

**Senate Foreign Relations Committee
Mark Up on the MCA
Wednesday, May 21, 2003
Summary Notes**

On May 21, the SFRC marked up the MCA bill. "Marking up" is the process in which the members of the committee have the opportunity to add amendments to the bill being proposed by the chairman, and the committee votes whether or not to adopt the amendments.

The members of the committee present at the mark up were:

Lugar (R-IN), Chairman
Biden (D-DE), Ranking Member
Brownback (R-KS)
Chafee (R-RI)
Enzi (R-WY)
Sununu (R-NH)
Alexander (R-TN)
Hagel (R-NE)
Feingold (D-WI)
Corzine (D-NJ)
Dodd (D-CT)
Boxer (D-CA)

Key points of Lugar bill

The MCA authorization is part of a package of bills that includes the reauthorization of the Foreign Assistance Act.

The MCA bill as proposed by Lugar is largely consistent with the Administration's proposal and provides for:

- The establishment of the Millennium Challenge Corporation (MCC).
- An MCC board that includes the Secretary of State, the Secretary of Treasury, and the Director of OMB.
- A CEO of the MCC, appointed by the president and approved by the Congress.
- Hiring of US-based personnel handled by the MCC; overseas MCC personnel assigned to Embassies or USAID missions.
- Income eligibility: IDA countries in first year; countries with per capita income below \$1435 in second year; and funds for lower-middle income countries contingent on funding exceeding \$5 billion, with a cap of 20% going to these countries. This differs from the Administration's proposal in that it makes inclusion of lower-middle income countries contingent on exceeding \$5 billion per year, rather than including them in 2006 and every year thereafter regardless of funding levels.

- **Criteria for Eligibility:** Countries must exhibit good governance, guaranteeing fair and democratic elections; encourage economic freedom and growth; and invest in their people, enhancing access to education and health care for all citizens.
- Entities eligible to receive funding as: national, local and regional governments, nongovernmental organizations and other private entities. These entities in eligible countries submit funding proposals to the board of the MCC.
- Eligible governments enter into a contract with the MCC which establishes a multiyear plan for achieving specific development objectives.
- Authorization of \$1 billion in 2004, \$2.3 billion in 2005, and \$5 billion in 2006.

Amendments passed in the mark up

Biden/Hagel amendment strikes the part of the Lugar bill that establishes the MCC and authorizes the Secretary of State, through a designated coordinator, to manage the MCA.

This vote passed with 11 (of 19) votes, including all SFRC democrats and two republicans, Hagel and Chafee. This amendment is by far the most important because indications are that President Bush would veto a final MCA bill included an amendment of this nature.

The debate on this amendment included the following:

- Biden and Hagel argued that the creation of a new government body is counter to the 1998 move to consolidate USAID under the State department, and undermines the Secretary of State's capacity to use all foreign assistance tools. They argue that adding another layer of bureaucracy is counter to the desire to allow for more flexibility in the MCA.
- Hagel and Biden both expressed deep skepticism about having OMB play a big role in the MCA.
- Lugar read a letter from Secretary of State Powell to the committee stating his support for the creation of the MCC, and his recommendation that the President veto any bill that does not include the MCC.
- Brownback supported giving foreign assistance a fresh start through the creation of the MCC and said, "this is not a tool for the State Department, this is a tool for growth."
- Sununu supported the creation of the MCC so that the MCA would have the necessary independence to be innovative. He also said that in order to learn from the potential success or failure of the MCA, it must be clear whom to hold accountable for its operation and management. If it is housed within an existing agency, this will be much harder.

Dodd amendment stipulates that the information required in the Lugar bill on qualifying countries, country contracts, etc. be posted on the internet within 15 days of being written. There was no debate on this amendment.

Corzine amendment provided for "bridge financing" for countries that miss MCA eligibility by one indicator. 10% of MCA funds would be used to support these countries

in bolstering their policies in the area of the missed indicator. There was no debate on this amendment.

Other amendments mentioned but not passed

Dodd proposed an amendment that stipulated that if MCA funds are directed towards private sector entities, or in partnership with private sector entities, that these firms (with the exception of indigenous microenterprises) put in their own resources equal to 15% of the project costs. Lugar said that the 15% requirement was arbitrary, and opposed the amendment, but acknowledged that the idea deserved more thought. There was no debate.

Boxer indicated that when the FAA is introduced to the senate floor, she will use it as a vehicle to try and overturn the Mexico City gag rule that prohibits any organization receiving US recourses from discussing abortion.