

**Testimony by
Ambassador John J. Danilovich
Nominee
Chief Executive Officer, Millennium Challenge Corporation
Before the Senate Foreign Relations Committee
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Mr. Chairman: Thank you very much for your generous and gracious introduction.

I am deeply honored to appear before you and the other distinguished members of the Senate Foreign Relations Committee as President Bush's nominee to be the Chief Executive Officer of the Millennium Challenge Corporation (MCC). I am grateful to the President and the Secretary of State for the confidence and trust they have shown in me, and I would like to express my gratitude for your consideration of my nomination as this Committee exercises its vitally important role of advice and consent.

I would like to acknowledge my family: Irene, my wife of 28 years, and our three children, John, Alice, and Alexander and to thank them for their continued support throughout my career. They have been, each in their own way, outstanding Ambassadors for our country, none more so than my English born wife. I also wish to express my gratitude to my parents whose dedication and service to our country served as an example and inspiration to our family.

The mandate and mission of the Millennium Challenge Corporation are straightforward: to reduce poverty by investing in sustainable economic growth in poor countries that govern justly, invest in their people and encourage economic freedom. It is a noble mission. To apply this approach based on the lessons learned about effective development assistance is unprecedented. To make it succeed is daunting. But in its success lies the creation of a more secure, more humane, more prosperous world for all.

Mr. Chairman, I would like to comment briefly on my career and its relevance to my nomination, why I believe I am qualified to take on this challenge, to present my vision for building on the good work that MCC has already accomplished and how, if confirmed, I intend to lead the organization to achieve its noble mission.

In an international career of more than thirty years in both the public and private sectors, I could highlight a number of accomplishments and some disappointments. But today I'd like to point you toward what I believe is an underlying theme: leading people to manage projects, solve problems, and accomplish established goals.

Over the past four years I have served as our Ambassador to Brazil and Costa Rica. I have seen what happens when countries pursue good policies. Costa Rica is internationally acknowledged for its leadership in environmental preservation, and its investment in education has resulted in one of the highest literacy rates in the Western Hemisphere. In Brazil, we are seeing how adherence to sound fiscal policies can result in remarkable economic growth.

For almost two decades, I was involved in the Maritime Industry which, by its very nature, is international in scope. To survive in shipping one must deal with a myriad of international,

political, and economic issues, and I prospered in that environment. My analytical and negotiating skills were honed while dealing with private, public, and state entities and resolving complicated financial, political, economic, and social issues in numerous countries.

During the 1990s, I also served on the Board of the Panama Canal Commission prior to the transfer of the Canal to Panama. Many of you were also involved in those negotiations and know very well the issues dealt with in the complicated, controversial but ultimately successful transition process.

Mr. Chairman, in recent weeks we have all observed meetings of the United Nations, the International Monetary Fund, and the World Bank. These institutions were created more than half a century ago at a time when our nation faced serious challenges around the world. Today, we face equally demanding challenges -- and perhaps the greatest challenge of all is battling the scourge of poverty around the globe.

To me, it is clearly in America's interest to fight this battle. To do it, we need to use not only well established institutions more effectively, but we also need to create new ways of approaching old problems. MCC is a new way of confronting extreme poverty using an approach that is based on the lessons of development. More important, it is an approach that is based on good, old fashioned American common sense: reward good behavior, require accountability, and measure results to see what is being done correctly and what is being done incorrectly, and then apply those lessons to the pursuit of reducing poverty through economic growth.

In many ways, the Millennium Challenge Corporation has done a fine job in adhering to this approach as originally laid out by the President and Congress. Despite the progress MCC has made in the last year and a half, I believe that there is still much to be done to realize fully the bold vision first articulated by President Bush in Monterrey in 2002. I want to assure you that, should I be confirmed, I am committed to finding ways to improve MCC's operating model, including streamlining processes and providing better guidance to countries early in the process, and I furthermore plan to focus on a more strategic vision: to be **transformative**, to stay **targeted**, and to **deliver results**.

Let me briefly expand on the three pillars of this strategic vision.

1. Transformative: President Bush's goal for the Millennium Challenge Corporation is to reduce poverty by significantly increasing the economic growth trajectory of eligible countries. This requires substantial investments that raise a country's productive growth potential. In other words, MCC is meant to create transformative programs. To have a truly transformative impact in the countries MCC partners with, I believe that future Compacts will generally need to be larger than those signed thus far. This means that faced with finite resources, MCC will have to allocate reduced resources to fewer countries if it is to achieve this transformative impact. While such an approach enhances the incentive effect of MCA, it should be noted that some countries will inevitably be disappointed. Some won't qualify in the first instance. Other countries that are MCA eligible won't produce solid proposals, or the resources to carry them out, even with substantial MCC assistance. Eligible countries that have signed Compacts face the risk of funds being cut for non performance or the inability to implement effectively.

2. Targeted: I've read the legislation and the background documents on the creation of the Millennium Challenge Corporation and it is clear to me that MCC was always intended to be a targeted program. MCC cannot be all things to all people. It does not provide relief to the victims of natural disasters, or promote a purely geostrategic goal. The strength of MCC is that it is focused on one mission –MCC seeks to reduce poverty in countries that put into place good policies, that have enough incentive to foster a genuine partnership to build local capacity and institutions, and that are committed to being held responsible for quantifiable results. Development assistance is more effective and more sustainable when countries initiate and are responsible for their own policy reforms and development projects, when they have "country ownership."

3. Deliver Results: I would like the Committee to know that "shoving money out the door" is an expression and concept which I find abhorrent and consider an insult to the American taxpayer. By law, MCC must obligate all the money for a Compact when the agreements are finalized. This money then is not available for use in other Compacts, but it doesn't mean MCC transfers hundreds of millions of dollars immediately. Disbursements take place in tranches, probably quarterly, as benchmarks and performance standards are met over the duration of the Compact. With 5 Compacts signed, MCC has committed nearly \$1 billion but certainly that much hasn't been disbursed. It is expected that all of MCC's remaining FY04 and FY05 appropriations will be committed by the end of the third quarter of FY06. In a world of increased scrutiny over every dollar due to tight budgets, a world with which I am very familiar, spending money to end debates about inputs to aid as opposed to outputs or to obligate money by arbitrary deadlines, are strategies that will end in failure. To be transformative and remain targeted, MCC must make sure that programs are of sufficient quality, that countries have carried out meaningful and participatory consultative processes with the private sector and civil society that countries are capable of managing and implementing those programs, that the results are quantifiable and measurable, and that money is handled prudently. This means, inevitably, that we must recognize the importance of patience, the necessity of tradeoffs, and the willingness and ability to make tough calls. But no excuses must ever be made for dilatory management. And have no doubt about this: If I am so fortunate as to be confirmed, you will have in me a CEO who is committed to a selection and Compact process that acts boldly and expeditiously to advance the Mission of the Millennium Challenge Account.

Mr. Chairman, in this new millennium, MCC is carrying out an innovative paradigm for aid delivery and effectiveness. If confirmed, I will work to improve MCC operations and deliver on the promise to help the world's poor lift themselves out of poverty. The President, in a meeting I had with him yesterday, reasserted his strong commitment to the Millennium Challenge Corporation. Congress was right to create MCC, and your faith in the Corporation you have created should remain strong. If confirmed, I will do all in my power to merit your support and to ensure your continued unwavering support for MCC.

Mr. Chairman I want to thank you and the Committee for your consideration of my nomination and for the opportunity to appear before you today. I look forward to working with you, your distinguished colleagues and your staffs to achieve the mission of the Millennium Challenge Corporation. I thank you for your attention and I welcome your questions.