

**Testimony of Dana J. Hyde
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House Committee on Foreign Affairs
“The FY 2016 Budget Request:
Assessing U.S. Foreign Assistance Effectiveness”
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Thank you, Chairman Royce, Ranking Member Engel and members of the Committee. I am delighted to be here this morning with Acting Administrator Lenhardt to discuss the Millennium Challenge Corporation’s (MCC) fiscal year (FY) 2016 budget request.

Just over ten years ago Congress created MCC as a competitive and incentive-based model of foreign assistance. It was given a singular mission – reducing poverty through economic growth – and grounded in three core principles: good governance, country ownership, and accountability for results.

Over the past decade we have seen the power of these principles in action. MCC creates incentives for countries to do the right thing. Our investments support democracy, fight corruption, and promote American values of economic freedom and good governance. Our work across the globe has created measurable improvements in the lives of the poor. And our partnerships have proven that poor countries will deliver on the promise of prosperity – when given the right incentives and support.

As we look to FY 2016 and beyond, MCC will build on this model of success. The President’s budget request of \$1.25 billion will help unlock MCC’s own potential to advance America’s interests in three important ways: first, by enabling new and deeper partnerships in critically important regions; second, by supporting efforts to drive transparency and improve data across the development community; and third, by leveraging private sector investments to widen impact and create trade and investment opportunities for American businesses.

Let me expand briefly on each of these points.

Partnerships

Over the past decade the majority of MCC’s partnerships have been in Africa. Roughly sixty-five percent of the agency’s portfolio has been invested on the continent, mostly in large-scale infrastructure – roads, ports, power lines, water systems – projects designed to overcome barriers to growth. MCC is playing a key role in advancing the Administration’s Power Africa initiative. We have made a \$1 billion commitment to Power Africa and we intend to commit roughly another \$1 billion for additional energy-focused compacts in sub-Saharan Africa. The MCC brand in Africa is strong – and the continent holds tremendous promise for MCC to deepen its impact.

In FY 2016, MCC will continue its bedrock commitment to Africa with investments in two of the countries hardest hit by the Ebola epidemic – Liberia and Sierra Leone. We will also focus on Niger, one of the poorest democracies in the world and a critical ally in the fight against violent extremism. And MCC will fund a new threshold program in Cote d’Ivoire, a country that reformed its entire family code to provide women equal rights as part of its efforts to qualify for our assistance.

While Africa will remain a core focus, MCC is also developing its first-ever compact in South Asia with Nepal, one of the poorest countries in the region and now a committed democracy. And the MCC Board recently approved developing new compacts with the Philippines and Mongolia. Those countries present important opportunities to leverage our impact on poverty reduction and support U.S. interests in the region.

In each of these bilateral partnerships MCC will commit itself to evidence-based decision-making and accountability for results. But what we’ve learned and know is that economies do not work in isolation. Markets are regional. If we seek to truly turn the dial on economic growth we must think and act regionally. That is why we are requesting the operational flexibility to explore regional investments—in appropriate circumstances and on a targeted basis. Examples could include linking transportation infrastructure within Central America or enhancing access to power within West Africa or South Asia. Such investments offer the potential of fighting poverty on a wider scale – with higher economic returns and greater economies of scale. And they are squarely aligned with MCC’s mission and decade of experience in infrastructure development and incentive-based reforms.

I am grateful to Chairman Royce for his support of regional investments, and to Representative Bass for her sponsorship of such legislation.

Driving Data and Transparency

Data and transparency are built into everything we do at MCC. Indeed, in 2013 MCC was named the most transparent aid agency in the world. That leadership will continue, as we release detailed geospatial and gender data on our investments, and as we work with a consortium of organizations to collect better data on governance.

MCC will also work with partner countries to enhance how they use data and share it with their own citizens, a critical part of making governments more accountable to their people. Through our partnership with the President’s Emergency Plan for AIDS Relief (PEPFAR) we will support country data hubs – both a physical and virtual presence that will serve as a clearinghouse of economic, health, and gender equality data. Through these and other initiatives, MCC will enhance aid effectiveness and share innovation across the U.S. Government and development community.

Attracting Private Sector Investment

Finally, catalyzing private investment is a core component of our work. At the heart of the MCC model is investments that overcome barriers to growth, reform key sectors and create opportunities for the private sector. The recent Ghana Power Compact serves as a model in this regard. MCC's \$498 million investment is expected to attract over \$4 billion in U.S. private sector funding by transforming the country's power sector.

Going forward, MCC will identify opportunities to fill financing gaps that inhibit private investment and help countries do a better job of designing public-private partnerships. We will also work to deepen the involvement of U.S. businesses in our compacts; later this year we will lead our first-ever trade and investment mission to Africa.

Lasting Results

In all of these areas, MCC punches above its weight. Our impact reaches beyond the specific projects we fund. By reforming policies and revamping institutions, MCC helps put our partner countries on the road to self-sufficiency and a future without aid.

I know your constituents expect their money to be well spent, with clear metrics for success and a solid rate of return. That is why MCC treats foreign assistance like a business, making decisions based on hard data and rigorous analysis. That is why we closely monitor results on the ground and hold partner countries accountable. And that is why I can assure you: in MCC, American taxpayers are getting a good return on their investment.

On behalf of the agency I would like to thank the Committee for its support and guidance over the past decade. I look forward to our continued collaboration as we work to build a more secure and prosperous future at home and abroad.

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