

Opening Statement of Mahmoud Bah
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House Foreign Affairs Committee
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Thank you, Chairman Meeks, Ranking Member McCaul, and members of the Committee. I am pleased to participate in this hearing and share the Millennium Challenge Corporation's (MCC) budget request for Fiscal Year (FY) 2022, as well as the agency's priorities in the months ahead.

I also want to thank you and your staffs for your ongoing collaboration and support. MCC has always benefited from bipartisan backing. We deeply value this bipartisan support and I welcome your continued counsel and engagement as we work to reduce poverty through economic growth.

MCC's strategic and operational priorities as well as our on-the-ground programs reflect the agency's model and lessons learned through more than seventeen years of experience in implementing development projects. A strong focus on transparency and accountability for results is embedded in the agency's DNA and development effectiveness approach and continues to inform how we design and implement our work. This approach is widely recognized, as reflected in the latest 'Results for America 2020 Invest in What Works Federal Standard of Excellence' index. MCC is proud that, for the fifth consecutive year, MCC received the highest score of all federal agencies featured in the report for our use of data, evidence, and evaluations in budget, policy, and management decisions.

As in previous years, in FY 2022, we will build on our time-tested model to innovate and deliver a greater impact across our portfolio. We will do this by focusing on three key areas: climate, inclusion and gender, and catalyzing private sector investment. In so doing, we will accelerate progress on our core mission of reducing poverty through "quality" economic growth, that is growth that is sustainable, inclusive, and private-sector led.

MCC has requested \$912.0 million for FY 2022.

These resources will support:

- Ongoing and projected compact implementations or pre-implementation work across nine countries, including Benin, Burkina Faso, Côte d'Ivoire, Ghana, Mongolia, Morocco, Niger, Senegal, and Tunisia.
- Ongoing development of seven compacts in Indonesia, Kosovo, Lesotho, Malawi, Mozambique, Sierra Leone, and Timor Leste.
- The development of two concurrent regional compact programs focused on facilitating cross-border trade. The first is the Benin-Niger Regional Transport Integration Program

and the second is the Côte d'Ivoire-Burkina Faso Regional Energy Interconnection Program.

- The implementation of threshold programs in Guatemala, Kosovo, and Togo as well as the development of new threshold programs in The Gambia, Kenya, Kiribati, and Solomon Islands.
- Functions necessary to maintain MCC's rigorous oversight model, including obtaining information necessary to evaluate, assess, and appraise proposed projects, oversee and monitor implementing projects, evaluate results of completed programs, and administratively support the agency in meeting our mission.

MCC's budget request of \$912.0 million is composed of:

- \$647.5 million in support of compacts anticipated to be signed in FY 2022 or early FY 2023
- \$31.0 million for threshold programs with new countries to be selected by MCC's Board of Directors in December 2021
- \$114.0 million for compact development and oversight
- \$115.0 million for administrative functions to support agency operations, including maintaining existing staffing levels, covering rising overseas support costs, supporting modernization of technology platforms, and offsetting increased inflationary pressures
- And \$4.5 million to fund the Office of the Inspector General's oversight role.

With this funding request, MCC will be able to support the FY 2022 portfolio and achieve our mission through competitive recruitment and continued retention of our specialized and skilled workforce and provide quality program oversight.

MCC's operations are guided by its founding principles that remain as relevant today as at the time of the agency's inception 17 years ago. These principles are centered on a competitive selection process that reflects American values and the conditions for economic growth; a business-like approach with bedrock commitments to data, accountability, cost-benefit analysis, and evidence-based decisions; and a strong focus on creating the right enabling environment conditions for private sector investment.

Country ownership is also a core MCC principle. MCC's engagement with a partner country often stands as a keystone of the U.S. economic relationship in that country—visible proof that U.S. economic assistance leads to tangible results—and helps to create the conditions for private sector-led growth. Partner countries generally make a financial and/or in-kind contribution, a signal of their commitment and ownership of the programs.

MCC works in countries that are committed to democratic governance, and invests in transparency and accountability to create a virtuous cycle. Specifically, MCC's rigorous selection process creates an incentive for countries to improve their policy performance. It also targets MCC's funding to those countries most likely to use it well. The MCC scorecard – with

its focus on ruling justly, economic freedom, and investing in people – is emblematic of the agency’s unique approach to reducing poverty through economic growth around the world.

The formulation of MCC’s FY22 budget takes into account the health, economic, and development impacts of the COVID-19 pandemic which has been overwhelming globally. We have prioritized the health and safety of our staff and partners. Despite travel constraints and the very difficult situation around the world, I am proud of how MCC teams have continued to deliver and stand by our partner countries. However, programs have experienced challenges and delays, notably with respect to accessing technical expertise and construction services, as well as the time of government counterparts who were stretched with responding to the pandemic.

In FY 2022, MCC will continue to deepen our commitment to diversity, equity, and inclusion, a key to having an engaged and productive workforce to deliver our programs and achieve expected results. MCC recently established a new Diversity and Equal Employment Opportunity division within MCC’s Office of the Chief Executive Officer (OCEO), which reports directly to the CEO. By placing the office in the OCEO, MCC will further elevate these efforts within the agency and improve information flow. The agency also recently hired a Chief Diversity Officer and launched a new Diversity Council, designed to empower employee feedback and input on diversity issues and to institutionalize new approaches and good practices.

One of MCC’s greatest strengths is our rigorous approach to data, monitoring and evaluation, and country-ownership. Decisions on where we work and what sectors we focus on are all driven by an evidence-based approach that is responsive to countries’ needs and priorities. MCC will continue to reinforce its data-driven model by enhancing its analytical and diagnostic tools to better assess and ensure that the needs of, and potential impact on, the poor, women, youth, and other marginalized groups are incorporated into the assessment, selection, design, and implementation of MCC programs. These efforts will help such groups overcome financial, legal, and cultural barriers that prevent them from fully engaging in their countries’ economies. In doing so, MCC programs will work to foster growth that is inclusive, lasting and contributes to peace and stability.

The impacts of climate change directly affect MCC’s mission to reduce poverty through sustainable economic growth. Both the evidence and our deep engagement with countries have pointed to the inextricable link between poverty, economic growth, and climate change. Despite being the least responsible for global carbon emissions, developing countries are the most at risk from climate change and the least able to afford its consequences. Without significant interventions, climate change, combined with the economic fallout from the COVID-19 pandemic, will reverse significant development gains made in these countries and exacerbate global poverty and inequality. Indeed, reversal of development gains is already a reality, with the World Bank projecting the first increase in global extreme poverty in 20 years. Investing in climate-smart development and sustainable infrastructure, while maintaining MCC’s model, is critical to respond to countries’ interest in enhancing their resilience to future crises, adapting to new climate realities, reducing emissions, and stimulating growth.

MCC was an early mover in addressing climate change and has a strong track record of integrating climate change adaptation, resilience, and mitigation considerations throughout its investment cycle. Between FY 2015 and FY 2020, MCC devoted \$1.7 billion, or about 40 percent of the agency's program funds, to climate-related activities. For example:

- The Benin Power Compact has the potential to leverage \$100 million in private investment and increase utility-scale and off-grid solar power generation, creating an enabling environment for independent power producers. This potential could deliver electricity to nearly 630,000 people in the poorest areas of Benin for the first time.
- In Indonesia, MCC reduced reliance on fossil fuels by expanding renewable energy, reduced land-based greenhouse gas emissions by improving land use practices and management of natural resources, and supported policy improvements through participatory land use planning.

Private sector investment is essential for sustainable poverty-reducing economic growth. The United Nations estimates that the annual financing gap to achieve the Sustainable Development Goals by 2030 currently sits at \$2.5 trillion. While Official Development Assistance continues to play a key role, closing this gap will require development agencies to help unlock and direct financing from other sources towards development uses. This imperative is at the heart of MCC's blended finance work.

MCC is well positioned to catalyze private investment through the strategic use of public funds to mobilize private resources in ways that support sustainable, long-term, economic development in developing countries. MCC has participated in blended finance transactions since its founding, through public-private partnerships (PPPs), grant facilities, and catalyzing private sector investment. MCC has honed its ability to help its partner countries design, strengthen, and harness private financial markets through a range of tools, including capital structure grants, grant facilities, parallel investments, co-investments, public-private partnerships, and catalytic investment strategies that increase the impact and sustainability of MCC programs. The agency supported PPPs such as the port of Benin and a wastewater treatment facility in Jordan. MCC also developed an innovative grant facility in Indonesia and has catalyzed private sector investment around programs in Ghana and El Salvador. Leveraging private sector investment to further MCC's mission has been consistently integrated into the agency's work.

MCC's blended finance tools also improve investor confidence and help overcome some of the impediments to private sector investment in challenging markets in its partner countries. MCC seeks to target its resources where commercial financing is not available for deployment towards development outcomes.

Importantly, we are taking on this challenge in collaboration with our U.S. Government partners to get the most out of our collective efforts. For example, MCC and the U.S. International Development Finance Corporation have created a new blended finance mechanism called the American Catalyst Facility for Development (ACFD) in direct support of this goal. The ACFD will leverage the strengths of both agencies to enable coordinated catalytic investments in

MCC's portfolio by providing strategic grants aimed at crowding-in the private sector and maximizing the overall impact of U.S. Government development efforts.

I am proud to lead an agency built on the pillars of effective development. In this constrained budget environment, you can be assured that MCC's catalytic investments are used strategically to deliver high impact. They also contribute to system changes that go well beyond the specific investments thanks to a strong emphasis on supporting the enabling environment of policies that will allow developing countries to reduce poverty by growing their own economies, reducing corruption, and strengthening governance. In an increasingly globalized economy, MCC's programs serve as a down payment on poverty reduction, increased growth, and stability, as well as new market opportunities for American businesses.

The challenge is great. Most of MCC's current partners are among the poorest countries in the world, and MCC works with them because they pass a high bar for their commitment to sound economic and social policies that will reduce poverty among their own citizens. MCC incentivizes this commitment through our competitive standards. We back countries' commitment through large, predictable grants that do not add to a country's debt burden. And we seek to embed in partner countries a culture of accountability, transparency, and responsible stewardship that helps sustain and scale progress.

Through their support for MCC, the American people are helping to create the building blocks of growing economies and stronger societies around the world. This means better governance, less poverty and more economic opportunity—vital elements of peace and stability in their countries and in ours.

Thank you very much for your time and attention.