

MILLENNIUM CHALLENGE CORPORATION

February 15, 2007

REMARKS

Millennium Challenge Corporation Holds a Public Outreach Meeting

**February 15, 2007
Millennium Challenge Corporation
Washington, D.C.**

SPEAKERS:

**Rodney Bent
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Millennium Challenge Corporation**

**Ambassador John Danilovich
Chief Executive Officer
Millennium Challenge Corporation**

**Michael Ryan
Vice President for Administration and Finance
Millennium Challenge Corporation**

**Monica Kladakis
Managing Director for Threshold Programs
Millennium Challenge Corporation**

**Sherri Kraham
Managing Director for Development Policy
Millennium Challenge Corporation**

BENT: Good morning, I'm Rodney Bent the deputy CEO at the Millennium Challenge Corporation. I'm subbing for Fran McNaught, who is a little under the weather.

Let me welcome you to the Millennium Challenge Corporation. We appreciate very much your ongoing interest in our activities, and we certainly appreciate your help as we work toward our goal of reducing poverty through economic growth.

The purpose of today's meeting is to brief you on the progress since our last public outreach meeting in November of 2006, and update you on decisions our board made yesterday.

Let me share a little bit about today's program. First, Ambassador John Danilovich, our CEO, will provide a general briefing of MCC's progress to date, along with an overview of the board's decisions. We will take a few questions, and please look for Becky, and the roaming microphone.

After the Ambassador's presentation, we're fortunate to convene a panel of our vice presidents, two of our managing directors to discuss in greater detail the specifics the ambassador will outline. Again, there will be time for you to ask questions about what we're doing.

With that overview on how we plan to proceed, it is now my great pleasure to invite Ambassador Danilovich to the podium.

(APPLAUSE)

DANILOVICH: Thank you.

Thanks very much, Rodney, and good morning to all of you. Thanks for coming this morning in this not-too-pleasant weather. I appreciate your ongoing interest in what we're doing here at the Millennium Challenge Corporation.

I appreciate this opportunity to update you on the MCC's activities since our last public outreach following our board meeting in November, and to brief you on yesterday's board meeting, chaired by Secretary of State Condoleezza Rice.

Since November, I'm pleased to report, that we have signed two more Compacts. These are with El Salvador on November 29th and with Mali earlier that month, coincidentally both for the same amount, \$461 million.

This means we now have 11 Compacts totaling \$3 billion, slightly more than half of which has been awarded to African countries.

Looking ahead, we anticipate signing at least four more Compacts during this calendar year, pending the completion of much work that remains to be done on these Compacts and, of course, board approval and congressional notification.

We've also signed three more Threshold agreements: with Indonesia for \$55 million, with Moldova for nearly \$25 million, and with the Ukraine for \$45 million. All three combat corruption. In addition, Indonesia's Threshold Program provides for immunizing children against diphtheria, tetanus, pertussis and measles. In total, we have 11 Threshold Programs valued at nearly \$300 million.

We adopted and announced a formal policy to integrate gender analysis into MCC's programs. Gender analysis is being integrated into every aspect of MCC operations, from staff training and country selection to Compact development, implementation, monitoring and evaluation.

Including both men and women in the development process is essential for fulfilling MCC's mission of reducing poverty through economic growth. We had a very successful gender outreach in January to discuss our gender policy. Ritu Sharma, co-founder and president of Women's Edge Coalition, who does not easily give out compliments, said of our gender policy, quote, "And I can say, really unequivocally, that the new MCC gender policy is definitely the most comprehensive and practical and most likely to be successful U.S. policy on gender that I have ever seen."

Given our commitment to policy performance, I sent remediation letters to our partner countries that exhibited certain slippages in our criteria in the areas of ruling justly, investing in people and economic freedom. We are constructively and continuously engaging our Compact-eligible countries to help them create and implement a corrective plan of action to address these areas of slippage. We will continue to monitor performance, and we welcome the ongoing dedication to reform that guides our partners.

We also welcome ongoing congressional support for our work. We are currently operating under a continuing resolution for the remainder of this fiscal year. We are urging the Congress to make available to MCC the President's request for \$3 billion in funding for fiscal year 2008.

We have delivered a comprehensive budget justification to the Hill in support of this funding, and I'm personally meeting with members of Congress to brief them on MCC's work to date. These briefings give me an opportunity to explain why funding is so critical to support countries that are not only demonstrating a commitment to political, economic and social reforms, but are also completing work on their proposals designed to assist the poor.

At a funding level lower than the President's request of \$3 billion, we will be faced with the prospect of having to turn away some countries in 2008 that have spent considerable effort in developing their Compacts.

It is important to fully fund not only MCC's budget, but also the overall international affairs budget to bring hope and empowerment to the world's poor. Because it is in everyone's interest that we remain at the robust level of funding that the President is requesting, all of us in the poverty relief and international development community would benefit from supporting the entire international affairs budget at this time. By supporting the whole, we are advancing our individual interests.

You will hear more about the budget from Mike Ryan, our vice president of admin and finance.

We celebrated our third anniversary in January and took the occasion to reflect on how far we have come at the MCC during our short three-year history. As we look back, we can say that we have now completed four country selection rounds and are working presently with 39 Compact and Threshold eligible countries committed to a culture of reform to maximize an MCC investment of aid.

We have begun Compact implementation, and disbursements are accelerating.

We see initial results, for instance, in our partner countries as they: award land titles, as well as attract investments in Nicaragua, where technical assistance received by rural farmers has allowed them to achieve export contracts worth double the price of what they usually attain locally; increase access to microfinance credit in Madagascar, and open six agricultural business centers to provide technical assistance; improve agricultural practices to expand horticultural production and initiate road improvements in Honduras; build infrastructure vital for business and community development in Georgia; continue technical studies for the construction of a port in Benin; and make progress on several road and irrigation procurements in Armenia.

In January and early February, I traveled to some of our Compact and Threshold-eligible countries in East Africa to see firsthand the progress underway and the results unfolding in the field. Board member Ken Hackett joined me in Madagascar to hand out land titles and training certificates to poor farmers. I planted geranium trees, that will provide oil for soap and perfumes, with farmers supported by our programs.

I also was able to learn firsthand in Kenya about their commitment to root out corruption and about the progress made to our Compact development in Tanzania, as that country completes a Threshold Program to realize a number of anti-corruption initiatives.

In March, I will travel to West Africa to participate in the 50th anniversary celebration of Ghana's independence and to see some of our projects there. As you know, Ghana is our largest Compact country, worth \$547 million.

I will also visit schools in Burkina Faso made possible through our Threshold agreement. Because of their girl-friendly nature, thousands of Burkinabe girls are able to stay in school and receive an education. Some 12,500 students are enrolled for the 2006-2007 academic year, of whom more than half are girls. All of our 132 schools will be operational by mid-spring of this year.

We also noted on the occasion of our third anniversary the tremendous role the Millennium Challenge Corporation plays in motivating remarkable political, economic and social policy reforms in countries around the world that want to become eligible for an MCC investment. This incentive effect, what we call the "MCC Effect," creates a policy framework where MCC assistance can be most effective.

In all these ways, our progress to date, and specifically since our last meeting in November, has been impressive. When our board met yesterday, they made decisions that will add to our ongoing progress. Let me highlight for you what these board decisions were.

First, our board voted to reinstate Yemen in the Threshold Program. It had been suspended from participation in that program in November of 2005 due to the material decline in overall performance of our selection criteria. They had, in fact, only passed two of our 16 indicators.

The Yemeni government, following its suspension, moved forward aggressively with a number of considerable and impressive judicial, anti-corruption, public procurement and microfinance reforms over the past year to reverse those areas of decline. We welcome Yemen's efforts to adopt and maintain policies to advance its own good governance, as well as social and economic development.

Thus, the board voted to reinstate Yemen into our Threshold Program.

It is doubtful that we will see a significant change in the indicators moving from red to green when the information is released for the board next November, as there are certain time lines inherent in that data. However, we are delighted by the government of Yemen's efforts to make policy decisions that will improve these scores over time.

Our suspension policy has worked. You have seen the MCC Effect in action. MCC's suspension of Yemen's eligibility was the motivating factor in the series of subsequent reforms that the government undertook. We believe Threshold assistance will now bolster and further Yemen's efforts to improve its indicator scorecard. Managing Director for Development Policy Sherry Kraham will talk more specifically about Yemen's path to reinstatement later this morning.

Secondly, the board decided to move forward with Threshold agreements with Kenya and Uganda. The board approved both of these, with focus on stamping out corruption in these two countries. In the case of Kenya, the program focuses on corruption in the health care and public procurement systems specifically. In Uganda, the program works to eradicate corruption in procurement and financial management while increasing the success rate of prosecutions.

In both Kenya and Uganda, the programs work to strengthen the role of civil society in combating corruption. You will hear more about these two Threshold Programs and their implications from our Managing Director of Threshold Programs, Monica Kladakis.

The state of the MCC is strong. We remain committed to concentrating our first-class professional talent toward the ongoing pursuit of poverty reduction and economic growth through not only Compact development but also Compact implementation.

Given our finite financial and staff resources, our priority looking ahead is to concentrate our energies and efforts on those countries working hardest for themselves and who are most willing to create and maintain good policies and follow-through on not only developing but also implementing their Compacts or Threshold agreements. This is the best way for development to take root and thrive and to be both transformative and sustainable in lifting communities out of poverty.

I want to thank you very much for joining us this morning and for listening to what I have to say. Of greater significance to you, I think, will be what our panel members have to elaborate on at greater length this morning on the decisions that were taken at yesterday's board meeting. But I would certainly be very happy to answer any questions which you have at this time.

Thank you all very much.

(APPLAUSE)

BENT: Thank you.

Any questions?

QUESTION: This is my first time here at Millennium Challenge Corporation. But could you give a simple distinction between a Compact and a Threshold country?

DANILOVICH: The Threshold Program that we have is a program that targets specific indicator weakness. It usually is the corruption indicator, which is our one hard indicator the countries must pass. It doesn't have to be that but, in most cases in our 11 countries, that happens to be that indicator which is showing specific weakness.

And we believe that, in engaging with a country that takes certain reform efforts -- as I've mentioned, for example, specifically this morning in the case of Kenya and Uganda -- to target those indicator weaknesses with specific programs. The hope is that the performance will improve, that the country will move above the median, and that they will eventually -- there's no guarantee -- but will eventually be able to qualify for a full Compact agreement.

A Compact agreement is a full-blown, comprehensive, usually five-year agreement. They range in size. As I've mentioned, our Ghana agreement so far is our largest, at \$547 million. Our first country, Madagascar, was \$110 million. So that's the spectrum of the grants that we offer.

Those programs are all-encompassing and have several components to them, usually dedicated in most instances to infrastructure programs, to roads, to agriculture, to microfinance, to a collection of projects which we believe that, overall, will reduce poverty and sustain economic growth over time.

QUESTION: Do all countries go through the Threshold stage first?

DANILOVICH: Most countries go through the Threshold phase first, yes.

QUESTION: Thank you.

BENT: If you could identify yourself as you prepare to ask a question?

JONES: Yes, yes. My name is Phil Jones, and I'd like to ask a question on more of the infrastructure side. Say a country has been approved and that they're going to build a dam or they're going to build a port or a road, and they will procure someone to do this in their own home country. Will American firms have any advantage, or will they be just competing with, say, the Japanese and the Europeans, everyone?

DANILOVICH: Yes. It's a level playing field. We do not have a By America clause, so American companies are encouraged to participate in the bidding process, which is open and transparent. But it's an open, international tendering process.

Yes, ma'am?

QUESTION: My name is Sandy Guill. Do all Threshold countries have to go through the Threshold agreement process to...

DANILOVICH: Yes.

QUESTION: So they become a Threshold country and then, at some point, there is an agreement?

DANILOVICH: Yes. Yes, very good point. We have had countries -- this wasn't actually anticipated. It's sort of a process at evolution. We've only been going for three years. And we have now a situation where countries were Threshold Programs and also qualified for a Compact. However, in qualifying for a Compact, they still must complete their Threshold commitments with regards to reform. One doesn't negate the other. So they must continue to complete their Threshold obligations before they can have a full Compact.

Yes?

QUESTION: And that process in each country is monitored by AID?

DANILOVICH: That's correct. That's correct, yes. As USAID has a presence in-country, and as these programs are small and focused and very narrowly defined, rather than start a whole process of having an administrative infrastructure there, we rely upon USAID and pay them to do this program for us.

QUESTION: And does USAID encourage the country -- a Compact is what a country wants to do...

DANILOVICH: Eventually.

QUESTION: ... with their development.

DANILOVICH: Right. That's the big project.

QUESTION: AID has certain areas that they normally work in. I mean, one of the things I'm thinking is that, in a lot of countries that you have done Compacts with, for instance you don't see energy projects. And does that have something to do with the fact that AID works with these countries, or is that totally irrelevant?

DANILOVICH: That's not relevant, no. The process of the eventual Compact proposal is a broadly based participatory process that goes on within the country, but within civil society, within government, religious groups, farmers, who all participate in creating what the government will eventually submit at their overall proposal for how they best target their needs for poverty reduction.

QUESTION: My name is Don Goble. Could you tell us what the four countries are that you anticipate having Compacts with this year, and where each one stands? I read someplace that you're going to be partnering at about \$400 million per compact?

DANILOVICH: It's always interesting to hear the speculation about the size of Compacts and what countries are going to be coming on-stream. It's always a little bit difficult to answer that question. I will answer it, but it depends on so many factors. It depends on how the whole negotiating process goes through. It depends on the Compact proposals that are submitted. It depends upon due diligence. It depends upon timing, on the countries that are engaging with us.

I would like to think that, in the course of 2007, possible countries might be, depending upon a number of factors, Morocco, Mozambique, Tanzania, Lesotho. I could probably name two or three others that might be the ones that are coming on in 2007.

But there are many factors that come into play here, so there's no guarantee that, on the 1st of June, this country is going to be ready for a Compact. It's a very lengthy and very involved process.

But those are the likely countries that are moving along in this process and have the likelihood of being completed within the course of this year.

QUESTION: And East Timor is...

DANILOVICH: East Timor, we're in negotiations with them at this point, and their discussions are ongoing.

QUESTION: Anita Flores with the United Nations group. Where do you see, systemically, MCC and multilateral collaboration, cooperation, in Compact development?

DANILOVICH: We seek, very assiduously, to cooperate with other multinational builders, and we have always done that, and we are increasingly doing that. And I believe that, increasingly, all efforts are being sort of better coordinated than they were in the past.

We have, specifically in addressing the two new Threshold countries that we have, we will begin immediately today to engage other donors in those countries with regards to our specific program and their specific programs so that, overall, we can achieve the objectives that we want to achieve.

Generally speaking, there's a broad-brush general objective that we're all working towards, and the more that we can coordinate that with other multinational donors, as well as the private sector -- and we are also reaching out to the private sector in the MCC not only in the United States but also in-country, to have their involvement in our programs at an early stage so that they can be involved in this whole process.

And when we leave, which we look at as the mark of our success, they will be able to continue our programs and continue to sustain the economic growth which we have, hopefully, originally stimulated.

So that's how I see us with regards to the whole multinational donor situation. It's an effort which I think is gaining increased momentum worldwide.

BENT: Ambassador Danilovich, thank you very much.

(APPLAUSE)

DANILOVICH: Thank you very much. Thanks a lot.

BENT: As our panelists make their way to the dais, let me introduce Mike Ryan, Vice President for Administration and Finance; Managing Director for Threshold Programs, Monica Kladakis; Managing Director for Policy, Sherri Kraham. Let me also introduce Maureen Harrington, who's the Vice President for Policy and International Relations.

Mike is going to talk about our 2008 budget request. Monica is going to talk about the two latest Threshold Programs, Kenya and Uganda. And Sherri will talk about how the board came to the decision on Yemen.

All three have presentations and, after all three have presented, they'll be happy to answer your questions.

RYAN: Good morning. My name is Michael Ryan. I have a deputy named Mike Casella, and so it's always the Mike and Mike show every day. I don't think Mike is here today. But I've been here since May, and those of you who have been watching the MCC and those of you who perhaps are just new to it, since May, I can tell you it's been a rocket ride. I find myself sort of -- my cheeks flattened against my face and my hair back -- what there is.

(LAUGHTER)

It's amazing. We've grown here by 89 percent. We've increased our rate of Compacts from -- pretty much increased everything. And it's partially because of the mild-mannered gentleman who just left the room who sort of insists on sort of speed and accuracy, and I think Yemen's had one word, which is forward.

So I had my nervous system removed about 10 years ago, and so I have absolutely no reactions whatsoever. So I'd be very happy to take any questions.

I wanted to give you a little bit of a context to our budget because I fear that the description that I had, which really isn't an exaggeration, the rocket ride, is going to be a problem for us as we go forward, because we started out and, as all things, people will shape what we're going to do, the early concepts were tested and some were found to be naive and sort of -- we retreated a little bit from others, being like that was the area where we spend more time when we went forward, so we adjusted things. As I said, we hired up lots of very smart and independent-thinking people.

And now we find that, as you look at the history, and I'll just go back to history, back into time, that the President requested \$3 billion in funding for us for FY 2006. We received less than \$1.8 billion, about \$1.75. Again in 2007, the Administration requested \$3 billion, and the House-passed bill, as I expect you know, it got to about \$2 billion. The Senate didn't finish its work, and we are now -- the best thing we know, although this is far from certain, but our hope and our understanding is that we're again headed for last year's funding level.

So where are we for 2008? Well, you probably all know that we've requested again \$3 billion for 2008, but there's a difference this year.

Previously, we were not happy but content to receive an amount of funding that we felt that we could handle and use well. This year we're afraid that this \$1.8 billion level that I told you, that's in the public record, will get -- some people will be tempted to view that as a steady state -- "That's our level" -- and that any rise of that in tough budget times is an increase.

And that works against the kind of momentum and power that I think we've put into this situation. Because for the first time, MCC is likely this year to commit all available resources, and we'll have sufficient pent-up demand, using higher than \$3 billion in 2008.

And that's why 2008 appropriations of less than \$3 billion will force MCC to postpone or drastically reduce Compacts for countries that have done everything we've asked them to do. And we are stringent. It's a very complicated, trying process for countries.

They've done everything we've asked them to do on policy reform and on Compact development, both of which are extremely difficult and trying endeavors. Both of these alternatives would have a severe impact on our ability to accomplish our mission. We're trying to find transformative (ph) development assistance, with accountability, assistance with country ownership.

Perhaps I could look at our extend a challenge partnership, because we're challenging countries to take over the reins of their own affairs, as we work with them through the Compact kickoff in sustaining development, which is something that's been a cornerstone of American policy for decades. And we're trying to (inaudible).

So last year we turned a critical corner, as I mentioned, in committing and obligating for funds for Compacts. We increased the amount we signed from year to year from \$1.1 billion to \$1.5 billion. And more importantly, we increased obligations from a mere \$420 million up to \$1.1 billion.

And the outcome is the direct result of progress we've made in implementing Compacts in fiscal year 2006 when we entered into force the four Compacts, as we mentioned before -- Georgia, Vanuatu, Nicaragua and Armenia -- which were worth almost \$800 million.

But 2007 looks like it's going to be even greater because the two Compacts alone that were mentioned, Ghana and Benin, already account for obligations of over \$800 million, so we've already reached last year's level already. And we expect to enter into force with Mali and El Salvador later this year, and then we will have more than doubled our obligations to almost \$1.8 billion, perhaps more.

We also expect, for people who follow disbursements, we expect our disbursements to take off, and we're going to be -- from a very low level as we start out, they're going to climb rather dramatically. And so all of the efforts that we've made to put internal controls and management controls into place, which is part of my portfolio which I think only I alone like to talk about -- but I'm thrilled to answer questions about that -- those are going to serve us in good stead, because it's going to be just an acceleration of activity.

So the full 2008 request is enough, perhaps, to sign five to six additional Compacts, depending on their size, as we we're talking before, because these sizes are not totally predictable because it depends on what we collectively, we and our partner countries, believe are the most viable Compacts, adjusted against how much funding is available.

But the problem is that we have as many as nine, maybe, ready to go, including three countries selected in FY '07 -- Moldova, Ukraine and Jordan. So even if the account is funded at full request -- we would expect some of these countries that are ready to slip to 2009. That would be normal. But we don't want that this \$1.8 level that somehow becomes our magic number, for this to become a bow wave out front that becomes impossible.

Because I think all of the leverage that we have -- one of the wonderful things about MCC that I think that you've seen this again and again, that a lot of policy points are done without expending a nickel, because it's all in anticipation. Part of it is in anticipation of funding; a greater part of it, I think, is that countries are eager to get through this stringent process of all the indicators, and so to the rest of the world, regional or other countries -- others, rivals in soccer, whatever the issue may be -- that they actually can pass all these indicators, and somehow it's a mark of achieving something.

So we get a lot of leverage. If the funding is not sustained, I suspect a lot of this will diminish, and that would be a tragedy for the brand new experiment that we have underway.

Just a brief mention of -- we were talking about Compacts, and I think Monica is going to talk about Threshold countries. But a brief mention that we have a cap in Washington of about 300 people. We don't intend, in any time that I can see, to go above that. Never say never, but there will be -- never will it while I'm standing up here. And essentially, that means that our funding, our overhead, can stabilize.

One of the marvelous things about keeping a low profile both in Washington and overseas -- where we only have two, three and maybe as many as, if you include a local hire, four or five folks in the field -- the overhead is extremely low. The overhead, if you look at it, we improved everything that we do, including our rent in Washington, probably over 4 or 5 percent, in terms of delivering our program, which is great. It also means that there's a lot of work for the folks that are here, and they're all masochists, so they enjoy it.

(LAUGHTER)

I feel that our funding, therefore, even though it'll be tight for Compacts, will not be capped. We will not be under any pressure, particularly because we've kept this low profile on our admin funding, at least into the future (inaudible). It could get to be a problem later on if we don't get it, because we have capital investments we need to make, especially as we get larger in terms of money flow, and that would be hard. But for right now, we're OK.

I will stop there, and I'd be happy to take any questions, accusations, challenges, anything at all. I'd also be happy to...

BENT: Thanks, Mike. Save all the really juicy, hard questions about risk analysis and implementation for Mike later on.

All right. Monica, please...

KLADAKIS: I think I'll let Rodney take all the Threshold questions, too.

Thank you very much. Good morning. Just a little bit of additional background on the Threshold Program, if there's going to be a number of questions. It was created to help those countries that have not quite met the bar, not met our criteria, but are close and are moving in the right direction, and have demonstrated a commitment to reform.

And so, typically those countries fall short on maybe one or two indicators, and those are the ones that we focus on in our Threshold Program. The amount of funding is much smaller than on the Compact side. It ranges from as low \$7 million up to \$50 million -- \$55 million is our largest one.

And so, the programs are smaller but are focused on policy reform. And once they complete those programs, the goal is that they hopefully have been on track (inaudible), so that they might be considered for eligibility.

But when a country is selected for the Threshold Program, it doesn't automatically get a Threshold Program. You have to put together a credible and results-oriented proposal that we believe will have an impact on the indicators that we've targeted. So that, hopefully, provides a little bit of background there.

As the Ambassador noted, the board approved two special programs yesterday, one for Kenya and one for Uganda. The one for Kenya is a \$13.6 million program that targets two somewhat narrow areas, procurement reform and, more specifically, health care procurement, in a comprehensive way. Our analysis of Kenya's performance on the control of corruption indicators shows that these are both very appropriate areas for them to target, as in both cases Kenya falls short.

In July of 2006, Kenya launched a comprehensive program of reform called the Public Financial Management Strategy to try to address corruption. It was developed with broad donor coordination, and in terms of both the parliament and the cabinet. And it builds upon a strong, underlying legal framework.

It includes 15 inter-related components, of which procurement is one. MCC will be the primary donor of funding for the procurement component of their overall reform strategy.

So we're confident that the program fits into a broad strategy that the government of Kenya is committed to.

In terms of the specifics of the program, on the procurement side, there was an independent procurement review done in 2005 that found that some of the major weaknesses in procurement are due to weak oversight institutions, the nontransparent nature of procurement practices, delays in the process, as well as poor records management.

Component One of the Threshold Program addresses strengthening the capacity of the Public Procurement Oversight Authority, which was created in 2005 as an autonomous oversight body for procurement across the board, and it'll do this with enhanced technologies, through exchange programs and the training of staff.

This component also begins the rollout of an e-procurement system to five key ministries in order to increase transparency.

And it implements other financial management reforms, including rolling out new procurement regulations for the public and private sector to help speed up the process, and conducting procurement audits to ensure compliance, and by instituting proper records management and protocol so that audits can be properly conducted.

The second component addresses health care procurements. In 2005 there was a Kenya Pharmaceutical Review Procurement and Logistic Report that identified the main causes of inefficiencies in the current system, which include inadequate resources, in terms of funds, manpower, materials, as well as core infrastructure; a lack of visibility in the procurement process; and inadequate control measures at all levels.

Component Two of the program addressed deficiencies through providing training, equipment and automated information management systems to KEMSA, which is the Kenya Medical Supplies Agency. It's a state corporation created about six, seven years ago that currently manages 80 percent of procurement of medical commodities of Kenya, and it expected to take on 100 percent of it over the next year.

This component also improved supply chain management to reduce leakage, in addition to installing warehousing and cold chain management systems. This includes conducting a baseline survey because there are no solid figures on how much is lost each year.

We're excited about doing this because it will help us determine how much of an impact our program is having.

This component will also include oversight by the Ministry of Health of KEMSA through staff training, audits and implementing quality control systems. And lastly, it will strengthen the ability of District Health Management Teams to oversee the management of medical supplies by rural health facilities.

The third component deals with monitoring and evaluation, both on the internal side and the external side. Internally, the Public Procurement Oversight Authority, the Ministry of Health and KEMSA will all undertake internal audits, and outside consultants will be hired to evaluate whether these entities are achieving their performance benchmarks.

On the external side, there will be an independent evaluation of the implementation of the program by civil society, which includes NGOs, the private sector and think tanks.

In conclusion, we're excited to move forward with this program in Kenya. The legal and policy framework is in place, and there's high-level commitment to address public financial management issues. In fact, the government of Kenya has committed \$3.7 million of its own funds to support and complement Threshold funding.

Additionally, the parliament, the media and civil society all are motivated and have the ability to play a meaningful oversight role. And we believe that, in this context, we're likely to have a high degree of success, and we'll have a significant impact on the Control of Corruption indicators.

Now, for Uganda, Uganda's program is an \$11 million program. It targets two areas that address key failings based on our analysis of their performance on the Control of Corruption indicator: public procurement and prosecutions. It also strengthens civil society's role in the fight against corruption.

Over the last several years, Uganda has created anti-corruption agencies and a solid legal and policy framework. However, corruption in the public sector remains pervasive in part due to capacity constraints -- financial, skills, logistics and technology -- which restrict the government's ability to enforce existing laws and policies.

This proposal will help implement the Government's National Strategy to Fight Corruption, launched in July of 2004. The Threshold Program was developed over six months, with the input of the targeted anti-corruption agencies, civil society and government.

On the procurement side, with regard to the proposal, more than 65 percent of the government's total budget passes through the procurement system each year. And according to the World Bank, almost \$300 million is lost to procurement malpractices.

Component One of this program builds capacity within the Public Procurement and Disposal of Assets Authority, which has regulatory authority for procurement across the government, and in procurement agencies by improving financial management systems, more frequent auditing, and ensuring that procurement professionals are properly accredited and certified.

This component also improves audit systems within the Office of the Auditor General by training audit recipients and the staff of the Auditor General for new financial management systems. It also streamlines the handling of corruption cases by improving the parliament's ability to consider government audit reports and by removing bottlenecks and redundancies within anti-corruption agencies.

On the prosecution side, the second component, low skill levels, high staff turnover and lack of equipment have resulted in huge case logs.

Component Two of the program addresses this by providing practical mentoring and training and equipment for investigators and prosecutors in the relevant agencies, and by supporting the establishment and decentralization of an Anti-Corruption Court that handles corruption cases specifically.

The third component of the program strengthens the role of civil society. Currently, a majority of the population is unaware of the legal framework and doesn't know where to go when confronted with improper conduct. This component will improve coordination among the government's anti-corruption agencies in civil society through quarterly meetings of the Interagency Forum, the coordinating body of the anti-corruption agencies. And in fact, some civil society organizations will sit on that board.

This component also will provide training, technology and capacity-building for a broad range of the Ugandan civil society organizations at both the national and district levels in order to improve their ability to act as advocates, analysts and monitors.

It also will fund a public information campaign to educate the public on their legal rights and responsibilities.

As with Kenya, we think this is the right time to be moving forward with a program in Uganda. Over the last six months, corruption has featured as a prominent theme in President Museveni's speeches. A new financial code has been enacted for public officials and is being enforced.

The Inspector General of Government operates freely independent of the president. After objections about the way several government tenders were conducted, they were canceled.

And the government of Uganda, like Kenya, committed over \$2 million of its own funds to complement MCC funding and to contribute to the sustainability of the program.

So again, within this context, we believe that the program will have a significant impact upon the Control of Corruption indicator.

And I'll pass to Sherri, and I look forward to your questions.

BENT: Thank you, Monica. Sherri Kraham?

KRAHAM: Can you see me?

(LAUGHTER)

Good morning. Mike Ryan spoke about moving forward, and we are delighted to be moving forward again with Yemen.

Yemen was selected as eligible to participate in the Threshold Program for fiscal year 2004 and 2005. But to remain eligible for a Compact or a Threshold Program, countries have to maintain performance on eligibility criteria as measured by the 16 indicators.

So Yemen, when we evaluated it in November of 2005, we saw a significant decline in policy performance and, as a result, the board suspended Yemen's eligibility.

Yesterday, MCC's board made a decision to reinstate Yemen's participation in the Threshold Program. The board determined that the government of Yemen is taking corrective actions and demonstrated a significant commitment to correcting each condition for which eligibility was suspended. Yemen embarked on an impressive reform effort, and has taken a series of concrete steps by changing their laws, regulations and practices.

The board determined that the government has met the standard for reinstatement. And while the indicators do not currently reflect the improvements, if the government of Yemen does not reverse course and continues to implement new policies and reform commitments, we believe the indicators will improve considerably in future years. Many of the reforms have already been validated by external indicator institutions that we use.

Let me tell you a little bit about government reform efforts. A few months after our suspension, in February 2006 President Saleh announced and began implementation of an impressive national agenda for reform. This agenda committed to many of the reforms that were cited by the indicator institutions and the causes behind the low scores. President Saleh also announced a cabinet reshuffle, which will remove many of the ministers viewed as most corrupt and replace them with technocrats.

Over the course of the last year, the government has aggressively implemented its national agenda for reform that has made the judiciary more efficient and independent, dramatically increased the transparency of public procurement, strengthened its management of public finances, adopted wide-ranging civil service reforms, passed anti-corruption and financial disclosure legislation, and removed barriers to private-sector growth.

Let me give you just a few examples. In terms of anti-corruption, they've passed anti-corruption legislation that will establish an independent national anti-corruption authority made up of representatives from the public and private sector, civil society, and this body will have investigative powers and other key authorities.

They passed important financial disclosure legislation, which we believe has teeth. They've launched a huge 50-day anti-corruption awareness campaign in six cities and 700 locations to gain popular support for upcoming anti-corruption measures and to remove taboos associated with the issue of corruption; they adopted broad judicial reforms; removing the president, President Saleh, from the Supreme Judicial Council to improve the independence of the judiciary. The Supreme Judicial Council was also given an independent budget and a well-qualified, reform-minded judge was appointed and heads it. They retired, sanctioned and suspended or prosecuted more than 30 corrupt judges. They have adopted procurement reforms, preparing and submitting a new procurement law for parliamentary approval

that removes all the ministerial representation from the High Tender Board, establishing a new procurement monitoring board made up of technical experts and civil society, and allowing international observers to sit on the board as non-members.

I have lots of examples. Let me move quickly.

They've also made progress in strengthening democratic institutions. Elections in Yemen were considered a landmark event. For the first time, opposition parties nominated a common candidate, and a very credible one, to oppose President Saleh. All parties were given equal access to government media during the 2006 presidential campaign. Most election assessments have not been released, but there is agreement that, despite several irregularities, the elections were largely free and fair.

These are just a few examples of what observers have noted over the past year, but we're learning about positive developments every day. Just yesterday we learned about Yemen's new budget, which included increased budget expenditures for health and education priorities, so that's very positive.

The U.S. Embassy and the USAID mission have worked closely with other donors. They have also been impressed by what the government has done. At a donor conference in London this past November, the World Bank and others commended the government for what it has achieved, and pledged to increase the funding.

Why reinstate Yemen now? We invited the government to reapply for reinstatement, or to apply for reinstatement, when it addressed many of the conditions which led to the decline, and we felt that that standard had been met. The second reason is that we feel like we strengthen the hands of reform within the government by recognizing the efforts that were made. Finally, we believe the government is now moving in the right direction and have created an environment where we can have a successful Threshold Program.

There is more work to do. There is no guarantee that the government will continue these reform efforts. But we are very optimistic that the current wave of reforms will continue.

The next step in this process is that the Yemeni government will need to develop and submit a proposal for the Threshold Program, and we look forward to receiving it.

Thank you, and I'll look forward to your questions, as well.

(APPLAUSE)

BENT: Thank you very much, Sherri.

As the floor, if you would identify yourself as you're asking questions, and if you want to place a question to any one of our panel -- in fact, I'm also willing to answer questions.

QUESTION: Sandy Guill. I have a question for Monica. This is a two-part question. In the Threshold Program, can you give me an approximate time from the time a country is nominated until they go through the Threshold agreement?

And then second part, while they're going through the Threshold agreement process, could they also be holding public outreach meetings and so forth towards their Compact, or is that a follow-on?

KLADAKIS: Sure. As far as the process, and this is all on our website in case you'd like to actually have some bedtime reading, when a country is selected -- the selection process takes place in November of each year.

After a country is selected for the Threshold Program, we have a two-step process for submission of a proposal.

The first step actually has just taken place. We had a deadline of today, February 15th, for the submission of section one of their Threshold country plan, and that's just an outline of their mission statement, what indicators they'd like to address, a basic concept paper.

The second deadline for the rest of their proposal, for the details of the proposal, is May 15th. And so, by May 15th, we expect to receive a full Threshold country plan with all the details about the types of activities they plan to take, a detailed budget, performance benchmarks and information on what other donors are doing and what they're doing working with civil society.

After that, there's a negotiation phase. There may be some back and forth if we think they need to tweak something, and that's where we never know. That can take a month. It can take six months. So when that is completed, then we take the proposal to our internal senior management, our investment committee, and then if it's approved, it goes to our board. Then it goes to Congress for their review, and then ultimately we can sign an agreement.

Now, none of this guarantees at all that a country is going to be selected to be eligible for a Compact. If it does happen, if they do show improvement on their indicators, whether during or after the Threshold Program, that starts a whole other phase.

We are encouraging Threshold countries to conduct outreach and work with civil society, the private sector, et cetera, during the Threshold phase, especially because, when their program deals with corruption, it's critical to have the buy-in of the public for a program to have a greater chance of success. So we've been encouraging that strongly, and we also think it helps prepare them, if they do become Compact eligible, to be able to do a good consultative process.

BENT: OK, thank you. Let me spread the wealth around a little bit.

QUESTION: Has there been any discussion with Kenya regarding any agricultural projects?

KLADAKIS: Sure. Well, the program, as I mentioned, deals with procurement and procurement in the health sector, so the primary two ministries we're working with are the Ministry of Finance and the Ministry of Health.

At this point, those are the only areas we're targeting. We really haven't talked about anything. The board approved this yesterday. So we are anxious to see how the Threshold Program is implemented, and if they're able to achieve the results that we've identified. And after that, we'll begin, maybe, a discussion about a Compact.

BENT: I'm going to make Becky sprint a little bit.

(LAUGHTER)

QUESTION: How has MCC been addressing criticism of the country indicators?

BENT: I think that's a question for Sherri.

KRAHAM: Thank you. That's a great question.

All of our indicators have some time lag, but they're the best indicators that we have found. We evaluate our indicators every year to see if there are better, more accurate, more up-to-date measures available. And so we feel pretty confident that we have the best indicators that are available, that cover our countries. We measure 99 countries.

But that said, they all have shortcomings, whether there are gaps in the data, gaps in country coverage, or time lag. And we have a mechanism for addressing those time lags.

In the case of Yemen, it's a great example. The indicators haven't changed yet, but we were watching what was happening on the ground. We read the Freedom House report and Economist Intelligence Unit. We consulted

with these indicator institutions. We read available information prepared by the Yemeni government. We shared that with the indicator institutions. We talked to the U.S. Embassy and the USAID mission who were on the ground.

We have a number of ways that we can collect information and evaluate what countries are doing now. We have an ongoing dialogue with most of the countries that want to qualify for the Threshold Program. They come in all the time. This week we met with the president of Liberia. It was a very exciting meeting. And we know that the scorecard for Liberia doesn't accurately reflect what's happening today in Liberia, and that there's a significant reform commitment there, and significant action has been taken.

So we're able to monitor them pretty closely, using all of the tools available to us, public information. Mostly, the drivers that feed into our indicator institutions are evaluating countries all the time. So we are able to act in real-time in response to events happening on the ground and the government's robust reform efforts.

BENT: Let me just add one or two sentences to that. The criteria for the Threshold Program are different than for the Compact itself. For Compacts, we really do like to see actual performance, and we do try to validate it with the third-party institutions that provide our (inaudible).

QUESTION: Are you working on slum upgrading or housing development?

BENT: Let me take a stab at answering that question. In some sense, the Burkina Faso program, for example, is a program dedicated towards helping girls complete primary school. But one of the issues with that is that teachers are unwilling to go out to some of the more rural areas. So in fact, the program is dealing both with bore holes to get water, school classrooms with facilities appropriate for gender, but it also includes teaching housing.

I think as we go forward, frankly in some of the new Compacts, some of the new countries coming in, we've announced (inaudible) see some programs dedicated to housing. Whether that's slums or the infrastructure that goes with it, water, electricity, some of the other things, it's open for further discussion.

QUESTION: I am hearing you use the terms disbursement and obligation almost interchangeably. Is there a difference between the two terms and is there a formula for creating a disbursement timeline?

RYAN: That's a good question, and Lord knows as far as using them, you know, interchangeably or not -- but maybe I can say now that there are several terms of art.

One is a commitment. A commitment is when, basically, we reserve funds for, say, a Compact, when we sign a Compact with a country.

The other is an obligation, when we actually obligate the United States government to that specific funding, and that happens when we enter into force with a country. There's some internal discussions about whether or not we might move to an obligation where we actually sign the Compact, but we're not there yet.

The disbursement is when there is a request for actual funding for the Compact activity that's on the ground. The disbursements will inevitably lag behind both the commitment and the obligation, because there's a lot of planning that goes on between the time when we have the obligation and enter into force. And even after we enter into force, there will be discussions of when the money is going to be needed, how much is going to be needed, at what rate we're going to spend it.

Then there's another one, which I'll try your patience with, which is re-disbursement, which is after we disburse, actually send the money to country, then the country itself, an accountable entity inside the country, will actually pay a contractor or pay a bill. And at that point in the usual accounting terms, the funding is liquidated, and it's gone.

As far as the disbursement, there's not a single rule, but we have disbursement agreements. But the understanding is that the funding should in fact be used within a relatively short period of time after the disbursement, so that the lag between the disbursement and the re-disbursement should be relatively small, say 30 to 60 days.

So we reserve the right to, when we look at our quarterly reports and our monthly estimates for how much is needed in the next month's disbursement, to adjust the disbursement down if they haven't used the money that we've sent them previously.

So it's a bit of a complex dance that we go through, but that's basically it. Commitment, obligation, disbursement, and then the ugly term, re-disbursement, when they actually use the money in-country.

BENT: Yes, sir?

QUESTION: Is corruption the main challenge for MCC?

KLADAKIS: Well, as I think Ambassador Danilovich mentioned, the corruption indicators are one hard hurdle, so a country has to pass that in addition to passing half of the criteria in each of our three categories to be considered for eligibility for the Compact program. So it's critical from that perspective.

But in reality, most of our Threshold countries have failed on the corruption indicator and have decided to target their programs to address it. Out of the 11 programs we have currently in implementation, nine of them are primarily addressing the corruption indicator. Some of them have tied in other of the indicators, whether it's rule of law or something else, but the primary focus is anti-corruption.

KRAHAM: I just want to add something to that?

BENT: Yes, Sherri.

KRAHAM: The reason why MCC has made the corruption indicator a hard hurdle in our process is because the development literature and the lessons learned through development practice over the past few decades is that corruption is one of the greatest constraints to economic growth, and there's lots of information about that available. You can look on the World Bank website. We'll be publishing a paper on our website on what MCC is doing about corruption and why it's so critical to MCC that countries perform well in this area. So it's based on evidence that corruption is a huge constraint to economic growth and poverty reduction.

BENT: And to add onto Sherri's addition, the corruption siphons off resources that would otherwise be used for health, education, housing, a whole variety of things. So in some ways, it's almost an indicator that cuts across all three, and really does create investing in people and economic freedom. So for that reason, it is hugely important.

QUESTION: What is MCC doing with regards to management and controls?

BENT: I'll take that question. The accountable entity is responsible for the procurement. But that said, we spend a huge amount of time looking at what the systems are, vetting the rules, looking at the terms of terms of reference, the RFPs. That's the whole of it. We're well aware of what the issues are involved in any contract in procurement. And, frankly, it's always been a big challenge.

But that said, the way forward I think is, when you do have country ownership and the countries do take responsibility, you look at what they do, but they're the first part of it.

RYAN: Rodney, if I could?

BENT: Yes, sir?

RYAN: I just use this as a signal to talk about internal controls, which I know no one is going to ask directly.

(LAUGHTER)

In fact, there's a circular for government, it's called A-123 -- that OMB puts out, which is an offshoot of the Sarbanes-Oxley, which is a much more strenuous and costly legislation. But we take it very seriously.

And we were allowed by OMB to cover -- when I say "we," everybody in the federal government -- to cover the full range of internal controls, which are those things that are going to catch corruption, or at least try to cut down on the opportunity for it, and to scope it into several years.

Knowing the challenges, or the one that you alluded to, but also knowing that it's very difficult even in Washington, we split it into two parts. In the first part we just finished this year and have published in two volumes the complete set of controls and responsibilities and procedures for everything in Washington, D.C.

Within a previous agreement with OMB -- and we did that by engaging one of the major accounting-consulting firms in town.

We are going to do a similar look at all controls overseas in the coming year.

So as we mentioned, or perhaps we didn't mention, the bell curve of disbursements, when you're committing funds, when you're obligating funds, when you're doing all these nice things that everybody watches, of course no one can steal that money because it's all notional. The only time you can steal it is when it's actually out there in the country and being spent, as a point of your question.

We're going to be looking at what kind of controls. We already have fiscal accountability already a part of our -- MCC already has agreements with every country about how this is going to be handled, but we're not going to be resting on that. We're going to be looking at what can we do, where are the weaknesses, and what mitigating factors we have to take.

Now, we have to do that in a responsible way that does not get in the way of this challenge partnership with the country. They've got to own this.

In other words, if they can't police their own procedures, then we have one great switch on the wall called -- in turning off funding that we can -- we don't want to resort to that, but we're going to be advising people working, respectful of their sovereignty, to work these things out.

QUESTION: (OFF-MIKE)

RYAN: That's a great question. I think Sherri Kraham's been waiting to answer that question all morning.

(LAUGHTER)

I think that you're right. The negative portion of all of the little knots we tie in everything we do, you really have a problem because, on the one hand, if we're very cautious and we take no risk, then no money will be offered, and also we'll have no program.

So one of the ways to go through controls is to define responsibilities, separation duties, all those things that don't necessarily slow anything down, but actually if you have them in place, speed things up.

The other thing that we are talking about now, and again it's going to be something that we do respectfully, is trying to put on our website those kinds of standards that are not so dictatorial, as they say, "a country must do X, Y, and Z," but have an approach that's adjusted for their own situation; their own accounting standards that must meet international standards but don't have to meet our standards; and their own policies, which don't have to be exactly all about procurement. It doesn't have to be exactly World Bank, but should not be too far off of that.

We want to have these published so people can see these are the kinds of modeling techniques that we can use.

Internally, the other thing that we want to do -- and this is brand new; we were just talking about it -- is that we have two internal working groups that are working on the concept of country ownership and also on the concept of risk. And these two go together. There was a challenge partnership that we have with countries, challenging them to take full ownership.

In the beginning, as we all know, we're working together. We're working because we were talking about the Compact. We were talking about what everybody's going to do, and we're very much involved, and we have the money.

But eventually, and to be sustainable, the control and responsibility has to be the country's. So the risk comes in when we are talking about trying to develop for ourselves a method where we look at the Compact and just look in a hardheaded manner about where are the risky areas for this country and what are the areas that they have a very good track record there, and we shouldn't be leaning forward.

That way, with the kind of a modified approach as we talk about these things with countries, the positive approach I think is behind your question. We can suggest to them areas where they can take their own steps and not just leave them in the woods, but also not dictate to them.

Thank you for your question.

BENT: Let me add just one point to that, as well.

A key part about the MCC is having countries learn from each other as they go. In March we're going to have the second annual MCC University, in which we bring participant countries, and they talk among themselves about the challenges they face in what they do.

We don't pretend to know everything. What we want to do is to elicit from others who have gone through it what worked, what doesn't work, what works more successfully.

Other questions? Try the left-hand side of the room here.

QUESTION: What is the relationship with USAID and the threshold program?

KLADAKIS: Right. Thank you. That's a great question.

We work closely with USAID from the very beginning. We have a very small staff here. There are four of us that handle the 20 or so Threshold countries, and USAID has a presence on the ground in most of our Threshold countries. And so they serve as our interlocutors with the governments throughout the process.

So from the beginning, they help answer questions. As the government is developing its proposal, we work very closely with them, providing guidance for what we are expecting, what we're looking for, and help answer questions.

Now that we're in this second phase where the country will be developing its detailed plan again, we encourage the countries to talk to AID, talk to us, because we want to help them to craft the best proposal they can. And ultimately, when an agreement is signed with a Threshold country, USAID has been our primary U.S. implementing agency.

Other agencies have been involved, the Department of Justice, the Department of Treasury, but AID has managed the overall implementation of the program, and then working with Treasury or Justice or whoever else, other contractors, to implement the program.

So they'll issue their request for proposals. They're able to do that as soon as a Threshold agreement is signed.

BENT: Yes, ma'am?

QUESTION: Do all threshold countries go through the threshold agreement process?

BENT: Are you referring to the Threshold Program in particular, or the Compact...

(CROSSTALK)

KLADAKIS: Well, on the Threshold side, it's managed by USAID in-country, and so it would be through their website, essentially. It's all public. It's all transparent. And like I said, it's managed by USAID, so that's for the Compact side.

BENT: Each accountable entity has got its own sort of process.

Maureen, do you want to say a few words?

Maureen previously worked in Africa, so she can talk about some of the specifics.

HARRINGTON: Sure. Good morning.

For the Compacts, the way the procurements work is, after we sign a Compact agreement with a country, there's something called an accountable entity that's established. In the case of Ghana that I recently worked on, they established an organization called the Millennium Development Authority, and that institution will be managing all the procurements under the Compact.

MCC, in the due diligence of our Compacts, when we're still analyzing proposals of Compacts, we have our own procurement mechanism set up, and all the risk information is available on our website. There's a tab, if you link through, called "procurements," and so that will list all the procurements that MCC itself as an organization is managing.

And we'll also have a link to the procurements that our countries are managing, because we really want to make it easy for our colleagues in the United States to be able to access the opportunities that are available in all of our countries.

Does that answer your question?

QUESTION: What about East Timor? How do they stand?

HARRINGTON: I don't know. Off the top of my head, I'm not sure. But again, that should be available on our website, as well. And if it's not there, please give us a call and we can put you in touch with our infrastructure folks who can let you know who's on that country.

BENT: Other questions? Yes, sir?

QUESTION: Has there been criticism of MCC by congress with regards to foreign aid spending?

BENT: I'm not sure. I don't think I would call it criticism. The prelude to your question was that foreign aid was not always the most popular program and, usually, there are studies that show how most Americans -- in fact, it's not just Americans -- if you ask how much is spent (inaudible) seems to be a pretty widespread prejudice that it's multiples more that are spent.

I think that the issue, frankly, with things like Buy America is what is it that you want to be about. And if you are trying to promote economic growth and if you're trying to promote positive change in countries that will have a multiplier effect several times the dollars that you're spending, if you link it to American purchases -- Chris Holtwait (ph) is an old colleague, and Chris worked at USDA and talked about (inaudible).

I think the goal of the MCC is poverty reduction through economic growth. To the degree that you tie it to Buy America, you are in essence tamping that down.

My own view is that there will be, frankly, for American exporters and American investors, multiple benefits, far outweighing anything that might in the short-term come because of the Buy America Act.

Come on, this should be a livelier group. You're under-caffeinated here. Any more questions? Yes, ma'am?

QUESTION: Can you give us a better idea about the actual disbursement schedule?

RYAN: I think what I'm referring to is just the natural bell curve of disbursements that happen whenever you have a startup. And if you think in terms of where we began two years ago, three years ago now, that the point in time when the Compacts are in place, the money is set up, things are defined, and we have many infrastructure projects which are a lot of planning, even in this country. I think the first year rate for disbursement should be something like 12 percent, and it climbs until the second and third year.

So I think the answer to your question, without a lot of detail, is that it would be a natural progression, given where we are in this program, that the money that has been -- we've finished this year. We finished this year, just to give you a couple of numbers.

About \$6 billion will have been appropriated, if I'm right about us being at the same level as we were last year this year. We will have basically committed or obligated all of that by the end of 2007. And a lot of that, now billions, are actually in the pipeline, so it's only natural to see that, if we are now at disbursements just slightly under \$60 million, that that is going to just radically accelerate.

I mean, our estimates -- in, sort of, a frightening fashion, but factors of 10 over the next couple of years. And so that's why all this talk about internal controls, talk about risk and talk -- because I think it's going to get very heavy across the whole spectrum, not just one area.

BENT: I think we have time for one more question, if there is one more question.

QUESTION: Has there been any criticism from USAID regarding cuts in their budget?

RYAN: Well, I think that is a criticism that we hear more and more. And just a couple of clear markers probably that you know, but maybe everyone doesn't, that we are really independent of that process. We are an independent entity. But we do work very closely, of course, with the folks that run the process at the State Department and AID.

My understanding is that the 2008 request was coordinated with anticipated MCC 2008 disbursements in mind when they did it, which is I think behind your question. And basically, you can cut this in several different ways. But what I understand is that the standing USAID 2008 request for development program is up \$1.8 billion more than the 2006 level.

As far as our Compact countries go, we are finding that, with the possible exception of one Compact country, the levels are going to be considerably above the 2008 levels, if taken in total, if you take our money plus the money that's coming from all the other areas. So it is kind of what you want to look at.

But if you look at the total impact on the country -- I'll give a couple of examples that have come out of State that I have here, and since (inaudible) include your question, is that if you look at El Salvador in the 2008 request, that it'll increase by 152 percent over 2006 levels. So will Honduras -- 128 percent over, as a total.

Now, if you take our funding out of it, it's not as dramatic. We are finding that sometimes folks who are in-country and maybe part of the NGO community, and their funding has -- some, of course, have increased, but some are being cut as a natural sort of process of funding in any situation.

They're also looking at how they can sort of participate, and we want to encourage them in the Compact development where they can work on certain elements of the Compact, or even work with us on due diligence. And so, we think you have to look at the total package. I mean, it's a good question, and it is the one that's being asked.

But if you look at the total package country to country, I think you might see that, yes, this spigot has been shut down, but then this has been opened up.

And everyone can make their own judgment about what the net result is. But I think it's fair to say that, in almost all -- I think that there may be one exception -- of our Compact countries, the funding is dramatically up across the board.

BENT: OK. Thank you very much. Thanks one and all for coming. We appreciate your interest.

(APPLAUSE)