



**MILLENNIUM
CHALLENGE
CORPORATION**
REDUCING POVERTY THROUGH GROWTH

Transcript

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Remarks

Millennium Challenge Corporation hosts a public outreach meeting

Speakers

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John Wingle,
MCC Resident Country Director in Honduras

HEWKO: I'd like to welcome all of you to the Millennium Challenge Corporation and to our panel discussion today on implementation and our presences in the field and how MCC operates in the field.

I'm delighted that so many of you have come to join us this afternoon for this discussion, and I very much appreciate your interest in the Millennium Challenge Corporation and in our mission to reduce poverty through the vehicle of sustainable economic growth.

My name is John Hewko, and I'm the vice president of operations at the MCC, and I will be the moderator for today's panel.

First, just a summary of how I would like to proceed this afternoon with our panel discussion.

First, give you a brief overview about the -- tell you about the resident country directors and deputy resident country directors that we have gathered here to explain a bit about their function in the field, how we operate.

Second, to ask that each of the RCDs and DRCDs get up and introduce themselves so that you can put some names to faces.

And then finally, I'll ask three of our RCD or DRCD colleagues to come up and provide you with an overview of their experiences in the field and how we're moving implementation forward at the Millennium Challenge Corporation. After their brief presentations, there will be time for questions and answers.

And then after the panel discussion, we invite all of you to join us next door for drinks and for gathering to speak more closely with our gathered RCDs and DRCDs.

So, first, what is the role of our resident country directors and deputy resident country directors in our eligible countries with whom we have already signed compacts.

MCC operates on the model that the countries, our partner countries, are responsible for implementing the compacts that we have signed with them. Our partner countries are responsible for delivering the results, and our partner countries ultimately are accountable for the successful implementation of our compacts.

We have a very small staff in each of our countries that we sign compacts with, a maximum of five people, generally a resident country director, an RCD, a deputy resident country director, a DRCD, a driver and admin person, and perhaps a PSC, a personal services contractor, who operates as a sector specialist. If in a country we were to have a significant infrastructure component, we might bring on board a fifth person who is highly specialized in that area.

Our RCDs and DRCDs are responsible for overseeing all compact implementation in country. They are our primary points of contact with the host governments, our partner governments, with donors, with the local and international NGO communities, with the press, et cetera. They also represent the MCC program in country with respect to our inspector general, the General Accounting Office, congressional delegations, staff delegations, et cetera. So they really are the spearhead of implementation with respect to our compacts. They are on the forefront of implementation and, again, the face of MCC in the field.

So perhaps before I invite the panelists to join us, perhaps each of the resident country directors and deputy resident country directors can get up and introduce yourselves and indicate which country you're working with. So perhaps we could start to my right here. Just the three panelists. OK. You'll meet them in a second. Perhaps we can move forward.

Matt, do you want to -- would you like to start?

(OFF-MIKE)

HEWKO: Is that everyone? Great. Thank you very much.

As you can see, it's a very talented group of individuals, and we've been very fortunate to be able to bring all of them back to Washington this week for a series of -- for an RCD conference where they can share ideas,

share experiences and provide senior management with specific recommendations on how we can continue improving our implementation process with our partner countries.

MCC is now changing its -- has largely been a compact development organization. We were established three and a half years ago, and the first priority was, first of all, to get staffed up, to get established as an institution, which we have now done, and to get compacts signed.

We are now moving into a phase where compact implementation will become our primary focus. We have signed compacts in the past few months with Mozambique, Lesotho and Morocco. El Salvador and Mali will be entering in the force his week. And we expect to sign compacts with Mongolia, Tanzania, Burkina Faso, and Namibia in the next six months, which brings us to have a total of 18 compacts signed with commitments totally about \$6.4 billion.

So I think it's been a very impressive achievement over the past three years to, again, have started with an institution that had nothing three and a half years ago, and, today, we have fully staffed up, will soon sign 18 compacts, again, with the commitment of about \$6 billion.

But we now need to move to the next phase, and that is really to focus on implementation and to intensify our focus on implementation. And, again, that is why we've asked our resident country directors and deputy resident country directors to come to Washington to have a robust series of meetings over the course of this week in Washington to consider ways that we can continue to improve our implementation mechanisms, to increase disbursements and to begin showing results on the ground.

Before I ask the panelists to come up, I would like to throw out two questions that I would hope that they can focus on in their remarks.

The first is: What measures of success are you seeing in your countries to date? What should MCC observers, those that are looking at MCC from the outside, which is critics and supporters, know about progress in your respective countries?

And the second question that I'd pose and put on the table is: What are the key challenges and what are the some of the winning approaches to successful implementation in your respective countries?

So perhaps with that, I would like to ask our three panelists to please come up to the podium.

Now we selected our panelists to sort of provide regional representation.

To my immediate left is John Wingle who is our resident country director in Honduras. John previously worked as an international economist at the Treasury Department, and he actually began working on MCC issues in 2002 as part of the interagency team that helped develop and establish the Millennium Challenge Corporation.

I am personally very much indebted to John. When I -- I think I was the 15th or 16th person to join MCC. I had two or three people in my department, and, at that time, John was an invaluable source of information and guidance. He was a walking encyclopedia, at least of MCC as of that moment.

Again, John, thank you very much for your support in those early years.

Randy Wood is our deputy resident country director in Benin. Prior to joining MCC, Randy was employed by USAID and the U.S. Army Corps of Engineers during the Hurricane Mitch reconstruction program in Nicaragua.

And then finally, Colin Buckley. Colin is the resident country director in Georgia, and prior to joining MCC, Colin worked for the IFC as a specialist in corporate governance.

So perhaps, John, we could start with you?

WINGLE: Thanks, John.

It's a real pleasure to be here and to see a number of faces that we met with over the course of the development of the MCA before we even knew it would be implemented by the MCC. We spent about two years meeting with a variety of the development community, both the people that fund other development activities, those that implement development activities and those that provide policy advice and research about it.

It's very nice to see a number of the same institutions and the same individuals, and some of the individuals are still actually with the same institutions here today to talk about MCC.

I'd like to go over a few of the successes that we've seen, but I'd like to focus most of my time on the challenges. I think the challenges have been the most interesting part of working with the MCC.

The government of Honduras signed a compact with MCC in 2005 for \$215 million, one rural development project, one transportation project.

In the rural development project, we signed our first contract about a year ago, and I'm proud to say that we now have our first beneficiaries that do not wear suits. That was one thing that I was very focused on, having worked for four years from beginning of the implementation of the legislation through the whole process, all of the legal proceedings that had to occur, all of the precursors. Getting to those first beneficiaries was personally very rewarding.

We've seen already in the first year of implementation a number of farmers that have doubled their incomes, going from either low-value crops or basic grains to high-value crops, and I think the key to this is then putting the right incentives in place for the farmers to respond to, giving them both a combination of business training as well as agronomy skills.

So we've been very pleased with that.

We're nearing the point where we'll be launching the bidding document for the road project, and so we expect to see some groundbreaking probably some time in spring of the next year.

But I'd like to focus most of time on the challenges. I think we've really learned the most from the challenges.

I think our first big challenge that we confronted was in the aspect of procurement, that implementation really when you come down to it is converting money into goods and services, and that turned out to be a huge enormous challenge.

Now why was that so valuable? It's because we put the responsibility on the country to do a lot of the procurement, and the learning process that occurred, not just from the individual procurement professionals, but from the government who is responsible for overseeing it, really, I think, was a valuable educational process in explaining the importance of not having a conflict of interest, having board members recuse themselves when they owned a company that might be bidding, and a whole educational process surrounding that, talking to the press about the controls we put in place in a procurement process and the importance of having very clear, objective criteria, having independent evaluation panels, and all of the other things that are important.

So, although it's caused us some delays, I think the processes are very important. Yes, we probably could have just done the procurements ourselves internally faster, but I think you would have lost on that capacity-building impact.

The second big challenge we had was with road maintenance. When I went to Congress to present the compact and asked for approval from our Congress, their biggest concern is, "We do not want to fund a road that will not be maintained." There's been a history of the United States government through bilateral and multi-lateral efforts funding roads that have not been maintained. "How will you assure they have sufficient funding?"

So one of the conditions present in the compact was that they increased road maintenance funding to a level that they themselves thought was necessary to maintain the road network. Unfortunately, when it came time to submit the budget, the money wasn't there, and so MCC for one quarter had to suspend funding to the transportation project. That was painful, but I think it was immensely important to preserve our credibility, to say that "If you don't meet the conditions present that we think are necessary and that you agreed were necessary in order to make the program successful, we're not going to disburse funds." So it was painful, but I think it was a valuable process.

They came back afterwards, increased the funding to \$45 million, and part of the implementation of the maintenance plan was requiring quarterly reports. It was the first time that the road maintenance institution had to present reports to anyone. They went not only to us, but to the board that's responsible for overseeing the

road maintenance fund that should have been receiving these in the beginning, but had never received a report, and this has caused a lot of interest in how those funds are being used and how those funds are being allocated. So, even though our funding for our road project hasn't yet begun, their funding is now being used more efficiently because there's more transparency in the way they're allocating that.

Our third big challenge has been on resettlements. Any road project that involved the expansion of a highway or an expansion of a railroad necessarily entails resettlements. MCC requires that countries compensate their affected parties for the full market value of the land and that they make sure that the person is as well off as they were without the road. So it's not just buying the land for cadastral value. It's not just buying the land for market value. It's making sure that they restore their livelihood strategies.

This is not something that has been done in the previous projects, and so I think we're also raising the bar on resettlement. Yes, it's taking more time. Combining resettlement with procurement -- it's taking a lot more time. But I think it's worth it and I think we're seeing the benefits of addressing these challenges head on, and I think our challenges can become our biggest successes.

With that, I'll turn it over to Randy.

Thank you.

(APPLAUSE)

WOOD: Good afternoon. I'm Randall Wood, deputy resident country director for Benin, and I'm happy to be here, and I'm thrilled to see that it's standing room only, which I think speaks wonders about the interest in the Millennium Challenge.

October 6, which I think is a week, two weeks away, marks the one-year anniversary of entry into force for the Benin program, and it's a phenomenal opportunity to be able to come back to Washington and talk a little bit about what we've been able to do and what we'll be doing in the near future.

It's a complicated project. In Benin, it's a \$307 million compact over five years. We have four major components. I'm sure you're aware that fully half of our program is focused on the Port of Cotonou, which is the economic livelihood for the nation of Benin.

here are a number of things that we can be proud of, and I think one of the biggest ones is that with only a year into our program, we already have begun to identify and to notice that some of the effects that we were hoping for at the end of five years have already begun to take place. I'll give you an example.

The focus on the port is to increase competitiveness, increase its throughput, make it more efficient and to encourage private-sector investment. This is the number one source of income for the government of Benin. It's probably the most important industry in the nation itself.

We are expecting to see growth in private-sector investment in the port at the end of five years. We've begun to see it already. We haven't even finished our first year of implementation, and I think that's a huge success story, and it speaks volumes about the confidence of the private sector in this program and the expectations they have for the program.

There's also been a number of opportunities within this program for us to identify synergies with other members of the Dar (ph) community. I'd like to just mention a few of them.

First of all, we've been working with the European Union for the construction of courthouses and our access to justice programs. We found a very clear tie between what we were hoping to accomplish in Benin and what the European Union is, and it made perfect sense for us to be able to link our programs together in a way that Benin wins, but so do both agencies involved in implementation.

We have also identified a very interesting opportunity in the port which will involve quite a bit of construction and dredging, and there will be quite a large amount of physical material produced. We have been able to link this to another donor program actually funded by a consortium of Islamic development banks in which they will be focusing on a coastal erosion protection program.

We've been able to link these two programs so that we are not only contributing to the construction and the rehabilitation of the port, but we will be able to use the dredge spoils that we produce to contribute to the coastal erosion program. This is a specific activity that will have a very dramatic impact on hundreds and hundreds of families living along the coast just to the east of the port.

With regard to challenges, I think, frankly, one of the greatest challenges we've been facing in Benin is managing expectations in an environment where everybody is focused so specifically on the results of the program. It's hard to wait five years. It's a five-year program. There's a sequence of events. We are only one year in, but we have four years to go. We expect to see results over -- on a continued basis over the length of the five-year program. We won't be seeing all of the results within the first year, and that's been a challenge.

Fortunately, we're working with an administration in Benin which has been a fantastic partner. They have supported us at every step of the way, and they have done everything in their power to make sure that what we need at every level to ensure successful implementation of this program has been made available to us, and that's been a huge help.

One of the things that I think has worked out mostly in our favor has been the consultative process, which, of course, was fundamental for the description and the development of the program in the first place, but because there's been a continued consulting process throughout the length of the program, it has encouraged a very high level of stakeholder buy-in throughout the first year, and we expect to have the continued very, very high level of interest and engagement from all sectors of society and government through the rest of the program.

This has been to some degree the backbone of our program. There is so much interest in the program and so many actors at all different levels of society who have been interested in participating in, contributing to the program at every step of the way. It has really, really profoundly impacted our ability to provide results, and we're looking forward to four more years of the same level of interest and level of engagement as we move forward.

That's it. I think I would prefer to wait for your questions since I can't possibly answer everything up front. So I'll turn the podium over to Colin.

(APPLAUSE)

BUCKLEY: I'm Colin Buckley, and I'm the country director for Georgia.

The Georgia compact was signed in spring of last year, so we're a little bit less than a quarter of the way through, which in the life of the compact puts us in those troubled teenage years.

The Georgia compact has five portions to it. We're rehabilitating a major road, we're rehabilitating a gas pipeline, we have an agricultural component that gives grants to around the country, we have an investment fund that aims to make rather significant investments in the tourism and agribusiness industries, and we have a rural infrastructure development portion which principally ends up being focused on municipal water projects and perhaps some irrigation.

I thought today I would sort of not talk about the money and the normal descriptions that you can sort of get off the Web site and off of the many materials and instead tell war stories. So I thought I would tell two stories. The first story has to do with program implementation and how we do that and how successful it can be. The other story is about policy change in Georgia.

In both of these stories, the linking part is that MCC took a risk, and it's often very difficult for institutions to take risks. It's often even more difficult for governmental institutions to take risks. But in both of these cases, we took a risk, and I think we've reaped a reward.

If I have any time left over after telling these two stories, I might talk a little bit about how you judge success from kind of the inside.

So the first story is a story about a pipeline. There's a gas pipeline that runs through Georgia. It runs from Russia in the North down through Armenia, and this gas pipeline is responsible for all of the heating gas for Georgia, and it also is responsible for fueling one of the largest electric power plants in Georgia.

The pipeline was built in the Soviet era and, curiously enough, it was never maintained. So it's long past its sell-by date, and when Georgia came to us with ideas for the compact, high on their list, you know, was rehabilitating this gas pipeline so that it could continue to serve the energy needs of Georgia. The whole idea behind

doing this initially was that we would reduce emissions from the gas pipeline in addition to making it more a more secure, you know, energy-delivering vehicle.

About the time that we were signing the compact, a survey came in that had been done on the pipeline which indicated that we had much graver problems than emissions and leaks from this pipeline. What the survey indicated was that there were sections of these pipelines that were subject to almost immediate catastrophic failure. These were places where the pipe went across a road at a river crossing, or it was going through a landslide zone or, in some cases, it was so corroded that there were actual holes in the pipe.

A few months later, in the spring of last year, an explosion on the pipeline just north of the Russian border knocked out the gas pipeline and stopped the delivery of all heating gas to Tbilisi in the coldest period of the winter, and those two events caused MCC AND MCG to rethink, and we were asked to see if we could do some emergency repairs to that pipeline on a very accelerated schedule, and so we decided to do that.

It's difficult putting compacts together. It's difficult implementing compacts. Changing compacts on the fly, I can tell you, is an extremely difficult thing to do. But we did it. We accelerated implementation of some of the money for the pipeline. We decided to use a Georgian gas company to oversee this, rather than bring in an external, you know, international firm, again in the interest of speed.

Recently, the sixth and last of those emergency pipeline repairs were completed. They were done for the first time by Georgian construction companies who had never worked on the pipeline before. They were overseen by a Georgian overseer, which had never overseen any repairs on the pipeline, certainly never to an international standard.

So we took a risk, and now we have the reward. We have fixed, completed projects in Georgia. We have demonstrated increasing capacity on the part of the Georgians, and I think we have got a very good example of country ownership working.

My next story has to do with corruption, and it's designed to show how the MCC model, in addition to just sort of doing what we do in the compact to make some pretty profound changes on the policy of the countries in which we work -- like all compact countries, Georgia had to satisfy certain criteria before it could be selected as a compact country.

Now Georgia was doing pretty well on the criteria in 2005 when we were thinking about signing the compact, but there was one criteria that it was not doing very well on, and that was corruption, and, unfortunately, corruption is one of those criteria that sort of knock you out immediately. If you can't satisfy the corruption criteria, then we don't do compacts with you. That's the general rule.

But MCC was convinced that the new government after the Rose revolution was committed to making changes in corruption, and they believed that Georgia should not be punished for the sins of its fathers, for the

governments that had gone before, and so we decided to sign the compact in late 2005, notwithstanding the failure of Georgia to satisfy the corruption criteria.

At the time, though, we explained in no uncertain terms that if Georgia did not pull up its socks, satisfy the corruption criteria the next year, that the compact was at jeopardy. But Georgia came to bat and knocked it out of the park, and the next year when we came back and analyzed corruption criteria, not only had Georgia managed to satisfy the criteria, which means it's got to be, you know, above half, you know, of its peers, but it actually scored in the top quarter of all of its peers on corruption.

And what's more important is that Georgia didn't do this once, it continued to do it. It continues to try and improve its policies. So, in the following year, Georgia improved on almost all of the indicators again. It was chosen by the IFC and World Bank as the top reformer in ease of doing business last year, and just today, Transparency International released its Corruption Index for 2007 that indicated that Georgia had improved by a further 21 percent, and now other than the Balkans, which really don't count since they joined the EU, Georgia is the best performing country in the entire former Soviet Union on corruption.

I arrived in Georgia, you know, over three years ago, and the idea that Georgia would be outperforming everyone else in the former Soviet Union I still find hard to believe.

Again, though, you know, I want to point out it was a risk. I mean, we took a leap of faith, but we were rewarded by that because of this notion of country ownership, because of Georgia's pride and Georgia knew that in order to continue the compact, they had to make these policy changes.

With my little remaining time, I guess I want to talk a little bit about judging success because I know we're at a period now where everyone looks at MCC and they're trying to figure out, you know, are we doing the job, are we not doing the job and how close are we doing the job, and there are a lot of matrices for determining that. People are looking at the amount of money out the door, the amount of commitment and so forth.

From my side, I think it's very difficult to judge by these sorts of general indices. ADA grant programs get money out almost immediately, and they deliver the money in a very flat fashion. Large infrastructure projects get hardly any money out at the beginning and then pump vast amounts of money out at the end of the period.

If I was looking at a compact country, I would look and see if they started doing the project work that the project has to do. Once you start doing the project business, it's basically done.

So, in Georgia, for example, you know, we have an investment fund that has now made its first investment. I'm confident it's over. They're going to keep making their investments. It's going to be successful.

We have an ADA program that's now made, you know, over 20 grants, over \$1 million. The risks are done. We're over the hump. It's going to be successful.

The rural infrastructure development project has started work on a municipal water project, demonstrated that they can do it, you know. Over time, they'll get all the money out. That's successful.

You know, the one project where we're experiencing problems is the road project which kind of indicates, again, the type of challenges that we face. I mean, what we do are large infrastructure projects, and we do them on a very tight time schedule of five years.

In Georgia, rising oil prices, the decline in the dollar, difficulties in contractors working in unstable political climates -- what they perceive to be unstable political climates -- difficulties of constructing roads in difficult, you know, regional areas, in this case high in the mountains, have all confounded us so that when we went out for a bid for road construction, our bids came back substantially more than the money that we had available. And so, you know, once again, we found ourselves on the fly trying to change the compact, changing the size of, you know, the road project or something else.

What helped us, though, is once again this notion of country ownership because in Georgia the strategizing and the drive to solve these problems on the roads project are coming from Georgia. I mean, the government very much considers itself not only a player, but the leading player in making this road project happen.

So far, as the prime minister recently told me and told MCC, that if there was a funding shortfall, Georgia was ready to put in some of the money to make our road project work. Now, you know, the MCC model has led to a lot of unique circumstances, so I think this might be one of the first times that we have an aid recipient that bails out the aid donor.

(LAUGHTER)

But it underlines the importance of country ownership. When we succeed, we succeed because of country ownership. And when we stumble, what is going to help us, you know, regain our footing and bring these projects to completion is also country ownership.

So thank you.

(APPLAUSE)

HEWKO: I'd like to thank our panelists for those very insightful and interesting presentations.

We now have about 15 minutes for questions and answers. I've been told that we need to stop promptly at 5:30, so I will try to adhere to that schedule. So, if anyone has any questions, please, if you could get up and state your name and the organization that you're with, and also to the other RCDs and DRCDs, to the extent that you'd like to intervene with a response to any questions, also feel free to do so.

Are there any questions or comments?

RUTHRAUF: Thank you. I'm John Ruthrauf with InterAction. It's an alliance of 160 NGOs, and we've been very supportive both in the development and the implementation of the MCC, but we also have points and questions that we're concerned about.

As you probably know, there are huge problems in the appropriations for this year, and Congress is very upset about payout, and I was wondering how -- and I know there's always delays and always problems, but the MCC established a rate of payout for each compact, as I understand, and I was wondering how close you are to that payout and, if it's significant, what the plan is to catch up.

I mean, we're getting -- to be honest, we're getting killed on the Hill. I mean, it's really tough.

HEWKO: OK, Panelists, do you want to -- would anyone like to -- in terms of specific country examples of what happened on the payout schedule.

WINGLE: We're guilty as charged. We are substantially below what was projected in 2005, and the person who oversaw the development of the compact is completely to blame on this, which, unfortunately, was myself.

There were a number of assumptions that went into that. I think we underestimated the difficulty of doing resettlement. I think we underestimated the difficulty of doing procurement and development in Honduras. And we were basically faced with two choices: do it right or do it quickly. And we unapologetically chose to do it right. I think we'll still be able to finish it within the five-year timeline.

I also think it's important to look more at commitments rather than actual money out the door. I think that's a much better measure of progress. You know, if we were to change it to give a 30 percent advance instead of a 5 percent advance to a contractor, that would get more money out the door. If our bids come in higher, that would get more money out the door. If our admin expenses were higher, that would get more money out the door.

And I don't want to be in a position of, when a bid comes in 25 percent under value, saying, "Oh, shoot!" You know, "We could have gotten 25 percent more money out the door." I think money out the door is absolutely the wrong measure of success, and I hope that message gets conveyed to Congress.

I think another constraint that we're facing is this five-year time horizon. If we have a contractor that's not performing well and we only have a five-year time horizon, that puts us in a very poor position if that contractor understands we can't fire them because we don't have time within the five-year time horizon.

So I think there's a number of things that, as you go up to the Hill, and I know you have very good Hill contacts, many of you in this room, can emphasize the message that when MCC was faced with a decision of doing it right or doing it quickly, we chose to do it right, and I think that's going to pay big dividends in the long run.

And the other issue is, I think, the five-year time horizon, while it has good intentions, can have some unintended implications. I don't know if Randy and Colin also want to comment on the particulars of their countries.

WOOD: The one point I'd like to add on that with regard to that question is that it's been very encouraging from the field to see the learning process in action.

In the new model, with the emphasis on host country ownership, we are in an interesting position of being almost teachers with our colleagues in the field, with our implementing agencies. This is a new process for everyone.

What we've seen with a year or two years, depending on which country in particular we're speaking of, is that the first procurements took a little longer than we expected, but the subsequent procurement processes have been faster -- and significantly faster.

We are seeing a curve which indicates to us that the new processes -- the regulations are being assimilated. There's a learning process that is encouraging countries to come up to speed, to learn from their mistakes, to learn even from other mistakes, and to put best practices into practice.

BUCKLEY: I guess my view is that the projections that were included in the back of the compact I don't think were ever intended to be, you know, the index of our success. People look at disbursements because they struggle to find some proxy for success.

As I said at the end of my discussion, I mean, if you want to find out whether a project is successful or not, it's a little difficult. You have to go out to the country. You have to look at every one of the projects. You have to determine whether the project is the type of project that spends money aggressively or less aggressively.

In the absence of that work, the easiest proxy is to simply look at money, and given that we added these, you know, protections at the end of our compacts, which were not really designed to try and determine whether we were successful or not -- I mean, for an example, in Georgia, of \$300 million, \$150 million was projected to go out in the first two years, and we had a lot of room at the end of the compact that was kind of safety room.

That didn't really mean that we thought \$150 million were going out in the first two years. We thought in a sense that in the most aggressive situation, we might have \$150 million go out. If it didn't go out, we had all of this kind of safety built into it.

So my response would be if someone starts, you know, questioning us on the disbursement, hey, the disbursement's a proxy for success. There's better indicia of success, OK. I mean, we have projects that are up. We have beneficiaries. We have projects that are completed in Georgia. We have, you know, 22,000 farmer beneficiaries, a million dollars out in grants. It's working, and, you know, policy changes.

Let's look at the genuine indicia of success and not what's turning out to be not a terribly confident proxy for the success.

HEWKO: Yes?

SCHWARTZ: Hi. Gayle Schwartz from RTI International.

I was wondering if you could comment on your respective exit strategies and what your anticipated impact will be on economic growth and poverty reduction.

Thank you.

WINGLE: Yes. Exit strategy. Sustainability. I think both those issues intertwined are very important, and, as I was speaking about the road maintenance issue, I think that's one of the key aspects on the transportation project, is to ensure that these roads are well designed and that there's funding to ensure that they're maintained.

It was interesting that a very high level government official in Honduras asked, "Why do we need to put money into road maintenance before your particular road is built? When your road is built, we will maintain your road."

Well, money is, of course, fungible, and it was a very difficult political battle, and John was instrumental in making sure that this came forward. I think John came down twice basically to reinforce this message, that if there -- you know, "If you're not carving out enough money early in sufficient resources to maintain the entire road network, we can't go forward with it because we can't be sure that it will be sustainable and there will be a good exit strategy."

On the rural development side, I think the same key messages are being reinforced. That's why we have an access to credit program that is very focused on ensuring that farmers will have long-term access to credit by working with the banks to develop new credit products, by working with the farmers to develop a credit history, by working with the farmers through our farmer training and development program to not just teach them how

to grow crops, but to teach them the small business skills that will allow them to build the market linkages and understand the business aspect of it, that will allow them to continue on after the program's closed.

A lot of development programs in the agricultural sector have suffered because they focused on the production side while the implementer took care of all of the management aspects and all the business aspects, and if you don't instill that knowledge within the beneficiary so that they continue on beyond the life of the program, you won't have the sustainability that you need.

So I think sustainably is certainly something very important and worth continuing to address it.

(UNKNOWN): Hi. My name is John Corless (ph). I have a slightly different angle question which is -- a three-person team is a relatively small number of people, and five years is a relatively long period of time. What has the experience been like of having three people plop down in a country? I don't know if you've got families, you know, with you, and how does that impact just getting started on the project and being effective?

WOOD: Thank you. That's a great question. I'd like to point out, though, that it's a much bigger team than the very few resident country directors and deputies that you see here. There's an enormous host country accountable entity. In the case of Benin, it's 61 people who are directly charged with the implementation of the program.

The RCDs and DRCDs play an interesting and challenging role of sort of being the link between MCC in Washington and the accountable entities. We spend a great deal of our time making sure that the accountable entities know what is required, making sure that they understand the rules. We act as facilitators. We act as problem solvers. We make sure that they understand what is expected of them. We spot check to make sure that the rules are being followed. We make sure that the United States government is credited with this program where appropriate.

So, although the American presence in country is only one, sometimes two people, there is a much bigger team staffed fully with host country nationals of the countries where we're doing business that are working, I can assure you, extremely long hours to make sure that these goals are met within the five-year timeframe.

OWENS: Yes. My name is Gene Owens, and I'm an independent consultant.

The point I'd like to make -- and I think you've addressed it a couple of times -- is that what's unique is that the compact is integrated in a fashion that is totally a part of the national economic development strategy. So you can -- and I'm wondering whether there's been thought been given to the kinds of tools that will be used to measure the economic impacts, not just of the compact itself, but of the overall economic change over the five-year period.

BUCKLEY: That's a softball for me. Georgia has five projects, but they all overlap. A lot of them have to do with agriculture, a lot of them have to do with tourism, which are two businesses that are critical to Georgia's future.

There's an area in the South of Georgia called Samtskhe-Javakheti, which is a beautiful area, high tundra plains, but it's in winter impossible to access from the rest of Georgia, and even in the summer, it takes almost an entire day of driving on painfully bad roads to get there.

Samtskhe-Javakheti is important because almost all of -- each of the five projects in the compact could affect Samtskhe-Javakheti, and so early on the monitoring and evaluation staff at MCC and also those in Georgia came up with an idea of economically modeling Samtskhe-Javakheti as a whole to study not only what happens immediately from our grant recipients, but to understand what happens from the compact as a whole, from building this road, from changing water systems, how it spreads out across the entire region.

So, you know, as you know, one of the key parts of MCC is monitoring, evaluation and finally coming up with really strong, robust economic analyses of what the effect of some aid is, and I think this is one of the, you know, jewels in the -- at least in the early country's analysis of that.

ROGERS: I'm Terry Rogers from the International Housing Coalition.

I wanted to ask Randy about the access to justice project in Benin. It's very interesting. I've read about it. I've read the compact. And I know you're only one year into your compact, but I'd like to hear a little bit about the challenges and possible successes strictly with regard to the land right issues.

WOOD: OK. Thank you. Your question actually is a question that cuts into both the access to justice program and the access to land program.

By way of a very brief background, the access to justice program focuses on strengthening the judicial system in a way that provides confidence to the public so that they can invest, particularly where business issues are concerned. The access to land program strengthens not only the land registry within Benin, but also helps provide titles to people in a country whose definition of land ownership has been to date oral.

With regards specifically to the access to justice program, your question was about some of the challenges. The challenges have been, I would have to say, interfacing with ministry or ministries which have to date not been accustomed to doing business at the velocity that we are. It's been sort of a continuous effort to make sure that there's absolutely no doubt that this is a five-year program. We will stop the clock at the end of five years, and it's extremely important that the turnaround on things that we require for the day-to-day nuts and bolts of implementing the program be provided to us.

There have been countless occasions where we have required, for example, input into, for example, the terms of reference for -- "This is something that we would like to see returned to us with the input of a ministry of justice within four or five days." It typically takes three to four weeks. And so that's been sort of a steady -- I'd like to say brake, but it's something that we've actually been able to address successfully over the course of the year.

Like I say, this is a new model and a new approach. It's taking, I think, some time for everybody to understand that there really is a deadline on this program.

With regard to the land titling program, the strongest linkages, I think, are between the land titling program and the access to financial services program in which you'd be able to eventually use your land title as collateral for a loan which you could then use to open a small business, but the success of both of these programs requires a strong judicial system and public confidence in the system that if they are going to use their land as collateral to open a business that if they run into trouble that the legal framework will support them.

That's been really -- I think it will be the key to success not only to that particular component, but to the program as a whole. One of the very interesting things about the Benin program briefly is that the four components have very strong linkages between them. So there's a synergy. If you have confidence in a judicial system, it makes you more likely to invest. Having title to your land gives you collateral, having access to financial services gives you access to the tool that you need to begin investment, and, of course, the access to markets program increases business activity in the economy as a whole.

I hope I answered your question.

HEWKO: We have time for one quick question, and then I'd like to summarize with some thoughts at the end.

So, yes, sir?

CABOT: Thank you. I'm Ned Cabot of Cisco Systems.

I'm aware, of course, of the consultative process that's involved in the compact development process, but I wonder if that consultative dialogue continues during the implementation of the compact. I can imagine that there may be dialogue related to monitoring and evaluation where you've done some modifications in the compact or a future compact, but I wonder if you continue to speak -- in addition to speaking with the government partners if you speak also with civil society and the business community and so on during the course of the compact implementation.

WINGLE: OK. Thanks.

Now one of the ways that we ensure that the consultative process continues is by incorporating several civil society members on to the governing modern of MCA Honduras. I think this is a fairly common practice across the other countries as well, and so we have four board members, two of which at any point in time have voting rights on a rotating basis, that represent a wide variety of civil society organizations, one of which is coming from the poverty-reduction strategy implementation group. So I think that helps a lot right there.

The rest of the answer really has to focus on a project-by-project basis. There's not a one-size-fits-all approach to how you can incorporate consultation. On the roads project, one of the most important areas is on resettlement and road design, so that involves going out and having a series of town hall meetings with the affected parties, explaining what the process will be, incorporating some of those suggestions.

In one case, I think this may result in having a cattle bridge or a cattle tunnel for the road because that was -- turned out to be a very important thing to this particular community.

It can also involve the location of bus bays to make sure that buses don't stop in the middle of the road that slow down the transportation time savings that you might have gained or that they don't pull over sharply off the road which cracks the road and causes drainage problems and causes erosions and causes big potholes.

And so consultation essentially takes on different forms in different countries.

I can give examples from the rural development side as well, but it looks like we're coming right up on the end of the session. But we'd be happy to talk with you about, you know, each different activity has a different way that this has to happen.

In some cases, it means getting a group of bankers into the room and asking them what would engender -- which is exactly the opposite of what you normally think of in a consultative process, a different group. They're not necessarily the beneficiaries, but if you don't consult with them on the design of the access to credit program, you might not get increased access to credit. You might design a program that has no demand.

HEWKO: I understand -- before I offer some closing thoughts, I understand that a number of RCDs and DRCDs were not here when I asked everyone to stand up and introduce themselves. Those of you that came in late, could you quickly...

(LAUGHTER)

Could you face the music and introduce yourselves to our audience?

(OFF-MIKE)

HEWKO: Anyone else? Great. Thank you.

I'd like to, once again, thank all of you for coming, and, too, to leave you with sort of four broad conceptual thoughts and summarize a bit about what has come out of our panel discussion today.

The first is that MCC has been through the early years of its existence focused primarily on compact development, as it should have been. We needed to get compacts signed. We needed to get compacts developed.

We are now moving to a new phase in the evolution of this institution, and that is we're going to continue getting compacts done with the countries, obviously, that we've not yet signed with, but there will be a renewed and intense focus on implementation and, again, I was very pleased that we were able to get all of our RCDs and DRCDs to come to Washington, again, to have this robust discussion, to start thinking about additional ways that we can -- additional methods and mechanisms we can use to make implementation more successful, to increase the rate of disbursements, to increase the success of the programs that we are financing with our funds.

The second idea is really a further response to the first question and a follow-up to what John Wingle said. I think, in my view, MCC is really a long-term investment program. We are investing in the long term. We're investing in results, we're investing in concrete results, and we're investing in country ownership and accountability. That's what we're really all about.

As John said, we're about getting it right. Speed is important, but much more important is making sure that we get the program to be a success, get it right, to allow our partner countries who need to grow themselves out of the need to rely on foreign assistance in the future.

Yes, we did in the beginning overestimate the rate at which we were going to be able to get disbursements out the door, but we're about quality. We're about accountability, we're about using taxpayer money wisely, and as was mentioned by our colleagues on the panel, the nature of the projects that we're receiving from our countries -- their choice -- are ones where you have a bell-shaped disbursement pattern, whether it's MCC or IFC or Bechtel) or the World Bank doing these sorts of projects. You at the beginning have a slower rate of disbursement that increases significantly in years three and four of the project.

Did we overestimate? Yes. Are we talking aggressive measures to deal with that and try to close the gap? Yes. But if we're obligating five years of funding up front, even on a straight-line disbursement pattern, you're only going to get, you know, 20 percent out the first year. So you'll have -- the nature of the beast is there will be obligated amounts that will not be disbursed because, you know, we're working on a five-year cycle.

The third point I'd like to make is with respect to our budget situation and the upcoming budget battle. The numbers that have come out of Congress, particularly out of the Senate are not helpful numbers in terms of moving the process forward. If we are given the Senate number, there will be a number of countries, one country in particular, with whom we will not be able to sign a compact in fiscal year 2008.

So, to the extent that those of you that are interested in MCC and interested in seeing that our funding level be at an adequate level, we very much appreciate and hope that you can interface with your colleagues in the Congress to emphasize the importance of maintaining MCC's funding level so that we can continue to sign high-quality compacts with our deserving partner countries.

The last point I'd like to make is about something that one of the panelists alluded to, changes that we really need in our legislation to work more effectively and, in many ways, to deal with the disbursement issue.

We're currently limited to five-year compacts, and the nature of the projects, again, that we are -- the programs that we're receiving from our countries are such that five years is pretty much the bare minimum that you need to get some of these programs completed, and we are operating, as our panelists have mentioned, on very, very tight timelines. If we could get that period extended to seven years or to 10 years, I think we'd be in a much better position to assure even further the quality and the success of our programs.

And the second legislative fix would be the ability to do concurrent compacts, and we need this, in my view, for two reasons. One, when countries come to us with a proposal, very often, they'll have three or four components. Two, for example, could be very well developed, ready to go. We could sign a compact immediately and start working. But then they have two components that are equally important and valid and good and that will lead to sustainable economic growth, but need a fair amount of time to design, to develop, to flush out, to do diligence.

And since you can only move -- if you can only have one compact at a time a country, you can only move as quickly as your slowest wagon, and so, in many of our countries -- and we now have experience with 18 that will soon have signed -- they have come to us with proposals that did have things that could have been immediately negotiated and put into a compact and immediately put into implementation, but we couldn't because we had to wait until the equally important slower components were brought on line.

And also we would like to have the ability to do second compacts. Many of our countries are showing success, have now crossed the hump, as Randy was talking about, of learning what MCC is all about. The MCA accountable entities are in place. You've got fabulous staffs in place. They've now gone through the first cycle of procurements and figured out how to do them in an accountable, open, transparent manner, and to the extent that we have the ability to do second compacts, there are many of our existing countries that we would like to begin that dialogue.

And so that would -- those would be the two legislative fixes.

And finally, my last thought in summary is that I think the measure of success -- there's a lot of ways you can measure MCC success. I think the amount of money that we have spent is one of them, but I think it's nowhere near the top of what is actually either a fair or a relevant measure of success as our panelists have talked about.

If one wants to talk about numbers, I think a much more realistic and useful measure of success in terms of money is how much have we actually committed in contracts of the compact amount. So, if we've given a country \$500 million, we're obligating the full \$500 million up front. The \$500 million will be disbursed out over five years, in most cases under a bell curve. That's just the reality of the types of things that we're funding.

So I think a much more useful measure is how much of that \$500 million is already committed to contractors to do the work? Once you've committed the contract, the money is as good as out the door. It's just a matter of the contractors fulfilling the work that they're going to be doing over the three-, four- or five-year period, and I think if you look at that measure, you'll see that we are doing fairly well.

And I think that one of our countries -- I was talking with one of the RCDs -- they hope to have by the end of the year or by early next year 80 percent of the full compact amount already committed under contract. Well, I mean, that's pretty much a done deal, and the money is going to then be spent and will be implemented and will be used according to the normal, prudent, reasonable, responsible schedule of payouts and disbursements that are in those relevant contracts.

So, again, thank you all very much for coming. I hope that you found the session useful, and...

(APPLAUSE)

I'd like to thank our three panelists and ask all of you to join us for refreshments next door and for a more quiet discussion with our various resident country directors.

Thank you.

END