

MILLENNIUM CHALLENGE CORPORATION

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REMARKS

**Millennium Challenge Corporation Holds a Public Meeting on the
MCC Compact between the United States and El Salvador**

**November 30, 2006
Hall of Americas, OAS
Washington, D.C.**

SPEAKERS:

**Ambassador John Maisto
United States Permanent Representative to the OAS**

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

**Elias Antonia Saca
President of El Salvador**

**Eduardo Zablah
Technical Secretary for the President of El Salvador**

**Ambassador Robert Siman
Executive Director,
Millennium Challenge Account**

**Sandra de Barraza
Chair,
National Commission of Development of El Salvador**

**John Hewko
Vice President of Operations
Millennium Challenge Corporation**

MAISTO: Good morning. Welcome, all, on this day of celebration for El Salvador and for Central America.

President Saca, Ambassador John Danilovich, Foreign Minister Francisco Lainez, Ambassador Rene Leon -- there are so many friends here -- Ambassador Abigail Perez de Castro, Frank Almaguer, encargado de la joya el dia de hoy -- friends all.

My name is John Maisto, and I have the privilege today of serving as the U.S. permanent representative to the Organization of American States and moderator for today's activities.

It's my pleasure to welcome you here to this beautiful, magnificent, historic Hall of the Americas. I'm delighted to moderate today's briefing on the newly signed compact between the Millennium Challenge Corporation and El Salvador, one of its distinguished and tried and true members of the Organization of American States.

El Salvador's commitment to furthering good governance, transparency, sound social policy, economic policies, and the health and education of its citizens has led to its compact with the Millennium Challenge Corporation.

In many ways, El Salvador is a leader in Central America in the essentials of democracy and development, striving to achieve poverty reduction and economic growth for all its people, contributing to stronger trade relations with its neighbors in the region and the hemisphere, and advancing economic development that translates into more and better opportunities for its citizens, including job creation and poverty reduction, along with its thriving, vibrant democracy.

You'll be hearing more about these themes today and how the MCC-El Salvador compact contributes to them from our very distinguished presenters and panelists.

We are, indeed, privileged to hear today from his Excellency, President Elias Antonio Saca of El Salvador, as well as Ambassador John Danilovich, the CEO of the Millennium Challenge Corporation.

Then, we will convene a panel of those who worked firsthand on developing the MCC-El Salvador compact, both in El Salvador and at the MCC.

And I want to assure you, there will be time for your questions in that event.

But let me begin by introducing Ambassador John Danilovich.

Ambassador Danilovich served as ambassador of the United States to Costa Rica from 2001 to 2004, and to Brazil from June 2004 to November 2005. Prior to those 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, MCC now has 11 compacts approved with countries in Africa, Central America and Eurasia, totaling \$3 billion.

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

(APPLAUSE)

DANILOVICH: Thank you very much, Ambassador Maisto, for that kind introduction. And many thanks to you and your office and the Organization of American States for arranging for this very special hall for today's very special event.

President Saca, Minister Lainez, distinguished members from the delegation from El Salvador, Secretary Zablah, Ambassador Leon, ladies and gentlemen, it's a pleasure to join you today to discuss the Millennium Challenge Corporation's compact with the Republic of El Salvador.

(SPEAKING IN SPANISH)

Valued at \$461 million, the MCC-El Salvador compact is our first with a lower-middle-income country, our 11th overall to date, and our third in Latin America, joining the compacts we already have with Nicaragua and Honduras.

Overall, the MCC has committed nearly \$3 billion to our partners in Africa, Eurasia and Latin America, who meet our eligibility requirements and who demonstrate a profound commitment to ruling justly, investing in their people and promoting economic freedom.

Indeed, as a new and innovative approach to United States foreign development assistance, the MCC model is one in which we encourage and reward good policies. We ask for nothing less than full country engagement in and ownership of the compact development process. And we expect measurable and tangible results to reduce poverty and to spur economic growth.

El Salvador has fully embraced the MCC model. Under the guidance of a high-level oversight commission, and with the personal support and direct involvement of President Saca, Salvadorians engaged in a broad-based and participatory consultative process to identify their specific barriers to poverty reduction and economic growth. Then, they determined and outlined a targeted program to overcome these constraints.

The fact that El Salvador presented a comprehensive proposal in just four months is a clear testament to the political will, visionary leadership at the highest levels, technical capacity, and sheer determination to make the most of its MCC opportunity to bring transformative change to the lives of the poor in the country's northern zone.

With what we anticipate will be the same level of enthusiasm and commitment, El Salvador will now lead the implementation of the compact.

DANILOVICH (THROUGH TRANSLATOR):

The Compact between El Salvador and the MCC contains 3 specific components. Collectively, these will alleviate chronic poverty and create economic opportunities for the northern region of El Salvador, where more than half of its inhabitants live under the line of poverty. The MCC agreement with El Salvador seeks to improve the life and welfare of more than 850,000 residents in the northern zone.

DANILOVICH: Let me explain briefly each component of the compact.

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 investments, expanding markets and sales, and creating new jobs and increased income for the poor.

Second, the human development project directs \$95 million to bolster formal and nonformal education and training in the northern zone. It will expand access to public services and critical community infrastructure, such as water, sanitation and electricity that will benefit the poor communities.

Thirdly, 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 an improved 240 kilometers of rural connective 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.

While the compact accelerates El Salvador's economic development, it will position the country to be an even more active contributor to and beneficiary of the U.S.-Central America-Dominican Republic Free Trade Agreement. El Salvador will further its role as a leader in promoting regional trade.

MCC compacts with El Salvador, Nicaragua and Honduras, all of whom are CAFTA partners, will build the region's capacity to take advantage of and maximize the opportunities presented through CAFTA.

Moreover, as a member of the Community of Democracies, a coalition of over 120 nations that seek to strengthen democracy across the globe, El Salvador understands that economic development and economic governance are mutually reinforcing and must be pursued simultaneously.

These ideas are at the core of the MCC-El Salvador compact, and these ideas are the most direct way to generate homegrown entrepreneurship and enterprise and attract private-sector investors that will pick up where the MCC compact ends.

Indeed, now with the MCC compact signed, its membership in CAFTA and its recognition by the World Bank-IFC "Doing Business 2007" report as one of the world's top 10 performers, El Salvador is a democracy and an economy on the rise and one which private investors are increasingly considering for business ventures.

The active involvement of the private sector is key to fostering economic development and poverty reduction that are both sustainable and transformative.

DANILOVICH (THROUGH TRANSLATOR): We expect to work with the Salvadorians to forward implementation of their agreement and to make a reality the promise of economic development and the reduction of poverty.

DANILOVICH: Thank you very much for your ongoing interest in the work of the MCC and in our MCC-El Salvador compact.

It is now my great honor to introduce President Saca of El Salvador.

A member of the Arena Party, President Saca won the elections on March 21, 2004, with a majority of the votes and assumed office on June 1st of that year. A descendant of Palestinian immigrants to El Salvador, President Saca was a prominent businessman and broadcast journalist before entering politics.

I am honored to invite President Saca to the podium to share his insights about the MCC-El Salvador Compact.

(APPLAUSE)

SACA (THROUGH TRANSLATOR): On behalf of the republic of El Salvador, ambassadors accredited to the U.S. government and to the OAS, president of the Millennium Challenge Corporation, members of its board of directors, members of the National Commission for Development of El Salvador, mayors of the northern zone of the country that accompanied us, and of all the political friends, our special committee that accompanies me, ladies and gentlemen.

Just a few minutes ago, we were talking in a private meeting -- that is not going to be private anymore because I'm going to say what we talked about -- with Ambassador Maisto, a dear friend of ours, and with the president of the Millennium Challenge Corporation. And they said that Central America is going through its best historical moment.

Twenty years ago, Central America was at war. Central America had problems. And we talked about the violations of human rights. And you, better than anybody, knows the history.

Fortunately, 20 years after, we have a Central America that is democratic, a Central America that progresses and that grows economically better than the other countries of Latin America.

This historical moment of Central America is good for democracy. It is good for the OAS. It is good for our people.

As I said yesterday, a dream is becoming true for El Salvador at this moment; a dream that will impel the sustainable development in the northern area of our country and that will transform not only the northern region but all of our territory.

Yesterday at the State Department, I witnessed the signing of El Salvador's agreement with the Millennium Challenge Corporation for the financing of the country's program which will make the sustainable development possible in the northern part of the country.

This signing establishes a historic landmark for El Salvador because the program will have a transcendental impact and will improve the quality of life of 850,000 inhabitants.

I feel very thankful that the people and the government of the United States, especially through its president for his support, of which without doubt we will have a lasting and significant impact.

In the same manner, I repeat my gratitude to the Millennium Challenge Corporation team who, under the leadership of Ambassador John Danilovich and Mr. Hewko, have made a great effort to make this signing a reality very quickly and professionally.

El Salvador has been a leader among the medium-low-income countries in the search for new alternatives for the reduction of poverty. The funds coming from the Millennium Challenge Account since last year were viewed as an unprecedented opportunity and a novel opportunity for countries like ours, where we have government with justice, we have invested in our people, and we have promoted economic development and liberty.

Our government shares the vision of the Millennium in the sense that we are convinced that the best way to reduce poverty is by means of sustainable economic development.

Therefore, since the Millennium Challenge Corporation announced the inclusion of low-middle-income countries into their program, El Salvador made an effort to carry out an efficient and undoubtedly an effective process that will reduce poverty by means of economic growth.

At the beginning of 2005, when this opportunity presented itself, our government created a high-level follow-up commission for the Millennium Account, which, from the very beginning, worked on the process that was necessary to access these funds.

From the very beginning, we focused on improving the country's indicators to comply with the Millennium Challenge Corporation's criteria and become eligible. And we became eligible in November 2005, demonstrating our commitment to govern with justice and invest in our people. We then proceeded to form a technical team comprised of people from the different government ministries to make the country proposal.

And concurrently, with available support of the National Development Commission, we carried out a citizens consultation process that allowed us to confirm the mutual agreement of the population regarding the priorities which should be given to the northern zone of my country.

This process ended in May with the country proposal for the sustainable development of the northern zone -- to make it sustainable. And we have a proposal that was widely consulted, which contemplated three components of human development, productive development, and road and highway connectivity, and five (inaudible) axes of: transparency, citizen participation, environment, gender equity, and territorial organization.

The country proposal was delivered in May. And it was approved by the board of directors of the Millennium Challenge Account on November 8th. And it became official yesterday, with the signing of the agreement. All in record time.

This is the work of a country, of a team. Although yesterday we reached an important milestone, it doesn't mean that this is the end of the process, because the implementation is much more important. Because yesterday we started a new stage, a new stage for the opportunity of the country, but it is going to be a challenge for El Salvador and for all Salvadorians that have to work together until we reach this goal.

As a government, we will continue working to maintain and improve the indicators, and also besides this commitment, we share principles that we are permanently (ph) working to ensure our population has the access to basic services.

As a country, we guarantee that the implementation of this program will be transparent. In preparation for the program, the government of El Salvador initiated the preliminary activities that will allow an efficient implementation of the agreement and that will guarantee transparency.

Next week I'm going to summon to the presidential house -- and I will invite all the mayors of the 92 municipalities that have been benefited to officially announce the process to the national assembly.

And we hope that in a very short time possible and with the support of all the political parties, we can ratify this agreement with the corporation of the Millennium and continue with the deadlines that we have established and of course the timetables.

Two weeks ago, I announced that, for this purpose, I will appoint three permanent Salvadoreans who will form a commission that will review the process and collaborate with the Millennium Account. And in the next five years, they will help in the implementation and be a moral guarantor of the transparencies of (inaudible).

The country has worked extensively to get where we are today. And we are sure today that the program will have a great impact and will truly transform not only the north of the country but also all my country.

I would like, my dear friends, to tell you something very important. El Salvador is heading a campaign of the low-mid-income countries, because I always thought it was unfair that a country that complies, that invests in its people, that had democracy, that pays its commitments in time, like El Salvador, that is just coming out of a war, a 15-year war, always fulfilled its commitment -- I always thought it was unfair not to have funds for development for countries like ours.

The message was wrong. The message should be do the good things, pay your debts, have democracy, but you will not have rewards, you will not have any access. And this, today, the United States, through the Millennium Corporation, is changing.

I think that this is a project, not only a country project, not only for El Salvador, this is a project for Central America. What happens in El Salvador can be something that can be replicated in other countries of Central America.

Thank you, Ambassador Danilovich and to the entire corporation. Thank you to the teams that have worked so hard for El Salvador and for the United States as well.

Thank you very much to the OAS for receiving us this morning in your house, in this house of the Americas. Thank you for receiving us.

And I want to tell you that we hope to give good news very soon in the continuation of this program. El Salvador will be, undoubtedly, a history of success. And this is what today we're committing ourselves to do in front of you.

God bless you all, and thank you. And it's good to see you back again at the OAS and celebrate together what yesterday was a historical day. We will transform the country.

And we have received a message from the United States, a spectacular one. The message is: Do democracy; invest in your people; govern as you should, with the law in the hand and with the consultation in the hand; because being democratic is not just about being elected, but also during the presidential administration you have to be democratic as well.

God bless you all.

(APPLAUSE)

MAISTO: Thank you very much.

In true OAS style and tradition, we have allowed the president of El Salvador to depart our hall. As you know, President Saca has to go immediately to the airport to get on a plane to go to Mexico for the inauguration of the president-elect of Mexico.

And, of course, John Danilovich has had to move on as well.

Both of them have had a very active two days of celebrating.

We are going to continue here. You have heard directly from the president about El Salvador's commitment to democracy and development and social progress. But now we want to hear a little more about it from the people who have managed to put it together. Because that record time is really quite something in a hemisphere in which, rather, the style is to take longer periods of time to get things done.

So we are going to convene our panelists, who are going to share with us the details and maybe a few of the secrets of the development of El Salvador's proposal for funding and how it became the compact that it is.

To do this, we are joined by four distinguished panelists: Eduardo Zablah, Ambassador Roberto Siman, Sandra de Barraza and John Hewko.

Let me say a few words about each of them and to explain their role in the process.

And I'm going to ask that each of our panelists please stand as I introduce them. And the place for the panelists is up here, as well.

And, together, the panel will discuss elements of the compact development process, from the in-country consultation process to developing the proposal to reaching the compact signed yesterday.

So I invite the panelists to come forward, take their seats, and I will introduce them one by one.

Eduardo Zablah, the technical secretary for the president of El Salvador, who presides over the high-level national commission for the Millennium Challenge Account-El Salvador. El Salvador's commitment to the MCC process at the highest level is indeed evident, and it's in his hands. Prior to his appointment, Mr. Zablah's distinguished career includes work in both the private and nongovernmental sectors.

Mr. Zablah, would you please stand?

From 1994 to 1999, he served as El Salvador's minister of economy, so he knows this stuff very, very well.

Thank you so much.

Ambassador Siman -- if you could please stand so we could all see you -- is the economic adviser to the technical secretary, executive director for the Millennium Challenge Account, and a member of the high-level national commission for the Millennium Challenge Account-El Salvador.

Ambassador Siman has worked as the senior adviser to the executive directors of both the International Monetary Fund and the World Bank. He has extensive private-sector experience, having worked, for instance, in senior management at the First National Bank of Chicago and, of course, good old Citibank.

Thank you so much, Ambassador Siman.

Ms. de Barraza chairs the National Commission of Development and its territorial team and has led the consultative process for the Millennium Challenge Account-El Salvador's program development.

She's a political and social analyst, who consults closely with national and international agencies on the evaluation and creation of social and institutional development projects. Her weekly editorial can be read in La Prensa Grafica, and we follow it assiduously. A proposal she formulated served as the basis for restructuring the educational system in El Salvador.

Thank you.

John Hewko, vice president of operations at the Millennium Challenge Corporation, overseeing the El Salvador transaction team that is responsible for proposal development, proposal due diligence, compact negotiation

and compact implementation. He was last in El Salvador the day the MCC's board of directors announced the approval of the MCC-El Salvador compact.

Prior to joining the MCC, Mr. Hewko was an international partner with the law firm Baker & McKenzie, specializing in international corporate transactions in emerging markets. He has worked in the firm's Central and Eastern European offices. He has also worked in Buenos Aires and Sao Paulo for leading Argentine and Brazilian law firms.

Now, after the presentations of our panelists, we will take your questions. And we expect to have some good ones.

So, panel presentations, you may begin.

SIMAN: First of all, we don't have any secrets. We just have lessons learned. OK? And it's a pleasure being here.

As you know, this is the first Millennium Challenge Account with a middle-income country, so I think it's, in a way, a new experience for us and also for MCC.

And I think the model that we have done in putting together the proposal has been a successful model, not only because we began early doing it, but also because, at the end, we were able to achieve in a short period of time a project that is a complex project.

I want to focus my comments on three things.

First, how we had an excellent teamwork with the MCC; second, that we didn't begin from scratch. We actually began from something that the Comision Nacional de Desarrollo had been doing for many years based on public consultations.

And that involved -- we had an early preparation. We didn't begin from scratch. All the work that the Comision Nacional has done in the past really helped to take an early start.

And, third, I would say that the involvement of MCC from the beginning -- they didn't wait until we had a proposal and sent to Washington. Their involvement from the beginning really made this much easier for both teams.

As I said, the first thing is excellent teamwork. As President Sacca said, we began putting this high-level commission even much earlier than we were qualified to present a proposal.

So we were looking at indicators. We were doing a lot of things internally in the country much, much before November of last year. I think Minister Zablah knows, I think, as early as February or March when there were rumors that middle-income countries could get into that, we began doing the homework.

And President Sacca, through a presidential decree, formed this high-level commission with the minister of finance, with a private-sector member, Francisco Sola (ph), with the secretary, with the head of the social team, and myself as economic adviser.

And I want to mention, I think President Sacca understood that this was a once-in-a-lifetime opportunity; that if we didn't take it, if we didn't go for the whole thing, we were going to miss it. And he had the vision to give it the opportunity that it deserved.

The way we selected the technical team was also very important. As I mentioned before, they were handpicked. We didn't get just people from here and there. It was a very tiny, little team. We have three or four of the members here. They were working in the government, outside the government. And we want people that had that mystique, that vision, that desire to get things moving.

The second thing I would say, when talking about teamwork, was the team that MCC was able to put together. I think we didn't give them too much time to run through all the processes. And we said, "We need a team." We jointly put a calendar that was very important -- it was an agreed calendar. It wasn't something that El Salvador was saying that they wanted to do. It wasn't something that MCC was imposing on us. It was a joint calendar.

And at the end, I would say there's no one -- or there was only one team. It was the MCC-El Salvador team, with people in Washington and people in El Salvador.

The other lesson learned is that I think, even though we were awaiting the decision to qualify, we had that early start that I mentioned. Comision Nacional de Desarrollo, who put together the plan de nacion, had been doing consultation for eight years.

And I remember when we told that to John Hewko, his comment was, "Oh, well, we need a new consultation. Eight years is not enough." I said, "Sure."

But if you do a new consultation with the same people that had been doing eight years of consultation, the probability of the outcome is similar, and the way they get involved was very important.

So I think we also used a lot of studies from the World Bank, IDB, USAID. We learned from experiences. We have a couple of very good think-tanks in El Salvador that were involved in doing studies about reducing poverty, about generating economic growth.

But I would say the new thing that Comision Nacional brought was this vision of the northern zone as one territory -- not different departments and municipalities. It was one territorial plan. And I think, based on that, we began doing the project that was consulted in these four or five months early this year.

So, repeating, the second thing that we learned is that early preparation was very important.

I won't get more into consultation, because I think Sandra de Barraza has all the credit. I mean, we benefited from her experience and her team, and we worked hand-by-hand through every single town in the north. We even came here to Washington, to L.A., to do the consultation with the El Salvadorians here.

And what came out of it was a project that, let me tell you, was modified from what we put together initially, because of the consultation. The importance of environmental, the importance of territorial planning, the gender issue - that didn't come from MCC. It came from the consultations.

So we integrate and we have a document, we have 500 pages of document of consultation -- but we have a 30-page summary that is on the Web page of MCA and El Salvador.

We feel that dialogue, both consultation with MCC and internally with all the ministers and ministries that were involved, is a complex (inaudible). It was very intense, I would say exhausting. But it's much better to do it all at once, have the technical team working, doing the consultation, doing the talking with MCC, then to do one after the other, because you benefit, even though it's much work.

I mean, some days we worked 20 hours. But, at the end, we were getting the input the same day that we were doing the consultation and putting that into the proposal. So I think that was very important.

I would say that the last part is that the involvement with MCC early in the game was very, very important.

I think one thing that we asked, and we got a good response -- we wanted to get all the experts from MCC in January at the same time that we would begin the consultations, because we wanted to make sure that we understood what they wanted and they understand what our people in trouble needed.

So it was a very interesting process, because at the same time we were having these sessions three or four times a week -- and there were the MCC people sitting there, listening directly from the people from the north, from

NGOs -- all these discussions. So when we present the proposal, we don't have to tell them that much. They already had seen what the country wanted.

And this dialogue was even more intense because our proposal has three main components and a lot of subcomponents. We have education, we have water and sanitation. So it wasn't an easy dialogue, but, at the end, it validates what was put in writing.

And the other thing that was very important is that we began talking about implementation early in the game. During that consultation, a lot of people gave us their concerns about, "This is a good idea, but are you sure that you can implement that?"

So a lot of the issues that we're discussing now after its signing of how we will implement, all the stories that we're doing, came out from the early discussion and consultation process.

I think my conclusion will be that the way we can guarantee development in this relationship of a sound program and sound policies that reflect principles. What President Saca said is that we share the principles with MCC: governing with justice, investing in people and promoting economic freedom.

We, as a country, had the same principles even before we began talking with MCC. We began sharing how, with our policies, our projects, we could attain those goals.

One last comment. We've also worked very hard on the indicators. As you know, the MCC had 16 indicators, now 18. And from day one, we looked at that score card.

And I think, in another meeting, Ambassador Danilovich mentioned the MCC effect, which is how countries really focus on specific things.

One example, we have been doing a lot of effort in reducing the time and cost of companies that want to invest in El Salvador. In the last year and a half, the number of days that it takes to open a business came down from 90 to 40 to 26.

And I will say, even though it's something that we're doing as a country, that we were doing it before, but obviously the fact that that is an indicator, or two indicators, that MCC looks at helped. So I think the MCC effect is, in a country like ours, giving us more reasons to do the things we need to do.

The chief of staff's office, Mr. Eduardo Zablah's office, in the last year we have created a new department that is just following indicators for the country. There are about 500 indicators through the whole government, but we have a department under Mr. Zablah. And I would say that will help, because we're really understanding what other countries are doing, how we're being seen. And that was also a positive effect from this experience with MCC.

I really believe in the program. I really believe that the El Salvador program will attain the reduction in poverty through economic growth. And I'm very thankful for this experience, and especially to the team at MCC that worked very hard on this.

Thank you very much.

(APPLAUSE)

DE BARRAZA: Ambassador Maisto, Ambassador Abigail Castro de Perez, ladies and gentlemen, really for us it's an honor to be here, especially for this occasion.

In El Salvador, the Millennium Challenge Account found a permanent process of participation and consultation. One process that has started 10 years ago and its compromise with a shared vision of our country, our society and our development.

What does it mean for the country program for this process of participation and consultation?

First is the opportunity to respond and create a different way of dreaming, thinking and doing development. With this program, we're going to have a very good incentive to build a new city culture, with new opportunities, transparency and accountability.

Within 16 months, we're going to ensure that the citizens monitored the 18 indicators that have been established for our country.

We will also have to ensure that all 94 small communities from the north part of our country are consulted. The citizens, during this process, have to follow up with results. The challenge is to achieve growth and to reduce poverty. And that is a big job.

With the culture program, the citizens also are going to have an incentive to have better and new practices at the public sector -- practices that are related with information, with transparency and also with accountability. I'm sure that this is going to generate a different kind of managing the public sector.

With the country program, we are going to have the opportunity to stimulate processes that are related with an old institution that is central and local labor. We're going to have the opportunity to build conditions, ultimately to be able to produce economic growth, leaving behind the existing model that generates dependence and work against human dignity.

Conscious of that, we have organized two committees. One is related with the municipalities, the 94 municipalities, and it is named Committee la Municipal. This Committee de la Municipal is integrated with 21 mayors of all the political parties. And they have the mission of creating the best conditions to attract private investment and to facilitate special planning.

The other committee is the committee which is the legislative committee, integrated with nine congressmen of all different political parties. They are going to assume the responsibility to ensure the legal framework for the special planning and also to ensure the financial resources that the growth of the north part of the country needs.

Finally, with this process, the citizens of El Salvador are going to have the opportunity to make linkage with people in our country and people that have been abroad out of our country. We have been in touch with Salvadorians that live here and that are very interested to invest, to share their experience, their knowledge with the people that live in the north part of the country.

Be assured that, with this process, our country is going to change.

Thank you very much.

(APPLAUSE)

HEWKO: Ambassador Maisto, distinguished guests, I'd like to echo Ambassador Danilovich's congratulations to El Salvador for the \$461 million compact which we were able to sign yesterday.

El Salvador is our first low-middle-income country, and it also has the distinction of being the fastest country that we've been able to do a compact with.

El Salvador was chosen last November, in November of 2005, and in less than a year we were able to move through the process of developing a compact proposal, reviewing the proposal and signing an agreement.

So, you know, I'd like to congratulate El Salvador for being a truly excellent and valuable partner to work with.

Now, I had the pleasure of being in San Salvador on the 8th of November, the day that our board announced the approval of the El Salvador compact. And I was particularly struck by the excitement and enthusiasm that I saw in

the country for this program. It was clearly broadly based. It was clearly supported by a vast lot of the Salvadorian population.

And I was particularly impressed by the bipartisan support that the mayors from the north were exhibiting toward the proposal.

And we at MCC very much share this proposal, as does the Salvadoran community in Washington.

So again, congratulations, to El Salvador on a job incredibly well done.

I'd like to follow up a bit on Roberto Siman's comments on lessons learned from the MCC perspective.

I think there were five key items or key actions that occurred that allowed us to move El Salvador as quickly and efficiently as we did.

First was the truly effective and committed political leadership from President Saca. He made a compact with MCC a top government priority. And, quite frankly, without President Saca's commitment and political leadership, we would not have been able to do what we were able to do as quickly as we did.

Second, El Salvador put onto their MCC team a very, very competent technical team. And here I'd especially like to thank Eduardo Zablah, Roberto Siman, Sonia Jasbun, Raquel Origiano, Cecilia Garzado, and the entire El Salvador team. I mean, truly a world-class team that was a joy to work with.

Third, as Roberto had mentioned- the early visits that we did to El Salvador. El Salvador had the benefit of having us learn lessons over the past two years with some of the earlier countries that we'd worked with. And I think the early engagement with the country made a huge difference in moving the process forward. We were able to provide El Salvador with much better guidance, a much better idea of the road map to compact-signing.

Fourth, we are now organized and have institutionalized what we call MCC University. It's a training session for the various points of contact from our eligible countries. And I think having the El Salvador team, or key members of the El Salvador team, attend that MCC University as they were developing their compact proposal made a huge difference, again, in moving the process forward.

And finally, the organization on the Salvadorian side -- the El Salvador team was extremely well-organized, extremely efficient, a joy to work with.

Obviously, if there's any negotiation or any partnership arrangement, there are some difficult discussions. But I think we're faced with a partner who's extremely well-organized, very, very committed to getting the process done.

So again, Eduardo, Roberto, thank you very much for your terrific work and your support in moving the process forward.

On the consultative process, I must say it's one of the best processes we have seen from our eligible countries. More than 2,200 Salvadorians participated in over 50 outreach events.

El Salvador also did something that none of our other countries have not yet done, and that is it reached out to its diaspora, its community here in the United States. This is something no other country has done, and we're very pleased to see that El Salvador did this, especially given the fact that many of the Salvadorians living in the United States come from the northern region that's going to be benefited by this compact.

We expect that the process of consultation with key stakeholders will continue. And here I'd like to congratulate Sandra de Barraza and the Comision Nacional de Desarrollo for a really, truly spectacular job in carrying out the consultative process. And we look forward to the commission's continuing engagement as we move through implementation.

So what are the next steps to actually get money out the door and start building projects and carrying out activities that are going to reduce poverty and stimulate economic growth in the northern region?

First, as President Saca mentioned, the compact needs to be ratified by the national assembly, and we hope to have that done fairly soon. Secondly, we need to establish the entity which will complement the compact, Salvadoran-led and Salvadoran-staffed entity, needs to be established; key staff need to be recruited.

We hope to be able to start our initial disbursements, smaller disbursements in early 2007, with the major disbursements for the major construction work starting in mid- to the end of 2007.

So in closing, I'd like to thank in particular Ambassador Barclay and all of the staff at the U.S. Embassy in San Salvador, particularly USAID, where we had a very, very good and supportive relationship with them.

And, finally, I'd like to thank my colleagues at MCC who did such a great job in getting us to yesterday's signing. And I would ask those who are here to stand briefly and be recognized.

Vince Ruddy, who is our country director; Kenny Miller, our associate country director; Karina Blanco, program officer; John Polk, Carlton Bennett, and Jack Hastings, who helped us out on the financial piece; and then, finally, our managing director for Latin America, Stacey Rhodes.

And I'd also like to thank all the other members of the MCC team, both our internal staff and outside consultants, which worked so diligently and so hard to get this done.

So, again, congratulations. It's been a great two days. We've been able to get the compact signed, but frankly that was the easy part.

The difficult road is now starting, to implement this compact in a timely fashion, in an effective way, so that we can start really reducing poverty and taking this historic opportunity to truly transform the north of El Salvador, to have regional impact, and to be able to say that we had a true role in reducing poverty and stimulating growth in El Salvador.

Thank you very much.

(APPLAUSE)

MAISTO: OK. Question time? Question time.

QUESTION: I'm very glad to be here this morning to congratulate El Salvador for the signing of this compact with MCC.

As you may remember, two weeks ago my country, Mali, was in the same position -- same fortunate position. So this is to say that El Salvador and my country have benefited from this Millennium Challenge Account, which is an innovative development in aid.

Something very important, also: Mali is chairing the Community of Democracies, which El Salvador is a member, a prospective member of the governing group. This gives an opportunity for us to congratulate El Salvador for the constructive role played by this country in the Community of Democracies, which is an organization of more than 120 countries throughout the world which main objective is to promote democracy and reinforce democratic rules throughout the world.

Mali, as the chair, has put a strong emphasis on the relationship between democracy and development, and this will be the main theme of the next ministerial conference, which will be held in Mali in November 2007. This year, the importance of democracy is linked to development aid and democratic rule.

So I would like to ask a very important question: Because El Salvador also has received this money from the MCC, do you see any link between democracy and development, as regard to the case of El Salvador? And also, in taking into account the support of the MCC, do you see any link between democracy and development?

Thank you.

ZABLAH: Thank you, sir.

That's the whole story behind the MCC: getting the countries to do things right, to invest in people, to promote growth through freedom. And that's the philosophy behind our project, is to generate all the conditions the rest of the country has -- to bring those conditions to the northern side of the country.

We have some gaps. We might be a lower-middle-income country, but some regions of the country have desperate needs too. And the northern part suffers, lacks, in all conditions that we have in the rest of the country.

So you said democracy with growth and with MCC principles? Yes, especially because you do have 16, soon-to-be 18, indicators. Some of it has to deal with ruling justly. And if you have begun the project and (inaudible) compromises, you have contracts that are already being worked on. And money stops flowing, the country has to encourage the compromises because you have privates working on this and you have to back them up.

So it is a gift, money that you received for nothing becomes actually a compromise, a financial compromise for your country, because you have to back up the privates. So you have to make sure that once you begin working with the MCC, you have to make sure the money keeps flowing.

To do that, you have to be above the median in all the indicators. And the ones that have to do with the rule of law, that's where the part of democracy comes into account. And growth is the part where you promote economic freedom.

The whole story behind the project is to alleviate poverty. So I do believe that there is a sound relationship between these three concepts.

QUESTION: In the area of water supply and sanitation, what's the model going to be used to ensure that the systems that are installed are in fact sustainable in the long term?

SIMAN: Yes, thank you.

I think the model that we're proposing is well water that will be handled by communities. So that implies that the community has to organize themselves. That's why it's important, all of the mayors that we have here.

So we're talking about water in places where there is no water, in small communities. So basically, the MCC money will go for the construction of the well.

But the maintenance and the whole, I mean, handling of the project, there is a model that has been used and funded by USAID in El Salvador, and it's a decentralized model.

So in order to make it sustainable, obviously the people, the organization that handles the project will have to charge for the services. And that's how it becomes sustainable.

You have to have a lot of organizations. We will be working with NGOs, with companies that had already done it in El Salvador. And we think that's the way to go.

Sandra has been working also along with the communities, and that's where the model that was presented and we expect to get the funding.

QUESTION: Hi. Congratulations to El Salvador for this beautiful example. I attended today's seminar on the IBD sustainable energy, and I see that there is a very large component -- I don't know how large it is, but it's a 7 percent increase in the provision of electricity.

And I wonder, what is the combination between the balance of development with the social component, which is very important in that region, with the environmental concern, and if there is any point in sustainable energy provision, besides the water that the question was before, but on the electricity side.

SIMAN: If I understand the question correctly, there are two parts of the question.

First, when we talk about electricity, we're talking about rural electricity, bringing electricity to the poor, mostly through the network, through connecting to the poorest house, but also in some isolated areas, it will be solar electricity.

A study is being done with government funds right now to come down with the specifics. But that is the idea.

And then the second part was the environmental part, I think. Obviously, we need to have electricity. In the north, the main source is water, the Lempa River. So there are a couple of projects that are not MCC-funded that will generate enough electricity in the next few years, both for the north but also for the whole country. And I think that's what we have in the proposal.

Thank you.

QUESTION: I'd like to extend my congratulations as well. I work with the Pan American Development Foundation on the transnational program. The program that I run works with Salvadorian communities here to do mostly social investing in their communities of origin.

So I was curious to know a little bit more about the plans that MCA-El Salvador has for involving the diaspora in the efforts to promote poverty alleviation and development in the northern zone of El Salvador.

Thanks.

DE BARRAZA: For El Salvador, it's going to be very important to involve people that have left our country for different reasons.

We recognize that they have achieved knowledge, relationships, another way of seeing the world. And we have to define a way to work a plan to give them information, to organize people in kind of activities so they can get involved in the economic activities that we have defined: tourism, forest activities, and vegetation activities.

We know that, with the CAFTA, we have a lot of opportunities with this market. So it's very important to have linkage between small productions or enterprises in El Salvador with people that live here. It's included in our work. And we have been working very hard to define this before the end of this year.

SIMAN: Just let me add that, through the consultation process, we were in Washington and L.A. And the interest and the energy we got from the -- because a lot of the Salvadorians here are from the northern zone.

And they have their savings. They have been -- when you talk about remittances, there have been doing savings here, and they have been looking for opportunities. So here, with MCC, we will have technical assistance. We will have a guaranteed fund so they can access financing. We'll have insurance for agriculture.

So, I think, out of all the consultations, the biggest response was here in the U.S. And they're already thinking about projects.

And it's very important because the project involves a lot of infrastructure, a lot of P.A.'s. But at the end, the success will depend on private-sector individuals that really get excited. And that's what we're waiting for.

I mean, we have some Salvadorians here in Washington, are present today, and they're already talking to the communities.

I mean, with all these, if you have a network of highways, if you have ways to take the produce out, there's opportunities, not only in the construction but, more so, after the construction.

MAISTO: Let me ask a follow-on question to John Hewko as a result of the answer we just heard.

Do we have, in other MCC compacts, the type of relationship with people who live in this country or in Europe or in other parts of the world, with the MCC compact program?

And in Central America, I'm thinking, of course, of Nicaragua and Honduras, both of which have large communities outside of those countries.

HEWKO: Well, clearly, there is broad interest in MCC, in terms of diasporas of all of the countries that we have signed compacts with, because all the countries we signed with do have a diaspora of one sense or another in the States. And there has been broad interest.

But I must say that El Salvador is the one country in particular where a concerted effort, in an organized fashion, was undertaken to reach out to the diaspora, to hold a series of formal meetings throughout the United States with the community here, much more so than in any other country, certainly more than in the other Central American countries that we're working with.

But that's not to say that there's not an interest in those countries from the diaspora. There is. It's just that they did not undertake as detailed and extensive consultation as did El Salvador.

But on the other hand, El Salvador was targeting the north. And the vast majority of their -- many of their community here in the States come from that area. So that was a logical connection.

As Roberto mentioned, there is a lot of money, not just remittances but a lot of, sort of, saved-up capital and know-how and technology in the community here. And we would love nothing better than to have our program serve as a catalyst for the Salvadorian community to come back to El Salvador and have a reverse flow of technology and know-how, and in addition to other private-sector capital coming in. But there's obviously going to be a natural interest from the community here.

So, yes, that is what's unique about Salvadorans, is that they made that concerted effort to really target the community here in the States, which we think is fantastic.

MAISTO: We're getting close to the amount of time we have allotted for the question-and-answer session. I think there's time for one more question, if anyone has it. I've already asked my quota.

HEWKO: One thing we have not yet talked about here is the regional integration that will be benefited by the Salvadorians, Nicaraguan and Honduran compacts.

We're very, very pleased, at MCC that all three of these compacts mesh very well together. And they're really designed to take advantage of the opportunities offered by CAFTA.

So MCC is not, sort of, a stand-alone stove-pipe program, but it's really one designed to foment and to encourage regional integration and to piggyback on the various benefits that these countries will get in CAFTA.

So I just wanted to, here at the OAS and in a regional forum, I wanted to highlight the regional impacts that we hope that all three of our Central American compacts will have on the region.

MAISTO: Thank you very much, John. That is a good note to wind down on.

I would only add one thing: The regional aspect of the three MCC pacts in Central America, the fact that they complement each other and they flow -- after all, we're not talking about huge tracts of territory here, geographically speaking. We're talking about Central America.

As coordinator for the United States for the Summit of the Americas process, what we are seeing in Central America, in terms of the emphasis on the principles of the compact, are things that our leaders have called for in summit after summit. We are now seeing how Central Americans are putting this together.

And I must say that the thought occurred to me that this example must be shared at the level of the summit, in addition to the notion that in El Salvador there is an entity that is dedicated to measuring compliance.

Right here in this hall in the Organization of American States, I would like to say that is a rather revolutionary thought.

If there are no further questions or comments, I would like to thank our panel members, thank President Tony Saca for a wonderful presentation today, John Danilovich, the MCC family, the El Salvador MCC family, the American MCC family, and all of you panelists.

Thank you very much for shedding light -- not a question of secrets, just a question of -- you'd be surprised how some of these things are almost secrets in certain political cultures.

Thank you very much.

(APPLAUSE)

END