

MCC Quarterly Town Hall Meeting

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YOHANNES: Good morning. Welcome. My name is Daniel Yohannes. I am the CEO of the Millennium Challenge Corporation, in case I have not met some of you.

Great to see you this morning. We're going to have a discussion moderated by our own Vice President of Congressional and Public Affairs, Chuck Cooper. I must also tell you that Chuck was nominated by the president to be the assistant administrator in charge of congressional and public affairs for USAID. So congratulations, Chuck.

Let's give him a big hand.

(APPLAUSE)

Chuck has done an outstanding job at MCC, so it's a big loss for us but it's a big gain for USAID and for the development community.

So, Chuck, thank you again for all your services. You've done an outstanding job. We're going to miss you.

Today we're going to talk about a few items. We're going to tell you about what was discussed at the Board meeting. Yesterday we had very lively, good conversations with the Board. And also I want to give you some of the highlights since you and I saw each other last June.

Of course, I had an outstanding trip to Malawi. I went there to mark the reinstatement of the compact. As you know, that compact was on hold, and then it was suspended, and it was reinstated last June. To give you the story, you know, they had—under the President Mutharika, they had a pattern of actions which was not consistent to our principles, particularly as they relate to democratic governance.

And then the president passed away; President Banda came into power. She did an amazing job in terms of responding to the concerns of her own constituencies and the concerns of all the donors, MCC and so forth, particularly as it relates to democratic and economic governance.

So the Board last June made a decision to reinstate the compact, and so I went there and I met with the president and I met with civil society and I met with all the major business owners, and I was able to understand their concerns. And our \$350 million compact, which is primarily concentrated in energy, is going to have a tremendous benefit to that country. I mean, huge benefits.

When I talked to many of the business owners, I asked, "What are your major constraints to economic growth of businesses?" they all said, "Power." Less than 7 percent of the entire population have access to electricity, and those that have it, it is sporadic—maybe it comes a few hours a day.

So if you are a business owner, particularly in manufacturing and other industries, just tell me how effectively you're going to be able to run your business without having enough power, so—which means some of them have to buy diesel generators, which is extremely costly, and it does not make their businesses or that country competitive in the global market.

So our investment is going to benefit about 5 million Malawians and would have over \$2 billion in economic benefit in the long term. So we are extremely excited and I know the entire country is excited about the reinstatement. So it was a great visit.

And let me also bring you by El Salvador. El Salvador, we had a \$460 million investment, and the country has successfully completed their five-year compact. That brings the number of countries that have completed to nine.

So we are excited. We would like to congratulate President Funes and the people of El Salvador for doing an outstanding job in getting those compact projects completed.

The \$460 million compact was primarily concentrated in infrastructure to connect the country from north to south, where the Northern Zone has been an area that has been neglected for many, many years. So it has been in the dreams of the El Salvadorians for many years to connect the North and South.

So the road is going to open up opportunities for businesses, for individuals. You know, it's tremendous access for health, education, you name it. So we are excited.

We also invested in energy, bringing 20,000 homes electricity that they did not have before. Previously they used other materials to brighten their house, which was not healthy, in some cases, so now they have electricity; they're going to be able to use refrigerators and many of the appliances that have been stored for many, many years.

And also, we have invested in the educational areas, primarily by building a technical college and rehabilitating many high schools. So it is wonderful. We're excited. We're going to have a closeout ceremony in El Salvador where two of our Board members will be able to participate the second week in October.

And the first week of October, we're going to have the celebration here. So we are excited.

And then we're going to have three major events highlighting MCC's leadership in international development at the annual United Nations General Assembly Meeting at the end of September. We're going to have a gender event, which is going to be attended by the president of Malawi, President Banda, and president of Liberia, Ellen Johnson Sirleaf—the only two women presidents in Africa. So we are honored and delighted that they're going to be able to join us.

And then we're going to have another event in governance and economic growth that will be attended by three presidents: presidents of Senegal, Niger, and Benin, and it's going to be moderated by Dr. Richard Haass, who is the president of Council for Foreign Relations. And a third event primarily for Benin. We're going to have prospective investors for the country meet with President Yayi.

So a lot of events planned for September.

I will be travelling to Philippines to see the progress of our \$430 million investment in that country in October, as well. So a lot going on at MCC.

Now, let me go back and talk very briefly about what was discussed at the Board meeting yesterday. First, we talked about the selection criteria for 2013.

As you know, last year we made a lot of adjustments to our selection criteria. We increased the number of policy indicators from 17 to 20: We added gender and economy, access to credit, and we talked about the freedom indicators as relates to the Internet. And we added another hurdle, which is countries must pass, at minimum, the democratic rights indicators.

And that has been implemented extremely well. I really am proud of our people, who have done an outstanding job, and, you know, we did get a lot of good questions from our partners, prospective partners, and many others, and it's doing extremely well.

This year we're not proposing any kind of major changes. If anything, we want to make sure we add more transparency. We want to add more in terms of those countries that are candidates for a second compact. We want to show our constituencies what was done in the first compact—how was it implemented and what kind of gain did we see from the first compact?

So we are advocating for more transparency, that is the only change that's being proposed. And that was discussed with the Board and I believe that conversation went extremely well.

Second, we talked about gender—what we're learning in terms of gender integration. As you know, gender is a major priority for the Millennium Challenge Corporation. It is a major priority for the administration.

So we shared with the Board what we've learned in our operations. So Dr. Ginny Seitz, who is our gender person, did an outstanding job telling the Board in terms of what has been accomplished. And you'll hear from her today.

And third, we talked about results. Of course, you know, when we talk about results we talk about them on a continuum basis. We measure the inputs, the outputs, the outcomes, all policy reforms associated with our

investments, and ultimately we measure the investments' ability to generate additional income for the poor that should see the benefits.

And this is an exciting time for the Millennium Challenge Corporation. We have successfully, like I indicated, completed about nine compacts. In most cases many of those projects are very complex, even with our standards here at home.

I mean, when you are involved with building, you know, ports and complex bridges and airports and so forth, they're not easy. And they must be completed within five years—they have a timeline.

I was in Honduras and I saw a project that began with the Millennium Challenge Corporation. Our project was divided, you know, we took 50 kilometers of this highway and I think another took the other 50 kilometers, all right? We got it done on time; the other one's still working on it after two years.

So tell me about, all right, the responsibilities and the commitment our partners have to make sure that these projects are completed on time. It's just tremendous.

So I really admire our partners for their commitment and also in terms of getting these projects done on a timely basis. We never had to go to Congress or to the Board to ask for an extension, even though many of those projects are very complex and very difficult.

And next year we have five countries that are expected to complete the projects. It's going to be to the last moment, to the last second, but they're going to get them done, all right? And they're big ones. It's about \$2.5 billion in investment that have been made in those five countries. It's Morocco, Tanzania, Mozambique, Lesotho, and Mongolia that are expected to complete their projects.

So we're excited. Having said that, I think there's going to be a lot of work remaining and if it means that we have to go there, to camp there to get it done, we'll do that with our partners, but it will be done.

So with that, we were able to get the first five set of compact evaluations done by independent, outside agencies. And that's what we do. I mean, we bring in the outside to make sure the incomes gains we seek are really helping or reaping incomes.

So we're learning a lot of that process. In some cases we're seeing a direct increase of incomes as it relates to our investments. In some cases we are learning how we should design and implement future compacts.

We're going to be very transparent about the results. I think it's going to be available through our website on October 18, and we're going to be talking about it to many of our stakeholders. I think that it's not only a lesson for the Millennium Challenge Corporation, it also provides a lot of lessons for others from these processes.

And let me make one thing very clear, all right? These five impact evaluations are primarily centered with farmer training. Between 2000 and 2009 there were only three evaluations done on farmer training around the world. So we've already done five within a short time.

So that tells you that MCC is the leader in this area. We've continued to provide that information. Again, it's going to benefit the entire development universe when, in fact, you provide them what has been learned.

So we are extremely excited and we're going to have a lot of discussions—public discussions, that is—in the next few months. So again, we're excited. I think, you know, this is a major milestone for MCC. And we have additional 120 impact evaluations that are planned for the next few years.

So with that, I'll stop here and I know Chuck's going to have a moderated discussion on a number of the issues, but I'll be more than happy to answer any of your questions.

All right. Well, in fact, doesn't appear there are any questions now so I'll leave it to the experts to answer questions later.

So, Chuck, it's all yours.

Thank you.

(APPLAUSE)

COOPER: Good morning, everyone. I'm Chuck Cooper, as Daniel said. I'm the Vice President for Congressional and Public Affairs at the Millennium Challenge Corporation.

And we look forward to this town hall meeting every quarter because it gives us an opportunity to have a conversation with you. And so it's a conversation that we like to have about what happened at the Board meeting but also what's happening at MCC.

So we pick an agenda that's based on the most important subjects that we're dealing with at the agency. So that's what we're going to do. We're going to have a conversation. So what I'd like to do at this point is welcome the panelists to the table and we'll start. I'll do some introductions first and then I'll ask some questions.

What we'll do then is open it up to you and you can ask your questions of the panel.

And so first we're going to hear from Sheila Herrling. Sheila is the Vice President for our Department of Policy and Evaluation. You know that selection of countries is a key part of what we do here at MCC. Sheila and her team guide the selection process.

And yesterday the board approved the annual selection criteria and methodology report, which is something of a mouthful, but basically it's a blueprint, an annual blueprint for our selection process. So Sheila's going to talk to us about that.

We're going to hear from Dr. Ginny Seitz, who is our senior director for social and gender assessment. And she has been a pioneer in this field.

She's worked at MCC on gender. MCC in 2006 issued its gender report, which positioned us as a leader, and Ginny has been working—we had an update of that report in 2011—and Ginny has been working on implementing the report.

Because to make gender policy work and to achieve your goals you have to have more than a policy; you actually have to do the things necessary to create the change that you're looking for. So Ginny's going to talk to us about that.

Jonathan Brooks is a Managing Director in our Department of Compact Operations. His portfolio includes the Latin America countries. He is going to be talking to us about El Salvador and the completion of the five-year compact. Daniel mentioned that the compact is closing; it's closing on September 20, next week. So this is a timely conversation and we're proud of the accomplishments that we've had in El Salvador.

So I'm going to sit down and moderate the conversation, ask some questions, and then we'll open it up to you.

So, Sheila, good morning. Can barely see you down there at the end of the table, but—so yesterday we had a good conversation with the board about selection and the board approved the selection report for the year. Can you talk a little bit about what that report is, what it does, why it's important for our selection process?

HERRLING: Of course. First of all, it's nice to see so many familiar faces. I know every year you guys go through this with us—our country selection process—lots of familiar faces, so I'm sorry if I'm repeating myself.

But every year we go through three basic procedures, reports, as we head towards actually selecting countries. The first is our country candidate report, which is already out. It essentially tells you who meets an income level that's appropriate for the MCC.

The next piece is what we're talking about today, which is our selection criteria methodology report. This essentially, as Chuck said, lays out the rules for selection. So it goes beyond the income to what we look at in the policy level, which is largely represented in what you're all familiar with, which is our country score cards. So that translates into this really nice visual.

And then the third is actually country selection itself, which happens in December.

All three of those pieces are in the public domain and so it is a very transparent process, and that's the basic three pieces to heading in the road to selection.

COOPER: Daniel mentioned that we had some changes to the selection process last year.

HERRLING: Yes.

COOPER: Can you just remind people again what those changes were, and then were there changes this year, or what's the status of the selection process this year?

HERRLING: Right. So last year was a big year for folks who remember, and the CEO laid out, you know, basically what those were. We moved from 17 to 20 indicators. We kept in the same three important policy areas of ruling justly, economic freedom, and investment in people, but we did bring innovation where we saw it, so where there was better data to assess policy we brought it into the score card.

And so that was a huge change last year. What was exciting about that change was there were some worry that this was too much change. Countries are going to have a hard time navigating it. We're going to spend a lot of time talking about—arguing about, “Why the change? It's too much. We shouldn't do it.”

And in fact, it was great to see the opposite. It was a fairly seamless transition to this new set of indicators and the methodology behind it, and we had countries basically doing exactly what we had envisioned, which is coming to us—coming to the indicator sources saying, “How can I improve this piece of data? What do I have to do to see this score move?”

And that is what we call here the “MCC Effect,” and it was so great to see it—particularly in the three new indicators. Ginny will be talking about gender in the economy. It was so great to have countries coming to ask, “I want to improve this indicator,” not, “Why did you add it? It doesn't make sense. I don't want to do it.”

“How can I change it?” And that was so exciting about the transition.

COOPER: So we're closing out El Salvador next week, which will be the ninth country that MCC is closing out. Next year, as Daniel said, we have five countries that will be closing out.

So as the Board thinks about selection, subsequent compacts and second compact partners becomes more important. Is that something that's factoring into your thinking, and is that a piece of the report?

HERRLING: It is. And I should have ended that last piece by saying, this year because of all that big change we said this year is not going to be about big changes. Let's keep it stable; let's keep it clear; let's run it this time. And so we did not bring any criteria or methodology changes this year.

What we did do is—the CEO asked us, can you push on transparency? I don't see Sarah Jane from CGD here today, but she is one that is a good nudge for us on, as you move into second compact decisions you need to do a better job of explaining how you are assessing first compact performance. You are so transparent on so many fronts. That's an area where there's not a lot of insight into how you make that decision.

So this year we pushed ourselves in two ways on a transparency front, which is not a change in criteria. And I can walk you through, there are basically two buckets.

One is on the policy side. And here we have the luxury of having a presidential innovation fellow who loves data, digs into data, and what he's been able to do is take our FY '13 selection criteria, our policy indicators and the data underneath those, and turn it into an API.

And so what this means is that developers can get to it, they can make an app, and so the people who do this on my team, you know, every day say how great it will be that when countries come to us and they say, you know, how do I get my data, how do I—how do I change my data, they can just say, "There's an app for that." And this is fun, so we're really excited about that innovation in the data space.

On the other side, on the operational space, we are essentially bringing a parallel structure, as we do to the policy side, in our selection criteria methodology report.

So what you will see is describing first compact performance in three buckets: the nature of the partnership, progress towards results, and implementation consistent with MCC policies. And so it will give you insights into the rigorous process that we actually do internally to look at first compact performance relative.

And this year will be important because there are a lot of countries that, you know, that will look good. We can't fund everybody. So this was a good innovation this year.

What it also will do is make more accessible the public documents that ground these decisions. So we have an awful lot on our Web site. It's not always accessible, so a good part of what we're doing is sort of taking links and bringing them together so there is a one-stop shop for the public documentation that informs these decisions.

COOPER: Now, Sheila has another commitment so she's going to have to leave us. So what we'll do is we'll open up for questions for Sheila on the selection process and the selection report and then we'll continue the conversation with the other panelists.

Are there any questions for Sheila?

HERRLING: Yes?

QUESTION: (OFF-MIKE) I know that initially the gender indicator wasn't as strong. Can you tell about the evolution for that and if you think it's strong enough now to be helpful to move countries forward with more progressivity toward women?

HERRLING: Yes, I mean, we definitely think it's stronger or we wouldn't have added it. And so is it perfect? No. But is it enough to give us insights into whether countries are factoring gender into a growth agenda which is where we want it? Yes.

And Ginny will be great to talk about, you know, how this actually plays out in practice. But yes, we think it's an advance, for sure.

COOPER: Any other questions for Sheila?

QUESTION: Thank you. I'm Michael Davidson (ph), with CoWi (ph).

Recognizing the budget restrictions, is there any discussion for if you prefer to have a second compact or new compacts? Was that something you discussed in considering five countries completing next year?

HERRLING: Yes. Look, I think it's—number one, it's always based on performance. So performance on the policy criteria; and for the ones that are looking at second compacts, performance under the first compact.

There is always a desire to have new compacts, right? That's the incentive here is that we are bringing new countries into the system. But they have to meet the standards.

So sure, there's a desire. There's not a rule of, yes, we will always have a new country every year. And you've seen that in our history.

QUESTION: Thank you. Chris Sidell (ph), with Satori (ph) Consulting. Do you see a focus continuing on physical infrastructure or do you think you'll have more projects that look a bit more like the tax reform effort in Manila?

HERRLING: So that's taking us into the operational space so I don't know, Patrick, if you want to sort of talk about trends.

Infrastructure has been a neglected, you know, sector for years, so I don't think it's surprising in a country ownership-based model where you have countries—well, two things: one, you're identifying a constraints to growth, and then you are asking countries, where is the greatest need, that the two align. So I don't think it's surprising to find us in this space.

But the constraints are different in every country and what's great about our model is this discipline of, we have to fit our investments into what is a binding constraint to growth, so what right now is the most binding constraint to growth in a country. If we could start to unbundle you could see growth accelerating.

So it's not going to be infrastructure in every country but I suspect it will be a predominant focus.

Patrick, did you want to add anything?

FINE: I think you're going to continue to see large infrastructure investments in our portfolio.

COOPER: Other questions?

All right. Thank you very much.

HERRLING: Sorry I've got to leave early, but you guys know where to find me and you always do, so thank you so much.

COOPER: All right, Ginny, we want to have a conversation about gender. MCC's model and mission is very specific, which is to reduce poverty through economic growth. Can you talk about how MCC's focus on gender relates to that mission, how it fits within the mission, and what's the linkage between gender, equality, and poverty reduction?

SEITZ: Sure. Thank you.

You noted, Chuck, in the introduction that we've had a gender policy since 2006, and the first line of that gender policy is: MCC recognizes that gender inequality can be a significant constraint to poverty reduction through growth. And so this has been part of our operational approach for a very long time—at least in MCC's short history it's a long time—and, you know, within the development space there's been a recognition of the relationship between poverty and inequality, particularly gender inequality, for many, many years—30 years or so.

And more recently there's been evidence in the economics literature of the relationship between inequality—or inequality as a barrier to growth. So MCC is somewhat in the forefront here, linking our attention to gender to growth as well as poverty reduction. And I would point us to the World Bank's smart economics approach; I would point us to the World Development Report 2012, which looks at the complexity of those relationships.

And it is a difficult task for any agency to be able to substantively address inequality within the context of these large projects that are trying to address macro constraints to growth. But I think we're really progressing forward in a very substantive way.

COOPER: So we've had a policy and you've been at the forefront of implementing the policy. What lessons have we learned, and what do you know now about what it takes to create—to achieve gender integration in these programs?

SEITZ: What I know now is—it's how you get gray hair! But, well, on the one hand we've been lucky that we've had very strong leadership for a long time and a commitment to integrating gender, and our model lends itself to that because we work with country partners, we do a lot of capacity-building in our relationships with them.

And we're a small agency and we have a, you know, all of the other unique features of MCC—country ownership, transparency, sort of our analytical rigor, performance monitoring, evaluation—all feed into us taking this very seriously and looking for ways to ensure that gender analysis is integrated into projects and into results.

But we learned—we took the advice of the advocacy community on gender and, particularly I recall early advice to the Obama administration on how to proceed, that you needed leadership, mandate, capacity, resources, and accountability to do gender integration. And I actually think we're the first agency that has moved forward in all of those fronts.

So we have very good leadership. We have a strong gender policy. We have access to resources to do our work.

And in terms of capacity we now, for the first time, require that our country partners have a technical expert in social and gender assessment as part of their team from the very beginning of compact development. We, too, now have a technical expert on all new compacts.

So that really makes a difference because what it means is that analytical work gets done to deepen our understanding of poverty and the relationships between inequality, poverty, and growth from the very beginning. And we deepen that understanding by looking at things like inequality in laws the impact women and men's ability to interact with the public and private sector, as we have in our new gender in the economy indicator. So we can do that policy-level review and address those inequalities in laws and policy.

So, we're able to—using that expertise and with some very clear requirements in our guidelines for gender integration—we're able to now to ensure that we actually are implementing the policy. I think there are several significant deliverables that we now have. One is that we do a constraints—social inequality constraints to poverty reduction analysis that complements the constraints to growth analysis, and that is now being done early on in our second compacts in Ghana, Benin, and El Salvador.

And then something MCC does that is highly unusual is that before MCC will approve the second disbursement in a compact, our partner countries are required to have an approved gender integration plan, so that's a big commitment on the part of MCC to ensure that gender is integrated, and I think that's really important.

COOPER: Ginny, you've talked about different areas in which MCC is differentiated from other donors with regard to gender policy and gender integration. Can you give us maybe one example of how our policy and your work has impacted the development and implementation of a compact? Is there a particular story that you would highlight that sort of tells the story of the work that you do?

SEITZ: There are many, many stories. In terms of looking at the early compacts and ensuring that—after the development of the policy and our guidelines that we created spaces so that women would be able to benefit.

We sort of addressed the assumption that projects are gender-neutral in Honduras, El Salvador, Nicaragua, by going into, say, our agricultural productivity projects and saying, “You know what, we had this requirement on land-holdings. Well, we recognize now that women don't own land,” so we'll—we'll approach it a different way. We'll let them show us a letter from a relative saying that they actually have access or use rights to land to be able to participate.

And if there's a credit requirement, we understand that that's a barrier for women, so we let them work together.

Now, in newer compacts, I want to give you an example from Indonesia, which I think is very interesting because earlier in this field we used to think that you should have separate projects for women. And we've learned that that doesn't necessarily work. First, by assuming that—you assume that big projects, like those that MCC does, are gender-neutral, or you design projects that are very small and women-focused that don't necessarily work because they haven't addressed the gender relationships.

And in Indonesia there's a \$131 million project to improve nutrition and to reduce childhood stunting. And this project or a form of it has been implemented by the World Bank for many years in Indonesia.

When we did our assessment we noticed the absence of fathers completely from this project, and because fathers are so critical to family health, because of the dynamics within a family, including gender-based violence, division of labor, access and control of resources, are all part of what impacts childhood stunting, ultimately we have to engage fathers.

So the new program funded by MCC is going to engage fathers through a variety of activities and mechanism. We're taking the idea that nutrition and childhood stunting are not just a women's issue, they are a community issue, and we're taking it from women's domain into the public sphere for the entire family.

COOPER: Thanks, Ginny.

I think what we'll do is open it up for questions for Ginny now, so if you have any questions we'll take them now.

QUESTION: Hello. Carrie Braxton, Global Business Solutions, Inc. I understand you addressed the policy and political legal parts of gender equality. What about the informal rules in a family when the husband dies, the

land doesn't pass to the wife but instead his brother or his father? How are you handling those sorts of informal traditions?

SEITZ: That's a great question, and thank you.

Our property rights and land policy team has been very good in addressing those issues in the types of investments and land reform, and I was recently in Namibia where I saw a very deep effort at the community level to get traditional leaders and chiefs to encourage women's names on titles. So this is, you know, this is new.

And then I'll take you to Lesotho where we, in 2006, I think we were the first agency to ever link gender inequality with funding. We've been engaged all along in the compact on harmonization of laws, reforming laws, but perhaps the most significant thing that's happening is that because of our efforts and the efforts of others and the way we made this a large issue in Lesotho, customary law, which is actually formalized in Lesotho, is about to be changed to reflect gender equality.

So we do pay attention to customs. We do pay attention to informal systems of inequality. In Mali the formal way to approach this in a Fulani culture was to set aside irrigated land for women's market gardens. But we also did an educational effort in Mali—to get the heads of households of these multigenerational, complex households, we did an educational effort to try to get one of the women's names on the titles, and we were very pleased that it was successful. So we work on that.

COOPER: Other questions? I think I may have seen one back here.

QUESTION: Thanks. Oh, Kristin Wells from Patton Boggs. My question is somewhat related to the answer you just gave.

My question was initially relating to the actual indicators and their use as, you know, qualifiers for actually getting either a threshold or complete compact, but what I wanted to know was, you know, given that the indicators that you use are based on World Bank and IFC statistics, particularly the one relating to legal standards and gender, in some cases you might have a country where the laws mandate certain levels of—certain types of inequality but a country may say, well, in practice we—you know, it's not like that. We've actually advanced far beyond those colonial laws that are still on our books.

And so I can understand why the MCC process might be helpful for identifying that and helping a country transform, but on the flip side you'll have countries where they do have the right laws—or, I say—I say right for the MCC purposes, and yet the practice is different.

So your answer that you just gave talked about how you address some of these customary inequality issues within the context of an existing program. What I'm wondering is, how do you address them when you're looking at a country where, you know, they may score one way or the other on the indicator but that differs from the actual practice in the country at present time?

SEITZ: I'm not going to stray too deeply into the indicator discussion because—I wish Sheila were here to get into that with you, but I will say that at least from my own experience, I haven't seen too many countries where they are doing better than the laws that are inequitable.

You know, and in many instances these are not the product of colonialism but they're a kind of a distortion of custom, where in the past where those kinds of what we would say are inequalities reflected, a society where everyone was responsible for everybody else, but that's been distorted in present times.

So we do look at those, you know, in this new tool that we have, the social constraints to poverty reduction, we are doing an initial analysis of those laws and policies at a formal level that are constraints, but also the informal systems and structures that perpetuate inequality.

(UNKNOWN): (OFF-MIKE)

SEITZ: Yes. Yes.

COOPER: ... little bit about the standards that we set for the actual activities that we're financing, you know, below the kind of national policy level that we're talking about right now.

SEITZ: I think you just said it.

We do a gender assessment, based on rigorous gender analysis, and look for ways to either open up formal channels or compensate for inequalities so that women and others who are affected have an opportunity to participate in the benefits of growth, because we do care about the distributional impacts of our compacts.

COOPER: We do have Princess Harris here, who's a member of the selection team, and I think she probably could give an answer to the question about country selection and gender.

HARRIS: I think Ginny and Patrick gave a good example of how MCC's investments complement what was captured in the scorecards, but the primary purpose of the scorecard is to capture policy indicators that are reflected universally across the categories of countries that we're looking to select—but also things that are actionable. And we found that the most actionable policy reforms are actually captured in the legal framework, so that's why it's exclusively focused on legal rights.

COOPER: OK. Thanks.

Other questions for Ginny?

QUESTION: Hi there. Peter Levine, with Abt Associates.

I was very interested in the description of how MCC embedded gender initially but has evolved over time to further deepen it, and I guess I wonder if Ginny might comment a little bit about how you interact with or how this relates to other efforts within the U.S. government—USAID has a new gender strategy they've rolled out and I've found that they're drilling it down to the mission level so that missions are including it in their strategies and their designs.

And then a second example, and you can comment as you wish, is the—the Global Alliance for Clean Cookstoves, where I think they found that—it doesn't directly look at gender, but by putting in clean cookstoves you affect women-led households, you affect both health, economic growth, I know we've worked in Bolivia to install thousands of cookstoves and we've found in talking to the recipients that by improving their children's health and education they had more free time, more disposable income, and that the impacts multiply.

So I'd appreciate your sense of how you work with the other arms of the government and how you view those impacts. Thank you.

SEITZ: Thank you.

We have a very good relationship with our colleagues at USAID. Karen Grogan (ph) has worked with us, as has Carla Koppell. And, you know, we really applaud their new gender policy and—and look forward to their ability to establish accountability and—and enforce requirements. Because ultimately that's what it takes, and so

we—we work closely with them and we, in some cases, are—we always work with them in country and are good partners in that sense.

About the cookstoves, yes, Clean Cookstoves is an important initiative. It's been around since the early '80s and there have been many successes and many failures in—in the space. But we think it's an important effort. And in Mongolia we have a Clean Cookstoves initiative.

COOPER: OK, I think we'll—thanks so much, Ginny.

I think we'll move the conversation to El Salvador and we'll talk to Jonathan Brooks about that.

Jonathan, you know, when MCC looks to enter into a compact with a country, we're going to be engaging in a specific social, economic, political context, and the Salvadorans and MCC, when developing the compact, prioritized the Northern Zone. Can you talk about why integrating the Northern Zone into the rest of the country is so important for the Salvadorans?

BROOKS: Sure, absolutely.

And good morning, everyone.

The compact in El Salvador, as you mentioned earlier, Chuck, is coming to an end next week. Its formal five years are over. But if we go back to when the compact started—actually more than five years ago as we entered the compact development stage—the government of El Salvador and MCC were keenly aware of the neglect that had been a part of the Northern Zone for many years. The Northern Zone has a couple of features that I'd like to point out.

One, it is a very mountainous zone relative to the rest of the country. I don't know how many of you are familiar with the geography of El Salvador, but it basically borders the Pacific Ocean. It only has a Pacific outlet in Central America. And its coastal plains are where much of the historically productive part of the country has been.

The Northern Zone, partly because of its geography, has long been an area where a lot of poverty has focused. But in addition to that, there was a very brutal civil war in many parts of Central America but certainly in El Salvador, which concluded with the peace accords in 1992. And as part of the political dynamic that surrounded that conflict the Northern Zone was also largely marginalized.

So that combination of factors has, you know, created in the Northern Zone a—the deepest pockets of poverty in the country. And, you know, we, along with the government of El Salvador, recognized very early on that that was an area in which a compact investment could have a very, very large impact, as we are very, you know, proud to be saying now.

COOPER: So can you talk a little bit about how successful we were with regard to the investment, the overall purpose of connecting the North, and talk a little bit about how we've achieved in the compact, what sort of accomplishments, results have we seen?

BROOKS: Sure. Let me start with a very quick description of the program that we established with El Salvador. It's a \$461 million program and it has three main components: a human development project, a productive development project, and a connectivity project.

So let me talk about the connectivity, since we're talking about connecting the Northern Zone.

For over 50 years El Salvador has dreamed of having a transnational highway that kind of horizontally connects the border between Guatemala with the border in Honduras across its entire length. With MCC funding we

were able to make that dream a reality. We were able to rehabilitate and—rehabilitate over 220 kilometers of road that included 23 bridges, some of them very major bridges.

That transnational highway now enables that connectivity that has been dreams of for so long not only across the country, but it also connects—enables the Northern Zone to be connected at different points with the coastal portion of the country. So in kind of very literal connection, the connectivity project has had a major impact. One of the things that we're anticipating and we're already, you know, pretty confident that we'll see is a 50 per cent reduction in travel time.

You know, those 223 kilometers that we've rehabilitated are equivalent to the distance between Washington and Philadelphia, and if you can imagine, you know, when we started this distance, you know took 12 hours to cover. We're now anticipating that we'll be able to do that in six hours. So that literally is a major portion of the connection that we've been able to create in El Salvador.

If I could just add one more bit, it's the fact that the compact, you know, has enabled the Northern Zone to have some of the real building blocks that it needs for its future prosperity. You know, in the human development project there's been vocational and formal training. In the productive development there's been technical assistance to farmers and dairy producers as well as handicrafts.

And all of those things have set up the Northern Zone for a more prosperous future.

COOPER: So we're excited about the accomplishments. The results we've seen in El Salvador, I think, is—it's a great compact as it closes out.

But MCC also looks itself in the mirror and says, "What didn't go as well as we had hoped? What are the challenges?" And part of what we want to do is be transparent about that. And in El Salvador there were some challenges.

BROOKS: Sure. I think one of the challenges that we faced in El Salvador was one that is not dissimilar to what we've seen in other countries, but it has to do with the coordination on the resettlement of the people that are along the highways, or along the roads that we're improving. And that was certainly the case in El Salvador.

We tried a variety of approaches as to how to ensure that the people that were going to be affected by the construction of the road, because they were living on the right of way, or because their land was, you know, being required, how they were going to be effectively compensated.

And in the case of El Salvador one of the approaches that we tried was actually having the contractors rather than an external party be the provider of that compensation. That did not go along without many initial glitches, but we have, at the end of the compact, been able to resolve most of those problems and we're quite pleased with, actually, the result that we've seen in that regard.

COOPER: El Salvador has been selected as a possible second compact partner, and right now we're in the process of working with them to develop a second compact. What lessons from the first compact are—compact are helping to inform the development of the second?

BROOKS: That's a great question. I think you're right, the government of El Salvador, you know, has presented its proposal. You know, we conducted a—it's based on the results of a constraints analysis that was done jointly with MCC and served as the basis for the partnership for growth with the U.S.—with a broader part of the U.S. government.

And without going into the details of what's in that proposal, in terms of learning lessons I think there's a couple that—that—that I'd point to. One, just very briefly, I think, you know, if we're going to have any transports and logistics, rehabilitation or construction, you know the resettlement is one area in which I think we're going to continue to be very keenly interested in getting right from the beginning, you know, avoiding some of the, perhaps, missteps that we felt that we had in the beginning.

But I think more broadly, the lesson—one of the lessons that I think we've also learned, which is actually a positive one, is the amount of transparency that's been the case in El Salvador. The compact in El Salvador, you know, had extensive consultations not only in its development but certainly during its implementation, and even as we're closing out the compact there's extensive consultation, which is part of the transparency that we value.

And I think we've seen a lot of lessons in El Salvador about how to make that real. One of the small examples on transparency is, you know, the openness with which public MCA procurements were handled.

You know, there were often town hall settings in which procurements were opened in front of the communities, and that kind of openness and transparency was, we believe, one of the sources for so much of the support that the compact has in the Northern Zone in particular, but in El Salvador more broadly.

COOPER: There's a very vibrant Salvadorian diaspora community in the United States. Did you do anything to try to reach out to the diaspora and get them involved in the compact process?

BROOKS: Yes. As a matter of fact we did.

We, in the El Salvador compact, you know, consultations have included over 10,000 or about 10,000 people, and there were consultations that were held, as I said earlier, in the development of the program, so going out to the communities to understand what their needs were; during the implementation, communicating what was being done, doing so transparently, and towards the end we're also communicating on the results of those of those activities.

That consultation included not only El Salvador but it also included the diaspora. So MCC participated in some of this but certainly the Fomilenio which was the entity established under the compact to implement it, had consultations in Washington, it had consultations in Los Angeles, and it had consultations in New York, as well.

And the diaspora, you know, is certainly a very strong element of the future of El—of the present and future of El Salvador, and we were very pleased to see the level of engagement that there was in those consultations.

COOPER: Yes, Ginny? You have something to add?

SEITZ: You know, one of the I'm involved with the development of the second compact with El Salvador and one area of improvement is the early integration of gender analysis. They're doing the constraints—social inequality constraints to poverty reduction analysis.

They're very enthusiastic about it. They've done wonderful consultations in the U.S. and in El Salvador and they've made very deliberate efforts to be inclusive and ensure that poor people and women who don't normally speak in public settings have an opportunity to participate.

So I think that there is—even though they did a good job all along, I see real improvements.

COOPER: Do we have questions for Jonathan on El Salvador?

QUESTION: Thank you, Jon. Very informative. Peter Levine with Abt Associates.

I guess I have two questions that are looking forward and looking backward. Looking ahead, I wonder what you can tell us in terms of any shift, potentially, in the technical or geographic focus as you look ahead—other zones in the country. I gather that the South is perhaps a little bit more of a focus going forward.

And also the issue of the gap between the two compacts. I assume this is something that you confront? The Salvadorians stepping up, perhaps, with Fomilenio—are they going to keep it in place? You'd hate to see whatever effort they made to build up that infrastructure, which was so efficient, weakened at all, so how do you address that?

And then I guess looking back I was curious whether in the connectivity program what, if any, thoughts or integration was made to the productivity program? Obviously farming, dairy, things like that, those are industries that can take advantage of better highway linkages. I know in other places that's something that goes on. I assume that was here but I'm just less familiar with the history of that.

So either one of those I'd be interested in, thank you.

BROOKS: Thank you, Peter, for the question—looking forward, in terms of the focus on a geographic area, the compact is still under development and so, things are still to be determined. But certainly the government of El Salvador has expressed a very clear interest in having some focus on the Coastal Zone or on some of the portions of the—some of the poorer communities along the Coastal Zone.

That is something that we're evaluating. You know, we want to have an investment that is not designed around exclusively a zone for the sake of being around a zone. There needs, obviously, to be a very compelling constraint to economic growth that would make sense to address in a regional way in order for us to do that.

So we're not at the point where that is, you know, final, but that is certainly one of the, you know, major themes of the proposal that has come forth from the government of El Salvador.

I can tell you just a little bit more. You know, we're—right now the areas of focus from the government are on a improvement in the business environment and the business climate in El Salvador, the regulatory framework that goes along with it, you know, and some further human capital development as well as some transport and logistics part (ph) or infrastructure.

The continuity of the implementing entity in El Salvador is also something that MCC is actually dealing with in a few settings, and—sorry, it's—the continuity of that entity is something that we're dealing with across different countries. We are interested in maintaining, you know, that capacity that will enable a successful start to a future compact.

However, we cannot predict when that second compact is going to be finalized, and so we share that interest but the real responsibility for the maintenance of that capacity for a second compact is really shared between MCC and the government. The government of El Salvador also has a very keen interest in ensuring that it has the infrastructure that it would need—you know, the human infrastructure that it would need to start a compact successfully.

And I, sorry, I didn't quite understand your question on the value chain...

QUESTION: The second question was just in terms of the infrastructure work that was done. When you talk about the north- south connectivity, the highways, I was just wondering, as that was designed whereas it was rolled out was there some effort to make a link to the productivity, to the value chains?

I'm less familiar with that, but sometimes when you look at road designs you try and find ways that if you're doing farmer work or different value chains that you build those linkages. So it's not just a question of how quickly people get from one place to another but how quickly goods can be transported even in the Central American context, where El Salvador obviously is a hub for the rest of the region as well.

BROOKS: Sure. Sorry. Thanks.

Yes, there were certainly linkages that were established as part of the northern transnational highway for the transport of major goods between—actually, among all of Central America, you know, with Guatemala on the west, you know, Honduras on the east, there a very important port, you know, of Abasco (ph) in El Salvador that features as part of that the connection to the CA-5 (ph) highway that crosses Honduras into Puerto Cortes. You know, all of those were vital—you know, that's a vital connection for the transport of all goods throughout Central America.

There were, in addition, rural roads that were improved as part of this connectivity project, so those did have linkages to horticultural producers as well as very important link to some of the dairy producers in the Northern Zone who are now able to move their, you know, perishable products across the country more effectively.

COOPER: Other questions?

Yes?

QUESTION: Thank you. This question may—Paula Feeney, Cardno—this question, speaking of linkages, Jonathan, this may fall between you and Ginny.

You talked about El Salvador as being—I guess it's one of our nation's four partnership for growth country partnerships.

And then, Ginny, you're talking about and you say that much of what we've done in El Salvador or what we're looking at now, you do a constraints analysis as part of that partnership for growth. And, Ginny, you're talking about social constraints to poverty reduction analysis.

What correlation is there or loops between what MCC is doing at large in your area with, for example, the other countries that are now or maybe future partnership for growths country? You're talking somewhat in a parallel way and I was wondering what the loops may be or are expected to be. Thanks.

SEITZ: Well, we have had preliminary discussions with our partners at USAID. The way that the government of El Salvador and the other partners in U.S. government have allocated responsibilities, I guess is the way you would describe it, is that we are looking at the constraint to tradeables as the major focus of our work, and other partners may be addressing a second constraint, which is around the security situation.

And so it's not that we don't—you know, there—we've had some preliminary discussions, we've talked to people at USAID about the gender dimensions of the security constraint, and we're certainly aware that within the proposed projects for the MCC investments that those are background issues that we need to keep in mind in design.

BROOKS: Just one, perhaps, point that I'd add to that is that yes, the sequence has been, you know, the development of a constraints analysis. As Ginny mentioned, the results of that constraints analysis on El Salvador revealed that it was insecurity and, you know, low productivity and tradeables, which, you know, we can discuss further. It identified those two as the key constraints to growth.

And MCC, along with the government of El Salvador, is proceeding with, you know, development and design of the second compact, and as part of that is bringing to bear all of our gender requirements and all of our gender practice.

What's relevant, I think, to mention is that, you know, it's the MCC compact, which, at least funding-wise, is the biggest part of the partnership for growth, particularly along—around the issue of low productivity to tradeables. You know, the security component, you know, we're not going to be involved in. But MCC is, you know, the biggest portion of that pie, and to the extent that our practices and requirements feature strongly, I think that that coordination is going to be improved.

QUESTION: Thank you.

Jonathan, thank you for bringing up the legal regulatory framework. We're working on a project in El Salvador right now in improving access to financial services for micro and small businesses, and one issue we're coming up with is mobile savings, mobile banking, and always (ph) the products are ahead of legislation, are ahead of the regulatory framework. Can you give any discussion points on that?

BROOKS: I'm afraid there's not a lot that I can offer around the regulatory environment around, you know, mobile banking or—but I think more broadly, you know, I can explain that in addressing a constraint to growth, which is low productivity of tradeables, you're looking at what is the business environment that makes it appropriate for businesses to invest and it makes it easy for investors to recover their investments? And what's the kind of judicial security that exists around contracts, and that is an area in which El Salvador has, I think, very clearly recognized that there is improvements to be done.

Unfortunately, I can't speak, you know, specifically to that point, but that—broadly speaking, along with some, by the way, export promotion is—are some of the areas in which we're working in the development of the second compact.

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

QUESTION: Hi. Nathan Weller from EcoViva, working in Coastal El Salvador.

Based on some of the documents coming out of Fomilenio from the third party evaluations to date on the—on the first compact one of the lessons learned talks about the importance of working through the implementation in a territorial manner and a way to decentralize some of the decision-making and the political apparatus that's generated through the MCC work that's been done in the Northern Zone.

The (inaudible) administration also talks about territorial development and decentralization as a way to empower municipal governments that have been left behind for many years in these areas. Wondering if you could discuss that a little bit and what lessons have been learned in the first compact dealing with the decentralization at the municipal level of some of these—some of the political apparatus as well as the results that have been—that have been enjoyed by the first compact.

BROOKS: What I can say about that is that, you know, the focus of the compact, you know, of the first compact was not, you know, a governance decentralization or focus, but there are lessons that have been learned from how we've implemented some of those—those—those activities.

And yes, I think that there's, as I kind of alluded to in terms of the (inaudible), when we were having, you know, the consultations with the different municipalities about how the project should be implemented or what role they—they should have I think there was a recognition of the role that—of the strong role that those municipalities could play.

Fomilenio, if I understand correctly—and perhaps Tanya Young, who's our program officer on the program can add to it—you know, was, you know, very open to that inclusion of those local municipalities in the decision-making. And I think from—for many in El Salvador, including the government of El Salvador, that was seen as an example of having an implementation that is not only given to but it's, you know, very heavily consulted with and co-designed with the local partners.

So that's to the extent that I can speak to, you know, territorial management in program implementation in El Salvador.

COOPER: OK. All right.

With that we'll wrap up our program, and thank you so much for being here. We appreciate you coming out. And there will be a transcript of this session on our Web site at mcc.gov, so you can look for that.

Thank you so much and have a great day.

(APPLAUSE)

END