

**House International Relations Committee
Hearing on the Millennium Challenge Account
April 27, 2005**

Summary by Sarah Lucas
Center for Global Development

On April 27, 2005, the House International Relations Committee held a hearing on the Millennium Challenge Account. The hearing was entitled “The Millennium Challenge Account: Does the Program Match the Vision” – a signal of the Committee’s concerns about the MCA’s progress to date. The hearing had two panels. The first consisted of MCA CEO Paul Applegarth as the sole witness. The second hosted three witness: David Gootnick of the Government Accountability Office (GAO), Conor Walsh of Catholic Relief Services (CRS) Honduras program, and Steve Radelet of the Center for Global development (CGD).

Members present

18 of 50 Committee members attended the hearing, though very few stayed throughout. Many stayed long enough to pose questions to Mr. Applegarth, but left soon thereafter.

Republican Members	Democratic Members
Henry J. Hyde (IL), Chairman Christopher H. Smith (NJ), Vice Chairman Elton Gallegly (CA) Dana Rohrabacher (CA) Steve Chabot (OH) Thomas G. Tancredo (CO) Ron Paul (TX) Jo Ann Davis (VA) Joe Wilson (SC) John Boozman (AR) Jeff Fortenberry (NE) Ted Poe (TX)	Tom Lantos (CA), Ranking Member Howard L. Berman (CA) Barbara Lee (CA) Adam B. Schiff (CA) Diane E. Watson (CA) Betty McCollum (MN)

Opening Statements

Chairman Hyde opened the hearing with a somber tone of disappointment in the MCA’s progress, while expressing strong support for the concept of the MCA. His sentiments are captured in this quote, “The same observers who once received this initiative with such optimism now feel underwhelmed by the cautious pace and the modest scope of MCA writ large. . . From the outside, we see a program struggling to get off the ground and funding levels for compacts now emerging that lack the boldness necessary to break the cycle of poverty in countries prepared to take that step. Let me be clear, Millennium Challenge is the most important development idea in a generation, and it must become the global model for helping the transformation of needy societies into communities of

opportunity. The incremental approach and lack of urgency in the implementation of this initiative belies the original vision. I am concerned that it could create an eventual backsliding that will make MCA just another development program.”

Read Chairman [Hyde's opening statement](#)

Mr. Lantos also expressed concern about the MCA's progress, stating, “Unless the Millennium Challenge Corporation gets it act together, and gets it together quickly, support for the Millennium project will evaporate. Between the program's founding vision and its meager results thus far, there is a vast gap.”

Read [Mr. Lantos' opening statement](#)

MCC CEO Paul Applegarth delivered an opening statement based on three core topics: 1) justification of the \$3 billion budget request; 2) description of the pipeline of the country compacts and associated funding; and 3) steps the MCA is taking to accelerate progress.

Read [Paul Applegarth's testimony](#)

Statements by Additional Witnesses

Steve Radelet of CGD testified that the MCA faces six key challenges as works to make its bold vision reality.

1. Scaling Up to the Original MCA Vision
2. Balancing the Tensions between the Consultative Process, Quality and Speed
3. Firmly Establishing the Principle of Local Ownership
4. Ensuring High Quality Programs
5. Demanding Results while Encouraging Innovation
6. Targeting the Right Countries

Read [Steve Radelet's testimony](#)

David Gootnick of GAO summarized the GAO report on the MCA, focusing on four issues: the country selection process; progress to date on country compacts; coordination with key stakeholders; and corporate management structures. He emphasized the need for the MCA to develop a strategic framework and corporate accountability mechanisms.

Read [David Gootnick's testimony](#)

Conor Walsh of the CRS Honduras program described MCA operations in Honduras from the perspective of civil society. He said that staff members of CRS Honduras have participated in meetings with the MCC and that the compact has been revised to accommodate some of their concerns, but he raised two key concerns: the Poverty Reduction Strategy Paper (PRSP) consultative process, which served as the basis for the consultative process for the MCA compact, was highly flawed; economic growth will not reach the poor if the underlying inequalities are not addressed.

Read [Conor Walsh's testimony](#)

Questions and Answers

The questions summarized below were all asked of Mr. Applegarth. The Committee did not ask any questions of the second panel of witnesses.

Mr. Lantos asked when the remaining two non-governmental members of the MCA Board of Directors will be appointed to which Mr. Applegarth replied that White House has cleared the initial vetting for the new Board members.

Mr. Rohrabacher asked if countries that have policies contrary to poverty reduction and growth, such as claiming the land of citizens, would be eligible for the MCA. Mr. Applegarth explained that countries are only eligible for the MCA if they have demonstrated a commitment to rule of law and combating corruption.

Ms. Lee asked what the MCC is doing to ensure that female and minority-owned businesses are able to provide some of the goods and services that the MCC procures in the US. Mr. Applegarth answered that much of the procurement will happen in the recipient countries themselves, but that the MCC follows “the spirit and rules of US procurement” and that most of current MCC contracts are with minority and female-owned businesses.

Ms. McCollum and Ms. Watson expressed concern that the MCC’s outreach to civil society in MCA-eligible countries and asked about the MCC’s policies on environmental safety assessments. Applegarth responded that the MCC’s guidelines for the consultative process are that it is timely, participatory and meaningful. The MCC is engaged in a process to develop an environmental selection indicator and is drafting guidance on environmental assessments.