AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

S. HRG. 116–227

OVERSIGHT OF THE MILLENNIUM CHALLENGE CORPORATION

HEARING

BEFORE THE

COMMITTEE ON FOREIGN RELATIONS UNITED STATES SENATE

ONE HUNDRED SIXTEENTH CONGRESS

FIRST SESSION

DECEMBER 4, 2019

Printed for the use of the Committee on Foreign Relations

Available via the World Wide Web:
http://www.govinfo.gov

U.S. GOVERNMENT PUBLISHING OFFICE
40–845 PDF WASHINGTON : 2020

COMMITTEE ON FOREIGN RELATIONS

JAMES E. RISCH, Idaho, *Chairman*

MARCO RUBIO, Florida
RON JOHNSON, Wisconsin
CORY GARDNER, Colorado
MITT ROMNEY, Utah
LINDSEY GRAHAM, South Carolina
JOHNNY ISAKSON, Georgia
JOHN BARRASSO, Wyoming
ROB PORTMAN, Ohio
RAND PAUL, Kentucky
TODD, YOUNG, Indiana
TED CRUZ, Texas

ROBERT MENENDEZ, New Jersey
BENJAMIN L. CARDIN, Maryland
JEANNE SHAHEEN, New Hampshire
CHRISTOPHER A. COONS, Delaware
TOM UDALL, New Mexico
CHRISTOPHER MURPHY, Connecticut
TIM KAINE, Virginia
EDWARD J. MARKEY, Massachusetts
JEFF MERKLEY, Oregon
CORY A. BOOKER, New Jersey

CHRISTOPHER M. SOCHA, *Staff Director*
JESSICA LEWIS, *Democratic Staff Director*
JOHN DUTTON, *Chief Clerk*

CONTENTS

	Page
Risch, Hon. James E., U.S. Senator From Idaho	1
Menendez, Hon. Robert, U.S. Senator From New Jersey	2
Cairncross, Hon. Sean, Chief Executive Officer, Millennium Challenge Corporation, Washington, DC	12
Prepared statement	14

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

Foreign Policy Report Submitted by Senator Robert Menendez	3
Material Submitted for the Record by Senator Robert Menendez	6
Material Submitted for the Record by Senator Robert Menendez	9
Material Submitted for the Record by Senator Robert Menendez	10
Responses of Hon. Sean Cairncross to Questions Submitted by Senator Robert Menendez	33
Letter to Jonathan Nash From Senator Robert Menendez	36

OVERSIGHT OF THE MILLENNIUM CHALLENGE CORPORATION

WEDNESDAY, DECEMBER 4, 2019

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The committee met, pursuant to notice, at 10:03 a.m. in room SD–419, Dirksen Senate Office Building, Hon. James E. Risch, chairman of the committee, presiding.

Present: Senators Risch, Gardner, Isakson, Young, Menendez, Cardin, and Shaheen.

OPENING STATEMENT OF HON. JAMES E. RISCH, U.S. SENATOR FROM IDAHO

The CHAIRMAN. The Foreign Relations Committee will come to order.

Thank you so much for being here today, Mr. Cairncross.

Fifteen years ago, the administration and advocates for effective foreign aid united behind a simple concept: It is in the U.S.'s interests to help countries help themselves by breaking down the constraints to market-based growth. And from this concept, the Millennium Challenge Corporation was born.

The MCC, as it is known, recognizes that aid is only effective in countries that demonstrate continuous commitment to good governance, economic freedom, investing in their own people, and, most importantly, a government free of economic corruption and theft. Its competitive, data-driven selection process creates an important incentive for countries to adopt difficult but necessary reforms.

Its focus on accountability for results helps ensure that the impact of MCC investments will endure long after the compact has ended.

And its commitment to transparency, monitoring, evaluation, and learning is helping the U.S. and others do more of what works and less of what does not.

Mr. Cairncross, expectations for MCC are high. You have taken the helm following an extended period of drift, during which time the agency has not performed, and its commitment to the principles that make it special have been challenged. The American people deserve better. This moment, however, also presents an important opportunity to innovate and reinvigorate.

I note the board's recent decision to hold Ghana responsible for failing to uphold the terms of its second compact. No doubt this was a difficult decision to reach. Terminating aid for a trusted ally of many years could not have been easy, but it was the right thing

to do. I trust that you will apply the same measure of accountability to other partners should they fail to maintain eligibility or stray from binding commitments.

Moreover, I expect to see you hold the agency itself accountable. It is essential that MCC uphold its foundational principles, particularly its commitment to transparent, data-driven selection, design, monitoring, and evaluation processes, without political interference.

This hearing presents an important opportunity for you to set out your vision for MCC over the next 15 years. I am eager to hear how you intend to restore effective leadership, harness innovation, and accelerate regional economic integration through the use of concurrent compacts, particularly in Africa where opportunities for growth and U.S. partnership transcend national boundaries.

We also want to learn more about MCC's efforts to work with the newly established Development Finance Corporation to accelerate private sector-led growth while providing a viable alternative to China's malign development model.

The stakes are high and the challenges are many, but we trust that you are up to the task or, of course, you would not be sitting here today. Our expectations are high.

With that, I recognize the ranking member, Senator Menendez, for his remarks.

STATEMENT OF HON. ROBERT MENENDEZ,
U.S. SENATOR FROM NEW JERSEY

Senator MENENDEZ. Thank you, Mr. Chairman. Thank you for holding today's Millennium Challenge Corporation's oversight hearing.

And thank you, Mr. Cairncross, for testifying before the committee.

Prior to Mr. Cairncross' confirmation, there were several news reports about a growing toxic work culture at MCC: blatant cultural insensitivity and offensive communications from one of the acting CEOs; repeated near violations of the Hatch Act; declines in the diversity of MCC's workforce; and concerns from development professionals that the traditionally data- and results-driven development organization was taking on a distinctively unproductive political mission.

Unfortunately, it seems that the White House Presidential Personnel Office's peculiar abuse of MCC's administratively-determined hiring authorities to appoint a number of questionably qualified but well-connected job seekers at MCC was primarily responsible.

In addition to our own internal information, the Washington Post diligently documented PPO's fraught hiring decisions and MCC's changing working environment throughout 2018. And I ask unanimous consent to enter into the record the Post's series of investigative reports.

The CHAIRMAN. It will be entered.

[The information follows:]

REPORT

Senator Raises Alarm Bells on Diversity at U.S. Foreign Aid Agency

New leadership at Millennium Challenge Corporation comes under scrutiny after "disturbing" comments by a senior official and concerns over Trump's pick to head the agency.

BY ROBBIE GRAMER | FEBRUARY 26, 2018, 4:05 PM

A Trump administration nominee to a small U.S. foreign aid agency is expected to face tough questions this week by a top Democratic lawmaker over questions of workplace diversity.

Sen. Bob Menendez (N.J.), ranking Democrat on the Senate Foreign Relations Committee, sent a letter to the acting head of the Millennium Challenge Corporation questioning the agency's workplace culture and leadership based on comments from MCC Vice President of Compact Operations Robert Blau.

The charges come as Sean Cairncross, a White House senior advisor, has a hearing to become the new head of MCC before the Senate Foreign Relations Committee on Tuesday.

His nomination hearing could get heated: Critics say Cairncross has no significant experience with foreign aid, which could hinder his ability to effectively manage the agency. In 2010, Cairncross was also named in a lawsuit on racial bias in the workplace while working as general counsel at the National Republican Senatorial Committee. He and other defendants in the lawsuit denied any wrongdoing.

Former U.S. officials and congressional staffers say what's going on at MCC points to larger concerns about withering diversity in the top ranks of agencies that deal with international affairs under President Donald Trump, including the State Department and the U.S. Agency for International Development.

Menendez's letter addresses a specific incident involving MCC Vice President Robert Blau.

In an all-hands staff meeting on June 14, 2017, then newly appointed Blau gave a speech introducing himself and discussing diversity that sources briefed on the meeting described as bizarre and racially insensitive. Blau, a retired 31-year veteran of the foreign service, introduced himself as a partisan Republican and early backer of Trump, and he went on to provide seemingly off-script remarks on diversity.

"I'm not someone who celebrates diversity, or engineers it — to me diversity just happens," Blau told MCC employees during his speech.

"My first wife was an African immigrant. So actually, on an anthropologic level, I'm like President Obama's mother," Blau continued. "In the sense that my spouse was an African immigrant and my sons are mixed race, like President Obama and his siblings. And my stepmother, my father's second wife, is from Colombia. My sister-in-law is also from Colombia. They're not related, it's a coincidence. I despise one and love the other one, so you can't generalize about Colombians."

Foreign Policy obtained an audio copy of the speech, which is posted in full below.

0:00

At one point in the speech, he apparently pointed at one MCC employee. "Your demographic is Asian. Are Asians all in one box? The big three in her area is Koreans, Japanese, and Chinese. Would they want to be in the same box? I don't think so."

Blau said that while he was partisan, he would not ask employees who they voted for and they should not be subjected to "political nit-picking." If they were, he said, "Come to me and I will have your back and fight for you."

In the early days of the Trump administration, Blau worked on Trump's State Department transition team with Chuck Glazer, former U.S. ambassador to El Salvador under President George W. Bush.

Menendez, in his letter to MCC acting CEO Jonathan Nash, called Blau's comments "troubling" and said they "raise[d] questions about his approach to and treatment of employees based on their political leanings, sexual orientation, and national origin."

Laura Allen, MCC's press secretary, told FP that MCC is working to respond to Menendez's letter. "MCC deeply values diversity and is proud of its long track record of

fostering a positive workplace culture that prioritizes respect, openness, and inclusion," she said. "As an agency, we are committed to these principles now and moving forward."

Cairncross may also face scrutiny in his nomination hearing on Tuesday over his role in a 2010 lawsuit over racial discrimination at the National Republican Senatorial Committee. The plaintiff, Keith Carter, a longtime NRSC employee, said Cairncross and several other top NRSC officials created a hostile work environment for him and one other African-American employee. Cairncross and the other defendants denied all wrongdoing. Brian Walsh, then an NRSC spokesman, said at the time the suit was "meritless" and "an unfortunate action taken by a disgruntled former employee." Ultimately, the NRSC paid $70,000 in damages to Carter to settle the suit.

Backers of Cairncross, currently deputy assistant to the president and senior advisor to the chief of staff, say what he lacks in direct foreign aid experience he makes up for with strong contacts in the Trump administration and on the Hill.

The Millennium Challenge Corporation, founded under then-President George W. Bush in 2004, is a small agency that aims to tackle poverty by giving foreign countries large-scale grants to boost economic development. The MCC is dwarfed by its larger counterparts, the State Department and U.S. Agency for International Development, but its mission receives broad bipartisan support in Congress.

The Trump administration proposed steep budget cuts to U.S. foreign aid and diplomacy in its fiscal 2019 budget request, including cutting MCC's annual budget from $905 million to $800 million, an 11.6 percent cut.

Robbie Gramer is a diplomacy and national security reporter at Foreign Policy. @robbiegramer

TAGS: DEVELOPMENT, DIPLOMACY, FOREIGN AID, REPORT, STATE DEPARTMENT, USAID

VIEW COMMENTS

MATERIAL SUBMITTED FOR THE RECORD BY SENATOR ROBERT MENENDEZ

WHITE HOUSE USES FOREIGN AID AGENCY TO GIVE JOBS TO TRUMP LOYALISTS

By Robert O'Harrow Jr.

Washington Post, July 28, 2018. The White House has assumed control over hiring at a small federal agency that promotes economic growth in poor countries, installing political allies and loyalists in appointed jobs intended for development experts, according to documents and interviews.

Until the Trump administration, only the chief executive and several other top officials of the Millennium Challenge Corporation (MCC) were selected by the White House, former agency officials said. The chief executive, in turn, used authority granted to the agency by Congress to appoint about two dozen other staffers, primarily for their technical expertise.

But starting last year, the White House began naming political appointees to the lower-level positions, according to internal rosters obtained by The Washington Post and interviews with former employees and other knowledgeable people. The employees were warned by an agency leader they could lose their jobs to make way for the new political appointees, the former employees said.

Fourteen allies and Trump loyalists have been placed at the agency as political appointees so far—more than double the number of political staff on the day the president took office, the rosters show. Among them are a 2016 college graduate with a degree in English literature whose grandmother is a senior personnel official in the White House and a recent congressional intern who graduated in May with a master's degree from the Johns Hopkins University School of Advanced International Studies.

The White House's reach into MCC operations sheds new light on the administration's appointment process and shows how even obscure parts of the federal bureaucracy traditionally viewed as nonpartisan are being drawn into partisan orbits.

In recent weeks, Sen. Robert Menendez (N.J.), the ranking Democrat on the Foreign Relations Committee, put a hold on a water project in Mongolia while congressional investigators examined the impact of the Trump appointments at MCC. Two weeks ago, he lifted the hold as part of a negotiation with Senate Republicans for limited access to MCC résumés and other personnel documents.

In a statement to The Post, Menendez condemned the administration's "practice of replacing seasoned professional and programmatic experts with patronage hires." He said that "blind loyalty seemingly trumps qualifications, experience and career public servants."

"Congress gave MCC special hiring authority so that it could operate with efficiency and effectiveness, not so that it could become a dumping ground for unqualified partisan loyalists and lackeys," Menendez wrote.

A Republican Foreign Relations Committee aide speaking on the condition of anonymity offered a more upbeat assessment.

"We were happy to work with our Democratic counterparts in resolving questions about hiring at MCC as we do regularly in exercising the committee's oversight function," the aide said. "Such oversight is important for all agencies under the committee's jurisdiction, and we will continue working in a bipartisan manner moving forward."

Menendez is continuing to examine the matter, according to spokesman Juan Pachon.

The White House and MCC have not responded to repeated questions and requests for interviews.

The Millennium Challenge Corporation dates to the early days of the administration of George W. Bush, which sought to create a technocratic alternative to sometimes wasteful, politically tinged foreign-assistance programs. Bush said he wanted such programs to be keyed to internal reforms and economic growth in client countries, and "defined by a new accountability" and measurable outcomes.

White House officials have not made clear to Capitol Hill or agency officials the exact reasons they are filling the appointed jobs. "They have just claimed those 30 jobs are [the White House's]," said an official familiar with the political operation at MCC who spoke on the condition of anonymity for fear of retribution.

In September, the White House appointed a political liaison to the agency—apparently the first in its history. Six employees have been reassigned to make room for Trump appointees. Those reassigned include the agency's chief risk officer and the leader of the team responsible for coordinating efforts with the private sector.

Three others were forced to leave, according to interviews with former employees and internal documents obtained under the federal Freedom of Information Act.

Among them was Lorelle Atkinson, acting vice president of public affairs, a 6-year veteran and nonpolitical appointee at MCC who previously had worked for 4 years at a global development nonprofit that focused on improving the plight of poor women.

Atkinson told The Post she attended a June 2017 staff meeting at which employees were warned they might lose their jobs to make room for new political appointees. She said she was forced to resign in October—at a time when she was pregnant.

"I was proud of the work we did at MCC and was honored to have worked with the best and brightest the civil service has to offer," Atkinson said.

Foreign aid veterans told The Post the appointments are subverting the agency's technical-minded culture. They said the injection of inexperienced political appointees represents the kind of establishment machinations Trump has decried as "the swamp."

"This is deeply troubling," said Scott Morris, who worked closely with MCC's board as a deputy assistant secretary at the Treasury Department in the Obama administration. "This will inevitably undermine the ability of this technocratic agency to fulfill its mission."

FAMILIAR TIES

Congress authorized MCC in 2003 as an independent agency, including funding for 30 employees who could be appointed outside of the normal civil service laws and regulations. Congress gave the agency's chief executive authority for hiring the majority of those employees. The appointment of about seven corporate officers is subject to approval by a governing board composed of the secretary of state, treasury secretary, the administrator of the United States Agency for International Development and others with "relevant international experience."

The MCC has about 300 employees and an $800 million annual budget. It has supported programs in dozens of developing countries.

After Trump's inauguration, agency leaders did not initially hear from the White House, according to MCC employees at the time. In the spring of 2017, a senior official from the Presidential Personnel Office (PPO) asked several members of the leadership team to send over their résumés for review, people familiar with the matter said. Before long, a PPO official began making claims on the 30 appointed positions authorized by Congress.

The PPO is a White House organization responsible for selecting and placing 4,000 political appointees who carry out the president's policies and run federal agencies. It has been a source of controversy over its vetting of nominees and the pace of appointments. PPO director Sean Doocey and a senior official in the PPO office, Katja Bullock, have been involved in lining up the political jobs at MCC, according to documents and interviews with people with knowledge of the office.

In a previous interview, a White House official acknowledged that Doocey and Bullock are former Bush administration colleagues and longtime friends, who with others traveled to Germany on vacation last year.

Several months after the trip to Germany, Doocey appointed Bullock's grandson, Dillon Seamus Bullock, to MCC as a "staff assistant," the Dec. 5 memo shows. Dillon Seamus Bullock, who was given a $50,000 salary, had no professional experience after graduating with an English degree from Belmont Abbey College in December 2016, according to his résumé and the Doocey memo.

As The Post has previously reported, Dillon Seamus Bullock is one of four of Katja Bullock's relatives who have received political appointments in the Trump administration.

Doocey and Katja Bullock declined requests for interviews. During a brief phone call, Dillon Seamus Bullock also declined to comment.

Doocey's office also arranged for the agency to hire Adrienne Spero as White House liaison. Though she was paid by MCC, she reported to Doocey, according to interviews with current and former employees. After the publication of this report, Spero denied that she reported to Doocey.

Spero is a 2013 graduate of Ohio Northern University's Pettit College of Law who worked as a contractor as a law clerk at the Justice Department and other agencies in 2015 and 2016. She and her husband, Casin Spero, a political appointee at Veterans Affairs, are social friends of Doocey's, according to current and former Trump administration officials who spoke on the condition of anonymity for fear of retribution.

Before the presidential election, Casin Spero and Doocey both worked at Barbaricum, a federal contractor.

Adrienne Spero declined an interview request, and VA did not respond to a request for an interview with Casin Spero.

Kirk Bell, a Trump campaign worker, told The Post that PPO officials placed him in the agency's communications office last year, even though he did not seek out the job. Bell resigned months ago amid questions relating to his security clearance. He declined to discuss the details.

"I was asked by the White House to go to MCC," Bell said, adding that he felt duty-bound to follow White House instructions. "I was basically told, 'This is what we have for you.' "

Another appointee is Karen Sessions, a former Verizon Communications executive and municipal official in Winter Park, Fla., who made an unsuccessful run for Congress as a Republican in 2010. In 2012, she married Rep. Pete Sessions (R–Tex.), a Trump supporter. She is vice president of congressional and public affairs.

Yet another is Eric M. Ueland, who was recently placed at MCC after his nomination to be undersecretary of state for management failed to receive Senate support. Ueland is a veteran Republican Senate staffer who has worked for former Senate majority leader Bill Frist (R–Tenn.) and as the staff director for the Senate Budget Committee under former Alabama U.S. senator and current Attorney General Jeff Sessions. In a personal biography online,—Ueland describes himself as a "senior strategy officer" at MCC.

The Post requested copies of emails between agency officials and the White House under the Freedom of Information Act in March. In response, MCC identified 59 emails that could be responsive. But none of the emails—which were sent to the White House for review—have been released.

"We're simply just waiting for the White House to reply," said Tamiko Watkins, the agency's chief Freedom of Information Act officer. "Our hands are a little bit tied."

POLITICALIZATION WORRIES

The most controversial of the new appointees is Robert Blau, a retired Foreign Service officer who served as a speechwriter on Trump's campaign. He was named MCC's vice president of compact operations in the spring of 2017.

Soon after arriving, he filled his office with Trump campaign memorabilia, which he later removed after colleagues suggested it was not appropriate for a federal office, according to officials at the agency at the time who spoke on the condition of anonymity. During a staff town hall meeting last year, Blau, who was then director of operations, described himself as "a partisan conservative Republican" and complained that certain media were "out to get Trump every day," according to a routine recording of the meeting made by the agency.

He assured them his political views would not influence his management decisions, the recording shows. But he also urged agency employees to watch Fox News and read Breitbart News.

"If you are only using CNN and The Washington Post, you're getting a very biased view of the news," he said, according to a transcript of the audio first made public by Foreign Policy magazine earlier this year.

Blau also expressed skepticism about a speaker at the agency who had recently promoted gay and lesbian pride.

"His talk was sort of 'celebrate diversity,' " Blau said, noting that his wife is an immigrant from Africa and that his sons are mixed race. "I'm not someone who celebrates diversity, or engineers it. To me, diversity just happens," he said.

Menendez condemned the remarks in a Feb. 23 letter to then-acting chief executive Jon Nash: "I write to seek a full accounting of this behavior and MCC's response to it, as well as a commitment from MCC leadership that individuals who engage in such behavior will be held accountable."

In a letter back, Nash wrote that the remarks "do not reflect MCC's values" and said that the matter had been referred to the agency's general counsel.

Through a spokeswoman, Blau declined requests for an interview.

On May 25, Blau was promoted to interim leader of MCC, effective 3 days later. The White House officials made the move after repeated delays in Senate consideration of the nominee to be MCC's chief executive, which has been pending since early January.

The nominee, Sean Cairncross, is a Washington insider who served as chief operating officer of the Republican National Committee in the 2016 election cycle. In the Trump administration, he served as deputy assistant to Trump and senior adviser to the chief of staff.

But he has no foreign development experience, according to his testimony during his nomination hearing in February.

During that hearing, Sen. Jeff Merkley (D–Ore.) asked Cairncross about White House politicization of MCC. Cairncross said he knew nothing about it.

"If confirmed, I would strive to keep the MCC a performance-based professional development organization," Cairncross testified. "I am not looking to politicize the MCC."

Cairncross's nomination is still pending.

Andrew Ba Tran contributed to this report.

MATERIAL SUBMITTED FOR THE RECORD BY SENATOR ROBERT MENENDEZ

APPOINTED LEADER RESIGNS FROM FOREIGN AID AGENCY USED TO GIVE JOBS TO TRUMP SUPPORTERS

By Robert O'Harrow Jr.

Washington Post, August 15, 2018. A political appointee overseeing a small foreign assistance agency that has been used by the White House as a source of jobs for Trump administration supporters is resigning, according to an email he sent to agency employees on Tuesday.

Robert Blau, a retired Foreign Service officer and speechwriter for Trump's presidential campaign, was named vice president of operations at the Millennium Challenge Corporation in May 2017. He assumed the duties of the chief executive in May of this year, after the Senate failed to move on Trump's nominee to lead the agency.

Blau's email said he told the White House early last week that he would step down next Tuesday. The email was obtained by The Washington Post.

In a brief telephone call, Blau declined to comment. The White House also declined to comment, and the agency did not respond to emails.

Two people speaking on condition of anonymity because they were not authorized to speak on his behalf said Blau has said he wanted to returned to Florida, where he and his wife lived before he joined the campaign, and did not want to renew a lease in the Washington region.

Blau's announcement followed a July 28 Washington Post story that detailed how the White House had assumed control over hiring at the headquarters of Millennium Challenge Corporation, or MCC, a small independent agency that promotes economic growth in poor countries.

In prior administrations, only the chief executive and several other top officials at the agency had been selected by the White House. The chief executive then used authority granted by Congress to appoint about two dozen other staffers, primarily for their development experience.

The Trump White House has filled 14 jobs with political appointees, more than twice the number at MCC on the day the president took office, The Post reported. Some veteran employees were placed in other jobs or forced to leave the agency to make room for Trump appointees. Administration officials have asserted that they control 30 appointed jobs at MCC, The Post reported.

Among the new appointees are a former municipal worker in Florida and the wife of a congressman. Another is a 2016 college graduate with a degree in English literature whose grandmother is a senior personnel official in the White House.

Blau was among the most controversial of the appointees. Soon after arriving at MCC, he filled his office with Trump campaign memorabilia. During a staff meeting last year, he urged employees to watch Fox News and read Breitbart News and characterized The Washington Post and CNN as "very biased," according to a recording made for employees who could not attend the meeting.

Blau also expressed skepticism about a recent speaker who had promoted gay and lesbian pride.

"I'm not someone who celebrates diversity, or engineers it. To me, diversity just happens," he said, according to a recording made public by Foreign Policy magazine earlier this year.

In his email Tuesday, Blau said he has worked at MCC "alongside highly-dedicated, incredibly talented individuals employed overseas and here in headquarters."

"It has been an honor and a privilege to serve in the Trump Administration," he wrote. "I will be returning to Florida, where I will continue to support the Trump Administration, and also cheer MCC on as it takes on ever-greater development and foreign policy challenges."

Robert O'Harrow Jr. is an investigative and accountability reporter at the The Washington Post.

MATERIAL SUBMITTED FOR THE RECORD BY SENATOR ROBERT MENENDEZ

ACTING LEADER REMOVED FROM AGENCY THE WHITE HOUSE HAS USED TO PROVIDE JOBS TO TRUMP SUPPORTERS

By Robert O'Harrow Jr.

Washington Post, October 18, 2018. The White House has removed the acting chief of a small foreign aid office less than 2 months after he was put in place to quell controversy over the Trump administration's use of the agency as a source of jobs for political supporters, according to interviews and an internal email obtained by The Washington Post.

Brock Bierman has served as part-time leader of the Millennium Challenge Corporation since Aug. 21, while also juggling responsibilities as an assistant administrator at the U.S. Agency for International Development.

"This afternoon the White House directed that Brock Bierman no longer serve as Acting CEO of MCC," said a brief email to agency staff Wednesday evening. The email offered no explanation for his removal.

Bierman's departure is the latest upheaval at an agency that has not had a permanent leader since the start of the Trump administration.

Bierman was the third person in 5 months to lead the MCC, which promotes economic growth in poor countries. In January, Trump nominated Sean Cairncross to be MCC's chief executive. The nomination has stalled in the Senate, in part because Cairncross, the former chief operating officer of the Republican National Committee, has no foreign assistance experience.

Bierman succeeded another acting leader, Robert Blau, who resigned amid controversy over the White House's placement of more than a dozen Trump supporters into jobs previously reserved for development specialists.

Shortly after arriving at MCC, Bierman imposed a hiring freeze on political appointees and told senior staff and congressional aides that he would work to restore MCC's reputation for independence from political influence, according to an agency official and a congressional aide.

Bierman's duties will be assumed by Jonathan Nash, the agency's chief operating officer and a longtime career employee at the agency. Nash also previously served as a temporary MCC chief under Trump.

Bierman did not respond to requests for comment.

He tweeted: "It was an honor and privilege to serve as acting CEO for the Millennium Challenge Corporation these past 2 months. I am grateful to the President for the opportunity to have lead an incredible group of dedicated professionals. Excited to get back to work full time."

The White House did not respond to questions about his departure.

Three people familiar with MCC operations, speaking on the condition of anonymity because they are not authorized to speak publicly on behalf of the agency, said the White House decision came after Bierman clashed with senior staff, including Karen Sessions, a political appointee serving as MCC's vice president for congressional and public affairs. She is the wife of Rep. Pete Sessions (R–Texas).

Karen Sessions did not respond to requests for comment.

After being told about Bierman's resignation, Sen. Robert Menendez (N.J.), the senior Democrat on the Foreign Relations Committee, said he intends to examine what happened.

"Mr. Bierman appeared to approach the position of Acting CEO at MCC with a clear vision of how to run an independent, professional agency that the Trump Administration had politicized and turned into a revolving door for campaign aides," Menendez said in a statement. "I have questions about his abrupt dismissal, and I intend to find out what happened."

Until Trump, MCC was primarily known for its technocratic staff and innovative efforts to provide economic assistance to poor countries.

In a July 28 story, The Post showed how the Trump administration was using the agency to reward supporters and allies with jobs. In early 2017, the White House Presidential Personnel Office claimed control over 30 MCC jobs.

Over the next year, the PPO filled 14 jobs with Trump supporters and allies. Among them was Blau, a former campaign speechwriter who drew criticism for urging MCC employees to watch Fox News and read Breitbart News.

Another appointee was the grandson of a senior PPO official, a young man who graduated from college in 2016 with an English degree.

Senator MENENDEZ. MCC experienced several inauspicious leadership changes while the committee was vetting your nomination.

While a good number of inappropriate leaders have departed MCC, including Robert Blau, the acting CEO who infamously gave a rambling and offensive all-hands speech that sent a chilling effect through MCC's ranks, so that their departure has actually helped restore credibility to MCC, the question remains: why were these people given leadership roles and what lasting impact will their presence have on MCC's effectiveness?

Mr. Cairncross, you received a number of questions for the record on these issues during your confirmation. In your answers, you committed to restoring MCC's professional culture. I appreciate that you took these concerns seriously, and I look forward to your testimony on how you will strategically work to right the ship.

Through it all and with steady support from Congress, MCC continues to explore and execute compacts in developing countries. For 25 years, MCC has followed an innovative approach to international development by providing limited but ambitious investments in economically transformative projects in poor countries that demonstrate a willingness and capacity to meaningfully commit to specific standards of improved governance, transparency, and fair competition.

MCC's data-driven approach assesses countries' constraints to economic growth and their needs to ensure a maximization on investments returns each country receives. Americans benefit from these investments as strategic partner countries experience improved regional security through improved economic security, growing trade opportunities, and the ability to resist malign external influence. MCC is an important tool in the U.S. foreign policy toolbox that requires congressional support, including robust oversight to ensure the independent agency sustains its success.

In addition to discussing your efforts to restore a sound and productive work environment at MCC, I also have a number of questions about some of MCC's active and pending compacts. My concerns about specific compacts are rooted in wanting to ensure MCC is dutifully executing its mission. The committee and the American people need assurances from you that MCC is adapting strategies to manage and resolve these concerns.

For example, as the chairman mentioned, in Ghana, MCC recently—and for good reasons—terminated $190 million of MCC's $498 million compact with Ghana. I believe that was the right decision based on the findings of an independent audit of fraud allegations lodged by the Ghanaian Government. However, I have questions around the budget implications of these funds returning to MCC, as well as the lessons or precautions MCC may be taking with the rest of the Ghana compact.

Regarding Mongolia's water compact, Mongolia's dubious plan to service the outstanding $75 million debt its water authority has accrued by simply moving the debt to another division of the government hardly seems like a fiscally responsible plan that MCC should accept. I also have concerns about the Mongolia-Millennium Challenge Account's lack of progress on developing a credible and sustainable revenue mechanism to pay for the long-term maintenance and operation of the project MCC is helping to build.

In Sri Lanka, MCC has a $480 million compact pending the approval of the Sri Lankan Government. Sri Lanka, however, has just

elected a suspected war criminal, Gotabaya Rajapaksa, as president. How will this affect the compact?

I also have questions about Kosovo, El Salvador, and Georgia.

I believe MCC can continue to be a positive tool of American economic leadership, and I appreciate the chairman's interest in conducting oversight of this important development agency. And we look forward to your testimony.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Menendez.

Now we will hear from the Honorable Sean Cairncross. He is the Chief Executive Officer of the Millennium Challenge Corporation. Prior to joining MCC, Mr. Cairncross held a number of positions in the public and private sectors, including Deputy Assistant to the President and Senior Advisor to the White House Chief of Staff. He holds a J.D. from NYU School of Law and M.Phil from Cambridge University and B.A. from American University.

Mr. Cairncross, you have heard both the ranking member and me talk about some of the issues of the past. We really want to look forward. I think the ranking member and I share, as do other members of this committee, a real concern for how important this agency is. We obviously are challenged internationally in many different respects. This particular agency is one that projects American values, projects American ability to help people better themselves, and as the ranking member said, there are challenges here. We really are trusting you to stand this agency up to do good and move forward well.

So with that, the floor is yours.

STATEMENT OF HON. SEAN CAIRNCROSS, CHIEF EXECUTIVE OFFICER, MILLENNIUM CHALLENGE CORPORATION, WASHINGTON, DC

Mr. CAIRNCROSS. Thank you, Chairman Risch, Ranking Member Menendez, and members of the committee.

I would also like to recognize and thank Senator Isakson for your long-term support for the agency. Everyone is very appreciative. Thank you.

I am delighted to be here today and talk about my first 100-plus days as MCC's CEO and also my priorities for MCC in the months ahead. It is a privilege to lead an agency with such a diverse, talented, and dedicated staff. I am grateful to President Trump for entrusting me to do so, and I am thankful and grateful for this committee's support.

I also want to thank your staff members. The bipartisan support that MCC enjoys is a real testament to this body, and I would like to thank them for their consistent engagement with MCC's work.

Over the course of my first 5 and a half months at MCC, it has become clear to me that what really is the agency's strength are its core principles: transparency, data, and, frankly most importantly, accountability both for ourselves and for our partner countries.

MCC's work to reduce poverty through economic growth and consolidate democratic and free market reforms in the world's best governed, poorest nations is critical to U.S. foreign development.

Our partner countries are actively working to set their nations on a path towards self-reliance.

There is no better way to learn this than to go see it. Each trip I take into the field better equips me to share the agency's work and to help guide the agency's mission. And since being confirmed, I visited six partner countries—Malawi, Cote d'Ivoire, El Salvador, Georgia, Niger, and Morocco—and visited nearly 20 project sites. I have spent time with hundreds of beneficiaries, and that is unquestionably the best part of each trip.

In Malawi, I met with President Mutharika to push for continued performance on MCC's scorecard and sustainability of their power compact. I also met with Grace Ghambi, an electrical engineering student who is earning her degree through an MCC-sponsored scholarship. After finishing school, Grace wants to return to support the implementation of MCC's compact by working at ESCOM, an electric company that is helping with the private sector enterprise in Malawi.

Following that visit, I headed to Abidjan to attend the AGOA forum. I joined President Ouattara to mark the start of our $525 million compact with investments in education and transportation.

I also signed a memorandum of understanding between the Government of Cote d'Ivoire and The Bechtel Corporation to develop a national master infrastructure plan. I think this is a significant step in developing a sustainable infrastructure investment plan for Cote d'Ivoire in the years to come.

In El Salvador, I met with President Bukele and had a great discussion on the importance of the private sector in creating a sustainable economy. We launched the bid for the country's first large-scale, public-private partnership, and I also attended the opening of the first of 45 MCC-renovated schools.

Just last month, I traveled to Niger and Morocco. In Niger, I met with President Issoufou and launched an investment in the agricultural sector in Konni.

I then joined Advisor to the President, Ivanka Trump, in Morocco where we saw firsthand our joint efforts to increase women's economic empowerment through MCC and the Women's Global Development and Prosperity Initiative. While in Rabat, we signed an implementation letter with the government to ensure that regulations for a new law advancing secure land rights for women is adopted by December 31 of this year.

Advisor Trump and I also met with women in the Gharb region who now have more secure ownership in inheritance rights for the collective lands on which they farm.

W–GDP is enabling the U.S. Government to target investments in women across the developing world in a coordinated way. MCC is grateful to Ivanka and to the administration for their support of our work in this regard.

Each of these missions is invaluable, and I look forward to continuing to visit the field.

MCC's work reflects a model built on lessons of development experience, but I also seek to find new ways to build on that model and achieve greater impact. So we will focus on four areas: one, empowering MCC's staff; two, encouraging smart risk; three,

crowding in and enabling private development and dollars; four, holding ourselves and our partner countries accountable.

First, it is a priority for me to empower the incredible people who work at MCC. Through listening sessions, roundtable discussions, and daily conversations—I walk around the building quite a bit—I learn daily and directly from staff about what the agency does well and what we can improve, and I continue to learn more about this every single day.

Second, we will further establish a culture of creativity that encourages smart risk, including operationalizing MCC's concurrent compact authority. Markets do not stop at borders and nor should MCC's investments. We must increase our risk tolerance if we want greater successes across the board. This is at the root and the core of the design of MCC.

Third, crowding in and enabling private investment throughout the lifecycle of our programs is vital. We know that government-to-government dollars are not enough. We need private investment and job creation to develop healthy market economies. This is the primary driver of truly sustainable economic growth.

And finally, accountability. Without it, we cannot do our best work with our partner countries or for the American taxpayer. MCC will not throw good money after bad. We will adhere to our principles and follow our model.

Two recent examples emphasize this. MCC's board of directors unanimously agreed to terminate a portion of the Ghana power compact when a key condition was not met. In Sri Lanka, MCC is continuing to monitor as the new government takes shape. As with all MCC partners, we expect Sri Lanka to remain committed to MCC's eligibility criteria, including with respect to the rule of law, political rights, and civil liberties.

All this is to say by investing in staff, innovating and taking smart risks, crowding in private dollars, and holding ourselves and our partners accountable, I am confident that MCC will continue to deliver on our mission.

Thank you for today, and I look forward to your questions.

[The prepared statement of Mr. Cairncross follows:]

PREPARED STATEMENT OF HON. SEAN CAIRNCROSS

Thank you, Chairman Risch, Ranking Member Menendez, and members of the Committee. I am delighted to be here today, and I look forward to discussing my first 100-plus days as MCC's Chief Executive Officer with you, as well as my priorities for MCC in the months ahead.

As I've said before, it is a true honor and privilege to lead an agency with such a talented, diverse, and dedicated staff of experts in their fields of practice. I am grateful to President Trump for trusting in me to do so, and sincerely thankful for the support and confidence of this committee, and the United States Senate.

I also want to thank each of your staffs for our important and ongoing conversations. The bipartisan support that MCC enjoys is a testament to this body and to the work and collaboration between MCC and your teams. The value of these relationships—and the key guidance that you each provide to me and the agency—cannot be overstated. Thank you for making yourselves available and for your consistent engagement in MCC's work around the world. I am truly grateful.

Over the course of my first 5 1/2 months at MCC, it has become abundantly clear to me that MCC's strength continues to lie in the core principles the agency was founded on 15 years ago: transparency, data-driven decision making, and certainly—and arguably most importantly—accountability.

I believe that MCC's work to reduce poverty through economic growth and consolidate democratic and free-market reforms in the world's best-governed, poorest coun-

tries is crucial to the success of U.S. foreign development. Our partner countries are actively working to fight corruption, and to set their nations and their economies on better and stronger paths toward self-reliance. They are making the hard choices, and America is standing with them.

There is no better way to learn this than to go see it. I promised this committee I would, and I have.

The opportunity to see MCC's work firsthand has been transformational. Each trip I take to the field better equips me to share the agency's work, and to support and guide MCC's mission.

Since being confirmed at the end of June, I have traveled to six MCC partner countries—Malawi, Cote d'Ivoire, El Salvador, Georgia, Niger, and Morocco, have met with 11 Heads of State, have visited nearly 20 project sites, and have spent time with hundreds of beneficiaries, which is unquestionably the best part of each trip.

In Malawi, I met with President Mutharika to push for continued performance on MCC's scorecard and sustainability of their power compact. I also met with Grace Ghambi a fourth-year electrical engineering student at the University of Malawi who is earning her degree through an MCC-sponsored scholarship. While visiting Nkula power plant outside of Blantyre, Grace explained to me that without this MCC investment, her education would not have been possible; and now, after she finishes her schooling, Grace wants to come back and assist with implementing the MCC compact by working at ESCOM—an electric company in Malawi helping to privatize the energy sector. She has also started a girls' mentoring group, sharing information and encouraging young women to reach their dreams. Inside of 2 years, she has reached thousands of young girls in Malawi. If that's not a good demonstration of America's power to inspire, I don't know what is.

Following this visit, I headed to Abidjan, Cote d' Ivoire, where I attended the AGOA forum and joined President Ouattara in marking the entry-into-force of our $525 million compact supporting investments in the education and transportation sectors. I toured the Port of Abidjan and traveled the primary traffic-congested areas that we are aiming to relieve over the next 5 years—the Government of Cote d'Ivoire is a committed and strong partner. I also joined the signing of a Memorandum of Understanding between MCC, Cote d'Ivoire, and The Bechtel Company to develop a national infrastructure plan—a significant step in directing the sustainability of the Ivorian's infrastructure investments for many years to come.

In September, I traveled to the Republic of Georgia to support MCC's $140 million investment in the Georgian education sector, particularly in the fields of science, technology, engineering, and math. I joined San Diego State University in welcoming their 5th cohort of students to the MCC-supported SDSU-Georgia STEM program, and also opened one of the 91 newly MCC-renovated schools.

In El Salvador, I met with newly elected President Bukele and had a good discussion on the importance of the private sector in creating a sustainable economy. We launched the bid for the country's first large-scale public-private partnership. I also attended the opening of the first of 45 MCC-renovated schools—and like in Georgia, addressed a community of enthusiastic and inspired students, families, and teachers.

And, just last month, I traveled to Niger and Morocco. In Niger, I met with President Issoufou and launched an investment in agricultural irrigation in Konni.

I then traveled to Rabat, Morocco, to join Advisor to the President, Ivanka Trump, where we saw firsthand our joint efforts to increase economic opportunity and prosperity for women through MCC and the Women's Global Development and Prosperity Initiative, or W–GDP.

I am a firm believer that a country's economy cannot reach its full potential if half the population is left out. Women must have the freedom to make their own economic decisions. This matters. And, for MCC, this is one of the best dollar-for-dollar investments we can make to reduce poverty through economic growth. We remain committed to prioritizing women's economic empowerment within our programs and upholding the pillars of W–GDP within our country partnerships.

During our time in Morocco, MCC signed an implementation letter with the Government to ensure that regulations for a new law advancing secure land rights for women are adopted by December 31. Advisor Trump and I also met with women in the Gharb region who now have more secure ownership and inheritance rights to the collective lands that they farm.

MCC has been working, since our agency's founding, to address gender issues and directly invest in women. In fact, last year we significantly expanded our Gender in the Economy indicator to cover 40 issue areas—up from just 10.

W–GDP is enabling the U.S. Government to target investments in women across the developing world in a coordinated and focused way—this is key to eliminating

barriers to women's economic growth across the globe. There is no question that women must be able to fully participate in their economies. We are grateful to Ivanka and the administration for their continued support of MCC's work in spearheading efforts to economically empower women around the world.

I also had the opportunity to promote MCC's work while in New York for the United Nations General Assembly, and I traveled to London to meet with potential private investors and partners, participating in several events that gave me the chance to speak about MCC's role in U.S. development and blended finance. MCC is a great story for America and our important work abroad, and I intend to tell it to as many audiences as I can.

These missions have been invaluable, and I look forward to continuing to visit the field to experience—and help leverage—MCC's work on the ground.

Our work reflects a model built on lessons of development experience, and as CEO, I am committed to maintaining the agency's role as a leader in U.S. foreign assistance. Indeed, for the fourth year in a row, Results for America ranked MCC number one in using evidence, results, and learning to drive positive outcomes—but I will also seek to build on our model to find new, innovative ways to achieve a greater impact across our portfolio.

We will do this by focusing in four key areas:

One, empowering the staff at MCC;

two, establishing a culture of creativity that encourages smart risk;

three, crowding-in and enabling private investment; and

four, holding ourselves and our partners accountable for results.

First, it is a priority for me, as CEO, to connect with, and empower, the incredible people at MCC. I have held multiple all-staff listening sessions, surveys, roundtable discussions, meetings, and daily conversations to ensure I hear directly from staff about what the agency is doing well, and where we can improve. Their input has been invaluable and has helped to shape our strategic vision for the agency moving forward. I continue to learn more about the important work each of our teams are doing every day; communication with staff is a priority and I will keep these channels open. Empowering MCC's staff for optimal performance is, and will continue to be, a primary focus area for me.

Second, we will work to build upon and further establish a culture of creativity that encourages taking smart, entrepreneurial risk—including operationalizing MCC's new concurrent compact authority to work on regional integration and trade. We all know that markets do not stop at borders, so neither should MCC's investments. If we can help connect our partner countries to regional markets, we can create more economic opportunity, and reduce poverty exponentially. Working cross-border is risky—however, the potential payoff is huge, and we will tackle these investments using the same data and analysis that supports our informed decision making across the globe. We must increase our risk appetite by taking calculated risks if we want greater successes across the board. This is at the root of MCC's design as a creative and unique aid agency.

Third, crowding-in and further enabling private investment across our portfolio, and throughout the lifecycle of our compacts, is vital. We each know that government-to-government development dollars are not enough. We need private investment and job creation to develop healthy market economies—this is the primary driver of sustainable growth. Areas of opportunity for MCC include creating enabling environments, assertively employing blended finance tools, and building partnerships. We certainly look forward to working closely with the new DFC in this area as well.

And finally, accountability. Without it, we cannot do our best work with our partner countries or for the American taxpayer. MCC will not throw good money after bad. Others say this, but MCC has a 15-year track record of following through. We will do what we say we are going to do. Making difficult decisions based on available evidence is what MCC is all about, and our model works because we stick to our principles. This is key to our success as an agency.

Two recent examples emphasize this. MCC's Board of Directors unanimously agreed to terminate a portion of the Ghana Power Compact when a key condition was not met. In Sri Lanka, MCC is continuing to monitor as the new government takes shape. As with all MCC partners, we expect Sri Lanka to remain committed to MCC's eligibility criteria, including respect for the rule of law, political rights, and civil liberties.

By investing in the staff at MCC, continuing to innovate and take smart risks across our portfolio, finding new ways to crowd-in private dollars, and continuously holding ourselves and our partner countries accountable as responsible stewards of

American taxpayer dollars, MCC will build upon its remarkable history of bi-partisan support, and be stronger and more resilient as an agency. I am confident that MCC will continue to deliver on our mission of reducing poverty through economic growth and representing American values around the world.

Thank you for your time and I look forward to your questions.

The CHAIRMAN. Thank you much. We appreciate your leadership.

And with that, Senator Menendez.

Senator MENENDEZ. Thank you, Mr. Chairman.

Thank you for your statement.

Congress created MCC to operate differently than most federal agencies. One of the qualities Congress gave the MCC was a unique set of hiring mechanisms to allow the agency to act nimbly to bring in issue or sector experts according to the needs of a compact. For practical purposes, the administratively-determined, or AD, personnel slots at MCC are political hires.

Prior to your confirmation, it became evident that the White House Presidential Personnel Office was using MCC's generous allotment of AD slots to provide political patronage jobs to Trump loyalists with questionable qualifications. Brock Bierman, during his brief stint as acting CEO, took this issue seriously, though he was fired before he could work to resolve these issues.

So in concern about those issues, is PPO still calling the shots at how MCC AD slots are allocated and to whom?

Mr. CAIRNCROSS. Senator, with respect to how things were handled before I got there, I was not a part of that.

What I can tell you is the only way I know how to run an effective agency or entity is that form has to follow function. The needs of the agency and of the mission are what drive hiring decisions at MCC. Those decisions are based on the qualifications of the individuals and the needs of the roles that they will fill. And MCC's hiring decisions, since I have been there, have been MCC's decisions.

Senator MENENDEZ. Okay. So PPO is not calling the shots at this time.

Mr. CAIRNCROSS. MCC's hiring decisions are MCC's, sir.

Senator MENENDEZ. Okay.

So at this point—let me just make sure—the PPO has no role in MCC hiring decisions?

Mr. CAIRNCROSS. PPO—when we go through our process of finding an administratively-determined position and I believe and the agency believes that they are qualified, I share that information with the White House to make sure that they agree that they are qualified. We have had no disagreements to date. I expect none. And I will continue to follow my process.

Senator MENENDEZ. Now, do you share Mr. Bierman's concerns with how PPO was using MCC's AD hiring authority?

Mr. CAIRNCROSS. Senator, all I can really say is with respect to how I am going to operate and how I have been operating since I have been there. Like I said, the needs of the agency and the mission are what drive our decisions.

Senator MENENDEZ. So in that regard, are MCC's unique hiring authorities being used to hire issue specialists and experts needed to work on specific compacts and projects?

Mr. CAIRNCROSS. Yes. The the requirements of the job and the roles are what govern the decisions, and they are matched with qualified individuals.

Senator MENENDEZ. Mr. Bierman, before he left, briefed my staff on the memo and draft plan for investigating misappropriation of personnel slots. Are you aware of this plan?

Mr. CAIRNCROSS. During my confirmation process, I discussed it with your staff, yes.

Senator MENENDEZ. But other than discussing with them, have you read the plan?

Mr. CAIRNCROSS. No. I do not know the details of the plan.

Senator MENENDEZ. Okay.

Let me ask you this. I will not rehash Mr. Blau's transgressions other than to say he made statements to MCC personnel that were culturally offensive, highly inappropriate in any work environment, let alone a federal agency. His message had a chilling effect on personnel, some of whom were so alarmed that they felt compelled to inform this committee of his conduct. He is gone, thankfully. So that is a good thing.

But his words still raise concerns about MCC's commitment to workforce diversity. Have any of MCC's policies towards maintaining workforce diversity changed under your administration?

Mr. CAIRNCROSS. Senator, as I said in my confirmation hearing, I take diversity very seriously. I believe it is something that ought to be celebrated. It is something that improves the decision-making of any organization, particularly one such as MCC involved in international development work. I have made my position on this abundantly clear to staff, and I am very hopeful that that position from the top has resonated throughout.

Senator MENENDEZ. You said something very similar in response to my question for the record regarding promotion of diversity among MCC's workforce by saying, "If confirmed, I will set a tone from the top of the agency that diversity is critical to effective work and highly valued. I will participate in diversity and inclusion refresher training sessions and require that all senior leadership participate along with me. I will seek to hire from as broad a pool of potential applicants as possible, including internal and external MCC candidates, in order to increase both female and minority staff members at MCC."

What steps have you taken to realize that commitment to workforce diversity that you made to the committee?

Mr. CAIRNCROSS. I have done exactly that, Senator. One of the first things that I did as CEO was introduce a diversity workshop at the agency that was being featured that week. I have continued to participate on all levels with staff, whether it is with our women's group, and shown direct involvement and engagement with that. We have drawn from a broad pool of candidates for hiring decisions since my time there. We have promoted a number of, in particular, women among the senior team, and I look forward to continuing that commitment and also working closely with your staff. I know they have been very engaged on this issue, and we have had, I think, very good dialogue on it and I expect it to continue.

Senator MENENDEZ. I appreciate that. I hope that diversity—and I am all for greater diversity certainly on gender, but I hope that diversity is also included across other lines as well so that we reflect to the world what America is all about, and the work that MCC does should be a reflection of that.

Mr. CAIRNCROSS. If I was not clear, sir, I agree with you, and I am committed to that as well.

Senator MENENDEZ. Finally, Mr. Blau left MCC before your confirmation. You, nevertheless, committed in responses to questions for the record that you would review any staff complaints made against him. Did you complete this review, and if so, what were your findings?

Mr. CAIRNCROSS. I addressed those issues with staff in an all-hands in the second day of my time there, making clear my position, among other things, on the importance of diversity for the agency. I believe that that issue is thankfully in the rear view mirror. And I take staff morale very, very seriously, and I make an effort every day to reinforce that.

Senator MENENDEZ. I appreciate hearing you say those things, and I look forward to seeing them.

I have a series of compact questions that I will get to in a second round.

Mr. Chairman, with your indulgence, I do not know how long Senator Isakson is going to stay for the hearing, but I am thrilled that in the final days of his time in the Senate, he is still here with us at the committee on an issue that he cares so much about. And I deeply respect the work that he has done in the Senate but certainly on this committee. He has been an enormous bridge builder, and we could use more bridge builders in this institution. So thank you, Johnny, for your incredible service.

Senator ISAKSON. Mr. Chairman, thank you for saying that and it is an honor to be back. One of the reasons I am back is you. This guy is the best Cuban-Irish tenor you have ever heard in your life. I was in the back of an airplane with him in Afghanistan with my wife sitting to my side, and Harry Reid and Bob, and he started singing from this little manual. And it was really good. I am terrible at that. So I really appreciated it. And my wife just fell in love with him. But, Bob, we had a great time. Went to Afghanistan, had a lot of the good times.

And with Ben Cardin—I have just done so much with you and Myrna. When I saw both of them were going to be here, I said I want to be with that group. Sorry to leave you out, Mr. Chairman.

I am here to tell you that I love this committee. I got on this committee in an interesting way. They called me up and said will you serve on the Foreign Relations Committee, and I said, no, I do not know if I am interested in that. They said, well, we are missing person. We got to have one more. I said okay. I was way down the list back then. So I said I will do it and had no idea I wanted to do it.

And then they asked me to chair the Africa Subcommittee because they did not have anybody who wanted to do that. So I said, well, I better at least take the first job. So I did that. And I said I better go to Africa and figure out what I am doing. This is one

of the places I went, and I fell in love with the continent, fell in love with the people.

When we were talking about Swaziland, I said I remember something about that. And I took away the Swaziland's money. I did not take it away, but I blocked them from getting money they were going to get from the United States to try and bring about compliance in human rights and generally accepted principles of labor law. Labor law in Africa is a whole lot different than it is in the United States. I mean, you cannot mistreat anybody in the United States. In Africa, it is all you can do to catch them.

So I just want to say that what you are talking about is important.

The other thing that you said that is very important in terms of the contractors and who you are hiring and making sure you are getting the right type of laws. If we all stay on top of them, we will never get it as much as we would like to have it. But with Millennium Challenge, you have the opportunity to use a benefit as a lever of compliance. And I have seen Millennium Challenge work in that way in Africa more than any other government's program in the world.

I am the one that got telling you. I said, listen, guys, the money is stopping. If you cannot find a way to have open zoning meetings, whatever they were, and no child labor, and just very basics, we are not going to invest the American taxpayers' money no matter how you say you are trying to do it. And being able to do that and having a director at the time who was willing to put it behind that and others and the President is what we did.

So I think focusing on the hiring issue, as something that has been raised, is important because if we lose Millennium Challenge, it is bad for them. It is worse for us because we then get a lot more corruption because people do corrupt things to hire folks over there.

So I just want to thank you for mentioning me, that I am leaving. I am not leaving because I do not like foreign relations. I love foreign relations. I love you, Mr. Chairman, and my dear friend on the Ethics Committee who served so much time with me from Idaho. And I appreciate you all very much and I am enjoying it. I am going to stay here a little while longer. So thank you for having me.

The CHAIRMAN. Johnny, we are going to miss you.

Senator ISAKSON. I will miss you all. Let us do not make this sad.

The CHAIRMAN. All right.

So how about Mr. Cairncross? You want to chew him a little?

Senator ISAKSON. I got here early to do that.

[Laughter.]

Senator ISAKSON. It does not look like I did a very good job of preparing, but I will try as best I can.

I just want to go back to what I was saying. Using the lever of the ability to help them do something they cannot do themselves is absolutely the best thing we did. One of the things government always does worse is kill something for being bad. It makes it worse. And by that, I mean if you take a developing country or a developing small area, rural place and give them an incentive to do something, they will do it, but there will also be somebody in

town saying that is some money we can get. Let us get some of that money. Let us do something—they do not say let us do something corrupt, but they figure out something that nobody is doing which probably means it is corrupt. And they do it. And what you do, you invest the money. You help them get some money they could not get any other way. And once the seed you planted starts to grow, whatever it might be, then it permeates the area.

In Ghana, we built the largest refrigerator in the world I call it. It is a chilling five plantations—five or six plantations that were put together. They were independent. They now shift pineapples, have 3 months longer shelf life, it gets a lot better return. And that country's pineapple business is just going crazy now because we helped through Millennium Challenge to build a way to get those pineapples across the Atlantic Ocean to America and our market. And we did it by building a big refrigerator out in the middle of five plantations in the middle of Ghana. They could not have done that. The idea of working together to build one refrigerator for five plantations was unheard of. They did and now they are competing in the world market. So those are the kind of things you can do.

But also the Port of Cotonou, which is next door in Benin, was closed. You tell me when I am right on this. We gave them a Millennium Challenge contract. It was awarded to them. And the first review period—and they have to comply with all the things. We caught them. They were below 50 percent on compliance. So we cut their money off in the middle of the project, and they lost the project and they lost the money.

Then they came around in the next cycle. They reapplied to Millennium Challenge, and Benin had one of the best compliance records they could have. So getting the money, having to make a good decision. Losing the money killed us. And then getting the money got us finally to finish our product and changing the laws in Ghana with regard to employment.

In business, in New Jersey business, I know how you do business in New Jersey. I have been up there a few times. There is a price to pay if you do not do it right. There ought to be a price to pay in every business if you do not do things right. And when you are taking the taxpayers' money and investing it and it works, it is a good thing to do. So I commend the ranking member on his focus on that part and commend Millennium Challenge as a way to two ends, further economic development in foreign countries, but even more than that, compliance with the labor practices.

And that is enough.

The CHAIRMAN. Did you have a question, Senator Isakson?

Senator ISAKSON. I like to make speeches.

[Laughter.]

The CHAIRMAN. They have been good.

Senator Cardin.

Senator CARDIN. For the benefit of those that are here, yesterday we had an opportunity as a Senate family to express our appreciation to Johnny Isakson for his long service in both the State legislature, the House, and now here in the Senate. He truly believes that bipartisanship works, and he is an example of so many things getting done.

The Millennium Challenge Corporation is an example of bipartisan work here of getting something done. It was there to make consequential change. I sort of think it was modeled after PEPFAR as for health care what MCC can do for economic growth for countries that are relatively poor, that have the desire to be democratic states in which our participation can help them with their economic power, but to preserve and strengthen the democratic principles. And that is what the principles of MCC have been about. So I am a strong supporter of it.

I want to talk a little bit about the resources and how the resources are being used. I know the standards that you use to judge the different requests for funding. But when I look at our own hemisphere and see that we only have one compact in our hemisphere, to me I know that there are other countries who could benefit from a compact here in our own hemisphere.

I know that we have moved towards regional compacts, and I would like you to give your view because I think particularly in our hemisphere, regional compacts make sense. Central America would make sense. Other parts would make sense. And just to get your view as to why—is it a matter of resources or is it a matter of lack of interest? Why do we not have more compacts in our own hemisphere? And are you pursuing regional compacts in order to deal with what Congress has desired?

Mr. CAIRNCROSS. Sure. With respect to Central America, we do have a compact with a year to go in El Salvador. We are in Guatemala on a threshold program.

Senator CARDIN. One compact. I think you only have one.

Mr. CAIRNCROSS. That is right. That is right. But we do have a threshold program in Guatemala, and we just wrapped up a threshold program with Honduras as well. That is governed, Senator, by our selection criteria. So it is a scorecard and income—the need/merit model that we base the selection on. And so that is the reason we are where we are in Central America with respect to the countries that we are in.

And like I say, we had a great trip to El Salvador, and that administration, the Bukele administration, has taken great strides to turn around a compact that was not performing as well as we wanted it to, and in the first 100 days of that administration, the disbursement rates have gone up. We have launched that public-private partnership, which had been stalled under the previous administration. So it is a good story, and I am happy to be talking about it.

With respect to regional compacts, as you know—and thank you to the committee for the support for the concurrent compact authority. That is new authority, and the way that the board went about selecting the first round of regional compacts last year was to select a pool of countries. And so that was West Africa. There are five countries in West Africa, and the criteria were we wanted contiguous borders. We wanted to be engaged in at least a first compact when they were selected for a regional.

And so MCC has gone about scouting projects and prioritizing projects within that pool. And given that it is a new authority and it is somewhat more complex than doing just a single state compact, we want to make sure getting out of the gate that that first

compact is successful. There are a host of administrative challenges and others that we are dealing with and working through, and we expect that we are making excellent progress on it. But we would be happy to entertain in the future regional compacts elsewhere other than Africa.

Senator CARDIN. When MCC was created under the Bush administration, it was anticipated that the budget support would be greater than it is today, much more funds than it is today. My question to you is as a matter of resources. If you had more resources, do you have the opportunities around the world to use that consistent with the mission of MCC, and should we be looking at areas of development that we could be engaged in but we are prevented because of resources?

Mr. CAIRNCROSS. So the answer to the overall question is yes, Senator. And specifically I think what we could do, given our model in particular on selection and the criteria that we use, which I think is the core of the agency and what has made it very successful—with more, we could do more. The leveraging power that we have with the grant funds that we operate with now is remarkable in my opinion, and it allows us to target the sort of institutional and policy reforms that other development dollars or private capital is not really able to get at specifically. And with greater incentive, we could do more.

For example, we are in Cote d'Ivoire. Cote d'Ivoire has been an excellent partner. Part of President Outtara's cabinet is incorporated to address MCC's criteria specifically. We are developing the Aqaba roundabout and the Abidjan infrastructure piece so that traffic can flow more freely. But if we could also work on that transportation corridor between, for example, Rakina, it would increase our impact. It would increase the economic impact and would increase the incentive that we have not only for our partner countries that we are working with but for those who want to engage with MCC.

Senator CARDIN. That is helpful.

Mr. Chairman, it would be helpful if you could get us information as to where additional resources would be used, if made available, for those of us that are trying to get you more support in regards to congressional appropriations.

Mr. CAIRNCROSS. I appreciate it, Senator, and we are very happy to follow up.

Senator CARDIN. Thank you.

The CHAIRMAN. Thank you, Senator Cardin.

Senator Young.

Senator YOUNG. Thank you, Chairman.

Mr. Cairncross, great to see you. Good visiting with you the other day, and I enjoyed our conversation there.

I am going to pick up on a couple of topics we were not able to discuss, one being your really important work partnering with Ivanka Trump and the White House and USAID on global empowerment of women. I just think that is essential. The more and more that I hear from development experts increasingly, I look to this as a key component of ensuring there is sustainable development in these developing countries.

So is it your intention—perhaps there are ongoing efforts—to institutionalize this emphasis on women's economic empowerment?

Mr. CAIRNCROSS. Absolutely, Senator. First, I think it is just basic. You cannot have a successful economy if 50 percent of your population is locked out of it. And the data backs that up to boot.

MCC has always taken this issue seriously. We had a gender inclusion unit in 2006. In 2019, we expanded our gender in the economy indicator not only to take in more data. So rather than 10 different data points in an economy for gender inclusion, we are now at 40. And this is something that, yes, absolutely we will be pressing ahead on, and we are looking to design on the economic analysis of our projects—take that gender lens and make sure that that is part of it because it touches so many pieces of what we do.

Senator YOUNG. And you mentioned data. Really MCC is known for not only collecting data but really sort of rigorously evaluating what you have, holding people accountable to results, measuring success. And I think that has had some positive spillover effects throughout the Federal Government. So I want to commend all of those working at MCC for that point of emphasis.

You know, one of the threshold questions, building on the line of inquiry from Senator Cardin about resources, is we now have a Development Finance Corporation created through the BUILD Act. I am proud of that piece of legislation and DFC. I see high promise for its future. But it is unclear to me whether DFC is regarded perhaps incorrectly, and I will give you an opportunity to disabuse us of that. Is DFC regarded as a competitor to MCC in some respects, or are they complementary? I want you to speak to that issue.

Mr. CAIRNCROSS. Sure. First, we are very excited and thank you to the committee for the support of the BUILD Act. I think it is a great thing that the DFC is coming online. Absolutely do not view it as a competitor. I view it——

Senator YOUNG. I thought you would say that.

Mr. CAIRNCROSS. I view it as—on the development arc, MCC occupies the space prior to private capital coming in and making those investments. And we concentrate on the enabling environment. So what is important for DFC, and frankly what OPIC does now, is identifying what are the risks, what are the things that are holding back that investment in an economy, and how can MCC work to target those reforms and decrease those risks and make sure that the government of our partner countries are focused on that sort of reform as well.

Senator YOUNG. That is really helpful. So I mean maybe we can think of this almost like a startup business. It is analogous. Right? You require venture capital early on and then private equity comes in and so forth. So they are complementary, as you described. We need to keep that in mind as we think about resource allocation in the areas like you mentioned. There are still some opportunities to invest in MCC.

China. Their global influence is broadly understood to be on the rise. They have a different development model, one that is predatory in nature oftentimes through their Belt and Road Initiative. This is a different model. This is one that does not aim to breed dependency, but instead self-reliance. How can we better leverage through our development and our diplomacy efforts, through our

global public relations efforts, the good efforts of MCC to demonstrate that we are a better partner for developing countries?

Mr. CAIRNCROSS. Well, Senator, I think that is absolutely right. We are not designed to compete on scale in any way with Belt and Road, but MCC is a tremendous face for an alternative model and it is one of self-determination. It is one of openness and transparency. It includes the civil society of a government, makes a government more responsive to its people. So that is something that we try to leverage, and it is a great story—this agency. And I think that story needs to be told to more and more people.

And so one of the things that I have tried to do is meet internationally and domestically with members of the private sector in particular to make clear what we are doing. And the response to that, and also the response of the partner country governments that I have dealt with, is overwhelmingly positive. And one in particular was very direct and said before MCC came to our country, we did not know how to bid these projects out in the right way. We were talking a different language to the private sector. We want U.S. company engagement. We want private sector engagement. The state-owned enterprise model has not been positive for us. We want further engagement. Help us more. And I think that is very important.

And I would welcome the committee's ideas and support on ways to communicate that more broadly.

Senator YOUNG. Well, I think each Member of Congress, particularly members of this committee, have an opportunity and a responsibility to tout the successes of MCC, to talk about how this is a model, as I indicated, designed to ensure that countries are self-reliant in the future.

Through my line of questioning, I did not want to suggest in the slightest that word is not getting out. In fact, the best evidence, as you and I discussed the other day, that word is getting out about the efficacy and attractiveness of this model is the fact that the non-compact neighboring countries and regional countries and even some countries further afield are making efforts to become compact-eligible. So the mere possibility of receiving the funding and the technical assistance associated with MCC is enticing. And I just commend you and your entire team for your leadership.

Mr. CAIRNCROSS. Thank you, Senator. And I think it is important. Oftentimes the focus is on what MCC does and the hard infrastructure projects, but just as important is how we do it. That, frankly, is even more lasting and powerful in terms of open procurement, merit-based hiring, the sort of personnel standards that the MCAs in country have to follow, the stakeholder buy-in and the community work that needs to be done.

I have sat with beneficiaries, in particular in El Salvador, who began by telling me they were very skeptical of—it was a water treatment project that we were doing. They were skeptical of the effects on that particular village, but they appreciated the government's effort, their own government's effort, to engage with them and walk them through what the benefits of this would be. And they are now supportive of it. And that sort of relationship between civil society and our partner countries, the government, I think is a great story for what we are doing in country.

Senator YOUNG. I agree. Thank you.

The CHAIRMAN. Thank you.

Senator Shaheen.

Senator SHAHEEN. Thank you.

And thank you, Mr. Cairncross, for being here today and for your service at the Millennium Challenge Corporation.

I want to follow up a little bit on Senator Young's questions about women's empowerment and support for that through MCC.

I understand that last month you traveled to Morocco with Ivanka Trump. I was very happy to see that MCC signed an agreement with the Government of Morocco to promote female land ownership within the framework of the Women's Global Development and Prosperity initiative, the W–GDP.

So can you talk a little bit more about how MCC works with the Office of Global Women's Issues at the State Department to prioritize women's economic empowerment?

Mr. CAIRNCROSS. Sure. Senator, our interagency communications with all our board members are very strong, and women's economic empowerment—it is called WEE internally—is something that I put at the top of the priority list. And in fact, it now is being baked into every aspect of what we are doing on our project-by-project basis. But we have had tremendous interagency support from the State Department, from USAID, from the White House on this effort.

Senator SHAHEEN. So if Kelley Currie is confirmed as Ambassador at Large for Global Women's Issues, how would you see things changing, or would you see—I am assuming that with leadership in that position, that that is helpful as we think about how we implement W–GDP. But do you see any changes that will occur in the working relationship and how you continue to foster women's empowerment?

Mr. CAIRNCROSS. Senator, I think the only change that I would see would be in a positive direction. The more engagement, the better. I am sure we will, upon her confirmation, meet very quickly. I would be happy to do travel but make sure that we are focused on these issues collaboratively. I know it is one of the best dollar-for-dollar investments that we make as an agency.

And I just have to say it is tremendously rewarding to be in country and talk to the beneficiaries, and it is remarkable what a missed opportunity this is in so many places and it has been for so long. So it feels great to be part of a team that is working on it.

Senator SHAHEEN. Good. Thank you.

I now want to switch to the Western Balkans because that continues to be a part of Europe that faces challenges, many of them economic, and their economic success is critical to their Western integration and integration into the transatlantic community. I know that is a place where China is increasingly investing in the region.

So I was pleased to see that in September of 2017, MCC and the Government of Kosovo signed a $49 million threshold program to implement policy and institutional reforms in the areas of energy and rule of law. So can you update us on how that is going in Kosovo, whether there are other things that we should be thinking about in Congress as we try and support what is happening there?

Mr. CAIRNCROSS. Sure. We do have the ongoing threshold program in energy efficiency and rule of law. But we also are in development on a compact that will be in the energy sector as well. And so that will be the larger infrastructure project, the 5-year project. And like I say, that is in development, but we expect to continue to work closely with the committee and its staff so there is full eyes on what we are doing in Kosovo. But the threshold program is proceeding well. We are pleased with it, and that is frankly the reason why we are proceeding on a compact.

Senator SHAHEEN. So what does that mean for next steps? You said you are looking at a 5-year horizon on the compact.

Mr. CAIRNCROSS. So the way that goes, Senator, is it is in the same sector. It will be an energy sector compact. And we have gone through the initial constraints analysis and root cause analysis. So we are now looking at the various projects that would address those core constraints on economic growth. Once we have identified those, it will go through the investment management committee internally, but we will be in close contact with the committee and we will keep you updated as we are updated.

Senator SHAHEEN. And are there other neighboring countries in the Balkans that you think are potential candidates for working with MCC?

Mr. CAIRNCROSS. Well, the nearest, Senator, in the region would be Georgia where we just wrapped up a second very successful compact. They have now graduated out of our income pool. And I am happy to follow up with more information, but I do not believe that there is a candidate country that is on the cusp in the region.

Senator SHAHEEN. What about Bosnia? Is that a place where you have done any work and have had any discussions with folks?

Mr. CAIRNCROSS. We have not, Senator. Again, this comes back to our selection criteria, and I do not know, sitting here, where they stand on our scorecard, but I am happy to follow up with your office on that.

Senator SHAHEEN. That would be great. I appreciate that. I think Bosnia is one of the other countries in the Western Balkans that has significant economic challenges, and if there are ways that we can encourage them to continue to look West, it is really important to do that.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Shaheen.

Senator Gardner.

Senator GARDNER. Thank you, Mr. Chairman.

Thank you, Mr. Cairncross, for your service and testimony today.

When I came into the committee hearing, you were talking to Senator Young about the BUILD Act and some of the work that we have done in this committee regarding that legislation.

We have also passed legislation, the Asia Reassurance Initiative Act. A number of members of this committee helped provide $1 billion over 5 years to the State Department's human rights defenders fund. That is just one of the things that ARIA would do.

We recently passed the Taiwan Allies International Protection and Enhancement Initiative, the TAIPEI Act, which talks about how we can help improve Taiwan's standing around the world. And it comes in response to increased Chinese pressures, quite frankly

bullying tactics, intended to restrict Taiwan's international space and global diplomatic recognition.

MCC obviously plays an important role in our foreign policy and the efforts to build economies, to engage countries with good governance. You talked about contractual opportunities to improve the rule of law.

In December of last year—I believe it was—MCC entered into an agreement, or entered into an opportunity, with the Solomon Islands to fund a program. But in September, the Solomon Islands switched their diplomatic relations to Beijing. So MCC did this in December of last year, and Beijing convinced them to switch their recognition in September of this year.

So could you talk about maybe some of the strategic thinking that MCC had back in December and what implications the switch in September means and whether or not we should change our course with Solomon Islands going forward?

Mr. CAIRNCROSS. Sure. Senator, we are with a threshold program in the Solomon Islands. The MCC board selected the Solomons as a partner country. MCC's focus on poverty reduction through economic growth and that singular laser focus is what I believe has kept the agency successful, and adherence to that model has maintained a strong bipartisan support for a long period of time.

And so we look at—when we are making board selections, the agency looks at the arc of a country and the trajectory that they are on. Is this a country that is trying to do the right thing and worthy of our support and stamp of approval? And so when something happens in the interim, we of course have to assess what the impact of that is, and if it is still in alignment with our eligibility criteria and they are adhering to what they said they were going to do.

I understand and I appreciate the concern that you have on that particular issue, and that is something that we are monitoring and talking about as an agency and a board.

Senator GARDNER. And if you look out in other countries that perhaps are under the same or similar pressure from Beijing, does that enter into the conversations you have with those countries?

Mr. CAIRNCROSS. It does, Senator. And the difficult thing is, like I say, we really are not designed to compete on scale. So what we are is an alternative model. And I believe that what we bring with that model is very powerful. It is a signal not only to the stamp of approval for the government and a knowledge transfer on a process of how to execute a sustainable project that will be long-lasting and has your own people's buy-in. But it is also a signal to the investment world and capital looking to come into a market that this is some place worthy of a further look. And so that is something that is a powerful leverage tool for us.

Like in Cote d'Ivoire, when I was talking about with the Bechtel MOU, so that is a great example of—that will produce a prioritized list of national infrastructure planning that the government of Cote d'Ivoire has signed off on. We have signed off on as signatories to it. And it has been produced by an American, but highly specialized, competent firm. And so were projects to be engaged that are not on that list, it would raise questions as to who was making those decisions, how they were being made, and then it would be

publicly known for the people of Cote d'Ivoire that that was not on the list. And so that is the sort of thing that I think we can bring to the table and serve as a great point of leverage for the United States.

Senator GARDNER. Great. Thanks, Mr. Cairncross.

Thanks, Mr. Chairman.

The CHAIRMAN. Thank you.

The ranking member has, I think, some more questions for you. Before we do that, I just want to briefly touch on a couple of points, and that is, can you give me a general thought about your thinking on your relationship with the new International Development Finance Corporation, realizing that is a work in progress and it is getting stood up? You know, it is not exactly what you do, but it is related and it seems to me needs to dovetail. What are your thoughts on that?

Mr. CAIRNCROSS. I have had a great several meetings with Adam Boehler, the recently confirmed head of the agency. We are looking forward to the agency coming fully online. And we have had a great relationship with OPIC in the past as well and continue that.

We talked about ways to work together so that there are full eyes on our pipeline, what we are doing in country, and then what their pipeline looks like, and in particular, what their investors, as I said, are worried about in these markets. What are the risk factors? What are the concrete things that hold back investment in a market? There is a lot of talk about corruption or rule of law conceptually, but I think I am a fan of targeting concrete things that can be changed and measured. And that is what we are seeking collaboratively to identify.

The CHAIRMAN. I appreciate that.

On a more parochial note, my State has a number of connections with Mozambique. And I was there this summer, and obviously there are some reasons to be concerned there. I wonder if you could give me your thoughts on that and if you think that Mozambique is still eligible under your checklist. Could you give me your thoughts on that, please?

Mr. CAIRNCROSS. Sure. I understand and appreciate the concerns. You are talking about the recent elections, Senator?

The CHAIRMAN. Yes, amongst other things, but certainly that is one of them.

Mr. CAIRNCROSS. Mozambique passes the scorecard this year. They have been a strong scorecard performer historically. And this is a place where we have engaged in a compact in the past. That compact was largely successful moving forward. There are some implementation issues that I know are being focused on an addressed currently. But it is a country that qualifies and I believe in every environment where we work, we face hard challenges. We do not work in easy places, and Mozambique is no different. So any engagement with any partner country is reliant on an expression and a commitment by the partner country government to engage in the sorts of reforms that we are trying to achieve.

The CHAIRMAN. I understand that, and obviously if it was an easy place, there would be no need for you to be there. So I understand the challenges in that regard.

One of the things that always strikes me about developing countries is how quickly they can go south on you. And that is something that is always of concern. So I would underscore the need for you, for your agency, when you start seeing symptoms or you start seeing evidence, that you act quickly to try to turn the thing around because we have seen lots and lots of examples about how quickly these countries can slip off the edge.

Mr. CAIRNCROSS. Senator, I think, as I said in my statement, I think accountability and the agency's credibility is what has made it as successful as it has been. I also believe in open and frank communication with our stakeholders, our board members, this committee, and making sure people have an understanding of the situation in country and what we are doing. So I would expect that that relationship would continue.

The CHAIRMAN. I appreciate that.

Senator Menendez.

Senator MENENDEZ. Thank you, Mr. Chairman.

I just have some compact-specific questions.

MCC recently initiated the termination of the $190 million compact with Ghana because of irreconcilable differences surrounding the host government's disputed allegations of fraud. And I think you were all acting appropriately. But I want to get a few assurances on a few matters here.

What impact will these returned funds have on MCC's budget? For example, will it affect your fiscal year 2021 budget request? Will you advocate for maintaining MCC's annual budget request despite these funds returning to the MCC budget?

Mr. CAIRNCROSS. Yes, Senator. I will advocate for that. I do not view the de-obligation of those funds as tied to a budget request. I think that making it a zero sum game would be bad for at least two reasons. The first is just the precedent of a lower request or a lower number would be hard to then change. And just as importantly, I think that it would skew compact agency decision-making on the accountability side. And so, like I say, I think that is an existential matter for the agency. I think without that credibility, we would be unable to function.

Senator MENENDEZ. I agree with you. Will you commit to dutifully applying these funds appropriately to MCC operations and programs?

Mr. CAIRNCROSS. Absolutely.

Senator MENENDEZ. What lessons from the experience are you applying to the rest of the Ghana compact?

Mr. CAIRNCROSS. Sure. Senator, well, one of the lessons is that having a measurable points of conditions precedent and tranching out the money in a measured way is of vital importance. And we are engaged in Ghana with $308 million in the remainder of that energy compact. We are working diligently with them to make sure that that is as successful as possible, and our team is looking at ensuring that that remaining compact is as impactful as possible. And the Government of Ghana has committed to infusing its own capital into our compact as well. And so I think that that is a good partnership.

Like you say, there were irreconcilable differences for the disbursement of that $190 million. The key component of that was the

privatization of the state power utility and that concession moving forward. These are sovereign nations, Senator. Sometimes they make a different decision. All we can do is be clear about what the consequence is with respect to the grant money that we are engaged in that contract or that compact with them before it goes out.

Senator MENENDEZ. Let me turn to Sri Lanka. They just elected Gotabaya Rajapaksa, who is implicated in war crimes and human rights violations during the civil war, as its president. He named his brother Mahinda, also suspected of war crimes and human rights abuses, as prime minister and minister of several other ministries, including finance and economic affairs. And another brother has been placed in charge of multiple ministries. There must be a dearth of human talent in the country.

The new foreign minister has said that the government will review and revisit the 2015 U.N. Human Rights Council resolution promoting accountability and reconciliation following wartime abuses. That word "review" to me signals a backsliding on these commitments, not progress.

So I state all those facts to get a sense from you. Will this change in government affect MCC's compact? What discussion has MCC had with the new government regarding its eligibility to proceed with the compact? And if the election is not disqualifying on its face and instead you see the compact as leverage for gaining a commitment to reform or a public embrace of them protecting human rights, what form of proof of that commitment will MCC need the new government to deliver in order to proceed with the compact?

Mr. CAIRNCROSS. Sure. Well, Senator, just to back up and add a little bit of context, the Sri Lankan cabinet did approve the compact immediately prior to the election. MCC deliberately did not sign that compact in order to see the outcome of that election and then to make an assessment about what the new government would look like and whether or not this is a government that is responsive to the people of Sri Lanka.

And so moving forward, at a bare minimum what MCC would need to see is an expression of support and embracing the sort of reforms that we are targeting in that compact, that this is something that is beneficial to the Sri Lankan people. But we have had a very, I believe, good and open dialogue with your staff and the committee staff on this question. We are continuing to monitor this very closely, and I expect that we will be in close communication moving forward, certainly before we make any decision.

Senator MENENDEZ. Do you envision any conditions that may constitute a violation of this compact based on Rajapaksa's history?

Mr. CAIRNCROSS. Senator, I am not sure I have a great answer for that question because I do not know what this will look like moving forward. But I do know that we will be requiring, like I say, at a bare minimum, a strong expression of support by the new government for the reforms that we are pushing for the Sri Lankan people.

Senator MENENDEZ. We will be looking forward to see what those expressions are.

Let me turn to Mongolia for a moment. They are pursuing a $350 million compact to improve capacity and access to safe drinking

water supplies. That is good stuff, as well as funding responsible industrial uses for reclaimed wastewater.

But I have concerns about how the Mongolians plan to meet two specific conditions of the compact I mentioned in my opening statement. One is to address, rather than service, the water authority's $73 million debt with a shell game that would move the debt off the utility books and put it on the books of another department within the government.

Additionally, the Mongolian Government has yet to develop a sustainable financing policy to cover long-term maintenance and operation of the new water system. They view raising revenues as a political problem and, in my mind, seem rather cavalier about developing an appropriate revenue mechanism.

Would MCC approve of a country moving debt around on its books as an adequate solution for addressing complying with the compact's outstanding debt service requirements?

Mr. CAIRNCROSS. Two parts to that answer, Senator. The first is with respect to the tariff regime. That is something that we are engaged in working with the Mongolians on. It is vital to the sustainability of the project. There have been increases in that tariff since we began working with them. Of course, tariffs related to water are tricky issues, but this something that the government has committed to us as part of a condition to move forward on.

With respect to the debt, it is a sovereign debt for the Government of Mongolia, and our engagement with this has identified that debt and it is now a public issue. People are aware of it, and the government is forced to deal with that debt. And we are engaged in trying to find ways to help them do so. But this is typically, in many cases, debt that is hidden off the books. The people of the country are not aware of it. The government does not discuss it. It is now in the open, and it, per your question, in a hearing needs to be addressed.

Senator MENENDEZ. I understand and appreciate it is a sovereign debt. But like every sovereign decision, to the extent that we are going to engage and commit money, we have an opportunity to raise the question. I would hate to see a precedent where just moving debt around on a ledger sheet somehow is the way in which we meet with financing obligations at the end of the day. And so I just commend that to your attention as a concern.

And then finally, I have one or two others, but I am not going to belabor it. I will submit them for the record.

But on Morocco, its last MCC compact wrapped up in 2013 after spending about $650 million on projects that included improving fruit tree productivity, supporting local artisans, improving production for small scale fisheries.

Yet between 2016 and 2017, Morocco saw widespread protests through the northern countryside against poor governance, corruption, unemployment, among other things. There remains widespread frustration at the lack of economic opportunity. It has pushed many young Moroccans to ultimately migrate to Europe, which has become one of the most significant, largest routes into Europe from Africa.

So why was a second compact granted to Morocco so soon after the first?

Mr. CAIRNCROSS. Senator, that was, of course, before I arrived at the agency, and I would be happy to follow up with you on the specific reasons, the board direction in that regard.

What I can tell you is the part of the project that we are engaged in now is focused on human capital, in particular TVET training and even more specifically focused on women in the economy. And we have engaged one of the first cash-on-delivery programs in that regard, which is in order for MCC funds to go to the NGOs who are doing that job training, there has to be evidence that the trained individual has been gainfully employed for 6 months. And so that is seeing results. We toured an aviation facility, repair facility, and it was a fascinating look and frankly very inspiring to talk to the beneficiaries of the program. And so that sort of focus on human capital we hope has a good result for Morocco.

Senator MENENDEZ. Well, hopefully it has a deterring effect on human capital fleeing the country at the end of the day.

Mr. CAIRNCROSS. That is right.

Senator MENENDEZ. The chairman could probably attest to the fact that I am sparing in my compliments. Unfortunately, these days I have not had a lot of reasons to do so from my perspective. But I must say you have acquitted yourself well here. If you follow through on the things that you said both in your answers to questions during your confirmation and what you have made here, I think we have a pretty good future ahead for the MCC.

Mr. CAIRNCROSS. I appreciate it. Thank you, Senator.

The CHAIRMAN. Thank you, Senator Menendez. Well said I think.

And we are looking forward to your continued leadership there, Mr. Cairncross. Thank you for attending here today and briefing us.

For the information of the members, the record will remain open until the close of business on Thursday. If there are such questions, we would appreciate that you get to them as quickly as possible so that we can conclude the hearing transcript.

So with that, this hearing is adjourned.

[Whereupon, at 11:18 a.m., the hearing was adjourned.]

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

RESPONSES OF HON. SEAN CAIRNCROSS TO QUESTIONS SUBMITTED BY SENATOR ROBERT MENENDEZ

Question. Prior to your confirmation, it became evident that the White House Presidential Personnel Office (PPO) was using MCC's generous allotment of AD slots to provide political patronage jobs to Trump loyalists with questionable qualifications. Brock Bierman, during his brief stint as acting CEO, took this issue seriously though was fired before he could act to resolve these issues. Do you intend to pick up where he left off or execute a similar plan to evaluate the appropriate use of MCC's hiring authorities?

Answer. The needs of the agency and the mission drive hiring decisions at MCC. Those decisions are based on the qualifications of the individuals and the needs of the roles that they will fill. MCC's hiring decisions, since I have been at the agency, have been MCC's decisions.

Question. I will not rehash Robert Blau's transgressions, other than to say that he made statements to MCC personnel that were culturally offensive and highly inappropriate in any work environment, let alone a federal agency. Thankfully, Mr. Blau is gone. His words still raise concerns about MCC's commitment to workforce diversity. This committee must understand that his legacy is not having a lasting

impact on MCC. How do you feel a diverse workforce at MCC enhances the Agency's effectiveness?

Answer. One of my top priorities is human capital and ensuring MCC's talented, diverse and dedicated staff are fully empowered to do their best work. I feel strongly that diversity improves the decision making of any organization, particularly an international development agency like MCC. I have made my position on this very clear to staff—starting my second day on the job during an agency all-hands meeting—and believe it has resonated throughout the agency.

Question. Morale was reportedly very low among MCC staff throughout 2017 and 2018. What steps have you taken to restore morale among MCC's workforce?

Answer. I take staff morale very seriously and I make an effort, every day, to continuously improve staff engagement. For example, I've taken steps to improve transparency and communication around key agency decision points. These steps include holding structured listening sessions with staff, hosting a senior leadership retreat to set common goals and objectives, and then providing all staff an opportunity to weigh in and ask questions. I also opened up MCC's annual budget planning to all staff so that the team understands how and where resources are being spent. Additionally, I've met with many of MCC internal groups including the Women's Leadership Group, the MCC Family Group, the Women's Economic Empowerment Working Group and nearly every country team for each of MCC's country programs to open lines of communication and show my support for their work. I routinely walk the halls of MCC to ensure that I am plugged into staff morale throughout the agency and that I hear directly from them on their ideas, thoughts, and concerns.

Question. MCC recently initiated the termination of $190 million of its compact with Ghana because of irreconcilable differences surrounding the host government's disputed allegations of fraud. I need assurances on a few matters. What impact will these returned funds have on MCC's budget? Will it affect MCC' FY21 budget request?

Answer. The Ghana Compact partial termination and pending de-obligation is not tied to MCC's budget request. MCC's budget request would not influence country eligibility decisions; rather, these decisions are based in our core principles of accountability. While MCC is still assessing exactly how the de-obligated funds will be spent, they will be dutifully applied to MCC's compacts and threshold programs currently under development.

Question. MCC is pursuing a $350 million compact to improve system capacity and citizen access to safe drinking water supplies as well as funding responsible industrial uses for reclaimed wastewater. The Mongolian government has yet to develop a sustainable financing policy to cover long-term maintenance and operation of the new water system. What is MCC doing to promote or pressure Mongolia to be more responsible with its approach to project finance?

Answer. MCC's $350 million compact with Mongolia aims to sustain private sector-led growth in the country's capital city of Ulaanbaatar by increasing its available supply of water through the introduction of new wellfields, plants for water purification and wastewater recycling, and capacity building initiatives. Central to the compact is the Mongolian government's commitment to the long-term sustainability of Ulaanbaatar's water sector, including the financial sustainability of its utility. The compact contains several conditions precedent to enable long-term sustainability in the sector, including a requirement that—prior to any disbursement of funds or commencement of civil works—the Mongolian government address the utility's existing long-term debt. Further, the Mongolian government is required to adopt a plan that achieves full recovery of the costs of its operations, maintenance, and depreciation, through practical and sustainable increases in water and wastewater tariffs and fees. MCC will then support the Mongolian government's implementation of the plan during the 5-year compact program through a variety of sustainability measures and policy reforms, such as: studies to inform equitable changes to its tariff structure; improvements in data sharing, planning, and coordination among municipal agencies; and interventions to strengthen operational capacities of Ulaanbaatar's water utility.

Question. Secretary of State Pompeo, at the direction of the President, has suspended nearly all foreign assistance to El Salvador, Honduras and Guatemala administered by both the State Department and USAID. Fortunately, MCC's programs in El Salvador and Guatemala have avoided the draconian and misguided budget axe OMB is wielding over State and USAID. A serious approach to addressing the migrant crisis from these countries must include efforts to address the root causes of migration, which for many is the absence of economic opportunity. How is MCC

measuring the impact its compact in El Salvador and threshold program in Guatemala are improving economic opportunities for vulnerable populations that are likely to attempt migrating North?

Answer. MCC's mission to reduce poverty through economic growth—and as such, our programs aim to consolidate democratic and free-market reforms to improve the existing economic conditions in part to activate sustainable job creation for a country's citizens.

MCC's compact in El Salvador seeks to improve economic opportunities for its youth primarily through its investments in education and technical and vocational training, complemented by additional investments to promote economic growth and private investment in the country. MCC is supporting interventions such as increased classroom time and teacher training in approximately 349 schools in the coastal zone of El Salvador where dropout rates are the highest, with a focus on grades 7–12. Additionally, MCC's assistance to reform the country's technical and vocational training aims to reduce the gap between the skills demanded by the labor market and those supplied by the educational system and training providers. These complement the compact's investments to reform El Salvador's business environment and increase the productivity of firms engaged in the international trade of goods and services.

The impact evaluation for MCC's compact in El Salvador will determine whether students attending a school within an integrated system are better off than they would have been without the intervention, using estimates to measure education outcomes such as graduation, promotion, dropout rates, and academic performance of the students. The study will also assess long-term impacts of the intervention on post-secondary education enrollment, employment, and income.

In Guatemala, MCC is providing a $28 million grant to support the Government of Guatemala to improve domestic revenue mobilization and to improve the quality of education to provide Guatemalan youth with the skills they need in the job market. MCC is monitoring tax revenue as a share of GDP, customs revenue as a share of GDP, as well as time to import. MCC is also monitoring lower level outcomes related to audit quality and how well the risk model identifies non-compliant customs declarations. On the Education Project, MCC is working with the Ministry of Education to monitor learning outcomes of students and teachers and the enrollment rates of students. MCC is also funding a randomized controlled trial to assess the impact of the teacher training program on student learning outcomes.

Question. There remains widespread frustration at the lack of economic opportunity that has pushed many young Moroccans to emigrate to Europe, which has combined with shifting migration patterns across Africa to make Morocco and the Western Mediterranean in general the largest route into Europe from Africa. What lessons were learned from both the earlier compact and the protests of 2016 and 2017 and how are those lessons being implemented in the current compact? How is this Morocco compact addressing increased migrant flows, of both Moroccans and transiting migrants, to Europe?

Answer. The first compact in Morocco was successful, while the widespread geographical distribution of projects (in particular the Fruit Tree Productivity Project) was a management challenge. The second compact impacts many regions of the country, while it has for several activities (such as the Secondary Education Activity) been more concentrated geographically to facilitate improved management. In addition, the second compact with Morocco includes a significant focus on integrating policy and institutional reform as well as technical assistance into projects to help ensure long-term sustainability and impact.

Addressing migration is not an explicit objective of the compact, but the compact seeks to improve the employment outcomes and job placement of Moroccan youth by improving basic and technical skills through the Education Project.

Question. It is my understanding that a third compact for Georgia was under contemplation. I realize this idea may have only been in circulation prior to your arrival in the building but I need some assurances on the record that MCC is no longer contemplating this unprecedented idea. Is MCC considering a third Compact for Georgia?

Answer. No

LETTER TO JONATHAN NASH FROM SENATOR ROBERT MENENDEZ

BOB CORKER, TENNESSEE, CHAIRMAN

JAMES E. RISCH, IDAHO
MARCO RUBIO, FLORIDA
RON JOHNSON, WISCONSIN
JEFF FLAKE, ARIZONA
CORY GARDNER, COLORADO
TODD YOUNG, INDIANA
JOHN BARRASSO, WYOMING
JOHNNY ISAKSON, GEORGIA
ROB PORTMAN, OHIO
RAND PAUL, KENTUCKY

ROBERT MENENDEZ, NEW JERSEY
BENJAMIN L. CARDIN, MARYLAND
JEANNE SHAHEEN, NEW HAMPSHIRE
CHRISTOPHER A. COONS, DELAWARE
TOM UDALL, NEW MEXICO
CHRISTOPHER MURPHY, CONNECTICUT
TIM KAINE, VIRGINIA
EDWARD J. MARKEY, MASSACHUSETTS
JEFF MERKLEY, OREGON
CORY A. BOOKER, NEW JERSEY

United States Senate
COMMITTEE ON FOREIGN RELATIONS
WASHINGTON, DC 20510–6225

February 23, 2018

Jonathan Nash
Acting CEO
Millennium Challenge Corporation
1099 14th Street NW, Suite 700
Washington, DC 20005-3550

Dear Mr. Nash:

As part of the Senate Foreign Relations Committee's oversight responsibilities, I have been reviewing the current nominee for the position of Chief Executive Officer of the Millennium Challenge Corporation (MCC), Sean Cairncross. As part of this review process, it has come to my attention that a current member of MCC's senior political leadership has made a number of concerning statements and remarks to staff that call into question the MCC's commitment to an open and diverse workplace and an acceptable code of conduct.

While I will certainly require Mr. Cairncross's commitment to address any workplace issues as part of his nomination process, I write today to voice my concern about the current MCC environment and ask for clarification as to what the organization's leadership is doing to address serious concerns.

MCC's Vice President of Compact Operations, Robert Blau, has reportedly made inappropriate statements to staff that, if not already the subject of review by MCC leadership, warrant further attention. It is my understanding that, among other things, Mr. Blau has inquired about certain employees' ethnic backgrounds, with an apparent focus on minorities, and expressed his discomfort with promoting diversity, especially LGBTQ month.

Further, in reviewing material for Mr. Cairncross's nomination, my staff came across a town hall Mr. Blau held with staff last June that reinforces these concerning allegations. In the video, a transcript of which is attached to this letter, Mr. Blau made a number of troubling comments that raise questions about his approach to and treatment of employees based on their political leanings, sexual orientation, and national origin.

For example, Mr. Blau repeatedly stressed that he is "a partisan," attacked certain media outlets for being "out to get Trump every day" and for trying "to frame the news today to make the president look bad," and, referring to an event with an LGBTQ speaker, remarked, "I'm not someone who celebrates diversity, or engineers it, to me diversity just happens." Mr. Blau also told employees that "I might be curious about where you come from, what your bloodlines are, like intellectually curious," and then singled out an employee because of her surname, stating, "Your demographic is Asian. Are Asians all in one box?"

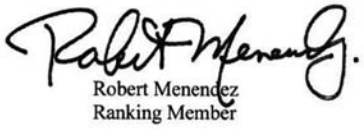
Given these statements and comments, I write to seek a full accounting of this behavior and MCC's response to it, as well as a commitment from MCC leadership that individuals who engage in such behavior will be held accountable. To that end, I request that you promptly brief my staff on MCC's current workplace policies, the steps taken to address such behavior, as well as the following:

1. Is MCC leadership aware of Mr. Blau's inappropriate comments to employees? Do they comport with MCC's workplace policies?
2. Have any employees filed complaints against Mr. Blau? If so, how many, and what are the nature of those complaints?
3. What steps has MCC taken to address Mr. Blau's behavior, or any similar conduct by other employees, and ensure that such conduct is not tolerated in the future?

As a strong supporter of the MCC and its mission, and longtime advocate for diversity and tolerance as principles to be championed in the workplace and in our national security agencies, I am deeply troubled by Mr. Blau's comments, as well as the prospect that he may have continued to make such comments, or worse, in the eight months that have passed since the video was recorded. I look forward to your commitment to ensuring that MCC's skilled and dedicated employees can work in an environment of respect, inclusion, and dignity.

Thank you for your attention to this matter and I look forward to your response by March 2nd, 2018.

Sincerely,



Robert Menendez
Ranking Member

CC:
Melinda Stell
Director
Presidential Personnel Office
1600 Pennsylvania Ave. NW
Washington, DC 20502

○