



MILLENNIUM
CHALLENGE CORPORATION
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Transcript
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Millennium Challenge Corporation Holds a Post-Board Public Outreach Meeting

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Transcript

SHERINIAN: Good morning, ladies and gentlemen. It's a pleasure to welcome you here in the headquarters of the Millennium Challenge Corporation. My name is Aaron Sherinian, managing director of public affairs for the corporation. And as many of you know, yesterday our board of directors met and as is our longstanding tradition here at the Millennium Challenge Corporation, we welcome the chance to have all you here as our stakeholders to learn and discuss more about the -- the findings of that meeting.

We are also pleased on this special occasion to have our first post-board outreach event featuring Millennium Challenge Corporation's new CEO, Mr. Daniel Yohannes. I'm also very pleased to have on board with us as part of the MCC team, Cassandra Butts, who is here as senior adviser. Welcome.

A few small items of housekeeping, if you'll allow me today, we'd ask that you please silence your cell phones. You're all important, but they can reach you after. And we'd like to remind everyone that this event is being video-taped and will be Web cast on www.mcc.gov for all to see, so we'd ask that when you ask a question -- and I'd like Kristina to raise her hand. Where are you, Kristina? So I have you here.

We will have a roving mike, and when Kristina passes the mike to you, if you could please mention your name and your organization so that we can all -- can all know who you are.

Let me tell you a little bit about how we're going to proceed today with our event. We will first be pleased to hear from MCC CEO Daniel Yohannes. We will have a chance -- and while we regret, only a brief chance to entertain a few questions, he would like to hear from some of you as to your questions. We will then hear from Cassandra Butts for some brief remarks.

We'll then move to the second part of the program that will feature a panel discussion from three acting vice presidents of the Millennium Challenge Corporation, where they will go into greater detail about the findings of yesterday's MCC board meeting. As always, we are tweeting from this meeting, as we know many of you are, and if you're interested, the handle for today's meeting is MCC tweets.

With that overview of the event today, it's a great pleasure to introduce to you all someone whose bio you are very familiar with and whose arrival has been greatly anticipated, MCC's new CEO, Daniel Yohannes. Mr. Yohannes comes to us at MCC from Colorado after a prestigious career in the banking sector.

As many of you know, a native of Ethiopia, his background has been filled with important community service in the public and private sectors. I'd like to mention, in addition to the bio notes that all of you have available to you, his service in the community that speaks volumes about his dedication to issues around him.

His service to the community has included 10 years on the board of the National Jewish Hospital, the Denver Art Museum, the Smithsonian. He is also a board member of Project Cheer where he helps in the provision of medical supplies to those in need around the world.

I know I speak for all of us here on the MCC team when I say that we are so impressed by someone whose grasp and understanding of the issues is matched only by his passion and concern for them. With that, help me in welcoming to the podium CEO of the Millennium Challenge Corporation, Mr. Daniel Yohannes.

(APPLAUSE)

YOHANNES: Thank you, Aaron, for the warm introduction and also for making it easy. While I was going through the confirmation process, he -- Aaron was extremely helpful. Even though I've known him for about two months, it feels as though I've known him for years. He's just been extremely generous with his time.

I must tell you that he was recently -- he and his wife gave birth to a beautiful girl, but even though he should have been on sabbatical leave, let's give him a big hand anyway.

(APPLAUSE)

Even though he should have been on sabbatical leave, I know he snuck in a few times here to help me out. So I really appreciate your services and I'm very grateful to you for all you've done.

Darius Mans is not here today, but I just want to say that -- thank you to him for his leadership and his advice and counsel to me when I was going through the confirmation process. Darius is going to be the president of Africare, and we wish him well in his new assignment, and we appreciate his services extremely well.

I would also like to thank all of you for the warm welcome that you've given me since I've been here. I am deeply honored by the support that I have received from both President Obama and Secretary of State Clinton. The president and secretary of state are committed to expanding opportunities for the world's poor, and I'm very proud to be here today to help guide MCC in fulfilling our role in that commitment.

And I'm grateful for the Senate's swift confirmation for my nomination. Congress is an important partner for us, and I'm looking forward to working with the many men and women on Capitol Hill who are dedicated to MCC's mission of reducing poverty. I'm also looking forward to work with all of you for the coming months and, hopefully, years.

This is my second week at MCC. It has been extremely busy. My first week, second day, I met with the president of the Republic of Benin. I believe the ambassador is here. I'd like to acknowledge your presence, Mr. Ambassador -- and many more meetings, confirmation -- not confirmation, but swearing-in ceremony, board meetings -- many, many meetings, so it's just been extremely busy.

But, again, because of the preparation that the staff has given me before I came here, I feel as though I've been here for a long time, and I really appreciate their support.

One thing that is very clear is MCC's expanding opportunities for the world's poor through a system built on transparency, results, and new thinking in development. MCC has a solid foundation that will serve us well as we look ahead and explore new innovation.

As you all know, MCC was created based on some of the best practices learned in the last 40 years. Having said that, I think when we look ahead in the future, we must continue to be more innovative to meet the needs and the demands of our constituencies by creating new products and services, and also by engaging the private sector to make sure we leverage the investments that have been made in many of the partner countries. We also have to be very creative in terms of how we deliver results.

So those will be my three major themes as we look ahead in the future. I just want you to know that we do have the real foundation, the professionals at MCC, to carry the new views and the visions. And I think we'll talk more about it at the end.

And also I want to tell you that the board met yesterday, and we do have some decisions made. First, let me talk about Moldova. Moldova was selected by the board before yesterday's meeting, and the board made the decision to approve about \$262 million to reduce poverty by investing in roads and in agriculture.

We expect to sign the agreement sometime in the first quarter, pending successful completion of congressional notification period. You will hear more about it from Darius Teter, who is here today, in detail, as he is one of the panelist members that will talk about it in detail.

Second, Mongolia -- the board approved two new projects in Mongolia's compact. Rather than invest in the rail project, the Mongolians have proposed rehabilitating a critical road segment and focusing on energy and environmental activities. The energy and environment project centers on issues critical for many Mongolians -- air quality and energy efficiency. The terrible air quality has consequences for Mongolia's poor.

This innovative project would fund the introduction of alternative energy and energy efficient products. As someone with experience in the renewable energy sector, I applaud the Mongolians for making clean energy a key component for their strategy for sustainable development. I would hope in the coming years to see more innovative projects like this one. Now, you'll hear more about Mongolia from Frances Reid, who is here with us today.

Third, Niger. Because of MCC's commitment to sound policies as fundamental to country-led development, the board made the tough decision to suspend Niger's Threshold Program. Niger has moved in a direction that is inconsistent with MCC's eligibility criteria. There will be an orderly wind-down of the Threshold Program. USAID has been implementing the program for us, so we will be working with USAID on the winding down.

This suspension decision is made with deep disappointment. We would have liked to continue the program if circumstances permitted us to move ahead. Sherri Kraham will be talking about it in detail later on today.

And fourth, country selection at yesterday's meeting -- the board selected Cape Verde as eligible for a second compact. Just before I came here a few minutes ago, I had the honor to call the prime minister of Cape Verde to congratulate him and the people in what they have been able to accomplish, and I understand Ambassador Veiga is here. Again, congratulations to you. Let's give them a hand.

(APPLAUSE)

A second compact will allow for deeper investment in long-term poverty reduction and economic growth. I just want to make it very clear, eligibility for second compact is not automatic as is for countries that are on the threshold program. Countries must meet a higher hurdle to achieve eligibility. For second compact, the board considers not only a country's policy performance, but also how effectively it implemented its first compact.

Jordan, Malawi, the Philippines, Indonesia, and Zambia were selected again as compact-eligible and are continuing to work on their compact proposals when the panel convenes -- and I think Sherri will talk about in detail about the processes for this year.

MCC remains committed to delivering development assistance to partner countries that are taking the tough steps to practice the sound policies necessary for sustainable growth. What makes MCC unique and different in the development community is how seriously we take our core principles -- sound policy and performance, country-led development, transparency, accountability, fighting corruption, and results.

These are critical to the sustainability for MCC's funded programs. We want to continue sharing our experiences, best practices, and lessons learned in the implementation of these principles, especially as the development community as a whole takes a hard look at the future of foreign aid. And within U.S. government, MCC is making a key contribution to the analysis of development policy, working with the State Department and the White House.

I would like to conclude. I want to thank you all for following MCC's important work. And now I'd be more than happy to take a few questions before we begin.

QUESTION: Thank you. Hi, Ambassador Yohannes. First of all, I thank you for being here and congratulations. My name is Rolf Rosenkranz. I'm with Devex here in Washington, D.C., and around the world that has about 200,000 members, aid workers around the globe and also many of your implementing partners.

And I'm wondering if you could provide us with a little more detail on your thinking here and your vision for MCC, especially -- you mentioned your three priorities, private sector engagement, innovation, aid delivery. And if you could maybe expand a little bit on that and tell us what specific initiatives, maybe administrative reforms or reforms to the compact process you would like to consider. Thank you.

YOHANNES: Thank you very much. A couple of things. Number one is like any (inaudible) business, I think we have to look in terms of what has worked, what has not worked. So as soon as I put my management team together, hopefully in the next 30 to 45 days, I think we should be able to come up with some recommendations in terms of how we do things forward.

Of course, in addition, as we look in terms of what has been done, we can -- we would hope to consult all of our constituencies to get the input, because I think one of the keys is to make sure that we get a lot of input from a lot of different resources.

Number one, as you know, we talk about innovation, and MCC was created with some of the best practices learned in the last 40 years from different development agencies. Having said that, you know, what has worked in the past five years may not necessarily work for the next five years. So we're looking to make sure that we have products and services to meet the demands of our constituencies going forward, whether that be in terms of our approach or a new product and services yet to be determined, but nevertheless I think if MCC is going to exist as a very innovative entity that it must continue to be very innovative, like any business.

And I come from private business, in which I have to be very innovative almost on a daily basis, and I think the same thing will continue at MCC. And we cannot be prisoners of our past, but we must continue in the future.

The other one is I talk a lot about the private sector, you know. In the long term, if you're about to bring economic sustainability or prosperity, you must engage the private sector. Public sector alone cannot do the job.

And as part of this process, I look forward to very actively engage the private sector in making sure that we leverage the investments that have been made in many of our partner countries. In addition, we have to work with partner countries to make sure that they continue to restructure their economic policies.

And finally, I'm also looking forward to work with all development agencies here in our country to make sure that we do not have any duplication and that we deliver our assistance program effectively and efficiently. And -- and I -- I have my first meeting with Rajiv Shah this coming Friday, who is being considered for confirmation, and I'm looking forward for a good partnership with USAID and others to make sure that -- that we have a very effective program.

In addition, I know MCC had an MOU with the British government and with the French government. Even though we have not been very active in the past, I am looking forward to make sure we activate it and be very active and utilize the friendship and the cooperation that's needed to make sure that we have a good project going forward.

SHERINIAN: We have a question here.

YOHANNES: Yes.

QUESTION: Thank you. This is a historic day for Cape Verde and for the relations between Cape Verde and the United States. So with your permission, I would like to make a few remarks.

YOHANNES: Thank you, ma'am.

QUESTION: First of all, I wish to -- for you, CEO Daniel Yohannes, to thank Secretary of State Hillary Clinton and all the members of the board for having selected Cape Verde for a second economic assistance program for the 2010. (inaudible) have just (inaudible) has been very successful in meeting the eligibility criteria, even though at the transition period, which (inaudible) from least-developed to middle-income country, which meant that it would face (inaudible) competition and world's (ph) challenging standards.

The (inaudible) track records on implementation of the first compact is a strong signal that Cape Verde will also successfully achieve completion of the program in 2010. The second compact will certify the good results already achieved with the first, and further enhance the partnership between Cape Verde and the MCC.

The selection of Cape Verde is recognition of the work done by Cape Verde and all those involved in the implementation of the current compact. The workers that build the roads, bridges, and dikes that are modernizing and expanding the (inaudible), the farmers and other stakeholders involved in watershed management and agriculture support projects.

It is the formation of a very dynamic and strong partnership with MCC, a partnership that permits both parties to draw important lessons that improve management of the compact and served also as input for the other compacts and threshold programs. It has also served as a space for best practice sharing with other compact countries, the most recent example of which is with Benin.

It is also a source of coordination leverage among Cape Verde's development partners. Importantly, again, is the (inaudible) nature of this partnership. In fact, Cape Verde was one of the very first countries in Africa and beyond to benefit from the compact. It was also the first to inaugurate a major infrastructure project financed under the compact, and it is today the first country to be eligible for a second compact.

The government of Cape Verde understands and appreciates the value of receiving such recognition and will continue with strong commitment of government in managing the funds provided by the MCC and realizing the goal of fighting poverty through sustainable economic growth. (inaudible) will continue to verbalize support (inaudible) with the Congress (ph) as it has done until now to provide the MCC with the necessary resources to continue to carry on its innovative and (inaudible) mandate.

I wish to (inaudible) my appreciation to MCC leadership and all the staff members of this institution for its firm support, advice, and cooperation. I (inaudible) to my best wishes for success to you, CEO Daniel Yohannes, and look forward to continuing to engage with you and your team in the furthering of our common goals.

Although Darius Mans is not here, but I would like also to say a word. I with further a special thank you to Darius Mans for the support and continued support of Cape Verde. I wish him (inaudible) of success in his new assignment, and I would like for him to be assured that his friendship is highly appreciated in Cape Verde.

Thank you all for your attention.

YOHANNES: Thank you very much, Ambassador Veiga, for (inaudible).

(APPLAUSE)

Thank you very much. As you might have heard from the ambassador, the key about the program and what has been discussed on many occasions (inaudible) to show results. And even though we understand that many of the projects like this one takes a very long time, nevertheless, there is a need to show immediate results, and I believe the government of Cape Verde is demonstrating that by showing a lot of good results, and we look forward to work with you in the future. So thank you very much.

SHERINIAN: I have a question over here in the front.

YOHANNES: All right.

QUESTION: Thank you so much for your remarks. As you well know, (inaudible) experience show that development projects that take both women's and men's roles into account are more effective, which is why we commend the MCC for adopting a comprehensive gender policy and really recognize their true leadership in the development field in this regard.

I want you to share a little bit about how under your leadership you plan to ensure that the MCC and its partner countries really follow through on this great gender policy in all stages of compact development and implementation. Thank you.

YOHANNES: I think to respond to your question, I'm committed to it and will make sure that, you know, every proposal that's being considered includes a gender analysis and will have the required resources from the ground to make sure that, you know, it is done very well.

SHERINIAN: One more question here.

QUESTION: You note your own background with renewable energy and also the Mongolian compact. What do you think the MCC can do going forward to help compact countries bring private investment into infrastructure and renewable energy projects?

YOHANNES: I think it's a very good question, and again, if you look in terms of what has been done in the past in the area of, you know, energy, about 7 percent of our commitment of \$7 billion went to the energy sector. But if

you look at it -- I mean, many of those countries that are spending a significant amount of their foreign reserves are spending money on buying expensive fuels. So, personally, as someone who's been involved in the clean energy, I'd like to see a lot of investment going to the wind and the solar and hydro.

Having said that, I think that -- you know, when I talked about -- previously about partnering with the private sector, and that's the kind of project we should be looking for going forward. Of course, I understand many of those projects are country-owned, which we continuously support.

Nevertheless, I think we have to be more creative in terms of bringing the private sector in -- in -- because it's within our mandate. I mean, the MCC could do and work with a lot of partners in addition to the central government. So these are some of the areas we're going to explore and, hopefully, we'll have success story in the near future.

SHERINIAN: One last question over here.

YOHANNES: OK.

QUESTION: Hi. Thank you. And, Mr. Yohannes, congratulations on your confirmation. My name is Brad Mulley (ph), president of Green Planet Group. I run an alternative energy company, and we commercialize a number of products -- organic product for building roads, solar, electric systems, solar lighting systems. We actually have a flagship product, a solar water pumping and purification system, that has been classified by the Pentagon as a revolutionary product in its ability to pump massive amounts of clean drinking water.

My question has two parts. One is I think it's great that the Mongolia compact was opened up to put alternative energy products in there. The question is: Will you consider opening up other compacts that are designed to build infrastructure to consider alternative energy products?

And the second part of the question is: How do the emerging companies that are part of a new economy in the alternative energy field get their products into the pipeline to be considered for building those infrastructures?

YOHANNES: I think it's a very good question, and Darius Teter, who is in the compact development, will give us more detailed information as he is one of the panelists. But I think it's a good question. All right.

Thank you very much. I appreciate it, and again, I hope to see you soon. Thank you.

(APPLAUSE)

Before I leave the podium, I'd like to introduce a very special colleague and, you know -- Cassandra Butts, who was appointed by President Obama to be the senior adviser of MCC. Cassandra, before she came to MCC, was the deputy counsel for the White House.

So we are very delighted to have you, Cassandra, and I'd like to invite you to come to the podium and say a few words. Thank you.

Let's give her a big hand.

(APPLAUSE)

BUTTS: Thank you to Daniel.

I am very pleased to be here and to be a part of the MCC, thanking Daniel and his leadership. He's only been here for, I think -- is it eight or nine days, Daniel? Nine days? And his leadership has already made a difference at MCC.

I just wanted to really say -- give brief remarks, but just say I'm looking forward to working with all of you. I appreciate the president's giving -- the president giving me this opportunity to be here. I see a lot of friendly faces in the audience. I want to recognize, actually, Ambassador Tom McDonald. And Tom was actually the ambassador to Zimbabwe when I was an observer in the parliamentary elections in 2000. So I've had a chance to work with Tom. Thanks for coming, Tom.

I've only been at MCC for four days, and it would be presumptuous of me to give my manifesto of what I'm going to do while I'm here at MCC. But I do want to say that I think I've arrived at an agency that has great promise and that is filled with a talented staff that I believe shares the president's vision of a model for U.S. foreign assistance moving forward that is based on strong partnership with the developing world, a model that recognizes that strong partnerships will lead to sustainable economic growth and transformational change for countries.

I'm looking forward to being here, as I said, and I hope to have a chance to -- I will stay around and answer questions and talk with folks afterwards. And thank you for being here and giving me this opportunity.

(APPLAUSE)

SHERINIAN: Thank you, Cassandra, and again welcome.

We'd like to thank Mr. Yohannes for his time, and, regrettably, as you can imagine, there are plenty of people who are looking to speak with him after yesterday's board meeting. So we'll excuse him at this time and move to the second portion of our program.

And with that, I'd like to invite to the table our panelists, whom you know well: acting vice president for policy and international relations, Sherri Kraham, who is joined by MCC's acting vice president for compact implementation, Frances Reid, and acting vice president for compact development, Darius Teter. They will go into detail after a brief presentation regarding yesterday's board meeting and will take your Q&A for the time that's allotted. I will note when we're at our penultimate and then last question.

As you know from this group, if there's an answer to be had, they have it, and otherwise there might not be one. So thank you for your time, and we'll begin with you, Sherri.

KRAHAM: Good morning, everyone. I'd like to take this opportunity to just expand on what our new CEO, Mr. Yohannes, mentioned about the country selection process, and I'd be happy to answer any questions about Niger and our suspension there at the end.

The board did not select any new country partners for compact eligibility this year, but we did select our first second compact country. And, again, our congratulations. It's very exciting.

We also renewed our commitment and re-selected all of the -- the countries working in compact development -- the six countries there. We did not select any new threshold countries for this year. As many of you know, we're undergoing a threshold program review. But we are working towards finalizing some threshold programs that were selected last year, Liberia and Timor-Leste, and we hope to send both of those programs to the board for approval in the first quarter of 2010.

Let me start with some background about second compacts. The provision explicitly authorizing second compacts was included in our legislation when it was written, and we feel that deeper investments with some of our existing partners is very consistent with our mandate of long-term economic growth and will help to improve the incentive for policy performance, as our partner, Cape Verde, recently demonstrated.

We strongly believe that eligibility should not be automatic nor seen as an entitlement. In fact, it is more difficult to be selected for a second compact, and it is quite a competitive process. In addition to meeting the indicator criteria, a country must also have a proven track record in implementing its compact and achieving preliminary results under that compact.

So at this board meeting, MCC did not give priority for eligibility for either new first or second compacts, but there is a healthy competition because our resources are constrained. So the question and the issue for the board's decision-making is which countries are the right places where we can achieve our mandate of long-term economic growth.

And so this year the board selected one country, Cape Verde. Cape Verde's compact -- a \$110 million compact -- will end in a year, in less than a year, and it is on track to deliver anticipated results for most of the components. Cape Verde addressed some of the implementation issues that we both face as a new institution and as a new partner, and is considered a strong performer on implementation of the program.

On the policy front, Cape Verde illustrates all of those characteristics that we would like to find in a partner -- a consistent reformer in both the governance area, one of the top reformers in the economic area over the past two decades, and has consistently displayed good policies. And as the ambassador mentioned, Cape Verde was initially

selected as a low-income country. It graduated to the lower-middle-income category, and it strived and worked hard to meet the criteria in that new, very much more competitive category, and it did so after a couple of years, now meeting that -- that competitive standard in the -- in the lower-middle-income group.

So I think it's a credit to the government of Cape Verde, which we worked with over the past few years on policy performance, as well as on this compact. So congratulations again.

In terms of compact development -- and my colleague, Darius Teter, can answer any questions about these countries -- we also reviewed the policy performance of these partners that are developing, but haven't signed compact agreements. They must be re-selected every year in order to continue with the compact development process. So we re-selected Jordan, Indonesia, Malawi, the Philippines, and Zambia.

In terms of Indonesia and the Philippines, one of the things that we just described with regard to Cape Verde also was experienced by the Philippines and Indonesia. They graduated income categories. This doesn't necessarily present a problem. We can still work with lower-middle-income countries, but it does mean that they did not meet the criteria for this year.

And what we do is we look at every country's policy performance, and in this case, we did not find that this represented a deterioration, but we did find that this impacted their performance. And we considered their performance in both their new lower-middle-income category, as well as how they would have performed had they not graduated, and both countries would have met the standard in terms of the low-income category.

One of the impacts of the country graduation is that we have a limitation on our lower-middle-income countries in terms of how much funding they could receive. And one of the things that we are doing now is working with Congress to develop a proposal or to develop a piece of legislation that would allow MCC to treat those countries that we started compact development with as low-income countries to allow us to fund them at the levels that we had originally anticipated. And so some progress is being made, and we hope that we will see this piece of legislation as part of our appropriations bill.

Nonetheless, in re-selecting these two countries, the board urged them to intensify their efforts to address the policy performance in their new category, and we hope, like we've seen in Cape Verde, to see both countries striving to meet the -- the -- the qualifications of their new category.

Finally, I'll just mention that we always review the policy performance of all of the compact implementation countries, and so all 19 countries that we have approved compacts for, their performance was reviewed to ensure that they maintain their commitment to meeting our policy criteria.

In closing, we're looking forward to working with all -- all of these partners. Darius can answer any questions about the compact development process, and I'd be happy to answer any questions about selection or the Niger suspension.

Thank you very much.

(APPLAUSE)

REID: In light of the board's actions with respect to Mongolia, I would like to start out by saying (inaudible), which is "good day" in Mongolian.

The Mongolian government approached us in the spring of this year to inform us that it would be impossible for various reasons to complete the rail project that was originally contemplated in Mongolia, and they asked us to consider alternative programming within the compact.

I would like to commend the government of Mongolia, the Millennium Challenge account unit in Mongolia, and the MCC staff, all of whom did an exceptional job of developing and evaluating and carrying out due diligence on a number of projects which were put forward for alternative programming.

At the board meeting in September of this year, the board approved a reallocation of approximately \$49 million in funding to expand existing projects in the fields of vocational education, health, and (inaudible) urban development involving range land management in the areas around several major cities in Mongolia.

At the board meeting yesterday, the board approved, as you have heard, two new projects. One is rehabilitation of the main north-south road corridor in Mongolia, which is a critical transportation link for Mongolia.

And the second project area is energy and the environment. As Mr. Yohannes indicated, this is a major issue for Mongolia and has had the problems with poor quality traditional fuels. And the lack of availability of energy efficient and clean energy products in Mongolia has been a major problem contributing to, you know, health problems, public health expenditures disproportionate to the Mongolian budget, to the -- to a less attractive investment environment for both foreign and domestic investors, particularly in Ulan Bator.

We were very pleased to have the opportunity to take advantage of very innovative research and development work that had gone on in the last two or three years, and our project is really intended to enable MCC to make a positive contribution to testing the sustainability, the scalability, and the viability of work in the critical energy efficiency and cleaner energy field. We're very excited about this project, and we have worked very closely, essentially with all other donors in Mongolia, to make sure that our efforts are collaborative and build on one another's strengths and experiences.

Before I pass on the microphone here, I would also like to mention in my capacity as acting vice president for compact implementation that for fiscal 2009, we exceeded our corporate targets in disbursements, in commitments, and in performance targets. I think we are definitely on an upward trajectory. We're very pleased at having achieved these kinds of results, but we are very mindful that continuing that upward trajectory is going to be a priority for all of us going forward.

(APPLAUSE)

TETER: Thank you.

A few comments about the compact center of development and the recently approved Moldova compact. I think the Moldova compact actually provides a good example of what Daniel Yohannes described as focusing on the policies that would enable the private sector to invest.

\$100 million of the \$262 million Moldova compact is for irrigation rehabilitation and reform, and I want to emphasize the last part of that, the reform. It's one of the few former CIS countries that -- where all irrigation was still centrally managed by a parastatal agency which had under-invested in the utilities and the irrigation systems for 30 years. Farmers were not paying for water. They weren't receiving water. It was an unreliable system and essentially completely defunct.

So although we are doing large-scale rehabilitation of 11 of the centrally -- formerly centrally managed irrigation systems, included in that are a series of policy reforms, including the passage of a water user law, an extension of water tenure rights for farmers, which in turn will allow them to organize both to manage the systems as they are rehabilitated, but also to organize to pay for the operation and maintenance of the systems. I think that that's been the barrier to foreign investment and that that's the reason why Moldova, which used to be a major producer of fruits and vegetables, is now producing rain-fed grains.

So we'd like to see them be able to attract foreign investment and local investment in their own capacity. It's very fertile soil. There's a lot of water there. The policy -- that's really been the policy constraints to growth there. So I think that's an exciting example of where we're not directly engaging the private sector, but we're helping the government to lay the groundwork for private sector investments. That compact, as Mr. Yohannes mentioned -- we hope to sign that compact in January pending congressional notification.

For fiscal year 2010, we are hoping to present to our board compact proposals from the Philippines, from Malawi, and from Jordan. And I'd be happy to answer any questions about those. I just want to stress that these are proposals and the discretion is up to the board on which proposals to accept and which projects to accept.

But there are some exciting stories there as well. Malawi has only 7 percent penetration electricity through their national grid. It's -- again, it's a parastatal -- vertically integrated parastatal S-COM (ph) corporation that runs

it. It's functionally bankrupt. There's been almost no investment in the power sector in Malawi from outside, although there are donors sort of keeping it running.

What we're hoping to do in Malawi is, again, leverage assistance to do urgent rehabilitation on the power sector, which is all hydropower. It's a chain of plants on the Shia River -- to also leverage policy reforms and management reforms of the utility, of S-COM (ph).

In addition to that, we're looking at small-scale off-grid renewable energy generation to replace extremely expensive diesel, which, again, Mr. Yohannes mentioned, and in that case to partner with private investors to do that. So those are, I think, two very challenging, but exciting projects.

In the case of Jordan, we're trying to help fund a formal build-operate-transfer agreement to expand one of the largest wastewater treatment plants which services Amman, Zarqa, and Reseife. And that plant currently has a 25-year BOT agreement. It's a -- it's a consortium of three foreign investors that are operating that. It's clear that the level of effluents is rising faster than they had anticipated. That plant needs to be expanded. We hope to be a part of that.

It's very challenging to do those types of deals, because typically, it's three, four, even five years just to get to financial close. So that's -- that's something we're working on. We'll see how it goes.

Jordan is an exciting compact because it has three integrated water-related projects, and it's the fourth most water-poor country in the world. And I think that integrating conservation with infrastructure to free up treated wastewater for agriculture, thereby substituting for very precious ground and surface water resources.

In the Philippines, we have an exciting program. We have a number of exciting programs. I think one of the ones that received the most attention in the board discussions yesterday was reforms in the Bureau of Tax, Bureau of Revenue, to improve the efficiency of tax collection and to reduce the opportunities for discretion (ph) and corruption, and I think that that is going to be a challenging and exciting project.

In addition, too, a community driven development program expanding on a model that was started with World Bank funding, and that program I wanted to emphasize, with respect to the question from Women Thrive, we are starting that program with a very detailed socioeconomic survey of the success of previous CDD programs financed with World Bank assistance. And part of that assessment is specifically looking at how to improve the participation of women in a community-driven development effort, so both in project identification and project monitoring and in accountability of the local block grants with the (inaudible) and the municipal governments.

I think I've talked enough. Thank you very much.

(APPLAUSE)

SHERINIAN: Any questions for the panel?

QUESTION: Hi. I can direct this at any of you. I just want a clarification. I'm Deanna Gregg with (inaudible). The last speaker mentioned F.Y. 2010 -- you said -- hope to (inaudible) compacts for the Philippines, Malawi, and Jordan. And someone earlier said Liberia and Timor-Leste were the -- Timor-Leste were the next to go up. Can you just clarify?

KRAHAM: Sure. Liberia and Timor-Leste are threshold programs, and those are smaller programs to help countries to improve their policy environment so that, hopefully, they will qualify for a larger compact investment.

SHERINIAN: Question from the center?

QUESTION: Harvey Sloan, the (inaudible) Medical Education Program. I wonder if you would elaborate a little bit on the reallocation of monies to health in Mongolia. And is that sort of going to be an expansion of the existing program or something else?

REID: It is an expansion of the existing program in which we're working across Mongolia to deal primarily with non-communicable diseases, with accidents, and with other similar types of issues, and we're simply expanding it even farther around the country.

QUESTION: Good morning, panel. My name is Abraham Jones with the A'Lones Group. My question is to the panel, (inaudible) looking forward going towards new partnerships under the umbrella of good government. Would MCC entertain climate change strategy as part of the natural resource management? And if so, how do you frame that -- or how do you think about framing (inaudible) natural resource management which is an indicator of climate change strategy?

TETER: That's a good question. First, I would like to start by directing you -- on our Web site we have a statement of principles about MCC's position with respect to climate change-related investments.

First and foremost is that our major criteria for selecting projects is that they contribute to poverty reduction through growth. That is increasingly relevant -- climate change issues are increasingly relevant in those investments, particularly when you're looking at agriculture and adaptation strategy.

So I think probably one of the good examples is in the case of Malawi, one of the problems that they're having with their hydropower -- cascading hydropower system is resulting from deforestation and denuding the land and the watershed above the Shia River.

So to the extent that we are looking at investing in rehabilitating hydropower in Malawi, we are also looking at investments in natural resource management to protect the basin, the catchment area, that services that river. So

that would be a related investment. In the case -- and then, of course, the off-grid small-scale power that we're looking at is all renewable energy.

I think one of the potentially exciting areas for -- whether it's mitigation or adaptation-related investments would be in Indonesia, which is one of our newer eligible countries. My background is in forestry, and, in fact, I started my career in Indonesia on forestry. We have not yet received the first set of investment proposals from the Indonesian government and from the team. I was there last month. But we're expecting a first round of proposals for discussion by the end of January or February.

And when we were there, the minister of finance, Sri Mulyani, had expressed a specific interest in climate change-related adaptation or mitigation projects. We would still -- we would still put those projects through the same rigorous appraisal with respect to potential economic rate of return to the economy, whether through damage avoidance or through actual generation of income and jobs for people.

QUESTION; Good morning. I'm (inaudible) from Development (inaudible) International. I'm the director for Latin America, and we haven't heard this morning about Latin America. So I'd like to hear your thoughts on the projects and the discussions with Colombia, Peru, and Paraguay. Thank you.

KRAHAM: I'll start with Peru and Paraguay. Those two countries are both working in the threshold program. Paraguay has a second threshold program. It was a country that the board determined is striving to meet the criteria, still committed to the policy performance. And while it didn't meet the criteria, we opted to sign a second program to see if we could continue to advance their efforts on the policy front.

Peru, similarly, is in a threshold program. It is working on anti-corruption. Unfortunately, Peru graduated out of our candidacy pool this year to the upper-middle-income category, and this is bound by our legislation. So we are unable -- we were unable to consider Peru for any programming this year. They are just, I believe, one year into their two-year threshold program.

One of the things that we are looking at this year is how candidates are defined, because we have a number of countries that have huge populations of people living under \$2 a day, even though their gross national income may have risen just slightly. So in Indonesia's case, I think it was \$35, I think, into the lower-middle-income category, while probably one of the most populous countries in the world in terms of the poor, certainly that MCC is working with. So that is an issue that we need to look at.

We are also working with Guyana in the threshold program, and I'll let -- you want to talk about Colombia?

TETER: Colombia was first selected for compact eligibility in December of 2008. And then in September of this year, the new World Bank data indicated that Colombia had, in fact, graduated out of the lower-middle-income

pool. So for the purpose of this December's meeting, they were not even part of our -- legally, they're not part of our candidate pool. So that's where it stands right now.

(CROSSTAL)

BUTTS: I just wanted to -- just to -- one of the issues -- this actually came up at our board meeting, and the secretary of state and Daniel are committed to working with Latin American countries and also Caribbean countries and try to figure out how we can do more with those countries. So even though we didn't talk about it today, I just want you to rest assured that it's something that's on our agenda, and we want to look forward and see how we can do more.

QUESTION: Good morning. Fred Berger with the Louis Berger Group. Early on in the creation of the Millennium Challenge Corporation, you engaged organizations like the J-Lab (ph) at MIT and others that were doing rather innovative approaches to causal relationships in development.

I wonder if anything has been learned from that and, if so, what, and if so, how is that informing the threshold and compact negotiations for both new countries and existing compact partners?

KRAHAM: Sure. That's an excellent question, and a topic that we really like to talk about is how we focus on results and how we measure for results. And we have a huge new page on our Web that is focused on independent rigorous impact evaluation. We've made very significant investments in this area. I think 60 percent of our activities in the compact programs will undergo this rigorous independent impact evaluation, and we are striving to -- to apply the most rigorous methods.

All of the impact evaluations that we have invested in -- the description of the process is available on our Web site. So I would encourage you to look at that.

Unfortunately, we don't have the results of any of the impact evaluations to feed into our process of how we are evaluating our second round of investments in new countries at this point, but we hope to be able to contribute.

We are getting information from these evaluations all along the way, and that has -- we have a feedback loop in MCC where we are able to incorporate those new lessons. The -- the one finished impact evaluation that we do have was for the threshold program, Burkina Faso, and we found that due to the types of interventions that we made in girls' education there, the soft interventions that accompanied the infrastructure that we invested in, increased girls' enrollment and hopefully completion by 20 percent.

Also we found that the types of interventions that we made also led to increased improvements in math and reading scores. So we do intend to use that information and inform all future investments.

(UNKNOWN): You had a question over here.

QUESTION: Hi, I'm Mary Stuponkis (ph) from Millennium IP-3, Millennium Partners. Regarding the suspension of Niger, I was wondering if you could speak a little bit about the considerations that went into that decision and whether there was any discussion in redirecting the project more toward the whole society and the private sector.

KRAHAM: Thank you. We very much regretted the decision that the board had to take on Niger on the program there. We very much support the people of Niger. Our program both the threshold assistance and the compact program are dependent on and conditioned upon good policy performance by the government. And where we see a reversal of policy and a negative trend, it's our duty to take it to the board to act under our suspension and termination policy.

The board made a determination that the government has demonstrated a pattern of actions inconsistent with our democracy criteria, and decided to suspend the full program, which will be fully effective at the end of December. We are just one of the U.S. government's range of foreign assistance mechanisms. I do know that humanitarian assistance, food aid under USAID, those -- that type of assistance is continuing.

And we hope that local partners and other NGOs on the ground may take advantage of our investments in the school's infrastructure in Niger and continue to support some of the soft interventions that unfortunately we can no longer provide.

But we will work with USAID, who is implementing the program and Plan International, who is implementing that girls' education program, work to see if there are other local partners that can take those investments on.

SHERINIAN: Question in the back.

QUESTION: Good morning, my name is Kay Pearson (ph). I'm with Parties for Green Creations, and I have a two part question. And one is creating projects in Africa that involve large scale affordable housing, clinics, schools and businesses in which women are encouraged to own, I want to know, one, are those kind of projects financeable?

And the second question -- by MMC -- are those the type of projects you would finance because the housing, for instance, is sustainable housing. It brings industry trade, training. The Niger -- or the native country workforce would be trained. So there are a lot of components that hit on the policies that you say you support, so I just wanted to see if that type of development would be supported.

And the second question, I'm trying to decipher your scorecard and forgive me if I didn't -- if I don't -- if I miss but the second question simply, where are you with approving on Nigeria?

TETER: If I could start with the question about the types of investments. One of the things we do in a new country that is selected is we fly out there to sort of kick off the relationship and -- and make sure we start at a -- at a very high level and early on a shared vision of how this partnership will evolve.

And one of the things that we always say on those trips is we have no preference with respect to sectors or types of investments. What we have are criteria, and those criteria start first and foremost with can we demonstrate that these large scale investments generate economic returns?

Now when I say that, typically the next question is oh, so you don't do education and health, which is of course not what I mean at all because those projects, those types of investments including also housing, put up very high returns. So each project is really examined on the specific project's merits, not the type of projects.

The way we -- the way we try to kick off this partnership because we want our partners to tell us what their priorities are. We don't go there and say here's a menu of projects, please choose. We go there and we say please tell us what are the key constraints to growth, and which really means the key constraints to investments, domestic and international investment. What are those key constraints and what can we do to help you address them?

And once we agree what the sort of four or five key constraints might be, that provides some sort of boundary on the world of the possible so that we're not getting proposals from, you know, right and left and all over the place. But it really is supposed to be driven by our partner countries. With respect to eligibility I, of course, defer to Sherri.

KRAHAM: Thank you your question about the scorecard. I'm holding Cape Verde's and you can see Cape Verde has mostly green on its scorecard. This is one of the sources that the board used, a predominant source that the board uses to evaluate a country's policy performance in ruling justly, which is democracy and governance.

And investing in people, which is how the government uses its own resources for the health, welfare and benefit of its citizens and people and economic freedom, so macro and micro economic policies.

For a country to meet our indicator criteria, it must perform above the median, so above half of the countries, in half of the indicators in each category. So three in the ruling justly, three out of five in the investing people and three in the economic freedom category, and a country must score above the -- above the median on corruption. And so that's what the board would look at in a country that it's considering for initial selection.

Unfortunately Nigeria does not meet the policy criteria at this time but it is a candidate and I know that the embassy and the USAID mission there is working with the government to highlight areas of potential improvement. So hopefully we will see Nigeria meet the criteria in future years.

SHERINIAN: Our last question here.

QUESTION: Good morning, Patrick Wilson, Big (ph) Africa Partnership Administration Secretariat. My question follows this quick -- quick little statement. You mentioned agriculture and you mentioned forestry, and you also mentioned clean water.

And to these I wish to provide your consideration to the end product, which is successful export regionally as well as internationally of these particular products. My question is are you addressing export-ready products?

This is meeting the regulatory standards from WTO and SPS as well as U.S. standards, and this is very important in order to successfully export your products. And the question again is are you meeting export-ready products, U.S. GAO and SPS standards?

TETER: I can't speak to the specific standards but I can provide some examples where our partner countries have requested that kind of assistance. In the case of Namibia, there is a veterinary cordon fence about one-third south -- one-third of the way south of the northern border, and all the animals below that fence have been certified as disease free for export to Europe and elsewhere. And in the communal land areas to the north, that's not the case.

So what we are trying to provide there in the case of Namibia is the veterinary and private (ph) sanitary services, the quarantine services and those kinds of investments so that even though the whole region has not been declared disease free, there is still an opportunity to export animals to Europe.

In the case of Moldova, which -- so I mention we hope to sign in January -- part of the irrigation project is as I mentioned policy reform, but there's also a large technical assistance component to help farmers enter that higher value added product to markets, so that includes cold storage, value chain, processing, packaging, those type of investments.

I want to make clear that there is a bit of a gray line between what is really a distinctly public investment and what would be an investment that would lay the groundwork for private investors to come in because what we don't want to do, of course, is displace or supplant investment where the private sector would come in if the conditions were right.

So that's -- that's what we're trying to do in Moldova is give the farmers the credit that they need so they can borrow at affordable rates to build out the rest of the value chain in agriculture while at the same time expecting them to shoulder some of the risk and take that on.

SHERINIAN: OK, and a final question over here.

QUESTION: Good morning. My name is Allison Johnson (ph), I'm actually here with Northrop Grumman Corporation. I'm working to build their work in the international development arena. And I would like to pose this question actually from a whole of government perspective.

I have followed MCC's work from its inception in 2004, and I'm very interested in light of Niger receiving its suspension from the board meeting yesterday to see about MCC's work and lessons learned.

I'd like to ask as it relates to what happened in Madagascar with unfortunate developments there with the coup d'état in March, what has MCC begun to look at in terms of some sort of after action report or after action review as the Department of Defense does in its actions to look at what worked and what did not work in Madagascar and possibly now in Niger?

To think about the future because having seen Madagascar really right there with Cape Verde to have a terrible turn, we'd be interested on how MCC will look at that with a whole of government approach in terms of how are those lessons transferred to Department of State, to USAID or other agencies in the federal government? Thank you.

(UNKNOWN): So I'll try to tackle that from a policy perspective. And I see that my colleague, Jonathan Bloom is standing here and he learned a lot from our program closed down in Madagascar that maybe he can share with all of us.

I think it's really unfortunate that we make the best decisions that we can about the countries that we hope will be good long-term partners for MCC in terms of their policy performance and sometimes, regrettably, they turn out not to be a good potential partner for us.

We do the best we can to analyze the policy performance, the trends that we see happening on the ground and sometimes, you know, the situation changes and we don't have much or any control over it from a perspective.

What we do is we work very closely with our U.S. government and counterparts, the Defense Department, the State Department, USAID to watch what's happening on the ground, to see if there are any opportunities for leveraging positive change in terms of policy reform. And to see if the incentive of an MCC relationship might be one of those tools that our partners, USAID and State can use for leveraging reform in a positive direction.

In terms -- and various -- sure...

(UNKNOWN): Actually, I wanted to point that on our board, of course, included the Department of Treasury, the Department of State, USAID, the National Security Council is there as an observer. So there are very, very rich discussions about what has happened in Madagascar with respect to the program, how other USAID mechanisms are approaching.

There's an interagency process that is constantly in active and in motion with respect to messaging to governments to what we've learned, how we can cooperate on the ground, how we do the orderly wind down of an investment. So I would say that the lesson learning exercise is ongoing and its one of the -- one of the great features of MCC is that we have this interagency board and it is an executive board. It's a real board.

(UNKNOWN): Before I ask Jonathan to address Madagascar, just one more point is that MCC is an active contributor to both the presidential study directive, being run by the White House and National Security Council and the Quadrennial Development and Diplomacy Review by the State Department. And we have found that both processes, both discussions provide us ample opportunity to share what we are learning on an ongoing basis with our colleagues.

BLOOM: Let me briefly -- sorry, this is -- let me briefly clear my throat.

(LAUGHTER)

BLOOM: I guess there's sort of three points I'd point to. One is as Talia's (ph) mentioned, one of the things that Madagascar forced us to do was to develop and accept a very accelerated basis a closeout process that we need for a number of countries as they're approaching the end of the compact. So that was one immediate result that we had to develop.

Second of all, is we developed this staged series of reporting and -- and -- and lessons learning process. MCA-Madagascar just recently earlier this week I believe published their windup report on what had been accomplished and how things were being left.

We will shortly, in the next couple of weeks, conclude our assessment and then there is an independent outside firm, as Sherri mentioned in terms of impact assessment that will carry out an independent impact assessment of what was accomplished, what was not accomplished and how that compared to what was expected.

Finally, just in terms of concrete lessons learned, one of the things that was clear by having to do an emergency shutdown was that we had to look at sustainability on a very crash basis. And one of the lessons was how do we transfer many of the field activities to local NGOs, civil society, local communes, which was largely successful in Madagascar. It is, in fact, has already informed the way we're approach the shutdown in Niger. So that is being recycled pretty quickly.

SHERINIAN: With that, we'd like to -- before thanking our panelists, thank you for your attention and we'd like to, again, acknowledge the presence of distinguished members of the diplomatic corps who were with us today. We're honored that you would be with us today and we're so pleased to be partnering with each of you.

I'd like to thank the panelists again and remind you that this time is yours and if you'd like to find any of those good-looking people with an MCC pin on, they can answer your questions or direct you to the proper people who are here in the room or who could otherwise help you. And with that, we'd like to wish you happy holidays from MCC.