

# Millennium Challenge Corporation

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## REMARKS

### Signing Ceremony for Millennium Challenge Corporation's Compact with the El Salvador

November 29, 2006  
Benjamin Franklin Room  
Washington, D.C.

#### SPEAKERS:

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

**Ambassador Susan Schwab**  
**U.S. Trade Representative**

**Elias Antonia Saca**  
**President of El Salvador**

DANILOVICH: Good morning. Welcome. Bienvenidos a todos.

Your Excellency, President Saca, Ambassador Schwab, Minister Lainez and other honored ministers from El Salvador, Secretary Zablah, Distinguished Ambassadors, Ambassador Leon, Ambassador Barclay, ladies and gentlemen:

We are here today to celebrate a momentous occasion: the signing of the \$461 million compact between the Republic of El Salvador and the Millennium Challenge Corporation.

MCC's compact with El Salvador is our third in Central America, our 11th to date and our first with a lower-middle income country.

The Millennium Challenge Corporation exists to achieve the challenging yet critical goal of reducing poverty through economic growth. We partner with countries who are committed to and accountable for their own political and economic and social development.

To help eligible countries break through barriers to poverty reduction and economic growth, we sign compacts for sizable grants aimed

at making a transformative and sustainable difference in the lives of the poor.

DANILOVICH: (SPEAKING IN SPANISH)

DANILOVICH (THROUGH TRANSLATOR): Without a doubt, human poverty breeds a cycle of hopelessness and anguish. Our work seeks to break this cycle and unleash the human potential to live in prosperity and opportunity.

DANILOVICH: Living below the poverty line -- to alleviate such chronic poverty and to create economic opportunities for this lagging area, the \$460 million compact between El Salvador and the MCC will enhance the livelihoods and welfare of some 850,000 residents in the northern zone.

To do this -- through strategic investments -- we will make investments in education, public services, agricultural production and rural business development, as well as transformative infrastructure.

The Salvadorans have outlined three specific projects in their compact. Let me briefly explain each one of them to you.

First, the productive development project targets \$88 million for technical assistance, training and financial services to farmers and rural businesses. It will help them transition to higher value crops and higher profit activities, generating new investment, expanding markets and sales, and creating new jobs and increased incomes for the poor.

The expansion of financial services and lending activities provided by banks and non-bank financial institutions in the northern zone will increase on-farm production and will facilitate the development of new off-farm employment opportunities as well.

Second, the human development projects direct almost \$100 million to bolster formal and non-formal education and training in the northern zone. It will also expand access to public services and critical community infrastructure, such as water, sanitation, and electricity that will benefit poor communities.

Third, the \$233 million transportation project supports the design, construction and rehabilitation of 300 kilometers of the long-sought Northern Transnational Highway. It will also pave and improve 240 kilometers of rural connecting roads.

This project will allow the residents of El Salvador's northern zone to have greater access to markets, employment, and health and education facilities.

It will also connect rural households to national and regional markets and decrease shipping costs and travel times.

DANILOVICH: (SPEAKING IN SPANISH)

DANILOVICH (THROUGH TRANSLATOR): Creating jobs and trade, empowering local businesses, investing in people and paving the northern zone and connecting it with the rest of El Salvador creates new conditions to allow for the reduction of poverty as well as provides an impetus for economic growth.

This is exactly the transformation that this compact seeks to achieve, and the one that Salvadorans in the northern area of the country are all waiting for.

DANILOVICH: Central America is making considerable strides to build peace and prosperity for its citizens and to foster regional integration and trade throughout the CAFTA region and the hemisphere.

This compact furthers El Salvador's economic development, and better positions the country to remain an active and involved contributor, and well as a beneficiary, of its ever-emerging opportunities. It enhances El Salvador's support for regional trade cooperation, building on its premier leadership as the first country to sign, ratify and enter into force the U.S. Central America Dominican Republican Free Trade Agreement.

Moreover, as a member of the Community of Democracies, a coalition of 120 nations that seek to strengthen democracy across the globe, El Salvador is committed to advancing economic development and its economic governance simultaneously, as these are mutually reinforcing goals.

Sound economic policies, solid democratic institutions responsive to the needs to the people, enhanced human capital and improved infrastructure are the basis for sustained economic growth, poverty eradication and employment creation.

The compact we sign today reflects this reality.

President Saca, we recognize and applaud your remarkable and visionary leadership in making this compact possible.

DANILOVICH (THROUGH TRANSLATOR): It is obvious the commitment that you and your technical team, your administration, your people and your legislature continue to show in order to improve the quality of life for the poorest in El Salvador.

By making a real, sustainable difference in their lives, the efforts of your government will provide a basis of support for the long-term development and prosperity of your entire country.

We congratulate you for signing this commitment today, and we are ready to continue to work with you going forward. And now through the implementation of this compact, the promise of prosperity, economic

development and the reduction of poverty can become a reality for your citizens.

DANILOVICH: It is now my great pleasure to yield the podium to the United States trade representative and our MCC board member, Ambassador Susan Schwab.

Gracias.

(APPLAUSE)

SCHWAB: Thank you, Ambassador Danilovich.

It is an honor to have President Saca and his distinguished delegation with us today to witness the signing of the Millennium Challenge Corporation compact with El Salvador.

Mr. President, I am confident that this compact will help to bolster your efforts to expand economic opportunities and spur development for your people through trade. I hope it will serve as a model for other countries in the region to engage with each other and embrace market-based reforms.

Since I became U.S. trade representative in June, the Doha development round has been a chief focus of my attention. In meetings with my counterparts around the world, I would always stress the development goals of this round. Economists of every stripe agree that trade is clearly one of the best tools we have for alleviating poverty.

Of course, not all countries are at the same stage of development. Compacts such as these provide aid for trade that is needed to support our developing country trading partners. This compact is designed to make a substantial contribution to that effort.

The MCC compact that is being signed today complements El Salvador's trade agenda. It represents an additional piece of your country's broader emphasis on development and on El Salvador's focus on diversification from primarily agricultural production to value-added activities, including apparel assembly and other industries.

El Salvador's new \$198 million state-of-the-art container port, La Reunion, will facilitate CAFTA trade by moving goods across Central America and across and between the oceans, Pacific and Atlantic.

This project will be developed with the help of the Millennium Challenge Corporation.

The MCC grant, as noted by Ambassador Danilovich, will also contribute to highway construction. It will help small farmers to improve their productivity. It will fund social, educational and health projects to promote human development, primarily in the impoverished

northern part of the country. And the grant also focuses on rural development projects.

The grant's goal is to alleviate poverty and to encourage sustainable development.

More broadly, I am confident that this compact will complement the deeper and stronger ties that the United States is forging with El Salvador and strengthen El Salvador's decision to embrace market reforms and to conclude the Central America Free Trade Agreement.

This compact will do so by improving the infrastructure. That should help businesses in the northern zone get their goods to market and participate fully from the benefits of CAFTA.

And, I would note, as did my colleague Ambassador Danilovich, that El Salvador was, indeed, the first country to ratify CAFTA and the first country where the agreement entered into force. And I was pleased to have been able to play a part in that process and congratulate you again for that marvelous accomplishment.

With CAFTA and the MCC, we are working together to combine various elements of economic growth and broad development strategy for the region and for El Salvador.

So it gives me great pleasure now to introduce President Saca.

I know we all support and admire President Saca's commitment to strengthening El Salvador's economy and his efforts to ensure that the benefits of a democratic and open-market system reach all elements of society.

As a result of this path, El Salvador has become one of the most economically successful countries in the region.

President Saca's aggressive economic liberalization agenda has made the country among the most open in the hemisphere. And those reforms are paying off. And they are paying off where it counts: in terms of economic growth and in terms of the alleviation of poverty.

Relations between the United States and El Salvador are excellent and we share a common vision of a democratic and prosperous hemisphere that provides opportunities for all of its citizens.

Therefore, it is a great honor to have you with us today on this happy occasion, Mr. President. Welcome and congratulations again.

(APPLAUSE)

SACA (THROUGH TRANSLATOR): Mr. Chairman of the corporation, members of the corporation board, foreign ministers of the republic, ambassadors of the United States and El Salvador, Mr. Ambassador of our

country in the United States, members of the National Development Commission, mayors, representatives of the northern zone of El Salvador, Mr. Secretary, technical secretary of the presidency to the committee that is with me, special guests, friends in the press, today we are gathered to bear witness to a dream that becomes true, a dream that belongs to all Salvadorans, and especially to the 850,000 inhabitants of the northern zone of El Salvador, who for years have been isolated from development.

It is a pleasure and a source of pride for me to take part in this event as a witness of honor of the signing of such a desirable and historical document, the agreement between El Salvador and the Millennium Challenge Corporation for the financing of the country program which will help us launch sustainable development in the northern zone of El Salvador.

At this moment, El Salvador becomes the first low-middle-income country to sign an agreement with the Millennium Challenge Corporation which will serve to transform the northern zone of our country, and will have a significant and lasting impact on the entire nation.

On behalf of all Salvadorans, I want to express my most sincere gratitude to the people and the government of the United States and especially to President Bush for having created new forms of assistance with a high impact potential and of great benefit for all people with limited resources in countries such as ours.

We share your vision of sustained economic growth as the only and best solution for the reduction of poverty.

I also want to extend my gratitude to the citizens of the United States for including in this initiative low-middle-income countries that are making positive progress by taking measures to ensure that we have a government with justice, that we invest in people and that economic liberties are promoted.

Furthermore, I take the occasion to thank and, above all, congratulate the Millennium Challenge Corporation team for their efforts in working with the team from El Salvador in order to achieve such an important and comprehensive program and for completing it in such a short time without sacrificing quality.

This important grant that the government of the United States makes and the MCC makes comes at a good moment for our country. It arrives at a moment in which we are making not only important reforms and taking positive steps toward a better democracy with lasting benefits for all of our population and Central America.

The requirements of the MCC, of complying with the 16 and now 18 indicators of justice, social investment and economic liberties, are consistent with our country's commitment of walking in that direction toward building a better El Salvador.

That is why I want to express my confidence that we will continue to improve our country classification.

Since the corporation announced the inclusion of low-middle-income countries in their programs, El Salvador has worked hard, first to achieve eligibility, then to present a quality proposal and, finally, to establish an agreement of mutual accord with the MCC.

But this hard work has been worth it because today we are brought together to witness and to celebrate the signing of this important document, which will bring about a real change in the lives of tens of thousands of families that will benefit through human development, productive development and road and highway connectivity.

The proposal that we presented to the Millennium Challenge Corporation in May of this year was highly agreed upon by the citizens of our country. A comprehensive consultation process was carried out, in which we had the participation of the public and private sectors, experts in different relevant fields, nongovernmental organizations, small and large businesses, and the residents of the northern zone and Salvadorans abroad.

Moreover, by means of this process, the support of 94 mayors of the northern zone, who will form a municipal networking committee for the development of this sector -- and they are represented by four distinguished mayors at this ceremony.

Together, all Salvadorans agree that sustainable development in the northern zone is a priority project for our country and that we must give its population the opportunity to join this sustainable development which continues to take place in the rest of the country.

Today marks a new phase for the country program, which makes the development of the northern zone possible, thanks to the funding provided today.

Reaching this point, we find ourselves one step closer to enjoying the significant benefits that this transcendental project promises to give. At the same, we as a country face a new challenge.

Just as this is a country program, so is the challenge to take advantage of it and to make it a reality. It is a challenge for our nation. It is the obligation of each and every Salvadoran, of the government, of civil society, of private enterprise to make this program a success and to achieve progress in the northern zone.

However, we affirm that all Salvadorans feel optimistic about what we have achieved. And today we accept the commitment of complying with the program goals, to continue improving our indicators, and to facilitate the integration of the northern zone with the rest of the country.

As a government and as a country, we accept the commitment, with the Millennium Challenge Corporation, to take all possible measures to ensure that the implementation part of this program is transparent.

In addition to the measures that will be taken by the Millennium Challenge Corporation, which will have four representatives in El Salvador, we will invite the private sector and nongovernmental organizations to join the board of directors of the entity that will manage the Millennium Account funds.

They, on behalf of Salvadoran society, will make sure that all of the processes are transparent.

Citizen participation will be important and permanent in the implementation of this program. And all necessary documents will be published in order to keep stakeholders informed.

Moreover, last week I announced that I will create a high-level commission made up of three outstanding Salvadoran citizens, who will be in charge of ensuring the adequate use of funds.

The challenge of a successful implementation is now in our hands.

However, I have no doubts that the task given by this presidency to the commission is on a good path and we will achieve it successfully.

The achievement that we will formalize with the signing of this agreement in a few moments has been made possible thanks to the joint efforts of several sectors of society.

I want to extend my recognition to the National Development Commission -- they, together with the government, carried out the national consultation process; the government teams that dedicated their time and effort in the preparation of the proposal; to our foreign minister; to our embassy in Washington; and obviously, to the constant accompaniment of the technical secretariat and all of the other government agencies -- they have been key in order to have success in this process.

Once again, I would like to thank the people and the government of the United States for their valuable contribution to our country. It demonstrates this country's commitment to helping countries that are taking the right steps toward achieving governance, greater investment in the population, and economic liberties.

Those are our principles.

The path that led us to this day has not been an easy one, however we have achieved it. And the signing of the agreement will allow us to have great impact and a real transformation not only of the north but of the entire country.



Thank you very much to Ambassador Danilovich.

To Ambassador Schwab, thank you very much.

We are very happy today. And we are ready to sign this compact and to get to work as soon as possible to invest in the northern zone of our country.

God bless you all.

(APPLAUSE)

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