



**MILLENNIUM  
CHALLENGE  
CORPORATION**  
REDUCING POVERTY THROUGH GROWTH

# Transcript

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## **Millennium Challenge Corporation Holds a Public Outreach Meeting to Discuss the Way Forward For the Millennium Challenge Corporation**

Millennium Challenge Corporation

Washington, D.C.

### **Speakers:**

Fran McNaught

Vice President for Congressional and Public Affairs

Millennium Challenge Corporation

Ambassador John J. Danilovich

Chief Executive Officer

Millennium Challenge Corporation

Kenneth Hackett

Catholic Relief Services

Board Member

Millennium Challenge Corporation

Lorne W. Craner

Board Member

Millennium Challenge Corporation

Alan J. Patricof

Board Member

Millennium Challenge Corporation

MCNAUGHT: Good morning and welcome to today's public outreach meeting here at MCC headquarters.

I'm Fran McNaught, vice president for congressional and public affairs, and needless to say, we appreciate your ongoing interest in the work of the Millennium Challenge Corporation as we try to fulfill our mission of reducing poverty through economic growth.

Today we're especially excited about our meeting because it's unprecedented. Let me tell you a little bit about what we're doing.

First, we will do the traditional CEO update, and our CEO, Ambassador John Danilovich, will update you on events since our last public outreach meeting in February and update you on the decisions reached by our board of directors yesterday.

Then we have three of our four private sector board members here who will say a few words about their perspectives, and they will take questions.

Let me stop right now and say we are Web-casting this, not live, but it will be on the MCC Web site maybe tomorrow, but for sure Monday, and you'll be able to get there from the prompt page of our Web site, MCC.gov.

And then because we are Web-casting, it's probably especially important that you turn off cell phones this morning, unless you want to hear how your phone sounds on the Web cast.

After Mr. Danilovich speaks, our private sector board members will take questions.

And let me at this point just ask Ambassador Danilovich to come to the podium.

DANILOVICH: Thanks very much, Fran, and I'd like to welcome all of you to the Millennium Challenge Corporation and to thank you very much for your ongoing interest in the work that we're doing here to reduce poverty through sustained economic growth in our partner countries throughout the world.

It's terrific to see such a great turnout today. And again, I thank you for taking time out of your schedules to be with us.

Many positive developments have taken place since our last public outreach meeting in February. First and foremost, we're very pleased to welcome two new board members, Mr. Alan Patricof and Lorne Craner.

Welcome to our board.

I'm personally and professionally delighted to have them on board and on our board. For the first time, MCC has a full complement of board members. We have nine board members now.

Lorne and Alan both bring a vast wealth of experience and competency to our board and, even at their first board meeting yesterday, have already made significant contributions. And I know that will continue throughout their tenure on the board.

They join our two other private sector board members, Mr. Kenneth Hackett of Catholic Relief Services, and former Governor and EPA administrator, Christine Todd Whitman. We are grateful for their leadership and participation in our activities.

You'll shortly be hearing directly from all of them except for Governor Whitman, whose schedule, unfortunately, prevents her from joining us this morning.

Let me take the opportunity to share with you where we are in four main areas: Results on the ground, implementation, congressional outreach and, of course, the latest decisions reached by the board at our meeting yesterday.

First, results on the ground continue to multiply and MCC's investments are transforming the lives of the poor for the better throughout the world.

I saw progress under way in Armenia and Georgia during my visit there earlier this month.

In Georgia, for instance, I toured work completed on such important infrastructure projects as our gas pipeline, and I noticed -- here it is, our gas pipeline in Georgia. This will increase the availability of energy for industry as well as family and homes in Georgia and in Armenia.

I also surveyed the rural roads in the remote area of Samtskhe-Javakheti, which we will repair in the near future, and I met with those who will benefit from increased access to market and services once the roads are done.

During recent visits to Burkina Faso and Honduras, I saw our MCC assistance improve the lives of the poor, from listening to students recite their lessons in one of 132 new girl-friendly schools that we're building in Burkina -- and for those of you who have had similar experiences, you know how inspirational and heart-rending that can be -- and also from learning about farmers diversifying into higher profile crops in Madagascar and in other countries.

And I believe that's one of the photographs in Madagascar of a new type of geranium plant being planted that will increase oil production, geranium oil, for use in perfume and in soap.

During my trips to Guatemala and the Dominican Republic, which seek to become MCC-eligible, I discussed the aggressive reform efforts in both of these countries that are undertaking to specifically qualify for MCC assistance.

These actions confirm a phenomenon that we like to call the MCC incentive effect.

What I see unfolding in the field demonstrates the full scope of MCC's impact. We are investing not only in infrastructure improvements but also in education and community development.

Equally important, we are motivating policy reforms to ensure that development is sustainable and transformative.

Second, implementation is progressing. We have compacts totaling \$3 billion with 11 partner countries in Africa, Central Asia, America and the Pacific that are improving the lives of the poor of more than 22 million people.

To facilitate implementation, we are shifting more responsibility and decision-making and authority to our resident country directors in the field. We are helping our partner countries build the capacity to do more for themselves on their own.

Toward this, some 60 representatives from our compact-eligible countries gathered here in March for a week of intense learning workshops, peer-to-peer exchanges, seminars, at what we call the MCC University.

MCC U. itself is very much a capacity-building initiative, providing countries with the information and the materials they need to return home better equipped to successfully implement their own compacts.

Following on, MCC colleges focused on monitoring and evaluation, environmental and social assessments and procurement matters took place in April and May to build additional capacity in need-specific areas.

There is tremendous pride in owning the process, navigating through particular challenges of compact development and implementation, and in the end celebrating successes as the fruits of their own labors.

We're also building capacity through our Threshold Program, which we use to help countries address specific policy weaknesses to push them over the threshold toward eventual compact eligibility.

Our newest threshold programs, which were signed in March with Kenya and Uganda for \$13 million and \$10 million respectively -- each of these programs fight corruption.

The unveiling of MCC's corruption paper highlights our active role in fighting corruption in our partner countries. Corruption is a cancer on the development process. It steals from the very people that we are trying to help.

And we recognize that being serious about poverty reduction and economic growth requires a serious approach to reducing corruption. It's no surprise that only those countries which pass our corruption indicator, a hard hurdle for us, qualify for our assistance.

Third, congressional outreach remains ongoing and engaging. In March, I testified before our appropriators on the House Appropriation Subcommittee. The president is asking Congress to provide MCC with \$3 billion for fiscal year 2008.

I explained to the subcommittee members during my testimony, and continue to meet one on one with them and with other members of Congress -- to discuss why full funding is crucial for three main reasons: First, to meet the existing demands of countries already in our compact pipeline.

Second, to maintain the motivational MCC incentive effect for those countries taking on the hard work of policy reform with the expectation of eventually qualifying for assistance and becoming part of the funding pipeline.

And third, to help those countries in our Threshold Program.

The House-passed foreign operations appropriations bill allocates \$1.8 billion for MCC, falling short of the president's request. A lower number is expected from the Senate when it marks up its bill this afternoon.

Markup is just the first step in the process, and we continue to urge Congress to fully fund MCC so as not to undermine our ability to respond to proposals to leverage our funding as an incentive for reform and to continue building on our early success.

In addition, our deputy CEO, Rodney Bent, is testifying today before the Subcommittee on Africa and Global Health to brief them on our work in Africa.

In May, we celebrated Africa Day here at the MCC, which allowed us to highlight what we are doing on that continent. Ambassadors and embassy officials from several of our African partner countries attended, and that event was oversubscribed.

Fourth and finally, the decisions made yesterday by our board of directors allow us to continue furthering our mission to reduce poverty through sustained economic growth.

Yesterday the board approved two new compacts, one for \$507 million with Mozambique and one for \$363 million with Lesotho.

Mozambique's compact will improve water systems, improve systems, expand land use rights and improve the productivity of farmers.

Lesotho's compact focuses on improving the water supply for industrial and domestic uses, strengthening health care sector, particularly to reverse the devastating effects of HIV/AIDS, and bolstering private sector activity.

Both the Mozambique and Lesotho compacts share a common goal, to reduce poverty through sustained economic growth and, as a result, to improve the long-term quality of life of the poor in those countries.

We anticipate that we will be signing both the Mozambique and Lesotho compacts here in Washington in July.

I invite you to watch your calendars for July 12th and July 24th when we will be hosting public outreach events to provide you more details about the compact components with these two countries and their projected results.

Details about those events and how to RSVP will be posted on our Web site at [www.MCC.gov](http://www.MCC.gov).

These latest components bring our total assistance to nearly \$3.9 billion, of which more than \$2.4 billion has been awarded to now seven African countries.

In addition to these two compacts, the board yesterday also approved a threshold agreement with Guyana, in Latin America, for \$6.7 million to improve fiscal management and decrease the number of days and costs required to start a business.

The MCC has been active since we last met, and we anticipate an even more active summer and fall.

Morocco, Tanzania, Mongolia, Namibia and Burkina Faso are all progressing toward finalizing their respective compacts for submission to the board in September and later this year.

Pending the board's decision in each case, as well as congressional notification, we might possibly be approving up to five additional compacts, all within the next nine months.

It's an exciting time of the MCC. Again, I want to thank you for your interest and support. We very much look forward to your discussion today, to your comments, to your observations and to your questions.

And again, I want to thank you for this great turnout. It's always edifying for us to have such a strong public response following our board meetings, and I'm grateful for that.

I hope we'll see you again when we have the chance to discuss with you further the components of our Lesotho and Mozambique compacts in July.

Again, thank you.

And, Fran, I'd like to turn the program back over to you. Thank you.

(APPLAUSE)

MCNAUGHT: Thank you, Mr. Ambassador.

Now let's turn to our board members. As you know, MCC is overseen by a board of directors composed of private and public sector members.

The secretary of state is our chair. The secretary of the treasury is our vice chair. Also sitting on the board are the U.S. trade rep, and the administrator of the USAID, and four individuals from the private sector recommended by the Congress, appointed by the president and confirmed by the Senate.

Our private sector members are remarkable leaders in their respective fields, and as the ambassador said, we'll hear from three of them today. Unfortunately, Governor Whitman could not join us.

We're going in reverse order of how I introduce people, so forgive me, but it'll make it smoother.

Our longest-serving board member is Ken Hackett, who has been on the board from the beginning. He was there at the first board meeting. We hope to hear his views, his perceptions of what it's been like to serve during MCC's first three years in existence.

Ken is president of the Catholic Relief Services, overseeing an organization with operations in 99 countries and a global staff of more than 5,000. That's a lot bigger than the MCC.

He has dedicated his 35-year career at CRS. He began in 1972 when he served in Sierra Leone and in posts throughout Africa and the Philippines. He was named executive director of CRS in 1993 and became president 10 years later.

We are delighted that Ken has agreed to seek a second term on our board and look forward to his re-nomination and confirmation.

From Ken, we'll talk about Lorne Craner and Alan Patricof, our newest board members, just confirmed by the Senate less than a week ago and sworn in literally yesterday morning before the board meeting.

Lorne serves as president of the International Republican Institute. He likes it a lot. He's done it twice now. He's been currently there since 2004 and was in the same position in 1995 through 2001.

In the meantime, he served as an assistant secretary for democracy, human rights and labor under Secretary Powell. He also served as foreign policy adviser to Congressman Jim Kolbe and later, something we share, although I don't think I did foreign policy -- and later, to Senator John McCain.

And Lorne was instrumental in helping construct our good governance criteria.

Alan Patricof has a 40-year career in private equity. He's been an innovator and an advocate for venture capital. His leadership has been instrumental in guiding the evolution in the venture capital field.

He's helped build and foster the growth of numerous global countries like America Online, Office Depot and Apple Computer. Has anyone heard of those?

Currently, he's managing director of a partnership he founded, Greycroft LLC. He's applied his experience and expertise toward addressing social inequities in the developing world, serving as a pro bono adviser to the International Finance Corporation, and as a member of the UNDP commission on private sector development, the African policy board of the Council on Foreign Relations, the African Venture Capital Association, and the Nigerian Honorary International Investor Council.

For total bios on all of these folks, go to MCC.gov. You'll find them all there.

We are hoping that Lorne and Alan will focus their remarks on why in the world they wanted to be on the MCC board and talk about their vision and aspirations for the MCC during their tenures. We welcome hearing from each of them.

And I'm going to have Alan begin, followed by Lorne, and then by Ken. And then we will take questions for them, and I will be back to supervise.

PATRICOF: Thank you.

Good morning, everybody. The reason I'm going first is, unfortunately, as Fran just told you, we were just sworn in yesterday, so we are really new. And I have to tell you, on Friday we weren't sure that we were going to be able to do this before the meeting yesterday.

So I have committed to make a speech in Boston at 3 o'clock this afternoon, so I have to leave very quickly, at 11:30. That's why I've asked to go first. I hope I'm here for a few of the questions.

As Fran explained to you, I've spent my whole life in the venture capital business, which means I've started companies all over the world.

I have operations for the -- the firm that's most well known for me, which I formed 35 years ago, is called Apax Partners, which is one of the largest firms in the world in this field.

And only recently did I start again all over and start a new firm a year ago. So I've been in this -- I've started companies in Japan. I've started them all over Europe where we had 13 offices or 14 offices.

But about five years ago, I decided to change my life and to do other things, and I made my services available to the World Bank.



I thought maybe some of the experience I've had in starting and building companies and dealing with the problems, difficult problems, might be applicable. And I got involved with the whole field of SME, small and medium size enterprises.

And as a result of that, I probably have visited, I don't know, 15 countries or 20 countries. Now we're dealing with countries, not companies, around the world.

And during that period of time, I've come to see a lot of the poverty in this world and the problems and have tried to deal with them from an economic standpoint primarily.

And I have to say honestly, the MCC didn't come out and seek me. I sought the MCC. And I was personally interested in this field, and it was part of the work I had been doing. I thought this was a very exciting program that had been started by the government.

And I probably could have gone after a lot of other things that interested me, but this was the one I chose, and we have been waiting for a while to have this appointment approved -- waiting for Lorne, actually, to come on the scene.

(LAUGHTER)

So we're tied at the hip. And I want to tell you something. While you might say, "Where does venture capital apply," well, venture capital deals with problems and growing companies, but it's not that really far different, except you've got to deal with a lot of bureaucracies in dealing with countries and the problems of countries.

And the one thing I'd like to point out, and then turn this over to Lorne, is that I look at MCC as somewhat of an iceberg. That's how I've looked at it. You only see at this point the tip of it, which is the commitments that have been made to -- that have been already advanced.

What impresses me most about MCC and the management by the ambassador is the fact of the care that they have made in making compacts and then slowing disbursing it.

It's no different than you do when you're dealing with situations where you want to have various benchmarks along the way and to make sure money is being expended properly.

And what impressed me -- and while we just got the appointment yesterday, I've certainly been talking to the ambassador over the past year and following all the activities -- is the care and effort they've gone into doing the research and due diligence -- which is something I lived with all my life, doing careful due diligence -- and not making quick decisions and trying to avoid mistakes.

And I think what you don't see, and why I used the analogy of an iceberg, is that the impact, the ripple impact, that MCC has had really can't be seen.

What really is happening is there are many other countries other than the ones who are threshold countries or compact countries who may not have become one of those yet, but seek to become one, and the steps they are taking right now to prepare themselves and to make sure they will qualify.

So the ripple effect is far bigger than -- you start with the money that's been advanced, and then you go to the money that's been committed, and then you go to the internal processes that are going on throughout many, many countries in the developing world, and you see a very large impact that this organization has had in a very short period of time.

And that's why I wanted to join the board and why I'm very happy that I was finally approved. And I hope I can make a contribution.

And if I can't answer -- I don't get a chance to answer your questions today, I'm always available to answer questions.

(APPLAUSE)

CRANER: The tale that Alan is telling I don't think is unusual. I have a lot of friends, especially from high school, who went to work in New York who have been on Wall Street, been in venture capital, and they're very intrigued by MCA, I think for many of the same reasons that we are.

First of all, it's been able to attract a really talented group of professionals to work on these programs. I must say in the couple years I've been dealing with MCC, even before I knew I was going to be on the board, every single person I have met here I've been impressed by.

It's a new kind of program because MCC is asking for standards, that standards be met before additional foreign aid be given to countries, and finally, maybe the most important thing, it's the countries themselves that are designing the projects.

And that's something that we haven't done in U.S. foreign aid, I believe, since the Marshall Plan and may be part of the reason for the success of the Marshall Plan.

I get to see these programs because, as Fran noted, I've been working on democracy issues for many, many years. I think the linkages between good government, reducing poverty, taking care of the environment, taking care of your people, are very, very important.

It's certainly possible to find countries where there is no democracy where people are being taken care of, but it's a pretty rare event. And I think much more often, if countries are well governed, then they tend to be taking care of their people.

I was impressed even at my first board meeting by seeing some of the results, and you see some of these behind you.

Some of you are familiar with this pipeline that's being done in Georgia. It's going to be in part because of MCC that the possibility of environmental damage from that pipeline is greatly lessened.

I was reading the Morocco information that we're going through. There's fishermen, people in Fez who are artisans, who are going to be affected by what MCC is doing. You've seen this example of the farmer here, and this all within just a couple years of this starting.

As Fran said, I was present at the creation of MCC. I worked a lot in the very early days of consideration of MCC on this governing justly criteria.

And to already see the effect that it's having on people's lives around the world is a great testament to what a great organization this is. Thank you.

(APPLAUSE)

HACKETT: Thank you very much. That's helpful between board members, and I hope it will continue.

As Fran said, I have been three years with the MCC. I was there early when it was an idea, and then a concept, and then a startup phase -- which, like any organization, was bumpy, but it kept going, because there were smart, dedicated people there -- and through the initial approval of compacts and thresholds and criteria, and now into implementation, which brings its own challenges.

But we're beginning to see results, and that's what makes it all worthwhile. And that's what makes me very excited.

I had the wonderful opportunity to travel with John Danilovich to Madagascar three months or four months ago, and even in the early stages, to see what is actually happening makes you proud to be on the board and makes you proud to be able to tell your supporters and constituents that this is a good thing to get behind.

I wanted to talk about three major improvements that I've seen over three years. At one point, in the early days of MCC, there was in this town a perceived ambivalence about the poverty focus.

Was this about economic growth to trickle down and cause a change in poverty, or was this about -- should it be focused on poverty and have economic growth be a byproduct, or is it about both?

And quite honestly -- and a lot of you know this -- there was a lot of discussion going on in this town about what it was all about really, because there were different things being said.

And I would say in the last two years the clarity and the focus on poverty and economic growth has been articulated forthrightly and directly and then applied.

And I think what we see in some of the newer compacts like Ghana, like Lesotho, which we just approved yesterday, and Mozambique shows that that poverty focus is there, and it's going to be brought about by economic development and many other things.

Secondly, in the legislation, it talked about civil society engagement. But I had the sense that three years ago not only did governments not know what that meant, but even the MCC itself didn't know what it meant.

And I have seen and am very proud that MCC has worked through this thing, it is a learning organization, has put investments into finding out what civil society engagement is, both in the compact development process and in the governance process in countries, where it's not just government bureaucrats who provide oversight to the MCC implementation, but it is representatives of different aspects of society.

And there are some terrific models out there, and we've seen some real impact of civil society engagement. I saw it in Madagascar. And we read about it, and I hear about it from my own staff, in Armenia.

But in many other places, civil society is providing that extra link that all the schools of international studies write about but now we're seeing. And it's very powerful.

And I think also over the course of the last three years there has been a very positive engagement on issues of gender and environment. In the beginning, gender was just about having more girls and women focus on -- in terms of projects.

And I think MCC gets it and looks at it now in a much more comprehensive way, that it impacts a lot of aspects of society. And with Governor Whitman's work with MCC, we have developed a new focus on environmental issues that I think is going to be very powerful.

Let me just mention and amplify on what John said about the new compacts that we approved yesterday, Lesotho and Mozambique, and what I think is, in the case of Lesotho, going to be something that we're all going to be talking about five years from now as the model, a program that provides water.

Any of you who have been to Lesotho know what the country is like, the mountain kingdom. It's dry when you get up into the hills. And the access to water by this dam, which is constructed to provide water to Lesotho and not South Africa, is going to make a major, major difference.

The focus on improving the health care system with attention to HIV and AIDS is different than anything we've done in any other compact but is a real problem in that country that is going to be addressed.

And in terms of really making some positive economic development changes and economic improvements and changes in poverty, you have to deal with AIDS there.

So there are some really wonderful things happening in that Lesotho compact, and I hope the implementation will be equally as wonderful.

In Mozambique, the fact that the program focuses in agriculture, and small credit, and roads, and water in the northern part of the country, often neglected northern part of the country, I thought was brilliant and a wonderful insight on the part of the government.

The other very positive thing that I've found about being on the MCC board is the discussions when we go to the edge and talk about taking some risks.

Yes, there are objective criteria that are developed by very smart people. But we're on the board to use our wisdom and our insights and our feelings about things. And sometimes we're called upon to take risks, and that's exciting, I find.

There are some concerns. There are concerns about the overall dollar level. You remember when the concept was first announced, we were talking about \$5 billion a year.

And I think we've got to encourage Congress, who supported this in a bipartisan way, to stay behind it because it's working.

There are concerns in our PBO community and the NGO community about, "Well, is MCC money taking or replacing money that is available from USAID?" And we discussed that issue a little bit in the board, and we'll probably be discussing it much more so that there's a more comprehensive approach.

But in closing, let me say that this is something good, and I'm very proud to be on the board. I'm proud to have new board members who are going to add additional insight.

I am exceptionally pleased with the way I see the institution of the corporation developing, particularly under John Danilovich's leadership.

We have smart people who are doing smart, intelligent things with their head and their heart. And that's going to make a profound difference. So I thank you.

(APPLAUSE)

MCNAUGHT: Well, I think you can see why we are excited about our private sector board members. And I think they are going to hold our feet to the fire and are going to keep us really working to implement our mission.

Do we have any questions for our board members? We have a roving mike with Brendan (ph) at one end of it, and he will be happy to come and take your question so it can be heard.

RAND (ph): Thank you.

MCNAUGHT: Would you identify yourself and then ask the question?

RAND (ph): Sure. Kelly Rand (ph) with National Wildlife Federation. Thank you again for you being here. It's really great to see new board members, and we look forward to working with you.

You mentioned the (inaudible) that MCC puts forth and I was wondering if there was any action taken by the board yesterday to -- on new indicators or rearranging of indicators, particularly with the natural resource management indicator and access land.

PATRICOF: (OFF-MIKE) to defer to him.

(LAUGHTER)

HACKETT: If I'm correct, we didn't approve, per se, but we discussed the natural resource indicator and the land indicator, so we'll probably have to wait a bit before we actually lock in on it.

PATRICOF: I'm told by (inaudible) we're going to approve it in September.

MCNAUGHT: Yes. Let me...

PATRICOF: (OFF-MIKE) indicators.

MCNAUGHT: Let me say that no action was taken yesterday at the board meeting, but we are holding our countries accountable for those indicators and they will be presumably passed and approved before the next selection process.

Do we have other questions? I can't believe that. Ah.

GARUNDE (ph): Thank you. And my name is Alex Garunde (ph) of the Netherlands Embassy, and I just would like to inform you that we have been working on the donor coordination (inaudible) past few months, and also with my colleagues here from MCC.

And so with mainly a few -- seven European donors -- the Scandinavians, the British, Irish and the Netherlands -- we agreed to improve coordination at the country level.

And I think for us as a colleague donor, the MCC model is really -- we have a keen interest in it.

And related to that, I have a question with respect to the Congress. I went through transcripts of the hearing of the Subcommittee on Foreign Assistance two weeks ago and I read some words about the MCC.

So my question is what is your assessment of the role of Congress and what is, actually, the board or MCC doing about it? Because I think it will play (inaudible) role in the future of the MCC.

And related to that, what can outsiders do to convince Congress, talk to Congress, like the other donors would also (inaudible) et cetera, et cetera, do as well -- you know, the (inaudible) results to put forward to the Congress? Thank you.

CRANER: Let me say first of all, I think we all appreciate your words on donor coordination. I was impressed reading through the proposals. There's a lot of talk in a lot of countries about donor coordination, and more often than not you see it not really happening.

I was really impressed in these proposals by the level of detail, down to who was going to do what in which projects that was contained in these proposals.

It was obvious that MCC had done a lot of work and a lot of thought and already had agreements basically with other countries about who was going to do what. So that's an unusual degree of coordination, when you see coordination at all. And I think that's noteworthy.

Certainly, on Capitol Hill, they have a role in appropriating the money. That is their role. You know, I think for some years they have said, "We're not seeing the disbursements." I think you are now seeing that out of MCA.

And I actually think if these present budget levels hold, there may be a shortfall in terms of being able to get money to countries with which there are compacts.

I think the role that we all can have is to talk about not only the fact that this is a new way of doing foreign aid but that it's actually beginning to get some of these results.

Remember, this program has only been going for a couple of years. There are other programs that have been going for decades where they can't show results. I think it's incumbent on MCC and it's incumbent on all of us to be able to show that after just a few years this is foreign aid money that is well spent.

MCNAUGHT: Does anyone else want to comment? OK.

Do we have other questions? A-ha, right in front of you, Brendan.

SPIRO (ph): Hi. I'm Tom Spiro (ph) from the Energy Department. You had indicated that Kenya and Uganda as threshold potential countries will be addressed under the indicator of anticorruption.

Could you explain or someone explain some of that indicator and how it will evolve?

HACKETT: Let me just say a few words about the Kenya threshold program. It was, quite honestly, controversial. Many donors have had problems with the Kenyan government's corruption record, so to speak.

But in this particular case, in this threshold program, it was focused directly on the ministry of health and improving their procurement efforts.

And just from my own organization, where we deal with the ministry of health, particularly in the antiretroviral program, we know that if you could make a positive change in their procurement practice and eliminate or significantly decrease some of the red tape -- the ministry of health spends something in the range of \$150 million a year on medical purchases.

So you could have a profound impact on the delivery of services and maybe a model for other parts of the government.

We took a chance. We're taking a chance, I should say, and hope that it would work out well.

MCNAUGHT: OK. We'll go here on the center aisle and then back to the corner.

PEYSER: Hi. Melanie Peyser from the Institute for Sustainable Commissions. This is a question for Lorne Craner.

I wonder, as a representative of a civil society development organization, how you see your role on the board in terms of either improving or changing the way that MCC engages civil society, and whether you see a role beyond supervision and engagement in terms of the actual work of the MCC, but greater engagement and improving the engagement of civil society in day-to-day reform both on the anticorruption side and then the governance side.

CRANER: Yeah, I do feel kind of like a sentinel here on some of these issues. One is to bring a sense in particular on these governing justly criteria in the early days of consideration of these three areas, governing justly, taking care of people and economic freedom issues.

You know, I think there were some that did not look as kindly on governing justly as eventually came out, that you see here today. So yeah, I feel an obligation.

I certainly haven't encountered any reason yet why I should be worried. But yeah, I feel an obligation on those issues, number one.



Number two, I'm going to be very, very interested in the civil society engagement portion when a government overseas is discussing with its own people what it should be doing, again, because, as I said before, it's an unusual arrangement that the country itself puts forth a proposal about what it would like to see.

And then finally, I'm going to be in particular interested in whether countries put forth -- Ken was just talking about -- that they want to address some of these corruption governance issues.

I'm very interested to see what Jordan is doing talking about local government. I was very interested to hear the Kyrgyz talking about corruption issues.

So I'm not just -- certainly all these other programs that I've been talking about -- pipelines, infrastructure, you know, helping people in poverty -- are what MCC is here for, but it's also here to make sure that these countries can progress on governance and corruption issues.

Clearly, they're already doing a good job or they wouldn't be a compact country. But clearly, they also want to progress on these issues. So yeah, I do feel a special responsibility on all of those things.

O'CONNELL: Hi. I'm Nora O'Connell. I'm with the Women's Edge Coalition and also with the Interaction Working Group on the MCA.

And first, I'd like to just say welcome to the board. We're thrilled to have the new members there.

And if you're not aware, we've enjoyed a really positive working relationship with the MCC both at the board and the staff level. We've really found it truly to be a learning organization and very engaged in dialogue.

And we look forward to continuing that relationship with you both as new board members and serving as a resource to you and would like to actually invite both of you to come to an Interaction Working Group and meet with the leaders there.

And also, Women's Edge Coalition has a gender MCC working group that has been very active, and we hope that you will also engage with leaders there as well.

My question for you both is can you share some experiences -- both of you have extensive experience on the ground in countries where you have seen either empowering women or (inaudible) the different gender differences between men and women and their roles -- how it's made a difference in either making economic growth happen more quickly and more effectively, creating more stable democracies, alleviating poverty.

Can you share some of that from your personal experience? Thank you.

PATRICOF: (OFF-MIKE)

(LAUGHTER)

I said that I had traveled extensively. Actually, I've seen a great deal of women's activity.

I actually traveled to Ahmedabad (ph) and personally spent two days with the SAWA (ph) organization, which is a perfect example of women's empowerment, one of the best in the world, probably.

I've also been with women's groups up in the hills of Bolivia, and I've also seen them where -- and particularly taking prostitutes off the streets and training them in making handbags and leather goods and woven goods in Cambodia.

So I've seen them in a lot of different areas. I've seen them in the slum areas of -- actually, in Kenya, as a matter of fact. So I have seen -- there's a lot going on of helping -- it's not just people who just want to help women.

They want to help alleviate poverty and it turns out that most of the people you can help are women in that connection, so that there is a great emphasis in that area.

And I'm going to have to leave. I apologize. If anyone needs a question, talk to Fran and I'll be glad to (OFF-MIKE)

CRANER: First of all, the answer is yes, according to Fran, that we can meet with you, so I look forward to meeting with Interaction.

(LAUGHTER)

(UNKNOWN): Welcome.

CRANER: No, you know, coming from -- having been in and out of government, one of the things I said when I went into the State Department this time that you learn about half of what you need to know from the State Department.

But I always made it a practice when I was doing the human rights job to say to the embassy, "I want to meet whichever NGOs are operating in that country so I can get the other half of the truth from them."

So you know, I think for all of us, certainly those of us that are coming out of NGOs, we look forward to very active engagement and to hearing what you think. Again, I'm impressed with this organization. It is not a hidebound bureaucracy.

As Ken outlined, there have been a lot of changes, a lot of improvements, that have been made in this Sparta (ph).

And my impression is that folks at MCC have not been here so long that they think they're doing everything perfectly and nobody has a better idea. So my impression is that they're still looking for advice from outside.

On the issue of bringing women, for us in particular, doing democracy work, working with political parties, working with civil society NGOs, if anything, we have increased dramatically the work we do on this issue to try and bring women into the political process into NGOs.

In the beginning, it's not easy. You go to the guys that run the political parties, and you say, "You're missing half the vote." Often, that's the only way you can get them to do it.

And then you have to point out that it's not just tokens, you know, not just having a women spokesperson or something like that, but actually putting women on the party list, bringing women in as leaders.

But then we also have a responsibility to help train those women, to make sure that they can do that, and that the parties finally, instead of just looking at them as half the vote that we're missing, actually look and say, "We really need those attitudes and those outlooks," because in a lot of these countries, you find women in particular worry about day-to-day issues -- the economy of the country, the poverty in the country, health care issues.

They are the ones that have to deal day-to-day on some of these issues, and they bring in a lot more pragmatic, practical thinking sometimes than the guys do who have the luxury sometimes of thinking more about ideology and other issues. And that's ultimately what is going to move a country forward.

So as a matter of fact, we were all asked to appoint what is called a Plus One that can work with us here at MCA, and the person who is my Plus One is Gretchen Birkle, who runs the Women's Democracy Network over at IRI, where we're doing this program on a very conscientious and concentrated basis.

So if you're interested in hearing more about it, I'd be happy to talk about it, but Gretchen's actually doing it and knows more about it than I do. Thank you.

MCNAUGHT: Lorne, do you remember -- I bet you don't -- sending me to Siberia in February to train women how to campaign?

CRANER: Absolutely.

(LAUGHTER)

MCNAUGHT: I remember it. My toes, I think, are still not quite right.

(LAUGHTER)

CRANER: Well, I can be honest enough to tell you I've been to Siberia myself.

Like many of you, we work not in the nicest of countries sometimes.

HACKETT: Fran, if I may give one specific answer to Nora's point, on the MCC effect, so to speak, Lesotho -- the situation of women's inheritance rights up to this point had been, well, not so good.

And I think as a direct result of the negotiations on the compact and what MCC was going to support, Lesotho has changed the law so as to give more benefits to women's rights of inheritance, et cetera.

And I mean, there seems to have been a direct correlation, and that's what we hope will happen in many other places.

MCNAUGHT: OK. Do we have -- there's a question in the middle row, and then one on the back row. OK.

VEDESHU (ph): I'm Yurelina Vedeshu (ph) from the Embassy of Madagascar. It's always pleasing to hear and to see good news, and we are very happy to be part of it.

My question is about the sustainability of MCC action in each country, what is happening, you know, when the compact is over. I heard about necessity of having some changes in the U.S. legislation for the second compact to be possible.

I was wondering if there was any development in that respect. Thank you very much.

MCNAUGHT: I will take that question. The MCC is working very hard to convince our Congress that we need the ability to have follow-on compacts so that once we have completed a compact, we would have -- or while we are still doing a compact, that we would have the ability to start a second compact.

I have no news to announce yet that -- those provisions came about that close to being enacted last December but ultimately did not happen. But that doesn't mean we aren't still trying, and I do believe it will happen.

(UNKNOWN): Hi, my (inaudible) from New Jersey. Relative to corruption in third world countries, have you found yourself in a situation where what you're getting from the government is not the perception on the ground, and if so, what do you do about that?

MCNAUGHT: Well, let's see. Maureen?

HARRINGTON: I didn't understand the question. I'm sorry.

HACKETT: I did. If I heard you correctly, you said that here might be a difference in perception between what the government of the country is saying and what people -- civil society and other people on the ground might be saying -- very often.

(LAUGHTER)

And sometimes not in a malicious way; it's because the government is out of touch with its constituency, and other times because it is going in a different direction.

And I think some of us have connections in most of the countries that MCC works that feed up to us information about the reality. And it sometimes differs. And we bring that into the discussion at MCC and it's welcomed.

So when MCC can go back to the country and say, "You know, we're not hearing the same thing as what you're telling us," about this, that or the other thing, I think it opens a chance for dialogue.

CRANER: Yeah, I would agree. I think it's not an infrequent occurrence. One of the interesting examples I've run across is Georgia, where I think the previous government did not understand the degree not only of corruption at high levels but for ordinary citizens, what they were having to go through with the cop on the corner kind of thing and paying money to them.

And one of the more -- you know, one of the things that has garnered support for this new government of President Saakashvili is really going after that low-level corruption in a very successful way in a rather short time.

So now when you poll -- as well as us hearing anecdotes, because we are at the ground level. Now, when we poll people in Georgia, they say that's probably the biggest difference that they've seen in the country over the past couple years, is the low-level corruption is drying up, and that's a very good thing.

But you often see that, the difference in perception.

MCNAUGHT: Let's take two more questions.

WHEATON (ph): I'm Bill Wheaton (ph), and I'm a statistician, and I'm hearing brilliant ideas about concepts and things, but I'm wondering how you -- I think monitoring is extremely important, and I don't hear people talking about that as much as I think they should be.

MCNAUGHT: If one of our board members doesn't want to tackle that, we have the vice president for accountability here, and...

(LAUGHTER)

... he's on the spot.

Chuck Sethness?

SETHNESS: Yeah. I'm Chuck Sethness, vice president for accountability. I first came here as the vice president for monitoring and evaluation, so I probably value it as much as you do.

And economic analysis and (inaudible) are still crucial parts of the MCC model. The basic concepts are probably three, that policy really matters, country ownership improves outcomes, and you have to have tangible results which can be measured against pre-agreed targets.

And this is built into all of the compacts. There is a monitoring and evaluation agreement at the time of compact signing which is reduced into a strong monitoring and evaluation plan, and we are not only monitoring results but, in as many cases as we can, trying to design and execute rigorous impact evaluations, in a couple of cases with real randomization.

We're doing a couple of gold standard things, and then the variations (inaudible). But it is a crucial part of what we're about.

Since we're still at the early stages of implementation, there isn't that much in the way of results to be monitoring and reporting yet. We have anecdotal results to date. But we will have systematic ones, and it's a very important part of what we're about.

MCNAUGHT: Thank you. There was one last question on the back row, and maybe...

DEVERA (ph): Thank you. Excuse my voice. I have a bad cold. My name is Lourdes Devera (ph), and I work with DCOM (ph), which is a French engineering firm based in Paris.

My question is I was wondering whether the government of Sudan has come forward or if MCC has taken steps to do something about the people of Darfur, because these questions on the issue of civil society (inaudible) poverty, and also we have to think about the reduction of poverty down the road.

Yeah, so I was wondering if MCC is doing something or if Sudan has come forward, you know, to ask for help to improve the lot of the people of Darfur. Thank you.

MCNAUGHT: The MCC cannot address those problems. They are not an MCC-eligible country. The U.S. government has many other groups within our foreign assistance panoply that do address that.

The MCC was founded to work with countries that pass most of our indicators, and the Sudan has -- I'm not even sure they have come in to ask for help, because they clearly are not an MCC-eligible country.

USAID and various other U.S. government organizations are working very hard to solve the problems there, but MCC has no role in the Sudan.

CRANER: I think if you looked at the 15 criteria, you'd be hard-pressed to find one that Sudan would pass.

DEVERA (ph): Thank you.

MCNAUGHT: On our Web site, each country that is -- each candidate country who is not forbidden from receiving foreign aid, U.S. assistance -- there's a chart on our Web site for every country. And if you go through, you can pull down the country and look to see if they pass or come close.

And in some of the corruption, you will note they do pass the corruption indicator. But remember, they -- our countries are measured against each other. They are not measured against the world as a whole.

CRANER: Within a category.

MCNAUGHT: Within categories low income and middle income -- lower middle income. So do check that out, and I think you will see Sudan -- are they red all the way across?

HARRINGTON: No, they fail all the ruling justly and they fail (inaudible). They do pass some of the economic (inaudible) indicators (inaudible).

MCNAUGHT: So the board at this time would never choose them as eligible. They obviously need assistance, but it's not the kind that the MCC can give.

So with that, let me give my commercial for upcoming MCC events. The first one is tomorrow morning. We are having a how to do business event here in the building that we hope will lift the cloud of obliqueness that we keep hearing about, about how MCC does procurements.

It's not really oblique, but perhaps its definitions that create the problem. That event is oversubscribed. We cannot accept any more people at the event.

But we are Web-casting it live, so if you go to our MCC.gov Web site, you will be able to watch it just like you were here.

Also, we will plan to do another doing business with MCC event that will be very much like the one we're doing tomorrow in August. I think August 23rd might be the correct date, but that would be on the front page of our Web site.

We will be having two outreach events in July to discuss in greater detail our compacts that you heard mentioned today, the ones with Mozambique and Lesotho.

Once again, I invite you to go to our Web site to find out dates, times, places and how to RSVP. And we'd very much enjoy seeing you there.

We think our Web site is a great resource and encourage you to use it frequently. Thank you again for coming.

Thank you, Ken and Lorne.

And I hope to see you in July. Thank you.

(APPLAUSE)

END