

# MCC Holds a Post-Board Public Outreach Meeting

## Speakers

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## Transcript

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MAZZARELLA: Welcome. Thank you for coming, everybody.

I am Jim Mazarella, the Acting Vice President for Congressional and Public Affairs, here at MCC.

And yesterday, our Board of Directors met. And, today, we are doing what we always do after they meet, which is have our public outreach meeting to update you on what happened there.

This exchange is part of our ongoing commitment to transparency and dialogue with our stakeholders.

Before we begin, I'd quickly like to run down the plan for today. First, we're going to have — excuse me — first, we're going to hear from MCC CEO, Daniel Yohannes. He will go over some key developments that's happened since our last meeting, in December, and review what happened yesterday, and then take some questions.

Next, we're going to show a very short video from Nicaragua, about some of the results that are unfolding there. It was done by the Nicaraguans. And we loved it so much, we basically stole it from them. It's — it's really good.

Then, we're going to convene a panel to delve a little bit more into these issues. MCC's Matt Bohn — he's going to go into our results to impact framework.

MCC's new Vice President for Policy and International relations, Sheila Herrling, will talk about our policy priorities.

And, then, MCC's Acting Vice President for Compact Development, Darius Teter, is going to review his portfolio.

After the presentation, the panel will take questions.

A quick few housekeeping reminders: Anybody that's going to ask any questions, please look for Nathan, which — Nathan, with the roaming mike — so that we can hear what you're saying. After getting the mike, please state your name and your organization before you ask your questions.

I'd also like to remind everybody that there's going to be a transcript of this meeting posted on our Web site. So be careful of your grammar, if you're going to ask any questions.

(LAUGHTER)

Before turning the podium over to my boss, if I can make one more announcement — which is that we are going to be posting on our Web site tonight an open government plan. Recently, the president issued a directive ordering all federal agencies to ensure

that operations are as open and transparent as possible, and to develop an open government plan.

We, of course, have always embraced transparency and participation and collaboration. So this should be nothing new for us. But to comply, we are going to post this open government plan, and we'd really like your comments on it. So to — to review

it and to comment on it, if you could go to [www.mcc.gov](http://www.mcc.gov)\open, and — by April 1st, we'd — we'd greatly appreciate your feedback.

So, with that, it's my pleasure to introduce MCC's Chief Executive Officer, Mr. Daniel Yohannes.

(APPLAUSE)

YOHANNES: Good morning, and thank you for being here today. We'll share with you the decisions that were made at yesterday's board meeting. And, before that, also, we want to take some opportunities for you to meet some of the newly assembled management team that have come in the last 30 days, and some will come next week.

First, I'd like to start with Sheila Herrling, who is Vice President for Policy and International Relations. She's sitting down there. You're going to see her very shortly. Sheila was previously with the Center for Global Development, and the senior policy associate, in which she tracked MCC's progress for the last five years. And, also, Sheila was the lead team for the Obama-Biden transition team overlooking MCC. So she knows MCC in and out. And we're very delighted to have her here.

Second is Patrick Fine. Patrick was previously senior V.P. for Academy for Educational Development. And before that, for 20 years, he was with USAID. So we're very delighted to have Patrick. He comes with a very distinguished career and development.

Third, Chuck Cooper, who is here as the new V.P. for Congressional and Public Affairs — Chuck is currently the staff director for the Democratic Policy Committee. So we're very delighted to have Chuck.

And, again, this is management information. And, hopefully, in the next 60 to 90 days, we will be able to fill the remaining three or four positions. It has taken a little bit longer than I had anticipated. Nevertheless, it is the government.

It takes a long time to go through the vetting process; but, number two — I wanted to make sure that we complement what exists here with very talented individuals from outside.

So I am extremely excited to have these wonderful individuals to be with us.

Also, we have Jim Greene, who is the Deputy Vice President for Policy and International Relations. Jim is a Ph.D. in economics. Previously, he was — was vice president Biden's team both as — when Biden was a senator and, now, in the White House, after he became vice president.

And all joined — Cassandra Butts — have been here, now, for about 90 days. I think all — all came at the same time.

In January, we signed a compact agreement with Moldova. That was my first compact, but the 20th compact for MCC. We now have an investment totaling over \$7.5 billion. The investments were primarily used in two different sectors. One was in agricultural. The other one was in transportation. And we are extremely excited and very happy with Moldova.

In the last 60 days, I also took an opportunity to visit two wonderful countries. I went to Ghana and Cape Verde. I went there to look at the progress that has been made in those two countries. A lot of our investment went to agricultural, infrastructure and education.

In Ghana, I was able to see the newly constructed schools. You know, we already built about 65 schools. But I went to two schools. This is a place where, previously, the students were educated under a tree. They now have great facilities. And the environment has changed tremendously. In fact, I'm told that it's much easier now to attract and retain teachers, where, previously, it was extremely difficult.

I understand we are working very closely with USAID in making sure that the teachers are trained; and USAID are doing a great job training many of the teachers that are going to some of these facilities.

In Ghana alone, in addition to the 65 schools, I am told that we're going to be building another 300 schools in the next two years. So, it's phenomenal.

In addition, I was able to see the progress that has been made in the agricultural area. In Ghana alone, we have trained something like 52 southern (ph) farmers in terms of the use of modern technology. I had the opportunity to speak with a number of the farmers that were there. And, let me tell you, I — what impressed me the most was, A, there was both men and women. It's not only men.

And I remember speaking to one of the farmers who was a farmer woman. Her name was Mavis. She told me how she was able to increase her production from eight bags of rice to 140 bags of rice within the year, after she was able to get our training. She also now has a bank account, which was previously impossible. And she also owns her land, so — which is a tremendous accomplishment. It tells me that our gender integration is working extremely well.

Also I went to a land-title office in which we presented certificates of ownership for the land, for men and women. Again, I was able to really see how our gender integration is working extremely well; so, over all, it was a very successful visit.

I also saw a pineapple farm in which we invested on the cold storage. Ghana is now exporting pineapples to European markets, earning very precious foreign-currency income.

I met with the president, with some of his cabinet members, with civil society, with business community — and I really became pleased with the progress that has been made in Ghana.

Cape Verde was another story. I mean, it was a very success story. I was able to see the newly constructed roads connecting on coastal community to another coastal community in Santa Catarina municipal district, in which about 100,000 people

are benefiting from the newly constructed roads; also saw this massive port-expansion projects in which we are funding, which will really help the country in trade investments. And I was assured that the — the program would be completed in September.

So — and the other thing — let me tell you something, which is even very unique and different. I saw how government is working extremely well through e-government. They showed me how it has become very transparent by providing information to their own constituencies about information about their own government.

In fact, services like birth certificates — here, I mean, I have to go to the municipality's office to get my birth certificate for my kids. Over there, you could get it directly from home, or the death certificates from home. You don't have to come to the municipal offices.

In addition, what used to take approximately about 60 days to start a new business — now, they could get it in less than an hour. So I was very impressed, again. I met with all the constituencies over there. And I must tell you that, having seen those two countries, I came feeling — I came back home feeling good that our investment is in the right place.

Now, I wanted to tell you about yesterday. One of the topics that was discussed was the proposed Philippine compact at the Board Meeting. Of course, MCC and Philippines have been working together to develop a compact to stimulate economic growth and reduce poverty. The proposed program includes three innovative projects addressing the Philippines' constraints to their economic growth.

Darius Teter, Acting Vice President for Compact Development, who is sitting down there, will give us the details when we convene for the panel discussions.

The Board praised the Philippines for their hard work in developing this innovative compact. The Board acknowledged the government's commitment to the completion of MCC-funded Threshold program, which focused on corruption.

The Board deferred final consideration of the compact in order to give the incoming administration an opportunity to affirm its own commitment to the program's objectives and implementation, as well as to MCC's principles.

Darius will go into more details about this when the panel convenes.

In addition, we discussed results. Since I've been here in the last three and a half months — four months — I've been talking about showing real results. We were able to show the Board — some of the interim results. When we talk about results here, I mean, we're talking two different stages.

Now, number one is to show our constituencies which projects that are completed, which is very consistent in terms of how the development community addresses or talk about results, which is, you know (inaudible) trained, (inaudible) completed. But at MCC, we take it one step further.

At the end of five years, we do what's known as "real compact evaluation" by a third party, to determine — to see if the investments that have been made are showing the desired result in a way that impacts our partners' income.

We got two countries this year. We got Honduras and Cape Verde — that will come to an end of the first five-year compact.

And we will do an impact evaluation sometime next year. And we'll be more than happy to present you with the results.

From experience, at the end of five years, you're going to see some results. But the real impact will begin to happen at the end of six, seven, eight, nine, and 20 years. So I just want to make sure that you really understand. And we'll continue to do an impact evaluation at the end of five years, 10 years, 15 years and 20 years.

We have currently six countries that we — where we invested about \$618 million. We expect these countries will increase their income by \$740 million in the next 20 years. And, like I said, you know, we will continue to do the impact evaluations as these countries come to an end of the compact period.

So we've got a lot of work to do. And, at this time, I'll be more than happy to take a few questions before we convene to the panel discussion. So any question that you might have, I'll be more than happy to take.

Yes, sir?

QUESTION: (OFF-MIKE)

YOHANNES: OK. No problem.

QUESTION: I spent most of my (inaudible) in Africa (inaudible). And, you know, there are several countries in Africa which are very large, and have decentralized systems; for example, Nigeria and the Democratic Republic of Congo.

Nigeria, we all know, is a very troubled governance system. And, as a federal government, would not be eligible for MCC. But there are several states which are very well managed. For example, Lagos State — the governor there is extremely enlightened.

And he's spending the oil money that he gets for really wonderful things.

Would it be legal or feasible for MCC to make compacts with those levels of government?

YOHANNES: Thank you very much, sir. And that's a good question.

Currently, we are looking in terms of — you know, we have the 17 different criteria we look at when we make a decision — which country to select. Unfortunately, Nigeria is not a country that passes some of those indicators. And, at this point, we — you know, our — our mandate does not allow us to work with countries that do not pass the — the indicators that...

QUESTION: Hi. I'm Liza Douglas (ph) with SMV Netherlands (ph) to Government (ph) Organization.

I'm just wondering if the Threshold program was discussed as a whole program — if — if there have been any decisions on how that will move forward. Thanks.

YOHANNES: We are still reviewing the Threshold program in terms of its effectiveness in the last five years. I believe we'll come to some consensus sometimes in June or July of this year. And we'll be more than happy to present it to you, and to all of our constituencies. But, no; it's still under review.

QUESTION: I'm Maria Brandish (ph) I am the Angola (inaudible) investment, and I'd like to ask a question.

OK. Angola is very (inaudible) in market economics. But Angola has difficulties with the statistic data. It is possible to Angola at least to request help for this problem — studies (inaudible)?

YOHANNES: OK. Probably, I'm going to have Sheila Herrling answer that question for you.

HERRLING: So, Angola isn't alone with some countries that are having problems with developing their statistics. We, of course, look at the 17 indicators and the — they are developed by independent sources. We also take into account supplemental data as we look — as the board looks at this. There is plenty of supplemental data that goes to that. We're always — we always encourage countries to be in direct contract — contact with the policy office. Tom Kelly is right in front of you. He said, wisely, here today.

To have this debate, there are many countries that come in that we help directly. So I would encourage that.

YOHANNES: Thank you, Sheila.

(UNKNOWN): So I think we have time for just one more question.

YOHANNES: Just one — yes.

(UNKNOWN): Yes, sir?

QUESTION: Good morning, sir. My name is Mark Wallington (ph). I'm from Crown (ph) Agency in — in London.

You've mentioned the excellent results MCC has seen in Ghana, with the support to schools construction, et cetera. Ghana has, under the new administration there, just instigated a new revenue authority, which is a significant move. And I know the governments are looking for daily (ph) support to provide technical assistance for its modernization.

Is — if — if the government were to approach MCC, is there any possibility that funds could be allocated to support that initiative?

YOHANNES: Like any initiative, I would be more than happy to look at it.

OK?

Before I leave, I'd like to introduce Fatima Veiga from Cape Verde — Fatima Veiga. Since I visited her country, I wanted to make sure that at least she's introduced.

All right; thank you. Thank you very much, again. And, Jim, I'll turn it to you. I appreciate it.

(APPLAUSE)

MAZZARELLA: OK. So now we're going to the video.

(VIDEOTAPE PRESENTATION)

MAZZARELLA: So, that's the video that we were so proud of. It — it was done by the Nicaraguans. And it's — it does an amazing job, we feel, of really showing the impacts and showing the results. And, now, it's up to us to start documenting some of that — documenting the increases in income.

To talk more about the results framework, we'll — we'll go to the panel. As — as I said earlier, it's Matt Bohn, Sheila Herrling, and Darius Teter. So, after their presentations, we'll take some more questions.

And, with that, Matt, do you want to start?

BOHN: Sure. Thanks, Jim.

I'm very happy to be here with Sheila and Darius and Patrick and Chuck. You know, when you see one of these videos, the first thing you think of is, "It's some kind of a marketing gimmick." But as I see this, having been involved in the Nicaragua



program from the very beginning – I can tell you firsthand the amazing impact it’s having in the lives of — of the Nicaraguans.

And it’s really transforming a region of the country.

I wanted to talk, just very briefly, about how we think about results. One of the things that we are working on under the direction of our new CEO is to really do a better job in sharing our successes and results, and demonstrating the value that all of us are getting from the use of U.S. taxpayer dollars and development.

The MCC model is focused on investment, and not just charity alone. What that means is every investment we make, if you will, is done — we always determine what the projected benefits are in terms of higher incomes to local beneficiaries.

As we think about that impact, we think about it along three phases. First is when we do the project appraisal; when we do the estimated economic-rate-of-return analysis. And we’re — always want to make sure that any investment or any grant we make can justify the associated costs.

The second is — is during compact implementation, we continue to monitor the impact of the program and actually use the results to modify and change the way the assistance is being delivered. This is very important. What you didn’t see here — and I’ll share a very quick anecdote — is, in the case of Nicaragua — the assistance in the rural-business component to poor farmers and rural entrepreneurs was in cluster areas of livestock, agricultural, non-agriculture.

And the interesting part is — is we saw that MCC Nicaragua was actually able to determine through a preliminary impact evaluation what the impact was on volume sold and price across various crops. And what that did is they found, in approximately six of the seven crops, there was anywhere from a 40 percent to 60 percent increase in productivity yield. But in one of the crops, there was actually a drop. And the drop was due to a very, very heavy rainy season and some of the interventions of the government.

But based on this preliminary impact evaluation, the Nicaraguans were able to actually modify assistance away from that crop, toward crops that had higher yields. So it’s using the information during compact implementation.

Now, as Mr. Yohannes mentioned, ultimately, what we’re looking at is the long-term impact. So, at the end of the five-year compacts, independent impact evaluations will be done. And it’s there that we start to look at impacts on household income.

In addition to economic growth, which is in our tagline, we also do beneficiary analysis, which takes a look at the distribution effects. So who — those living above \$4 a day; below \$4; below \$2 — who is actually benefiting from our assistance.

Finally, as Jim mentioned, all of this information is available up on our Web site. And this is very important to us. And we recognize that, in some cases, there will be a lot of good news. In other cases, there won't be good news. And that's OK. We want to learn from it. We want to be transparent about it.

Early indications of success really are just the tip of the iceberg — what you're seeing here; these mid-term outputs. As we think about the impact, we're looking at it over a 20-year period. And we look forward to sharing some of the results from our impact evaluations from our first two compacts that end this year, once those are done.

Finally, how do we use these results? I mentioned, obviously, the — our partner countries are using them to modify the way assistance is delivered. But, also, we're learning from our areas where we need to improve. It's — you know, we're trying to create a feedback loop both during implementation, back to compact development. So Darius Teter and his team, as he works with new countries, can incorporate the lessons learned, and make sure that we are doing our best to get the most use out of the money.

I'm going to stop there, and look forward to answering any questions — Jim, are we going to go through? — and happy to answer any questions.

HERRLING: Good morning, everybody. I'm Sheila Herrling, the vice president for policy and international relations. I've been here one month. So — so give me a break, a little bit, for this — this first one.

But, for the last five years, I've been on the other side of this table. I've been with you guys, in the audience, sort of pushing the MCC to — to build on its successes, and, sometimes, to critique the way it has done things.

What's been fascinating is to be on the inside and — and see that they are struggling with — with the same issues that we have been pushing them — that you guys have been pushing us to — to look at. And so that was very heartening.

People keep asking me, "What's the biggest secret you've — you've found out since you've been here? You know, what have they been hiding from us?"

And — and the truth of the matter is I haven't found anything. And I suspect it's because the MCC, from the get go, has been very collaborative, very forthright, very consultative. I felt it from the outside. I'm committed to — to continuing that good practice now that I'm on the inside. I'm a big believer that better policy is made through healthy debate and broad consultations.

I'm going to run through with you sort of in — in my month that I've been here, I see four emerging policy priorities.

It's a big, tall order for the shop this year. So let me run through the four.

The first is what Matt just talked about — not just delivering on results, but better communicating our results. We have so much data — the MCC has done such — such a good job, particularly over the last year, in developing common indicators across this — across key sectors. What I think we need to be doing, and what we're committed to be doing, is making sure we connect the dots across the entire spectrum of the results.

So, from the policy reforms that we get at the get go, which make our investments more sustainable, to the outputs — and never, ever forgetting that the ultimate goal is the increase of incomes at the end, which we'll only know after the impact assessment; so connecting that results framework, and communicating that better.

The second is the Threshold Program, which we had a question on earlier. Jim Greene, my deputy, is full-time, full-on looking at the Threshold Program. Not only is he working with our partners in USAID to bring Liberia and Timor-Leste programs to the finish line, hopefully, in — in late — late spring — but we are also undergoing an entire review of the Threshold Program.

We have a lot of experience under our belts. We recognize how important it is to have incentives for policy reform, not just at the beginning of our partnerships with countries, but throughout the partnership with countries. And, you know, frankly, it's a mixed bag right now. It's been a mixed bag of selection — selection countries. It's been a mixed bag of purpose once they're in the program.

So we are opening the whole thing up. We will be consulting. So get your ideas ready.

The third is graduation and selection review. So we have a new team in place. We have seven years under the selection system. And we're going to take a fresh look at it. Is it serving the needs?

And, as part of this process, a more immediate aspect we'll be looking at is what is an increasing phenomenon of graduation — there have 42 graduations since the beginning of the MCC. So countries going up in — up in income category; in one case, down in income category. Forty-two — that's a lot; eight of which have been our partner countries, which have changed mid-stream, either while they're developing the Compact or Threshold program, or while they're implementing.

And what we are finding, frankly, is that, increasingly, your set of poor and also well-governed countries, are ending up in the lower-middle income category; where, as you all know, our funding is restricted to 25 percent of our budget.

So, again, this is going to be a big undertaking. We will be consulting. We've already started consulting on the Hill, and with NGOs and other stakeholders; again, the more ideas, the better.

And, lastly, innovation in the private sector — I think every time you hear the CEO speak, you will hear him talk about being more innovative, leveraging the private sector. I always want to remind everybody that we start hugely innovative.

The MCC has all the flexibilities that foreign-aid agencies wish they had — a singular purpose, a results focus, a policy-reform-based decision-making process, transparency, country ownership — so, to remind us that we start hugely innovative, but to build on that; in particular, to — to think about how better to leverage our partnerships with the private sector and NGOs.

Again, we have flexibility in this area that we can build on.

The CEO mentioned the — the story in Ghana, where, during implementation of the compact, we found ways to connect investors to the supply chain in our agriculture program. We'd like to do more of that, and do it early — do it at design, so we're not retrofitting it during implementation — and Darius, maybe, will talk about some of this, as he is responsible for the very difficult task of compact design — but thinking about how to get better tools to potential investors faster, early in the process, even at the constraints-analysis stage — are some of the things we're thinking about.

And, lastly, exploring innovating — innovate-financing mechanisms — are there — we have been typically a project-finance organization. Are there financing mechanisms we should explore that actually are viable in our model and don't duplicate what's going on elsewhere, which is a bad habit of the U.S. government — that we — we sort of replicate little offices in every agency.

So we want to make sure that we're not duplicating for the sake of duplicating.

So those are sort of the four big ones for me. And I'm happy to answer any questions after.

TETER: Thank you.

I — I see a lot of familiar faces here, before. So I'll be fairly brief about the pipeline going forward. But, of course, I'm available to answer any questions.

As our CEO mentioned, this year, we are looking at the Philippines. And we're also looking at Jordan and Malawi. I'm happy to answer any questions about the board meeting and its consideration of the Philippines compact.

With respect to Jordan, we have our team in the field right now. We have feasibility contractors in the field who are actually contracted by the Jordanian government. We anticipate taking that compact to the board later this year, and signing it in this fiscal year. That compact is focused almost entirely on water supply, water conservation, and water — wastewater treatment.

As a lower-middle-income country, the size of the compact is limited by statute to 25 percent of the funds that are appropriated for compacts in the fiscal year. We also have our team in the field in Malawi, together with a team of feasibility contractors, looking at technical, economic, and environment issues, with respect to a lot of urgent

rehabilitation in the cascading chain of hydropower projects on the Shire River, which are the only source of power right now to Malawi.

On a parallel track, we are pursuing with the government of Malawi, urgent reforms in the energy sector, relating to the vertical integration of that sector; the state utility, ESCOM, and how — its — its financial viability, and how it's managed.

So I think, in — particularly, in Malawi, we — we have a very important parallel ongoing dialogue on the policy side, in addition to — or to accompany the proposed infrastructure investments.

In Jordan, by the same token, working with our colleagues at USAID, we are also in discussions with the government on policies around tariffs and charges for wastewater treatment, and for water supply.

Looking ahead to 2011, we are in the midst of working with Indonesia and Zambia. Indonesia has identified four main areas of focus: Education, infrastructure, governance and environmental sustainability.

The Indonesians have now conducted public consultations in nine regions. And they've also openly solicited proposals from local community groups, individuals, NGOs and the private sector, which is quite interesting. I think they'll be getting a lot of proposals. They've developed a template in Bahasa Indonesian and distributed it at these regional meetings. So we'll be working with them to think about ways to handle the flood of proposals that we expect to get, in addition to the typically large proposals that we would expect to see from our partners there.

I think there's — there's a possible link there to the Philippines approach. You know, one of the challenges MCC faces in these vast countries is, "How do we have a meaningful impact in — with such a large population and so many people living under \$2 a day, spread across such a vast archipelago?"

I think the — the Philippines approach was quite instructive. They — one part of their compact is really focused on the macro level, which is addressing tax revenue, tax collection and corruption amongst the revenue agencies, which is an extension of their Threshold Program that they worked on with MCC.

And, at the micro level, the Philippines has asked us to help them expand and extend a community-driven development project called KALAHI-CIDSS, which translates from Tagalog to "Linking arms against poverty." And we hope to finance a large expansion of that program. What we like about that program is it's a nice targeting vehicle. You can set selection criteria for which barangays, or local communities, you want to work with. And it's also an empowerment vehicle. It's about building community and social capital to hold local officials accountable for how they use block grants. So that's a very exciting program.

And I think we faced a similar challenge in Indonesia: "How do we have a meaningful impact in such a — in such a huge place?"

In the case of Zambia — Zambia has expressed interest in transport, power sector, environments and tourism, water supply, sanitation, and technical-vocational training and education. So we have a large team going to Zambia in a week to work with the government on draft proposals that — that we are under discussion about.

I'm happy to answer any questions about any of those countries. Thank you.

MAZZARELLA: And, then, one additional country that's eligible this year that Mr. Yohannes mentioned he visited is Cape Verde. And we have the ambassador here. They're our first country that's both implementing a compact, and also eligible for a second compact.

So, with that — questions? Nathan stands ready.

QUESTION: Good morning. I'm Sarah Jane Staats, with the Center for Global Development, where we miss Sheila Herrling immensely. But it's lovely to see you on the other side of the table.

Just wanted to say two words of praise very much on the emphasis on communicating the results, and thinking of other ways to pull together all that data — I think it's — it's helpful when we hear all the numbers about, you know, 52,000 farmers trained. But it also is worthwhile pulling that together, along the — the broad spectrum of issues and — and, again, as well, on the impact evaluation — good — good music to our ears.

A quick question on whether any of the concerns came up around Senegal at the board meeting yesterday; and, if so, sort of what the range of — of tools the MCC has at its disposal, to deal with some of those concerns.

HERRLING: (OFF-MIKE)

Yesterday, Patrick Fine and his team delivered to the board what — what we hope to be a recurring presentation on better — better presenting the risks associated with our portfolio.

Now, of course, anybody who is in this business recognizes that there are risks across the board. Senegal, right now, is certainly — you're seeing a lot in the press. But it's a concern across all of the countries we work with. Senegal just seems to be a — getting a lot of it right now.

I guess I look at this — the issue in two ways, Sarah Jane. One is from — are they a good partner on the policy perspective? And the other is: Are they a good partner in the preparation of the compact, and the implementation of the compact?

On the policy front, Senegal has performed in the top quartile of our indicators, including on “control of corruption” for years. And we monitor it very closely; not just as they're selected, but through design, through implementation. And if the partner starts losing the confidence of the board — if there are a pattern of actions inconsistent

— there are many tools that are at the discretion of the board to use. And they have shown that they are willing to use them. And they range from warning, to suspension, to termination.

The CEO has communicated to the Senegalese government the concerns about the corruption issues that we've been watching, and that, you know, there is always the sense that the compact could be at risk. We are at a very interesting time right now, leading into EIF, where demonstration by the government of Senegal of its commitment to corruption is hugely important — and not just for the MCC. I can't speak on — sorry — yes, exactly.

I can't speak on behalf of the rest of the U.S. government, but there is a lot at stake here. There is certainly the MCC, where we have decided that Senegal was a good investment bet. But I can imagine our colleagues at the State Department and USAID are also asking them the same question: "Is Senegal still a good investment bet to put in at a high-priority level on our food-security initiative and our global-health initiative?"

So we take it very seriously. And, maybe, Darius — you want to talk a bit about experience (OFF-MIKE)?

TETER: On the compact-development side, Senegal is — you know, there's sort of a long tale to the story. After three years of being eligible for a compact, we still had failed to come to an agreement. The board sent a very tough message in December of 2007, basically saying, you know, "You have one more bite at this apple." And we laid out a very tough set of — a very tough schedule of conditions to — to get a compact together.

And the — the Senegalese government took that very seriously. They formed an entirely new team. They funded it extremely well. They worked extremely efficiently with us, and as good partners. And I think very interesting is that they probably put

more money of their own into compact development than any country we've ever worked with in terms of financing feasibility studies, consultants, environmental-impact assessments, and detailed engineering-design work.

So once — I think once we got serious — and they got serious — it was — it went extremely well. And it's we're — we're proud of the content of the compact. We think it's a solid investment.

So I think the — the partnership ended on a high note on the development side. And, now, we just have to see what — how we do going forward.

QUESTION: Thank you.

My name is Jose Gonsalvez (ph) I'm with the Nathan (ph) Associates, here in Arlington. I am glad to hear the CEO mention that Cape Verde, my original homeland, is really — is being considered right now for a second compact, and (inaudible).

And my question is that since this is a first for a second compact, are there to be more second compacts? And is it because, also, Cape Verde moved from at least — less-developed nation to a lower-middle income — that they have a second compact?

In other words, if a country maintains in the same category, will there also be likely to be the second compacts in the future, or does one have to, you know, graduate to the next tier? Thank you.

HERRLING: Thanks for the question; and congratulations to Cape Verde for being the first selection for a second compact.

The first thing to note is that second compacts are not a guarantee for any country. So the two criteria that will be looked at will be policy performance and performance of implementation of your first compact. And it's a tough — it's a tough hurdle right there.

In the case of Cape Verde, you know, graduation is not a — an indicator that determines second compacts. However, in the case of Cape Verde, not only did it graduate, but, then it passed the policy indicators in that higher peer group, which is — which is really a tribute. And so that's how we're looking at moving to second compacts.

BOHN: Just a quick — quick comment on the program — the third big piece of the second compact is we're thinking about sustainability. At the end of the day, we're not in the business of continuing with multiple compacts. Our success is determined by diminishing the dependence of these countries on foreign aid. So that'll be another key consideration — is — is, "How can we best ensure that whatever program is — is entered into — that it can be leveraged by the private sector, that it is sustainable, and that this is an — an ongoing thing?"

QUESTION: I had a question the Malawi — potential compact. Well, I have a suggestion and a question.

The suggestion is to look at the railway connection to the Port of Nacala in Mozambique, which is — I think the gap is only about 30 miles. And that could really make a big difference for Malawi.

And the question is: Will the power sector — you talked about hydro — would that be open to private investment? You know, the U.S. government agency OPIC has significant debt financing available for U.S. companies doing power in Africa.

TETER: Thank you.

On the — on the railway project — that was actually proposed to us by the government. It was 524 kilometers, actually, because — well, the 30-kilometer link that's missing is — on the Mozambique side, they're actually planning to work on that.



The problem is, then, on the Malawi side — that entire line needs to be rebuilt. That's — the travel speeds are extremely slow. The alignment needs to be redone. It passes through swampy areas. It's — it's basically suffered from a lack of real investment for 20 years.

We looked at the project and we determined that it was, frankly, just too big for us to chew in five years, given, particularly, the environmental issues around redoing the alignment, because it's not — it was presented to us as a rehabilitation; but when we inspected it, we realized it was actually a reconstruction. So I think it would have been more than we could have accomplished with our budget, in our time.

With respect to the power sector, we are very — I mean, part of this parallel track on policy dialogue is trying to help them do what they want to do, which is to open that sector up to private investment. I think you have a — a different issue there, as well, which is, “Is there actually a paying rate base that would support, for example, a BOT or some other type of traditional PPP there.

Right now, only 7 percent of the country is electrified. And there is limited potential for more development along the Shire River. We think part of the future for Malawi is to be connected to the Southern Africa Power Pool through the grid, whether it's via Mozambique — probably, most likely, by Mozambique.

But those are — these are exactly the issues we're — we're working on.

They have, by the way, reformed their law to allow smaller-scale producers, including — to contribute to — to contribute power into the network. For example, somebody producing sugar cane, who has the ability to produce power using the gas could, in

fact, sell their power into the — the grid. So it's an area that we would like to help them work on, because it's very clear that, under their own financing, they're not going to be able to — to really grow the grid.

Thank you.

MAZZARELLA: Are there any questions on this side of the room?

Right here?

QUESTION: Thank you — Paula Feeney (ph) — Cardno Emerging Markets, USA.

The discussion earlier — the reference, I should say, to — to Senegal — was very interesting, I thought. And there was a reference made to Global Health Initiative and the Food Security Initiative of the U.S. government.

Could you characterize the engagement of MCC in the interagency process, with respect to those two important initiatives?

How have you been engaged in the past, and how do you envision your programs and yourself in terms of the Washington level, as well as your MCC resident country directors and — deputy reps in the — in the concerned countries? Thank you.

HERRLING: Well, thank you for the question.

So, as you know, we're not the lead on these initiatives. They're in the State Department and in USAID, and in the larger Presidential Study Directive, of course, out of the White House. But we are — really involved.

In the case of the Food Security Initiative, we have a very large portfolio in agriculture. And so it has been a good contributor into the administration's initiative; and same on Global — and we — and same on Global Health.

And so we've had, actually, people working in the teams, providing data, helping through best practice and, of course, we have a lot of the best practice here, at the MCC, in terms of the model of country ownership, impact evaluations, tracking results, designing good programs with economic growth as the end game. And so we — we have been part and parcel to those larger initiatives.

On the Presidential Study Directive, as well, we are — we are a principal in those meetings. And as we build towards the end, I suspect to see a lot of the principles of the MCC come out across the government.

BOHN: We also — not only are we contributing our intellectual capital, but also human capital.

We've recently had — one of our MCC staff was actually going to go work full time on the Food Security Initiative.

And — and I'll also add, on the food-security question — one thing that — that we're trying to do is — temporarily — well, yes.

(UNKNOWN): (OFF-MIKE)

BOHN: Yes. I've heard that before.

One — one other thing is, on food security — one — one thing that MCC can bring to the table is a much broader understanding of what we mean by food security. We're actually talking about things like infrastructure, like rural roads. So it's not just, you know, growing crops, but actually thinking about it in an integrated fashion along the entire value chain, including things like logistics and transport and commercialization.

QUESTION: Thank you.

My name is Lourdes De Vera, and I'm with BCEOM International, which is based in Paris, in France.

My question is about the Philippines. On the micro-level help that could be extended to the Philippines, how does MCC or the MCA, which is the local office, determine the poorest and the neediest community for the

development program? I mean, there are so many islands in the Philippines. And considering the budget limitation of MCC for aid to be extended, how could MCC direct itself effectively to the right people in the community for its development?

TETER: Thank you. The — as you may know, the KALAHI-CIDSS model that has been going, now, for seven years in the Philippines, funded jointly by the World Bank and the government of the Philippines — and they have selection criteria for choosing which barangay to work with.

One of the main criteria is the average income level in the barangay area. So it's a poverty — it's a poverty selection criteria. But, also, communities have to desire to participate in the program and be willing to commit to the program, because this is a community-driven development program.

So the communities have to sign up and show their willingness to participate in the exercise of identifying their key development priorities, of participating in the projects, of tracking the flow of funds, of monitoring and evaluation. So it's — it's a two-piece — and I'm being very general here, because I don't — I can't give you more details than that, but I can guide you to our team members who can. But it's based partly on need and partly on commitment and — and demonstrated commitment to participate in the program. And it's been going on for seven years.

So it's not something that we determine alone. It's based on — on very transparent criteria. And you're right. It's a — it's a vast archipelago — so many islands. So — but what I like about it that it is, in fact, a targeting vehicle.

QUESTION: My name is David Becks (ph). I'm with Jacobs (ph).

It's a question towards — directly — mainly to you, Sheila.

Two countries in Eastern Europe — the Ukraine, which has just had a government change, and in Moldova, which still hasn't managed to elect a president — what do you think the impacts of these political situations are going to be on your programs in those two countries?

TETER: In the — in the case of Moldova — Moldova had an — a — an extended election cycle last year — almost a — I wouldn't describe it as a constitutional crisis, but it took a long time to form a government. For that reason, we actually delayed consideration of the compact until after the successful parliamentary elections at the end of June — June 29th, I think.

There is, in fact, a government in power now — legally constituted government — and we understand that this will be reviewed again in June. The — the bottom line is that whatever government is in power in Moldova, we express — we expect them to demonstrate a commitment to the basic principles of all of our partnerships, which is ruling justly, investing in people, and providing economic freedoms. And we measure that every year.

And then, as has been discussed a couple of times, the board also looks at other supplemental information. So, because the scorecards, as we all know, lag — there is a lag there. So we're constantly watching to see how things are going.

I will point out that, in Moldova, we did a lot of the compact development with the previous government — the government of the Party of Communists — and we're now implementing with the new government, under Prime Minister Filat. So it — it's not actually important to us, specifically, who is in power or which party is in power. It's really their commitment to being a partner with us. And, in that case, both governments have demonstrated a commitment to working with us.

In the case of Ukraine — as you know, Ukraine has — is completing a Threshold Program. They have not been selected recently as eligible for a compact, and it's mainly because of the scores on the — on the — some of the key indicators on their scorecard.

QUESTION: Hi. I'm Casey Dunning, from the Center for Global Development.

With regard to the — to deferring the Filipino compact — especially since you just said it's not important who is in power — I'm wondering if you're expecting substantive changes to the compact with — after the elections in May, with the new government, or if you're just going to get a buy-in from the new government; or why, exactly, it was deferred? Thanks.

TETER: Thank you. As Mr. Yohannes pointed out, the board, I think, is very pleased with the content of the program. And they acknowledge the extremely hard work of the current government to get us where we are. We've been working with this government for five years, including on the Threshold Program and, then, for two years developing the compact.

I think what's really — what's really important here is that it will be a future government that's implementing this program. And this program includes some very important efforts, particularly in the Department of Finance proposal and the Bureau of Internal Revenue, to improve tax collection, to reduce tax evasion, and to reduce corruption within revenue authorities.

And the board felt it was important to, first of all, brief the incoming administration on the content of the program and to — for that government to have a chance to endorse some of these crucial reforms.

You know, we are in a — we all know that this is a very difficult fiscal situation for the United States. And so with \$430 million on the line here, I think the board felt it prudent just to make sure, since this election is — is three weeks away — three or four weeks away — just to make sure that, in fact, there is an understanding of the program and a commitment.

To the credit of the current administration, I know that they have reached out to opposition candidates to discuss the program with them. So that's — that's exactly what we will be doing as well. Thank you.

MAZZARELLA: (OFF-MIKE)

So, with that, then, I'd like to thank the panel for their comments.

(APPLAUSE)

I'd like to thank everybody — all of you — for coming today, and remind everybody that the transcript is going to be available here at [mcc.gov](http://mcc.gov), as well as the open-gov plan, which we'd love to hear your comments on.

And thank you for coming.

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