

Remarks to Board of Directors Meeting of the Millennium Challenge Corporation

Secretary Colin L. Powell

Washington, DC

November 8, 2004

2:15 p.m. EST

SECRETARY POWELL: Well, good afternoon, everyone, and welcome to this meeting of the Board of Directors of the Millennium Challenge Corporation. All my fellow directors are present, we have a quorum, and this meeting is called to order.

I welcome the members of the public who have joined us today. I should note that most of today's meeting relates to the selection of eligible countries for Fiscal Year 2005 and the threshold program, which must be closed to the public as we anticipate discussing certain information that is classified and cannot be publicly disseminated at this time.

Before proceeding with today's agenda, I would like to invite the public and representatives of other government agencies to a public outreach meeting which will be held this Wednesday, November 10th at 1:00 p.m. here at the State Department. That meeting will give us an opportunity to provide a more detailed update on the progress of MCC and our upcoming activities and to take some of your questions. Details regarding this public outreach meeting have been posted on MCC's website and e-mailed to those of you who have signed up for e-mail mailing list.

I turn now to our first item of business, an update on MCC operations from MCC's Chief Executive Officer, Paul Applegarth.

MR. APPLGARTH: Thank you, Mr. Chairman. In the interest of time today, I will just give a very brief update with the idea we can expand on it on Wednesday. But since the last meeting of the Board, we have published a list of candidate countries for FY2005 as well as the proposed criteria and methodology for this year's selection.

As some of you may know, there were two changes in the indicators this year: We reduced the inflation threshold from 20 percent to 15 percent; and we are using a new indicator, girls' primary completion rates, instead of overall primary completion rates. This new indicator uses education data disaggregated by gender and focuses on women while still measuring a country's attention to getting children educated.

As you know, many of you know, we, in looking at indicators, look for a proven link to policy and to poverty reduction and sustainable growth, and this was -- I want to particularly thank a couple, several members of the NGO and policy community whose work was quite helpful to us in refining the new gender completion rate category.

We are also continuing to look and expand and refine other indicators, including identification of a measure of sustainable management of a country's natural resources, and Board Member Christine Todd-Whitman is going to lead that effort on our behalf.

We are continuing to see governments adopt changes and reforms as the result of the Millennium Challenge, even before we've actually disbursed under a compact. There are several examples of this, but one in particular is one government has, for example, passed four pieces of anti-corruption legislation and begun enforcement of them, and justifying these actions on the need to prepare for MCA and to improve its position under the MCA criteria.

The consultative process also seems to be working. In one candidate country, the official said, even if we receive less than requested, the intangibles gained from taking control of our own development destiny are the most important part of the process. And another country is actually -- which was running its own consultative process, was separately presented a proposal by members of the public, and particularly the business community, and has actually now adopted that proposal as being better than its own, and is (inaudible) on its behalf.

The first country proposal reached us in August after the last board meeting, and as of now, 14 of the 16 MCA countries have given us proposals, draft proposals or concept papers. We're seeing a mix of rural development, which includes infrastructure, roads, energy and agricultural extension -- agriculture and irrigation, land reform and tenure, financial sector reform, private sector development, education and rural electrification. We've notified Congress that we've approved due diligence on four of these proposals, and of our intent to enter into negotiations, hopefully leading to compacts. The first four country proposals that have reached this stage are Honduras, Madagascar, Nicaragua and Georgia.

However, there is no assurance we will be entering into compacts with any of these countries. We will be conducting significant due diligence on the proposals to be comfortable that the proposals are viable, lead to poverty reduction, sustainable growth, and promise to be a good investment of American tax dollars.

In our due diligence, we are already using expertise from Treasury, USAID, the State Department, the Department of Agriculture, and the Army Corps of Engineers. In addition, we will be using support from a European bilateral in an upcoming trip in an area where they have particular expertise. In late September, the board established -- identified the first seven countries for the threshold program. They did not qualify under the policy criteria for eligibility, but were close, and have demonstrated a commitment to undertaking the seven -- the policy reforms necessary to qualify for MCA assistance. We have met from all -- with delegations from all the countries here in Washington to discuss the program. In addition, AID, who will be the primary implementer of the program for us, has visited five of the countries at this point.

We've also continued our donor coordination efforts, which are quite important. The head of the UNDP hosted a visit by us to New York to meet the heads of the all UN agencies involved in development, and there are -- the regional leadership of the UNDP. In addition, U.S. Ambassador to the United Nations Danforth hosted a luncheon for us with the ambassadors to the UN from MCA-eligible countries, and a meeting from all candidate -- ambassadors for all candidate countries.

To ensure coordination between trade policies and MCA, our managing director for donor and multilateral relations visited Geneva to describe the MCA to eligible country ambassadors to the WTO. They also met with representatives to MCA candidate countries, WTO donors and international organizations, including the WTO, UNEP, UNCTAD and WHO.

We continue to receive a very positive reception for MCC internationally, but also domestically, and we are widening our outreach efforts nationally. In addition to the outreach meeting that was held at the Old Executive Office Building about three weeks ago, we've recently traveled to Seattle, Portland and San Francisco to brief business executives, academia and the NGO communities.

This outreach effort was coordinated in cooperation with the Sea Island Initiative for Global Development, a group of business and civic leaders who believe that significantly reducing severe global poverty is the most critical step our nation can take to improve security and economic vitality at home and abroad.

In addition, Mercy Corps, World Vision, InterAction and the World Affairs Council of San Francisco were involved in this trip. We also met with the Hewlett Foundation and the Gates Foundation to discuss partnership and cooperation opportunities and having extensive media coverage, including an op-ed in *The Seattle Post-Intelligencer* and broad-based radio and TV coverage.

We continue numerous country visits to continue compact development and due diligence and to get to know our partners and potential partners better.

Internally, we now have 66 staff aboard. While adding staff, we are attempting to minimize our head count overall by subcontracting out all non-HR -- non all essential services or services that are not core to our mission. For example, we have recently signed an agreement with Korn/Ferry to manage the human resource effort at MCC and they'll be helping develop and streamline MCC's recruiting efforts, and I have brought in a new CTO, Jeff Relkin, who brings with him 30 years plus experience in the private sector, and we are wrapping up the stages of a tender to outsource all of our systems hardware and software and systems services.

Finally, we expect to announce in the next day or two the final signing of a lease for the MCC permanent headquarters here in the District. We ran this through a succession of competitive tenders and from all respects the results look excellent, both in terms of the quality of the potential space and the value for money compared to comparables.

As Secretary Powell mentioned, there will be a public outreach meeting on Wednesday at 1:00 where he -- in the Dean Acheson Auditorium. He will make opening remarks and I will follow it to answer any questions you have.

Thank you.

SECRETARY POWELL: Thank you very much, Paul. We are pleased to hear the progress that MCC has made with respect to the 2004 eligible countries and how the movement is becoming more and more entrenched in the development world. People understand what we're trying to accomplish and how it's leveraging so many other nations to start to put their houses in order, in order to be competitive for the MCC, and we look forward to that day when the first compact is completed and signed.

I'd like to express my thanks to all of the board members for being here, for their commitment to tackling these issues, and for discussing how MCC can help advance economic and social development worldwide. And thank you, as well, to the members of the public who have turned out today. Your advice and assistance have already proven quite valuable to us, and we look forward to continuing the dialogue. Let me underscore that the global and regional security challenges that we face today require us to be creative in the way we handle these issues, and to look for innovative solutions to address them, and MCC is one of those innovative solutions.

I continue to remain excited about this corporation. It's amazing how far we have come in just 21 plus months from the President first stating he was going to move in this direction. My fellow board members join me in underscoring that President Bush remains just as committed to MCC as he was when he first

announced it, and he said again in his press conference last week of his commitment and dedication to this effort.

He's a steadfast supporter of this new way of doing business and wants to use this corporation and the monies that Congress makes available to make fundamental challenge in the whole manner in which we provide development assistance to nations that are committed to governing wisely and well, transparently and with openness, and based on the rule of law, democracy, and open economic systems.

I might also add that while we are making this unique commitment to the MCC, we are also ramping up all of our other development assistance programs. The President has a good record, the Administration has a good record over the past four years of almost doubling development assistance in USAID in addition to what we are doing with the Millennium Challenge Corporation.

So I thank you all again for your participation in this effort and your continued interest in MCC. There being no further business for the open session of this meeting, the Board of Directors will find at Tab 1 a resolution to close this meeting, based on the consideration of classified information. May I have a motion to adopt the resolution at Tab 1?

A PARTICIPANT: I move it, Mr. Chairman.

SECRETARY POWELL: Do I have a second?

A PARTICIPANT: Second.

SECRETARY POWELL: All in favor?

(Chorus of ayes.)

SECRETARY POWELL: The motion is adopted. The meeting can now be adjourned, and I ask my fellow board members to join me upstairs in five minutes to continue our work. Thank you very much.

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