

Testimony of Alice Albright
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House Committee on Foreign Affairs
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“The Administration’s FY23 Budget Request for the Peace Corps, U.S. International Development Finance Corporation, and Millennium Challenge Corporation”

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) 2023, as well as the agency’s priorities in the months ahead.

I also want to thank you and your staff for your ongoing collaboration and support. MCC has always benefited from bipartisan backing. We deeply value this 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 eighteen years of experience in designing and 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 our work. This approach is widely recognized, as reflected in Results for America’s latest Invest in What Works Federal Standard of Excellence index. MCC is proud that, for the sixth consecutive year, the agency 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 2023, we will build on our time-tested model to innovate and deliver impact across our portfolio. We will do this by focusing on three key areas: climate-smart economic development, 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 \$930 million for FY 2023.

These resources will support:

- Ongoing and projected compact implementation across eight countries, including Côte d’Ivoire, Mongolia, Morocco, Niger, and Senegal, as well as with partner countries facing governance and security challenges, such as Benin and Niger.
- Pre-implementation work across five countries including Kosovo, Lesotho, Timor-Leste, Malawi, and Tunisia.

- Projected signings for two compacts and one threshold, including compacts in Indonesia and Mozambique and a threshold in Kiribati.
- Two projected concurrent regional compact programs focused on regional integration and trade: (1) the Benin-Niger Regional Transport Integration Program, and (2) the West Africa Regional Energy Interconnection Program.
- Ongoing threshold program implementation in The Gambia, Kenya, the Solomon Islands, and Togo.
- Development of a threshold program that may be selected by MCC Board in December 2022.
- Administrative support of MCC operations, including pressing demands for management and oversight of approximately \$7 billion in programs in different stages of development and implementation.

The FY 2023 budget request also includes three legislative requests that will better enable MCC to fulfill its congressionally-mandated mission. The requests are: removing the cap of total funds MCC can use for lower-middle income countries, allowing MCC to pursue threshold programs with partner countries after completing a compact, and updating MCC's annual report requirements. MCC's operations are guided by its founding principles that remain as relevant today as at the time of the agency's creation. These principles are grounded in a competitive and data-driven process that reflects American values and the conditions for economic growth.

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 and lasting results—and helps to create the conditions for private sector-led growth. Partner countries generally make a financial and/or in-kind contribution to all MCC programs, a signal of their commitment and ownership.

MCC works in countries that are committed to democratic governance, transparency and accountability. Specifically, MCC's rigorous selection process creates an incentive for countries to improve their policy performance. It also directs 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 FY 2023 budget takes into account the adverse impact of the COVID-19 pandemic including delays on MCC programs in our partner countries. MCC has taken steps to exercise the authority granted by Congress to extend existing compacts. This welcomed flexibility allows MCC and its partner countries to complete critical compact activities and to ensure the sustainability of MCC's investments. Despite very difficult situations around the world, I am proud of how MCC teams have continued to deliver and stand by our partner countries.

In FY 2023, MCC will continue to deepen its commitment to diversity, equity, and inclusion, a key to having an engaged and productive workforce to deliver our programs and achieve expected results. MCC 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 division in the OCEO, MCC will further elevate and integrate these efforts within the agency and improve information flow. The agency also recently hired a Chief Diversity Officer and re-launched the MCC Diversity Council, designed to empower employee feedback and input on diversity issues and to institutionalize new approaches and best 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.

MCC has a strong track record of integrating climate adaptation, resilience, and mitigation considerations throughout its investment cycle. Both the evidence and our deep engagement with countries have pointed to the inextricable link between poverty, economic growth, and climate change. Without significant interventions, climate change, combined with the economic fallout from the COVID-19 pandemic, will continue to reverse significant development gains made in these countries and exacerbate global poverty and inequality. 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, and stimulating sustainable growth.

Private sector investment is essential for sustainable poverty-reducing economic growth. In 2019, the United Nations estimated that the annual financing gap to achieve the Sustainable Development Goals by 2030 was upwards of \$2.5 trillion which is now further compounded by the COVID-19 pandemic and other shocks. 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.

Leveraging private sector investment to further MCC's mission has been consistently integrated into the agency's work. MCC strategically leverages its limited public funds to mobilize private resources in ways that support sustainable and inclusive economic development in MCC partner countries. MCC has participated in blended finance transactions since its founding, through public-private partnerships (PPPs), grant facilities, and investments in critical policy and institutional reforms that support the enabling environment and catalyze private sector investment. 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.

In FY 2023, MCC will deliver on three new blended finance initiatives. One of these is a partnership with the U.S. International Development Finance Corporation (DFC):the American Catalyst Facility for Development (ACFD). ACFD will deliver on the spirit of interagency collaboration envisioned in the BUILD Act by providing strategic grants aimed at crowding in the private sector and maximizing the overall impact of U.S. Government development efforts, with a particular focus on de-risking potential DFC transactions.

I am proud to lead an agency built on the pillars of effective development. MCC is a gem that punches above its weight to reduce poverty through inclusive and sustainable economic growth. In this constrained budget environment, you can be assured that MCC's catalytic investments are used efficiently and deliver high impact. They also contribute to systemic changes that go well beyond specific investments thanks to a strong emphasis on supporting the policy and institutional reforms and good governance that will allow developing countries to reduce poverty through economic growth. In an increasingly globalized economy, MCC's programs are a down payment on poverty reduction, increased growth, and stability as well as expanded 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 democratic governance, investing in their people, and to sound economic policies that are critical to efforts to reduce poverty among their 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 for stronger economies and 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.