MILLENNIUM
CHALLENGE CORPORATION
UNITED STATES OF AMERICA

Transcript

February 22, 2011 | www.mcc.gov

MCC Hosts a Public Event: Lessons Learned From MCC's First Compacts

Speakers:

Nasserie Carew, Managing Director For Public Affairs
Millennium Challenge Corporation

Frances Reid, Senior Investment and Risk Officer
Millennium Challenge Corporation

His Excellency Daniel Agyekum
Ambassador of Ghana to the United States

Gregory Adams, Director Of Aid Effectiveness
Oxfam America

Marco Bográn, Acting General Director
Millennium Challenge Account-Honduras

T. Charles Cooper, Vice President For Congressional and Public Affairs
Millennium Challenge Corporation

Daniel Yohannes, Chief Executive Officer
Millennium Challenge Corporation

Sheila Herrling, Vice President Of Policy And Evaluation
Millennium Challenge Corporation

Franck Wiebe, Chief Economist
Millennium Challenge Corporation

Jonathan Brooks, Managing Director
Millennium Challenge Corporation

Ariane Gauchat, Associate Director
Millennium Challenge Corporation

Celeste Lemrow, Associate Director
Millennium Challenge Corporation

CAREW: Welcome, and thank you for joining us today. My name is Nasserie Carew. I'm the Managing Director for public affairs at MCC. And I apologize — I've got a slight cold. Just a few housekeeping notes before we begin. We're running about 10 minutes or so late, as you can see. There was a little back up with the registration, so we're backing up our sessions accordingly.

This first panel will last for an hour. At 12:15, we'll break for lunch — and there will be lunchboxes outside. If you could please, as fast as you can, get your lunch and come back to the room for the next session, which will be a town hall with the CEO and senior staff, which should start around 12:25 or so.

During the Q&A portion, please look for our MCC staff; they've got the MCC pins and they'll have roving mikes. State your name and your organization as clearly as you can. This event will be transcripted and will be on the website immediately after the session. The CEO's town hall will be webcast live.

Without further delay, I'd like to introduce MCC's senior investment and risk officer, Frances Reid, who will start off the first session.

Frances has more than 30 years of experience in global emerging markets. And prior to joining MCC, Frances was a senior policy adviser in international affairs at the U.S Treasury. Before that, she worked in direct investment and corporate finance at the European Bank for Reconstruction and Development.

Frances will make brief remarks, and then she would join our panel of experts to discuss MCC's country ownership and answer any questions you may have. Without further delay, Frances, welcome.

REID: It's a particular pleasure to welcome all of you here today because this is a critical period for MCC. We're just now beginning to see our first compacts coming to close after their five-year duration, and we're beginning to have the opportunity to see how MCC's innovative approach to development assistance is working out.

As you know, there are several pillars to MCC's approach. One of the most important is our emphasis on selecting countries that have already demonstrated a commitment to policy reform. We're also committed very heavily to country ownership starting with the initial conceptualization of compacts through the consultation process in-country.

We engaged with the countries and look to their leadership in helping to identify potential projects and helping to design and develop compact programs and, particularly in the implementation of programs in our compacts.

And we're also very much focused on the ways in which our countries can be helped and encouraged in promoting the sustainability of projects. As I think most of you who have experience in development will be aware, it is the sustainability issue and the extent to which that critically depends on country engagement that has been one of the biggest challenges to development assistance since its inception.

MCC isn't unique in talking about country ownership, but I think we are unique in really focusing on making it a living reality at all stages of our compact development process. And I think we are now in a position to be able to look at how well that has worked out — where have we encountered issues in the development — compact development process or in the implementation process; what challenges have we experienced in making country ownership a real, vital part of development assistance; and how will we modify our own programmatic approach as we go forward.

And that, I think, is the key focus of today's discussion. We have an excellent panel. Ambassador Daniel Agyekum from Ghana is here with us. He was appointed to his post as the ambassador of Ghana to the U.S. in January 2009.

And, of course, Ghana is one of the countries on which we're very much focused. The compact hasn't come quite to an end, but Ghana has been selected as a potential second compact country — and that is on the basis of Ghana's performance as a very strong country partner in the first compact implementation.

We also have Gregory Adams, who's the director of aid effectiveness at Oxfam. He has over 10 years of experience working for members of the U.S. House of Representatives on issues including national security and foreign affairs, and has been intricately involved in helping to oversee the Millennium Challenge Corporation's reports to Congress, the F process and other dimensions of U.S. foreign assistance. So this is an issue, country ownership, on which he has long examined MCC's performance.

And, finally, but not least, we have Marco Bogran from Honduras. Marco was the general legal counsel in the Ministry of the Presidency of Honduras from 2002 to 2005. And in that capacity, he participated in the early stages of the development of the Honduras compact, and, therefore, has a particular ground-up experience — what MCC means by country ownership.

He then worked in implementation of the compact as the deputy director and the legal counsel for the Millennium Challenge Account-Honduras, which is our country counterpart. And, again, in that capacity, I think he has been able to see MCC from the country perspective, and, I think, has particularly good perspective on what works and what doesn't work.

As we all know, in issues like country ownership, talk is cheap. And the issue is how MCC delivered on its commitment to country ownership.

So without more ado, I would like to introduce the panel and — oh, yes — and ask Greg Adams to take charge.

ADAMS: I'd like to ask my fellow panelists to go ahead and join me up here, and we'll go ahead and start with the opening remarks.

Thank you very much, Frances. Thanks for that introduction. I've been asked to make just a few brief remarks, and then I will hand off to the ambassador and to Marco so that we can hear their comments on what has actually been happening in Ghana and in Honduras.

This is a day that's — that's very exciting for me, and I know for many of you. It's a day we've been — many of us who follow the MCC have been waiting very eagerly for, for about six or seven years. Because now we finally get to see some of the first results coming out of these compacts. And there a lot of things that we know and a lot of things that we followed for a long time. We're really looking forward to how well those beliefs measure up against the evidence we're actually getting.

I'm confident that we're going to see some very interesting things, some very profound things, but also probably some things that are going to challenge our preconceptions. So this is an exciting day for me just watching the MCC and learning from it, and I hope it is for you, too.

I want to talk a little bit about what Oxfam believes country ownership is and how we think the MCC has been striving to — to do justice to the concepts. Country ownership is, at its very base, a concept of rights and a concept, frankly, of avoiding hubris in trying to help poor people escape poverty.

It rests on a very basic presumption: that we as donors do not do development, but people and countries develop themselves. The question is, how does the donor best play their role given that reality? Our experience at Oxfam has been that development comes out of a compact between active citizens and effective governments. And you get development outcomes when you have those active citizens demanding that their government deliver public goods — the security and opportunity that all societies need in order for people to develop — and governments responding in kind to actually meet the needs of their citizens.

Donors by definition are disruptive to that relationship of accountability because they contribute confusion about who is actually accountable to whom. The mark of a good donor is the ability to cause as little disruption as possible, and where possible, to try to help governments become more effective at meeting the needs of their citizens and help citizens become more effective at demanding accountability from their governments.

The MCC's approach to this has been, in our observation, one of starting first of all by trying to identify those countries where — where there are more tools in place to be able to actually have this compact work effectively, and then be very careful about how it intervenes in order to do as little disruption to that compact between citizens and their government as possible.

All of this is something that, you know, isn't particularly ground-breaking. We know this to be the case. The issue with country ownership is how you actually measure it in practice. And some of the implications of how you implement an ownership-based strategy in practice make it particularly complicated. Of these two questions, two really come to the surface in our mind.

The first is how do you actually measure the impact of transferring control to citizens and their government? We know intuitively that this works. Those of us who have been involved in the development field for a long time know that you cannot impose development on a country; that it needs — that change needs to be driven from within. But actually coming up with an empirical measurement of how transferring control actually contributes to better development outcomes is something that is very difficult to articulate. And we're very much interested in seeing how the results of the MCC's first round of compacts actually contribute to our understanding of this phenomenon.

The second question is trickier, though, and that's a question of how do you know what countries actually want. At the most basic, there's the MCC process where you go and you ask, and you listen. But the question about who a country is, is a very fraught one. Too often, donors have presumed that the country equals the finance ministry or the president's office. The MCC has taken an approach which is designed to encompass a wider array of stakeholders than just the government itself by including civil society voices on the compact's authority. But it does beg the question, at what point does creating an additional structure via the compact authority start to — at what point do you worry that that short circuits some of the dynamics that are already in place within that society?

When done well, this can be a system which gives voice to those who would not otherwise have a voice. But whenever — once again, whenever a donor comes in, it is necessarily disruptive to those natural processes within that society. And making it work in a way that strengthens the ability of citizens to hold their government accountable rather than weakening it is always the risk that we take when we as donors go in to these situations.

So with raising those two questions, I will go over and first hand off to the ambassador and let him speak a little bit about Ghana's experience with the MCC.

AGYEKUM: Thank you very much.

First of all, let me express my gratitude and that of my government to the MCC for giving us the opportunity to be partners in this whole program.

I'm told that we have about three or five minutes to give our comments. And the questions that have been — have been raised is the question of ownership of the compact. And I believe that this is a very critical question that we all have to address.

I can only do this in the short time that's allocated to me by making a reference to a few of the experiences that we have had in Ghana. I think we should all understand that the word "ownership" has many synonyms and many connotations. But, essentially, it's defined as a situation where an individual or a corporation or an institution feels that it owns as a proprietor a particular system or a set of rights and regulations and not what has been imposed from somewhere else.

We in Ghana have had the experience of going through previously two major interventions in terms of getting development to our people. One was the so-called economic recovery program we got (inaudible) talking about 40 years ago. And then we followed it up with another one that we described as the Structural Adjustment Program.

Now, both programs succeeded to a certain point in addressing the fundamental imbalances in our economy, but failed, by and large, to help resolve the problems that we face as a poor country. And the reason was simple: that the government and the people did not have the sense that we owned the two programs.

The difference here, as we have experienced, is that even as partners, the MCC through the MCA and what we have done — deliberately creating an authority that is called the Millennium Development Authority with the full responsibility to manage the planning, the designing and the actual implementation of the compact program in Ghana.

To do this, we had to establish the legal framework and, as I've indicated, the institutional framework by creating this omnibus authority. But, essentially, this authority was designed to take full responsibility for the planning, as I indicated, the designing and implementation of the compact. The authority was also responsible for identifying the scope of work and the time frame within which the objectives of the compact were to be achieved.

At the same time, there was the need to determine and select the various MDAs — the ministries, departments and agencies — which were to participate in the program. Now, it meant that the authority had to identify which specific government institutions were to be involved in the whole process of delivering the compact results.

At the same, the authority with the MiDA formed by the government included representatives from the government, the civil society and private entrepreneurs so that it was not a matter between two governments or two institutions. The entire society was involved in the development of the program that the compact was designed to implement.

And there are specifics. Of course, we have talked about the eligibility of countries, the criteria which placed emphasis on the rule of law, democratic governance, democracy and good government. But, essentially, these were to address the three key areas that we mentioned: good governance, or just governance, then the investments in people, and the encouragement that we gave to economic empowerment.

Now, these are all evidence — what we've done in Ghana was to ensure that we will continue to be eligible for compact funds. The panel may be interested to know that the stakeholders of the government — consider this as a completely new phenomenon. The form and style for accessing the MCA compact program which allowed countries to prioritize — and that's what we did — our own development needs to be served by the compact.

This, I think, is important. We have to develop our own sense of ownership by ensuring that our needs were clearly defined and not an imposition by the MCC. And this also demanded a very clear accountability to our partners, as well to the various stakeholders in Ghana, to the communities which we were supposed to serve.

Now, additionally in compliance with the eligibility criteria, we had to empower the MiDA to build capacity for the speedy implementation of high-quality compact projects. The authority also adopted the best and competitive practices and procedures, and also offered opportunities for more effective donor support. At the same time, we encouraged public-private collaboration with minimum direct government intervention. This we thought was important because we did not want the government to be seen as the major driving force behind the compact program. It also ensured that the people of Ghana had absolute confidence in the authority, individuals, ministry, departments and agencies which were involved in the promotion of the compact.

On the other hand, admitting that we were to access MCA funds, we also realized that our responsibility imposed on us the need to provide partner financing to ensure that the program succeeded. And we made some significant contributions toward the funds. I believe that we provided a total of about $28 million in the relocation of utility services in Ghana. And as you will recall, some of the programs involved the removal of whole communities in order to make way for the construction of other roads or other facilities.

And so in one instance, where we had to remove a whole community from the main road, we had to spend almost about $100 million to achieve that, and to reestablish them in other places.

In the area of transportation, the government also made available about $5 million to support the resettlement at the same time of the affected persons on the main highway. We sincerely appreciate what additional funds the USAID also gave to ensure that we succeeded.

Now, one thing we did, which was a novelty, was to establish maintenance budgets for all the MDAs to ensure that they operated within the allocations that were made to them from the MCA accounts. In this sense, the government established an adequately funded road fund as precedent for the MCC's funding toward the periodic maintenance of transportation project road networks. The government has also approved — and this is all part of the ownership drive that we intended to give to the whole program — the government approved and aligned itself with the agreement reached with all donors under the rules (inaudible) program to ensure the effective management of rules under the compact.

At the same time, we developed a maritime framework, governing the access (inaudible) presence on the major manmade — the largest manmade lake in the world, as far as I know — on the Volta Lake.

Now, in committing these funds, the Ministry of Finance, together with the MiDA — the Millennium Development Authority — were made directly responsible for managing the funds that we had accessed from the MCA. I believe they put out about half of the $30 million. We do hope that in spite of the changes and the financial difficulties that our donors are experiencing, this amount will be increased because we have a proven record that we've made it.

I'm saying this because I know other donor countries are also going through some financial challenges. But I do hope that this would not affect the amount of money that we receive or funds that we receive from the Millennium Challenge Account. It is important why we've started this issue of ownership: that the practices and the lessons that we have learned from Ghana become fully embedded under the new compact. For example, the adoption and the application of MCC guidelines and practices, those (inaudible) where we believe intended to provide incentives for policy reforms.

And that's why we accepted this as part of our own policy and our own responsibility so that policy reforms post-compact, and that the conditions established in the compact, have been utilized to achieve policy upgrades, to enable compliance with globally endorsed policies and practices.

We in Ghana have acknowledged that some of the projects that are being made under the compact that have gained recognition and will be adopted by the government and pursued by the government vigorously and public institutions include the following — and I'll just summarize them — there is a (inaudible) plans by the ministries, departments and agencies to support Ghana's eligibility.

I'm sorry, I'm getting a little bit — one minute is not enough for me to complete, but I'll try.

(LAUGHTER)

The use of the lessons learned from the systematic rural land titling pilot scheme, we are introducing agricultural centers to enhance market access for farm produce. We are also adopting an integrated delivery of social infrastructure to the needy rural communities, and at the same time developing refrigerated houses on farms and in public to support the cold chain and enhance export quality of produce.

It is important for me, in conclusion, to emphasize that the number of MCA investments in Ghana drive the (inaudible) from operating within the framework of the public-private partnerships. We are also making efforts to implement entity agreements with 14 public sector organizations which will assist in building capacity and making ministries responsible for sustaining the projects developed under the compact.

I'd like to assure our partners that the government of Ghana will not renege on the conditions precedents under the compact, and enjoin us to set aside funds to manage projects, build capacity, support institutions, and safeguard benchmarks, best practices introduced to achieve the MCC's effect, and to ensure continued success. And so with these remarks, I hope that in subsequent discussions and during the question-and-answer period I might be able to expand more on the experience of Ghana in terms of owning the MCC projects.

Thank you very much.

ADAMS: Thank you very much, Ambassador.

And apologies for the short time frame, because we certainly wanted to hear your — your conclusion, your remarks and hear about some of those lessons that you learned in Ghana.

Now, I'll hand off to Marco to talk a little bit about the experience in Honduras.

BOGRAN: Thank you. Thanks, Greg. Thank you, Frances, for the kind words. And thank you, Mr. Ambassador, for sharing your experience with us.

I have been asked to talk about country ownership and — in a compact that was implemented in five years, a $250 million compact. And I'm supposed to do that in five minutes.

(LAUGHTER)

For those of you who are coming up with compact proposals, that's what compact implementation feels like.

(LAUGHTER)

So keep that in mind.

We believe — I believe that country ownership is all about partnership. I think that what made the difference with the MCC Compact in Honduras compared to every other project that we have implemented in our country is precisely that we started off as partners. Country ownership is not possible — and I think Mr. Ambassador clearly stated this — country ownership is not possible if the donor agency is imposing conditions, practices or any other set of rules that will not allow a country, its government or its civil society to get involved in the implementation of the resources.

From the beginning, we felt that MCC and the government of Honduras were clear that if we wanted to get results, if we wanted this compact to have favorable outcomes, we needed bold strategies, bold implementation strategies. And I'd say bold because that involves risk.

A true partnership between a donor agency and a recipient country involves trust. In many cases — and you will read about these in the country briefs that have been handed out about Honduras — in many cases, it seemed that the strategies that we were proposing — we, the program management committee — it seemed those were strategies that involved too much risk for anybody. For the U.S. government this is taxpayers' money. For our government, as well, we could not fail with such a huge compact. But as partners, we trusted each other and we decided to go ahead with those strategies.

Today, those strategies, those practices have become models. We have taken many of those and incorporated them into new legislation that is being applied right now for new projects in Honduras.

I think those strategies — and the fact that we were willing to risk the reputation of MCC, the reputation of the government to cut the compact, and the reputation of the PMU, the Program Management Unit — the fact that we were willing to risk all that is clearly a message, a strong message about what country ownership is all about. Development assistance is not just about delivering results. It's about transforming systems. And I think MCC also made a big difference in Honduras when we decided, again, from the beginning, that we would — we just did not want to fix the old systems, but we wanted to develop new systems and new ways of doing things.

When you hear about the results in Honduras in the sessions that will be held here today, you will hear about the number of kilometers of roads that we built, the number of farmers that we trained. But I've always said that actually it's not about how many roads we built; it's about whether Honduras can now build roads in a cost-efficient fashion. We couldn't do that before.

As a matter of fact, it's an interesting experience in Honduras because part of the main road that we built we started off, along with other donors like the Inter-American Development Bank and the World Bank — we started out at the very same time. But because MCC was willing to support these bold implementation strategies, we finished our sections of the road while those other sections have not been finished yet.

Now, these other donor entities have come to the conclusion that they need to apply these bold implementation strategies that we came up with. MCC, I believe, has a wonderful experience now that the compact is over — and, that is, to support the government in expanding these best practices beyond the program management unit and beyond the compact projects.

That is not easy. Keep in mind, countries like Honduras have confusing and complex agendas. Expanding best practices from a program like MCC may not be at the top of our priorities. We just came out of a political crisis. We have several other priorities. We have an economic downturn. But if MCC engages with the government in making sure that these practices are adopted elsewhere within the country and within civil society partners, I think the MCC impact will be much greater than what was originally envisioned.

In our view then a results focused approach, like the one that MCC has been practicing all along, must go hand in hand with country ownership, as I mentioned, but capacity-building as well. There is no actually country — there is no actual country ownership unless MCC is interested in building the capacity that is necessary to implement these kind of projects.

And I go back, again, to the five-year time frame, and the five minutes to discuss it. The experience in my country has been that projects are always designed for four, five, six years, but they end up being implemented in 10, 12, even 15 years. Roads that were started 15 years ago, some of them are still there and the projects haven't ended yet.

If MCC does not focus on building the internal capacity of the country through these best practices that have been adopted, we run the awful risk — and I can't stress this enough — it's an awful risk that in a couple of years no one will know exactly how we implemented the MCC compact and what exactly was needed or required to implement these kinds of projects, so we're back to square one.

I think this is a risk in any country, not just Honduras. Any country in which MCC invests has that very same risk. It is the risk that the World Bank and the IA — the Inter-American Development Bank — run every time they start up a new project — which is, "We're going to leave the road. It'll be available." But there's not — there's not going to be the system in place to maintain it. There's not going to be an effective government to make sure that you continue to build other roads.

Country ownership is also about — and this was our experience — allowing a government and its program management unit and its civil society to take the strategic decisions necessary to implement the program. In many cases, we — we, the program management unit, and the MCC did not agree on a specific strategy, or on the way of doing these practices that I've mentioned.

MCC could have — reasonably, it's their money — they could have imposed what they considered were the best practices. We had a lot of discussions. We actually stopped talking for a couple of days.

(LAUGHTER)

But, in the end, I think that what's interesting is that again MCC implemented this trust — the trust within the partnership that I mentioned. And they allowed us to take the risk and apply these strategies, even when a large portion of the local government was telling MCC that the program management unit would fail because of trying these on a bold and innovative strategy. So I think that country ownership is also about allowing that level of flexibility that is absolutely crucial for the success of the program.

Another aspect of country ownership is now — is something that we are negotiating still now with MCC — and it is what happens once the compact ends and once the program management unit has served its purpose.

And let's imagine we have extended the best practices to other units and the government has had the capacity to adopt these best practices, what do you do with the program management unit? Logically, you close it down. But in Honduras, our government is very interested in actually using the program management unit as an entity that will now be in charge of other projects funded by other donors. We want to keep the MCC guidelines very much the same way that Mr. Ambassador here mentioned.

We want to keep applying the MCC guidelines related to procurement, to environmental sustainability, to resettlement, and to many other issues. We want to keep applying them, but we want to use the entity for other projects. And this goes back to something that you get to discuss here much in Washington but not us back in Honduras or any other country that is receiving money for any donor, which is aid effectiveness. How do we make developmental systems effective?

Well, this is one other ways. You reduce costs by channeling funds through entities that have been successful. Interestingly, the World Bank, the Inter-American Development Bank, the Central American Bank, which is our own local development bank, they're all interested in using the MCC entity. In other words, it's a turnaround from what's happened in the last 30 years where each bank, each multilateral, bilateral agency wanted to set up their own program management unit, have control over it and make it accountable. This is different. The entire development community in Honduras is looking at the MCC model to channel funds through it.

Now, why am I mentioning this? Because it depends on MCC. We need MCC's authorization now to use the entity.

And, again, there are risks involved, clearly. We have discussed those risks. But, again, I think that what has made our partnership different is precisely that we were willing to take risks during the implementation of the compact, and that even now once the compact is terminated we are still willing to take additional risks and additional steps to make sure that the investments that MCC has made are really sustainable.

In closing, I would like to say that aid, development assistance, money alone cannot assure sustainable outcomes. And, of course, you hear about this and you read about this here every day. But at the country level, this is an important message that we have to keep reminding ourselves about. Effective governments are needed. And this can only be achieved through capacity-building.

So we are not discussing country ownership — and we cannot talk about country ownership unless we link that with capacity-building so that we have effective governments. Country ownership is about partnership between the donor and the recipient country where both are willing to implement bold innovative practices. Results on the ground depend very much on the trust that is established as of day one between the donor agency and the recipient country.

The program management unit, the civil society, the stakeholders involved and the beneficiaries of any program, they all need flexibility. They all need to be provided with the adequate tools to implement these kinds of programs. That is precisely what capacity development is all about.

With that, I thank you, Greg.

ADAMS: Great. Thank you very much.

Now, we'll go ahead and go to questions. And if I could maybe start first with Frances and — and just ask her to talk a little bit more about some of the specific lessons that the MCC has learned over the course of the last few years.

REID: I'll be brief. What I really wanted to focus on is that I think my fellow panelists have made really key points that I think I would like to just very quickly summarize. Greg started out by making a comment that donors were (ph) inherently disruptive of accountability. And I would like to note that the other side of that equation is that country ownership is or can be inherently disruptive of the way government bureaucracies like to proceed.

So there were challenges for MCC in making country ownership a viable concept in the promotion of foreign assistance. This overall session today is really focused on results. And I think one of the preliminary results of the MCC's first five years of compacts is that country ownership worked.

And country ownership worked not because there aren't any problems, not because we didn't have bumpy patches on the road that my colleagues have referred to, but rather because we were able to develop a trust relationship with our country partners. We were able to recognize that country ownership really involved partnership; that that meant that we had to trust in one another's assumptions about our working relationship; that we had to be willing to take risks with one another and sometimes risks that weren't clear at the outsets; that we had to work together on problem solving; that we had to really focus on communication, because both sides often misunderstood one another's initial communications.

It wasn't necessarily a totally smooth process, but it worked because both sides were committed to partnership. So if you take one thing away, it is that in its five years of existence, MCC has put the concept of country ownership to a pretty rigorous test — and it's worked.

ADAMS: Great. Thanks, Frances.

Just kind of building on that point, I was wondering if I could maybe start by asking the ambassador and Marco to both tell a story of one of the places where you were able to prevail upon the MCC that your country's approach might be a better approach than the one that the MCC was suggesting.

You guys have both talked a lot about this relationship with trust and some of the back and forth that you had about how the compacts would proceed. It'd be interesting to hear a little bit more detail about some of the specifics of how these conversations unfolded and where you were able to actually prevail in local vision of how the compact would proceed.

BOGRAN: Thank you. Well, if we're going to talk about when we prevailed over MCC's assumptions, I'm going to need a lot more than five minutes.

(LAUGHTER)

But in any case, actually there are few experiences. Resettlement was one of them. I'm going to be — actually, I'm going to be very honest about this. The operational policy that MCC has in place I think in the compacts is the World Bank resettlement policy. At the beginning, we thought — and I was included in these discussions — we thought that the World Bank resettlement policy — no, applying it strictly would be too much. We wouldn't have any capacity; it would take way too much money, beyond anything that was originally envisioned in the compact; and it would actually disrupt the old practice of resettlement measures in the country.

And I remember we had several discussions between lawyers here in D.C. about striking the World Bank resettlement policy from the compact precisely because we thought it would be a constraint. And in that case, actually MCC prevailed. That was the only case.

(LAUGHTER)

And I said, "No, you know what? We're going to be strict about this policy. We need this policy. We want you to resettle affected parties with adequate and fair compensation. And we're not going to budge on that."

So, you know, once we were clear there was no negotiating room, then it was a question of, OK, how do we translate this international policy, which is of course a very generous policy — how do we translate that into the internal mechanisms of the country?

And so then we faced a different opposition. It was actually an opposition that came from the government itself, from several entities within the government. And their argument was why should we enact a special legislation for a program like MCC when we have, you know, laws that are applicable to resettlement already? Why should this program be so special?

And so it was a matter of convincing the government itself that the previous legislation and the practices that we had been applying before MCC came along did not work. You have cases in which people had been resettled from their land with no fair compensation because the value of the land was based on cadastral value and not market value. So there was a lot of unfairness, and there was no justice in the previous systems. But in any case, those were the internal practices that our country had been applying for more than 67 years.

In that case, I think MCC was really a remarkable partner because they went to the table of discussion with the government, along with the program management, and they said, "You know what? I'm going to support the program management unit on this. You do need a new legislation. If you do not come up with a new legislation to implement the World Bank policy, then this compact will probably fail." That's what MCC said.

And so the government — several entities within the government that were initially opposed to this new legislation eventually did commit to it, and the program management unit was able to pass and implement the World Bank policy. That is one of the cases in which I think country ownership has been remarkable.

ADAMS: Thank you, Marco. Mr. Ambassador?

AGYEKUM: Yes, thank you very much. In the case of Ghana, it's because of experience over the years, we didn't have much to argue with the MCC. The only point of disagreement was over the appointment of members of the board of governors for the MiDA as a result of the change in government, from the old administration to the current administration.

And while the members of the past government insisted that the board must remain the same — the same membership, probably for political reasons — the new administration also felt that, "Well, if we are going to take responsibility for what happens within the management of the MCA, we need to have our own people in place." So we had some meetings and we consulted with the MCC here. And, eventually — I wouldn't say we lost or they won, but we agreed. There was a need to review the membership to ensure continuity. And this is where I believe that we had our own way partly, and the MCC also had their own way — in the sense that we agreed the chairman of the board must remain, but other members — we could recruit new members to fill the vacancies or the gaps that were there.

Otherwise, in general terms, I think from the very beginning, we had care (ph), appreciation for what the funds provided by the MCC were intended to achieve. And we — I must say, to be very frank, we didn't have much disagreements as to how we were to achieve the objectives of the MCC.

And so this is just one area. It wasn't very serious. And that's where — that's how we have succeeded, to a very large extent, in ensuring that we have kept within the time frame, and, hopefully, by next year we'll have achieved all the objectives envisaged under the program.

ADAMS: Well, I know we're very short in time, so why don't we go ahead and see if we have time for some questions from the audience. It looks like — why don't we go — I think this hand over hear was up first, from this gentleman.

QUESTION: Thank you all very much for a very good discussion. I've been following Ghana for about 20 years. And I think we're all very impressed with the progress that's been made.

My question though may have broader — I hope has broader applicability, though it's prompted by the Ghana experience. And, that is, that recently, there have been two major changes in circumstance. One is the oil discoveries offshore that are going to result in some major inflows of funding. The other is that the MCC, of course, will face I think some severe — a severely tightened budget environment.

So the question is in — in those conditions, does a second compact — a potential second compact maybe put less emphasis on funding and more on technical assistance, best practices and so forth? Or — how do you reflect some of these changed circumstances?

ADAMS: And, actually, I apologize, but we are running very short on time here. So let's maybe take one more question from the audience and stack those up so our panelists can answer them together, and then we'll close up, hopefully, right on time. And we're going to go to, I think, this gentleman in the third row here.

QUESTION: Africa's littered with the bones of white elephants of infrastructure projects that countries couldn't afford. What is being done to ensure that these projects are affordable and are sustainable?

AGYEKUM: (OFF-MIKE) and answer the first question first (OFF-MIKE) with Ghana.

But briefly, the discovery of oil, it's not the panacea for the resolution of the economic problem — the financial and the economic problems that we have in Ghana. As you all know, (inaudible) will tell us, finding oil could either be one or two things: a curse or a blessing.

As yet, we are not benefiting fully from the resources that flow from the oil or the funds that will flow from the oil. So, I believe that until — whether it's Ghana or (inaudible) or Mozambique, until we arrive at a situation where we can marshal sufficient resources, finances to manage our own economic programs, we'll continue to rely, I believe, on the support that we have from donor countries like the USA.

But as you mentioned, each country is now beginning to have its own problems, including the USA. So perhaps the emphasis — there should be a gradual shift of emphasis from simply giving money, but also ensuring that, as my colleague said, whatever money we receive will be used in building our capacity so that when the money dries up and we are out of sources of funding, we have the capacity to continue with the program that has been envisaged under the MCC. And, therefore, there'll be a shift of emphasis from funding to technical, transfer of technology, building of capacity, and so on and so forth.

The second question is a little difficult to answer, I think.

(LAUGHTER)

Do you — do we think at this point in time whether — quite frankly, I don't have an answer to that question.

(LAUGHTER)

Not that I don't want to answer it, but I find it difficult to answer — give a direct answer to it. Maybe my colleague here will join me in an effort to give an answer to it.

ADAMS: Let me pass that on to Frances.

(LAUGHTER)

REID: Is there anybody else?

(LAUGHTER)

REID: Well, that is absolutely something that MCC is focused on. Because we, too, have traipsed around in countries where we're looking at rebuilding a road and there's a little sign at the head of the road saying, "Built by" you know, "the European Union in 1987, repaired by the Japanese in 1993, rebuilt by the World Bank in 2001," and now here we are. So one of the things that we are trying to avoid is that result.

And we try to do so in a number of ways. First of all, all of our projects are subject to a pretty rigorous economic analysis before we enter into them to ensure that the projects that we're looking at are, in fact, economically sustainable. And we look at all kinds of factors in anticipating that economic return.

Secondly, we're focused as we develop the compacts and partnership with our country partners at looking at issues of capacity, looking at capacity-building, looking at making sure that the specifications for our infrastructure projects make sense in the specific environment in which we're operating. And we also try very hard to build in sustainability issues from day one so that we're looking at issues — like, for example, on roads, we're looking at sustainable road maintenance funds. We're looking at agreeing with countries about what the program of maintenance and the rehabilitation of infrastructure projects will be.

And we're looking longer term, as the compacts near to a close, at how the country proposed to maintain those projects. We work together with them so that the countries can tell us, "These are the factors that we think will impact our — the sustainability of these projects, whether it's weather, whether it's capacity, whether it's — it's financing or whatever. And we work with the countries to try to develop a long-term maintenance, rehabilitation and sustainability strategy.

As you know, no plan encounter — or survives encounter with reality. So we try to make our plans as flexible as possible. But from the beginning we feel that a dialogue with the country on sustainability is absolutely the — the essential starting point for ensuring that we don't simply replicate the problems of the past.

ADAMS: Marco, do you have any last thoughts, or — OK, great.

Well, with that, thank you all for being here.

(APPLAUSE)

CAREW: We will begin again at 12:25. There are boxed lunches outside. Please take a lunch and be back in your seat at 12:25.

(RECESS)

COOPER: Good afternoon. Welcome back. Welcome to the Millennium Challenge Corporation. It's good to see all of you.

This is — these are really critical times for the MCC and exciting times. You know, MCC was created seven years ago on the basis of a set of best practices — aid effectiveness best practices. And over the last seven years, MCC has been focused on putting these aid effectiveness principles into practice. And that's been our focus for these last seven years.

And in the fall, we had our first two compact countries close out. And so we are now focused on answering a very fundamental question, and that is — does this model, the MCC model, work? Does the — is the model that is based on best practices in aid effectiveness translating into the income increases that we're seeking, the income growth that we're seeking and the poverty reduction that we're seeking?

And now that our first two compacts are closing out and have closed out at the end of 2010, we're very excited about the results that we're seeing in the field. And we're getting very promising preliminary results from the field with regard to the questions that we're asking about whether or not this model is working.

And that's going to be the focus of Mr. Yohannes' talk in just a few minutes. He's going to give you a progress report on MCC results. He's going to provide you with his vision for the future of the agency. And after Mr. Yohannes speaks, we're going to open the floor up for questions for you to ask your questions.

In addition to Mr. Yohannes, we also have the senior MCC staff here who are available to answer your questions.

When we get to the question-and-answer session, I want to remind you to make sure that you look for one of the microphones — it's going to be roving around the audience — and that you state your question into the microphone; before you ask your question, state your name and your organization.

And so with that, I would like to introduce our CEO, Daniel Yohannes.

(APPLAUSE)

YOHANNES: Thank you, Chuck.

And welcome. And thank you for spending part of your day with us at the Millennium Challenge Corporation.

Before I begin my remarks, I'd like to recognize a number of ambassadors who are here with us today. First, Ambassador Fatima Veiga from Cape Verde. Nice to have you. Nice to see you again. And we have Ambassador Daniel Agyekum from the Embassy of Ghana. Mr. Ambassador, nice to have you. And Ambassador Jorge Hernandez, Embassy of Honduras. Where are you? Nice to have you, sir. And Ambassador Amelia Sumbana, Embassy of Mozambique. Nice to have you, Madam Ambassador, here.

I also have two special guests I'd like to recognize. The first one is Mr. Paul Applegarth, the first CEO of the Millennium Challenge Corporation. And, Paul, where are you? Nice to have you. And I have John Hewko, MCC vice president, operations, 2004 to 2009. So nice to have you as well, John.

Ladies and gentlemen, these are exciting times for the Millennium Challenge Corporation. Last year, we successfully concluded two compacts, in Honduras and Cape Verde. And we signed three new compacts with Moldova, the Philippines and Jordan. We are on track to see five more countries conclude their compacts this year: Armenia, Benin, Nicaragua, Georgia and Vanuatu. And we hope to add three new countries to the MCC family this year.

Let me start off with a summary of what we have accomplished and how we can bring the lessons of our model to bear on our nation's evolving global development policy.

First, let me explain MCC's philosophy. Our approach to development is like a business. We have a client: the U.S. taxpayer. We have a partner: the countries to work with. Our mission is to reduce poverty through long-term economic growth. And we approach it with two goals in mind. The first is to give the best investment return for the American taxpayer. The second goal is to put our partner countries on a path to attract more private sector investment and to reduce aid dependency by increasing their incomes.

As CEO, I keep a close eye on our MCC portfolio. With the new compacts and special programs we have added in the last year, our portfolio has grown to more than $8 billion in development investments worldwide. Our compact disbursements doubled in the last year to a cumulative total of $2 billion. And contracts for MCC-funded investments worldwide are worth nearly $4 billion. We invest in projects that partner countries prioritize and projects that are expected to have a very good economic rate of return.

MCC's portfolio focuses on a number of key sectors — $2.7 billion for transportation projects, $1.6 billion for agriculture investments, half a billion dollars for water and sanitation; and three quarters of a billion dollars for health, education and community services projects. These investments have allowed our country partners to train over 150,000 farmers and more efficient agriculture techniques that will help increase their incomes by producing higher quality crops. We have a total of 82,000 hectares under production. And we have provided over $66 million in agricultural loans, and have assisted over 3,800 enterprises.

Let me give you a reflection of what I have seen. The best aspect of my job — one of the best aspects of my job is really to go outside and see the progress that has been made in our partner countries.

Last year, I had the opportunity to visit seven MCC partner countries. I had the opportunity to speak to farmers that have been trained by MCC in Ghana, Honduras, Cape Verde, El Salvador. And they all told me how they were able to increase their production and income after they received our training program.

I'd like to give you a very successful story in Ghana. In Ghana alone, we trained — we trained over 45,000 farmers. Last year, our partner, the World Food Programme, purchased 1 million metric maize of — from Ghana, MCC-trained Ghanaian farmers, earning them over $350,000 in income.

Ladies and gentlemen, we're working with our partner countries to make them food secure. But this is tremendous success because not only are partners producing enough crops to help them sell and their families, they are selling excess crops to neighboring countries. In fact, our program with the World Food Programme was so successful, we're adding four more countries to that program this year — Senegal, Mozambique, Burkina Faso, and Mali.

Also, I had wonderful experiences speaking to a number of these farmers in many of our partner countries. A couple of people had come into mind, one is a farmer in Honduras. Her name is Azuzana (ph). I met her among other farmers who were trained by MCC. Her story goes, before she received our training program, she never plowed a field in her life. After she received our training, she is currently farming herbs, I saw a lot of women also in that area, they were farming herbs, selling their produce to Wal-Mart, commanding a better life for themselves, for their families.

The same story could be told in Ghana, Cape Verde and many other places where we have trained farmer. Also had the opportunity to spend time with small-business owners. In El Salvador, a woman whose name is Lola (ph) who told me that, you know, she started her business — was five-room motel. After she received our training program, that business has been expanded now to include 12 rooms and she's commanding a better life for herself and her family, earning much hard income.

The same story goes to Georgia. I met a woman who name is Nina (ph). We complemented Nina (ph) with 124,000 investment. She was able to match the remaining from local funds. Today, she is employing 25 people in her dairy processing plant, supporting about 300 farmers in her small village. Not only has she increased her income, her employees' income, but also she's made some significant contribution paying taxes that were not available before in Georgia.

We also have supported the construction of more than 890 kilometers of roads that link markets and increase trade, and have another 2,400 kilometers of highways that are under construction and 5,000 kilometers of road under design.

And many of those roads are helping farmers and other citizens by providing them with the opportunity to link to markets, hospitals, clinics, cutting the amount of time it takes to travel from one place to another place. When I was in Georgia, I traveled on a 220 kilometers highway built to link Tbilisi to the Armenian and Turkish border. Of course, President Saakashvili has told me and told a lot of other people that was the best road built ever in Georgia — and I trust him, all right?

(LAUGHTER)

Because I've driven on that road myself and I understand that he, himself, drove that highway and he was speeding at a much higher speed, I understand. I'm glad I wasn't with him when he was driving. But nevertheless, you hear the same stories from Honduras and other places where we've built roads.

We have also supported construction of more than 800 — I mean (inaudible) have a lot of the numbers — in education is 200 numbers. Since I'm from a bank, I'd like to see big numbers. But, we have constructed over 200 schools in Ghana and El Salvador. Again, I had the opportunity in El Salvador to see the newly constructed schools, which are modern, which are equipped with new books, libraries, and have access to computer facilities.

Also I was in Ghana. I've seen the new elementary schools built in some of the rural areas. These are places where a kid never had the opportunity to attend in classroom situations. They were educated under a tree. So, ladies and gentlemen, we have over 60,000 students that are participating our program, and we have trained over 800 teachers in this field.

Then there are MCC policy reforms. Remember, one of MCC's core principles is policies matter. We work with countries that are poor but those that are well governed. In almost every country at any time because you see anywhere from three to five, six policy reforms that are being implemented. I could talk about it. It will take me the whole day. But I would invite you to go and see mcc.gov and see what's been accomplished almost in every country we work with.

In Honduras alone, we work with the government to set aside some road maintenance fees so that the roads we're building are sustainable for a very long time. In Honduras also, we work with the government to make sure that more funds are available to their constituencies. So they have made a tremendous amount of policy reforms in the financial sector area.

Both in Cape Verde and El Salvador, they cut the number of days to start a business significantly, creating the best conditions — environment — for businesses to flourish. Again, the same story could be told in almost every country we work with within the 22 countries.

Now, this is some of what we have accomplished together with our country partners. You know what? Other development agencies would tell you these are the final results. To us, these are interim results. That's what makes us different from other development agencies. Because when we talk about results, we talk about the investments — you know, how it's going to impact the income of our partner countries.

Honduras and Cape Verde were the first two countries that completed the program the first quarter. Of course, sometime in September of this year we should be able to get the results of our investments in terms of its ability to impact real incomes.

And again in those five countries, that will be completing the program this year; we should be able to do the same thing next year. But, I do have some raw, raw numbers — please don't hold me accountable to it because those numbers could go up or down. I've already been lectured by Sheila. She told me, "Daniel, you cannot talk about them."

I said, "Sheila, I know, I can't talk about them," all right?

(LAUGHTER)

But either way I'm going to tell you. She's going to kill me, but I'm going to tell you, all right?

And, again, those are raw numbers, all right? In the case of Honduras, the income of farmers that were trained by MCC went up from $1,880 per hectare to $3,550 per hectare, which is an increase of almost 90 percent. Again, those are raw data. The number could go up or down next September when we get the final number from the independent consultant that will provide us with the real numbers. But again, that's just what we know today. You know, every time I go to those countries, people tell me, "I was able to raise my income by 40 percent, 50 percent, 100 percent."

I was in Ghana and I met this woman called Mavis (ph). And she's a rice farmer. She told me she was able to increase her rice production from nine bags to about 150 bags per year after she received our training. Of course, when you talk about income, it's probably 10 times what she was making before.

I guess the bottom line is, you're going to hear the same stories from countries to countries, from farmers to farmers, from small-business entrepreneurs from one place to another, and we measure our successes based on what we see in terms of incomes growth.

In Cape Verde, I drew up some numbers. Cape Verde had the worst rain ever in the country in the last decades, all right? However, the farmers that were trained in Santa Antao Island — Madam Veiga was there — we've seen it. I met with some of the farmers. And while — the regular farmers that were not trained by MCC, their income went down by almost 90 percent. But because of — the farmers trained by MCC, we provided them with soil, better soil techniques and water management, and so forth, the income only went down by 18 percent. Again, we should be able to get the better data sometime in September. These are early results.

Ladies and gentlemen, these are results of the American people can be proud of. But I'll be the first to say we can do even better. The president reminded us last month that the fate of the world today requires us all to step up our game.

When I came to MCC some 15 months ago, I outlined five key priorities that I would like to achieve in partnership with you — the most important of them being a focus on results. If we are truly to stay relevant we must continuously show results to our constituency.

As I told you earlier, we at MCC operate as a business. I have shared a lot of results with you today because I see this as a shareholder meeting. I look around this room and see a lot of American taxpayers and some of our friends from our partner countries. I know you all have a stake on what we're trying to accomplish; for all the big numbers we discussed today. It's also important to remember that when we talk about a return on your investment, we are talking about changing people's lives for the better. That's what is important to us.

We expect the MCC investments you've made to benefit more than 171 million people in the poorest countries around the world. And we expect income to rise by $12.3 billion over the life of our current investments. I have traveled in many poor countries around the world; I have seen firsthand the hopelessness of severe poverty. It is dehumanizing.

Also, I have seen what can be done when you offer someone the chance to pursue a better life for themselves and their families. The stories of Azuzana's (ph) farm in Honduras and Nina's (ph) dairy plant in Georgia are being multiplied millions and millions of times around the world. Giving hope to people like them is the strongest incentive.

I can (ph) imagine to keep focused on our principles and do everything we can to make MCC the most effective agency it can be.

Thank you very much. My senior staff and I would be very happy to take your questions.

I do have here today Sheila Herrling, Vice President, Policy and Evaluation. Sheila? Frances Reid, Investment and Risk Management Office; Melvin Williams, General Counsel; Chuck Cooper, Vice President, Congressional and Public Affairs. Chuck, where are you? All right. Victoria Wassmer, Vice President for Administration and Finance; Cassandra Butts, Senior Adviser; Steve Kaufmann, Chief of Staff. And Patrick Fine is not here today. He is in Africa. But we do have Frances to fill in for Patrick Fine, as well.

So with that, we're ready to take some questions from you. Yes, ma'am?

QUESTION: Good afternoon ladies and gentlemen, Mr. Yohannes.

Thank you so much Mr. Yohannes for your wonderful work on the Millennium Challenge. I'm the president of Hope for Tomorrow, an organization that focuses on empowering women and young people through microfinance.

Mr. Yohannes, as always, happy you talk about women. And I'm so happy you mentioned women today. And what I would like, as I said in the other event, the MCC should (inaudible) about trust, honestly. I think if MCC pertinent to the woman in countries — women are most honest and they can work better and make the countries better and fight poverty in countries.

So, thank you so much, Mr. Yohannes, for mentioning women today. Thank you.

YOHANNES: Thank you. As a matter of fact, Madam, gender is one of our major priorities at MCC. And we believe we have one of the best programs than any agency in the world, but we will continue to make it better.

Sir?

QUESTION: Mr. Yohannes, thanks you very much. Can you also share some of the frustrations, some of the challenge — serious challenges that you face in getting to the point that you are now?

YOHANNES: Of course, when you're in this business, you know, I think you also have a lot of frustration from the perspective where, you know, on a daily basis you want to make some significant changes and see significant changes, but it doesn't come as fast.

I think one of our biggest challenge today is — you know, we made a commitment to many of those compacts some years ago, and the cost of fuel, energy has changed significantly in the last five years, which meant that instead of building 600 kilometer of roads, we are building today about 300 to 400 kilometers of roads because we just simply do not have sufficient funds to accompany the projects. I think those are some of the major frustrations that we have.

And some of our partner countries, they have chosen to fund the shortfall from their own funds, and some they are getting loan from other sources. But I think that's one of our major frustration today, is not being able to complete the original programs as they were designed.

QUESTION: Thank you, Mr. Yohannes. I work at the Department of Labor. One of the things that struck me about the results that you were presenting was that you were making the comparison, I believe in Cape Verde, about the disparities in losses because of the rains.

YOHANNES: Sure.

QUESTION: And a lot of the caveats I've heard are, "farmers that were helped by the Millennium Challenge Corporation."

In achieving your mission, where do pockets of poverty that emerge fall into how you're structuring your programs, and how will that impact the framing of the second compacts that you might do with other countries?

YOHANNES: OK. I think when we speak about second compacts, we look at a couple of things. Number one is how successfully the first compact was completed. And, again, keep it in mind that many of the programs are country designed and implemented so we work with them as partners. So they themselves determine what are the priorities going forward.

So I think that in Cape Verde, a country that had been selected to give the second compact, and Georgia and Ghana — congratulations, Mr. Ambassador — were also two countries that were selected to be eligible for a second compact. So I think when we speak about a second compact, we're looking to see more innovation than what was done in the past. I mean, we have built roads, bridges, airport, which are all critical, but I think when you think about second compacts, we want to make sure that there's more private sector partnership. And that is also very unique and different than we have done in the first compact.

So I might ask either Sheila or Frances, who is responsible for private sector engagement, maybe you might want to add to it, what we're doing today in Zambia and Indonesia.

REID: Yes, we're making a major effort to expand the types of partnerships that MCC engages in, and to also expand the range of financing instruments and the innovative content of programs in our new compacts, both new and in second compacts that are new.

And one of the factors that we take into account is how we actually address our mandate of poverty reduction through economic growth by trying to identify projects which not only have a strong economic payoff but which also are particularly targeted toward the types of beneficiaries that we're especially interested in.

So we're looking at an impact in terms of poverty reduction and in impact in terms of economic growth. And it will perhaps not totally surprise you to know that we strongly believe that private sector engagement and promotion of a platform on which private sector engagement can take place is one of the keys to the sustainability of development of systems.

YOHANNES: Thanks, Frances. Sheila, you want to add anything to it?

HERRLING: I think Frances covered a lot of it. Just to say that also we do do beneficiary analysis when we — as part of all our investments. They're all up on the website, so you can actually go through and look at the beneficiary breakdown and measure it after impact evaluation, measure the impact per beneficiary. So it's all out there for you to look at.

YOHANNES: Thank you.

QUESTION: Hello. And I want to thank you again for holding this. My question is, at the University of Maryland and at the IRIS Center, we've been doing impact evaluations in developing countries for about 20 years. We actually do work with MCC. And I'm curious about the lessons that you've learned about conducting analysis — impact evaluation with host countries in charge. And that's a little bit of a different dynamic than a lot of other developing — development projects. And so if there's been anything that come to light about how that relationship worked, I'd like to hear about that.

YOHANNES: Good. I'm going to have Sheila Herrling answer.

HERRLING: We're going to touch on that in the second panel with Franck, so if you'd be willing to wait, we'll make sure to cover that.

YOHANNES: All right, thanks. Yes, ma'am?

QUESTION: I work for LTS Marketing Solutions (inaudible) minority and women-owned business (ph). Working with a company that is establishing transportation systems in the air in the cities around the world. We will be in Vietnam, China, Brazil. First state is going to be Nevada. And we, too, are interested with (inaudible) — Lord have mercy — partnership with you. And these transportation systems, about 30 feet in air — they're little cubicles. We have pictures and all of that. They're being given free to the cities — or with partnership with the cities to run them. And we are targeting cities who have had problems with flooding, gas, traffic, and all that kind of stuff. You're not affected by that in the air.

YOHANNES: Thank you very much, ma'am. And Frances maybe you could get the...

REID: (inaudible)

YOHANNES: Good. Thank you very much. All right, take one more question. Maybe over there.

QUESTION: I think your first panel provided a challenge, which is to say that the success of the MCC is measured by the capacity built within the government to maintain a project and then to take on similar projects going forward. And then I'm also thinking about what's happening in Congress in terms of the funding. And I wonder what kind of argument do you make to Congress to say that that's an important measure of MCC's success, and that, therefore, we should continue to support MCC not for the five-year compacts, but for 10 years or however — however long that takes?

YOHANNES: And that's a very good question. Number one, I think whether it's business or government — I mean, you have continuously show results, and that's how you become relevant, like I talked about earlier.

And in terms of MCC's case, we do have a lot of good results that we are showing to the American people. And we are really showing a lot of good return. So I as a taxpayer feel very strongly as I go to many of those countries that the tax dollars are being used effectively, efficiently, really impacting the people that needs it the most. So we'll continuously provide that support to congressional members who have been tracking the MCC for some time. Having said that, you know, we are today — work in a very constrained budget environment. It's not easy. I mean, we're not exempt from any other agency. In fact, we constantly fight to get what we need, because we strongly believe that we are making a big difference in the lives of the poor worldwide.

So, Chuck, maybe you could take about a minute and talk about what might be proposed in Congress to kind of respond to the lady's comment?

COOPER: I — I would say that it's really important from the MCC perspective to focus both on the short term and the long term. And so in producing results, we often talk about the long-term income increases that we're seeking and how that's going to have a significant impact with regard to reducing poverty and increasing the economic growth.

So we're constantly — our model is based on generating long-term economic growth. But at the same time we have to be focused on short-term results. Because we have many stakeholders, not just on the Hill, but off the Hill as well, that are very interested to know where these investment dollars are going and is it producing results. And so we have these aid effectiveness model that's been put into practice and that's been implementing — been implemented for the last seven years. Now, we're at the point, with the first compacts closing out, that we're beginning to see some of those really important interim outcomes and the beginning of what we think are very promising results with regard to income generation, increases in income.

So from our perspective, when we're communicating to Congress and other stakeholders and others who care about MCC and development, we're always keeping our eye on the short term and the long term, and talking about how we want to be producing results both in the short term and in the long term.

YOHANNES: Thank you, Chuck.

We'll take one more question, and then I think we're going to go to the next panel. Go ahead.

QUESTION: I run the MCA Monitor at the Center for Global Development.

YOHANNES: Right.

QUESTION: And first, just wanted to thank you and the MCC again for having this event on the — on lessons learned. I think we always value the candid and open remarks about what's working and where some of the challenges are.

One of the — the big lessons that comes to mind that the MCC has learned since the beginning is that there are some real tradeoffs between rushing to sign compacts before maybe staffing and design and full ideas around evaluation have been flushed out. And I think that's been changed a little bit in recent years. Picking up on the budget theme, though, I worry a little bit about how that might influence the MCC to maybe put that pressure back on to speed things up to get compacts signed because we're in a tough fiscal environment. I'm wondering, one, how the MCC is maybe balancing those very real and tough tradeoffs, but also how those of us in the room can be helpful and supportive to the MCC as you do that, and with Congress?

YOHANNES: Thank you very much.

As you mentioned, things have changed a lot the last couple years. Earlier, we were signing some of the — the compacts and we were doing the due diligence after it had been signed. I think, some extent, that's why we have some of the problem today — not being able to do the entire project. But today we're doing a much better job of terms of really understanding — doing the feasibility studies before we sign the compacts. So we'll continue with that discipline.

Having said that, you know, in some cases, depending — if we have to make a decision between losing a compact because of budget constraint, I think we're going to have to work harder. But that could be a problem also in the future. But, nevertheless, I promise you that we'll continue to do our thorough due diligence before we sign any kind of compacts, understanding the real cost of our investment.

Thank you very much.

And stay for the next session. I guess, Sheila, it's yours?

HERRLING: Yes.

YOHANNES: OK. Thank you very much for coming.

(APPLAUSE)

(RECESS)

HERRLING: Good afternoon, everyone. Thanks for staying. I know it's a long day. This is going to be our lessons learned on results.

I'm Sheila Herrling. I'm Vice President of Policy and Evaluation.

You just heard the CEO talk about the priority he places on results and our results framework. And he put forward a bunch of numbers — I mean a bunch of number that actually shows some real promise from our model, and we're excited about that. Our next panel is going to walk you through some of the — in more detail — some of the results from our first two closeout compacts: Honduras and Cape Verde. And I just wanted to kick off this panel by talk just a little bit about what MCC's results framework actually is, so that you have to ground the more detailed conversation.

First is — is just to answer the question of why — why do we focus so much on results? Three main reasons. One, accountability. We are entrusted with scarce taxpayer dollar in an environment where there's an increasing demand for it to be used elsewhere. Now more than ever, then, we need to identify where the returns on our investments are the greatest.

The MCC model, as I think you heard the CEO say, is like a business. We really look at every program and evaluate it for the return on that investment. It means that — and oftentimes we say no. We say no to investments that are actually very popular with the countries, very popular with our Congress sometimes, but they don't have the return on investment that the MCC demands.

Second reason that we focus so much on results is for learning. With both livelihoods and large amounts of money on the table, it really matters that we know what works and what does not work. We have rigorous monitoring and evaluation, and that's a big part of this learning. And you'll hear the panel talk about that. Part of the responsibility in that framework is being honest about what we've learned.

The third reason we focus so much on results is attribution. And this isn't just to pat the MCC on the back and to say the MCC is greater than all other agencies. It really is to tell ourselves, to tell the countries, to tell you what impact our program actually had. And we do that through heavy emphasis on impact evaluation so that we can say to ourselves and everybody, "This is the impact that we achieved through this — through this program, through this investment." And we — we compare that to a set of beneficiaries that did not have that investment. And that is how we are able to do that.

Now, a few words — that was the why. A few words on the how, because this is important. It's very important to us because it seems that wherever you go right now, people are talking about results — results this, results that. How you define the term "results" matters and how you measure it matters. We take great pride in how we actually define results and undertake the measurement of results.

Rigor and transparency ground our efforts. We have quite a technically rigorous process that includes upfront analysis of the constraints to growth in a country. It includes measuring economic rates of return for all of our project investments. It includes doing a beneficiary analysis so that we know who we are serving by these — by these programs, what level of poverty they are at, what their gender is — that is a big part of what we do — an extensive monitoring during implementation.

And a large part of our programs are covered by impact evaluations, which I just talked about. We post almost every step of this on our website. So we have more in the public domain on all of the analysis underlying our investments than almost any other agency.

And this comes with some risk, right? It puts us out there in the public domain to be measured, to be monitored, to be questioned. And we're willing to do this, both from accountability perspective and from a lessons learned perspective so that we can feed it back into our new investments.

We also recognize that results come in many forms. And so our results framework is a continuum of results. It starts with what kind of policy change do we see in countries either to get eligibility or to maintain eligibility. And this is important to us because, at the end of the day, it's probably the more important thing that — actually the infrastructure investment we do, which is did we get policy change in the country to sustain those investments. So that is the — that is one big part of what we measure.

And then we look at interim results as the compacts mature to post-compact increases in income, which is what I think you heard the CEO say our ultimate measure. And our results framework explicitly is built to map all of these stages out, from inputs to program activities, to initial outcomes that are the drivers of increased income to the actual increases in income. And, of course, the impact evaluation will be the final measure of that. And I think you'll Franck talk about that more in the panel.

Finally, I want to say a little bit about how MCC's internal learning is happening. As you know, the focus on results is one of our main principles, but it's not the only one. We have a principle on selectivity of country partners, country ownership, transparency, the singular focus on economic growth. And we have over six years of putting these principles into practice.

We have recently launched — I'm very excited to say — recently launched a new paper series called Principles into Practice. The first one is focused on the lessons we've learned in carrying out our results agenda. Sarah Lucas, who I think is here somewhere, is the author of that. It is excellent. It's up on our website today; soon to be published. It's really important for us as an internal driver of learning and improving. And also we hope will help the rest of the U.S. government as it seeks to implement a global development policy that embraces a lot of the principles that's ground the MCC.

Let me just tell you — highlight three of the lessons in that report — and I think the panel will pick up on these in the specific cases of Cape Verde and Honduras. The first is that results mean different things at different times. Certainly, what we were able to report in our first year on Honduras and Cape Verde is much different than what we're able to report on in the fifth year. The second — because things change, and for a good reasons sometimes; sometimes for bad reasons. But we're going to be honest about the good and the bad in our transparency agenda.

Second is that even with extensive upfront planning — this was my point — that things do change. To the extent that we can be honest, candid, frank about what those changes were and why we did them is an important part of a results agenda.

And third is that results planning and implementation planning go hand in hand. You can't just wait for the compact to finish to all of a sudden focus on results. A strong monitoring and evaluation plan has to be built in from the beginning, owned by the country, and publicly — and publicly talked about, put out there — what were the results you achieved.

So with this framework in mind, let me move to the panel, which I have no doubt will cover a lot of the bigger frame issues that I talked about in greater detail through our country experience.

So, Franck, let me kick it off to you.

WIEBE: Thank you, Sheila.

It's my pleasure to be here, too, and welcome you all.

This is an exciting session for us. We've had public discussions before about our results framework and how we think about the investments that we're making. This is really the first time where we're able to do that retroactively — or retrospectively, I guess I should say — even if not the endpoint, at a point where we have accomplished enough, where we have compacts already completed, where we can look back and say, "Now, how does that results framework look in practice?"

So we have broken down the session today in the following way. And in some sense it's very nice because it follows our results framework, the way that we like to think about it.

We will start — in fact, I'll take the first 10 minutes or to talk about our programs, how they were described up front and the analysis that we used when we were considering those investments.

The second part will be covered by two of my colleagues. Celeste Lemrow is our M&E lead for the Honduras program, and Ariane Gauchat is our country lead for Cape Verde. And they will be talking about the implementation experience that we've already had as we've closed out those compacts, looking back, and talking about the results that we've already seen in terms of what has been accomplished in those programs.

And then for those of you who are concerned after I leave the podium the first time that you haven't heard from me enough, I will return, so don't worry. I'll return to talk about the evaluation plan — what work we still plan to do after the closeout and look at that.

Now, I should also say that one of the things that we wanted to focus on are the lessons that we've learned. And — and one thing that I thought I had learned, but I obviously have not, is that when you do PowerPoint presentations, you should not do them at the last minute or else you will forget something. And this slide was done at the very last minute because I thought it would be useful to help people know where we were going. So I added this slide, and, of course, at the last minute made the error of neglecting to include the last — the last presenter is Jonathan Brooks. And he's going to be looking at our compact closeouts for the next, what we have ahead. In some sense, he will be looking ahead to the compacts that will end. We talk about accountability a lot here. And I would have liked to have blamed that error on somebody who's not in the room, but I have to admit that that was my mistake, and I'll take responsibility for that.

But that will be — so that will be the session. And we hope to end the presentations with enough time then to have questions and answers from the audience.

Let me explain one thing up front as kind of a warning, or perhaps this is my — my own kind of rationalization up front. One thing that we have learned about MCC programs is that we love talking about them at a level of specificity that simply goes beyond the amount of time that we have to talk about them. And — and as you'll see, I've already taken up a good chunk of my 10 minutes, and I haven't even started talking about the first slide.

(LAUGHTER)

But as I go through — so my first job is going to be to go through these two compacts and give you a brief layout of the programs. And what you will find is that we simply don't have enough time to go into all the detail. And we've even found this in MCC is that as we try to capture the document, the work that we're doing, there's often, you know — if we — if we stop at the point of the information we can provide in a certain amount time, that leaves people dissatisfied because they know that there's more information out there, and maybe even there's sense that we're not telling them.

On the other hand, if we tell you everything we know, then we will have you begging for mercy or leaving before we get to the final slide. And so the point is that these are very rich programs and we simply don't have enough time. We will try to lay out the information as we can and we will leave, then, questions and follow-up for the discussion, and also point you, then, to where there are public resource to talk about the program.

So let's start talking about Honduras. And like I said, I wanted to take just a few minutes to go through these two compacts and give you a brief layout of what the programs were and how — and how we thought about them. The Honduras compact had really two main projects roughly totaling about $200 million, as you can see.

There was the Rural Development Project, which itself already incorporated four different activities, ranging from farmer training, access to credit, public goods facility, and rural roads rehabilitation. And, in fact, out of that total, roughly $30 million or so was on the rural roads; and the second largest was the farmer training and development component, around $22 million. Those are just rough figures to give you a sense of the order of magnitude.

And these — these activities were designed to raise rural productivity and local incomes. And the targets as specified are listed here. The point being that each one of these investments — I will just give you this as an overview — that we looked at these as investments that linked the specific investments, the amount of money and the activities that would be funded to the program inputs, outputs, outcomes, and, ultimately, impact. Of course, the summary statistic we use the ERR, which is a statistic generated by a benefit-cost analysis.

And so these activities were assessed before the investment was made with — with the expected rate of return for this first one of 21 percent.

Again, that number is generated by a benefit-cost model that links the amount of money invested to these key targets. You can see a similar kind of analysis was done for the transportation project, which itself entailed — encompassed three different activities: the main highway rehabilitation, a series of secondary roads, and a vehicle weight control system.

Again, these investments were put forward by the countries, by — by Honduras. We were — assessed these through a due diligence process, and the investment was made on the expectation of these — of these returns as estimated ex ante.

Now, let me take a few minutes to talk about the Cape Verde compact. And, again, this one, even though it is only half the size of the Honduras compact in value, is actually larger in terms of the amount of activities. And so there are two slides here that describe the four main projects. The first — and a total of roughly a $100 million in program expenses.

The first and — and largest — of the four was the expansion and modernization of the Port of Praia. Again, there were two phases of this, with the expectation of, first of all, upgrading the port operations to improve the facilitation; and then second phase was a much longer term port expansion, as described here.

The second largest activity, or project, was road and bridges. Included investment in a series of roads and bridges, as you might imagine. Again, the expected rate of return there.

Then the two smaller projects, again, totaling almost $20 million. The first one is watershed management and agricultural support project. Again, this one had to do with increasing incomes in — for farmers through a variety of ways. And the private sector development was a project designed to provide investment for a series of private businesses, while also strengthening the financial sector.

The one thing I should point out as I talked about the benefit-cost analysis is something that's unique in the way MCC analyzes these investments: is we're looking for explicit measurable material changes in local incomes. And so while we know that development is a broad and multifaceted phenomenon that includes many social changes as well, MCC looks at these investments to assess whether the financial rate of return as defined by putting money in the pockets of local residents and local firms justifies the outlay in investment.

And so this represents the two compacts that we've had close out. And like I said, these slides were meant to describe for you how the projects were laid out originally and what the thinking was, and what that initial analysis suggested we would find.

Let me now turn to my colleagues, Celeste and Ariane, and they will walk you through what actually happened and how our thinking about those programs has changed since then.

Celeste, would you take Honduras?

LEMROW: So the Honduras program closed on September 30th of last year, and they most — they just finished in January their final organizational closeout period. So we have at this point pretty much all of the results that we were planning to get until our impact evaluations are done in — toward the end of this year. So just to go through — as Franck talked about, sort of, what we sort of started out in terms of — in terms of our expectations about what the program would achieve, and now we can sort of compare and see sort of what changed over time and why.

So to start with the Rural Development Project, we did have some reductions in targets from we expected. And this was a case of — I think an important lesson learned for MCC and for this type of program having to do with sustainability.

This was not a case where the implementer was doing a poor job or that they weren't able to achieve the number of farmers trained, but came to MCC and the MCA-Honduras with a proposal to sort of trade some of the additional farmers for greater sustainability among the farmers who were already in the program, making sure that the results that they had already achieved would last for a longer period of time, and that the training and the technical assistance that they were receiving would have more time to stick and more time to become sort of better ingrained in their seasonal practices.

So we agreed to this on the grounds that this would provide, sort of, a greater level of sustainability among the farmers that were already in the program. And so from — so against the revised target, the first target in terms of the number of farmers trained was achieved. The number of hectares are actually higher than we thought even the revised targets should be, so we were pleased about that. But, no, we do not get to what we originally thought in terms of the targets that were set around the time that the compact was signed.

We have run — we have done some economic analysis and we found that even though the targets were reduced, we still got a rate of return that was higher than what the hurdle rate was for Honduras originally. So that was a good thing, too. So we didn't — overall, in terms of the return that we got on the dollars that we invested, it was still a positive rate of return.

On the access to credit, a lot of things changed in Honduras over the course of the compact in terms of the credit environment. And what the expectations were around the types of farmers that would access this program and the environment in which there would be the demand for agricultural credit changed dramatically in terms of who was interested in credit, why they were interested in credit, and what kinds of credit products they were looking for.

So this activity went through a lot of rethinking early in the first couple of years and got a bit of a delayed start in terms of what the scope of the program was, what kinds of products would be offered. The scope was broadened to work with a much wider variety of farmers and a much wider variety of — of credit products were developed as a result of this rethinking.

And so, on the one hand, we did see a very dramatic reduction in the amount of loans that we expected to disburse and did not see the rate of turnover in the number and amount of loans. But on the other hand, we did sort of better reach people and beneficiary populations that probably would not have been served under the previous structure.

One example is that the program — one of the changes that it made is that it worked very closely with suppliers of agricultural inputs — people who, you know, are selling fertilizer and seeds and other very basic products to farmers — to work with them to actually offer — to offer programs for these farmers to buy these inputs on credit, which had a very large demand that wasn't sort of anticipated initially.

So on the one hand, there was a reduction in what we expected to do. On the other hand, a lot of people who might not have been served by the activity were.

The target against the — the revised target was exceeded, but even that did not come particularly close to what we originally thought in terms of the volume of loans. So the final amount was about $10.7 million in loans disbursed.

For the Agricultural Public Goods Facility, just to say a little bit about that, this was a very interesting activity that it had two components. One was to provide grants to NGOs to provide irrigation infrastructure to farmers in underserved areas. The other piece was a series of grants to promote agricultural research that was relevant to Honduras. For example, one of the grants was devoted to developing new types of coffee hybrid for coffee producers in Honduras. Another one focused on what's called biological pest control: natural ways to — to management and prevent pests in the crop environment.

And so kind of one of the — this target (inaudible) actually to be exceeded rather than achieved. This was a positive story around having much higher demand and much — and a much greater ability to stretch the money devoted to the irrigation portion of this — of this activity so that we had many more hectares and farmers under irrigation than we initially anticipated. So this was a — this was a good story that came out in terms of being able to do more with the money than we originally thought that we could.

On the rural roads, we also achieved only against the revised target — and this was due to the political issues that cropped up in Honduras around September of 2009 where that MCC responded by terminating a portion of the compact. So this was a case where the amount of money that was originally anticipated was not going to be able to be available, and so there were fewer kilometers completed.

On the transportation side, Honduras — there were a number of things that happened in terms of changes to the CA-5 Highway project. In 2008, because of everything that was going on in the world economy, costs for construction in many countries, including Honduras, increased dramatically, which — which changed the equation about what could be completed for the money available.

Honduras — the government of Honduras — actually responded very proactively by securing a loan with the Central American Bank for Economic Integration to finance a portion of the highway that the compact would not be able to, which means that what was originally envisioned for the highway will happen. But the MCC portion that was completed by the end of the compact was reduced, and the remainder will be completed through June of 2012 with this additional money.

So in terms of what was originally planned, all of that will happen. Just that what was planned under sort of the auspices of the MMC compact has changed. So the revised target for that is really just about what is MCC paying for versus what is CABEI paying for. But in terms of what we then agreed that we would sponsor, we have achieved.

The IRI, which is basically a measure of roughness, and this basically tells us how much user costs and travel times are decreasing. So if your IRI goes down, that means the cost for you to take a road trip goes down, and this is the savings that translated into economic benefits for road users and people living near the road.

This one — the targets for the two sections that are completed — there are two that are still ongoing under the CABEI program — were not achieved in this case. I think we got very close, but in terms of what we anticipated for the level of smoothness didn't get — didn't quite get there. And that will — that will translate into changes in the amount of savings that people will actually see.

On the secondary roads, we did do what was originally envisioned. All of the kilometers were completed, and in that case the road roughness did get reduced to what we expected it to be.

On the weight control activity, this was also terminated as part of the political issues that were going on. And so that activity — what we sort of anticipated in terms of the amount of overweight vehicles on the road has not happened. So that one was not achieved.

But overall — and then you're only seeing a selection of indicators and targets here today. We have an M&E plan that has many, many more indicators. And overall, on the balance, Honduras did achieve or achieved most of its targets, but there were cases where it did not, and we've been very transparent about that in terms of our end of compact reporting.

And then just to also mention another key piece of the accomplishments of the compact, there were a series of policy reforms that have been very instrumental in Honduras and have made a big difference in several of the environments in which the compact — the structures on which the compact is operating.

One is the passing of a secured transaction law in 2009 that enabled the creation of a recently started movable property registry. And what this means is that, in addition to sort of what we typically think of as formal collateral, small — small and medium enterprises, particularly those in the agricultural sector, women and other underserved sectors, will now be able to pledge other types of property as collateral. It could be anything from a sewing machine to a tractor to other types of things that would allow them to access credit through formal institutions. So this was a really nice complement to the access to credit activity.

Another big success story of the Honduras compact is the resettlement activities that were carried out as part of the road construction. MCA-Honduras worked with the government of Honduras to pass a decree that allowed the MCA the full authority to carry out resettlement and expropriation through — on an as-needed basis when they needed to do it. And this allowed for the timely compensation and movement of third parties much faster than what typically happens in infrastructure projects in the country right now. And so this was a great success story of making, you know, what can be a difficult experience much more positive for those who it affected.

In addition, although the vehicle weight control activity was terminated, the enabling legislation to operate the system was created. And this has created the opportunity for another donor to come in and implement it, which will — which the MCC project will benefit from because it will help to better preserve and maintain the highway in particular that we've worked on.

And, finally, the government of Honduras as a condition to the compact increased its road maintenance budget from $37 million to $64 million over the life of the compact, which is a significant increase that will again protect and preserve the investments that we've made on the highway, the secondary and the rural roads.

So I will turn it over to Ariane to talk about Cape Verde.

GAUCHAT: Thanks, Celeste.

And I wanted to introduce also Joana Brito, who is our deputy country director in Cape Verde, over there. And I will punch difficult questions on Cape Verde to Joana, but she can provide us field perspective of what it's like to live with the implementation of the results framework in the field for five years.

So the Cape Verde compact closed out in October of last year. And we just finalized the sort of administrative closure period.

The infrastructure project represented the majority of the compact funds, about 75 percent of the total compact funds. So I'm going to talk a little bit about the challenges of implementation and sort of the solutions that we — that we came up with.

The first is, you know, MCC operates according to a fixed budget, fixed timeline model — so five years, fixed amount of funds. And as Celeste mentioned, we had major cost issues related to construction costs that were going up about 20 percent a year, as well as major currency devaluation. And so we had challenges in terms of how to appropriately re-scope the project given these concerns.

In addition, we did not have full feasibility studies completed at the time of compact signing, and/or we relied on some feasibility work that was done by other donors.

And so I think very importantly, as you heard in the panel this morning, we had a lot of discussions with the government of Cape Verde, with the board that was overseeing the MCA about what the appropriate solution was. And the government remained very committed to achieving the full objectives of the compact.

And so the solution for the port project is — as Franck mentioned, there were two phases of implementation. So we determined that MCC funding could basically cover the first phase of construction as well as the design work for the second phase. And the government of Cape Verde committed to finding alternative financing sources for the second phase. And so, again, there was a small reallocation of funds, but, broadly, we covered the construction of the first phase.

And so those works were completed. So we achieved the revised targets of the civil works construction. Because of the timeline, et cetera, really, that work was completed in October, about 10 days before the compact end date. So we can say at this point the works were completed on — you know, on time within this revised budget.

But we can't yet say a lot about the efficiency gains of the port, et cetera. We're looking at interim data now, but a lot of those impacts will be revealed through the impact evaluation that Franck will go into.

In the roads and bridges activities, we had, again, similar challenges as were faced in Honduras. The solution basically to the reality that we could not fund all five envisioned roads was for an analysis to be done and for MCC to fund the three highest ERR roads. And, again, we did fund the full design — or in this case, revised design works — for the other two roads, and the government was able to secure concessional financing to construct the other two roads. And those have been completed.

The bridges activity was four bridges, connecting communities to markets to, you know, community services, et cetera. Those bridges were completed, and additionally reached the target of reducing the impassible days on the road from eight days to zero days. And they, in fact, had a very difficult rainy season and was able to withstand those difficult conditions.

So, again, we achieved the civil works construction targets, but we'll have to look at the impact in terms of income impact in the evaluation phase.

So in the two smaller projects for the compact, the watershed management and agricultural support project, which represented about 11 percent of the compact's budget, there were some significant results. But I would say, in terms of this project, we have kind of isolated local results that we're looking at and some very important results in terms of policy reform.

But we're going to be looking very closely at this project in terms of overall cost benefit, and what are the lessons learned. Could we have done this activity at a more cost effective level? So those are the kinds of questions that we're looking at going forward.

We had, again, going back to the level of feasibility and due diligence work that was done prior to signing, there was an environmental risks that were raised during the implementation phase — which ideally would have been raised in the due diligence phase (inaudible) indeed would be under our current process. So basically, initially, there were going to be wells that were dug. And it was determined that there was a salinization risk to going forward with that particular methodology.

So we worked with the Cape Verdeans to come up with an alternative methodology to achieve the same results without those same environmental risks, which were, you know, of the level that MCC was not willing to take on. So that process was time-consuming. And so there was about a two-year delay in the implementation process. So all of these works were completed but, again, they originally were envisioned to be completed in the year three of the compact as opposed to year four or five of the compact.

So you'll see that the end of compact targets were not met. We do expect that they will be met post-compact one or two years out from — from the compact end date. And, again, this is something that we're looking at closely in terms of our evaluation design. I will say, in terms of this project — I think it has had a significant impact. We'll talk a bit about the policy reforms. But also a significant impact in the Ministry of Agriculture and how they look at the agricultural sector and their planning in the sector going forward, and shifting to a much more market-based approach.

The last project is the Private Sector Development Project that was originally a $7 million component. That was downscaled significantly, to a $2 million component. There was activity around mobilizing investment activities, as Franck mentioned. And this activity was essentially de-scoped as we looked together with the Cape Verdeans at the budget trade-offs in terms of the re-scoping that was required.

This is the case where the MCA board was very proactive in terms of looking at the benefits out of the respective programs, and, frankly, I think, where they had the highest buy-in in terms of results and confidence in terms of success. And so that was a decision that was really country-led in terms of why they wanted to de-scope that component; and took some of the funds there and applied them to the other infrastructure projects.

I will say, with the remaining $2 million, there was significant results in strengthening microfinance institutions, going from zero microfinance institutions that were financially self-sustainable to three at the compact end date and from two that were operationally sustainable to five at the compact end date. As well as helping to create the first private credit bureau in Cape Verde, which is just being launched now, as well as some critical activities in promoting new legislation in the financial sector.

So on the Private Sector Development Project, though, the targets within that subactivity were met, but, again, we did sort of change the scope fairly significantly.

So I think we talked a lot this morning also about the importance of the policy reforms which were embedded in the compact process. And I think one of the challenges we're looking at going forward is how do we incorporate some of these reforms, monitoring of these reforms in our evaluation framework. But this is — there's a longer list — and you have, I think, in your handouts, you have a story about the policy reforms in Cape Verde, which is a little bit more exhaustive. But some of the critical reforms that were implemented: phytosanitary reforms around how to deal with the millipede pests, which had been plaguing the most productive — agriculturally productive island in Cape Verde and preventing for over 20 years the — the trans-shipment of agricultural produce to — to where the markets are, the more active tourist markets are.

Road maintenance funds, as you've heard, is a standard part of our practice in terms of a critical sustainability issue. And we mentioned some of the financial sector reforms, particularly in microfinance legislation.

In Cape Verde, we also heavily used country systems. And we used country systems for — to serve as the finance — a fiscal agent and the procurement agent. So there were a number of activities which some have called, kind of, a phantom projects of the compact because they don't show up in our project list. But there was very direct support to the — the country systems which had a lot broader impact beyond just the — the MCC direct implementation.

So we strengthened e-government systems. Again, the story has — had more detail on that. The government adopted the procurement guidelines much more broadly to apply to all public procurement. And there was training of government officials across the government, about 400 government officials, in these procurement practices.

The government's really looking very closely at the monitoring and evaluation model. They really like the model in terms of the transparency and accountability, and would like to use that model for accountability purposes, for other donor projects, as well as for projects that they are carrying out themselves. And so they're piloting a system that will kind of integrate that approach across the board.

So I want to speak quickly about, you know, how we are incorporating some of these lessons learned. I'm the team lead for the second compact development process, so we're looking very carefully at, you know, the process and ensuring that we're incorporating these lessons from the beginning of the development process.

So one is that MCC has introduced some new elements in terms of the compact development process. So, for example, we've introduced a constraints analysis process at the beginning of the development process to really frame the projects, to narrow the priorities. We had a lot of activities under the first compact, and that was very challenging from an implementation perspective. So from the beginning to really focus on core constraints to growth and narrow the, you know, within the realities of implementation timeline, you know, what we can achieve and how to best focus those resources.

I think we've learned through all this discussion, implementation is dynamic. And so how do you build in flexibility and scalability into the design from the beginning? How do you ensure that you have a much more thorough due diligence process and that you raise those risks earlier on in the process?

And you also heard this morning about engaging the private sector. So how do we leverage resources and bring in those other sources of both funding as well as ideas about cost-effective implementation from really early on in the development process.

So I could speak more about that in the question-and-answer session, but, again, I do want to underline, sort of, the level of government commitment and the fact that we did face these challenges, but really came up with, sort of, joint solutions, which is I think why we were able to come to a successful conclusion of the program.

WIEBE: Thanks, Ariane and Celeste.

Let me just take a minute. I want to circle back to the thing that Ariane was just talking about, and Celeste talked about too — and that's the role of policy reform and institutional strengthening.

I think sometimes MCC is not very well understood by people on the outside who see us spending a lot of money building things or a large-scale programs, and don't understand or would not immediately see how we work on policy reform and institutional strengthening as part of the program. One of the things that we found is that when programs focused only on those kinds of things through technical assistance, that it's only through institutional strengthening and policy reform, it's often hard to know what you've accomplished and what the effect of it is. And so it's very easy within the development business to continue working on institutional strengthening and policy reform without ever actually seeing the fruits of one's labor.

MCC turns that around and says, "Well, we're going to be making some investments." And most often, those investments, in order to be successful, in order to deliver the results that we estimate requires stronger institutions and require a more positive policy environment within which to function. And so those activities, which obviously are the responsibility of our country partners, not of MCC, are built in and integrated into the program, and which are then — become part of the program.

And sometimes we know that where those reforms and those strengthening — those institutions are strengthened that there may be broader effects not specific to our investments. And we're willing in some sense to look the other way, or not try to claim results beyond what we are looking for.

On the other hand, we're very strict with ourselves in terms of saying that the amount we spend on institutions and the amount we spend on providing technical assistance for policy reform has to be borne as a cost in the investments that we're — that we're doing.

So that said, we often don't talk about that very much because the amount of time and resources spent is a small fraction compared to the total amount that's invested. On the other hand, it's a deeply integral part of the program that's essential for making it successful.

Let me now spend just a couple of minutes talking about the evaluation plan. Because as we've talked about it, these are two compacts which are completed. The — there're still some things which may be going on after MCC's resources have — are stopped that we have no longer — we're no longer continuing funding activities.

At the same time, we have in both countries evaluations under way which will deliver an independent assessment of the impact well after the compact is done. And I want to stress this "well after," because one of the things that we've learned when we come — came to closeout is that there had been questions raised about, "Well, why can't you tell us what the impact is going to be at the end of the compact?"

And at some level, we've known this all along. One of the reasons MCC was created was exactly out of a recognition that development is a long-term process and that short-term fixes are not nearly as important as investments that will deliver benefits over a long period of time. That's part of our business model. On the other hand, what we have found is that — and I'm guessing this is not just within the Beltway, but certainly it's true here — that there's a real imperative to be able to tell people what you have accomplished.

And so MCC is trying to do both things: both to be able to tell people what we — interested audiences what we have accomplished and what evidence we have so far, even while telling and being very explicit in saying that our evaluations will come later and they will tell us, in the end, what the final impact has been.

So in Honduras, we have two rigorous impact evaluations under way: one that will cover the farmer training and development activity and one that will cover the transportation projects — the roads, the investments in the highways and the secondary roads.

And both of these, the evaluations, we expect to have completed by the end of September this year. And we've already had our first annual impact evaluation conference in January. And we certainly would expect to have these publicly discussed at that time, as well, when our next evaluation conference is held probably of January of 2012. But even before that, we expect that the results will be publicly available.

One thing that I would like to point out is that our roads evaluation — it's very interesting. I think it was Celeste who talked about how one estimates the economic impact of roads. And there is a formal model that's used not only by donors, but more broadly, in terms of trying to link the total cost to what happens as a result of the improved roads. And we use that model both up front, but also toward the end of the compacts to update those models when we have new information.

One thing that we've learned is that although a lot of countries are building roads all over the place — and this model is in common use and the results are commonly accepted. The use of more rigorous impact evaluation methods in transportation infrastructure is still surprisingly rare.

And so MCC — and as I'm sure you're aware, we have a significant amount of our portfolio invested in transportation infrastructure. We've started investing in much more rigorous evaluations which will tell us not only about the roads — specific roads that we're investing in, but also about the usefulness of that model in terms of estimating ex ante. We hope to be able to relate our impact evaluation results back to the use of that ex ante model. And, in fact, very recently, two of our colleagues — Ariel Ben Yishay and Rebecca Tunstall — made a presentation of how we're linking our impact evaluations on roads to these ex ante models. So these results will be — will be here in — by the end of September 2011, according to the current schedule.

And for the other activities, we will also be contracting performance evaluations that are done by independent evaluators. The thing I'd like to focus on here is that MCC aims for coverage (inaudible) we have significant programs we look to bring in independent evaluators who can then use the most rigorous methods that are possible at that time to provide the best sense of understanding what impact those evaluations have had, and, again, in terms of the actual income change that will be generated.

In — in Cape Verde, the story is somewhat similar. Again, we have a series of projects that Ariane described, and we have a number of evaluations that are in place that will cover the roads and bridges and the port, as well as the farmer training and the watershed management programs.

So we have an evaluation plan where we have independent evaluators.

Because Cape Verde compact ended right at the end of the compact five-year period, the evaluations have been scheduled to take place later in 2011 — but also in 2013 in several cases — in order to allow us to have enough time to actually see what the commercial behavioral response is to those investments.

Evaluations are expensive and they're important. And we have found that, where necessary, we will be willing to push them back a little bit in order to get valid information that will help inform us.

Now, I was asked by Sheila to respond to a question that was asked in an earlier session about whether we have seen country interest in impact evaluations. And — and let me respond to that very briefly in terms of saying that we have found that that varies from country to country and project to project.

In Honduras, for example, where we had — where we had a very rigorous impact evaluation put in place based on the original design of the program, we found that as implementation proceeded, the lessons that were being learned by the implementers required a change in program design that, to be honest, had an effect on the rigor of the evaluation. We felt at that time — and the case was made very strongly by — by our counterparts in the field — that reaching targets in terms of implementation was essential and that there were tradeoffs made in terms of the rigor of the evaluation.

We still expect that the results to be interesting, but we know that that was a decision that was made at that time. And we have seen that in other cases, as well. We make those decisions on a case-by-case basis, trying to preserve the integrity and the rigor of the evaluations wherever possible, but understanding that they're sometimes where there are operational implications that can't be overlooked.

I would say that we have learned that there are two aspects to impact evaluations. There is a learning part which really is interesting in country, but there's a value beyond the country in the sense of a global public good from evaluation that at some level we cannot expect our country counterparts to fully understand and value in the same way that we do.

That is, when we learn from the Honduras agriculture training program, that has value to every other training program that we will be funding or considering funding. And yet our country counterparts in Honduras or another — any other country would not necessarily see the same value. And so there's a tradeoff there.

There is, on the other hand, a second part, which is the accountability. And MCC uses impact evaluations to perform an accountability function which really is very rare within the donor environment. One thing that I think other donors have learned is that impact evaluations go very well as long as you focus them on the learning process where everybody is engaged.

As soon as you tell somebody that there's an aspect of accountability to the process, it raises questions that are not always easy to answer. We tried to balance that by making very explicit our ex ante analysis that people sign onto. That is, people are saying, "With $10 million, I can deliver this good." And they understand that the impact evaluation will hold them accountable.

But, like I said, what we have observed and — from our experience is that in reality, as programs are implemented, there are often challenges to both maintaining the rigor of the protocol and continuing the evaluation as it is designed.

So let me close there, with this description of the evaluation framework. We'll have a chance in the question and answer. But let me turn to Jonathan Brooks who will give you an update in terms of the compact closings that will be coming in the next year. Jonathan?

BROOKS: Thank you, Franck.

Good afternoon, everyone. I wanted to just take a few minutes to share with you where we are, going forward. As you've heard in a couple of sessions before, you've — you know, you've heard how MCC is gathering and analyzing information from its, first, the compacts in Cape Verde and Honduras.

What we're doing now is that MCC is, in effect, entering a new stage in its relatively short life. You know, we're entering the stage where we're closing out our compacts beyond Cape Verde and — and Honduras, where — which were compacts that were closed in 2010.

There'll be five compacts we'll be closing out in 2011. And they're on the board for you to see. In sums, these seven compacts add up to $1.4 billion or more than $1.4 billion in investment. So as an organization, we are very interested to see where that investment has gone and what results it's producing.

This slide also provides a brief glimpse of the timeline for the closure. You see the two programs that we closed in 2010. The red line denotes the last quarter of the compact. The gray line denotes the 120-day administrative closure period that we've referred to before. I wanted to call your attention to the dark blue line, which goes to the point of the length of the impact evaluations that are being conducted in these countries after the end of the compact.

As we look forward to 2011 as the year in which we'll be closing many of our compacts, I wanted to just share, again very briefly, some of the early results that we're seeing in — in these compacts.

Some of the results are going to be output and outcome results, as in the case of Georgia, for example, where we're already seeing the rehabilitation of the Samtskhe-Javakheti Road, having an impact of reducing travel time from more than eight hours to less than three hours. Also, in the agri-business development activity, where we're very closely watching that target, where there's a target of more than 3,300 jobs generated. We've already hit 2,200, and we're very — watching very closely to see whether we'll be able to hit or very nearly hit that target in — in Georgia.

Also, in Vanuatu, the Efate Ring Road rehabilitation has reduced the amount of impassable road days from nine to zero, which is already obviously having an effect.

Those two sets are all coming out with indicators.

We're also going to be interested in looking at some of the policy changes that have been undertaken in countries. In Nicaragua, for example, where we've seen the increase in the road maintenance budget go from $2.5 million at the beginning of the compact to over $25 million by the end of the compact.

So I just wanted to take a few moments to share those with you. We look forward to sharing these results with you in the future with more rigor and far more detail.

Thank you.

WIEBE: Thanks, Jonathan.

So that concludes our formal presentation. We've saved somewhere between 10 and 25 minutes, depending on whether we want to end on time or end 15 minutes late, as we started, for questions and answers and comments. I'm happy to moderate — but I would also say that if you identify yourself and direct your question to my colleagues, preferably, they will be happy to answer them for you. And do we have — yes, we have microphones.

QUESTION: GoodWorks International. I had some familiarity with the Benin program. And when they were in the process of putting together their compact, they were bringing up the rear. They and a couple of other countries were not moving forward as fast as might have been expected, and yet here they are finishing up among the early completions. And I was wondering, can you make any general statements about the reasons for that? Did they put into place more effective MCC management teams? Was there more political consensus domestically? What — what might have explained that?

BROOKS (?): Well, let me start with an answer that the compacts are time-defined. So they will — they will finish five years after they enter into force. And so that's — that's the legal answer as to why the Benin compact, despite a slow start, will end on time. It simply has to. I think if you want to talk about the performance, implementation performance to date, my colleague, Ariane, can respond on that.

GAUCHAT: I think a general sort of trend and lessons learned across the early implementation countries was also the challenge of implementation mobilization, particularly in countries where there were, you know, capacity constraints in terms of, you know, finding people in-country that had the monetary and evaluation expertise, the procurement expertise. In some countries, that recruitment took a year.

So there were countries, and Benin was among them, where the implementation mobilization of the, you know, implementing agency or the MCA, you know, to really get fully started took a year, a year and a half.

So MCC has done a lot to, I think, give a much better kind of tool set to those countries. Frankly, I think we underestimated sort of just the challenge of starting up any new entity on an administrative basis, setting up internal controls, et cetera, et cetera. So I think from a lot, you know, a number of the early countries, the first year as the clock was ticking was, you know, primarily devoted to really that implementation mobilization period.

So I think Benin falls among a group of several countries that are playing catch up. I think the advantage of the reality of the strictness of the budget constraint and timeline constraint is that there's quite an acceleration, particularly in the year three as you realize that, you know, that there won't be any possibility to extend. So I think in the case of Benin, as in other places, when the contractors really understood how serious the country was, and MCC, and sometimes that takes some very high-level discussions in-country, but I think that then you see a pretty serious acceleration when they realize that that five-year deadline is a hard one.

QUESTION: Good afternoon. I'm the president of Hope for Tomorrow. Who funds microfinance and who runs the microfinance? And what results do you get in the microfinance, the way I saw this in the countries that you are in.Thank you.

LEMROW (?): I can start very briefly, and (inaudible) "microfinance" but, you know... (OFF-MIKE)

But in Honduras, what we had was an access to credit activity in which we were doing various things to try to improve access to credit in the overall rural financial sector. That included, you know, some training through financial institutions. We ended up working with a lot of input suppliers. There was also the introduction of secure transactions which enabled the securitization of different types of collateral so that different types of assets, basically non-real estate asset, which is that typically banks will be looking for, so that non-real estate assets could be used as collateral.

So those are some of the activities that, you know, have an impact on the access to credit. I don't know that I would qualify that necessarily as microfinance. So I'll let Ariane speak to perhaps something more direct to the (inaudible).

GAUCHAT: So I think, as in Cape Verde — and we have microfinance programs in a number of our countries which I would broadly put into two categories. One category where MCC is providing technical assistance on financial management, et cetera, to — for, again, promote the sustainability of those microfinance institutions. Those could be entities that are already commercially viable. Those could be, you know, NGOs that are running microfinance institutions. So the ownership of those institutions varies, depending on the country's situation.

In a number of countries, we also have challenge grants from microfinance institutions where the MFIs can propose interventions in terms of, it could be access to certain technology, it could be building new branches, you know, to expand their reach. So in the case of Cape Verde, it was more on the technical assistance side as well as in providing capital for — on lending purposes.

In Benin, Madagascar and other places, we have some of the challenge grant structure. So we provide support to MFIs at a number of levels, and I think the ownership structure of those MFIs varies. But it is something we look at in terms of the due diligence process to make sure we understand the ownership structure of the MFIs and that their structure could be for certifiable, sustainable institutions.

BROOKS: (OFF-MIKE)

GAUCHAT: Sure. So, as Jonathan mentioned, the structure of the ag credit program, as I mentioned in the presentation, in terms of the volume, it was $10.7 million, in terms of the results of the amount of loans that we dispersed, and that was spread out among a little over 10,000 different loans to about 5,800 different people. So that's sort of the distribution of where the money went.

We had — it started out with a trust fund that — what was the total amount of the trust fund? $6 million. So it started with a $6 million trust fund managed by a large bank in Honduras, and that trust fund made transfers to participating secondary institutions to receive the funds. And it was those institutions that worked with an implementer to develop programs and credit products that would appeal to the base of the agricultural credit sector. And it was those institutions that actually made the loan.

BROOKS: Yes, if I just — I think that's a general lesson from MCC, is that it's wrong to think about us giving — making — loans. Instead, the countries proposing in some cases access to credit programs, and those funds then would be channeled through the program design through local institutions that already exist and have passed kind of due diligence requirements.

QUESTION: Thank you. I want to relate this panel with the panels we had before. And I understand that this is an exercise composed by varying different participants — public, private, the government. And I've heard that there were — in both compacts, you had problems, in terms of the achievement. Sometimes, it's 69 percent, and other times another (inaudible) percent in some components. When it comes to the evaluation, considering that they are five years, coming to the evaluation, do you think that the five years is time enough to complete the compact in terms of the future compacts, of the compacts which are now under way?

WIEBE: That's a great question. Let me — let me respond. And we've struggled with this a little bit.

As I said, one of the things that we've learned is that the — doing and trying to complete an evaluation by the end of the compact doesn't make any sense, because in most cases we wouldn't be able to find things, especially where compacts are wrapping up at the very end of the compact. And so, already, we have changed our strategy or modified it to allow us to take those evaluations when they will generate useful information. That said, I think there's — what we find when we do evaluations in year six and year seven will not be an end-of-program evaluation, where we expect the results to actually go for 10 to 20 years, sometimes longer.

We do expect to be able to compare the results we already see at year six or year seven to what our projection of benefits would have suggested we would have gotten at that time. And so, if you remember, we have a program logic that was described before we made the investment which would tell us what we would expect to see at year six or year seven. So those evaluations will be comparing what we see at that time to what we projected we would see.

Now, we will also have the opportunity to go back later. Now, when we do that will depend on how much it costs and what the tradeoff is in terms of resources. But we fully expect that there will be opportunities to go back at year 10 or further out years to repeat surveys and to be able to compare those results too.

So what I would say is we would not be doing the evaluations if we did not expect to find useful information that justified the expenditure. We do expect to get useful information. But we also expect to go back where there's going to be learning where we can really find out what the longer term impacts are, we fully expect to be able to go back, repeat surveys and find what happened some 10 years after the project started or maybe 15 years. OK? So within our strategy, we've included that.

Jonathan, do you want to add?

BROOKS: Yes.

Sorry, just to touch briefly on your point about is five years enough to complete the compacts. I think, you know, the one way to look at that question is are we picking the right projects to fit in the five-year timeline? The — and that is something I think as an organization we're, you know, striving to do better and better.

It's, I think, been a very useful element for MCC to have a set deadline for the end of its compacts. And I think, you know, I encourage you to speak with, you know, country counterparts. But that, you know, has brought a level of urgency and rigor I think to both MCC and the country that I think has been useful in the implementation of the compacts.

Whether five years is enough time, I think it's debatable project by project, country by country. But I think the right way to think about the question is are we picking the right projects for the timeline? We always, I think, benefit from having a deadline. That's all I'd tell you.

GAUCHAT: And again, in terms of lessons learned, I think we're having those conversations, you know, at the beginning of the process with countries, what are the completion risks, what might come up to cause delays, how would we deal with those delays, you know, what other sources of funding are there, so kind of building some of those risks and mitigating measures, you know, into the design of the compacts themselves.

WIEBE: I promised to come back to this side, but let me add. Mr. Applegarth, do you have a question or a comment?

BROOKS (?): For those who don't know, he's the first CEO of MCC.

QUESTION: Actually, two comments/questions. I would add to sort of the principles that Sheila enumerated at the beginning, the idea of being disciplined or tough in decision-making. And the five-year rule was in the legislation, but I think MCC has distinguished itself as well as making some tough decisions and demonstrating it can stop programs. And I guess part of the — and if you think about Madagascar, you think about Nicaragua or you think of parts of Honduras you think of a couple other places.

And I'm curious on lessons learned, is that the governance structure? Is it the seniority of the people on the board? Is it the fact there are private sector representatives on the board? Is it simply there are multiple decisionmakers on the board? What has led to the — have multiple agencies on the board? What has led to the discipline? Secondly — besides the talent of the staff, obviously.

But, secondly, the lesson learned is that if excuses have always been given on results that monitoring and evaluation is too expensive to do. And I'm curious, at the end of the day, whether that has proven to be true or what sense of percentage of the total compact size, M&E and really the focus of results, the post-evaluation has come to.

GAUCHAT: So, let me take the first one on the — on the — the compacts that we have shut down. And I would say that there's always a variety of factors in there. You sort of mumbled over the talent of the staff. I think that's a huge part of it. And I think that what helps the talented staff do it is that this model is quite transparent in its policy indicators.

And when countries are chosen as eligible and as they're designing their compacts, there is an explicit understanding that those policy principles need to be maintained. And when we see a deterioration of those policy principles and a pattern of actions inconsistent with them, there is a very clear process for embarking down a suspension-and-termination road. And that has been upheld by staff, it has been upheld by the board of public and private members.

And so, yes, sometimes a lively debate. But in the end I think it's that this — these policy/performance criteria are quite explicit, and we have all of you holding us to account for them. So I think that's, in the end, what makes it successful.

(UNKNOWN): (OFF-MIKE)

GAUCHAT: Yes, I agree. I totally agree.

(LAUGHTER)

Our friends are there. Franck, you want to take a sec?

WIEBE: Just quickly, I think our current budgets are a couple of percent for the M&E as part of the compacts. Is that — is that right? And we also then have the central budget for evaluations, which, again, is a very — it's a small, it's probably 1 or 2 percent of the total budget on top of that. For us, I think we would make the point that it's not an option. In fact, even to be able to have those tough decisions at some level, you have to have that information. And so, really, the alternative — if you don't do the monitoring and evaluation, you're making decisions on investments for reasons other than program quality.

And so for an institution like MCC where we want that — I mean politics obviously matters at the board selection and for those things. But at the project level, there simply isn't an option to not — to not — I mean, there isn't an option to spending that money on monitoring and evaluation. You have to have it or else you're flying blind in a sense.

On this side, let me see. The gentleman on the right there? OK.

QUESTION: I had a technical question maybe to Ariane. You talk about measuring according to ERR. And there's also I think a policy to get the benefits to the poorest of the poor, that's — how do you measure that those benefits are actually going to the target beneficiaries?

GAUCHAT: I could give my answer, but I'm going to defer to the economists in terms of the distributional impact.

WIEBE: I love it when people direct the economic questions to someone else, then I can see whether my colleagues have fully absorbed it.

So MCC is in the process of developing what we call our beneficiary analysis which is an extension of our benefit-cost analysis. And actually, what it does is it drives off of the project design to try to allocate from the benefit stream and the models a distributional incidence amongst different participants.

So, as you might imagine, a farmer training program could have very different poverty implications depending on whether one is working with rich farmers or poor farmers. And so this was something that was not in use at the time these compacts were designed, but it's something that we're using now as a regular part of our assessment of projects.

I think it's fair to say even for these early compacts, distributional considerations were taken into account but probably not in the same kind of formal manner. And so we're trying to formalize this so that we have that information before investment decisions are made. Now, to do that, you actually have to have formal project design information in time to do that analysis. Right? Like I said, it can only be done after the benefit-cost analysis.

And so where projects are changing or not yet fully developed at the time of the investment decision, it's very hard to make that kind of analysis. But like I said, we're pushing that to get that information to be a regular part of our decision-making process.

GAUCHAT: In the case of Cape Verde, they're looking at that in terms of we have discussed this tool in the kind of final compact analysis on the MCC side. They've looked at distributional impacts. They've recently done the census. There's much better data in-country now to be able to draw from to make some of those assumptions. So it's something. In terms of second compact, we're looking at and the government is also interested in that tool, you know, applying that more broadly to other poverty reduction programs.

QUESTION: Great. Thanks, Franck. And thanks for your articulate explanation of the role that capacity-building plays in success of the compacts. And I think Marco put it in the first panel in a slightly different way that, you know, the measure of success is not how many kilometers of roads Honduras builds. It's how many kilometers of road Honduras has the capacity to build.

But obviously measuring that, that capacity, is a very difficult question to grapple with. And you know, I'm reminded of Andrew Natsios' maxim that, you know, those results that are easiest to measure often are the least transformative. Those that are most transformative are hardest to measure.

So I was wondering if you could talk a little bit more about how MCC is grappling with this particular question. How do you actually measure the capacity that these countries are able to build under these compacts? And how do you factor that into the final verdict that you make on the success of the investment?

WIEBE: I can try. My answer may not be totally satisfying to you. What I tried to capture was that, you know, and I'm familiar with Mr. Natsios' critique of the counter-bureaucracy. And I'm never quite sure if he's talking about me or not.

(LAUGHTER)

WIEBE: Because I am — at some level, I am a bean counter. I believe very much in counting those things. And what I have seen on the other side is those who make this argument about the things that are most important can't be counted seems like a rationalization for continuing to do things where the results can't be counted.

And I will be very clear, my feeling about the development industry is that we've been doing far too much of that for far too long. And so where you can't count what the impact is, it makes it possible to continue doing things where, you know, to be honest, there is no impact. That's at least that one possible scenario. Right? And in fact because you're not measuring, you can't distinguish that from we accomplished a lot because there's nothing to reflect.

And so that's why I say we — what we try to do is not say that those broader effects are not important, but we say that they have to be part of a material well-defined objective which itself justifies the expenditure. So we link the two together.

Like I said, recognizing that by building an institution that maintains all of the roads in Honduras or in Cape Verde, that that outcome is going to be more significant than the results from our rehabilitating a certain segment of the road. But that said, we are spending a significant amount on rehabilitating those roads. And so the question really is: Is that a good use of our money? Again, the thing we want to avoid is the bridge to nowhere outcome where investments are made where even the minimal estimate of returns has not justified the expenditure.

And so like I said, we're basically combining the two. One is making sure that the specific investments themselves make sense, while building an environment around them that will have a broader impact. I think, like I said, for the most part, we do not try to estimate those broader impacts partly because those things are beyond — you know, it would be difficult to attribute those benefits to things that we do anyway. Those are things our partners (inaudible).

And so if you want to ask me what's the benefit of the rehabilitation of all the roads in those countries, I would say those are things which — for which the government of Cape Verde and the government of Honduras is responsible for anyway. I wouldn't — I wouldn't want to claim the benefits. I would want to attribute those to the actions of those country counterparts.

I don't know if that satisfies you, but that's — like I said, I'm concerned that this focus on things that are grand allows us to do things which — where we never know whether we've succeeded or not.

I keep wondering, if I turn my back on this half of the audience whether people are just going to slide out.

(LAUGHTER)

So we'll come back for one more question on this side.

QUESTION: It's a little bit following up on that because you made the point that, I mean, and you've done such excellent evaluation work and we're looking forward to equally excellent evaluation products coming out any minute now. But the capacity-building is the subtle part. We had an entire panel this morning on country ownership. Do you have a summative way you can talk about that? Do you have a summative way that you can talk about and say, "This is a key; this is important to the entire model," and — but then you kind of slid off from it and said, "I'm not going to evaluate that because I'm not going to attribute it to us." But in some way, you must be evaluating it.

WIEBE: Well, again, I mean, you know, what I like to do is portray what we're doing to what we're not doing. Right? And you know, I'm not going to attribute it to anybody else. But the idea of capacity-building, there are lots of institutions that focus on capacity-building. And then I would challenge you to ask them what they're getting for those capacity-building efforts.

And so a lot of institutions are spending a lot of money on capacity-building and they can't tell you to what end either. Right? So, you know, in some sense that challenge of trying to define the benefits to capacity-building or T.A. on policy reform, for example, it's — that's an open challenge. And like I said, there are a lot of institutions that are funding those activities without knowing what the impact is.

What we say is that the sustainability of our investments require stronger institutions which require capacity-building and that, in some sense, delimits what we will spend on capacity-building. We will spend on capacity-building what is essential to implement the logic of our investment. And we know that there will be a broader effect beyond that, but we know that it's essential to our investment. Right? But what we won't do, I don't think, at least we're not doing it, is spend on open-ended technical assistance and capacity-building which may in fact have some value, but which cannot be valued in the framework that we're operating within.

My colleagues will give you a less strict interpretation, perhaps.

GAUCHAT: Just very quickly, I think I just wanted to add on what Franck was saying regarding, you know, the fact that to the extent that we're interested in the sustainability of the impact, we have an interest in how that sustainability happens.

So, you know, while I think we do not right now have, you know, very defined or very, you know, robust, you know, capacity-building, we are interested in — and this is partly borne out by our interest in the post-compact impact evaluation — we're interested in seeing how those results are maintained, not necessarily those activities, but how those results are maintained.

And I think that places a fair amount of onus on the countries. But I think just as that onus is with the country, I think, I just wanted to recognize that MCC maintains an interest in the capacity-building partly because we're interested in the sustainability of those results.

You know, whether it's because — through a road maintenance fund that's done through fees, or it's done through a direct budget allocation, or it's because there is new extension service in the Ministry of Agriculture, whatever the case, I think we're less concerned — or right now have been less focused — on that, but we are interested in knowing, you know, down the road: Are those roads still there in good conditions with the right smoothness? Are those farmers earning or not the income that they had been at that point?

So it's just to point out our interest in it.

BROOKS: OK, we have time for one more question.

GAUCHAT: I have one question.

BROOKS: Please, Ariane, yes?

GAUCHAT: I just (inaudible) after debate and discussion. So I think that this is an area where our country counterparts in the discussions around closeout have said, “Hey, you guys, there’s all of these impacts to the program which are not necessarily captured in your monitoring and evaluation framework. You know, how can we — you know, maybe we can’t quantify, but can you do better? Can you do more on the front?”

So I think this is something we are looking at and taking the feedback from, you know, our country partners who have now worked with it for five, six, seven years in terms of, you know, what are some of those impacts. There are impacts that were never anticipated, but are certainly spillover effects. How do we capture those, whether more quantitative or qualitative?

BROOKS: One more question I think (inaudible). The gentleman in the back?

QUESTION: I’m going to be the third question in a row on the same theme. Maybe I should ask Sheila to sort of go over your head, Franck.

WIEBE: Please.

QUESTION: I was a Senate staffer for 12 years. I’m also just finishing a book on USAID and its experience with policy reform. And one of the things my interviews brought out is the great regret USAID people have in not telling their impact, if you will, on policy reform precisely because of the reason you correctly gave: They couldn’t quantify it. But it seems to me MCC is in a very different situation where road maintenance funds, the number of days it took from 56 down to one to start a business, these kinds of things — it seemed to be directly related to MCC work. That ought to be a question — I’ll put it as a question.

Couldn’t that be quantified and projected forward for five or 10 years: This is the impact this had. Because it seems to me you place MCC’s very survival in jeopardy if you don’t claim what you can honestly and transparently claim; that these are things that happen for the next 10 years due to things MCC and its partners did.

So — and this is probably a question, but partly also a warning. Don’t you want to learn from USAID’s tragic experience in not telling their story in this area which would have helped them with the conservatives and the moderates in Congress who are actually the basis of support of the MCC.

WIEBE: Can I, Sheila?

(LAUGHTER)

WIEBE: Let me — let me, in my defense, can I have this, and then I’ll let you have the last word.

In my defense, if you look at the slides we presented here and you look at the documentation, we are — we already recognize we need to do a better job of documenting those policy reforms and institutional capacity-building investments that we’re making as part of our investment. And so those (inaudible), as part of our results framework, we’ll see them documented here and you will see them documented elsewhere. And so we fully recognize that that is important.

I think one thing we need to recognize within MCC is that one has to be careful that it doesn’t become an ex-post exercise in justifying things for which were not intended as an original part of the models. So like I said, there are clear things like changes in business rules that lead to additional investment. Those might very well be part of the original benefit-cost models. Those would be captured and they would be reflected as policies that we would change and institutions that we would strengthen to enforce that. That would be part of how we talk about the program.

So, like I said, don't get me wrong, the part, the way I — the way I got this conversation started was by saying, kind of admitting up front that we have not been as effective as we need to be in describing how that work is an integral part of our program. I would say that I'm comfortable being a little bit of the strict guy in terms of saying let's just be careful that those stories don't end up being the post-hoc justification for things that should not have happened. You don't want us to be that any more than you want other development institutions to be that.

Sheila, do you want to...

HERRLING: No, I'll close out from here.

Look, I think what Franck just said is exactly where I am. And I think we have to have the courage of our convictions on this one, that we don't want to be pushed for whatever reasons into having a P.R. story be driving our results agenda. And I think it's absolutely critical to the MCC model and absolutely critical to development and foreign aid at large that we hold true to actually having a very credible, very technical results-based framework.

Now, I think where Franck ended up here is also what I would have added, which is we absolutely are telling a policy reform and capacity-building story along the way. It is absolutely part — and I think I mentioned that in my introductory remarks — absolutely part of our results framework.

And so you will see along with the ERR and all of this a whole section on policy reforms that, you know, are attributed to our investments and actually, in often cases, were factored into whether or not the investment would be successful or not.

We have a large energy sector reform program coming up in Malawi. You'll see that underlying the success, the potential success of that investment will be a series of policy reforms undertaken in the country or the investment will fail. So I think I actually ended up exactly with Franck's last intervention. I think we're — we're exactly the same. Whew, but I was struggling there for a second.

Listen, let me just thank you all for coming out. I think I did promise you that it was going — that our process was rigorous and technical. I'm really proud of those of you who lasted to the end. I think it shows that we have some — some good allies here.

And let me say something that I think you all know, which is that development is a hard business. If it were easy, our partners wouldn't be poor. But because it's hard and because there is so much at stake, whether it's the livelihoods of our — the people in our partner countries or whether it's the large amounts of money that we're putting on the table that have alternative uses increasingly in demand requires us to be very hard-nosed about our process, and hence the focus on the rigor and the technical aspects of how we measure results.

I want to say, you know, we don't expect to be thanked for this rigor either. I think we're hearing some of that here. And you know, I think that there will always be critics out there. Right? If you — if we get 20 percent back on our investment, people will say, "Why didn't you get 30?" If we actually make some real policy reforms in the country, people will say, "Why didn't you transform the whole sector?" So I think that we will always be faced with that.

And I also know that, you know, that we know going in that by pushing the boundaries on transparency and by holding the boundaries on what are real results, we're putting ourselves in a vulnerable position for sure. I think some of the last line of questioning actually tells us, you know, maybe you shouldn't hold those boundaries. But we are going to have the courage of our convictions on this. And I hope that I can count on you guys to be by our sides.

For the reasons that I mentioned in my introduction, both from an accountability perspective, but from a learning perspective, we have collectively been in this business for decades. We have not learned enough. And I think part of what Franck was saying is a reason why.

So I think we need to learn more rigorously. We need to learn faster. We need to be out there in the public domain on what we've learned, and collectively we need to apply those lessons.

On the accountability front, I mean, this is taxpayer dollars. The MCC is a public good. We are responsible to you. We are influenced by you. And we have to be then forthright with what we're achieving and what we're not and why we are and why we aren't.

So let me end with basically a promise to you. Oh, you can expect us to keep pushing these boundaries. And as Jonathan ran you through, we have all these closeouts coming. And we will be transparent. So I can promise you that there will be mixed results here. So I can promise you we will be transparent.

And I hope that what I can expect from you, what we all can expect from you is support in that. Because, as you said, Mr. Pillsbury, we're going to need it.

So thank you so much for coming. Keep on giving us your ideas. We welcome them, value them, often implement them.

Thank you again.

END