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MCC CEO Ambassador Danilovich Address to the U.S. Africa Infrastructure Conference

Washington, D.C. – Ambassador John J. Danilovich, Chief Executive Officer for the Millennium Challenge Corporation (MCC), today addressed the Corporate Council on Africa’s first annual U.S.-Africa Infrastructure Conference. The following are his remarks as prepared:

Good morning and thank you, Tim, for that kind introduction.

Let me also extend my thanks to The Corporate Council on Africa for chairing this premier conference on the importance of U.S. private sector engagement in African infrastructure development.

It is a pleasure to be here among many institutions dedicated to exploring, furthering and capitalizing on the infrastructure development opportunities emerging throughout Africa. Much will be discussed over the next two days on the interplay between infrastructure development and private sector investment and the importance of forging partnerships in this pursuit.

At the Millennium Challenge Corporation, we understand the role of infrastructure development in reducing poverty and promoting economic growth. It is one element in the larger context of political, economic and social development we foster to lift countries out of poverty and into prosperity.

As a new and innovative approach to foreign assistance, MCC partners only with those countries demonstrating that they govern justly, invest in their people and support economic freedom.

We believe that eligible countries must take full ownership of their development needs and be held accountable through measurable objectives for the aid they receive.

There are currently 22 countries eligible to submit a Compact proposal for funding; another 17 eligible countries currently are in the Threshold program, meaning — as the name implies — that they are on the “threshold” of qualifying for MCC Compact funding once and if they improve their performance on certain eligibility criteria.

Let me briefly discuss two key points on the relationship between MCC and infrastructure development in Africa.

First, we recognize the transformative impact of infrastructure in Africa and around the world.

MCC was designed to work with countries to identify and address core obstacles to poverty reduction and economic growth. For many African nations these obstacles include a lack of infrastructure. This should come as no surprise as a number of regional groups in Africa, including NEPAD and COMESA, have been highlighting the need for increased donor attention to infrastructure development as a means to remove critical constraints to growth.

Since MCC grants are predicated on partnership and not paternalism, we place the onus on the country to come up with their own development strategy, determined through a broadly-based, in-country consultative process. These countries themselves are recognizing that addressing infrastructure impediments is the most effective way to stimulate poverty reduction and economic growth. It will improve the climate for domestic entrepreneurs as well as foreign investors to do business.

Consequently, a great extent of the proposals submitted to MCC for funding to date involve infrastructure in some way. Whether it is constructing or improving ports, bridges, roads, water, sanitation, and irrigation systems, MCC-eligible countries are turning to us to fund infrastructure projects.

This is not to say that MCC would not consider proposals to fund health or education initiatives. We would. In Burkina Faso, for instance, we are funding primary school education programs for girls. However, our African partners are submitting mainly proposals for infrastructure development. Grant financing for infrastructure projects is very unusual, and this may explain, in part, the large number of proposals we receive for such projects.

Of the 9 Compacts signed to date with MCC, four are with the African countries of Benin, Cape Verde, Madagascar, and Ghana. We are hoping to finalize one more African compact this year.

Of the overall 22 currently eligible countries, 12 are in sub-Saharan Africa: Benin, Burkina Faso, Cape Verde, Ghana, Lesotho, Madagascar, Mozambique, Mali, Morocco, Namibia, Senegal, and Tanzania.

MCC has also signed Threshold agreements with: Burkina Faso, Malawi, Tanzania, and Zambia.

Infrastructure projects are often under-funded in Africa, whereas our agreements do contain funding for infrastructure development. By the end of this calendar year, MCC will have committed over half of our total \$3 billion in aid to Africa.

Let me offer you some examples of how investing in infrastructure has transformative results. Whether the investments are in roads and transportation networks, information and telecommunication technologies, water and sanitation, and energy and electrification, the impact is felt on the lives of the poor.

Consider MCC's \$547 million Compact with Ghana that includes several infrastructure projects such as: establishing retention ponds for irrigation purposes, rehabilitating feeder roads that link rural areas to schools and hospitals, upgrading the National Highway, constructing trunk roads, and improving the Lake Volta ferry services — all of which facilitate the flow of agricultural products to market.

It is anticipated that improvements in feeder and trunk roads in Ghana will affect the lives of 120,000 households or 600,000 individuals.

Over 100,000 people will benefit from upgraded ferry facilities and new vessels in one of Ghana's poorest regions — the Afram Plains District.

Similarly, our \$307 million MCC Compact with Benin will impact up to 5 million people and lift an estimated 250,000 Beninese out of poverty by 2015. The Benin Compact primarily focuses on improving the operations and infrastructure of the Port of Cotonou, through which 90 percent of the country's trade passes.

The efficiencies captured through the port improvements funded by MCC will significantly reduce overall shipping costs and streamline the effectiveness of customs procedures. Such savings will be passed on to wholesalers, traders and ultimately consumers in Benin.

Today and tomorrow, Maureen Harrington, Carol Hessler, and Jeanmarie Meyer, all from MCC, will present more on our specific infrastructure development projects and their transformative results.

Our approach toward infrastructure development confirms my first point: We recognize its transformative impact in Africa.

The second point I wish to emphasize is that, to be sustainable, the private sector must actively participate in the development process.

MCC acknowledges and welcomes the private sector's significant role as we work to address the infrastructure issues identified by the countries with which we partner. Let me explain.

At each stage of the compact development and implementation process, there are a number of ways for the private sector to be involved, both with our partner countries and with the MCC staff.

Prior to Compact signing, we invite the public sector to consult with countries as they develop proposals for funding, to be part of the consultative process, and to help shape priorities for the MCC investment early on.

What does the landscape need to look like for you — the business — to invest in the country? What obstacles need to be removed?

We would also welcome ideas from the private sector on working together with the government to solve infrastructure constraints. Some infrastructure investments can be structured as partnerships.

Additionally, as MCC evaluates proposals for Compact funding, private sector firms can assist with the due diligence we undertake to determine whether or not projects are sound investments and if they measure up to international best practices.

Upon Compact signing and as countries begin implementing their MCC funding, further opportunities arise for the private sector to work with partner countries and the MCC.

First, in our partner countries, the private sector can bid on country-specific projects. Procurement opportunities are managed by each country's "accountable entities" through independent fiscal agents. Notices are posted with United Nations Development Business, Development Gateway Market, and MCC's website at www.mcc.gov.

The procurement process adheres to international environmental, safety and health standards to make it open and competitive.

Next, MCC hires independent engineers to oversee the implementation of our projects, creating further opportunities for private sector firms.

MCC funding has an "exit strategy" in mind, knowing that development projects will be successful only if they enable the private sector to step into the best possible, in-country investment climate at the end of our MCC programs.

Indeed, MCC's work was designed to be transitional in nature and to serve as a gateway to private investment. MCC countries are taking the initiative to re-evaluate their policies, regulations and legislation related to good governance, health and education, and their business climate in order to be deemed eligible, and to continue to be eligible, for MCC funding — a phenomenon we call "The MCC Effect."

MCC assistance seeks to reward countries that are creating a policy environment that facilitates homegrown entrepreneurship, foreign investment and private-sector-led economic activity that will stimulate wealth creation amongst the poorest segments of their society.

We believe this is the best way to ensure sustainable economic development and growth in Africa and elsewhere.

Ladies and gentlemen, at MCC, our interactions with our African partner countries signal that infrastructure development goes hand-in-hand with private sector engagement. We

will continue this approach if our partner countries continue to identify infrastructure development as a key constraint to growth.

We all know that infrastructure projects are time-consuming and challenging, but ultimately rewarding and effective in alleviating poverty and stimulating economic growth.

We welcome and, in fact, rely upon your insights and feedback for improving our approach. We need your inclusion in our MCC process so that, together, we can make the promise of opportunity and prosperity a reality throughout the African continent.

Thank you.

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