

Event: Post-Board Public Town Hall Meeting

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COOPER: Good morning, everyone. My name is Chuck Cooper and I'm the vice president for congressional and public affairs at MCC. Welcome and thank you for coming today.

It's a very busy time for MCC. Over the course of the last week, we had two compacts—at least two compacts closed out, last week in Armenia and this week in Benin.

And even as we've had these two compacts closing out, we had a very active, interesting board discussion last week at which a new compact was conditionally approved with Indonesia and Tunisia was selected as eligible for a threshold program. So it's a very busy time and a lot of activity at MCC.

The board met last Wednesday, and today we've convened our quarterly public meeting to report out to all of you what happened at the board meeting. So we have a very active agenda. And what I wanted to do is just give you an overview of what we're going to be doing today, what the agenda is today.

First, we're going to be hearing from our CEO, Daniel Yohannes, who is going to be providing an overview of what happened at last week's board meeting and also will be updating you on recent events at MCC.

And then we're going to convene a panel discussion. And the panel will discuss the new selection system that the board approved last week. We'll talk a little bit about Tunisia as eligible for the threshold program.

We'll talk about the new compact with Indonesia that was conditionally approved. And we'll also have a discussion about some of the impressive results we're beginning to see in Armenia as that compact closes out.

So with that, I would like to introduce our CEO, Mr. Daniel Yohannes.

(APPLAUSE)

YOHANNES: Thank you, Chuck. Good morning and welcome.

And a lot has happened in the last 90 days since we spoke in June here at home and overseas with a lot of our partner countries. Now I know we have a very full agenda, so I'll be extremely brief with my remarks.

Number one: We made a decision to put the Malawi compact on hold based on some of the undemocratic activities the government took last July. As you know, this compact was approved last April for \$350 million, primarily centered in energy sector to help the country become more energy-secure.

Unfortunately, events that happened last July, the killing of civilians by police and the restriction of the media, led us to make a decision to put the compact on hold. It was one of the best-developed compacts. It would have benefited approximately five million Malawians and the projected income increase would have been about \$2.2 billion, so it was a big deal.

So we've had conversations with the leadership of the country. And they told us that they will change course. We are hopeful that they will change course.

We want them to change course. We want them to do the right thing.

So we're going to be monitoring the situation very carefully the next couple of weeks and months. And if, in fact, they change course, then we lift the hold. And if nothing happens, the board may have to make a decision either to suspend or terminate the compact.

And as Chuck indicated, we had a board meeting last week. It was a very robust discussion. And the board made a decision on three different items.

Number one: As Chuck said, they approved a \$600 million compact for Indonesia. We've been working with Indonesians for the last three years. It is a great program that is probably subject to some technical arrangements that must be completed in the next couple of weeks.

And the \$600 million compact is concentrated in three different areas. Number one is on bringing prosperity; two, on nutrition; and third, in modernizing the procurement processes for the country.

So you will hear more from Tom Hurley. And the team is going to tell you more in detail about the compact. But we are extremely excited to be engaged with Indonesia in the implementation of the compact.

And also, the board made a decision to make Tunisia eligible for a threshold program. As you know, Tunisia is in the middle of the Arab Spring. The country has passed most of the scorecard indicators, the matters that are worth the most. The only area they have not done well is in the democratic rights. So with the new regime, they have a commitment to do better in that area. We are looking forward to working with them.

And Alicia Mandaville, who's in here, is going to be leading the discussion on Tunisia. So we're excited to have Indonesia and Tunisia to our family of compact countries and threshold countries.

And finally, the board made a decision in a new selection criteria. The selection criteria we had in that past served us well. But it would not have served us well going to the future.

So we made some adjustments. Number one: We added three more indicators to the current 17 policy indicators, bringing it to a total of 20.

We strengthened the democratic hurdle by making sure that countries, in addition to the corruption indicators that they must pass, now, they're going to have to pass the democratic hurdle. And then they have to pass at least 50 percent of all the indicators in addition to at least one criterion in each of the three buckets.

So it's a new system. It is more predictable. It's going to bring a lot of stability and a lot of transparency.

Let me say this: This was not done in a vacuum. It took approximately a year for our professionals to consult with experts internally, as well as externally, in the last 12 months.

And in addition to the experts and the boards and everybody else, they spoke to over a hundred different stakeholders, Republicans, Democrats, NGOs, people in the left, people in the right, people in the middle, think tanks and people that were involved in the creation of the Millennium Challenge Corporation seven years ago.

So it was a very laborious, very detailed processes before they went to the board for approval. So I just want to thank the team. And you're going to hear more from Alicia and her team in a few minutes.

And lastly, Chuck told you about the closeout in Armenia and Benin. I was in Armenia myself—I think it was in June of this year. I have seen the programs that have been implemented.

I have been to the farmers' homes, both men and women farmers. I have tasted the fruits and vegetables they produce. And this is probably one of the largest irrigation infrastructure projects the country had undertaken in the last 50 years.

It's a major project. But it was done on time and on budget.

I'll be going to Benin next week to participate in the closeout of that program as well. Between Benin and Armenia, that now brings the number of compacts that have been completed in the last 11 months to seven.

I think that speaks well for the agency, speaks well for a model of selectivity, country ownership, transparency, accountability and the emphasis on results, because every single country was able to complete its compact on time, on budget, despite some political difficulties in some of our partner countries like Georgia and Honduras.

So we are thankful and excited with the partners we've had and with the results that would follow at the end of the private programs. So you'll hear a lot more on it from Jonathan Brooks, I believe.

With that, I will stop here, because we have a full agenda, and would be happy to answer your questions.

Yes, sir?

QUESTION: Thank you. We're interested in knowing how MCC now views Madagascar in light of them signing the roadmap to return to a normal (inaudible) with the U.S. and United Nations welcoming it back into the—welcoming it back into the U.N.

I know the—the last MCC compact was terminated. But it was about to close anyhow—and if you would consider them for a second compact still or (inaudible)?

YOHANNES: Like I said, I know that the Madagascar compact was terminated some time ago as a result of, you know, change of government by force. And, you know, we don't say—we're not trying to say no.

If countries do not abide by the same principles in which they agree upon, you know, we've terminated compacts and suspended compacts and put compacts on hold. So, having said that, I think that we're going to continue to monitor developments in the future. I think it's too early to make any kind of decision today.

And because we are working in a very constrained budget environment and we are still putting a lot emphasis on selectivity, I'm not sure when Madagascar will be able to qualify for another compact. I can't tell you that.

But, nevertheless, we'll make it clear whatever decisions we make. So thank you.

Yes, sir?

QUESTION: In relation to the indicators that have been changed now with regard to the qualification, what will you say to a country that's a candidate and are looking to be qualified and thinking now that the goalpost is always moving as they're getting closer to where they need to be?

YOHANNES: I think that's a good question.

Number one: You know, I can't tell you how many countries are going to be qualifying as the result the changes. Having said that, I think we all need to understand that, you know, even if they don't qualify for a program, I think the fact that they're making a lot of change is going to be good for those countries.

I mean, that's going to open up investment opportunities from the private sector. At the end of the day, change is going to be brought about primarily through investment in the private sector.

So government or investment like MCC alone is not going to be very sufficient. So they may not qualify for a program, but nevertheless, I think the key is, as long as they continue to reform, they're going to be able to attract investment within the country as well as from outside.

So I would say, continue to do what you've done best. Even if we have 10 or 15 countries that qualify for the program, I think we are going to be extremely selective because we are working in a very constrained budget environment. Our budget is about \$1 billion, approximately.

QUESTION: Thank you.

YOHANNES: OK, thank you. With that, I appreciate it. Have a great day, thank you.

(APPLAUSE)

COOPER: All right, I'd like to call the panelists up for the next part of our program. And we will be hearing from Alicia Mandaville, who's going to be talking about Tunisia. And she's going to be talking about the selection system.

We'll hear next from Tom Hurley. And Tom is going to be talking about the new Indonesia compact.

And then we're going to hear from Jonathan Brooks. And Jonathan is going to give us an overview of some of the really exciting results that we're seeing in Armenia.

So, Alicia?

MANDAVILLE: Great, thank you.

So I am lucky in that I have two topics to cover today, both of which I'm enthusiastic about.

So, first, to touch on the board's selection of Tunisia as eligible for a threshold program, so, as mentioned, the board met last week, on Wednesday. I'm pleased to say that they selected Tunisia as eligible to join the list of countries eligible for a threshold program.

Those who follow us know that this is not usually the time of year we make this kind of announcement. Normally, our board meets in December.

Why today? So in—in the early part of FY '11, the board met and at that time concluded that there was not, at that time, an appropriate country to select for the threshold program as a new threshold partner.

I think we can agree that, starting in January, a lot of things began to change in Tunisia and the region as a whole. And as we came to the final meeting of the fiscal year, the MCC and the board both felt that it was appropriate to look closely at Tunisia as a threshold candidate.

And Tunisia is a very strong threshold candidate. As the CEO mentioned, they have consistently come one indicator shy of passing the scorecard. They have passed it in the past.

Historically, the board's major concern has been around democratic reform and democratic governance. There is a beginning of a new transition in Tunisia. And so the board took that into full account and was pleased to select them.

In terms of the economic side, one of the things we look at closely in possible threshold partners is the—whether there's a good match between the new revised threshold program and the actual policies in place in the country and the country's attitude towards reform.

The new threshold program has been revised to focus on identifying and addressing policy-driven constraints to growth. My colleague, Sherri Kraham, can answer any questions more specific to the program.

But in light of some of the good pro-investment fundamentals and a diversified economy, Tunisia was a good match on that front as well.

So I'm enthusiastic to talk a little bit about that and can certainly answer any questions if people have them.

And I think we're supposed to go through all of the presentations and do questions at the end, so I will segue to myself to talk about the new selection system.

So I should have introduced myself, I suppose, at the beginning. I work on the team that actually manages MCC's annual selection system, which is why I'm covering a new threshold-eligible country, as well as updates to the selection system as a whole.

This is, as the CEO mentioned, something that our team has worked on for an extended period of time. We've been very focused on it for the last year. Some of the internal research around it actually began before that.

So this is something I personally have been working on for quite some time. And I'm really excited to unveil what an updated MCC scorecard looks like—well, not what it physically looks like, but what it contains.

So let's see. OK, this is—I'll just put myself to the side. I think that's OK. All right. So that's who I am. You don't need to go over that.

All right. So this is what I just want to talk through briefly today. You know, why did MCC look at its scorecard and identify updates or improvements to make? What exactly are we changing in the new updated scorecard? How have some of the stakeholder reactions been?

The CEO mentioned extensive consultations. I can verify that and then talk briefly about what some of the changes include.

So, why change? The system served MCC well for about seven years. We've been using roughly the same methodology since MCC's doors opened and roughly the same—with some changes, the same individual indicators.

So, why change? Well, MCC is a learning organization. And we wanted to understand, could we make the system better?

It served us well. But we've learned its strengths and its weaknesses. And if we can make improvements, we certainly want to. So we put a lot of energy into working inside this set of goals.

So there are a number of purposes that our scorecard serves. Identifying countries that the board can consider for MCC compact or threshold is the primary. But we recognize other things as well.

It's a basis for a policy dialogue. It indicates policies and areas that the U.S. government is concerned about and focuses on.

So we set for ourselves the goal of working—identifying whether or not we could optimize improvements across these four things, maintain a system that's performance-based and it's stable on a year-to-year basis; and it's credible, people believe we're measuring the right things; and that it's current; it's up-to-date to new research and new data that's available.

One piece I want to flag on the economic research side is a new development in the economic literature field since MCC opened its doors. It's only been seven or eight years. But the world changes in seven or eight years.

And, you know, research suggests that there's not a single recipe for economic growth. And that was something we really took to heart in looking at how our scorecard could best serve MCC.

All right. So this is a scorecard that you have all seen before if you've ever looked at an MCC scorecard. We have El Salvador up here because it's an income category that allows us to show you all of the changes. But it's a random selection.

A couple of things I want to flag, if you haven't looked at MCC's scorecard before. So each of the boxes on this scorecard, the individual small ones with either green or red at the top represents a data set that we rely on to measure policy performance in a specific area.

It's an independent data. We don't control the data. The government doesn't control the data. I want to flag that because that's a core piece of our system.

Second, to determine how a country has performed on an indicator, we take all the scores for every country in the income pool. And we stack them up top to bottom; then we take the middle score, and that's essentially that line that you see in the middle.

So to be considered passing an indicator, a country needs to score above that line.

The last is that the current rules in the scorecard—or the rules that we use, to date, on the scorecard have been requiring countries to be above that line on three indicators in each of those three categories: at the top, ruling justly; in the middle, investing in people; and at the bottom, economic freedom.

So what stays the same across the updated and the current system?

First is the control of corruption hurdle. This is a core element of MCC's scorecard and has been since we opened our doors. It's something we care about measuring. And it's something all of our stakeholders universally told us to continue caring about measuring. And it remains the same in the updated system.

The second is that we continue to maintain three visible policy categories. We are, by legislation, directed to look at these three areas. And the new scorecards will show those very clearly as well.

Lastly, this is hard to see, but essentially, the revised system maintains a reliance on independent third-party data that neither we nor the countries control. That—I keep saying that that is a fundamental element of MCC's scorecard system. And that was at the core of what we looked at going forward.

So what is updated then? So the first step is the addition of a democratic rights hurdle. When MCC has had to walk away from country partners, it's been due to democratic and democratic rights issues.

And so, with that lesson in mind, we worked very closely with Freedom House, which is the organization that provides this data for this, to identify a threshold that's already inside their methodology that the board could rely on as well as a hurdle.

So the new system would require countries—we found one—the new system would require countries to pass above this threshold on either political rights or civil liberties.

All right. So, second, the new system also is built on a pass-half-overall model in place of the three-in-each-category model. So this is a difference. To some people, this is the most significant change.

We're counting in a different way than we were before. It's consistent with the economic growth literature that I mentioned. There's not a single recipe for growth.

So we can say with some confidence that each of the things measured by the scorecard contributes to economic growth. But we can't say the proportion of each thing that is necessary.

By looking at a passing half of the indicators overall, we feel that the scorecard's more closely aligned with that research finding.

Also, for any math geek that happens to be in the room, there are some technical elements that are much more stable and predictable in a pass-half-overall system. I am happy to talk about that in more detail if people want to. But I suspect most people don't.

The piece just being a pass-half-overall stabilizes the system. It makes it more predictable in a year-to-year basis. Countries that are taking steps to reform their policy environment should see a more stable, predictable system.

It also allows them to be either introduced from brand-new indicators—which I'll cover in a second.

The next round of things is we made some technical improvements inside the indicators themselves and across the indicators, the first being, right now, we are taking a current indicator called natural resource management and we are using the four sub-sources that it currently includes and splitting them out somewhat more transparently.

So our environmental protection data will stand on its own as a natural resource protection indicator. That's new.

The other three sub-sources: access to water, access to sanitation and one-to-four child mortality will be combined in an indicator called child health.

Next, for low-middle-income countries only, we will (inaudible) the immunization indicators that use the WHO standard and threshold to set 90 percent as the threshold for passing.

And finally, for—also for LMIC countries, in lieu of data on girls' primary education, we will use data on girls' secondary education. We feel like this is a more appropriate area to concentrate on with low and middle-income countries, many of whom have already met primary education goals.

And finally, we can introduce three new indicators. And, to me, this is, I will admit, the thing I am most excited about. So the first up there on the far right, we would—the updated system replaces the previous voice and accountability indicator with an indicator called freedom of information.

This is brand-new. This is a new build that we worked closely with experts in the communities on their strong economic and governance reasons to think about the role of information in society. The rationale for including it on MCC's scorecard is extremely strong.

So we worked very closely with folks in the media freedom community, in the Freedom of Information Act community and the Internet filtering community—net freedom community—to identify and build an indicator that could measure this.

So this indicator relies on third-party data that we compile. It's the base of Freedom House's media freedom. It adds presence or absence of a FOIA Act and basically docks countries points if there's technical evidence of Internet filtering. This is new for MCC to include.

It's also data that didn't exist when we first came together. So that's kind of exciting.

Second, access—on the economic freedom category, the updated system, it also includes an indicator of access to credit. This is a sister indicator to our current (inaudible) to start a business. And it tells us more about what happens after somebody actually starts a business, so a little bit more information about the entrepreneurial environment in the country.

Last, the new system includes the addition of a gender in the economy indicator. This is in very strong keeping with MCC's gender policy.

It locates—this particular measure looks at whether or not the national legal system gives both men and women the same rights to different types of economic activity, things that directly affect people's ability to generate income like having a job, opening a bank account, starting a business.

It also locates gender directly inside economic freedom, which is not only in keeping with our—with our policy, but actually mirrors many of the things that our technical experts do and their diligence being a possible investment. Putting it in here elevates that to eligibility status as well.

So in sum, the updated system requires countries to pass 10 of 20 total indicators, including at least one in each category. It maintains the control of corruption hurdle that everyone has become accustomed to and recognizes.

It adds the democratic rights hurdle. It's a system with six ruling-justly indicators, six investing-in-people indicators and eight economic-freedom indicators.

I do just want to touch briefly on the range of consultations we undertook. So we talked to people across the board on the Hill side, both the House and the Senate; majority, minority, appropriators, authorizers; we reached out to NGOs and foreign assistance advocates.

We talked to think tanks ranging from the Heritage Foundation to the Center for American Progress. We talked to issue experts in every area that we considered including and some areas we didn't actually weren't able to include. This was an extensive series of consultations.

Everybody has questions about it. Some are very technical; some are very conceptual. But when we walk through the full package of changes and the rationale behind them and the way they fit together, people are generally very supportive of this.

What does that actually give us then? For my team and, I'd say, a couple of people here, that gives us twice the work for the selection system.

The board will consider both the current status quo scorecard, as well as the updated scorecard at the December meeting. That means, in November, you will see us post two sets of scorecards for every country.

To the question about, what does that mean for countries who have been trying to access—qualify for MCC funding, these systems are similar enough that any steps that they had been taking actually will help them with the new system as well.

So it doesn't—it changes the system. But it doesn't really move the goalpost terribly.

For MCC services, we think this gives us a better way to access—to assess country performance, something that's current and consistent with both research and new data that's available and a good way to identify country partners.

It also provides a better platform for policy dialogue, we think, with a number of the partner countries, those we're already working with and those that are looking to qualify for MCC.

I've been talking for a long time. So I will actually stop there and turn it to my colleague. I'm sorry.

HURLEY: Good morning, everybody. My name is Tom Hurley. I'm the deputy vice president for compact operations for Europe, Asia Pacific, Latin America.

I'm very new to MCC. This is my second month. And so this is very exciting for me to be able to present the very first compact I've been involved in, very marginally but in some way.

So with this compact, MCC and the government of Indonesia have agreed on a program that we believe is really at the cutting edge of the government's thinking on development and natural resource stewardship and, at the same time, plays MCC's strengths.

In Indonesia we have a partner with tremendous potential. It's a successful young democracy that is demonstrating robust economic growth, yet over half the population lives on under \$2 a day.

This growth has also come at the cost of unsustainable exploitation of the country's natural resources and its swift decentralization of power has weakened the state's ability to direct key resources to key development priorities.

And at the same time, we need to reverse the culture of corruption which really necessitates a very strong government response. So with this, let me describe to you a bit about what we've been doing over the past two and a half years.

So over these past two years, the government, with the support of MCC, has developed three projects, each of which builds on the momentum of reforms related to combating corruption, improving land use practices, slowing environmental degradation and improving social service delivery.

We began by examining closely the constraints to economic growth and the resulting analysis. And we then engaged extensively with government partners in an extensive consultation process which involves civil society, business leaders and other stakeholder groups. And I believe there's a picture of one of the consultations that were held throughout the country.

During this process, the government has been represented by a highly credible independent steering committee with members across the broad spectrum of business, NGOs, academia and the government.

And so this collaborative process led us to what we believe are three very exciting projects that support the government's own development priorities. So I will now begin to explain or describe for you the three projects. And we'll start out by the largest of the three, which is the Green Prosperity projects.

Now, Indonesia has incredible natural capital and biodiversity. However, while growing its economy to meet the needs of a growing population, environmental degradation cost the Indonesian economy over 5 percent of GDP per year. And these economic costs will likely only increase unless something is done to reverse this trend.

So how does Green Prosperity tackle this problem? First, it is foremost designed as a vehicle for sustainable economic growth that doesn't come at the cost of the environment, which is a national development priority.

It is focused on district-level institutions where decisions about land use are made. It will work with a variety of implementing partners and project sponsors at the local level, including local governments, civil society, organizations and private enterprises.

Importantly, the green knowledge component will help shape Indonesia's low carbon development trajectory at the national level, while also building capacity at the local level to sustain Green Prosperity investments.

The Green Prosperity project also includes both the project preparation facility and an investment facility. We believe that we need both of these together to ensure that we prepare and finance projects that are growth-focused and environmentally responsible.

These facilities are designed to catalyze private capital and support companies that are ready to invest in more environmentally sensitive ventures.

Our second project is the community-based nutrition to reduce stunting project. Over one-third of Indonesian children under the age of five are stunted. And by that we mean low heights for age.

After two years of age, the effects of stunting are practically irreversible and have a lifelong impact on an individual's productivity.

Stunting leads children at a higher risk of experiencing chronic disease, delayed cognitive developments, delayed enrollment in schools, reductions in academic achievement and thus future earning potential.

So how do we propose to assist? There are four important features of this approach. First, the project will better target resources to communities that have the greatest need and where the impacts to reduce stunting are known to be the highest.

Second, by limiting project interventions to those with the highest potential to reduce stunting and thereby ultimately increasing household incomes, we reinforce them to refocus on economic growth, while at the same time helping Indonesia address an urgent social need.

Third, this is the first project in Indonesia to provide incentives to the health system and private sector to work together to tackle the problem of stunting.

And finally, by contributing to a proven platform, this project complements other general efforts and leverages the resources in line with MCC's aid effectiveness principles.

So now I'll move to the third proposed project. The public procurement system in Indonesia controls the expenditure of nearly \$50 billion annually. It impacts the daily lives of every woman, man and child.

A recent study by the Corruption Eradication Commission, or the KPK, concluded that up to 40 percent of the procurement value is misused. If accurate, this means that Indonesia loses the equivalent of over \$15 billion annually in funds and diminished quality of public services.

The government started a program of procurement reform, including establishing the National Public Procurement Policy Agency in 2007. But what's missing are trained professionals who can administer a system based upon principles of transparency, openness, integrity and accountability.

So what we intend to do to help this project focuses on building a professional procurement workforce and on institutionalizing good procurement practices across a range of procuring entities, from large central ministries to local governments.

The government has already demonstrated the political will to tackle these problems. But they recognize more needs to be done.

As part of the compact, the government will make the procurement profession a part of its civil service for the very first time. This commitment is one of the reasons why we believe it's a sound strategy to support these efforts while building the economic case for them and us that procurement reform can have a huge impact.

As an example, if we could save the government from losing just 1 percent annually from procurement waste in fraud, while at the same time improving its ability to deliver services better, the entire compact would pay for itself in over five years.

So with that, I will conclude at that point and will take questions after the Armenia presentation.

BROOKS: Good morning. My name is Jonathan Brooks. And I work with the division in which we manage and now closed the Armenia compact.

And what I wanted to do this morning with all of you was share some quick background on the Armenia compact and then show you a couple of clips that I think will highlight some of the good work and the impressive preliminary results that we're seeing from the compact and then, you know, give you a few numerical examples of some of those successes thus far.

So, with that, let me jump right in and remind folks and maybe inform others that Armenia was among the first compacts that we've signed and became eligible in 2004. It became eligible in 2004. And we signed the compact with them in March 2006.

One of the things that was, you know, behind the—the Armenia compact was a recognition that while the country of Armenia had been in an unsteady growth pattern since the post-Soviet closeout—the post-Soviet collapse, that a lot of the rural poverty had remained pretty stubborn.

There had been decreases in poverty. But most of it had accrued in urban areas, particularly in the capital, Yerevan. And one of the things that the compact was seeking to do was to enable the country to make better use of its agricultural potential by increasing, particularly, its access to irrigation infrastructure.

The compact, in some ways, pursue the recognized linkages that there are for sustained agricultural productivity. And some of these have been evidenced in different parts of the world. And what it did is that it invested in irrigation infrastructure, agricultural training and, to a degree, roads.

One quick point about the stubbornness of the rural poverty in Armenia was the fact that many of the small farmers continue to operate small, fragmented parcels of land that had very little on-and-off-farm infrastructure, particularly irrigation infrastructure.

So these were some of the background that led into the formation of the Armenia compact.

The compact originally signed at \$235.7 million but completed at \$177 million, included two projects.

One was an irrigated agriculture project, which is what we'll focus on to a degree today, as well as a rural roads rehabilitation project.

The irrigated agriculture project—and you can see some of—I don't know how clearly you can see, but you can see some of the points of intervention across the country in the map. You can see we worked throughout the country and particularly sought to work outside of the—out of the capital.

It included activities that involve the training of farmers, technical assistance to agribusiness, farmer groups and water-user associations. It also involved the rehabilitation of significant networks of irrigation that were existing in the country and including the rehabilitation of major pumping stations.

I'd like now to start with the first clip, which is a 90-second clip which I think gives a flavor of the construction work that was involved in the lining of canals and the rehabilitation of some of these stations.

(IDEO CLIP)

BROOKS: So, with that, I wanted to now share with you some of the broad—the numerical results that we are gathering from the compact. And you know, these results, for the time being, are preliminary. As you—many of you are familiar, MCC will continue to, you know, pursue impact evaluations that will help us ascertain these results even further.

But what we are seeing thus far is pretty encouraging. On the—particularly the irrigated agricultural project, we have been able to fully rehabilitate 17 pumping stations that are going to enable lower energy and lower water loss in the agricultural sector and will make it more attractive for farmers to be able to pursue particularly higher-value agriculture.

One of the intentions here is that farmers will be motivated to move away from purely low-value agriculture into some higher-value agricultural activities.

We have been able to train over 45,000 farmers in on-farm water management techniques. We have also been able to provide over \$12.5 million in credit through financial institutions, another enabling catalyst in the agricultural sector.

More broadly, as part of the Armenia compact, some of the results that we're seeing also include the expectation that over 420,000 farming households will be benefited from the interventions that we've been able to make.

This should increase farmers' income by over 150 percent in a 20-year time frame. And the final thing that I wanted to mention is that the increases in rural income, also calculated over 20 years, are expected to reach over \$300 million.

As you can see, these returns on the investments that we have made in the Armenia compact are pretty solid. I'll be glad to try to answer some more questions and have some of my colleagues here who are also very familiar with the details of the Armenia compact.

But before I close, I also wanted to share the final bit of a clip which has some beneficiaries of the Armenia compact speaking about the impact on their livelihoods and on their hopes for a better future. And I know that's probably more (inaudible) than any of us here can do today. So...

(VIDEO CLIP)

BROOKS: Thank you very much. That concludes it for Armenia. And like I said, I'm glad to answer any questions afterwards.

COOPER: Thanks, Alicia, Tom and Jonathan, for your excellent presentations.

What we'd like to do now is take some questions from you. And I think what we will do is we'll take maybe three questions and then we'll let the panelists answer the questions. And I would ask you to state your name and organization before or after your question.

QUESTION: I'm curious about the Armenian project and Indonesia. To what extent were you able to attract private investors and industry and what are your measuring sticks for that?

And with respect to the Indonesian project, the alternative energy, the sustainable, you know, energy projects that you're looking at, I guess that's new. And what are your projections as far as being able to attract U.S. companies or other companies around the world to invest and augment what you're spending, you know, from your public funds?

COOPER: Thank you. Do we have another question?

QUESTION: I'm curious about the impact of gender on the projects. I know in the film I didn't see that many women—other than working, I'd like to find out in terms of women owning their own farms or at least providing income for their families through the farms, what we can expect out of the compact results from that?

COOPER: OK. Another question?

QUESTION: My question is more related to the implementation side of the project. Once you have decided to—to support a country with a compact, how do you support the—the government to go ahead and build the projects? I mean, the dams and the—or the—the (inaudible) itself?

I mean, how do you select the supplier, or do you want—how do you check and how are you sure that the government has enough (inaudible) capacity to develop the projects itself? Is that clear?

COOPER: How do you assist the government with regard to basically the implementation of the compact?

So should we take the first question with regard to private sector that dealt with Armenia and Indonesia?

BROOKS: As you may know from perhaps other compacts that we've implemented, private contractors are often beefed-up entities that are in place to execute the—and implement much of the—of the works that we've done.

I know that in Armenia that was the case. You know, we had construction firms originally on some of the roads. We also had, you know, private operators on the rehabilitation of the canals and in the rehabilitation of the pumping stations.

I am not familiar with the exact breakdown of those in terms of monetary value or their national origin. But, you know, private operators, I know, were very involved in the implementation of the Armenia compact. I'm happy to try to get more detail on that as well.

HURLEY: OK. In respect to Indonesia, I think what I had mentioned in the presentation is one of the interesting features of this compact was the extensive consultation with the private sector throughout the development of the compact, and that was going back two and a half years.

All three of the projects have the very important component with the private sector now. The Green Prosperity is the least defined at the moment because the projects have yet to be defined.

But there will be two financing windows (inaudible) going to be a window that will be relatively small-scale grants for communities, for community-based energy projects, and then a commercial window that we hope will catalyze and attract private financing.

On the nutrition side, we would be working very closely with not only the small food manufacturers, but some of the large multinationals to encourage and support food fortification.

So the private sector's role there—it's going to be huge. But I think, by far, what we could say is the procurement modernization project will likely have the greatest impact on the private sector and, in particular, U.S. companies, as was mentioned.

Because what we're trying to do is support the government's efforts to become far more transparent, competitive in its procurement practices. So the potential for U.S. business in general in Indonesia, we believe it's huge. And we think that that component could possibly have the greatest impact of all three.

COOPER: OK, good. And the second question was on gender. On the gender—and gender, broadly, how we factor in gender in developing and implementing a compact, but then specific to Armenia?

BROOKS: Sure. I can speak briefly to, you know—and yeah, I suspect you are also familiar with, you know, our integration of gender into our compact development and compact implementation which is, very briefly, as part of the consultative process as well as part of what we consider the beneficiary analysis that we construct as part of the compact development.

The impact on women is one of the things that we are specifically looking at. We now have integrated a process that we are—refer to as the gender milestones, in our compact development and in our implementation process, that I'm glad to share more information on—on with you.

Regarding the Armenia-specific example, I recall there was a substantial percentage of the farmers who were trained that were women. But my colleague, Rebecca Tunstall, who is on the Armenia team and has been working on the monitoring and evaluation of that compact, is here with us. And she is able to provide us with a little more detail on that.

TUNSTALL: Sure. I would just add that I think the percentage was around 20 percent to 30 percent women who were participating in the various training programs in Armenia. But I think it's also important to note that we will be doing ongoing monitoring and evaluation of the compact.

And as part of the impact evaluations that we have planned, we will be looking, trying to decide, to date, what the impacts were for men who participated in the program versus women. And we have some qualitative studies that we're also happy enough to do that. Those results will be ready, hopefully, early next year.

COOPER: We have Cassandra Butts with us today. And Cassandra has led our gender initiatives. So maybe, Cassandra, do you want to come up and just say a few words about gender and—and—and MCC's approach to gender?

BUTTS: (OFF-MIKE) my colleagues have done a good job of describing it. I think one of the advantages or one of the things that we're very proud of, under the leadership of Daniel Yohannes, is that we prioritize gender into our corporate strategy.

And so, we are doing a lot more to focus on gender. And Jonathan mentioned what we're doing in terms of the milestones of implementation.

You know, quite frankly, one of the challenges that we've had is our gender policy came after MCC's creation. And so, in some of the earlier compacts like Armenia, gender wasn't fully implemented into—or integrated into the compact development.

But we're doing a much better job. And we're particularly focusing on monitoring and evaluation to ensure that gender is taken into account and that we can disaggregate how women and men are taking advantages of our investments. And so, we're making progress.

COOPER: Thanks, Cassandra.

We had a third question which dealt with how does MCC assist countries to build capacity and to implement compacts?

BROOKS: OK. I'll take a stab at it and perhaps can fill in more detail.

The—the agreement with a country is, you know, the fundamental part of the relationship between—with MCC as part of the compact. And the sort of the capacity-building starts even from the development of the compact in many ways.

You know, we ascertain with the government what the capabilities that are in place in order to be able to implement a compact. After we have had a period of due diligence, so we've each explored, you know, what are the interventions that are going to have the greatest impact?

As part of that, we're also looking at, you know, what is the capacity to implement those activities?

We're also interested in how can MCC support the implementation of that and sometimes support the development of the capacity to sustain that.

It manifests itself differently in different countries. But I think a standard throughout MCC has been that the work that is undertaken by the accountable entities that implement these compacts in the countries have been a real nucleus of strong capacity in the country.

Those entities are often called from different parts of the country and have very high expertise that, as a result of their experience in the compact, also continue to spread that throughout the government and throughout the country.

Like I said, it manifests itself differently in different compacts. We actually have, you know, some compacts in which the effort at developing capacity within the different entities of government or other parts of the society is explicitly built into the projects. But I'll leave it there and try to follow up with you if you have anything further.

COOPER: Other questions?

QUESTION: Thank you very much for your presentations. My question is for Ms. Mandaville.

You spoke about the reinvigoration now of the threshold—at least the threshold to eligibility, and perhaps that may lead to more threshold programs. There was an evaluation which looked at how especially initial threshold programs have worked.

And as you go forward, what can you tell us about the threshold program? Historically, what more can you tell us?

Historically, USAID has been an implementing partner with MCC on the threshold program. So as you look at Tunisia and perhaps other potential work, how do you see the relationship evolving with USAID, if at all, in that arena?

Thank you.

COOPER: Thank you.

Another question?

QUESTION: And I just want to first say that in the—Tom, in light of the Indonesia compact, I think the—the recognition of national capital is a key component of growth, and on the flip side, environmental degradation as a limiting factor for growth is—is really innovative, and for the MCC, is a great step forward. And—and I want to congratulate the Indonesians and—and the compact development team for—for moving forward on that.

I think it was a—a tough—tough process and—and the outcome is—is looking really good.

The specific question now is in terms of this joint goal for poverty reduction as well as enhancement of or reduction of environmental degradation, there is a hard line in terms of the poverty reduction criteria.

The (inaudible) methodology provides a threshold to ensure that projects do that. I'm curious if there is going to be or what the envisioned criteria would be to ensure that there are also positive non-zero outcomes on enhancement of natural capital or reduction of environmental degradation.

Thank you.

COOPER: Thank you. Let's take one more question.

QUESTION: I have a question regarding the programs in Tunisia. You spoke briefly about the transition and their having election shortly. And I was wondering what specifically the MCC would be doing there program-matically, and mostly economic or...

COOPER: OK. So, Alicia, the first question dealt with the reinvigorated threshold program and what we've learned from evaluations of the program.

MANDAVILLE: I'll just mention briefly the timeline that the revisions of the threshold program happened on and actually ask my colleague Sherri Kraham to answer more directly. She manages our threshold division and can actually speak, if it's OK to roll together the first and the last questions to the way threshold programs work a bit now, addressing Tunisia.

So the threshold program was originally reevaluated and then a new style of programming designed over the last year. So that's not new as of right now. That's something we've been working on for a while. Sherri can speak a bit more to that. But it's worth (inaudible) for everyone that, when a country is selected as eligible for a threshold program, we don't at that time know exactly what area the program will be focused on and we don't know the dollar amount for that program.

The way the program works, there's a heavy diagnostic process that we undertake with the country. And so that's the answer to the question about what exactly we will be doing in Tunisia. It will only unfold as we work more closely with the Tunisian government to identify that area.

And I'll ask Sherri to—to talk a little more about the new threshold program.

KRAHAM: Thank you.

And as Alicia talked about the selection process review, you've alluded to the review that we did at the threshold program. That also was a very in-depth review of the program overall and it took into account some of the independent impact evaluations that we had conducted of several programs, all of which are available on our website.

It resulted in us developing a body of lessons learned and a new program designed to address those lessons. One thing that we are very committed to is that MCC will play a much more involved role in the threshold program going forward.

We've developed some lessons also from the compact side that we can apply to our new threshold program. One of the main lessons is that using the indicators which served us very well, as Alicia spoke to, to select partners—these are not excellent tools for diagnosing what types of reforms a country might need to do to improve performance.

So one of the things that we will be doing is a much deeper diagnostics of the policies constraining growth and development in a particular country, rather than use this, sort of, one-size-across-country comparable set of indicators.

So we'll be doing very—deepening our diagnostics. We'll be deepening our political, economy and feasibility analysis of any reforms that are proposed by the country. We'll be much more selective in what we fund.

We're working to improve the program logic so that there are outcome-level indicators identified up front. One of the challenges that you can see from our earlier evaluations is that some of the program (inaudible) as strong as it could have been. And it was very difficult to measure. So we'll be drawing some of the tools from monitoring and evaluation applied to compacts to our threshold programs, too.

In terms of USAID's role and how it will work in Tunisia going forward, you know, this is a critical time in Tunisia because this reformist government is thinking through how to address some of the constraints that it has faced, creating some of the economic problems that bubbled over in terms of—the changing government.

And so we'll be working with the government to apply some of the diagnostic tools, constraints analysis, to some of these economic challenges. And we'll be doing this in close consultation with other parts of the U.S. government, as we have done in, most recently, in El Salvador through the Partnership for Growth, which is a cross-cutting U.S. government effort.

We think there are lots of assets and experience that we can draft from across the USG to work with the Tunisian government in partnership. Other aspects that we hope to draw from our compact is a deepened consultative process and a much more inclusive approach to partnership. So that's our next step in Tunisia starting this analysis in partnership with the government of Tunisia.

COOPER: Thanks, Sherri.

KRAHAM: Thank you.

COOPER: We had a third question about ERRs and the Green Prosperity project in the Indonesia compact.

Tom, do you want to speak to that?

HURLEY: An excellent question. First, let me state up front that we will—our investment criteria still stands. And we are going to require an ERR 10 percent for all projects. OK. So that's non-negotiable.

The challenge of coming up with the results measurement framework for Green Prosperity is that these projects have not yet been defined. And so we do know that we do have a lot more work to do and a lot more refinement on that.

But the short answer to your question is absolutely yes because, you know, we think it's very important that we monitor and track the outcomes—and the environment outcomes of the project.

That's not meant to be a replacement for ERR. But we believe it's a very important objective of the program that will be defined over time. And, in fact, the team is working on this right now as we speak across town in a, sort of, a two-day summit. But good question, and we will be looking very carefully at that.

COOPER: Question over here?

QUESTION: What we've noticed in the case of Armenia is that once they received the compact, their assistance levels under AID decreased. And I've heard that happened with maybe another example so—where a country received a compact but their assistance levels for economic support funds decreased as a result.

Has—has that been the case in other countries?

Because that creates—creates, kind of, a disincentive to meet the criteria if they know that, once they get a compact, their economic support funds will decrease.

COOPER: OK. Do we have any other questions? Yes.

QUESTION: I just returned from Indonesia on Saturday night, as a matter of fact. And I'm fascinated by the compact and the selection of the three programs. And my partner and I spent a lot of time in (inaudible) Indonesia over the last month. And there is so much infrastructure, and so I'm just—I'm, kind of, surprised, having been part—having been a contractor for MCC for a long time, that we don't see more heavy infrastructure emphasis.

So I wonder just if you could comment on that or if you see this as potentially a trend in the future—although, also, having completed some major works in Indonesia, we love the fact you guys are going to work on procurement reform. Thank you. Where were you five years ago? But thank you.

COOPER: Do we have another question? OK.

So the first question was Armenia-specific. And it was, is there a relationship between MCC assistance and a decrease in assistance in other areas from the USG? Alicia, do you want to talk about that?

MANDAVILLE: Yes. So the phenomenon you are referring to, that is something that has occurred in some countries and not occurred in other countries. So it's not that there is a consistent one-for-one relationship between the way MCC identifies country partners and works with them to develop and then funds compacts.

We work on a strange timeline compared to most of the rest of the U.S. government in that the country is selected; it's about a one-to-two-year process to develop a compact and partnership, the country and MCC together.

And then there is a five-year implementation window. So we act in about seven-year chunks. That's very different from most of the rest of the U.S. So there are times where the budgeting system appears to look one way. And there are times where a year on year budgeting cycle, at the USAID, or the State Department, looks very different.

So there's not a one-for-one. That's a, kind of, long-winded way of saying that. But I want to give enough information that I didn't just say that it's not a direct relationship in all of our partner countries.

COOPER: And our second question dealt with Indonesia and why not more focus on infrastructure?

HURLEY: As I said in my intro, I'm very new to MCC. So I'm - I'm going to ask if any of my colleagues want to chime in on this.

But what I will just go back to, sort of, the original constraints analysis because of the MCC model is very much driven by what is identified during that constraints analysis. So if, as you've said, if infrastructure is not a major constraint or not viewed to be a major constraint, then that would inform that decision-making process.

I don't think you should read in too much to this because every country is different. And I don't know enough about Indonesia to be able to speak definitely on that. But I have—Martha, do you want to—she was very much a part of the team that selected the projects (inaudible). So maybe Martha Bowen could supplement here.

BOWEN: Thanks, Tom. I'm Martha Bowen. I'm the program officer for Indonesia here at MCC. And that's a really great question.

When we first began our engagement with Indonesia, they were very interested in, you know, what are the infrastructure possibilities? You know, people look at MCC; they see that we do a lot of infrastructures. So that was one of the first topics of conversation.

As they got to know our process more and the kind of donor that we are and the differences that we have, they really, kind of, shifted their focus somewhat. And they started to think about how they could, sort of, use MCC to do more, sort of, cutting-edge, more, sort of, new, innovative projects.

And if you look at the three projects—that's really what ties them together. The nutrition project is the first one supported by a donor to support stunting prevention rather than treatment.

The procurement modernization project, obviously, is at the cutting edge of their own reform thinking around this area. And then Green Prosperity is a very exciting way for them to engage with the local level around low-carbon development.

As you know, Indonesia has got a lot of infrastructure activity going on right now, a lot of large national projects. And they really viewed us and what we had to bring to the table as a way to do something new, something unique and something more innovative for themselves.

COOPER: Thanks, Martha. Do we have any other questions?

All right. With that, I would like to thank our panelists. And I would like to thank all of you for coming today. Also, I'll let you know that, on our website, mcc.gov, there's going to be a transcript and a video of this meeting. So if you need to refer to that, you can. Thanks for coming.

(APPLAUSE)

END