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CREATING ECONOMIC OPPORTUNITIES

At ONE, we know that the ultimate goal of foreign assistance is to help developing countries stand on their own. We believe that creating economic opportunities is critical to lifting communities out of poverty, and we promote policies that will increase investment, catalyze growth, reduce debt, and make markets more sustainable.

Right now, developing countries are facing a time of extraordinary crises exacerbated by the burden of costly sovereign debt. Money flowing out of developing countries, including to debt repayments, is fast outpacing aid and investment coming in. However, there is a window of opportunity to turn this around. The United States can play a pivotal role in increasing economic opportunity in Africa by exercising leadership in international financial institutions, improving trade policy, maximizing partnerships with the private sector, and investing in emerging sectors like critical minerals.

African countries need affordable financing options and catalytic investment to create the types of opportunities that will lift populations out of poverty across the continent. African countries can offer exciting investment opportunities for the American private sector – an analysis of economies projected to see the fastest growth rates in 2024 shows that nine of the top twenty are in Africa. Africa is also rich in natural resources, with a strong culture of entrepreneurship and innovation. By helping to unleash this potential, the United States can build up self-sustaining partners that increase economic and national security for Americans, too.

For example, in 2018 the Prosper Africa initiative was established to strengthen strategic and economic partnerships between the US and African countries by catalyzing trade and investment. This cross-cutting mobilization of US government resources is helping to spur private sector investment in new markets and increase two-way trade, including through capacity building support. Strategic investments like this are needed to ensure that countries continue advancing on the pathway from receiving US aid to becoming thriving trade partners.

POLICY 1

Tackling the debt crisis through investments in the World Bank's International Development Association (IDA).

The US is one of the leading financial contributors to the International Development Association (IDA), which is the arm of the World Bank that serves the world's poorest countries. Of the 78 countries that benefit from IDA, 40 are in Africa – and in the most recent fiscal year, Africa received 71% of total commitments. Through zero- to low-interest loans and grants, IDA has helped numerous countries develop their economies without being forced to take on unpayable debts.

IDA helps improve people's living conditions in the world's poorest countries by providing financing on concessional terms (much better terms than offered by the market), including in key sectors like energy, education, healthcare, and infrastructure.

Research from ONE shows that debt repayments flowing out of developing countries have surpassed the amount of new lending and official development assistance coming in. In 2024, $50 billion in net flows will leave developing countries, many of which are in Africa. Meanwhile, G7 countries' share of aid to Africa is at a 50-year low. Without affordable financing options from international financial institutions, countries will be forced to take on more expensive and less favorable debt.

Thankfully, IDA offers value for money. It is among the world's most efficient and effective vehicles for international development, and it makes taxpayer dollars go farther. Every $1 contribution from the US to the IDA20 replenishment (2022-2025) catalyzes approximately $27 in additional resources. And since 1960, a total of 36 countries have graduated from being supported by IDA to becoming IDA donors. IDA has also ranked in the highest category of the Aid Transparency Index since 2010.

Because funds are depleted over time, IDA is replenished every three years. On November 18, President Biden announced a US pledge of $4 billion to the IDA21 replenishment. It is imperative that the US assert its historic leadership in IDA by fulfilling this pledge over the next three years. We urge Congress to provide at least $1.48 billion for an IDA contribution in the FY2026 State and Foreign Operations appropriations bill. A strong allocation would encourage partners to maintain robust support for IDA in the upcoming replenishment and help identify new donors to expand the pool of resources.

POLICY 2

Supporting US-African trade relationship through the African Growth and Opportunity Act (AGOA).

The African Growth and Opportunity Act (AGOA) has been a crucial component of the trade relationship between the US and eligible sub-Saharan African countries since its passage in 2000, providing duty-free access to the US market for over 1,800 products. US imports under AGOA amount to roughly $10 billion per year since 2014. Top products covered by AGOA include energy products (like crude oil), motor vehicles and parts, textile and apparel products, agricultural products, metals and chemicals. AGOA also provides trade capacity building support to eligible countries.

We know that the goal of foreign assistance is to transform developing countries into thriving trade partners. Promoting trade between the US and African countries is key to driving economic growth on the continent and helping our partners become self-sufficient. To be eligible for AGOA benefits, countries must meet strict standards including upholding a market-based economy, maintaining good governance, and respecting human rights. Currently, only 32 of 49 sub-Saharan African countries are eligible for AGOA benefits according to the criteria. However, many entrepreneurs in eligible African countries are not aware of how they can benefit from AGOA, and many governments have not solidified a plan to maximize the program through a "utilization strategy."

Congress has the opportunity to reauthorize and modernize AGOA before it expires at the end of 2025. Beyond reauthorization, Congress should examine how the program can deliver more for the people of Africa. We support a multiyear reauthorization of AGOA with the inclusion of key modernizations like updated review, enforcement, and reporting mechanisms; clarified eligibility criteria; and improved support for partner country implementation. At its core, AGOA is a development priority – tools like AGOA are needed to create sustainable economic growth and empower Africans as our partners.

POLICY 3

Encouraging the finance needed to support African innovation through the US International Development Finance Corporation (DFC).

Established through the passage of the BUILD Act of 2018 – which consolidated and expanded the functions of the former Overseas Private Investment Corporation (OPIC) and certain elements of the US Agency for International Development (USAID) – the DFC is a US government agency that partners with the private sector to support projects that advance both sustainable development and US foreign policy goals. The DFC supports private sector investments in developing countries by providing loans and other support that allow businesses to start projects that traditional banks might deem too risky. Through a rigorous application process, DFC selects projects that support partner economic development – especially in low- and lower-middle income countries – as well as US interests. By partnering with the private sector, the DFC catalyzes investment in strategic sectors like energy, infrastructure, healthcare, and technology, provides opportunities for the US private sector to make a profit, and fills a void that could otherwise be exploited by predatory investors.

To spur economic growth, developing countries need investment. To invest in projects in developing countries, companies need loans and other support. The problem is that traditional banks often find these types of opportunities to be too risky, and the US government rarely offers support that is sufficiently flexible or fast paced for the private sector. Enter the DFC, which has already invested more than $10 billion in projects across the African continent, including those that advance Prosper Africa and Power Africa programming. The DFC's mandate is two-fold: 1) advancing development and 2) advancing US foreign policy priorities.

The DFC's current authorization is set to expire in September 2025. We urge Congress to pass a multi-year reauthorization that unlocks the potential of the agency while ensuring it remains true to its development mandate – meaning that it continues to prioritize working in the least-developed countries.

THE ROAD AHEAD

UNLOCK AFRICA'S CRITICAL MINERAL WEALTH

The US needs critical minerals to support key aspects of our national security and economic growth that rely on emerging technologies. The US is also seeking to diversify its critical mineral supply chains, since we are heavily reliant on imports of these resources. Africa is incredibly rich in critical minerals – 30% of known reserves are found on the continent – and is looking for ways to use this emerging sector as a driver for economic growth. If done responsibly, the increased export of critical minerals from African countries could be a win-win for these countries and the US.

However, African countries largely lack the necessary refining and processing capabilities to reap the full benefits of these resources. There is also the danger that the mining, processing and export of critical minerals from African countries could become a purely extractive process. The dominance of China in existing critical mineral supply chains is also a top concern for security experts and could increase concerns about human rights and labor standards in critical mineral supply chains.

The US should develop a comprehensive strategy to increase investment in the critical minerals sector in African countries and ensure US government agencies are collaborating efficiently in the region – including the DFC, MCC, and USAID. Encouraging investments in new tools like the DFC can propel growth and encourage countries to responsibly manage their critical mineral resources. If the DFC became more active in facilitating investment in key aspects of supply chains, it could promote labor and human rights standards as well as industry best practices. This can ultimately provide significant benefits to local communities, including by strengthening the local private sector.

LONG-TERM SUCCESS STORIES AND TALKING POINTS

The ultimate goal of foreign assistance is to provide partner countries with a pathway to self-sufficiency. Creating economic opportunities is critical to fostering this development and lifting communities out of poverty. This includes advancing policies that will increase affordable financing, catalyze growth, reduce debt, and make markets more sustainable in developing countries around the world. **Some key stats highlighting the impact of these programs include:**

1 billion
fewer people living in extreme poverty today than in 1990

MCC ranked most transparent
bilateral aid organization in the world

8 of top 10 trading partners
were once recipients of US foreign assistance

US investments in economic development have helped lift hundreds of millions of people out of extreme poverty, contributed to economic growth, and led to a significant expansion of peace and prosperity.

- As the largest donor to foreign assistance in the world, the impact of our support is evident in the dramatic shift seen in country income classifications. The number of countries classified as low-income fell from 51 countries in 1990 to 26 countries in 2023. That's 25 countries that have lifted themselves out of poverty in the past three decades. As these countries transition out of low-income status, they integrate into the global economy, ultimately enhancing trade, investment, and economic cooperation.

- The dramatic reduction in extreme global poverty showcases the transformative impact of US-led development efforts. In 2000, more than 1 in 4 people around the world lived in extreme poverty. Today, fewer than 1 in 10 people live in extreme poverty thanks in large part to US-led economic development programs.

- Foreign assistance is a powerful tool to drive economic growth in recipient countries. Research indicates that when aid levels reach approximately 5-10% of the recipient country's GDP, it can lead to a 1-1.5% increase in GDP growth as well as reductions in poverty by as much as 15%.

Thanks to US leadership through the African Growth and Opportunity Act (AGOA), developing countries in Africa are growing their economies. Today, 9 out of the top 20 fastest growing economies are in Africa, offering exciting investment opportunities for US businesses.

- AGOA is the cornerstone of US economic engagement in Africa and has enabled many US companies to gain access into key African markets and diversify their supply chains. Rapidly expanding markets in developing countries – many of which are in Africa – have been a key factor in the growth of US exports. Thanks in part to these investments in African markets, two-way goods trade with sub-Saharan Africa has increased by nearly 30% since 2015.

- AGOA has helped to create hundreds of thousands of new jobs in eligible countries and sectors on the continent, while also supporting job creation here at home. Nearly 120,000 jobs are supported by US goods and service exports to Africa through AGOA, and in just the past two decades, US exports to the continent have increased by more than 13%.

The US does not work alone. Partnerships with the multilateral development banks and the private sector unlock significant development finance and maximize the impact and effectiveness of US foreign assistance programs.

- The US is one of the leading contributors to the World Bank's International Development Association (IDA), which serves the world's poorest countries. US investments in IDA offer a significant return on investments. With every $1 contribution from the US, IDA catalyzes approximately $27 in additional resources. As a result of IDA's support, between 2012 and 2023, 1.18 billion people received health services, 117 million people gained access to improved water services, and 92 million people obtained new or improved electricity services.

- US contributions to IDA have a proven track record of success in moving countries towards self-reliance. Since 1960, 36 countries have graduated from being supported by IDA to becoming IDA donors. Through zero- to low-interest loans and grants, this has helped numerous countries develop their economies without being forced to take on unpayable debts.

- By aligning business interests with development efforts, USAID creates mutually beneficial partnerships with the private sector to drive growth in the US and in the countries where it works. In fact, the private sector generates nine in ten jobs and more than 80% of government revenue in developing countries. And, for every $1 it invests, USAID leverages $5 from the private sector. This financing is critical to address challenges that are far beyond the capacity of governments to do alone.

- By mobilizing additional private capital, the Development Finance Corporation (DFC) committed a record $9.3 billion last year – nearly double its Fiscal Year 2020 total – in projects driving economic growth and advancing US strategic interests around the world. With Africa as its largest market, the DFC has successfully differentiated itself from China's predatory lending practices on the continent and continues to find ways to strengthen the continent's vibrant private sector.