

MCC Quarterly Town Hall Meeting

Speakers:

Daniel Yohannes
Chief Executive Officer
MCC

Chuck Cooper
Vice President, Department of Congressional and Public Affairs
MCC

James Parks
Deputy Vice President, Department of Policy and Evaluation
MCC

Sherri Kraham
Managing Director, Cooperation and Policy Improvement
MCC

Andrew Mayock
Deputy Vice President for East and Southern Africa, Department of Compact Operations
MCC

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YOHANNES: Good morning. Welcome to the Millennium Challenge Corporation. For those of you I have not met, my name is Daniel Yohannes, I am the CEO for the Millennium Challenge Corporation.

And today we have some special guests from Zambia and Niger, let's say hello to them.

(APPLAUSE)

We also would like to welcome our U.S. Ambassador to Niger, Madam Bisa Williams.

(APPLAUSE)

And this morning, I'd like to take this opportunity to talk to you about some of the highlights for the first quarter and the decisions made by the board yesterday.

First some of the highlights, we've had a very good quarter. I went to Cape Verde to sign our first second compact with that country for \$66 million which is primarily concentrated to help that country secure and water and sanitation projects.

What was amazing in addition to the compact signing, was I attended a half day workshop or seminar that was sponsored by the Cape Verde government which partly talked about how to make that country more independent from foreign aid. Cape Verdeans are great partners and the last couple of years have graduated from a low income country to LMIC and they are on a path to be graduating to a middle income country where aid is no longer needed. So they have been great partners, they are a great model for the region.

Alan Patricof, a board member, and I also traveled to Ghana to see the completion of their first compact, where we invested over \$550 million primarily in three sectors, agriculture, infrastructure and education.

In education, we built over 235 schools, primarily middle and high school. And, in fact, I met with a number of those kids, it was touching; these are kids that never had classroom facilities before.

And then also I visited with a number of the farmers that we trained. In Ghana alone, we have trained over 65,000 farmers in the use of modern technology and also provided those farmers with microcredit. And also, we have provided them with over 600 kilometers of roads so that they have access to markets.

And of course, the last day, the highlight of the day was primarily the inauguration of the George W. Bush motorway, a six lane highway that's expected to cut transportation time by almost 60 to 80 percent.

So our friends have done a great job in implementing the first compact as well as creating the conditions to make sure our investments are sustainable in the country. So kudos for our Ghanaian partners.

And in regards to the board decision, yesterday, the board made three important decisions. Number one, they approved two million dollars in funding for Niger's Threshold Program, primarily for education. And second, the board approved a \$355 million compact for the republic of Zambia. It's a great program, particularly given yesterday was World Water Day.

As you know, water is a very precious commodity globally. About a billion people do not have access to clean water and 2.5 billion lack basic sanitation services. As you all know, the burden for water falls on the shoulders of women and girls who often have to travel anywhere from 15 to 17 hours per week trying to bring water for their families.

This particular investment is going to assist over 1.2 million Zambians in the country, and I'm looking forward to going to Zambia in May to sign the compact.

And finally, we had a very, very robust discussion on Malawi. As you all you all know, we signed the compact with Malawi about a year ago. And after the July [2011] incident in which 20 civilians were killed by police, we put an operational hold on the compact.

We've been having a lot of discussion with the leadership of the country and until about December, there's been some progress made by the government. But in the last 90 days, the government has gone backwards both on economic governance as well as good governance.

This was inconsistent with our expectations, particularly as it relates to good governance and the rule of law. So the board made a decision to formally suspend the Malawi compact.

It is up to the Malawians to change course. The board is expected to meet again in June and if circumstances change for the better, I think it will be positive for Malawi. If in fact they do not change course, then the board might have to consider terminating the Malawi compact.

Unfortunately, it's probably one of the best developed compact in our system. It was expected to benefit about 6 million Malawians with total economic benefit of about \$2.2 billion. So it's unfortunate, but again, I think we leave it up to the leadership of the country to change course.

And our Board also—we'll go in detail about Niger, Zambia and Malawi in a few minutes.

And finally, we discussed Mali. As you know, in the last 48 hours, there have been some developments in the country. Some elements of the military have seized power. What we do not know is whether these young officers are supported by the entire military establishment or they're just making case to the public. The president is still in the country and situation is extremely fluid.

Again, the actions that have been taken by these young officers are inconsistent with MCC's commitment from the governance and the rule of law.

We have halted operations in the country until we understand the situation better in the next few days. So we'll keep you posted. I was in Mali a couple of months ago; in Mali alone we invested over \$450 million concentrated in two areas, agriculture and modernizing of the Bamako Airport, where we are extending the runway and building one of the largest terminals in West Africa. It is six months away to be completed.

So I hope things change for the better so we can complete the projects that we have begun that could benefit the country and the region.

So with that, I'll stop here and take a few questions before I turn it to Chuck Cooper, our Vice President for Congressional Public Affairs who will moderate the rest of the discussion.

Yes sir?

QUESTION: Thank you. My name is (inaudible) I want to congratulate you guys for saying that you're going to stay with your commitment to free and fair election and good governance. I am very happy for that. We will support you.

YOHANNES: Thank you, sir.

If there are no questions, let me also mention—what that happened the first quarter, that has to do with our budget.

All right, the proposed budget for MCC is \$898 million, which is about the same amount that was enacted in 2011 and 2012. So we are extremely pleased given today's economic environment and our commitment is we'll spend every single dime, every single penny to make sure that American taxpayers are getting the best returns in their investments.

In the last three years alone, we have had eight countries that have completed their compacts and many of those countries are on a path to replace aid with investments from the private sector, and also we are building the next set of emerging markets that will create stable trading partners for U.S. businesses.

So I just thought I'd let you know that, because there's been a lot of discussions about budgets. We appreciate the support we're getting from the administration, from Republicans and Democrats in Congress.

All right. Thank you very much. Thank you.

COOPER: Good morning everybody, I'm Chuck Cooper. I'm the Vice President for Congressional Public Affairs for MCC and we wanted to convene a panel discussion to give you a little bit more information about what happened at yesterday's board meeting and talk about the board's decisions and some of the things that we're working on here at MCC.

And I am pleased to be joined this morning by Andrew Mayock, who is a Deputy Vice President in our Department of Compact Operations. Andrew's portfolio is East and Southern Africa and he's going to be talking to us about the new compact with Zambia.

And we're also joined by Sherri Kraham, who's a Managing Director in our Department of Policy and Evaluation. And Sherri is our point person on the Threshold Program. Sherri's going to be talking about the Niger threshold, the new investment in Niger through the Threshold Program; also talk about our newly revised Threshold Program and how that's being applied with the—with regard to the development of the Threshold Program in Niger.

And finally, we're going to have a conversation with Jim Parks. Jim is the Deputy Vice President for our Department of Policy and Evaluation. And Jim is going to talk to us about the board's action yesterday with regard to Malawi.

So I wanted to start the conversation with Andrew and talk a little bit about the compact with Zambia. Andrew, you and I have talked about the fact that Zambia is such a water-rich nation but one of the major constraints to growth in Zambia is water and sanitation.

Can you talk a little bit about what the situation is in Zambia with regard to water and sanitation?

MAYOCK: Sure. I think as we move through compact development in the Zambia selected six potential project concepts, it really came down in our—our working with the Zambians that there was a high return and a highest return when focused on the situation of what in Lusaka. And what you see there is a problem that you see across Africa with the rapid urbanization in Africa and the inability for the infrastructure to catch up with that urbanization.

So what the Zambia face, just a couple quick stats for—for you and the—and the group, in 1964 at independence, Lusaka was a city of a town of 100,000 people. Today, it's roughly 1.8 by formal stats, it's probably a little more like 2.3 million. By 2035, it's expected to be at 5 million people.

The infrastructure investments that went in on the water sector came in in the 1960's and '70s, so it never had an opportunity to really catch up with that—with that really rapid growth. So what you've got is dilapidated infrastructure. What you have with—and how that that shows up is very unreliable water for those that have it and a number—a big chunk of the population that still needs it.

In addition to that, and especially to Lusaka is endemic flooding, that happens to the geography of Lusaka itself and that's another problem that—that we still have to figure out through the compact.

COOPER: By my count, we have now developed 26 compacts and I'm curious from a compact development standpoint, what lessons that we have learned over that compact, over those—developing those compacts have been incorporated into the development of this compact with Zambia?

MAYOCK: I think the—the—the team has really benefited in working with MCA Zambia and in understanding the lessons that were learned in the—in the rapid start up that has been MCC and MCC's young eight years of

existence. And a couple things that came out of that experience are number one, just is number one, just project readiness. So there was a very rapid startup in movement and development to get programs up and running and get them functioning. So in (inaudible) Africa alone, we had examples of where we were still doing due diligence, full feasibility study and project design inside the five year timeframe which made it really hard and really heightened completion risk.

So one of the things that we—that we did to adjust for that was to make sure that we basically had full feasibility studies done and now we're doing design on our way into EIF so that we're really going to be able to take advantage of the full project five year time period.

The second thing is I—as the team is—and our teams have been working with the MCA's, as the MCA's, as we all know are the primary implementers, how to give and assess the capacity to manage these large scale infrastructure projects doing \$350 million worth of infrastructure in Lusaka in a five year time frame is very challenging for anybody.

And what we could do to provide the assistance as part of the compact design to the project management is there in addition to the program leadership is another piece that we've built into the design.

And I'd say the last thing are—another—a number of lessons that we've learned but another significant one was we had in past compacts, this period where we basically got to this point and then we started to work with our partner countries on the infrastructure part of the organization.

And at this—at this point in Zambia, we started that six months, a year ago. So right now, for example, MCA Zambia is about to go out and interview the top leadership—that will become the leadership for the—for the accountable entity as we call it and that should be off the ground in June versus starting right now and that being off the ground six months, nine months from now. And all the other pieces of the program infrastructure have been started some time ago so that we lessen the lag between today and entry in the force and we get to work with the Zambia people as quickly as possible.

COOPER: Can you identify anything in particular that's new and innovative about the compact, the way it's been designed?

MAYOCK: I think what—what stands out about the Zambia compact and the way it's been designed in and in this particular sector and how we got here is that the Zambia compact is really taking advantage of a lot of work that has come before it. So the Zambians have been hard at work—hard at work with partners such as the World Bank and the very serious, very arduous efforts of—of—of sector policy reform over the last 15, 20 years. So they have a legal and regulatory framework that is sound and in place and has been in place.

They have—they have a utility that's functioning that's—that's in black financially and operating quite well. They have an independent regulator that is providing them with cost-reflective tariff. So this situation pretty rare in water in (inaudible) in Africa and we found it and find it in—in Zambia. So that allows us to come in with the capital investment to help reward the hard work that's been done in the sector and really push that forward so I think that's a really just salient piece of what's happening in Zambia versus Malawi for example.

There's a different story, the turnaround—turnaround story for that sector as we face the energy sector there.

COOPER: I just wanted to follow up with you about that answer which is policy is very important. And in fact, in the case of Zamia, policy has been ongoing for 15 year in—in the water sector and I think one of the things that you had mentioned that's important is the fact that MCC now is looking to build on that 15 year history of policy reform.

Can you talk a little bit about—a little bit more about that, why you think that's to both MCC's and the Zambia strategic advantage now to make this investment at this point?

MAYOCK: Yeah and one thing I want to make clear in this—in the—in the conversation as well as that while they have done a lot of work, things are by no means perfect in Lusaka. It is still a very difficult environment. There are still policy challenges to go, but they—they have come to this place where they're very ripe for sort of rapid expansion. So moving forward what we what—we still have a policy and a very serious policy program moving forward, both MCC and Zambia and Zambia and their other partners.

So they're going to continue their—their program with the World Bank which is largely focused on institution—institutional strengthening as part of our program with them, they agreed to what they called a sustainability assurance agreement which is, we're going to sit down with the Zambians every six months, the utility, the government and say, all right, what—what benchmarks do you choose to keep progress on track? And select those benchmarks, we've built them into the—the checks and balances of the compact so that—so that stays on track.

So I think that—to looking forward, we've got a piece with the Zambians that recognizes the policy challenges remaining, works with Zambians and provides them health and assistance.

COOPER: Excellent. And so—so I—I want to get Sherri and Jim into the conversation. I also wanted to mention that—that once I do ask a few questions of them, we want to open it up to you, so we're going to be happy to take your questions after that.

Sherri's going to take to us about the Niger Threshold Program. It's a Threshold Program that was reinstated by the board last year and Sherri and her team have been working on the—sort of the—the restart—the start up—the restart up of that program and—and the first piece of it is going to be a \$2 million investment in girl's education.

Sherri, can you talk a little bit about what the objective is of the—of the investment?

KRAHAM: Sure. As—as many of you know in—in the poorest countries of the world, the lack of quality basic education is a major constraint to growth and so this was a huge priority for the government of Niger. It was an activity that we funded previously. We made a very significant investment in education, \$17 million. When the program was suspended, we had constructed 63 school complexes but we stopped short of funding those complementary activities that are so critical to get at the quality of education and the sustainability of—of the school infrastructure.

And so we're restarting those activities. We spent the—the—the time making sure that they were the right activities, they were consistent with the policy focus of the government and we're investing in early grade reading through the deliver of instruction and local languages which is both a best practice and a government of Niger policy, a high priority policy for the government to—to execute.

We're focused on adult literacy and we're focused on making more gender equitable classrooms so that it's a much more inclusive environment for girls to learn.

COOPER: The MCC has a new—newly revised Threshold Program and this is going to be the first opportunity for us to be applying that new threshold policy. Can you talk a little bit about how that is playing out with regard to the development and design of the Niger Threshold Program?

KRAHAM: Sure. Well we are restarting activities from the suspended program. We tried to integrate and incorporate some of the lessons that we learned from our Threshold Program review and so we've been partnering with USAID. This is a collaboration with USAID and in a number of ways.

First USAID will be our partner in implementing this program but USAID is also complimenting our investments with—with investments targeted at the community level to strengthen the environment for—for learning and also for girls inclusion.

So we're working with USAID and we focused on incorporating more rigorous evidence driven project design. We were able to target our—our investments here into areas that look like they needed attention based on an impact evaluation that we had previously funded on a school infrastructure. It's very policy focused programming. In this case, we're really targeting a constraint to growth but we're—the—the key objective here is to help inform the government of Niger's future strategies and investments in basic education.

We're hoping to with this rigorous impact evaluation, so that's another element from our—from our more robust new Threshold Program is that we're paying special attention to monitoring and evaluation.

So from this impact evaluation, we hoped to help—hope to learn ourselves and help to—help support the governments learning is what are the most cost effective interventions? So we know that the investment and hard-school infrastructure that we made is not really reclkable (ph) with the government's scarce resources for national investment.

So how can we learn about these (inaudible) interventions both in MCC's built schools and also the Nigerian build schools to see what are some—what are some—what are some lessons that the government can draw in making future investments in basic education.

So the learning through rigorous monitoring and evaluation, partnership; there's a strong partnership with—with the government here for this to make sense, for this to work and for this to be successful, the government had to be involved in helping us understand their priorities and implementing their policies and where they want to go and we're doing that with the early grade reading program. And also all the community—community level interventions, the adult literacy program.

So those—those are the elements that we've brought into this—this activity.

I should also mention at the same time, MCC is working to develop a new Threshold Program with the government of Niger under the new threshold concept.

So while we work to move these activities quickly, we're also standing up a new and larger program; partnering with the government to—to conduct the constraints analysis to growth and also an analysis of the social sector because as we talked about Niger's—Niger's—Niger's social indicators have always have—have been extremely low. Niger ranks in 168 out of 169 countries on the U.N.'s human development index. And so we're going to be looking at what are the constraints to economic growth and what are the constraints to better social sector performance and—and designing a program based on these diagnostics.

So we—we expect that program process will—program development process will—will conclude at the end of the year and we'll be able to present a new program there as well.

COOPER: Thanks. Daniel mentioned that the board had a very robust discussion about the Malawi compact and the status of the compact and it—it was a very vigorous discussion about what the right course of action is and there was conversation about suspension. There was conversation about termination, one board member did support terminating the compact. It was a—it was a good discussion what I—what I wanted to get from Jim is before we talk about the decision, can you give us some sense of the history of the relationship with—between MCC and Malawi and also a little bit about what's at stake?

PARKS: Sure, Chuck, I'm glad to do that.

As the CEO mentioned, the Malawi compact is one of the best structured compacts in our portfolio. The compact was prepared over several years in very close partnership with Malawi and counterparts in the government and outside.

There was an extensive consultation process with civil society. There was an analytical exercise to identify the binding constraint to economic growth and poverty reduction, which in this case was the lack of electric power.

There was a significant feasibility studies carried out—significant studies so that the investments were well identified and so I'm referring to the point made by Andrew earlier, the important of that—that level of preparation and also particularly in—particularly specific to the Malawian case, there was a very significant sector reform program identified because in contrast to the Zambian water sector, reform and institution development in the power sector in Malawi had lagged behind.

So there was a recognition in the government that there was a need to amplify the impact of the physical investments through reforms geared in particular to attract private investment.

So that was the—the nature of the program and as the CEO also mentioned, this program was projected to generate very significant net benefits on the order of \$2 billion—\$2 billion plus and has one of the highest projected economic grade returns in—in our portfolio. So that's also to say that the stakes are very high for—for—for the beneficiaries.

As things progressed the—the compact was approved as, again, referent to the CEO last April. However, in July last year, the compact was—well in preparation towards launch began in July in response to growing government concerns including the violent events in that month in—in country, the compact was put on operational hold.

MCC then began to work with the government to first of all communicate that our concerns regarding governance and to make clear that the compact investment was—was at risk due to actions inconsistent with our good governance criteria and to work with the government so they could identify corrective actions. And as the CEO mentioned, we began to see some progress through the second half of the year, 2011.

However, again, more recent events, particularly over the past 90 days raised additional concerns and presaged the discussion in the boardroom yesterday.

Just to touch on some of those specifics as to those—those recent events, the staff and the board pointed to the arrest of human rights activists; government statements threatening action against media outlets and journalists; prohibition of public meetings and the arrest of a political party leader.

COOPER: So the board made it's decision yesterday to suspend, can you give us an idea of what's next? Where do we go from here?

PARKS: Well, the next steps are first to communicate in—in very clear terms with Malawian government leadership. The—the—the basis for the suspension and their MCC parlance, we talk of a very specific patterns of action that has led to the suspension and also then to make clear again, as the CEO said, the ball is in the government's court to make clear the expectations of all the MCC board in terms of concrete steps to change policy direction. And there we can point to actions that begin to correct the steps to weaken the institutional legal protection for democracy and human rights.

We can point to action on some of the specific human right cases that have arisen. The very important need to provide accountability for the events of last July, there's a commission that is at work. But reports aren't enough, action will be needed.

And then also on the economic side to—to take steps to get the government—get the reform program, the macroeconomic reform program in particular back on track with the IMF in order to create the—the enabling environment necessary for the MCC compact investments to—to work and generate their returns for the beneficiaries that we—that we all hope to achieve.

COOPER: We talked about some of the things that the Malawi government will have to do as we move forward. The board had a conversation about timing and a timeline. Can you—can you talk to that? What—what—what sort of a timeline are we talking about for—for action and for the board making a determination about the status of the compact moving forward?

PARKS: Well, again, referring to the remarks by the CEO, the board was very clear in its expectation that the situation begin to turn around and it to be very clear and concrete steps in that direction between now and the next board meeting which will be in June.

There is an understanding that resolving some of the deeper institutional issues or economic issues may in fact take longer for the government to get fully on track and of course stay on track.

That said, very clear and demonstrative progress is expected between now and the next board meeting.

COOPER: Okay, thanks Jim. So we wanted to open the floor up to you and your questions. If you do have a question, please raise your hand and we'll have some microphones that will be passed and when you—before you ask—ask your question, if you could state your name and what organization you're with, that would be appreciated.

Yes?

QUESTION: Thank you. I'm Jim Michael (ph), I'm an independent consultant in an international develop cooperation. I wanted to ask Sherri about the Threshold Program.

What's the lessons learned? What's the changes being made?

I wonder—it looks as if you're trying to be more specific about linking program objectives, timeframe, reasonable outcomes to be expected in that timeframe and I wonder are you changing the length, the duration of the Threshold Programs in cases where you really need to have a fairly ambitious objective to achieve your bigger policy objectives.

And are you doing do anything in the Threshold Program tying it to follow-on compacts can sustain the commitment and the reforms that the Threshold Program was trying to achieve?

Sometimes in the past, I know there's been a sort of a break—the Threshold Program comes and the compact comes and there maybe you know, falling back during the period of compact performance where some continuity might—might help to avoid that.

KRAHAM: Right.

QUESTION: Okay, thank you.

KRAHAM: Thank you, Jim. Great questions.

Well in terms of setting up our new program, we're really excited to have four new countries to work with. Niger is an old partner but a new—a new effort is underway. We're working in Honduras, Nepal and Tunisia as well.

So we developed this—this content based on the lessons learned and you cited some of the lessons. The policy focus is shifting from the MCC indicators, which we found very, very hard to change, if not impossible and in the timeframe that we had set aside for—for Threshold Programs.

So the policy focus will be targeting constraints to growth and that's both relevant to our eligibility criteria, but as you say, there's a strong linkage to what we might eventually do if the country becomes a compact partner. And of course, that's the goal of the Threshold Program is to help these countries to become compact partners.

So the policy focus is on—on binding constraints to growth and we'll—we'll identify them through a much deeper diagnostic process.

The partnership element with the government, the country ownership is really important to our new concept because what we found is that there wasn't always a deep enough commitment in our old Threshold Programs to the policies that were the subject of the program.

You—you also cited the program logical, is there a very clear program logic? So we hope to go from the binding restraints to growth to the policies and institutions that contribute to those constraints to growth to a set of reforms that the government commits to, to some activities to support them in implementing. So that the program logic, I hope will be very, very clear going forward and I hope that we can set some reasonable timeframes.

One of the things that we found in the earlier programs was that they were really, really big and complex and they focused in many policy areas.

And so what we're going to do going forward is really, really focus on one to two areas and very defined—well defined set of activities to—to support a very well defined set of reforms. So we hope that a realistic—a more realistic timeframe is three years. But we also don't see a conflict between a country doing these reforms and then moving on to compact eligibility because as you—as you said, the continuity between the two—the two program vehicles that MCC has is much clearer since we're all focused, both the compact and the threshold on addressing those binding constraints to growth so we—we don't see a problem with the overlap. We don't see that it'll take away the incentive behind the reform effort as we saw in some of the earlier programs that they—they lost their focus.

So we see a strong continuity. The—the program is better tied to our overall mission of—of poverty reduction through growth and we'll—we'll—we'll also probably see an overlap with the policies that are in our eligibility criteria, but the goal won't be to move those indicators.

Thank you.

COOPER: Next question? Yes?

QUESTION: Hi, my name Lauren Rigonski (ph) from Nexin, Inc. (ph). the question I have regarding Malawi, in the event that the board decides in just to move forward with activities in Malawi, how will that affect the status of—of the compact? Would it be reset or would you have to start work over again? More or less, what would the timeframe be for the compact, if it was accepted?

PARKS: First, our expectation is that by June, the government can indeed take actions to show that there's a change in course. But we don't actually expect that they would be able to take enough action to—to lift the suspension. That's not our expectation. It could happen, but it's not our expectation.

If the—if an when the suspension were to be lifted, our assessment is that the compact as design, remains viable and will—will be so—will remain so for the next—up to 12 months, say. So we're not expecting short a reset.

COOPER: Yes?

QUESTION: Good morning, my name is (inaudible), I am the (inaudible) project manager for the Malawi feasibility study that was as input to the compact, so I have a very vested professional interested in this.

What I wanted to ask, Mr. Parks and Mr. Mayock, basically is they allow a very short window in having work in Malawi extensively, I'm very aware of this pace at which things move. And 90 days, have there been actually—is that been an official communication that has gone to the highest levels in the government with very specific requirements and timetables of what they really need to do and demonstrate that they're doing it?

PARKS: The short answer is yes, yes there has, both—both in terms, you know, on issues before, after the operational hold, all through that time and as well as the board decision yesterday.

COOPER: Yes?

QUESTION: Thank you. My name is Alfred (inaudible), I'm the (inaudible) and affairs for Zambia. Before I pose my question to Sherri, I would like to thank MCC for the decision to give the Zambians the compact to. We are very grateful and we appreciate that gesture. Thank you so much and we'll continue to, you know, uphold, you know, governance issues to this reflection (ph) of the world and democracy. Thank you so much.

Sherri, our—please don't (inaudible) misconstrue me to mean that I'm poking my face into other people's affairs, no. But I would like to find out on the issue of the airports you are putting up in Niger, (inaudible), I'm sorry—I'm awfully sorry (inaudible). And the only—barely six months to go (inaudible)—excuse me, Sherri. You had six months to go. Niger is—what if governance issues don't improve say for 10 years, 20 years (inaudible) in this case? Thank you.

PARKS: I think the Ambassador Williams answered the question more eloquently than I could, it's the region; it's the beneficiaries, it's the people—the Mali, all the people of Mali and it's the region. These issues are in the—are—are—are in the hands—the governance issues, be they democratic governance, be they economic governance, in our partnership these—these are the responsibility of our partner country government and we expect them to live up to their responsibilities as we live up to ours.

The consequences can be very, very dire if they fail to live up to those responsibilities, but that's the nature of accountability.

COOPER: Okay. Other questions? Yes? Here.

QUESTION: Thank you. This question is for Andrew. I'm Gene Brantley (ph) with RTI International and I have sort of technical question about the Zambia project.

I'm interested in how non-revenue water is being taken into account in the project design phase for the audience if you know the number of (inaudible) waters, whether the utility produces, but doesn't get paid for either because it's lost through pipes or it's not billed or it's given away for various reasons.

So I'm—I'm wondering if in—in many old systems, dealing with non-revenue water is very much an operational issue as much as new construction. So I'm wondering how that's being dealt with and whether that will be factored into the sustainability agreement and benchmarks?

MAYOCK: Thank you and non-revenue water, as you point out is a significant major issues for Lusaka as it is for many other countries and many other cities. And it is addressed in that compact and broadly speaking, it is very central to the compact and it shows up in both our infrastructure investments and our technical assistance.

So serious resources will be—are being provided to Zambia to address that largely through the main transmission line.

But it is real focus to get the foundational infrastructure in place to lower technical losses which are about—they're close to 50 percent right now, projected to bring them down to more like 25 percent over the course of the compact. And it is a cornerstone key feature to address that problem earliest and at the—at the base of the compact.

COOPER: Casey (ph)?

QUESTION: Hi, I'm Casey Dunning (ph) with the Center for—on Global Development. Actually I have two questions.

The first, could you offer a little more detail about the difference between the compacts being on hold versus suspension and what that means for MCC and Malawi.

And then second, has there been any discussion about extension authority on the Mali compacts because there's only six months left?

Thanks.

PARKS: First, on Mali, to say there's no discussion of extension and we don't expect an extension at this point. We're—our activities are—are—have been halted, they're on hold and we're—we're analyzing the situation together with our counterparts in the U.S. government state and elsewhere.

Vis-a-vis, the Malawi situation, the specific difference between operational hold and suspension is at the time of hold, we made a statement to the effect that we would investigate further in order to determine whether the events of last July and other related concerns represented a pattern of actions inconsistent with MCC's eligibility criteria.

At this point, unfortunately, in the—in the context of suspension, the staff have identified such a pattern and the—that pattern has been confirmed by the board in the—in the board vote. And that pattern of action, to give you some specifics on—on it, is centered in—on democratic governance. There are three key factors to it.

First are the events of last July where the police used force—excessive force in our view, resulting in significant loss of life and as of this point, there hasn't been clear accountability for those actions in our view.

We also have seen certain changes in the—in the legal and institutional framework for democratic rights in Malawi and this covers areas of freedom of expression, freedom of assembly, LGBT rights, media freedoms, access to the courts as well.

We've also seen, and I mentioned some of these, we've seen a growing of individual cases. Each case is complex, but stepping back we—we've seen a pattern—what we call a pattern, excepting complications of each—each individual case, we're seeing a pattern here.

So these are the three core—three core factors in the pattern of action that underlay the decision of the board to suspend the compact.

COOPER: As Jim suggests, the principle difference between the operational hold and the suspension is that the operational hold is a management decision and the suspension is a board decision. So what happened yesterday is that the board made the decision to suspend.

PARKS: Just to be clear, we are not disbursing funds, we do not have ongoing activities under the Malawi compact; have not since the time of the operational hold.

COOPER: Okay. Next question?

QUESTION: Good morning, thank you very much for the (inaudible). My name is Jorge Burgess (ph) and I work for the United Nation Office for (inaudible) Services. And my question is to Andrew.

I would like to know if at this point in—are you going to expend more on the project that will be defined in part—as part of the compact in Zambia? Do you have any idea what—what those (inaudible) will be?

And the other question is, you mentioned the parts of the experiences and leading that you're bringing from other compacts to Zambia isn't (inaudible) project management in the—into (inaudible). I would like to see—you're going to spend more and—and how that will (inaudible) or how that changes?

MAYOCK: A couple of things to mention broadly about Zambia. Just number one as to it's overall structure, as I mentioned there's two basic pieces, their infrastructure and technical assistance. And the infrastructure side there is we're going to address water supply. We're going to provide this (inaudible) Zambia to address water supply, sanitation and drainage and the significant infrastructure investments across those three asset classes.

And then inside and in addition to that, that brings with it engineering resettlement services that come with any large scale infrastructure process—process like that and a certain amount of technical assistance in order to help Lusaka water—the utility in particular—manage the utility better.

So they'll be doing, for example and inventory, an asset inventory as part of the technical assistance—they have a very highly defined understanding of what they have and what they need as an example of the piece and the kind of technical assistance that's going to come along with it.

As to your second question and the project management piece, the—right now, what we worked with our Zambian partners on is the identification of the needs of this—of the project management team and the basic integration of the into their organizational design.

Over the coming months as they get their leadership team in place in June—in June/July timeframe and as they bring on their senior directors for the various areas, to how that management unit comes into play is going to be highly defined and—and pursued.

COOPER: Yes? A question right here.

QUESTION: Thanks. Russ Webster (ph)—how—how are you all doing today?

I have a different type of question. I think one of the things that's very interesting about MCC is it's provided all of us in the development field to look at a different approach and I think it's provided a great—not only a great service to the recipient countries, but also a little bit of a learning lab in terms of how we prioritize assistance and how make decisions and I'm just wondering, in light of the—the recent, very thoughtful decision about Malawi and now in the face of Mali, that puts the MCA compacts on a little bit of a pedestal in terms of how we make decisions about foreign assistance.

And of course, as we all know, foreign assistance is a bit under attack right now by a lot of stakeholders, many of them up on The Hill.

So my—my question, it's partly a question but also partly, I think an offer.

The question is, do you feel that decision makers up on The Hill are—are really appreciating the criteria that you use and how I think the obvious enforcement of those criteria? Are they appreciating that this is a framework that I think speaks to a lot of concerns, like you've got Ted Poe about—concerned about results and you've got the American public who says they don't want us to spend 20 percent of our budget on foreign aid, they'd be fine with 10 percent, you know all these sort of crazy ...

PARKS(?): We—we might also be fine.

QUESTION: Yea of course. Well—but—but I think that this real life compact experience that MCC has had over the years and that experience is growing and accumulating provides a great opportunity, and I'm sure you've thought about this already, it's not new. But it provides a great opportunity to say, here—here's a USG supported public private/private kind of partnership entity that's taken some tough decision and do the folds up on The Hill appreciate that enough?

And it's great to hear that your—your budget has come through and looks pretty good.

But I'm just—that's a general question. But also the offer is, you know, many of use ...

COOPER: I was waiting for the offer.

QUESTION: Yeah.

COOPER: And I accept.

QUESTION: Yeah, exactly.

You know, we're—we're directly affected by the Malawi decision as—as you know, we are—we were selected for the fiscal (inaudible) and procurement agent entity to work. And so—but—but I still support the decision because I think as an overall framework, it's important to have some criteria.

So the offer is, and I'm sure many of us would—would—would step forward to offer to do this. To the degree that we can be helpful and in reinforcing that message that there are some ways to make tough decisions and stick to them and be responsible and that foreign aid is not just about spending money on high paid consultants, but it's really about trying to reach some effective goals and here's some real life examples.

But I'm just wanted to get some comments of what the tone is up on The Hill and in—in—from your perspective about some of these issues and the work that MCC's doing.

COOPER: So, the—the conversations are ongoing and—and have been, you know, we've been engaging very much with The Hill on this issue. I think there is a full appreciation of the nontraditional approach that MCC represents. I think that key decision makers on The Hill, the appropriators and the authorizers are—are very aware of MCC, very aware of what the MCC is about, what our value proposition, what makes us difference.

I do think we have good bipartisan support on The Hill. I think one of the things that folks on The Hill do, you know, when they think about MCC, they think about accountability and they think about our model which is based on these fundamental principles of governance. And so—and so I think there is a lot of awareness, a lot of buy-in to that and then there's an expectation. And the expectation is that MCC is going to live up to that.

And so a lot of the conversations we have are country specific in which members of Congress are coming to us and saying, you know, we have some questions about a certain country and we're interested in what your perspectives are. And I think what they're looking for in the case of Malawi—in—in a case like Malawi, is for us to live up to that—that model and live up to our principles and I think that's what the—the board did yesterday.

So we are constantly engaged with The Hill. You mentioned Representative Poe, Representative Poe's staff have been to the MCC. We've had a lot of consultation with them, particularly around monitoring and evaluation, accountability and results. And so we—we're in close communication with him as he developed his bill on (inaudible) for around development.

So a lot of—a lot of close relationships on The Hill, particularly with the key stakeholders. We continue to have conversations, they continue—you know, we—we hold ourselves accountable, they hold us accountable as well. So—so I think the answer to your question is yes.

And I would like to accept your offer of help and that's true of everybody here. Anything that you can do to support the MCC and support the MCC model would be helpful.

MAYOCK (?): We'll try to get it (inaudible).

COOPER: Yeah, you and me both. Yes?

QUESTION: Good morning ladies and gentlemen. My name is Forsteph Andy (ph) and I am a human rights activist from Malawi based in Atlanta. I don't know if we have Malawians today here from the Embassy, I don't know, but I came all the way from Atlanta yesterday just because of a decision we (inaudible) there's—I mean at risk today.

I'm extremely disappointed, really extremely disappointed with the decision today. I understand the decision where you made the decision today, but I received so many e-mails, so many letters, so many calls every single day from Malawians, those in the villages, you know, asking why.

As we speak, I know (inaudible) don't tell you this, that as we speak this morning, or yesterday, kids or the (inaudible) are dying in the hospitals today because of rationing of electricity. They don't tell this when you meet them. They don't tell you this.

As I speak right now, probably 90 percent of—for example, my only grandmother has never seen electricity in her entire life, like so many women in Malawi.

This would have made a huge difference to Malawian people, I'm telling you. So it's my plea to you, please, next time when you want to do a review, just look for these people in the government or the same people you talk to in my part, you know, activists in my part of civil society organization, expand your (inaudible) horizon to totally different people.

I'm telling you, people are dying. I went to last—last year to Malawi just because I had received so many of these calls to see myself and what I saw broke my heart. And I'm telling each and every one of you, if you have the time to go to Malawi, just go. Just don't in—in—in the cities only. Go to the villages and see for yourself and you come back here, the decision will be different—different than this one.

So that's like somebody just asked for an offer, I'm telling you, right now, I'm—I am employed. I took some money from my own retirement to come here or to go to Malawi last year just to see what situation is in Malawi and I'm offering to you that if you want somebody to bring the gap between the government, what you hear from the government and what you hear from the civil society, I'm willing to help you. I'm willing to bridge that gap, really, I'm willing to use own resources, but I need your help.

Please, please, please, I know 90 days is not enough. The—I just hear from Jim, it looks like they've already made decision, but it—in June, they're going to terminate this compact. Please, please, please, help us. Help us please.

Yesterday, I just received an e-mail, yesterday, saying two people—two kids died in Balaka Hospital just because of electricity rationing. Companies are closing day—I mean every single day right and left, closing and packing and go. Economy so sad, it's so sad.

People every single just lining up just to get gas, they can't, you know. (inaudible) is just—they can't find (inaudible). I know IMF is working with this, but folks go in the village and see what people—actual real human beings are facing every single day. Don't listen to politicians. They have electricity in their houses, they don't care. (inaudible) but my grandma—I don't want my grandmother to die tomorrow without seeing electricity.

They walk so many kilometers away—distance just to go fetch firewood to heat their houses or to cook. And if you go to Malawi today, you'll see how naked the country is. There's no trees, (inaudible) because (inaudible) use firewood to heat their houses because (inaudible) in Malawi because it's (inaudible) so people can have (inaudible) open up small businesses, you know. I don't think (inaudible) electricity. You know we take for granted here in our—or one day we have even for 10 seconds, no electricity, we all go bananas.

My friend, in Malawi, as I speak today, they have only maybe four hours a day of electricity. How can you—I mean succeed in business like this in Malawi?

Please, please, please, I wonder next time, if you have anything at all, I want to be there. And as I said, I will use my own resource, I don't need your resources. I don't have anything. I don't work. I'm unemployed. I saved something for my 401k, I'm—I'm using it right now to help people in Malawi (inaudible).

I'll do any anything in my power, I'll talk to the government, I'll talk to anybody you want me to talk to. I'll organize a meeting in Malawi, I'll do anything you want me to do, but consider this please, please, please.

Thank you, thank you so much.

PARKS: Thank you, thank you very much. That—that—that was very moving. I—I would like to say a couple of things to you in response.

First, to say that we have not taken a decision, the board has not taken a decision to terminate the compact. What the board has done is suspend the compact and to make clear that the ball's in the government's court to take the appropriate actions needed to change policy direction.

We do understand the stakes are high. In designing the compact, as I mentioned earlier, there were extensive consultations with civil society and—and with—and throughout the country to identify electric power as the binding constraint, not only on growth, but as I said, really a poverty reduction.

I'd like to relate to you just very quickly, a personal story before I had this gray hair and I wore this suit, I was a Peace Corps volunteer in my earlier U.S. government experience in a mountain village in Nepal. Now of course, it's not Malawi but nevertheless a very poor area. There weren't—there was no electricity. It wasn't a question of limited power, there was no power. I lived in fact in a health post and as taking a room in the health post and I saw people die, my friends, from lack of care.

So I know what it means. The stakes are high, the ball's in the government's court. With your help and the help of others like you, we hope the direction can change.

COOPER: I—I—I also wanted to add to Jim's remarks that that the—the some of the points that you made were specifically discussed at the board meeting and the board is very aware of the—the—the compelling need in Malawi and that's one of the reasons this decision making process has been so deliberate and it is because the board does understand the stakes, does understand the need and understands how powerful this compact could

be. And that's one of the—that's one of the reasons why, I mean why we're so saddened at having had to make this decision.

So what we want to do as—as—as Jim said is work with you and others to try to move the government in the right direction so that we can lift the suspension, so we can move forward with the compact, so we can improve peoples lives and—and—and save peoples lives and make a different.

So that's what we're trying to do. So we want to work with you to do that. We're committed to that.

Yes?

QUESTION: Very quick comment to what you said, I have received no less that probably, I would say since last July, close to 100 telephone calls from Malawians that I worked with, that I worked on the project, the feasibility study that went into the compact, I traveled with my team members and so on to approximately 300 different locations all over Malawi, so I very much understand, know and I, myself, just connecting with you, Mr. Parks, (inaudible), I had no running water or electricity where I grew up in India, which is long time ago.

So I understand what it is like, you know, and I also understand how exciting and incredible it is when you flip that switch and you have the light on.

I have responded to the Malawians who have called me, they have been private people, engineers from ESCOM (ph), people in the government departments and so on that a lot of the message, very similar to what you've just said, really needs to be given back to the government, to the leadership. That's where really the solution is.

So I have been in touch with MCC, I'm not engaged in any technical discussions related to the compact with the Malawians but this was the basic answer I give to every telephone call that I receive.

But I wanted to now follow up with a question to you, Mr. Parks, is this document or what ever this communication is from—officially from the MCC to the Malawians? Is this a private document which illustrates all the conditions and requirements and timetables or is it publically available document?

PARKS: Well, we are planning—thank you very much for the question. We are planning, of course, a press release to—to—to disseminate the—the—the decisions of the board and that press release will include certain details, many of which I have presented to you today.

We, of course, also will release a congressional notification as per our statute to The Hill, again notifying our stakeholders on The Hill of this decision. We are discussing it here in a—in a—in a town hall. We have already communicated with the authorities. We'll communicate to them both in person, I believe, through out Embassy in particular in the long (inaudible). We'll speak with them, we have spoken with them and there'll be written communications.

Of course, certain elements of that will be private. I think that's understandable.

COOPER: Yes?

QUESTION: Thank you. I'm (inaudible) from (inaudible). I really agree with the gentleman from Malawi regarding the compact. But if you looked at the situation, for example, in Madagascar, the compact can be (inaudible), right? But the World Bank has decided just a few months ago to resume the projects (inaudible) in Madagascar because why did the workmen do that? I mean the MCC has terminated this compact, but not the World Bank. So because the people need that (inaudible). And we all know that (inaudible), the government of Madagascar

has not been (inaudible), right? But why the World Bank did this, because the people need that money and the project, so maybe that (inaudible) could be in Niger, I don't know.

PARKS: Well, we can't speak to the decisions by the World Bank ...

QUESTION: yeah, because I mean it's very—I mean it's an international organization where (inaudible) and (inaudible) example.

COOPER: Well, actually Jim has spent years at the World Bank and has been at the MCC I guess for a little bit over a year. Do you want to just talk a little bit about? About—about MCC in particular about—about it to answer the specific question about why?

PARKS: Well, right.

COOPER: Why terminate? Why suspend or terminate?

PARKS: Yeah, well, as—as I said, I don't think we can speak to the—to the World Bank. I did spend many years there and would be glad to talk to anybody who's interested about my specific experience there, but that's I don't think the point.

MCC has, in the development community, has a—has a very specific approach, I think as you know. And we have high standards on governance on democratic governance, on economic governance and on—and within economic governance on—in investing the government's invest in their people. We have very specific criteria for that and that's how we identify the partner countries that we work with.

As part of our partnerships, as I mentioned earlier, we put a very high premium on accountability. We have very high accountability standards for ourselves, Chuck was mentioning that we have very serious accountability to our stakeholders, including those in Congress who are stewards of U.S. taxpayer funds and we, in turn, have high standards for our partners. We expect them to hold us accountable and we hold them accountable.

And all of this is with a very specific—specific set of objectives in mind because we know from the (inaudible) experience that aid works but only when conditions are in place for it to do so. And those conditions include good governance and across a wide spectrum. And that's our—that—that's evidence of 50 years or more of development and we're founded on the—the principles of effective aid and we try to stay true. In fact we are committed to staying true to our principles.

We understand the costs to our beneficiaries, intended beneficiaries, when programs are—are suspended or terminated. As I mentioned earlier in these regards, when it comes to governance, it's the responsibility of our partners. We have to be clear in accountability who's responsible for what, otherwise things become a muddle. And in this case, the accountability is with the governments and the consequences are theirs.

COOPER: Thanks, Jim. Yes, a question over here?

QUESTION: Good morning panelists and audience. My name is Gayland Hull (ph) with independent—with Hull International (ph). My question steps a bit outside the—the box of questions that preceded it.

The Chinese in recent years have done a lot of investing in developing countries in Africa in particular. And in certain places such as Sudan and South Sudan, they have enough economic clout that they could probably have some influence on the outcome in that conflict.

My question then for the panelist, is there any sense in which MCC projects, specifically infrastructure projects either compete with or compliment Chinese investments and specifically in Africa?

PARKS: Well the way I would answer that question is to say the following, when we identify a compact investment, we carry out, together with our partners, in fact they carry out and we support other extensive and widely cast preparation process. I mentioned the consultations. I mentioned the analytic work on the binding constraints to growth.

Related to that as well, are the government's overall—partner government overall strategies for—for—for economic growth, economic development and poverty reduction.

Our investments, therefore, fit into a framework. And to the extent that other financiers of a particular partner country are also operating those frameworks, then our investments indeed would be complementary.

That is certainly the hope that we have through the process that we've established in a very structured preparation process.

Are there perhaps instances where—where there are—where—where there's substitutes or—or—or there—where there's competition, there could be. But it's certainly not our objective.

COOPER: I think we have time for one more question. Yes? Yes?

QUESTION: Suggestion, my name is (inaudible), I am the special operations division head for the United State of Africa 2717 Task Force. To speed up the region (ph) of the services to the people, poor people of Malawi is that people should start calling the president in Malawi and tell him to act properly. Everybody here could do that and that's a campaign you should start. Thank you.

COOPER: Okay. Thank you very much for that comment. And I wanted to thank all of you for being here. I wanted to remind you that—go to our website for the most recent information about MCC, particularly there will be a video and a transcript of this meeting if you want to reference it later.

So I'd like to thank our panelists and thank all of you for coming and hope you have a great day.

END