

# **MILLENNIUM CHALLENGE CORPORATION**

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**January 18, 2007**

## **REMARKS**

**Millennium Challenge Corporation Holds a Public Meeting  
To mark its Third Anniversary**

**January 18, 2007  
Academy for Educational Development  
Washington, D.C.**

## **SPEAKERS:**

**Asif Shaikh  
President  
Society for International Development - Washington**

**Ambassador John Danilovich  
Chief Executive Officer  
Millennium Challenge Corporation**

**Alan P. Larson,  
Senior International Policy Advisor  
Covington & Burling**

**Clay Lowery  
Assistant Secretary for International Affairs  
Treasury Department**

**Alice G. Hogans  
Professional Staff Member  
Appropriations Committee, Republican Staff  
U.S. House of Representatives**

SHAIKH: Good morning.

First, as one of those things of the modern age, please join me in turning off your cell phones. You do not want to be the one whose cell phone goes off during the session, I'm sure.

Ambassador Danilovich, distinguished guests, friends of the Society for International Development, friends of the Millennium Challenge Corporation, welcome.

This is a tremendous crowd, a tremendous turnout. I understand we have a spillover crowd in the other room.

I am Asif Shaikh, and I have the enormous privilege of serving as the current president of the Washington, D.C., chapter of the Society for International Development. And on behalf of my colleagues on the board of SID-Washington and of our executive director, Inga-Elisabeth Hawley, I am delighted to welcome each and every one of you to this very, very special event.

As part of the leading global membership organization for development professionals, SID-Washington is, I believe, a leader in the international development community. I believe we bring together the very best ideas and practices in this field, but that this is the case precisely because SID is a membership organization, and we can bring together all of the actors in the development community, bar none.

We're not a lobbying organization. We are not an advocacy group. And for that reason, we are proud that our membership and our board can and does include individuals from public-sector institutions as well, such as the Millennium Challenge Corporations, such as the United States Agency for International Development, the World Bank, the United Nations, IFAD, the World Food Programme, and of course the non-public actors, from NGOs to consulting firms, the universities, think-tanks, from Coca-Cola to Chevron, from multibillion-dollar engineering firms to the Gates Foundation.

Now, 2007 marks another very important anniversary as well. It's the 50th year of the Society for International Development. So I'm allowed a brief plug for SID. That's my job.

(LAUGHTER)

On February the 6th, just about two weeks from now, SID-Washington will hold its 50th anniversary annual conference. We have a stellar line-up, including a very special videotaped message from President Ellen Johnson-Sirleaf of Liberia, who represents the very best that the future can be despite the very worst that a country can go through.

So if you're not now a member of SID-Washington, please consider joining. Please participate in our annual conference. You can do so as an individual member; you can do so as an institutional sponsor. We need your voice.

And for the conference itself, I promise that it will be lively, challenging, possibly contrarian, but definitely forward-looking and definitely positive. You can learn more by going on our Web site at [www.sidw.org](http://www.sidw.org).

Now, I mentioned that SID is in its 50th year. And for those of you who are approaching 50 or who have passed 50, you know -- we know...

(LAUGHTER)

... that it is a time to reflect on the past, to think about lessons learned, and to become re-energized about the future that we had once imagined. And in the parlance of our profession, it is a time to think about best practices.

The approach MCC takes toward development assistance is one of those best practices that we welcome hearing more about today. So we are particularly honored, we're really very greatly honored, that SID-Washington is hosting this event to mark the third anniversary of MCC.

Ambassador Danilovich, on behalf of all of my colleagues in SID-Washington, let me be the first to congratulate you and your staff on your leadership, your tremendous work, and on the accomplishments that have led to this important milestone. Congratulations.

To mark this anniversary, we're pleased to today to hear a major address, a State of the MCC, from Ambassador Danilovich. He will highlight results from the field in 2006 -- a very active year, as you will hear -- successes of the MCC model, and something that many in this room are very interested to hear about: the agenda ahead for MCC in 2007.

After Ambassador Danilovich's address, we will convene a panel from among the original founders of MCC. And they're going to discuss how they had envisaged MCC before it began and how they see its progress to date.

And then after the panel, we will take your questions.

So that is our agenda for the morning. And I'd like to begin by introducing Ambassador John Danilovich.

Ambassador Danilovich served as U.S. ambassador to Costa Rica from 2001 to 2004 and then to Brazil from June 2004 until November 2005. Prior to these appointments, he was active in the international shipping business and served as director of companies in the shipping, property, publishing and investment fields.

He began his duties as chief executive officer of the Millennium Challenge Corporation on November 7, 2005. And under his leadership -- and if you think about it, it's been just 14 months -- under his leadership, MCC now has 11 compacts approved with countries in Africa, Central America, Eurasia and the Pacific. Those 11 compacts total \$3 billion.

It is indeed my great honor to now turn over the podium to Ambassador John Danilovich.

(APPLAUSE)

DANILOVICH: Thank you. Thank you, ladies and gentlemen.

And thank you very much, Asif, for that very generous and kind introduction.

I also want to thank the Washington chapter of the Society for International Development for hosting today's event here in the conference center of the Academy for Educational Development.

SID-Washington fosters dialogue on international development ideas and best practices, and we appreciate this wonderful venue to highlight the Millennium Challenge Corporation's innovative approach to development assistance.

The MCC is working tenaciously to fulfill our mission to reduce poverty through economic growth. I welcome this opportunity to discuss with you progress made and our agenda forward on the occasion of our third anniversary, which we officially celebrate on January 23rd.

2006 was a banner year for the Millennium Challenge Corporation. We have signed, to date, 11 compacts, valued at \$3 billion, and 11 threshold programs, valued at over \$300 million, with countries around the world. We are working with a total of 39 countries committed to a culture of reform. And over 22 million people will now directly benefit from our 11 compact agreements.

2007 will be a year of great excitement and challenge for the MCC. While continuing to sign compacts with new partner countries, we will also focus on implementing an array of major projects in the field. We already see targeted, tangible and transformative results unfolding in our partner countries.

Consider our \$110 million compact with Madagascar to move that African island nation from subsistence to a market-driven economy by fostering property rights, expanding the financial sector, and increasing household incomes among the poorest farmers.

I leave this weekend for East Africa, where, in addition to visiting Tanzania and Kenya to discuss their threshold programs, I will travel to Madagascar, where I look forward to seeing firsthand the progress that's being made on the implementation of our compact there.

Such progress includes the awarding of the first of 361 of 8,000 land titles. Additionally, almost 2,000 local farmers and enterprises have received technical assistance from six new agricultural business centers, and another 225 farmers have been trained to tap into microfinance credit.

In Nicaragua, where I was part of the presidential delegation last week to President Ortega's inauguration, our \$175 million compact is increasing the incomes of rural farmers and entrepreneurs in the two northern provinces of Leon and Chinandega.

Last October, I helped inaugurate a milk project facility as part of the rural business development component of that compact, and participated in the first Nicaragua investment summit, which has already sparked a number of foreign direct investments.

Consider also our \$295 million compact with Georgia to renovate regional infrastructure and to develop local enterprises. Although the compact is still in its first year, we have already awarded agricultural grants that are expected to benefit almost 10,000 people. We have projects to rehabilitate municipal water supplies in two cities that serve almost a quarter of a million Georgians.

During my travels next month, I will check on the progress of our \$13 million threshold agreement with Burkina Faso. The project there is to construct 132 girl-friendly schools throughout the country. Several of these are already in operation and are keeping girls in school by including day-care centers, on-site canteens, separate male and female bathrooms, and take-home food rations for the families of those girls who maintained a 90 percent attendance rate.

In addition, in Indonesia, \$20 million of our \$55 million threshold program runs to immunize at least 80 percent of the children under 1 year of age against diphtheria, tetanus and pertussis, and 90 percent of all children against measles.

In many of our partner countries, specific projects focus on human development that invest in health, education and skills to expand human capabilities, raise the standard of living and directly impact the quality of life.

Overall, our goal is to improve the lives of the poor.

It is about benefiting 75 percent of Armenia's 100-million-plus rural population and increasing their annual incomes by \$40 million by 2010.

It's about improving the lives of 65,000 of the poor in Vanuatu and increasing their average per-capita income by 15 percent within five years.

It's about increasing the annual incomes of more than a quarter of the population of Cape Verde. The bulldozers and dump trucks are already in action there, building roads and bridges as part of our compact.

From Africa to Central America to Eurasia to the Pacific, Americans are already seeing a return on their investment as MCC works to fulfill our mission of poverty reduction through economic growth. It is a mission guided by three principles that build on each other and on the lessons learned in development.

First, our aid encourages and rewards good policies. MCC provides aid to partner countries who adopt and maintain good policies. It is no accident that some of the most aggressive policy reformers in the world are MCC-eligible countries. They cite their determination to meet our performance criteria as the motivation behind these reforms.

We can suspend or terminate a country's participation with us if we see a serious problem with regard to policy performance. The Gambia and Yemen, for instance, were suspended because of a material decline in the overall performance on our selection criteria.

We have seen that the Yemeni government, spurred in large part because of the MCC, embarked with a new sense of urgency after its suspension to enact a wide range of reforms so as to be considered for reinstatement. We acknowledge and welcome Yemen's efforts in this regard.

We have developed two new world-class performance indicators that will become an integral part of our new future country selections -- the Natural Resources Management Index and the Land Rights and Access Index -- which will help us determine how well a country is promoting environmental stewardship as well as property registration and land rights for its poor and vulnerable populations.

We're also considering another education-related indicator.

Second, our aid requires full country ownership of the development process. While we partner with a country, we fully expect it, the country, to take the lead in creating, developing and implementing its compact in a continuing consultative process with all segments of society.

When I travel in February, I plan to visit Ghana, with whom we signed our largest compact to date for \$547 million in August.

When the public-sector reform minister testified before his own parliament on the MCC-Ghana compact, he best illustrated the essence of country ownership when he said, "Unlike other traditional development assistance programs, where the donor proposes how funds are used, countries selected under the Millennium Challenge Account propose programs to receive funding. Thus, the MCA is designed to allow developing countries to take ownership and responsibility for funds provided by the Millennium Challenge Corporation. I wish to confirm, honorable members of this house, that our professionals have designed a program that belongs to us and one that we Ghanaians can implement successfully."

I couldn't have said it better myself.

Third, our aid demands tangible results. Our partner countries must identify from the outset what impact our funding will achieve. MCC's focus on measurable outcomes is central to how we operate. It is also the best way to sustain poverty reduction and economic development even after our funding ends.

Last fall, I helped award the first of 26 clean land titles to beneficiaries in Nicaragua, many of whom were female land owners for the first time. These titles are the first of 43,000 that will be delivered under our compact. They represent the tangible results that our funding is achieving.

This is the MCC model: good policies, country ownership and tangible results. This is the model we have successfully applied to become the high-performing agency we are today.

Along the way, we've learned some key realities.

First, our emphasis has been and will remain on funding those projects that are truly transformative in nature. The transformative nature of what we're doing is not just about investments in agricultural productivity or infrastructure projects, but also about how our partner countries are selected and how programs are crafted and ultimately implemented.

Secondly, such transformative change does not and cannot happen overnight if it is to be sustainable. Diligence and perseverance are required throughout the implementation process, not just the implementation of the various compact components, but also the implementation of the institutional reforms that were initially undertaken to qualify and which must be maintained to assure that a country does not slip on its indicator performance.

Third, our expectations about progress must be pragmatic. It would be unrealistic for us and for those following our work to expect that our compacts will show instantaneous results in terms of poverty reduction. Sustainable poverty reduction through economic growth is a long, hard slog. It's a marathon, not a sprint.

Yet we are starting to see progress and results already on the ground.

The first and most transformative results to surface are policy reforms and improvements, both in those countries we are working with and in those countries that are striving to become compact-eligible.

In what is a significant accomplishment, we're seeing countries undertake the hard work of policy reforms in response to our incentive for funding. We are making improvements in governance, fighting corruption, increasing investments in health and education, and adopting micro- and macro-economic reforms.

Even before a dollar of aid is being invested, these countries are investing in their own development to qualify for MCC funding. We call this the MCC effect.

According to the World Bank's "Doing Business" report, 24 countries specifically cited the Millennium Challenge Account as the primary motivation for their efforts to pursue business start-up reforms. Inspired by the MCA, El Salvador, for example, reduced the number of days to start a business from 115 to 26. Business registration has jumped by 500 percent.

Interministerial committees and presidential commissions have been set up in over a dozen countries to devise reforms that address our selection criteria. And in an unprecedented move, President Arroyo of the Philippines matched our Millennium Challenge Corporation's \$20 million threshold funding to fight corruption. The announcement of the threshold program has given the Philippines renewed vigor in this fight, and corruption-related investigations and dismissals have stepped up significantly.

We made women's legal and economic rights a precondition to the signing of a compact with Lesotho, where married women were considered legal minors. The recent enactment of the law by Lesotho's parliament conferring equal-rights status on married women is a tremendous step in the right direction.

This is a powerful example of how MCC is helping to change policy for the better, which, in this case, is improving the lives of women. This is also the first time U.S. foreign assistance has been conditioned on gender equality.

MCC's success is only partly measured in terms of agreements signed, funding awarded, and targets set and met. Our ultimate success is grounded in what actually changes and improves the lives of the poor and in the sustainability of the institutional reforms we inspire. It is these reforms that maximize the impact of our assistance in reducing poverty and transforming our partner countries.

Though a young organization, we have also been successful in changing the very discussion on development assistance. With MCC at the center of a ripple effect, we are proving that aid based on performance is working and can motivate policy change.

If nonperforming countries look over at their neighbors and see substantial attention and resources pouring in as a result of good governance and genuine commitment to reform, it might compel them to re-evaluate their lagging performance.

We are promoting local capacity building, strengthening institutions, and jumpstarting critical thinking about the policies necessary to ensure sustainability by insisting that our partner countries design and implement their own compacts. Our focus on country ownership reinforces the good policies we demand in the first place.

Other donors are taking interest in our approach. They are considering using indicators similar to ours to determine which countries might receive their assistance, and are putting incentives in place to encourage policy improvements.

Achieving transformative change that replaces poverty with prosperity is our agenda forward. Looking ahead, the MCC is committed to three goals.

First and foremost, compact impact implementation will join compact development as one of our core competencies, and will be the mainstay of our work in the long term.

We expect considerable acceleration and implementation activities in 2007. Since our projects are finite in duration, usually five years, we are trying to remedy implementation problems before they occur. As numerous compact projects come on-line, they are subject to monitoring and evaluation, quality control, fiscal procurement and oversight, and performance assessments on an ongoing basis.

Though funding for the entire life of each of our compacts is committed upfront, it is not handed out all at once. Instead, because of our focus on results, disbursements are tied to benchmarks outlined over the life of our compacts. We distribute funding as our partner countries meet performance measures and as they are ready to implement their compact projects.

Typically, less than 10 percent of a compact's five-year total is disbursed in the first year, with a sharp build-up in subsequent years. Rather than push money out the door or take unwarranted risk that jeopardize the confidence of the American taxpayers and our Congress, our process ensures that resources are spent well and directed to tangible results.

For compact implementation to work, we ask much of our partner countries. They need to continue their consultative processes and capacity-building efforts to bring their compacts completely to fruition. They must pursue the hard work of maintaining a sound policy environment.

Basing assistance on performance, on our political, economic and social indicators will continue to define our approach. Consequently, we see the MCC incentive effect intensifying as countries pursue reforms to qualify for our assistance.

Countries must ensure that all members of their society -- men and women -- participate in every way to maximize the outcomes of our assistance. For this reason, we are integrating gender equality through all phases of our compact development and implementation.

Second, moving forward demands streamlining and focusing on our top priorities. In 2006, we greatly strengthened our own organizational capacity. We implemented internal policies and procedures to improve the way we do business. We recruited the best talent and doubled our staff. With a cap of 300 professionals, we remain small and lean, particularly in light of the magnitude of the work ahead.

Thus, we need to prioritize. The demands on our finite resources -- both our staff time and funding -- require that we focus our attention and energies on working with those countries performing well and exhibiting the fiercest determination to get the job done.

In 2007, it's unlikely that we will have adequate funding for all the countries that seek MCC grants. We will not have the staffing necessary to pull those countries through the compact process that are not rigorously engaged. Competition for our funds and our engagement will increase.

We will direct our limited resources and attention to those MCC partner countries that demonstrate the greatest effort, urgency and willingness to develop their compact proposals and implement their signed compacts. Our priority is to work with those countries that are working hardest for themselves.

Third, moving forward means moving toward closer cooperation with donor partners. Our forward-leaning partner countries understand the power of leveraging the assistance we provide by cooperating with key partners. Our partner countries are responsible for ensuring that our programs are well-coordinated with the efforts of other donors throughout our entire process, from compact development through implementation. This avoids duplication, creates synergies, and prevents previously unsuccessful approaches.

Beyond the donor community, we encourage our partner countries to champion their own cause and use MCC as a means to generate greater economic activity and investment led by their private sectors. We want our assistance to give way over time to private-sector economic activity that will make development transformative and sustainable. Thus, looking ahead, we will explore ways to help our partner countries more fully engage the private sector in making this possible.

From implementing compacts to streamlining priorities to including vital partners in our work, our agenda ahead is indeed ambitious. Then again, the MCC model itself is ambitious. Our mandate to reduce poverty is profoundly challenging and remarkably noble. Reducing poverty means the eradication of hopelessness. It means opportunity for the most vulnerable.

As a signature development assistance initiative of the United States, built on innovation and executed through the creativity of first-class professionals who are encouraged to challenge assumptions and think like entrepreneurs, the MCC is demonstrating how progress can be made in replacing poverty with promise.

We are making significant strides in our partner countries in the fight against poverty. To reduce poverty through sustainable and transformative economic growth is our mandate and our mission, our promise and our pledge.

I thank you all very much for coming today and for your interest in the Millennium Challenge Corporation and, I hope, for your continued support of our endeavors as we evolve into our fourth year.

Thank you all very much. Thank you.

(APPLAUSE)

SHAIKH: Thank you so much, Mr. Ambassador, for that visionary message.

And at this point in the proceedings, we would like to convene our panel of original MCC founders. Each of our panelists will speak for a little less than 10 minutes, and that will leave us about half an hour for your questions.

And so, let me invite our panelists to please join us on the podium.

And as Alan Larson, Clay Lowery and Alice Hogans make their way to the table, let me say a few words about each of these distinguished individuals.

Al Larson is a senior international policy advisor with Covington & Burling, providing clients with international public policy advice, counseling and representation. His practice encompasses international trade and investment, foreign acquisitions, foreign assistance, intellectual property rights, anti-corruption, trade controls, energy, food and agriculture, human rights, and anti-trust.

Ambassador Larson serves on the boards of several international organizations, and he was undersecretary of state for economics. He retired from State as career ambassador, the department's highest honor. And when MCC was formally established on January 23, 2004, Ambassador Larson served as its interim CEO.

Clay Lowery is currently the assistant secretary for international affairs at the U.S. Treasury Department, there he is responsible for formulating and executing U.S. international economic policy. From 1994 to his appointment as assistant secretary in 2005, he held several other positions within the Treasury Department.

Prior to his service as assistant secretary at Treasury, Mr. Lowery was also vice president of markets and sector assessments at the MCC. He led the task force on behalf of the White House that shaped the policy, operations and administrative plans of MCC at its inception.

In 2001 and 2002, he worked as the director of international finance at the National Security Council, advising the national security advisor and the president on policy responses to financial crises in emerging market countries. While at NSC, he was part of the team that developed the presidential initiative that would eventually become MCC.

And Alice Hogans has been a member of the professional staff, Committee on Appropriations, Republican staff, U.S. House of Representatives, since March 2001. And from that date until February of 2006, she was assigned to the Foreign Operations Subcommittee, providing analysis and policy recommendations to Chairman Jim Kolbe -- who, by the way, was our honoree at our last SID-Washington annual dinner -- regarding the programs and accounts under the subcommittee's jurisdiction.

Since the beginning of this year, she has been to the minority staff of the new Financial Services Subcommittee under the jurisdiction of the Foreign Operations Committee. Ms. Hogans has also worked for the Senate Budget Committee under Senator Pete Domenici and, prior to that, at the Congressional Budget Office.

Again, after the presentations, our three panelists will take questions from the audience. What we want to do is to hear from them what their original views were on the MCC and how the reality has compared to that original vision.

So, with that, let's begin with Ambassador Larson.

LARSON: Thank you very much.

Good morning, everyone. It's a great day.

Thank you very much, Ambassador Danilovich, for those tremendous remarks.

It was about five years ago, I was home one weekend, and I got a call from the then-deputy national security advisor, Gary Edson, who wanted to talk about an idea we'd been discussing for a new, transformational foreign-assistance initiative.

We'd been hoping, and some might say scheming, that President Bush could announce this initiative at the U.N. conference for the financing of development that was to take place later that year in Monterrey, Mexico.

We were imagining a program that would be selective, that would bring large resources behind the reform efforts of those countries that were most committed to governing justly, investing in their own people, and promoting economic freedom and opportunity for their own citizens.

We were thinking about a program that would be catalytic, that would try to build on the energy and resources of the private sector within and outside of countries.

We were thinking about a program that would involve a new type of partnership between the United States and developing countries. And we'd even cooked up, or begun to cook up, this idea of a compact, to emphasize both the solemnity and the high political sharing of purpose but also to emphasize this is a business arrangement. These are significant investments. We want results; we expect results.

Looking back, a great deal has been accomplished since the days when the MCC was a gleam in the eye.

I think one of the first things that was accomplished was that, in the congressional consultations that we had, consultations with people like Jim Kolbe and Alice Hogans, we could see that we were getting great suggestions and ideas, also great support. And that came from both sides of the aisle.

When we had, later, the first staff meetings of the small MCC staff that met over in Rosslyn, Virginia, you could see that there was a commitment and an enthusiasm and a drawing together of diverse skills and talents, as exemplified by Clay Lowery, who was a member of that early team.

Still later, when the board of the MCC was first meeting to discuss specific partner countries, you could see that people like Colin Powell, Condoleezza Rice, Treasury Secretary John Snow, whose day otherwise was filled with dealing with new foreign policy crises or dollar crises or things like that, were giving very important experience and expertise to the question of the selection of compact countries and the discussion of the types of programs that we ought to have. And I could remember no other time where development issues and development assistance programs were getting that type of quality time from Cabinet-level offices.

At the same time, many of us were discovering, in our contacts with presidents, prime ministers, finance ministers and development ministers of other countries, that they had noticed that we were taking these indicators very seriously for the selection criteria.

And they would come up at other meetings and sort of grab you by the lapel and say, "I want to tell you what we are doing in my country to strengthen our performance in fighting corruption." And I think these were serious indications of what Ambassador Danilovich has called the MCC reform effect. That was already beginning to be felt then.

Now I've been out of government for a couple of years. I look at some of the more recent experience of MCC at more of a distance. But I have been very impressed, first of all, with the report that we've all just benefited from, but I've also been very impressed to see that the MCC has been true to its vision.

As it has expanded the number of partner countries, compact countries and threshold countries, it has remained true to the idea that it needs to be working on those issues that are the countries' own priorities, not things that were cooked up in Washington but things that grew out of a consultative process with the nation's own citizens. Obviously it had to be ideas that we felt we could support, but we didn't want it to be baked or created in Washington.

Looking ahead, Ambassador Danilovich has put the focus on implementation, rightly so. And it strikes me there are a few things that will be important to address even more intensively in the years ahead. They've all been touched on by the ambassador in his remarks.

One is finding ways to make sure that the MCC truly is catalytic and, particularly, catalytic in drawing in the private sector. I think it is terrifically important that MCC partner countries and the MCC work hard to make sure that local

business, that international business is examining ways that it can contribute to the goals of economic development, economic growth and poverty alleviation in these countries.

I think it's important for the MCC, with its partnering compact countries, to really focus more intently still on the issue of results and how to know that one's getting the results that one intends. And I think Clay will remember that even in those early days in Rosslyn, I worried a lot about, you know, we've been talking a great game on results orientation; how are we going to show that we've done that?

And I think it will require a partnership. It's not something that can be done from Washington. Nor is it something that can be done solely by the partner country. In many cases, the partner country will need help in building up the institutions and capabilities.

But I think, as partners, the MCC and the compact countries are going to want to make sure that they can be confident they're getting the results that they're trying to get.

And there's another reason why they want to be sure, and that's because they all have shareholders to whom they report. Here in the United States, the MCC reports to the Congress, which is indirectly a way for them to report to the American people on what is being accomplished with American taxpayer dollars. But in the partner countries, they have shareholders too. They are asking people to make significant reforms, many of which can be painful in the short run. And the people are expecting results. And it's important for the MCC and its partner countries to be able to show their collective shareholders, essentially their own citizens, that they're generating the developmental return that has been promised by the vision of the MCC.

I think that in the field of anti-corruption -- I happen to be chairman of the board of directors of the U.S. chapter of Transparency International, and we have -- I'm very pleased, incidentally, that Nancy Boswell, our president, is also here in the audience.

We've been very focused at T.I. on the development challenge. We think that it's vital. And we think it's vital for the MCC and its partner countries to really think hard about how to make progress in the battle against corruption in the way that these projects are run.

It's terrific that the MCC has made this a top priority in the selection process. It's a key part of the indicators, our criteria. It's terrific that so many of the threshold programs are putting the MCC in support of countries' own efforts to tackle what they acknowledge to be weaknesses or things that need to be remedied.

I think it's going to be important to make sure, both for your own peace of mind and for the peace of mind of your shareholders, your citizens, that this is being woven into the fabric of the projects and compacts that you are implementing.

To close out my observations, I'd just like to offer, as a personal note, that, about a year ago, I became a grandfather. And I can tell you, in a way I couldn't before, that there's no joy more profound and no pride more deep than what you get by spending time with a grandchild, seeing those first steps, those first words.

I feel, to some extent, like a grandparent of the MCC. Now, you know, the great thing about being a grandparent is that you can give your best advice, you can spend your quality time, you can do everything that you think possible to promote the success of that child, but, at the end of the day, you leave and you let the parents clean up the messes.

(LAUGHTER)

And it truly is up to Ambassador Danilovich and his talented, dedicated staff and to the partners, compact countries, of the MCC to take the responsibility to ensure that the MCC grows into an adult that lives up to its promise. It's a huge responsibility, but, oh, man, what a privilege.

So, congratulations, and best solutions to all of you.

(APPLAUSE)

LOWERY: Let's see. I was trying to think about this because I, like Al, was around five years ago, and Gary Edson was calling on weekends about the MCC issues. And I was trying to think back on what my involvement in MCC was.

And I started off at the NSC, under Gary, working with Al Larson and then John Taylor over at Treasury and some folks over at USAID, led by Patrick Cronin, to try to design how we're going to do this. And I thought, "Well, I'm going back to the Treasury Department, so I'll get out of this."

But then I got told I was going to chair the group that would work on the indicators, to try to find the selectivity issues. And so, I got involved in that, and I did that for a while. And then we pushed really hard -- actually, it was Treasury and the State Department -- pushed very hard to get a working group up, because we had to figure out how are you actually going to make this thing operate.

And so, I was out. I was out of it. And then I got a call in Dubai and was told by the White House, "Clay, we need you to run this task force on the MCC." So I said, OK, well, I could do that for a little while. And then they basically said, "OK, well, now we'd like you to be one of the original people over at MCC when we actually get started," which was three years ago. And I said, OK, well, that shouldn't be that difficult.

And I got going, and I remember I showed up my first day at the office, and we were sitting on cardboard boxes and trying to figure out how we were going to get this thing up and running.

And then I finally left MCC, and I'm like, "I am completely out of this," and now I'm a board member over at MCC, so now I can hold them responsible for anything that I screwed up.

(LAUGHTER)

And so, that's kind of been my history. I feel like, you know, Al Pacino in "The Godfather." They keep sucking me back in.

(LAUGHTER)

But it's because, frankly, everything that MCC's been trying to do, from the original founding to the staff that's there now, is I think the right mission. Will it work? I don't know. And we still don't know.

So, instead of going through -- I mean, I thought Ambassador Danilovich covered it so well, about selectivity, partnership and results -- those are the three, kind of, founding things. When you go back and look at the original speech by President Bush, which I did this morning just for the heck of it, and as well as some of the original documents that were done, those were the three founding things.

There were a couple other things, though, that he definitely stressed.

And, one, the importance of economic growth. And that's what MCC tries to do. How do you help reduce poverty through economic growth programs, whatever type of programs those are? And I think that that's an important thing to think about, in terms of what the original vision was like.

Second is transparency. How does MCC keep transparent, so people know what's going on, so they can hold it accountable? Because this is what taxpayer money is going for.

These are the type of things I think about when I think about MCC. But I wanted to, kind of, explain a couple of things that we didn't expect. When we started our group, I think there were seven of us, but I'm not sure, over in Rosslyn. Over the next year and a half that I was there, a year and three-quarters, there were probably three problems that I can honestly say I didn't expect.

One of them goes to something that I'm sure that USAID people have to deal with and are much, much better at it, frankly, than MCC people, which is procurement. I never realized how difficult procurement really is.

(LAUGHTER)

And it is, you know -- I mean, when you're sitting there designing these things and thinking through them, you never think about those issues. And they just eat up a lot of time.

And, actually, MCC has really worked hard to get better at it. And, frankly, there are people at USAID who deserve a lot of credit for helping them through some of the real glitches that we had at the beginning.

Second, recruitment. Oh, my God, recruitment.

(LAUGHTER)

I can't tell you what that's been like. When you're seven, you're like, "We've got to build a staff fast." Well, that means you -- there's only a few of you, and so you have to interview everybody. I think I interviewed 300 people my first year at MCC. You know, and I had supposedly a day job.

(LAUGHTER)

So that was one of the toughest things of doing at MCC.

And third, and the thing that probably everybody in this room knows, was expectations. The expectations -- and I am, without a doubt, part of the responsibility on this -- were too high. How much could you actually get done in your first year?

Al said it right. We were so excited when we first got there at MCC. And when the board did its original selection in May of 2003, I think -- 2004? -- I can't remember which -- the 16 countries were selected. And that night, the MCC team, which I think was about 16 people, went out and had a drink to kind of celebrate, hey, we got our first countries. And we were all happy and so forth, and then finally everybody walked off and I sat there by myself and did what I really thought was most necessary, which is I went like this.

(LAUGHTER)

"How in the world are we going to manage 16 countries? We're 16 people."

And that was kind of, I think, one of those things, where an expectations game that was always difficult to deal with, which is: How much can you get done? Why aren't you getting money out the door faster? People criticized us, "This was launched three years ago. What's wrong with you people?" And we'd try to explain that the United States, we live in a democracy, and the executive branch deals with the legislative branch, and that takes time, et cetera. No one wanted to hear any of that. And so, that was a very difficult thing.

And I think, you know, we did the best we could. And we had things that we were criticized for and, actually, frankly, they were correct. And I think -- and this Ambassador Danilovich and a lot of team deserve a lot of credit for -- made some of the changes that have actually got MCC to a much better point, frankly, today than it was just two years, just a year ago.

So when I think about the, kind of, original vision, you sometimes don't think about some of these details and some of the things that you set out by doing some of the things you were doing.

However, I think that an overall aspect, is MCC selective? The answer is yes. Yes, there can be arguments on the margins about some various countries and so forth. But there's been clear discipline that has been shown by MCC, sticking to the indicators, sticking to selection criteria.

Is MCC working on partnership? On this one MCC deserves a heck of a lot of credit. They've really tried hard to allow countries to be as responsible as MCC is being responsible.

And I was glad to hear, again, from Ambassador Danilovich on Madagascar. I will always have a little soft part in my heart for Madagascar. Here's a country that most Americans probably don't know about. Well, they didn't until that movie came out a couple years ago.

(LAUGHTER)

And that went and took the biggest risk of all. It was the first MCC country. And they went and said, "We get it. We understand what you're trying to do. Let's do this." They actually slightly got hurt by that risk, because they came in for a program that was not as great an amount of money as what we're seeing in Ghana or El Salvador and some other countries. But that was because they said, "This is what we think we can do right now." And it was a tremendous amount of risk.

And I'm glad implementation's beginning and going fairly well. And it does suggest one of the things I know MCC has been working with Congress on, which is the idea that you might need to have multiple compacts with a country, just because it doesn't make sense that they got, kind of, a smaller deal just because they didn't, you know -- none of us knew what we were doing. So I thought that -- I'll always have a soft place for Madagascar.

I did want to mention -- oh, and lastly is measuring results. Sorry. That was the third big thing. And that, the jury is still out on. We're starting to see some results. And this is going to be -- this leads into what I think are the challenges for MCC.

The biggest challenge, by far, is measuring results. Interesting program, pretty good design, set up the right organizational structures -- does it work? We don't know. We think it does. We see results in some areas. But we will only find out over the next or two years or three years as to whether that works.

And then, during those times, people need to be held accountable. MCC needs to hold countries accountable. Congress needs to hold MCC accountable. The board needs to hold the MCC staff accountable. People need to hold all of us accountable, as to whether this thing is working.

That means MCC will have to take risks at times. And, actually, I think that that's a good thing. But that means that they have to have the ability to say no.

I think MCC actually has proven the ability to say no, with one exception: They've proven the ability that they can say no to countries in selection. They've proven the ability to say no in terms of, frankly, stupid program ideas. They've proven the idea that they can say no to countries that have slipped on policy indicators. But they're going to have to, at some point, prove whether or not they can say no when a program's not working the way it was originally envisioned. That will be a key test.

Implementation, the ambassador talked about the importance of that, so I'm not going to go into that.

Earmarks: Earmarks are going to be a tough thing for MCC to deal with. And it's not just Congress; it's the administration. And, frankly, it's some very, very good people who really want MCC to succeed who believe that it should spend 17 percent on infrastructure or 25 percent on education or 14 percent on health.

I would advise everybody to avoid that. Because if that's not avoided, you could have a real problem for MCC in the future. And, I mean, AID has problems with this, and I think AID does a great job under those circumstances. But there's obviously a lot of talk right now in Congress about earmarks in general, but for this small program earmarks would be a bad, bad problem.

The last little thing I guess I would talk about is sustainability, how do you make this sustainable over time. And I think that the ambassador and, actually, the two ambassadors, Ambassador Larson as well, talked about the importance of getting the private sector more involved and having real investment flows, because that's what's going to make these things work in the long run. I couldn't agree more. And that is going to be a key challenge for MCC going forward: How do you keep this sustainable over time?

Anyway, I've talked on too long, and I'll pass it over to Alice so she can tell me if I'm wrong on all these things.

(LAUGHTER)

Thank you.

(APPLAUSE)

HOGANS: First, I'd like to thank my hosts for inviting me to sit on this distinguished panel today. I must admit I'm more used to writing the talking points for those sitting on the panel than for myself, so this is a bit of a change for me.

Let me begin by explaining my very small role in the MCC's founding. The Millennium Challenge Act of 2003, which was signed into law three years ago, was the authorization bill that created the MCC. And it was included as part of the 2004 Foreign Operations Appropriations Act. I was a staffer on the Foreign Operations Subcommittee at the time and took part in the congressional negotiations.

The following two years, I was part of a team of staff that played an active role in recommending funding levels and oversight recommendations to our chairman, at the time, Congressman Jim Kolbe, who believed strongly in the principles on which the MCC was founded. He was also the MCC's most astute critic and overseer of MCC implementation.

First, I would like to make the point that three years really isn't long enough to evaluate the MCC or any foreign assistance program, for that matter. The average compact lasts for five years, and then there are several follow-on years of outlays. So seven years is probably the soonest we'll be able to begin seeing the full effect.

But there are numerous interim results and some ongoing and arising policy challenges that will set the MCC's course for the future. Since I only have 10 minutes, I thought I'd narrow this to three specific goals that were in the underlying legislation and relate them to today's MCC.

First, Congress supported the goal of local country ownership of the compact process. I was encouraged to hear Ambassador Danilovich's comments on this and MCC's approach to the challenge.

And while I think that, overall, the MCC has done a good job in looking to candidate countries to devise their own compact proposals, now a difficult task faces the MCC: How do you ensure that the country has ownership of the actual implementation of the compact?

This raises all sorts of challenges to the MCC: How do you rely on local capacity for management, for procurement, for financial oversight and for evaluation?

Given the pressures that the MCC has felt from the administration, from the Congress and from the NGOs to quicken the pace of outlays, there is the challenge to keep the countries themselves accountable. MCC shouldn't be the only one accountable. The candidate countries should be, as well. A country's implementation of its compact should be allowed to succeed or fail on its own. It should be asked to explain itself.

If the MCC takes over the implementation, then there's little to distinguish the MCC from other traditional development assistance.

Second, the original authorization intended for full funding of compacts at the time of signing, requested in full, upfront by the administration, with follow-on appropriations in full. Under Chairman Kolbe in the House and Chairman McConnell in the Senate, the Congress was able to withstand the pressures to incrementally fund the MCC compacts.

Today, although we have a different Congress, the Congress still faces the same budgetary pressures, if not more, within the foreign aid budget. It is my hope that full funding will continue, for two reasons.

First, the Congress should not create unfunded liabilities within the MCC compact process. This mortgages future Congresses, but it also has a negative effect on the MCC's stability and continuity.

Just as important, though, the MCC has never just been about the money. As mentioned, it's been a carrot that has motivated policy changes within a country, even before the first disbursement of funds. To date, this has been an enormous success, and the average person's life will be more affected by these changes than by the compact itself. Incremental funding could have a terrible impact on the incentives that the MCC provides.

Lastly, the authorization set up a governing board for the MCC, consisting of nine people: four from outside of the government, two recommended by the Senate, and two recommended by the House. It's three years later, and the administration has not nominated a single name from a House list. The board has operated as a board of seven, not as nine as intended.

While there may be good reasons for this path that the administration has taken, it can only hinder MCC support in the House of Representatives, especially the most important support in the House Democratic leadership and the House Republican leadership. Therefore, I hope the administration makes this a priority within the new Congress.

That's all I have.

(APPLAUSE)

SHAIKH: OK. Thank you very much to our panelists.

And, at this point, I'd like to open the floor to discussion and take your questions.

QUESTION: (OFF-MIKE)

SHAIKH: All right. Thank you.

LOWERY: I'm going to give this a shot, although probably this is a better question for people at MCC, because I don't know the Ghana specifics that well.

A couple things, I think.

First, the performance criteria, the indicators, part of that is about how a government is doing policy issues and whether or not they are, when you compare to their counterparts, are better than average or worse than average, frankly. And that includes things that do affect local governments and, more importantly, the citizenry of the country.

MCC, when it does its programs, does a consultative process in which the countries are putting forward a plan, a business plan basically, on how to actually do the program, what they think could be done.

In that, there are certain criteria that MCC, I think, uses. And I haven't been there for a little while, but the way I remember it was: How is this related to actually producing growth in your country and reducing poverty? Who did you consult with? Did you go out and basically -- you know, I consult with my minister here and my minister there, and here's my plan? Or did you actually go and consult with private citizens, NGOs, local governments, maybe even the opposition party?

Actually, in many MCC countries, the opposition parties -- there have been democratic shifts since MCC has been there, and they've actually picked up on a lot of the things that have been going on.

As to which local level should be selected, in terms of -- that, actually, is something that is I'm sure an extremely difficult process within a country. I mean, of course every local level wants money and the assistance and so forth.

So I think MCC tries to evaluate what's been given to it, does it make sense, have we gone out and -- so MCC has a fairly rigorous due diligence process to basically look at due diligence in terms of the consultative process, the results that could possibly be had.

And basically, it puts all of that out into its explanations of the compacts, which I think are fairly transparent for everybody to see, what they did about the process. Is it perfect? No. But I think that it is a pretty good way of trying to balance the issues that you're talking about.

LARSON: If I could just add two quick points to what Clay said, which I agree with totally.

One is it's fascinating to me that the result of this open, consultative process has been so many compacts that are focused on initiatives at the local level. And to the list that you give, I would add agriculture, rural development, rural infrastructure. I think that's a sign that it's working, that the priorities are coming more from the citizenry and the grassroots than, perhaps, at some points in the past.

You raise a question, a legitimate one I think, about the challenge that having more of these types of things puts on the task of monitoring results, something that all of us have mentioned. I think it's right that that's a bigger challenge. But I think the good news lying behind your question is the precise fact that so many of these initiatives are rural and local.

SHAIKH: Other questions? I see a hand over there and then over here.

And please keep your questions brief. And if there are multiple members from an organization and someone else from your organization has recently asked a question, please consider not asking one.

(LAUGHTER)

While a lot of the MCC funding goes for infrastructure projects which, presumably, can be done within the five-year period, much of it, as Ambassador Larson just pointed out, is for agricultural, rural development, other projects whose normal life in the hope of a sustainable impact is likely to be more than five years.

What is the status of efforts to allow longer compacts or to allow second compacts?

SHAIKH: Anyone?

LOWERY: I was going to turn this one to Alice...

(LAUGHTER)

HOGANS: Currently the existing authorization act, which has expired, limits the compacts to five years. So MCC needs to be reauthorized this year. And I think that there are efforts under way to convince the authorizing committees that longer than five years is necessary, as well as concurrent compacts are necessary, to deal with this problem immediately. I think your concerns are ones that are widely known.

SHAIKH: OK. I believe there was a gentleman in the front.

Let me ask a question. We haven't been getting the microphones. Can the people in the spillover room actually hear the question? And I don't know how I'm going to hear whether or not they can.

(LAUGHTER)

Make a lot of noise if you're not? OK. We'll use the mikes.

Go ahead, please.

QUESTION: This is a very timely opportunity for us to know a little bit better about the MCC, a wonderful time. I think you did a great job in preparing us what is going on.

My question is more about the selection criteria. And I understand that you will not be able to respond specifically, but perhaps generically.

I was in Timor, in East Timor, Timor-Leste today, for six months during the elections in 1999. And I thought that we did a great job in doing elections, but in the end the country was destroyed, and the entire political framework of the country.

So I'm just wondering why now MCC has Timor-Leste as one of the countries to be helped in this. This is really, really a nice opportunity for doing the things that they heard here.

But I'm more puzzled with the region. Why, for example, Bolivia and not Haiti, or why Paraguay and not Haiti? Is the security situation an issue? What is the selection criteria? What really influenced the selection criteria?

LOWERY: Let me try to answer that.

The selection criteria is, basically, there are 16 indicators -- and I know that MCC is working on adding a couple -- in these three different categories of ruling justly, investing in people, and encouraging economic freedom. A country's indicator is ranked against all these other countries that are just as poor, basically. And if they get above the median on these different indicators in half of the indicators in each of the three baskets, then they get selected.

Now, I think that -- I don't have the numbers in front of me, and you can get them -- actually, if you just go to the MCC Web site, you can get the numbers for any country you're interested in, and plus they have the comparison numbers as well.

My understanding is Haiti is a very poor country, but Haiti's had problems with its economic policies, as well as some of the other policies. And so, the criteria is a way of trying to incentivize countries to do the best they possibly can, even under bad circumstances.

East Timor, after the period you were talking about, had followed better policies, and so they made it on the criteria.

Bolivia is an interesting example, because Bolivia has followed pretty decent policies for a while, and now some of them are being called into question, right? And so, what MCC has to follow very carefully is, are they still passing the criteria that are set? Or is there a lag in the data catching up?

And MCC -- I know actually there was one country where there was -- I think they had passed, but there were problems with what was going on in the country, and they actually said, "All right, you're out of the program, you're suspended, until you can do better." I think that was The Gambia.

And so, I'm not saying Bolivia has been (inaudible) because they haven't, but it's something that I'm sure MCC has to follow very closely, because you are trying to base it on these indicators, but the indicators aren't perfect. So you have to take in mind lags and issues.

But as to the comparisons, just go on the Web site and you'll see exactly how they do it.

SHAIKH: Alice, Al, anything to add?

HOGANS: I don't have anything to add.

SHAIKH: OK. Let me see if there's someone on this side of the room. Gentleman in the back, please?

QUESTION: My question is similar to the one before the previous one, about the duration, but not of compacts but rather threshold country programs, which are currently only two years. My question is based on what Ms. Hogans said, which is three years is too soon to evaluate the MCC; seven years would be more appropriate.

But wouldn't it be more appropriate to give the threshold country programs more time and then wait a little bit before evaluating whether or not the countries are actually ready for such a massive investment of, I guess, what are we up to now with Ghana, over \$500 million?

Especially given that corruption in many of these countries has been endemic, systemic, and frankly the M.O. of many of the host-country governments, is it realistic, after only two years of assistance, to turn all of that around?

And I was wondering, with the reauthorization of MCC legislation, is that something that's being discussed? And/or is it being discussed internally within the MCC?

Thanks.

LARSON: I can't talk about what's being discussed. Let me just make a quick observation on the policy issue that you raise.

I think you raise a very legitimate issue, because I congratulated MCC for focusing on the anti-corruption effort in the threshold program, because I think that's terrific. I think it's an area where a lot of otherwise-deserving countries fall short.

I do think that it's very difficult to see an upward blip on the indicators in a year or two of effort, whether it's on a threshold program or on a compact. And I know that that's a problem that the MCC recognizes and is struggling to come to grips with.

I don't have a solution for you. I'll be interested if the Congress does.

(LAUGHTER)

HOGANS: I just -- first of all, I'm not an elected member of Congress.

(LAUGHTER)

I actually looked back to Section 616 of the authorization bill just to refresh my memory, and there is no mention of a time limit. It's quite wide-open. And the program was pretty much given to the MCC to develop. And it must've been an internal decision on their part to make it two years.

So it may be discussed for the reauthorization; I'm not a part of those conversations, at this point. Hopefully at one point, but I don't have to be. But it was not in the underlying authorization to start with.

LOWERY: I just have one point, which is the idea of the threshold program is you're supposedly this close to passing over the indicators, right? All you need is to get pushed over the threshold.

And so, the idea was basically the reason for -- Ambassador Larson's points are very well-taken, about the indicators don't move that much in a year, which is good, by the way. But you can actually try to make a little bit of a difference in a two-year timeframe in specific areas. These are smaller programs.

And if a country was just below the threshold and they kind of popped above, then they basically can be selected for MCC compacts. And that's kind of, I think, what happens.

And I don't think that a lot of the threshold programs have been selected, but a couple of them have. And it's because they had made an -- the indicators did a little bit better, they were doing OK under their threshold programs, they actually were working on it.

And I think, if I remember correctly -- as I said, I'm a board member, so I'm trying to remember this -- but MCC is actually continuing to work on the threshold programs even as they work on getting compacts done. I think that that's the case in Tanzania, for instance. I don't think they have a compact, but they're still working on the threshold program.

HOGANS: If I could just make one last comment, given the underlying law doesn't restrict the time period, I wouldn't raise this with people, because they might restrict it. So I would keep it internal to MCC.

(LAUGHTER)

SHAIKH: Enough on this side. I saw a hand go up in the back. And after that, we will have time for one last question, and that will be this gentleman in the front.

QUESTION: I have a question about the expectations of the founders, with respect to the modalities of implementation.

Of course the core principle is selecting countries that are relatively good performers. And that led some observers to expect that the MCC would implement programs relying primarily on the existing ministries or on-line capacity of the governments. But instead, MCC, as I see it, has moved more toward project implementation units that are independent from the line ministries of government.

Is this consistent with your expectations? Do you think the MCC should've moved more aggressively toward budget-support modalities?

LARSON: I think you're right...

HOGANS: No.

LARSON: Yeah, no. I...

(LAUGHTER)

... with more words, I'll say the same thing.

(LAUGHTER)

Our expectations when we were formulating this was that there should be tremendous flexibility in the choice of implementation agencies or processes. We didn't want to be committed to any specific thing.

That said, some of our most interesting arguments about the concept of the MCC were with Europeans committed to development who basically thought that big cash transfers and walking away was the way to go. And that is very different from the concept that was in the MCC then and is in the MCC now.

SHAIKH: OK. I had promised a last question to, I guess, to the gentleman in the back. And please make the question brief, so we can have a few seconds to close this up. Thank you.

QUESTION: Thank you. I think there are many in this room who really appreciated the comments about the difficulties of procurement related to MCC operations. I think that was a problem at the inception, and I think it is an issue that continues to need to be reviewed, particularly the practice that seems to be emerging, of using fixed-price contracts for three- and four- and five-year programs.

And one of the speakers mentioned the support that USAID has provided on this issue. I would simply commend going back to AID and talk about the merits of time and materials, cost of fixed-fee (ph) contracts versus fixed-price contracts for long-term implementation contracts like MCC is doing.

Thank you.

(APPLAUSE)

HOGANS: Could I expand on my earlier outburst?

SHAIKH: Please.

(LAUGHTER)

HOGANS: I just need to explain that, as a Republican staffer who supports effective foreign aid, I've spent my years convincing -- well, trying to convince -- constituents and staff and members of Congress that foreign aid is not writing checks to foreign governments; that it does have more oversight than that.

And it was quite a strong opinion on the Appropriations Committee not be budget support. We did not prohibit it, but it was our strong opinion at the time.

So I just wanted to explain myself.

SHAIKH: Thank you.

Clay?

LOWERY: I'll take one second on the same issue.

MCC is trying to do something, which was to work with countries and sometimes provides, actually, some technical assistance in these areas to help them -- I mean, part of the problem is you start getting into local procurement. And the local procurement is, frankly, they don't have the right laws or they don't have the right systems. And so, it's helping countries do those type of things.

And in the meantime, you need some way of allowing accountability and the flow of money to work in a way that, frankly, the MCC can hold themselves accountable and Congress can hold MCC accountable. So that's one of the very tricky parts of trying to just do budget support.

But, at the same time, one of the problems in project implementation units in the past is that you didn't build any capacity in the country. And so, I think MCC is trying to address that sort of in a parallel track.

SHAIKH: Please join me in thanking our panelists.

(APPLAUSE)

And before we close, let me say, first of all, that I noted that, in some of the responses, both Alice and Al seemed to particularly enjoy their role as grandparents, who love the kid and who could send them back home at the end of the day.

(LAUGHTER)

MCC has come a very long way in three short years. But given its model, its leadership, its progress thus far, I believe its future promises to be most influential and most consequential, as it already has been, in transforming the lives of the poor for the better.

Now, I try to do my homework before a presentation, possibly to make up for my undergraduate career, but I do try to do my homework. And so, I spent time on the MCC Web site over the weekend. Note the tagline: Poverty reduction through economic growth.

All of us, all of us in this room and all of the constituencies of SID-Washington have a vital role to play in what we know is an ongoing process of poverty reduction. We need to help the poor in those countries -- and unfortunately there are too many of them -- where economic growth is not lifting people out of poverty and, because I am an optimist, let's say where economic is not yet lifting people out of poverty.

But in those countries where this is progress, in threshold countries and MCC countries, we need to support equitable economic growth as the best long-term means of reducing poverty levels that are, I know each of us feels in our hearts, morally unacceptable.

So, be sure to visit [www.mcc.gov](http://www.mcc.gov) for more information about the MCC. I've already given you the SID Web site, so I won't repeat that.

And, at this point, let me just say that I considered asking our wonderful SID-Washington team to come up to this stage with a cupcake and three candles...

(LAUGHTER)

... for Ambassador Danilovich to blow out. That is not why he left.

(LAUGHTER)

Because he didn't know that. But I have been in this business long enough to know that asking 350 people to stand up and sing "Happy Birthday, MCC" would probably not be a good career move.

(LAUGHTER)

So instead, let me just say to Ambassador Danilovich, to his colleagues at the MCC, congratulations.

And to all of our colleagues, thank you for joining us.

(APPLAUSE)

END