

MILLENNIUM CHALLENGE ACCOUNT: LESSONS LEARNED, EXPANDING
PUBLIC PARTICIPATION IN LATIN AMERICA

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CRONIN: Ladies and gentlemen, we'd like to begin our program today on the Millennium Challenge Account: Lessons Learned, Expanding Public Participation in Latin America.

I'm Patrick Cronin. I'm the Director of Studies here at the Center for Strategic and International Studies, and on behalf of CSIS, it's a delight and a pleasure to welcome you here today for two great speakers and, hopefully, a very exciting, or at least informative and interesting panel discussion to follow.

It's good to see so many friends, as well, and old colleagues here today. Thank you for coming on this day before what is going to be a beautiful long weekend, and I know the weatherman was advising me this morning to get to the beach as early as possible to beat the traffic, and to see such a turnout on a day like today is a testament to the importance of development and to the Millennium Challenge Corporation and to development in the Western Hemisphere.

I had the great privilege of working in the Bush administration on development, including on the Millennium Challenge Account, and so it's personally gratifying to me to see the Millennium Challenge Corporation, under Paul's leadership, move from selection to implementation, as they are now moving in this past couple of months.

I want to say just a few words of context, though. The Millennium Challenge Corporation, the Millennium Challenge Account is really only one part of U.S. foreign assistance and development assistance. It really has to be put in the context of what in the past half decade has been a rebirth of foreign and development assistance, internationally and in the United States. It's a recognition, I believe, that poverty and disease pose real risks for the United States, and that joins a much earlier and long-standing conviction that there are humanitarian needs and urgent needs in the developing world that must be addressed by the developed countries.

So, the fact is we are here at the Center for Strategic and International Studies talking about development in 2005, and I would argue that's an excellent development of its own. It's an indicator that development is no longer a second-tier issue, but in fact is very much part of a larger agenda of our country and our international agenda as well.

Now, within the Bush administration, the Millennium Challenge Account and the Millennium Challenge Corporation really are the bellwether of development assistance; their decision on contribution to development assistance in terms of a major new initiative.

But I would be remiss if I didn't add that Andrew Natsios, the administrator of the U.S. Agency for International Development has been working indefatigably to try to rejuvenate the U.S. Agency for International Development, and with some success, I would argue. He is also working on the Threshold Country Program, that I'm sure Paul Applegarth will mention.

But the new Millennium Challenge Corporation adds significant new resources, new grants, to the poorest countries in the developing world, and it does it more selectively and in a focused fashion than USAID has been able to do for some time.

The temptation in this town is to become very impatient, however, in looking for results. That's not a very good thing with any development program, including the Millennium Challenge Account.

Paul Applegarth was confirmed as CEO, I believe just last May, one year ago today, this month, and it would be wrong, I think, not to see this play out and see where this is going in the next five years. I think it's very important to be not cutting the corners because the Millennium Challenge Account was designed to build in the best practices of development and not to cut those corners, not to take shortcuts, on the way to hopefully effective development, so that more development assistance can follow effective results. And I think that goes to the heart of the Millennium Challenge Corporation purpose.

It is also a great pleasure to see it move into our hemisphere. This has sometimes been portrayed as an African development program, and while Africa is extraordinarily important and has been too neglected, we can't neglect our own hemisphere, either. And so, today, Vicki Diaz joins us to talk about Latin

America, to talk about the second compact that has just gone before the board with approval last week, Honduras is, again, an excellent, welcomed development.

Now, we do have two keynote speakers, and I really want to quickly hand things over to Paul Applegarth, the first speaker, who in turn will help us introduce Victoria Diaz.

Most of you here know Paul Applegarth, so I don't want to be longwinded on this, but there are a few points that I would like to make because it is a real privilege to introduce the man who has become the first CEO of the Millennium Challenge Corporation and taken it from birth to now the phase of implementation, and he's doing an outstanding job.

I would make three points: that he understands development. He spent almost a decade at the World Bank in a variety of leadership positions, so the World Bank, as Sebastian Mallaby wrote recently in his book "The World's Banker," is really the world's repository of development knowledge, in terms of its expertise, and that's no disrespect for those of you who have great expertise in many other capacities, in government, in NGOs and the private sector, but the fact is it is really quite the collection of expertise, and Paul Applegarth was part of that for almost a decade.

He is, secondly, a man of integrity, which is very important for a program that is trying to bring very close scrutiny and transparency to this program for foreign assistance, where there is not enough trust from the legislative branch and the public at-large about how foreign aid and development assistance is spent.

And he was the Chief Financial Officer for the United Way of America in the wake of the scandal. He was a man who brought back the trust to an important charitable organization because of his good work.

Then third, and finally, he really, I think, understands how to leverage the development assistance account. There's not enough money in development assistance, regardless of how much Congress appropriates, or internationally. In fact, official development assistance is really dwarfed by private sector flows and by other things that have to be catalyzed, like trade and investment. But he knows how to do that. He was the Chief Operating Officer of a very innovative public-private partnership, the Emerging Africa Infrastructure Fund, which was sponsored by Britain in Europe.

He is also a tireless worker. He came all the way out to Airlie House last weekend at the end of a very long week, and he now has to pack up his entire office in Rosslyn and move down the street this weekend just for extra punishment here.

So my heart goes out to you, having to move a government office. Fortunately, you're still small. You're not a staff of 7,000 or 8,000. You're still down, but nonetheless that's a big task.

So with all of that on your plate, Paul, I'm very grateful that you're here today, and I want to turn over the microphone to you.

Please help me in welcoming Paul Applegarth.

(APPLAUSE)

APPLEGARTH: Thank you, Patrick, first, for putting MCC in context of a much broader effort by the United States in development now and that includes AID. It also includes USTR, the U.S. Trade Rep, a lot of people working hard at State, at OPIC, at XM, the other areas in the government that really do believe that helping some of the poorest people in the world is good for them, but it's also in the interest of the United States and the security in the United States.

Thank you, also, for that overly generous introduction of me. There's an old story that the difference between a tribute and a eulogy is that at the tribute, there's somebody who actually believes everything that's said, while at a eulogy there's nobody that actually believes everything that's said. In this case, I would say that I'm not sure anybody here believes everything you said, but thank you very much.

I want to greet Ambassador Kanawati (ph), a number of other friends that are here, Vicki, who I'll introduce in a minute. It is a pleasure to be here. As Patrick may have mentioned, actually it's great to get out of the office right at the moment.

(LAUGHTER)

It's pretty hectic over there for a variety of reasons, and the move is only a minor part.

We have a lot of news to update you on today. In addition, and we're going to do something that's a bit different than our usual public updates, which is a group panel focused on lessons learned about the consultative process so far.

As you know, MCC is trying to be innovative in a number of ways. We are trying many new things. Some will work, some may not. But we see trying these things and spreading the word about the successes and the failures, and stimulating discussion, as part of our mission to make aid more effective, and today is an example of that.

We will be quite open about things that maybe haven't worked as well. The point is that lessons learned can be incorporated, go forward, do it better next time not only for us, those of the rest of you in the international assistance community, maybe other donors, and that's why we're very excited to do this today. Regarding today's topic, we believe that the consultative process is a foundation to the development of the proposals and the implementation of good compacts.

Both we and our partner countries have learned about consultations over the past year -- what works and what doesn't -- and I'm personally looking forward to hearing the thoughts and observations on the topic from all of our speakers. I'm as interested to hear what they'll say today as you.

Before we begin to discuss the consultative process, I do want to give you a brief update on MCC's operations.

As you know, MCC signed a compact with Madagascar last month, and the board of directors approved a compact with Honduras last Friday that we hope to sign in a couple of weeks.

The compact between MCC and the government of Honduras is for \$215 million over five years. It focuses on two key areas: rural development and

transportation. The programs are designed to increase the agricultural productivity and the incomes of farmers operating small and medium-sized farms. It will help to improve the lives of the farmers, their families and the communities, create jobs and reduce transportation costs between production centers and national, regional and global markets, allowing the poor access to employment, social services and schools. The team later today will talk more about it, but I wanted to just give you an overview of what the compact is focused on.

It's our hope that the board will approve three more compacts within the next two months. We also have a very robust pipeline of compacts in development immediately behind that that we have not yet notified the Hill on in terms of we're not ready to go into negotiation, but it is a solid pipeline, quite robust, and I've been pleased with the way that it's progressing.

It's clearly the direct work of our partner countries and the talented folks at Millennium Challenge.

Additionally, a number our threshold partners are making significant progress, and we hope and expect to get approved some proposals soon and perhaps one as early as June, and then a couple more right behind that.

We're also making steady progress in the allocation and disbursement of what's called 609G funding to several countries. 609G funds are to be used to facilitate the development and implementation of the proposed compact before it actually is signed, to help either accelerate its development or to accelerate implementation so that there are some things that need to be done immediately after signing, like gathering the baseline data so that we can measure the improvement the compact's going to have. Rather than delaying implementation for that, we start it now.

One of our tests is that whatever we do now does still have standalone benefit for the country. We don't want to presume in any way that a compact is going to be approved or preempt the board in any way, so we want to make sure that the funding has standalone benefit. But we are using 609G funding in a variety of places to both help the countries further develop the compacts and to accelerate potential development.

To give you an example, MCC so far has approved 609G funding for Georgia, Ghana, Lesotho, Madagascar and Nicaragua.

To give you examples, in Georgia, we've authorized up to \$4.1 million for detailed engineering design and environmental study, and some other preparatory activities for the proposed Samsushavaketi (ph) Road that will have a major impact on helping integrate some of the poorest people and regions in the country into the national economy.

In Nicaragua, we've allocated up to \$250,000 to expand a major ongoing survey, conducted by the Nicaraguan National Institute of Statistics and Census, by adding questions related to land titling and access to finance in rural areas.

Essentially, it was a survey ready to go. We had an opportunity to put some questions into it to help us get the baseline data. By doing it now, we actually sped up the implementation, probably cut the cost of doing it independently by 80 percent.

In Ghana, we have provided approximately 225,000 to fund technical assistance to the Irrigation Development Authority of Ghana to design and develop complex irrigation development activities. Irrigation infrastructure is a principal investment for the development of agricultural potential, the agricultural potential of the Afram Plains, and the program will bring irrigation to poor people living in an area considered highly suitable for the cultivation of certain high-value crops, but currently with no available irrigation facilities.

The amounts here we're talking about are not large, certainly compared to compact, but the point is the facilitating preparatory investments, very important in actually beginning to help deliver the benefits of compacts to our partner countries and to the poor people we're trying to work with, which I think is interesting. You get a flavor of the diversity of activities that are already going on with MCC that doesn't normally get a lot of visibility.

Looking forward, with any estimate for the balance of the year, it is necessarily speculative. We're still in the midst of due diligence in a number of compacts. There's a lot of preparatory work still going on by our partner countries. We're trying to help them. Still have some things to negotiate, some fiduciary procedure to put in place, some basic guidance procedure to put in place, plus some investment committee reviews, board approval and congressional approvals.

It looks like we will exhaust all of our current funding early next year. The amounts in the original concept papers and compact proposals totaled roughly somewhere over \$4.5 billion. That's been through due diligence and has been reduced to about \$3 billion by eliminating items that don't contribute to poverty reduction and items that don't lead to growth, items that don't arise from a consultative process and things that are not ready or might delay an initial compact.

We currently estimate that we're about \$1 billion short to simply fund the proposals that have been vetted and that are coming in from our existing eligible countries. This shortfall, combined with the need to fund new, lower-income FY 2006-eligible countries that will be selected in October and November, lower middle-income countries, which will be candidate countries for the first time, some possible amendments to existing compacts to incorporate things that weren't ready when we signed the initial compact, and some new Threshold Program countries, shows how important it is that MCC receive President Bush's full \$3 billion request for FY 2006.

Remember, it is this funding that allows MCC to fund its partner countries, provide the assistance for the program, provide the credible incentive to the tough policy reforms that we're asking countries to make and through both the policy reform and the funding to have the opportunity to really improve the lives of poor people in the countries where we're working.

We recognize it's a tough budget environment on the Hill right now and there are other competing priorities, and we're concerned about it. And we're also concerned about the perception the MCC is sitting on a pile of unused money. I think what I've just outlined says we're hardly sitting, and it's certainly not going to be unused.

The MCA process is not a quick fix; we know that. It's focused on long-term changes that will lead to poverty reduction through sustainable economic growth. The biggest danger is, ultimately, that the funding is ineffective or

misspent. The process the countries go through in developing their compacts is critical to MCC's ownership approach. We could probably do it faster if we did it for the countries and followed the traditional model -- hey, we'll do this for you -- but that's not going to create the development impact that we want, which is to build the capacity in our partner countries to do this themselves.

The consultative process, the building the capacity within the country, is key to really help our partner countries escape from the cycle of dependency and to move onto the takeoff phase for true poverty reduction within the country, and growth.

The fact that we're going to exhaust our current funding limits is a direct result of the tremendous work our partner countries and the MCC staff are taking to establish programs and enact reforms that will help reduce poverty.

On another front, the search for an indicator that measures the government's management of natural resources is steadily advancing. MCC staff have been actually engaged with experts from key institutions working in the area, and MCC board member Christie Todd Whitman, as you know, is leading the effort, and, in fact, I think there's a chance Christie's going to have a chance to stop by here later to hear part of the discussion, and I hope that you will welcome her as much as I do.

The Brookings Institution is hosting a conference for us on June 24th, trying to gather experts from around the country and the developing world to contribute to our thinking on a management of natural resources indicator.

Our draft environmental guidelines are posted on our Web site for public comment until the end of the month, and you can find them, as usual, at www.mcc.gov, and under the guidance section of the Web site. The formal comment period will soon be coming to an end, so those of you who haven't provided input, we'd encourage you to do so.

We've also posted guidance now on our economic analysis, fiscal accountability and on the consultative process lessons learned, all on the Web. We would welcome your comments on these as well.

Patrick mentioned we're going to be moving tomorrow -- today, tomorrow, Saturday, Sunday, Monday. Our new offices are going to be nearby in the Bowen Building, corner of 15th and I Street, right at McPherson Square. Very easy to get to: subway stop, or just walk from there.

Our staff also continues to grow. Now we currently have 127 people that are now members of MCC. We're up from that original seven detailees 16 months ago; one reason we have to move, we're out of space.

Over the course of the last 14 months, we've been grappling with how to develop quality compacts quickly. I don't have to tell you all in this audience how difficult it is to really do these programs well, but we've been encouraged by what we've seen and what we've learned. Our assumption is that country ownership can work. We believe this is certainly in the development proposals, consultative process, assumption confirmed. Implementation? To be confirmed, but at this point, country ownership works.

Countries like our focus on outcome and results, no question about it. They may not like all the work it takes to make sure those results are going to be achieved, but it's good for us, good for the American taxpayer, it's good for

them at the end of the day. And we've seen them step up and really take ownership of this, and their ownership also in being willing and able to do meaningful consultative processes.

In addition, we see how the 609G monies are helping to develop proposals and providing countries with fiscal resources to develop human and technical capacity.

We held a session for ambassadors of our eligible countries after the Madagascar compact signing, and one of the central points made by Ambassador Narisoa of Madagascar was that the government of Madagascar felt their investment in the consultative process was integral to the success and speed of the compact's development. Consultations will also continue in Madagascar at a project level and throughout the program's implementation.

We're also encouraged by our partner government's commitment to engage with their citizens to identify and develop and implement the programs. Today, you're going to hear firsthand from another compact country. Vicki Diaz, who is the coordinator of the Honduran team for the MCC proposal is going to talk later today about how the government of Honduras engaged with civil society in the private sector, local and national legislatures, women and others to develop the proposal to the MCC.

I hope you'll get a sense of the Honduran context of the consultations from Vicki's comments, and that's a Honduran context. Each of our partner countries has a unique history, and each country's solutions, therefore, are going to be tailored to their specific environment.

We are not cookie-cutter. What we're trying to do is not cookie-cutter. Our partner countries get part of our fundamental principles. Our countries do decide what is the best way to accomplish what they want to do within their own context. In our guidance to countries, we've engaged with many of you here in the room and your organizations to identify key elements to adequate and successful consultation. We thank you already for your input. I hope today we'll get some more and the process will continue.

Our research and analysis resulted in the identification of three core elements in the consultation process -- be timely, be participatory and be meaningful. Timely means early enough in the process to make a difference. Participatory means broad-based participation and meaningful in a way that can impact the results.

We're not looking for consultations that serve merely as a rubber stamp. Instead, we're confident that the governments will be able to engage in a genuine two-way dialog that allows citizens to inform the MCA program in the identification and prioritization of priorities, and then throughout the implementation process.

One of the interesting thing about the Honduran proposal is that in the compact, in the supervisory board itself, there are voting members of civil society, voting members of NGOs. Even though it's ultimately a government program, there are not only members of government in the supervisory board, voting members of civil society; pretty unusual when you think about it.

You won't see that in all of our compacts, so we're proud of the people of Honduras that they structured consultation in throughout the process.

Many of our countries are drawing from their Poverty Reduction Strategy papers, and we'll hear later today from some people from the World Bank that are involved in that process as part of our dialog, what they have learned, what we've learned, with the idea of both in the future going forward, it's better. They are also continuing -- building on the RFPs (ph), wanting consultation to continue throughout the development in MCA of the programs.

We view the MCA consultative process as an important element of the country's overall process of establishing accountability and transparency between the government and its citizens. And I refer you again to the guidance that we put up.

I'm excited, very excited, that our next speaker, Vicki, will be able to talk about how the government of Honduras developed its MCC proposal, how it's evolved, and what ultimately will be agreed to in the compact.

Honduras provides an excellent example of the learning experience for MCC, as well as for the government of Honduras.

Through the proposal, MCC realizes the importance of MCC's specific consultation, the symbiotic relationship between the MCC proposal and a country's Poverty Reduction Strategy and their national development plan, and the need for an open dialog between MCC and our partner countries on consultation.

Now let me introduce Vicki. Vicki is the coordinator of the MCA Working Group for the government of Honduras. She has a distinguished background in the field of international economics and business, graduate of both the Honduran National University and the Harvard Business School. She served as the first woman president of the Central Bank of Honduras and worked for two decades at the Central American Bank for Economic Integration. She's an active member of numerous boards, including being a founding member of several nonprofit organizations.

Her background made her an ideal candidate to manage the development of the MCA program for the government of Honduras.

And with that, you will all get a chance to experience her up close and personal right now. I'm now happy to turn it over to, Vicki.

(APPLAUSE)

DIAZ: Good afternoon. I don't know what to say after all the commercial that Paul gave, but please take it, believe it.

At this opportunity, I would like to talk about the Honduran proposal, and I would like to thank you very much for taking the time and putting your interest in our country.

We believe that the MCC initiative is, I would say, up to now, the most important initiative of the 21st century. For our countries in Latin America, they arrived just in time, a very difficult time, but a very important one, too.

I have to go back, talking about the consultative process, that after Hurricane Mitch hit Honduras at the end of 1998, we Hondurans knew that we had to get together to put a development plan if we wanted to get out of all the devastation.

So we started working together, and without knowing it we started a consultation process which was not there before. It was not a perfect consultation but was the beginning of the relationships between government, civil society and businesspersons, and donors too, I don't have to forget that.

And once that happened, we developed a Poverty Reduction Strategy, and it's very important to hear about the name. Before, we used to do development plans. When the next government came, it was thrown into the basket and a new development plan was done. At this time, we call it Poverty Reduction Strategy, because it always signed (ph) on to whom the funds and the programs were going, to the beneficiaries instead of the goal that was going to be reached. Rather, we went where we wanted the goal to reach, whose people we wanted it to reach.

So, when the next government came, by June 2004, they already have reviewed the first Poverty Reduction Strategy and they put an implementation plan, 2004, 2006 for a better strategy, so we have two gains -- a better strategy, but also using the older strategy, because the needs are so important that it was very easy to see what Honduras needed.

So, by June, all civil society has agreed with the government and donors that the Poverty Reduction Strategy was the plan that Hondurans have to follow.

So when MCC and John Hewko arrived to Honduras to give the good news that we have been eligible, we were right on time within the strategy to present and to select projects from that.

So the Hondurans immediately hired a team, of which I am honored to be the coordinator, with the sole purpose of being devoted to put out the proposal. We knew from the words of John Hewko that kept saying, "There are no guarantees."

I still remember, John. In Spanish and in English, he kept saying that just in case we didn't get it. So we knew there was hard work to do and they were going to be very careful, and so we didn't have an excuse for not producing a good proposal.

So we selected from the PRSP four areas -- urban development, rural development, employment creation and what we called the multisectoral, which will bring benefits for the whole country, and that was roads. And then we called the civil society to show them the selection made within the Poverty Reduction Strategy that has already been consulted.

It was quickly that we realized that civil society preferred the rural productivity enhancement, the rural aspects, and the road segment, the transport segment. So what we did is to adjust the proposal to be concentrated in these two large components, because we realized also that if we wanted to get results at this first stage of the compact -- because we always kept telling the MCC and they don't answer, they are going to come more funds in the next year, but they don't answer that. They don't get committed on that. But we know we'd like them from them later on.

Pardon me, they like the program now, but they will like the other things that we are going to present. We just don't want them to get scared about it, because there are so many needs in our country.

So when we reviewed that, in these four areas, we decided to stick with the two suggested by the civil society, but not only because civil society

wanted that. It was an important impact and made us think, and made MCC think too, that to concentrate efforts in two segments will give better and faster results that divide the amount of money that we could possibly have in four areas, which was very big.

So we decided to concentrate in the increasing productivity for small and medium farmers. This is not a program for the rich people, the ones that have the money. This is small and medium farmers, and it's very clear in the context, and it's very clear to everybody in Honduras.

And, also, transportation. If we want these farmers to be ready to enter into the open markets and get better earnings, increasing their productivity, we also need to give them the reduced costs and safer roads for them to transfer and to have access to the markets.

So we started working in these two segments instead of the four that we had at the very beginning, and then we had to make another big decision, and I would say that was maybe the most difficult one. Many people said, "You have to make four-lane roads," and we cannot go against that. It is true, if we are going to handle a lot of access in our roads, a lot of travel, we need to have four-lane roads in our country. For those who have not been there, our roads have two-lane roads going through, and a lot of times, they are not safe at all.

So, it is undeniable that we have to do four-lane roads, and it's undeniable, as the economist that I am, that whenever you put a road, you put growth into that country. That's been the story, and of course I don't know that only because I'm an economist, but also because I am old enough to know.

What we decided, and that, again, the most difficult decision, it is true that roads bring prosperity, but it's also true that those that take advantage of the roads first are the ones that have better capabilities, and only later on the benefits go to the poor. So the decision was not to have four-lane roads. Certain segments, yes, because either we were going to build four-lane roads -- we would be spending all the potentially available funds from MCC on roads, and we would be forgetting the most important part of the program, the poor.

So we put this together because they complement each other. The component of increasing productivity for the small and medium farmers will be complemented, increasing their earnings, but also by building roads, making sure that they have access to the markets, so that was the biggest decision that could be made, and I think it was accepted for everybody, because everybody wants four lanes and wants the poor getting to the program. But they have to abide by the limitation that the first stage has to be done within the compact possibilities.

After we did that and we put more details into the program, we again talked to civil society, and they were very happy with it. I don't think anyone can say there is no priority for roads and there is no priority for rural productivity enhancement. It's so obvious, and it's been detected for a long time in Honduras. It's just that it has not been worked a lot on because there were no funds.

So everything has been identified since the strategy of the year 2000, but as you know, we have so many needs on the social aspect, social direct aspects, that all the emphasis went into those aspects.

After four years of working within that focus, we realized that we needed growth if we really wanted to make sure that the poor got the funds and got better conditions of living. So this program addressed this in addition to the social programs that through debt relief, we are going to get into education and all the social aspects such as health, because we still need to do that. There are a lot of funds going there for this purpose, but still we need to work more on that and we need to work more on the growth part.

So I mentioned and Paul also mentioned that we have two components, rural development, and I have to say that there are other components, other projects, dealing with rural development in Honduras. Many other donors have some programs in rural productivity, but I would say this is a unique program, and the reason is that this is an integrated program.

Usually, the job is so large that some donors get one part -- like they say, "Let's teach them how to produce." Others say, "OK, let's teach them how to produce and then teach them some about the markets." Or others say, "Let's work in irrigation because it's an integral part."

But this program, what they did is, "What are the impediments for growth?" just like MCC guidelines mentioned. And we realized it was lack of irrigation, lack of roads, lack of training capabilities and lack of knowledge of the market, lack of access to credit. So we put all this together and decided that the amount of money that we could get should work in an integrated way.

And a farmer that built up on his capabilities to produce with more earnings had the access to the market, because if the road is not good, he will not be able to export all the amounts that he has been producing. Some will get spoiled on the way out or some will not have even a way to get this product out.

So that's why I think this is a very good program.

It's not an easy one. I think it's a very complicated program that is so well designed, and I can say that, even if I am a coordinator, because it is not my program. All that I did was to coordinate the efforts of all Hondurans working to help and put all the inputs of the program. So I can really say it, without saying I did it, because I did not.

And, in this case, I am going to say something that I never told MCC before, because it was not in our interest to tell them, so...

(LAUGHTER)

But we kept rushing them, "Come on, you are too slow. Come on, go ahead," but now I have to tell you the truth. I don't think there was a single mission that was a waste of time.

They went there, talked to a lot of people. I was in charge of being with them all the time. They met with government. They met with civil society groups, gender groups, and they met with businesspersons, too, and donors. And it was a lot of hard work. They went back and back again. Why? I think because they realized they were not geniuses.

A genius can go to a place and in two or three days, "OK, I know it all," and then not come back. He went there to listen to what everybody said, then came back to Washington, reviewed what they found out, and of course they had doubts -- they are intelligent, but not geniuses.

(LAUGHTER)

Nobody is a genius. Some people believe they are geniuses, but nobody is.

Then they went again to ask us questions on the things they were wondering, so everything that they did, in my opinion, and I can say it now, was to make sure that implementation went better than just rushing to approve things and then leaving everything for the implementation.

As a matter of fact, at this point in the Honduras, there are announcements for the new posts that are going to be handling the project management unit. Of course, we tell them if we sign the compact, these are going to be the positions.

But the process is already going on. The idea is not to leave everything for later on. The idea is let's get into details. Of course, we always have the rush to work faster, and we would have, like, "OK, let's work it in six months to have something," but I could say that I cannot regret what they did. I think they did a terrific job, and I didn't tell them before that because maybe they were going to say, "We're going to take six months more," so we said, "No way."

But, actually, it was a very good approach. They worked very hard. We need Hondurans to work very hard, too. And I think talking about consultation, it helped us to realize the way that people feel about it.

When we talk about the management, once we have selected the programs, which were already clearly identified either in the Poverty Reduction Strategy plan or in studies made by the World Bank, that was very clear. But then we have to go the management. How do we make sure that the money is efficiently spent, and how do we put mechanisms to have enough checks and balances and controls to make sure that the money went wherever it had to go?

So there was the second part, with a lot of analysis in there. I think all of them help us to understand the seriousness of the focus in good development, instead of lamenting five years from now, "Oh, the money, where did it go?" Right now, we are making sure in an implementation process right now, since the very beginning, what mechanisms do we need to be able to respond to society, not only civil society, the society, government, donors, to say what are we doing with the funds? And, also, what mechanisms do we have to change course of path in case we think it has to be changed?

So I think all of this hard work has paid off, and now I will tell you, so sorry for me pushing you before, but I had to do it, you know. And the other thing that we have to mention about the proposal, there is a strong emphasis in accountability. Actually, in Spanish, there is not one word that says it all like in English -- accountability. That is one of the most important parts.

So at the very beginning, our proposal proposed to have members of civil society as observers. After we went through consultations, and looking at the pros and cons of that, we gave a step further and we decided, "OK, let's have them in the board for the first time in Honduras, making the decisions." So it is with the same rights, but also with the same responsibilities.

But also, there will be two additional organizations as observers. So in total, four members of civil society that represent the Council for the Poverty

Reduction Strategy, that National Anti-corruption Council, the National Convergence Council and the Business Organization. Those will be the four observers.

And among those four observers, two will be on the board for the first 2 1/2 years, and the other two would remain as observers, and then those observers will become full-time members of the board and the others will pass to being observers.

But also being observers means only that they will not have the right to vote, that they will have access to everything that the board members have access to. Of course, MCC will be also an observer there, and of course MCC preserves the right to have objections to different stages of the program, and we welcome that.

So, with the board, it's going to be a lot of transparency, because not only will everything be seen on the board, but also there will be a Web page on which we'll put information as much in real-time as possible.

We were very lucky that Honduras has started a program to improve the information systems in the Secretariat of Finance, and this was financed by the World Bank, and that gave us a deep basis to work and show MCC that we, Hondurans, could handle this program, that they didn't have to hire someone from abroad to handle these information systems because we were building up on other donors' investments in our country. And I think that's very important, and that was another very important part of what MCC did, to make sure whatever was being done in the country, and take advantage of that.

So there are many projects like the registry program that we helped the banks to have better access accounting and to give better rates, because they will have better guarantees, and that is possible because there was a study that identified the accounting.

So what I mean is, to build up in things that are already in the country is the best way to use resources, too, so this is part of that.

One of the things that we really liked a lot was the fact that MCC was very interested in building capacity.

We Hondurans are very happy with that. We think we do have capable people. In other areas, we do not have capable people. We have to recognize that and be humble about it, like, for example, experts in market information for the small producer. We know that for that, we will need foreigners.

But what they did is, whenever they found we have the capabilities to manage a program, they would let us it, and I think that's a very important part, and I think it's a very hard part. So they are not taking the easy way, either.

Hondurans and civil society was very happy with the fact that Hondurans were going to be in charge of the management of the program management unit.

The other thing I would like to mention is that monitoring and evaluation are an integral part of the program. And the thing that I like most about is that we are not saying, "Let's see what we have at the beginning, and let's see what we have at the end." That's useless.

The important thing is that in the near term, or every year, we are going to look at how things are going, because it doesn't matter how well designed a project is, you all know that trouble can come in implementation.

So to be ready to correct or to be happy and congratulate ourselves when things are going well, and so monitoring and evaluation, transparency, it's a very important part -- and accountability -- of this program.

We do expect for that reason that civil society will continue supporting the program of Honduras. I will be working on this program until June when my contract ends, but there will be a unit already formed for people that will have this complete responsibility, but it's already been identified that we need civil society, responsible members of civil society, to continue contributing.

And we do hope that you will continue following up on how the compact goes, and I'm sure we Hondurans will welcome your remarks.

Thank you.

(APPLAUSE)

CRONIN: Well, thank you, Vicki, and thank you, Paul.

We have some time for questions before we move to our panel discussion, so this is the public participation part of this conference.

Maybe I can just start with a first question, and I believe there's a microphone out there, is that right?

Vicki, if I can maybe have you think -- well, I'm going to ask Paul a question first, but maybe you want to think about a question to you since ultimately we want to hear about what's happened on the ground.

This is one of the things that has been hidden out of sight from Washington since the qualification for a Millennium Challenge Account. You've begun this consultative process. You've explained a lot of it. Paul talked about it as well.

In my own brief visits to the region and Africa, looking at this, and I was not one of those geniuses, but I only had three days in each country, we looked at a top-down approach from the government, much like the one you've been leading, obviously. And we also saw the bottom-up approach in terms of bringing in stakeholders who really didn't have much political power, who had different views.

I'd be very interested to hear what got squeezed out in this process. What transformed from the beginning of that consultative process to the final compact -- maybe an anecdote or two there?

And for Paul Applegarth, I wonder if I could ask you the question about the investments themselves.

They've focused on infrastructure, rural development. This sounds like it could become a pattern with a lot of the Millennium Challenge Account, but yet they're being driven by the country and what they need. Maybe it's just a big deficit that's been ignored by these countries, so I'd be interested in your thoughts on that.

I'm also struck by the similarity of the fact that you're moving down the street and Paul Wolfowitz is moving into the World Bank next week, and you'll be a few blocks away, the two Pauls, and he is of course inheriting the World Bank at a time when one of their big directorates has indicated they should focus on infrastructure -- rural, urban development.

And I'd be interested to hear how with the Bank and the multilaterals, the Inter-American Development Bank, work on infrastructure, rural development, is complementary or synergistic.

And maybe if I could just start with that question for you, Paul. We'll try to keep our answers brief so we can get more questions in here, and then, Vicki, if you might hazard a try at the question I've asked, thank you.

APPLEGARTH: I'll speak from here if you can hear me, I think.

Before I answer Patrick's question, though, I want to just mention, the MCC talks a lot about country ownership, talks about focus on results, implementation, but in many ways Vicki's illustrated the importance of a picture's worth 1,000 words, because she's also talked about country ownership.

I was struck by, and I hope you were, the fact that it was Honduras and Hondurans who were deciding the tradeoffs between four-lane roads and two-lane roads. It was a tradeoff between poverty, reaching poor people. The point was, it wasn't MCC making those judgments.

It wasn't these nongeniuses at MCC, and that phrase is going to resonate, I'm sure.

(LAUGHTER)

But the point is, it was Honduras, and the people of Honduras making the decision, and having to make the tough decisions, who felt a stake in the outcome. That's what country ownership is really all about.

Secondly, the fact that they've issued now ads for position and so on and so forth, and focusing on it now. That's what the focus on results is all about.

If you, with your partner country upfront, are saying, "How are we going to measure success five years from now, seven years from now? How do we know this compact's going to be successful?" And not in a sort of nice qualitative words, but what are the demonstrated results that we want to achieve?

When you do that and then you start figuring out how you're going to get from here to there, that's when you get into the focus of detailed implementation plans and detailed compacts and benchmarks along the way, and that's also what Vicki was talking about.

We have a saying in MCC to sort of illustrate what an implementation plan really means, and it means we sign a compact Tuesday afternoon, who's going to show up for work Wednesday morning and what are they going to do? And if you don't know the answer to that question, then you go back and work some more, because otherwise if you sign a compact and then you start figuring that out, first you do not have confidence that what you're doing will really have the results you're trying to achieve, and secondly it's going to delay things a lot.

We'd rather have that work front-ended so that when we sign the compact and our partner countries sign the compact, they and we have confidence the money is going to go to the best purposes and get the kind of results in terms of poverty reduction and growth.

Both of things were illustrated, I thought, very well by Vicki's comments.

Now, in terms of your question, Patrick, we do see a common theme in many of our proposals so far. Not in all of them, many of them. It's not infrastructure, though. It is integrated rural development or increasing the incomes of people in a rural area. Why? Because that's where the poorest people in the country are, and if your mission is of poverty reduction there, if you want to have the biggest impact and transformative impact in a country, you target the funds where the poorest people are. Most of them are farmers.

So what you try to do is, not surprisingly, it's that the countries are saying, "We get it, MCC. We want to focus on poverty reduction here in a way that really benefits the country. The poorest people are in the countryside. They're mostly farmers. Let's focus on ways to increase the agricultural productivity."

You saw it in Madagascar. A very different program, financial sector reform and land titling, some land titling in Honduras, but basically much more in Honduras integrated rural development, irrigation, agricultural extension, micro credit, some land titling, tertiary roads, secondary roads.

The reason it looks like infrastructure in some ways is because big roads, even if they're two-lane roads, cost a lot of money. But the theme is not -- so it's a share of financing and how much you use, it takes half the funding or whatever it is. But the reality is, the theme is benefiting the poorest people in the country. You need to do it, and that's why, I think -- that's what you're saying.

DIAZ: You asked me how has the consultative process been transformed in the course since the beginning.

At the very beginning, there were very large meetings. Everybody got together trying to see how could we change the country. Almost everything was destroyed, north, south, downtown, center, east and west.

So everybody started putting a lot of ideas, a lot of wishful thinking, I would say, in the different problems, and the process took more than one year. And everybody that went there, signed up, there is evidence of these consultations made, and at the very end, the program was formed.

Then it came for the implementation plan. I think they learned, the government, to be more open with the society, to let them participate a little more, and of course there will never be complete satisfaction in my opinion, in general, for civil society.

Because if you represent someone, if I were representing gender, which I'm always on that path -- I'm a woman, as you know -- and I have to fight for the gender issues, so I wouldn't be happy or I wouldn't be a good representative if I'm not fighting the most direct kind of gender issues. But this is not a program for gender issues. This is a program for development and helping the poor, and gender is within that.

And in Honduras, we cannot avoid that, because most of the population, more than half the population, are women, and also because they do take care of their families -- they are the ones -- they can't afford to be out of any development.

So what I mean is day by day the consultation is getting better. We've come a long way.

In these consultations for the proposal, in these meetings, the meetings were smaller. It was mostly, "Do you like these type of priorities?" But the priorities have already been discussed with these strategies -- the thing is, how do we go about it? How do we handle it? And within those priorities, what was most important?

So I think day by day in Honduras, the civil society gets more involved. It's consultation, not consensus. That is important, to see the difference, but they know what is going on, and they are listening.

We changed from four to two, basically, from what we hear from them, and it made sense, what they did, what they said, and also, we put them as voting members of the board, which was a hard decision to make, because if the government selects it, it's supposed to be the responsible one.

But on the other hand, if you are not doing anything wrong, what bad does it make to have civil society within? So the type of thinking that we had to go about it, and I can tell you then that we really listened to civil society as much as we could.

CRONIN: Thank you very much. Right here, we have a question.

QUESTION: Thank you very much. Yes, I understand that the Honduran plan includes a monitoring and evaluation strategy, and I assume that the various compacts will include that, and I'm wondering, Paul Applegarth, what about the M&E plan for MCC itself? In other words, are you able to sort of rollup, or how will you handle the evaluation of the entire program?

APPLEGARTH: Well, it will vary country by country, because the plans themselves are very country-specific.

It's general principles. In most cases, we will have somebody resident in the country once we've signed a compact, or shortly thereafter, both in terms of those folks that have been identified now in both Honduras and Madagascar.

And with reasonable confidence, I know if we did a compact in Nicaragua, who would be our representative there, and you'll see it in other places. And they will obviously have a hand in monitoring and evaluation.

Also, in the proposals, there are monitoring and evaluation mechanisms, which are in the proposal.

I think we have a couple of inherent advantages going for us in that because this is a Honduran proposal and priority, they have as much at stake in this being successful as we do, so you build into it upfront the monitoring and evaluation to try to do it.

We're helped also by the benchmarks and measures of success, the detailed implementation plans, the fact this is out on the Web. You all will see the compact and the potential beneficiaries and the people in the country will see it -- things start to get on track.

So we have official monitoring and evaluation mechanisms. We have a lot of informal ones which we encourage because of the transparency of the process.

QUESTION: (OFF-MIKE)

APPLEGARTH: We have a monitoring and evaluation team, headed by Chuck Sethness, as many of you know. They are involved in the overall implementation design, and they will be involved in working with the country representatives in terms of the effort, if I'm understanding the question right.

CRONIN: We may be talking past each other, but I think we have to move on to some other questions. We have a lot of people who want to ask.

QUESTION: Back to the substance of the compact, as you both described, in particular you, Mrs. Diaz.

The issue of the four-lane roads versus the two-lane roads, it seems to me it's a very interesting tradeoff, as you described it. If you could further clarify it for me, please, is this something that was dependent upon the availability of funding, and therefore you had to make that decision, saying, "We would like to have four-lane roads in an ideal world, but in consideration of the fact that this would suck up all of the available funding and we really want to do the farmers' productivity, then we settled for two-lane roads."

I understand the tradeoff, and this happens in most circumstances, but is there a significant downside to this decision? In other words, is this something that at some point later, in the implementation, you may discover, "Oh my God, we really would have needed four-lane roads and now we're stuck with these, and they're insufficient. We have created the demand and we don't have the road capacity." Is that an issue, or is this something that you have already thought through and resolved? Thank you.

DIAZ: That's a very interesting question. Thank you very much.

We know that in the future, four-lane roads may be needed. The biggest downside would have been not to put enough effort into increasing productivity for the small farmers. That would have been fatal for Honduras, because we have to make them able to access the markets and able to increase their earnings.

But we don't think that it's going to hurt the project at this time. We have to be realistic. If we were to have -- we are a very mountainous -- a lot of mountains in our country, so that's what makes it so expensive. If we were to put, we would have needed, in my opinion, like \$500 million to make sure that we have the four-lane roads. There was no question that MCC would not put that amount of money, and that's why it's important for MCC to have the funds.

But you can make the three-lane road, because in most cases it's going to be three lanes or improving the roads, but also there is a space to add an additional lane. So we are hoping to be able to get more funds, viewing our good results, and for future compacts we expect to have the funds to increase that.

So it's not something that we said, no, it's never, but we do believe at the very beginning we have to stress the productivity, to make sure that the small get the advantage of the roads. But I don't think it's going to be a problem to the program, but I'm glad you are saying it, because I know Paul, he's going to keep it in his mind and more money has to go to initiating studies to put more emphasis on roads. Thank you.

APPLEGARTH: I've been on some of the existing two-lane roads, and improving those would be a significant improvement.

I want to add something, though. This is illustrative. These are tough decisions that countries are having to make, but that's what it's about, because this isn't unlimited. But if you actually look at the amount of money Honduras asked us for and the size of the compact, the size of the compact is actually larger than we originally asked for; saw the same thing in Madagascar.

In both cases, it's largely a result of once you get into detailed implementation planning and thinking about it, you realize this is going to cost more than original estimates. That's what detailed implementation planning is.

In addition, and specifically in the case of Honduras, once the engineering came in and looked at the design of the roads, it's clear that they probably were under-designed in terms of the original concept, and so a lot of the increase in project costs in Honduras -- I think the compact is probably \$50 million higher than the original proposal, something like that. You can correct me.

But a lot of that is because of the need to make sure that you're building roads that will be there, that will sustain everywhere, that won't wear out, that won't need to be rebuilt again in five years.

So there's lessons here when you get into focus on results, focus on accountability, detailed planning, you see the funding is there. I would certainly echo, it's certainly another reason why we need the president's request.

CRONIN: A couple more questions here.

QUESTION: Ms. Diaz, you stressed, and Paul also stressed, consultation when working on programs. Honduras is ranked 110th in the index of economic freedom, compared to Madagascar, which is ranked 48th, which was their first project. That implies that there are a lot of impediments in the country to increasing productivity.

Could you comment on the degree to which there was a lot of consultation on improving policies in the country as opposed to just consultation in coming up with a project, per se.

And, Paul, could you speak to the degree that MCC is using conditionality on its programs? Thanks.

DIAZ: Yes, the policy consultation has been going on since the year 2000. As you know, we are a HIPC country. We are not proud of that, but we are, and we also have programs with IMF and we have been abiding by the rules.

So all these programs where it says you have to work in this way, you have to make reforms, and that's why thanks to that we were able to fulfill the indicators for the guidelines that MCC requires.

Yes, you are right. We have so many rules and procedures that do not help free enterprise, but we've done a lot, also, moving ahead. And we still need to move ahead, but fortunately, on the part of the small producer, that will not hurt them, because it's mostly, I think, when you're going to put an enterprise or something like that, it gives you more of a problem.

But this is something that has to be continued improving, but it will not hurt the program, because the small producer, their problems, they have never been identified as problems for putting in enterprise, because usually they work and sell to someone else who has an enterprise for litigation and lack of credit and things like that.

But this index of economic freedom that one has to work harder to make sure that we do that, but this is in the consultations, and I have to tell you, civil society does not like economic freedom, I have to be honest.

Yes, we've come out of a history where government did everything, and people do not understand or do not want to understand that the government does not have enough funds for everything, so it's very hard.

And we are very unfortunate that whenever privatizations or concessions have been given, they don't work well, most of it. So the experience that people get is, "Oh, it is better for the government to give us that." And the thing is that the government does not have the funds to give.

So it's a very strong fight that has to be fought every time we're doing this, and the policy discussions continue, but there is also a strong group that strongly believe in economic freedom. I'm one of them.

APPLEGARTH: I think you illustrated that point when you mentioned where Honduras and Madagascar ranked under various indicators there.

None of our countries rank at the top of the indicators, which includes some of the wealthiest countries in the world. They're poor. That's the point.

The immunization rates, you can be above the median with us of 72 percent. That's not an acceptable standard in an absolute sense. Girls' primary school completion rates, sovereign credit ratings, again -- but the whole indicator methodology is focused against each other, measuring against your peers, taking the excuse of being poor off the table for government performance.

So that's what we're really trying to do. The fact that it's a median that we use that floats up, competition is going to drive the bar up.

So if Vicki wants those four lanes, the government of Honduras is going to keep having to do well against the indicators and the bar's going up. That's the dynamic of the indicators.

It's an incentive for change, incentive for policy reform, which ultimately leads -- whether it's economic freedom or good governance, or investing in people, that's what we're really about, is incentivizing opening up the societies and economies, and that's what she's responding to.

QUESTION: If you could address conditionality?

APPLEGARTH: Yes, I will, thank you. I think conditionality means different things to different people.

We look for demonstrated performance ahead of time, against the indicators, in policy. Typically, a conditionality, as I understand it, and it means different things to different people, a number of donors authorize funding for something and say they condition the continuation of the funding on changes, policy changes and other kinds of things, and the dilemma they get into -- some might call it a donor trap -- is the changes don't get made and the donors either have to cut the funding off, which is very hard to do in a traditional donor world, or they have to waive the conditions. So you end up with the money flowing and it doesn't seem to the effect the policies -- you don't get the conditionality.

By establishing upfront we are working with the best-performing countries among the poorest countries of the world, that's what the indicators allow us to do, have the best possible partners.

They've already demonstrated their commitment to good governance, to economic freedom. They've already demonstrated their investment to commitments in education, in health.

So those kinds of conditions are taken care of. Certainly, when you get a detailed implementation plan, there are certain things that need to be done to make sure that the impact of the proposal is going to work. Those are quite normal parts of I think any kind of program, but conditionality in the traditional sense of we'll start funding and you make changes, we'll keep it going, is not our core approach.

CRONIN: I'm going to try to squeeze in three final questions before we move to the panel.

Yes?

QUESTION: First, I want to thank you both and Patrick for convening this. This has been an enormously informative session.

And, Ms. Diaz, I wanted to tell you how much I appreciated your talking about the importance of gender to achieving development goals. Very often, it's understood as a constituency issue because you care about women, but I think it's relevance to the MCC is backed up by the large body of evidence that we will not achieve our development goals of economic growth and poverty reduction unless we address the different barriers that men and women face.

Could you talk a little bit about how gender considerations impacted either the development of the compact or the implementation plan for the MCC proposal in Honduras?

DIAZ: Yes, you touched my favorite theme. Don't get jealous, men. I also like men, too.

(LAUGHTER)

But, you see, in our country, like I mentioned before, more than half of the population are women, and they are very actively involved. In my country,

nobody had taught them business, and they do business better than anyone else, because they do care about their families. They are the ones that take care, so they are involved in every event of society.

In the rural areas, they are also getting involved in producing, so the way that we look at it is not how can we help women? The idea is that are the projects that we are choosing going to have women in it? And that was the idea.

When we analyzed the projects or the programs, there were two things, that there were capabilities for sustainability purposes, because there is no point in giving away money and then never comes back and it dies when the program falls, and that's an idea that we are trying to stay away with it. The other was gender. Will it help equality in gender? And the other was environmental matters, to make sure that whatever we did did not affect the environment -- I mean, it has a mitigation impact, or something like that.

So, yes, gender was considered when we selected the programs and the projects, and it was very easy to do because women are really involved in everything in Honduras. They have to. They are the ones that are responsible for the household.

QUESTION: I want to first of all thank CSIS and thank Paul Applegarth and the MCC for giving us this great opportunity to learn from an actual process on how the compact came about.

And to Vicki Diaz, as a Central American, I think I'm particularly proud to see such a high-caliber public servant. If I may, I'd like to ask perhaps more of a personal question.

You mentioned that your contract runs out in June, and I'm just curious as to what plans you have following June.

(LAUGHTER)

DIAZ: Well, I plan to continue working. Where? I don't know. The thing is this, the government needed someone, like I mentioned before, of a group that did not have excuses for not producing results, and directly devoted to that, the three of us were Hondurans. But now a unit has to start working on it, and we personally excuse ourselves to participate in the competitive bidding, because there are legal things and there are ethnical things.

Legally, I am eligible for compensation for being the executive director at my post, but ethically, according to my standards, I should not compete because I have been in the middle, in the heart of the evolution of this program, so I do have an advantage over others.

So my decision was not to participate in the bidding, so I know that I will leave a very dear program to us, but I know some work will come, and still I will do it.

CRONIN: And the last question, here.

QUESTION: I'm interested, Senora Diaz, if the consultative process really has permeated all the various sectors and themes of the Poverty Reduction Strategy in Honduras, or if it's more significant in the compact with MCC. I'm thinking of the health sector and the education sector and employment generation issues, all of which I know are in the Poverty Reduction Strategy, so I'd like

to know the link of the consultative process that you have coordinated and how it fits in the overall agenda.

And from MCC, I'd be interested to know how you have participated in the MEMESA's (ph) process in Honduras, and whether you see the other development cooperation agencies picking up a similar kind of agenda to what you have done in designing the compact with Senora Diaz's coordination.

Is this country ownership and consultative process really being mainstreamed and becoming the driving agenda of development cooperation in Honduras?

Thank you.

APPLEGARTH: Well, I was hoping that question was directed to you. You're certainly in a better position as to whether it permeates Honduras, and then I will try to answer more generally.

Thank you.

DIAZ: He's clever, he got away. Yes, we were very lucky to have -- the Poverty Reduction Strategy had already made all the consultations, so we built up. The program could be so good because there was somebody else who had already made the work.

Don't say this aloud in Honduras, because they're not going to pay me, but actually, the hardest work in building the Poverty Reduction Strategy was already done, so what we did was to build up.

And the Poverty Reduction had the health issue, education issue, irrigation issue, economic development issues. Everything was there, so it was very broad.

When we consulted about this, what we chose to put into the compact and we had the ideas, usually, are more or less similar organizations that have been participating in the Poverty Reduction Strategy, but I would say it's more concentrated because organizations that are only interested in health, they wouldn't participate.

But, for example, producer, worker's organizations and the ones that are related to the Poverty Reduction Strategy, the most important and active umbrella organizations were in our discussions.

So I would say that the Poverty Reduction Strategy had like 100 or 200 organizations, and we maybe have 50. What I mean is the work has already been done, but the representatives of those poverty reduction -- the leaders, the umbrella organizations, were in our consultations.

APPLEGARTH: I'm actually going to let Jim Vermillion, who's on the panel, answer your question about the consultative process specifically in Honduras from the MCC perspective.

But, more generally, in a number of our countries, the proposals are built off of good PRSP. In some of our countries, there is no PRSP, and in some of the others, it's not very good.

This continues to be evolutionary. There was an initial round of PRSPs in the World Bank. There's been changes, and I'm sure you'll hear about it, some talk later, PRSP2. Clearly, our consultative process is a learning process for the countries themselves and for PRSP. This one wasn't perfect, definitely not perfect yet, but it'll be getting better over time, and that's the point, and that's what this panel today is about -- lessons learned, how to make it better going along.

There's no question, though, that in the countries that have advanced within MCC, and even those that are in the middle, the consultative process is making a difference in the countries in a way that you will never see in the details of a compact, opening up participation within society, and a sense of ownership and a sense of direction.

That's, again, one of the things we're trying to do, and I think I can say it with quite good confidence, country by country by country, you see the process happening, and it will change things in a way that is irreversible.

DIAZ: Yes, I'd like to add something -- I'd like to mention before Jim Vermillion does it, that whenever the consultations or when the MCC missions arrived there, there were consultations and they talked to people, but also -- working in our presence, but also they went on their own to talk to people.

We knew that. And that was very good. No, no, I think it's a good way to do things. I think if you have nothing to hide, that's good, and like I mentioned to you, the priorities were so clear to Honduras, that you can say, "No, I like it this way," but you cannot say, "Rural productivity overall is more important."

And some people say, we want an inter-city railroad. Yes, it's important, but where do we have the money, so again we come to the same thing.

So I think they were very cautious and whatever the holding, it is, and MCC was not there. A representative of the U.S. embassy was there, and also they met separately.

So I encouraged that and I think it was a very good way to do things and make certain that things went along well.

APPLEGARTH: I'll take 30 seconds, 30 seconds for an anecdote on a different country.

The president of the country early on said, "We really like this MCC thing. It sounds really good, country ownership, get to pick the priorities, focus on results, really focus on poverty. The only thing that we don't like is this consultative process." He says, "We've got a good government here. We're efficient, we know what the people need. If we get all these people involved, it's going to slow things." He said it literally to me, face to face.

DIAZ: Not in Honduras.

(LAUGHTER)

APPLEGARTH: Not in Honduras, not in Honduras. And I'm not going to say which country, I think for pretty obvious reasons.

But the reality is you now, a couple months later, get it sort of holding their nose, like taking castor oil, for those of you who've had castor oil. But now we're here, and, oh, "We're actually learning something from this. Those folks in the countryside, they have a slightly different perspective than we do here in the capital, and they got a lot of energy behind it and they actually had some insights that we didn't have that before." We heard that, and then we heard, "Hey, this is really important. We're going to change our proposal."

Now we're seeing the actual proposal, significantly different from what they'd originally talked about, and they credit it to the consultative process and they did some pretty interesting things once they figured they had to do it. And you're seeing it's had a direct impact on the consultative process and it's improved the proposal, better directed it to the poor, better directed it to real things that are going to have an impact on poverty reduction and growth in the country.

CRONIN: Well, while Jim Vermillion and the other panelists make their way up to the front, because we're going to move right into the panel discussion for the final hour of this program and delve down a little deeper into lessons learned, please join me in thanking Paul Applegarth and Victoria Diaz.

(APPLAUSE)

CRONIN: Well, thank you very much.

We're in a big, cavernous hall now, and we seem far away. We really want this to be more of an informal discussion on the main theme of today's panel, the lessons learned of expanding public participation in Latin America.

And that's not meant to suggest that public participation and country ownership are exactly the same thing. They're not. You can clearly have ownership with limited participation and vice versa, but it was shorthand for saying that in the past year, while this compact has been in progress, there has been an extensive consultative process in Honduras, in Nicaragua, in Bolivia, as well as countries outside of Latin America, so we're very fortunate to have some people have a very close view of this, on the ground, whether with inside the Millennium Challenge Corporation or with inside civil society or the World Bank, or within the political process.

I notice our former State Department official joins us last.

Jim Vermillion is an old colleague from the U.S. Agency for International Development, a great expert on the region, on governance. He was down hoping to run the USAID mission in Nicaragua before he got snatched up and joined the Millennium Challenge Corporation as the managing director for Latin America.

So I want to turn it to you, Jim, maybe to start us off.

VERMILLION: Thank you, Patrick. It's a pleasure to be with you here today. This is an honor for me, what with a great audience like this, and several ambassadors from countries who are interested, I know, in the MCC, countries that are already engaged in putting together their proposals.

So for me it's a pleasure to be able to talk a little bit about what we've done on the consultative process, and things that we're seeing.

First, let me say that before I went to Nicaragua to be the AID director, I ran the democracy programs in AID. Charlie Flickner, sure he loved that AID did that, I know.

But that role taught me a lot, and it made me care very much about the relationship, the fundamental relationship between the citizens and government. And, for me, one of the things that most interested me in coming to the MCC, was to be part of a program, a development program, that really was going to ensure that governments not only talked to their citizens, but also listened to them, because this is one of the fundamental ways that I think the MCC is helping democracy programs, democracy as a concept in the world.

The countries that we see moving most rapidly in the MCC process, like Madagascar and like Honduras, are the countries that were out there talking to their people and knowing what they wanted, and making sure that the programs were priorities in the countries.

Now, I don't want to talk at length, but Paul Applegarth mentioned the guidelines we've put on our Web site for the consultative process. These guidelines themselves reflect a lot of the lessons that we've seen in the consultative process, and the three principles, as Paul pointed out, that we have for evaluating the consultative process, are that it is timely, that it's participatory and that it's meaningful.

Meaningful is like in the case of Honduras where the government listened to people and they realized, "Hey, if we're going to have a process that's going to have citizen involvement, it can't just be in the design stages. It has to also be through the implementation." And that's why the government changed its mind based on this process and put voting members of civil society on the oversight board of MCA Honduras.

For me, this was very significant in the process of what happened down there.

Some other lessons that we've seen, and Vicki mentioned this already, one is that the idea of consultation isn't consensus. Everybody doesn't get their way. They get to be heard, and often there are really good ideas when they're heard, but not everyone gets their way. And being consulted doesn't mean that if you're an organization, you're going to get funding, and that's been difficult.

We're very different than other development agencies in many ways, because we don't go into a country, MCC, and say this is what your country needs and this is what we're going to fund. We go to the country and ask the country, what is it that are your priorities that are going to help reduce poverty through economic growth.

Then we ask a lot of questions, Vicki, a lot of questions.

And our goal isn't to do design, it's to help you answer those questions, going through the process. What are the things that are going to have returns on the investment? What are the things that are going to have impact on reducing poverty? What results are we going to be able to see at the end of this assistance?

And we keep asking those questions, and how is this thing going to be managed, and how's the money going to be handled? And we want to see that this has been thought through well.

We also don't go out and do kind of checks on you when we're in those meetings that you're not at. We're out there trying also to hear what others are having to say.

And, in Honduras, I sat in many, many meetings with local NGOs, with international NGOs, with other donors, but these weren't our meetings. They were meetings that the government of Honduras was having to talk to these groups, to talk about the proposal, to listen to what people had to say.

I don't want to dwell on Honduras, because Vicki's said a lot about it, but I've also been working on the programs in Nicaragua and in Bolivia.

And Nicaragua has had a process that's a little bit different than the one we've seen in Honduras. They also built on their Poverty Reduction Strategy, but the government said, "Wait a minute, this plan is really a welfare plan. It's not going to create growth. We need to expand beyond this Poverty Reduction Program that we have with the World Bank." And they developed another program, the national development plan, that's a growth-oriented program. That was consulted very widely, in all areas of the country.

They took pieces of that and they've proposed those to the MCC, and then after they came up with that idea, which is an idea to create an economic development zone in the northwest of the country, they took that idea out and did specific MCA consultations, all over the country, not just in that part of the country, to hear people's thoughts.

Of course, every single region of the country wanted the money for their region, but part of the consultation was explaining what other monies are coming into those regions and how the MCA money was going to be one part of a national picture, and why they were going to work in the northwest of the country.

Then they did consultations in the northwest of the country with groups on what should this program look like up there. What really are the priorities in the region, a region that used to be really rich and now is one of the poorest parts of Nicaragua, which is the third-poorest country in the hemisphere after Haiti and Cuba? As one of the poorest parts of Nicaragua, it's one of the poorest parts of the hemisphere.

And they've got the local development councils there actively engaged in looking at what the program is going to be, how it should be implemented.

And then also, in Nicaragua, they've actually decided they want to have a governing council that's predominantly non-central government. It's going to have three members from the central government and four members that come from the region itself to oversee what happens in the country. Now, that's really a break from what is normally done in donor assistance.

Bolivia poses a lot of challenges itself in terms of the consultative process. Some people have said maybe there's too much consultation in Bolivia. Someone in the government said that one time, because every time an issue comes up, people are in the streets pushing for their agenda on it.

Well, some interesting things have happened recently in Bolivia. There is a new hydrocarbons law. It poses challenges to the country, but the country, the president and the members of the National Assembly are working in a very Bolivian way to try to develop a new social contract for the country.

And we're working with Bolivia very closely and hoping that they're going to be able to take some significant U.S. resources and use these resources from the Millennium Challenge Account to help put together that social contract in a way that can capitalize on these resources from the hydrocarbons law to address some of the severe social issues that exist in poverty in Bolivia, and at the same time try to keep a foundation for investment and for economic growth.

We think there's a real potential there, and Bolivia's working on this. It's not easy. But we're trying to be there with them and giving them support as they're moving in this direction.

I better stop at this point, because I know we're running out of time, Patrick, but I look forward to the questions and answers.

But I think this consultative process is exciting, and I think it is probably the best thing the United States has done in its development assistance to promote democracy around the world.

CRONIN: Your enthusiasm is infectious here, Jim. Thank you.

Linda Van Gelder has very kindly joined us from the World Bank Group, where she's the lead economist for the Poverty Reduction Group, a Ph.D. economist, somebody who's worked at the Bank for a decade or so, has taught in small countries like Indonesia and China, so now we're talking about Honduras, Nicaragua. It would be very interesting to hear your thoughts about the best practices of consultation, participation and ownership.

VAN GELDER: I'm very pleased to be here to speak to the audience here. I'm sorry I missed the beginning.

We had a little excitement at the World Bank today. We had some exploding manhole covers. Everybody's fine, nobody was hurt, but we were locked out of the building for a while and nobody was quite sure what was going on. We're not used to that excitement usually in Washington.

(LAUGHTER)

I wanted to kind of do two things in my opening remarks. One is step back to the late 1990s, when the Bank and the IMF actually introduced this Poverty Reduction Strategy approach and kind of talk about why we did that, and then reflect very briefly on some of the lessons or the findings that we're beginning to think about, particularly in the area of country ownership and participation, having looked at this in 50-some countries over a period of five or six years.

I think if we kind of step back to the late 1990s and we think about what some of the emerging trends were in development thinking at that time, academic research on aid effectiveness was really showing that the process of economic change, if it was not actually owned by the societies that were trying to implement it just didn't work, that there was a real need for success in the long run to have some form of country ownership through an economic reform program.

I think a second important trend was that the aid community was paying a lot more attention to the benefits of involving stakeholders in the development process.

The World Development Report on Attacking Poverty talked about empowerment, and there was a growing body of evidence in our evaluations that showed when stakeholders actually participated, the results tended to be quite a bit better.

I think these are kind of two very important trends that the Bank and the Fund reflected on quite seriously, and it was really in some sense the genesis for introducing a new approach to our relationship with low-income countries.

This new approach was really based on the Poverty Reduction Strategy paper. I think we really got it wrong when we called it a paper. It's a process, so I wish we could kind of undo it and call it the Poverty Reduction Strategy process, and I think some of the remarks at the end of the session that I just heard actually kind of reflect that, that this is something that we need to sustain going over time.

But in any event, this approach needs a successful preparation of nationally owned poverty reduction strategies as a precondition to access to concessional resources and also to debt relief. There are a number of kind of core principles that underline it -- country ownership, participatory processes, and a comprehensive and medium-term perspective on poverty reduction.

And here, I think, picking up on your example of Nicaragua, this wasn't meant to be limited to kind of looking only at social sectors, it also needed to involve also a growth agenda, although perhaps that hasn't been drawn out sufficiently in some of the early Poverty Reduction Strategy papers.

The real intention of this approach was to restore a balance between national priorities, and donor objectives, and at the same time to increase the accountability of governments to their own societies.

I think if we now reflect on what's happened over the past five or six years, particularly looking at the kind of aspect of participation, the Bank and the Fund left very vague the notion of what did we actually mean by participation. We don't get involved in politics in countries, participation needs to be defined by countries themselves, but I think this ambiguity led to a lot of different expectations, different definitions, and I think that's something that we need to kind of seriously reflect on.

There's a range of criticisms that you hear from different stakeholders as to the participatory processes in PRSPs kind of globally. A wide range of stakeholders have been involved, but there's a question of how deep and rich that engagement has been.

A second criticism has been that participation has been limited largely to consulting on existing programs, rather than necessarily opening the box to think about new programs; Some concerns about whether or not some of the underlying policies, particularly on the macroeconomic side, are actually open to a participatory process; and also, I think, quite a bit of concern as to how do you actually sustain a participatory process over time, so that it's not just a kind of one-off event at the time you're forming a strategy, but something that's actually sustained over time.

I think, kind of reflecting on this, and looking at a lot of the implementation experience, I see two key things that I think we need to think about in a far deeper way.

One, although we're now talking about country ownership, in my mind, I'm beginning to question whether or not the word country ownership is a very useful word. The reason being is that country ownership can mean many, many different things, and I think when we talk about this, it's useful to unpack the notion of country ownership so that we're all clear whether or not we're talking about the same thing.

Country ownership can range from making sure that the executive is deeply involved, so it's not just the Ministry of Finance and the Ministry of Planning, but you're also involving line ministries. Is the parliament involved? Are local governments involved? Are civil society organizations engaged? I bring this out just to mention that there's a lot of different concepts that are really embedded within the notion of country ownership, and I think for us all to speak the same language, it's kind of useful to try to unpack that agenda.

I also think, when we look at participation or consultation, we also need to be careful about how we define things there as well.

We've seen a wide range of experience in PRS processes in countries, from where participation has, quite frankly, not been particularly useful, to cases where participation has had a tremendous impact on the design of policies and implementation.

In my view, we see that participation works best when it's really part of a process that builds mechanisms for domestic accountability. It's not participation because some external partner said, "You need to have a participatory process in order to kind of check the box that that's been done and you can move on." Participation and consultation has a real impact if it's part of building those mechanisms of domestic accountability.

I think for that to be effective, one also needs to think about the whole broad range of different interventions and entry points to build those domestic accountability mechanisms, from strengthening monitoring systems, ensuring that you have effective communication strategies, linking the development plans very clearly to budgets and to domestic processes.

I think it really behooves many of the development partners to really make sure that we keep our eye on that big picture, and not kind of push a process that doesn't actually have a real root within the domestic constituency.

From what I know about the Millennium Challenge Account, I'm really quite excited, because I think some of the real key features of the MCA really reinforce a lot of these messages of kind of lessons that we've learned from the PRS process.

Participatory processes can help build domestic accountability mechanisms, but that you need to fit that participation within a broader whole. You need to complement it also by ratcheting up the amount of development assistance that's actually available to countries that have good plans and accountability mechanisms in place.

During the questions and answers, I'd be more than happy to talk in greater detail about some of the participatory experiences in different countries, but I think for now...

CRONIN: A very disciplined intervention. Thank you very much.

I'm very pleased our next speaker is Lara Puglielli, who is the Country Representative for the Catholic Relief Services in Nicaragua, and we're very grateful that she's joined us all the way from Nicaragua, and is obviously representing civil society, but really not. She's really going to talk from an on-the-ground perspective, though, on participation and consultation.

PUGLIELLI: Yes, thank you, and good afternoon. It really is a pleasure to be here. Thank you for the invitation.

I will be speaking, representing Catholic Relief Services from the field perspective, a development perspective. As many of you may know, CRS is the overseas relief and development agency of the U.S. Catholic Church. We've been supporting development and emergency relief programs in Nicaragua since 1964. We continue to be one of the most active international organizations working in the country, in partnership always with the local Catholic Church and local nongovernmental organizations.

We currently serve more than 150,000 people, Nicaraguans, both in Nicaragua and Costa Rica, through programs in mother-child health, HIV prevention, agriculture, rural finance and markets, watershed management, and civil society/human rights, is kind of an integral approach to development.

When we talk about public participation, I think we tend to be more biased towards the community level. We mean participation of communities and families in determining their own development agendas and participating in those, advocating for their own needs.

Our work in support of public participation cuts across all program sectors, ranging from financing municipal-level consultation and monitoring of municipal development plans and budgets, supporting participatory development of micro-watershed management plans that include the participation of producer families, local government, the Ministry for National Resources, and local development professionals, which we find within the government, within nongovernment organizations and also within the Church.

We've trained and supported local church networks of lawyers and community volunteers who monitor human rights and ensure due process in the judicial system at the local level.

And more directly related to the focus of this panel today, we've also supported local civil society participation in the development and some follow-on monitoring of the Poverty Reduction Strategy in Nicaragua in selected municipalities and very recently completed a pilot social auditing project, evaluating the quality of education services at the municipal level, which I'll return to a little bit later and talk about some of our lessons learned.

Some general impressions on how the MCC process is going in Nicaragua, first, I think that the MCA team really should be commended for its due diligence process, for really taking the time to work with a local team and going through, having lots of conversations, lots of visits, et cetera. I echo some of the former comments on this point. We've really seen that it has

resulted in some proposal modifications to the Nicaragua proposal that appear to increase chances for success, and at the same time, to benefit the poor in Nicaragua.

We know that the majority of Nicaragua's poor are rural and connected to agricultural livelihoods, and that access to land, credit, technical assistance, and markets are key factors that the rural poor need in order for rural livelihoods to be a real option for them.

However, it has not been made clear to me in conversations with local MCA team members whether the MCA has done disaggregated analysis of how their proposed interventions will impact the non-poor poor versus the very poor populations. For example, a real thorough analysis of who will benefit from the reduced cost from the road improvements, which represent more than 50 percent of the program's proposal budget.

I believe that development organizations will also be interested to know how will the MCA compensate for or address the special barriers that the poor will face in accessing program benefits, barriers that include low literacy rates, lack of capital and basic farm-level infrastructure, a low capacity for volume, even their low self esteem to walk into that business development center that's being planned, whether it be via additional intensive technical assistance targeting the very poor, or ensuring coordination with other assistance programs that can really help to bridge that gap between where the poorest producers find themselves, and where the MCC programs are prepared to provide assistance.

In addition, given the disproportionate burden that women carry in poverty, and also the additional benefits that women's participation in development programs that we all know, in terms of benefits accrued to the whole family's well-being, I encourage the MCA team to continue to consider taking a particular interest in women's participation, which could include ensuring that women also receive land titles that serve as critical collateral when seeking credit, and ensuring support for those activities in the value chain in which women tend to participate, such as trade, the trade component, commerce, product transformation, the packaging stages, et cetera.

Finally, on this point, although it's clear that the MCA's focus is on promoting economic growth and poverty reduction through economic growth, if indeed the ultimate goal is sustained impact in poverty reduction, I think we need to recognize that this goal will most likely be achieved if accompanied by investments in health and education, not that the MCC program has to fund health and education. But we need to ensure that the rural poor are participating in integral programs, they're receiving those investments in health and education alongside technical assistance for increased productivity, and access to markets, and infrastructure and that kind of thing.

The government of Nicaragua's own data tells us that just to sustain current levels of growth, the government will have to create 100,000 new jobs every year.

So when I read about intensive road improvements, and it's true that lower-technology road improvements are very labor intensive, they're likely to create a lot of jobs early on in the process, that's great. But in order to really sustain the impact and longer-term economic growth, we need to make sure that we're also investing in the human infrastructure that the country is going to need further down the road so that they're able to move into what's their

future, what's their future development option. And it's got to be more than jobs created through road construction.

Another important modification that the Nicaragua MCA team has committed to is the inclusion of social accountability mechanisms as a part of the program's monitoring and evaluation component, which I think is very significant. The inclusion of civil society on the board is definitely innovative, new, and important, but I think that the inclusion of civil society actors in other aspects in terms of monitoring and giving feedback to the board on what results are actually being achieved, and what are the quality of those results is equally, if not more, important.

From my perspective, a broad civil society participation in the initial stages of designing the MCA compact in Nicaragua was perhaps more limited than some of the reports that have come out.

However, the MCA team has expressed an interest in continuing to incorporate and institutionalize participation, and I think that's to be encouraged. In fact, as we speak in Nicaragua right now, I'm missing this meeting for this event -- a working meeting is taking place between NGOs, local government associations, MCA staff to brainstorm about how social auditing experience undertaken today might be adapted to serve the MCA program's needs.

This meeting is taking place following a formal presentation on the results of a project that piloted the World Bank scorecard methodology to measure satisfaction of citizens in one municipality called Malpaisillo, which is in the target MCA zone with education services.

The project trained community leaders in 10 rural communities, and two peri-urban neighborhoods on the rights and responsibilities of citizen participation. What does that mean? Why should they participate? Why should the government include them in the process? And on the scorecard methodology.

Those same leaders then selected indicators to be included on the monitoring instrument, which ranged from the quality and preparation of teachers, the quality of school infrastructure and education materials, quality of parental participation, so putting back some of the responsibilities on themselves, among other indicators.

All of these stakeholders then participated in scoring the quality of education. They met to then analyze the results, qualitatively, and to prioritize action items, how to respond to those aspects that scored lowest on the indicators.

Finally, the users and providers of education services met together and arrived at a consensus on a common action agenda that includes actions at the local, municipal, and national level, with all stakeholders, including parents, assuming responsibilities to carry out the plan.

I think that this kind of idea gets at the building democracy element that Jim alluded to.

The next step in the process will be presenting these results to the national education ministry officials to gain their buy-in, and propose agenda points that really require them to respond to. In some cases, they are policy responses. In some cases, they are purchasing or allocation responses. But

that's going to be a key challenge for us looking forward, and I will get to why that is later on as well.

I wanted to focus a little bit on social accountability in general and why I think it's important, and then get to some key recommendations for the MCA.

There's been a lot of interest and experience throughout Latin America recently, and various methodologies on who to do social accountability or social auditing, which can be a scary word, auditing, but it's really about participation of civil society, and a facilitated conversation between citizens and their government, ensuring transparency and responsiveness.

The HIPC initiative I think did stimulate a lot of these processes, and others have talked about that.

It's interesting to note that Nicaragua, Honduras and Bolivia are all members of the HIPC initiative, and coincidentally also MCA-eligible countries. So they all have to some degree some history and experience in consultation and participatory processes that could be taken advantage of, built upon.

It's interesting to note that although there has been some criticism of the participatory process that took place within the PRSP process, at least in Nicaragua -- I'm not sure about Honduras and Bolivia -- at least you noticed engagement around the PRSPs. You noticed civil society networks organizing and giving feedback into those processes, which we haven't really seen around the MCA.

We've seen not a lot of even knowledge that this process is taking place at the local levels, or among local NGOs, some broadly among some actors. So although saying that it builds on the PRSP indirectly indicates participation, I think it's worth noting that there hasn't been a great public relations job done.

I think there's also trends in the region towards decentralization of central government budgets at the local level, which is also another reason why incorporating social accountability into the MCA programs could actually strengthen governments' capacities more broadly. It could have this other indirect benefit in terms of helping governments prepare, and citizens prepare, for the future of public resources being managed, greater levels of public resources being managed at local levels.

Recently, in Nicaragua, there's been two SWAPs, sector-wide assistance programs, approved in health and education that actually require the government to incorporate social accountability into their programs.

The ministries of education and health really don't know how to go about this, so it could also help in that way to multiply the types of feedback and governability mechanisms that are being put in place in the country.

But I think the most important point about why social accountability really has to do with the corruption and income inequality indices in the region throughout Latin America is because Latin America has one of the highest levels of income inequality in the world.

According to UNDP statistics, 10 out of the 20 most unequal countries in the world are in Latin America, and Honduras and Nicaragua, unfortunately, are among these 10.

Income inequality is structurally linked to cultural, institutional and legal environments that permit corrupt practices to flourish. Profiles of Latin American countries by Transparency International, in particular, Nicaragua, Honduras, Bolivia and Guatemala, in addition to countries like Haiti and Paraguay, are quite daunting.

Corruption is a stubborn obstacle to poverty reduction to the extent that it robs public coffers of resources that otherwise would be allocated for development. This, to me, offers the most compelling argument for seeking the broadest public participation possible.

To ensure transparency and effective use of U.S. taxpayer resources is a part of it, but more importantly, because without public participation, without participation of the poor in processes of prioritization, implementation and monitoring, any increased income from growth and investments will likely benefit the few, the already privileged, the already politically connected in the country, and the impact in terms of poverty reduction over the long term will be minimal.

I'm going to skip down to some of our recommendations. I think I've gone on a bit long.

To improve public participation within the MCA program -- this first one has already been alluded to, and that is to build in sufficient time upfront for the due diligence process, for the participation process, and commit financial resources for this consultation and public participation within the implementation and monitoring phases, to allow for broad-based public participation in setting priorities, and providing feedback on results.

Second, take advantage of the existing in-country structures and expertise in the facilitation of these consultation processes. Although social accountability mechanisms are a relatively new concept, there are many different methodologies that have already been proven successful, including municipal-level oversight committees that have been used in Bolivia, participatory budgeting that's been applied in Brazil, citizen report cards in India. There's other examples from Africa, et cetera, and these can be learned from and adapted to suit specific needs.

The existing structures could include local development councils, NGOs, church networks, but in any case should have clear communication channels to government decision makers, at all levels, central and local, municipal, as well as credible representation of civil society actors.

The third recommendation is to include to a greater extent poverty impact analyses, along with economic rate of return analyses on proposed interventions, which would indicate some thoughtful attention to how the poor, in particular, will benefit from the interventions.

Fourth, ensure the participation of women in all program aspects, from the consultation phase about needs to their inclusion as board members at the decision making level to beneficiary level, in terms of how will women specifically benefit; ensure that women's voices are heard throughout the process, from the setting of priorities to the monitoring of results.

And, finally, take into consideration the broader governance context when designing interventions, management and government structures. Even if we can

successfully design and implement social accountability structures within the MCA program, the question remains: Will they be enough to counterbalance entrenched practices of polarized governance, corruption, and their potential negative impact on proposed interventions such as land titling and road construction?

Thank you.

CRONIN: Well, thank you. It's very hard to condense everything from the field into a few minutes, and I appreciate your -- no, that's all right. We needed to hear your intervention.

Last but not least, my good colleague Peter DeShazo, who was the Deputy Assistant Secretary of State for Western Hemisphere Affairs before he came and joined us here at CSIS less than a year ago as the director of our Americas program.

I also had the great privilege of traveling down to Bolivia and Nicaragua with Peter and Broncha Jucheke and Mary Liz Mann and we had a fabulous time thanks to Peter's deep knowledge of the region. He's lived in no fewer than five capitals in the region, and probably more than that.

Peter?

DESHAZO: Thanks very much, Patrick. It's a real pleasure to be here.

In my presentation, I'd like to return to the theme that Jim Vermillion introduced at the beginning, which is the political dimension of development, and the positive effect of MCA in promoting democracy in Latin America.

Having been involved in hemispheric affairs for more than 30 years, I'd like to think that I have a ready explanation of why some nations develop at a faster and a more sustainable rate than others do. I don't.

But I do have a strongly felt notion that democracy, good governance, security and sound economic policies are variables that are tightly linked, and together unleash the potential for sustained development.

None of these factors alone can do it, none are sufficient. We've seen how a wave of economic reform undertaken in much of Latin America during the 1990s by elected governments failed to produce sustained growth in many countries of the region.

A new generation of populists in Latin America now proclaims that liberal capitalism and representative democracy is a flawed model that exacerbates poverty rather than curing it. Their offer in return is more authoritarian politics, and a larger state role in the economy.

I would argue the opposite, that what's needed is more democracy, but democracy that works. I'm led to believe that the soundest economic policies in the world will fail if they are not accompanied by good governance, by political institutions that allow the state to function efficiently, guarantee the rule of law, protect public security and unleash the potential of each citizen.

Public opinion polls in Latin America show that people respect democracy as a form of government, but are dissatisfied with the way in which it functions, and in many cases they should be.

Poverty continues to afflict large segments of the populations of most Latin American countries, and the disparities between rich and poor, as my colleague just mentioned, are growing. If the people in the region do not see any tangible benefits to what they consider democracy in action, they will support other political formulas that bear scant resemblance to democratic practice.

In countries where government is more efficient and where the institutions of democracy have been strengthened, economic reforms can begin to reach their full potential. Chile is one example that comes to mind, but there are others. Regardless of the size of countries, in terms of national territory, population, or GDP, good governance will be a key factor in unleashing and sustaining development.

Development assistance that encourages and rewards improved governance is automatically more effective in promoting sustainable development and poverty reduction.

In this regard, the criteria for qualification in the Millennium Challenge Account recognized the importance of promoting effective governance, an injection of development capital that encourages local initiative, stimulates reform, rewards transparency, and improves the lives of people in a measurable fashion helps set the standard for other investments, both public and domestic.

Some months back, as my colleague Patrick mentioned, I had the opportunity to participate in a CSIS review of the Millennium Challenge Account proposals by Nicaragua and Bolivia, which was conducted at the behest of the U.N. development program. Several common points in these proposals stood out for their potential to encourage democratic governance and local decision-making and accountability in the democratic process.

The Nicaragua proposal underscored the important role of the councils for departmental development in Leon and Chinandega departments, where local buy-ins to the goals and objectives of the proposal are an essential ingredient, and where considerable consultation took place as the proposal was being formulated.

Some of the most dynamic and effective governance in Latin America is taking place at the local level, and this proposal will provide the people of these two departments and their municipal authorities with an excellent opportunity to participate directly in the development process.

The project contemplates a strengthening of property rights in the two departments, which will facilitate a national overhauling of the registration of properties to the key factor in improving the rule of law, as well as promoting economic development.

Likewise, there are some attractive features in Bolivia's proposals that will assist in promoting good governance at the local level while improving the lives of large numbers of people.

A proposal to expand the energy infrastructure by encouraging far more extensive use of natural gas not only has the potential to generate considerable employment and the creation of small and medium enterprises, but will also imply a major effort at technical training and considerable buy-in from municipalities in terms of financial contribution and participation in oversight of the projects.

Bolivia's proposal of a project to leverage information technology to encourage economic growth and transparency at the municipal level will directly encourage improved governance above all in managing the finances and procurement of municipal governments. It implies a large investment in education and important improvements in the delivery of health care in Bolivia.

As in the case of Nicaragua, close consultation with local authorities and civil society is a key factor, not only in planning, but also in executing and evaluating these projects.

Another central element in the Bolivian and Nicaraguan proposals, as well as in the Honduran compact, is that in each case the MCA proposals incorporate national development goals as defined by national leaders with regional and local participation and buy in. Ultimately, each of the projects being carried out will have an important impact in promoting development, strengthening institutions, encouraging best practices, and empowering citizens at a national level.

The procedure involved in formulating each proposal in and of itself has been highly useful in focusing and refocusing the attention of national and regional planners on coordinated goals and objectives.

In summary, I'd like to return to my original point, that strength in democratic governance is required throughout Latin America if countries in the region are to realize their economic and social potential. Improved governance, combined with sound economic policies and investment in human resources and enhanced regional and domestic security can create a virtuous cycle that allows for sustainable development.

These variables are all interconnected and need to work together to produce the right synergy.

There is a lot at stake. Democracy is not home free in all of the countries of the region.

In Bolivia and Nicaragua, for example, there are political forces vying for power that do not share a commitment to democracy. Building democracy in Honduras, Bolivia and Nicaragua is a process that first and foremost is the responsibility of the governments and citizens of each country, but the international community, including the international financial institutions, can play an important role.

The Millennium Challenge Corporation, with its new approach to development assistance, is poised to make a large contribution to this effort.

Thank you very much.

(APPLAUSE)

CRONIN: Thank you.

Well, in our remaining time, we want to turn to the audience for some questions, and I'm looking at John Hewko down here. Whether any of this struck you, John, today, as the key official really within the Millennium Challenge Corporation who said "no guarantees" to Vicki Diaz, but also did the due diligence, whether there's something that stands out.

I don't want to put you on the spot, John, but I think you've listened to a lot of talk, and I wonder what stands out here in terms of the lessons learned for the MCC? Where do you go forward based on this experience of the past year?

HEWKO: I think there's a number of lessons we've learned, but I think the largest one is what Paul had mentioned in his comments, is country ownership. I think the fact that we put the ball in the country's court, and told the country that it's now time for the country to run the consultative process, to come up with its priorities for poverty reduction through growth, I think is the single most interesting innovation that MCC so far has brought to the table.

So I think the largest lesson learned is that country ownership really was very well received, and I think it was very successfully utilized by certainly the countries that we brought compacts forward with to date.

I think the second general lesson would be that this process takes time, that to do it right --and Vicki mentioned this several times in her presentation -- to get it right it takes time.

And the lesson I personally learned is that we really do not want to rush money out the door. We do not want to do things before they're ready, and I think if you look at Madagascar and Honduras, they do reflect a thoughtful process where we did not try to rush things through the door, and I think that's certainly a model that we'd like to replicate going forward.

CRONIN: Very good. Some questions here.

QUESTION: Good Senate habit, it's filibuster.

(LAUGHTER)

OK, I was really impressed by how well-represented the people were on the panel, particularly how each of you, in some cases, you represent what you've been recently.

Peter, it was a great State Department view of this, and it's really valuable, just like Jim acted like he was still with the Democracy Office, and I found both Linda and Lara to have provocative things to say.

But the reality is, and let's for a moment focus on Honduras and Nicaragua, because that's where Capitol Hill and Washington are going to focus, because they're easy to get to, people know them, and compared to Cape Verde and with Madagascar, they're going to get a lot more attention.

Both countries are nominal democracies. Both countries will have new governments in the next year. What is the sustainability of local ownership, and the issues particularly Peter just raised, and the issues Linda and Lara both raised, on social accountability, when it's quite possible Nicaragua will soon, if not already, be under the control of people who understand what local ownership means -- it means they own it, a handful of people.

In the case of Honduras, the elite there has been as greedy as any I've ever seen over the years, depending on who's in power and who isn't, and Vicki, you have lived through this, so you know what it's like. Your president, and as head of the Central Bank, barely was able to keep control of the resources under the president at the time.

So with the history of these countries and corruption -- and it was only Lara who mentioned it the first time -- and with the change in government taking place, isn't the success of the MCC process something that threatens the people who are competing for power?

So let's assume that in the U.S. the momentum is sustained beyond this administration. What's the future of this type of process that really breaks their long-time paradigm in these two countries with the elections coming up?

VERMILLION: If I can take a first cut. Honestly, I think the way the MCC is functioning isn't something that's just MCC. It's a reflection of what the donors are saying and what countries are saying around the world in terms of where they want assistance to be.

This started in Africa about a decade ago, but it's picked up. I think the Monterey Consensus argued this. Yes, there are problems, I think, politically in the countries that we're dealing in, but I think we're trying to do things that take and put power in the people's hands, and things like Caudillo Politics can't survive without repression if people really do have power for programs.

Vicki comes out of the opposition party in Honduras. It's rather interesting that this government picked a person from the opposition party to head up the MCA program.

I would say the support for this program from what I've seen is so broad that it doesn't matter who is elected president in Honduras. This program will continue.

Vicki should speak to that, not me, but I think what we're talking about there is not an MCC program or an MCA concept, it's a momentum in the world in donor assistance.

DESHAZO: In the case of Nicaragua, I was impressed with the fact that there seemed to be broad consensus at the departmental levels on the MCA plans, and it really did cut across the parties. There was a sense that this is of enormous regional pride, a sense that this would be a motor for development that it would be useful throughout the country. And people came together over this, which I think is an extraordinarily encouraging sign. If, indeed, MCA is a motor for doing that, then all the better.

QUESTION: (OFF-MIKE)

CRONIN: The follow-through on participation?

VAN GELDER: That's a very important point, and I think at least in the PRSP process, a real shortcoming has actually been looking at participation not just at the time that you actually define a program, but also thinking through what is the appropriate role of different groups at different stages.

So if you're talking about a local community group, their participation in setting the macroeconomic framework may not be particularly useful and helpful, and the kind of capacity to actually do that may not really be there. Yet their involvement in actually defining the very local-level needs, and then helping actually in monitoring that implementation, becomes very critical.

So I think now as we kind of go down the road, there's much more attention and efforts on our part to try to kind of help build tools and encourage that kind of participation, following through at different stages.

One of the feedback that we get frequently from country officials who have done PRSPs -- we're currently doing kind of a 5 year stock-taking exercise. They're saying, look, you know, too often this is really treated as a technocratic exercise, and it may be the best technocratic exercise that you could possibly have, but it needs to be nested within the political economy realities of countries. Sometimes it's very hard for the Bank and the Fund to actually kind of deal with that. We don't do politics, right?

But I think, though, kind of closing one's eyes to that also isn't particularly useful, and here I think there's real opportunities for other stakeholders, some of the bilaterals, for this, to actually kind of pick up that agenda.

I think some of the real kind of key factors that underpin this, though, be they technocratic or not, actually provide the tools for these kinds of things to be sustained.

I think the kind of opening of information, better communications, developing monitoring systems, are all things that make it much more difficult for changes in government to necessarily kind of sway toward an extreme position.

PUGLIELLI: I think one of the keys will be, at this point, is really to try to open up as much as possible, as Linda mentioned, the information about what is happening, how can people get involved, educate a more broad base of average citizens in the target where this program's going to be implemented, in Nicaragua, for example, and have a conversation about what kinds of indicators would tell us if this program is actually successful or not. What kind of improvements do we want to see in the lives of the poor, and how can we be engaged in feeding back into our government leaders, into the board of the local MCA institution, to help them make informed decisions based on real data? Are we seeing improvements in the lives of the poor because of this program or aren't we?

I think those types of how do we set up those structures, training people on how to do that, getting people involved, is going to be a big challenge and it's going to take some time.

Another comment about consultation as a one off, we checked the box, we did it, I think we are seeing that we have a long way to go in terms of institutionalizing processes of participation as opposed to a one-off exercise of participation.

It's a huge challenge, but ultimately, I think it's the most significant impact that we could have, if we could contribute to the actual institutionalization of participation, which at the end of the day is what democracy is all about.

CRONIN: Paul Applegarth?

APPLEGARTH: Thank you all. I wanted to stay; I'm glad I stayed. It was very interesting and helpful, and you all -- except for Jim, who I hear a lot of

-- provided a lot of new insights and thoughts about what's going on, but thank you for that.

And, certainly to Lara's latest comment, obviously, baseline data gathering, measuring improvement, looking at results and outcomes, disaggregating by women, gender, kids is built into what MCC's about. I'm reasonably comfortable that that is at least on track.

Also, in this case, it leads to -- I believe you're right in terms of making sure that the consultative process is not one-off, and certainly we want to institutionalize it. Clearly in the case of Honduras it is being institutionalized at the overall supervisory level. Vicki talked about that.

I think hopefully the same will be happening in Nicaragua. I think still the question is the detailed implementation level in the field, how do you do that, but nonetheless the spirit was there and the intention was there.

I'm particularly intrigued at two things Lara mentioned, and one is the idea of scorecards and social accountability index, and building that into what we're trying to do.

There's a lot of good, interesting ideas out there. What we have found is important for our partner countries, because we have to see the explicit links between those good ideas, and poverty reduction and growth.

The Women's Edge was very helpful to us last year, as many of you know, in changing one indicator, which was primary school completion rates, to girls' primary school completion rates. The point was, I think we all believed in it and believed it was important, but with Women's Edge help and Interaction's help, we got the information and data.

We could demonstrate the empirical link between that good idea, and poverty reduction and growth, because our partner countries and the leadership of those countries, they're first and foremost -- if they buy into the idea of poverty reduction and growth, they don't necessarily buy into some of the other ideas and agendas. It's very helpful to us if there's particular data around the empirical link between the use of the scorecards and poverty reduction and growth, very helpful to us in terms of the message.

I think we'd want to incorporate more of it anyway, but I think in terms of country buy-in, country ownership, that greater linkage is important.

Similarly, I think the second thing you actually said, Lara, is looking at the obstacles and the barriers to the poor and very poor in the compact, clearly things we would want to do. I think there's questions of what's realistic in terms of expectations here, and how to measure success. You hinted at it in your last response, but how to do it.

It is clear, I think, of the intention here and so on, and certainly as a concept, it's an elevating idea we all want to talk about. But when the rubber meets the road, when everything we are doing ultimately is going to involve benefits in the countries, and no matter how well you design it, the people that are most able are going to try to take benefits out of it, you can't design around the fact that they're all there, doing it. No program is going to defeat the most entrepreneurial or creative or best informed completely.

So what is a good measure of success? What's a reasonable level of expectation? How best to build into these things so that we can have the kind of goals and measures, given the data that we are collecting, how to best do that?

I think that would be a very interesting dialog to hear more about, I look for your thoughts and your other colleagues.

CRONIN: Good. I need to let Victoria Diaz intervene here.

DIAZ: Thank you. Since my country was mentioned, I would like to say that these are changing times in government because of civil society and participation have less ways of getting away with things.

Like I mentioned before, whenever a plan was made, the next government came, and just completely made a different one. I don't know what they intended to do, but what they did was review what was done, and improved it, because the component for growth was not there.

They introduced the component of growth and they have to go again through the whole consultation. So you may find, and I think it was Linda who made the point of when do you stop making consultations, what actions do you have to make? And I think it's important to think about that.

There is a point when you have to start acting. If there have been so many consultations for one year for the PRS and one year for the PRSP, and in June, it was declared that this was a good development plan, and then in June MCC arrives, you have to stop and start working. And then you start talking to the leaders, and I think it's a very important institution and mechanism, that makes a big change.

We put the Consejo Consultivo of the Poverty Reduction Strategy, which is already established -- there was not a choice for the government, to ask do I put this frame or not? There is a council already started, this is an anti-corruption council, already established.

So that helps to give the strength, and you mentioned the strength once before. You are right. There were some reforms in the law, and therefore they put a professional board, not representative of business interests in the board of central bank, and they also forbade the Bank to give loans to the government.

So it helps the one that is holding office to do a better job, so I think these two remarks I was very impressed when you mentioned them. Thank you.

QUESTION: Thank you. I'm curious to know about the importance that the MCC is placing on an economic rate of return in their compacts, and if projects or programs that can't show an economic rate of return are being left out, and the limiting factor that that is, and that's not just on social investments, but also on policy reforms that MCC could spend money on that may be barriers to poverty reduction.

VERMILLION: Excellent question, and it's one that we look at internally every day.

Our legislation does require that there be economic impact and a positive economic rate of return on programs that we fund. So one of the things we have set as a working guideline internally is that programs have to have an economic

rate of return that's equivalent to the average for the prior three years for the country.

We are about reducing poverty through economic growth. The legislation does mandate that, but we are looking at how does one calculate economic rates of return.

I'm a statistician by training. I know one can do a lot with assumptions, one can look at historical data, at extrapolations of results, and this is something our economists are looking at very strongly, but we do want to see programs that have positive economic rates of return. Yes.

QUESTION: Mr. Applegarth, one really important point, having lived in Guatemala for seven years, and running a regional aid program that is coordinated and focused on development assistance. What hasn't been said today is how is MCC going to parallel with USAID and continue to serve the country.

It's rumored that because MCC is coming to different countries that the bilateral aid will reduce or stop. And that would be a big mistake, because both have a role in the country, and it would be unfair to Honduras, for example, if the traditional bilateral aid program would be decreased because this program is coming in, because this has a longer-range approach to solving the problem.

Now, one evidence of that is that there's a rumor that the staffing in the AID missions is going to decrease in Central America, and one excuse was if MCC's coming into Nicaragua and Honduras, then they don't need this same type of staffing pattern.

That's the first sign that there's going to be a decrease in effort there. And those two countries, personally, I think it would be a huge mistake for MCC and USAID not to partner and go into this with, "let's explain ourselves in countries shoulder to shoulder as to what your role is and our role is so that we can continue to serve the country well."

CRONIN: I don't know, Paul, whether you want to be put on the spot here with that question.

APPLEGARTH: I'll say the same thing here I say to donors everywhere every time I visit a country, and also the leadership, when I meet the heads of other donor agencies.

We believe Millennium Challenge funding needs to be additional to existing programs. We are asking some tough decisions, countries to make some tough decisions to take on some very fundamental things -- take on corruption, take on rule of law, a bunch of other things.

Without the incentive of additionality, it's not going to be as effective. And I would say to other donors, don't use the excuse of Millennium Challenge to come in as a reason to cut back your own efforts, because you'll destroy the effectiveness of whatever program you're doing, as well as what we're fundamentally all about.

Andrew Natsios and I are of absolutely 100 percent similar view on this.

I would also say, and many of you have heard me say before, we and AID have a tremendously cooperative working relationship, both here in Washington and I think in virtually every country we're working together in.

In terms of funding, there have been no decisions made, and this is really AID's for next year. They can't make decisions until the final appropriations process is done. And, certainly, by being additional, it does not, MCA, in principle, and certainly if you look at overall ODA and foreign assistance from the U.S. over the last 4 years, it's no question already, even before MCA flows start to be counted, tremendous increase in aggregate.

Certainly, the idea of being additional does not mean that every single AID program in every country is guaranteed against being adjusted, irrespective of how effective it is or other things.

At the end of the day, the additionality and how it works will also ultimately be decided by AID and Andrew and that team, and I know they're looking hard at it. This is the first time I've heard today that there's even the rumor of staff cuts in Central America, and I was with all the AID mission directors last week, so I'm surprised. If it was true, I would have heard about it before then.

But going forward, we have to be additional if we're going to be credible in this. AID does a lot of very good things, in disaster relief and humanitarian assistance, and in promoting poverty reduction growth. If we're going to be an incentive, they have to be there and we'll work on these things.

QUESTION: (OFF-MIKE)

CRONIN: The decision to cut back, the attempt to cut back staffing in Central America was a totally internal decision at AID. It had nothing to do with MCC or Applegarth. Paul hadn't, I think, even been nominated. When it came through, it was resisted by Congress strenuously, and it was defended ferociously by Administrator Natsios for reasons only he can explain.

DESHAZO: It had to do with the ratio of the staff to the size of the program in dollar terms, which may or may not be a fair metric, but unfortunately USAID was highly constrained in terms of personnel, and Andrew was fighting back with those decisions. Do you want to add something, Jim?

VERMILLION: And just as a point of clarification, having been in Central America at the time as an AID director, this did not apply to only Honduras and Nicaragua, which are the two MCA recipient countries. It applied to all of Central America.

CRONIN: That's right. Well, we are running out of time. Does somebody have a good question for this talented panel?

QUESTION: I have two, actually, and I do hope that I didn't miss the answers while I excused myself for a few minutes before. The first is, if any of you could speak to the potential role for international NGOs in project implementation, and the other is we were talking a bit about Nicaragua and Bolivia earlier, and if there's a time line for when those compacts might be signed.

CRONIN: Well, Jim, do you want to take at least the second question, if not the first as well?

VERMILLION: I'll give a quick answer on the first one. It's the host countries that design what their programs are, and if they want international NGOs involved in the implementation, they will certainly ask for that. We listen to what the country wants in terms of the results it wants to achieve.

Second, on a time line, we don't have time lines, pre se, for the countries. We are with Nicaragua right now at a stage of trying to finalize with them just what the program looks like. We have a meeting in a few minutes, actually, internally in the MCC to look at what they've most recently come to us with.

If that moves forward, we could be moving in the next few months with the Nicaragua program, I would say.

Bolivia is, because of internal dynamics in the country, not as far along the path. They're still looking at just what they want to put together as a final proposal. They have some ideas they've given us, we've been talking with them about it, but I think some of the internal politics of Bolivia are going to take priority, and if we can be a part of the solution to that, we may see something quickly there.

CRONIN: Lara, perhaps a role for international NGOs?

PUGLIELLI: I participate in a monthly, I don't know, meeting, the directors of a lot of international NGOs. We get together and the MCA has been a topic of interest lately, and it's really been unclear, to be honest, from the beginning, what the role of international NGOs might be, from the consultation phase through the implementation, et cetera. We really don't know what that might be.

Obviously, as development agencies interested in poverty reduction and social justice generally, we're interested in the overall goals of the MCC, that those be successful if the MCC does indeed come to Nicaragua. And we'd be interested in cooperating to make sure that our programs are complementary and to make sure that at the end of the day the poor are served by the services that whoever is providing are provided to them.

CRONIN: Peter, Linda, any final thought you'd like to leave the audience with before I...

VAN GELDER: I do have just one thought, and maybe it's a little bit provocative, but I think it's kind of worthwhile putting out on the table.

First, I think results are important, very important. That said, I think maybe we need to do a little bit more thinking about how the increased need to show short-term results may actually impact on our decisions about what interventions do we as international agencies support. Does it actually mean that we start to support a range of interventions that we can show results very quickly, to the exclusion of things that are much harder to actually achieve, or may only show results in a much longer term?

So it's just a kind of open question, and I think we face this within the Bank as well. As we face increased pressure to show results very quickly, what kind of distortions does that maybe introduce in terms of the range of interventions that we actually support?

CRONIN: Peter, a final thought?

DESHAZO: Only the richness of the discussion and the important lessons that are being extracted from this project. It's been extremely interesting.

CRONIN: Well, we've gone three hours and I feel like we've only skimmed the surface. Such is the work of development.

But I want to thank our panelists, first of all...

(APPLAUSE)

... as well as our two keynote speakers, Vicki Diaz and Paul Applegarth. The Millennium Challenge Corporation, Ben Landi (ph) has done so much work putting this program together, along with Kate Smith (ph) and others, and Cameron and Melissa for running around with the mikes.

I want to thank the audience for sticking with us. I thank Broncha Jucheke (ph) for all of her work as well, working on not just MCA-related but also government-related work here at CSIS.

Thank you very much for coming. Have a great afternoon.

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