Initiative. The \$200 million Initiative will train 420,000 teachers, provide 250,000 scholarships for girls, and supply 4.5 million more textbooks to African children. It will also promote accountability and transparency in the school systems. But we should not be confused. The goal is not more teachers or more scholarships or more books. The goal is children with full functional ability to read, write and compute by age ten.

We cannot underestimate the importance of transparency and accountability for social programs such as education. In Uganda, one study found that in the early 90s, only 13% of non-wage spending for education was actually reaching schools. The rest was lost to corruption and bureaucracy. After an extensive, decade-long anti-corruption campaign, posting school budgets on school doors or reading them on the radio, over 90% of school spending now gets to the schools in Uganda.

The third crucial area for investment is health care. Nowhere is this more urgent, and more heartbreaking, than in the struggle against AIDS. Prevention of further HIV contagion is the utmost priority, especially to keep the next generation of newborns free from disease.

President Bush is putting our resources into projects that are proven to achieve results. He has announced \$500 million for the International Mother and Child HIV Prevention Initiative. We will start work with the hardest-hit countries in Africa and the Caribbean, and expand as it shows progress.

In the ten initiative countries over the first five years, we will reach 12.6 million pregnant women and provide them with voluntary counseling, testing, HIV prevention education, and obstetric care. Of those, we expect that 1.2 million HIV positive mothers will also receive short course anti-retroviral treatment, which will save over 178,000 infants from HIV. Once the program is fully up and running, we estimate that we will save 51,000 infants each year in these countries.

If the rest of the world joins our effort, we can do even more. Each year there are some 360,000 preventable cases of HIV in newborns.

President Bush has also pledged \$500 million to the Global Fund to Fight AIDS, Tuberculosis, and Malaria, and committed to increase our contribution as the Fund shows results. Taking into account the new mother-child initiative, President Bush has doubled U.S. international AIDS funding to \$1.1 billion, devoting far more to fighting AIDS than any other nation.

We are determined to focus our assistance where it will make a difference, and where it can, we have committed to do more. To that end, President Bush announced in March that the United States will increase its core assistance to developing countries by 50% over the next 3 years, resulting in a \$5 billion annual increase by 2006. This new "Millennium Challenge Account" will fund initiatives that support economic growth in countries that govern justly, invest in people, and encourage economic freedom. We are now developing measures for each of these.

For "governing justly," we are considering a variety of indices that measure civil liberties, political rights, enforceability of contracts, judicial independence, corruption, transparency and government effectiveness.

For "investing in people," we are considering measures such as primary school completion rates and public expenditures on health care.

And for "encouraging economic freedom," we are examining indicators such as country credit ratings, inflation, openness to trade, and the quality of regulatory policies.

These measures are still in development, and we are reaching out to the world community for help in finalizing the criteria. We will keep the criteria few, identifying indicators that gauge the leadership and commitment of each nation. Because it takes leadership on the ground to move any nation toward prosperity. As countries seek to meet the criteria for Millennium Challenge grants, the policy changes they make will also make other official aid more effective.

Another way to make aid more effective will be to better harmonize the goals of bilateral, multilateral, and NGO agencies. For example, a recent release from the Human Sciences Resource Council in South Africa lists more than 5,600 development-related organizations operating in the 14-nation Southern African Development Community.

These organizations mean well, but poor countries end up consuming a substantial part of their aid allocations just trying to qualify for additional funds.

Finally, we must avoid creating the next generation of highly indebted poor countries. The reality is that essential investments in sectors such as education and healthcare cannot directly generate the revenue to service new debt. These projects should be funded by grants, not loans. President Bush recognized this, and proposed that a much greater share of development funds to the poorest countries go as grants instead of loans. We have reached out to our development partners with this idea, and today, donors to the thirteenth replenishment of the International Development Association (IDA-13) have agreed to the principle of substantial grant financing for the poorest countries. African nations will be the largest beneficiaries of this initiative, under which all financing to the poorest countries for HIV/AIDS, and nearly all for other key social sectors, will be provided with grants.

Local leaders that create conditions for self-sustaining prosperity, not further dependency, deserve our support. The purpose of aid is to speed the transition to economic independence.

I believe this: with the right combination of aid and accountability – from both rich nations and poor ones – we can accelerate the spread of clean water, education, and healthcare throughout Africa and the developing world. We can help create vibrant, self-sustaining economies founded on private enterprise, which will generate a rising standard of living.

Working together, the member states of the United Nations can go beyond eradicating poverty in the developing world, to achieving prosperity at last. Not in the next generation, but right now. President Bush said it best – there are no second class citizens in the human race. We must make his vision into a worldwide reality.

Thank you.