

**OPENING STATEMENT
SENATOR RICHARD G. LUGAR
HEARING ON MILLENNIUM CHALLENGE ACCOUNT
MARCH 4, 2003**

Today the Senate Foreign Relations Committee will be examining President Bush's proposal for a new mechanism to deliver foreign assistance. It is called the Millennium Challenge Account, or MCA.

President Bush's call to establish the MCA comes at a time when a reassessment of foreign assistance is badly overdue. American foreign assistance programs lack unifying objectives or coherent criteria. Too much of our foreign assistance is determined by obsolete Cold War imperatives, the vestiges of our responses to past humanitarian emergencies, or domestic political inertia.

In my judgment, the primary goal of American foreign assistance must be to combat terrorism. In some cases this requires direct military and economic aid to key allies in the war on terrorism. But our foreign assistance also must be aimed at broader objectives that aid in the fight against terrorism over the long run. These include strengthening democracy, building free markets, and encouraging civil society in nations that otherwise might become havens or breeding grounds for terrorists. We must seek to encourage societies that can nurture and fulfill the aspirations of their citizens and deny terrorists the uncontrolled territory and abject poverty in which they thrive.

To do this, all of us should begin to think about foreign assistance as a critical asset in the war on terrorism. In this context, an ineffective foreign aid program squanders our anti-terrorist assets just as surely as a poorly designed warplane, an unnecessary military base, or a flawed intelligence collection operation. It is up to this Committee and, ultimately, every member of Congress to cooperate in the construction of the most potent foreign assistance strategy possible. This process will require us to ask how nations develop political stability and economic momentum and how they become good international citizens that contribute to the peace and prosperity of the world community.

The Millennium Challenge Account is being established on the bold assumption that we do know some of the answers. We believe that successful societies cannot be built without good leadership, economies based on sound market principles, and significant investments in health and education. The MCA will provide aid designed to jump-start rapid economic growth in low-income countries that pursue sound policies. By establishing firm criteria to measure and reward the progress of low-income nations in these areas, the MCA can provide a powerful incentive to foreign governments to embrace and sustain reform.

As we encourage nations on every continent to join us in reshaping the world, the MCA would put our money where our mouth is. The President's proposal envisions \$1.3 billion for the

account this year, with an increase to \$5 billion by its third year. The President should be commended for proposing this new and creative departure in our foreign assistance programs. He is demonstrating a strategic understanding of the broader fight against terrorism and the altruistic American desire to help others achieve the prosperity that we are fortunate to enjoy.

As we begin our deliberations on granting the President authority to establish the MCA, I would offer the following guidelines:

- First, the MCA cannot be funded at the expense of other programs. Top priorities such as HIV/AIDS funding and food programs for the hungry cannot take reductions to make room for MCA funding. Neither can assistance be reduced to key countries like Afghanistan, which are unlikely to qualify at this stage for MCA participation.
- Second, an optimal division of labor must be found between the MCA and the U.S. Agency for International Development. Failing or failed states need more attention, not less, and USAID must be given the resources to address such complex situations.
- Third, the Administrator of USAID or his representative should have a place on the board of the MCA. USAID has experience developed over decades that should be included in the expertise undergirding the MCA.

Other central questions that we will be addressing today will include how the MCA might coordinate with other bilateral or multilateral donors, whether it will need to have representatives in the field, and whether it would be useful for outside experts to serve on its board.

To examine these and many other questions, we are fortunate to have two expert panels with us today. From the Administration we will be hearing from Alan Larson, the Undersecretary of State for Economic, Business and Agricultural Affairs; John Taylor, the Undersecretary of the Treasury for International Affairs, and Andrew Natsios, the Administrator of the Agency for International Development. On the second panel, we have three distinguished citizens from the private sector: Dr. Steven Radelet; Ms. Mary McClymont, and Ms. Susan Berresford.

I welcome you all and look forward to your insights.