



MILLENNIUM
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Transcript

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Post-Board of Directors Meeting Event

MCC Hosts a Public Outreach Meeting

Speakers

Aaron Sherinian

Managing Director for Public Affairs
Millennium Challenge Corporation

Rodney Bent,

Acting Chief Executive Officer,
Millennium Challenge Corporation

Alan Patricof

MCC Board of Directors

Lorne Craner

MCC Board of Directors

Frances Reid

Deputy Vice President, Compact Implementation
Millennium Challenge Corporation

Darius Teter

Acting Vice President, Compact Development
Millennium Challenge Corporation

Sherri Kraham

Acting Vice President, Policy and International Relations
Millennium Challenge Corporation

Transcript

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SHERINIAN: Good morning, ladies and gentlemen. My name is Aaron Sherinian. I'm the managing director for public affairs here at the Millennium Challenge Corporation. On behalf of the organization, it's a pleasure to welcome you here for the regular public outreach session that accompanies each of MCC's board meetings.

Can everyone hear me in back?

We are very pleased to have such a large group here today, and as always the proceeds of this meeting will be available in the format of a transcript on our Web site, www.mcc.gov, following the meeting.

We, in hosting these meetings, attempt to give you a chance to have one-on-one perspectives from those who lead our organization, the MCC board, and are very pleased today to have accompanying us two private sector board members that will offer their perspective from yesterday's meeting.

And I'm going to ask, at this point, the acting CEO of the Millennium Challenge Corporation, Rodney Bent, to join us here at the podium, and with him, Mr. Alan Patricof and Mr. Lorne Craner, who will offer their perspectives from yesterday's board meeting.

After their remarks — and we will have time for a few questions before we have to say goodbye to them as they continue on their busy schedule today — we will then proceed with the second portion of our program, which will be a panel of experts from MCC staff.

So Mr. Bent, Mr. Craner, Mr. Patricof?

BENT: Good morning. I'm frankly delighted to see a standing room only crowd. I think it's a testament to the importance of the MCC and your interest in the MCC.

Yesterday we had the second board meeting, chaired by Secretary of State Hillary Clinton.

It was a great board meeting. I think I can say that because the F.Y. 2010 budget is out, you can now see the extent of the Obama administration's support for the MCC. Secretary Clinton reiterated that support yesterday.

I think in testimony across the board you've heard from Deputy Secretary Jack Lew, Deputy Secretary Jim Steinberg about this administration's commitment to the MCC.

I testified — two weeks? — three weeks ago before the House Appropriations Subcommittee on Foreign Operations to talk about the MCC's budget. And I think the questions were pointed, lively, good, perceptive

questions, and they indicate also, I think, the degree to which the MCC is now accepted in the body politic of Washington.

So those are all good things.

I will now say that yesterday's board meeting was a hugely interesting board meeting because we're confronting some of the difficult issues about the nexus between projects and good policy performance by our countries.

The issue that took up the most time, probably, was Armenia and Nicaragua. If you've got our press release — and I'm assuming it was made available to everybody — you know the outcome of the board meeting.

I will say, however, that that was not the only thing that was discussed yesterday. We talked about the Threshold Program and its role. We talked about upcoming compacts, Moldova, Senegal, and then further down the line, Jordan, Malawi, Zambia, Colombia, Indonesia, the Philippines.

And so in some sense we're bringing the board along. They asked again a number of very good questions about this. I'll let my two colleagues, Alan Patricof and Lorne Craner, talk a little bit about their views of yesterday's board meeting.

And so — but I do want to say first a word of thank you to all of the private board members who bring a degree of outside perspective that's most welcome. They bring a degree of expertise in different fields that frankly as a government employee we could not ever afford. They bring a richness of perspective, of experience, of different perceptions.

And I mean this on behalf of all the board members, whether it's those who are not here, Ken Hackett, Senator Frist and others.

So let me stop. I'm going to get — give Alan a chance to give his impressions of yesterday's board meeting, and then Lorne, and then we'll go into a few questions and go from there.

Thank you.

PATRICOF: Thank you, Rodney.

And I think we all owe a measure of appreciation to Rodney, is the acting executive director and who has filled that role in a very fine, admirable manner over the last couple of months since Ambassador Danilovich left. And we're pleased that he'll be here for awhile longer until we can complete a transition.

I, frankly, you know, I do come out of the private sector, so I am not an expert in government — government — how governments work. And I always — I've been here once before at one of these meetings, and I always am

amazed by the interest in the MCC and very pleased by it, because we, as the private sector board members, take this matter very, very seriously.

We spend a lot of time at it, both at the meetings, both through our plus-ones who help us on almost a weekly basis to deal with the various compacts and Threshold programs. And, of course, when there — when things aren't just as smooth as you'd like, it even takes more time.

We had a meeting yesterday, as you know. It was actually a longer meeting than usual. It went through lunch. It was almost four hours. And we discussed, as Rodney just said, all the — many of the countries in the pipeline.

And needless to say, we spent a lot of time on Nicaragua and Armenia, which we had also done at our previous meeting, and in between the meeting. So this was not a matter that was taken lightly.

We also spent a fair amount of time on analyzing the Threshold Program, as a program, and I think we'll be studying that issue, in particular, more over the coming months and trying to refine that program further.

I want to make it clear the four of us who are appointed in different manners are each independent and we act independently, and — but it's been a really superb experience and to me a great model of how you can meld public-private partnerships. It really has worked very, very well. And other organizations should take that into mind, if it's possible, because we're very effective and give a very good balance between the private and public sectors.

So, as you know, we — the operational hold in Armenia was not lifted yesterday. And we determined that that was the best manner to handle this situation, and it was not necessary to specifically bring up a vote for termination in this case because we could accomplish the same thing since there was no reason we saw to lift that hold going forward based on what had transpired over the past six months, in particular.

In Nicaragua, we have a partial termination, which you know, which is effective.

The poor lose out in both these cases as they bear the consequences of the choices of their governments and what they — the route they have chosen to pursue.

It's a shame. It's regrettable. On our part, we really would have liked to have avoided it in both cases, but the realities of the countries' situation themselves are what forced us into that position.

The — I want to tell you that I personally am very proud to be serving in this capacity as it gives us a very good way of looking at the whole development community, and have been particularly impressed by this organization and what they've accomplished from every standpoint, internal administration themselves at the MCC, and also their activities in the various countries they're operating.

They are delivering assistance that we had hoped. There are many indicators that are pointing in a positive direction.

I know everybody would like to see the MCC spending money faster. Frankly, from my standpoint, as someone who comes out of the business world, I'm impressed by the fact that they're exercising ultimate care in how money is dispensed and what benchmarks have to be met before the next funds are advanced.

It enables us to keep a very careful rein on how the money is being spent and what's being accomplished in terms of what we had originally set out to do.

I have been extremely impressed by Secretary Clinton's active involvement and total awareness of what the MCC is doing. She led the meeting yesterday and was there for the entire time.

And she has mentioned on several occasions that she wants to strengthen and better the MCC model as we continue to go forward in looking at the total American foreign assistance program. The commitment to transparency, accountability and responsibility, I think, are the benchmarks of what makes MCC such an exciting program.

So I just want to say — and I'll be happy to — both be happy to take questions — yesterday was not an easy day for us. I'm sure it's uncomfortable for the countries who are involved. But it was very important to us that the principles upon which the MCC was established are maintained, and we feel that that was what was accomplished yesterday.

Thank you.

CRANER: Thanks, Alan.

Let me also express my appreciation Rodney Bent. I think I'm one of the few board members who was actually around when MCC was born, when the idea — and even at conception, when it was first conceived in 2002-2003. And so for me it has been interesting to watch it develop.

I think we owe a particular debt to Rodney. There was a time a couple years ago, when MCC had just started, things needed to be put into place. And I think Ambassador Danilovich, but especially Rodney, who knows both the substance and the systems that need to be in place here, have brought it to the point where MCC has a strong measure of backing from the administration, and that was clear yesterday when we were with Deputy Secretary Lew.

Secretary Clinton is aware of the finest details of this program. She has obviously taken a great interest, and yesterday, I think, spent a total of four or five hours with us, which is a lot of time at this moment in history for a secretary of state. But I think that demonstrates her understanding of what a unique role that the Millennium Challenge Corporation can play.

As far as the actions we took yesterday, I'll just echo Alan, who said that it is unfortunate that a number of countries, Nicaragua and Armenia in particular, but also Madagascar, were not more interested in helping their own people, helping the poor in their countries.

We took a number of actions that we are forced to take, I think, because of the standards that we're trying to maintain, but we continue to believe that it's unfortunate that those countries aren't more interested in their poor.

Let me finally say, again echoing Rodney this time, the role that the private sector board members are able to bring in, as somebody who has been into government, and twice, and seen how decisions are made, the role that the private members are able to play in terms of forcing choices and forcing decisions, I think, was illustrated yesterday.

It's a very, very healthy thing, and I would certainly hope to see it in other government programs.

And with that, we'll take your questions. Thank you.

BENT: If, when you ask a question, you could identify yourself and your organization, that would be great. Frankly, we're going to have a panel later on. I would, however, like to take the tough questions right up front and so to spare the panel. They can give you all the gory technical details, but let's put things on the table right out at the outset.

QUESTION: My question was, you said that Secretary Clinton spent a considerable amount of time with you and she said that one of her goals was to strengthen and improve the model of MCC.

Can you give a little bit more clarity of what recommendations, if any, she made to strengthen the model of the organization?

BENT: I'll give you a brief overview, and then I'd like to have Alan and Lorne give their views as well.

I think what the MCC is all about is transparency and accountability. It's about good metrics. It's about performance.

And what I think the secretary is most interested in is how some of those principles, which are, frankly, they were true in the Bush administration to a degree, they're certainly true in the Obama administration in terms of performance, what can you do in foreign aid? How can you measure results?

And I think that the questions are how do we apply that across the spectrum of government programs. And I can say, and I'll let Alan and Lorne comment as well, that the secretary is very interested in the effective deployment of development assistance programs.

So the question is, how do we do that? What are the lessons learned? What do we take from USAID or the Peace Corps or the African or the Inter- American development foundations or other institutions?

Lorne?

Alan?

PATRICOF: There were no decisions taken yesterday. I think what was very important to us is the secretary's expression — and I'm not choosing my words delicately — but her expression vocally of support for the MCC principles and the MCC itself, which I think was a very reassuring element, because there has been discussion about the MCC and there is always rumors about it and what people are thinking. And she made — gave a very clear message of the interest in the administration in maintaining and building upon the MCC and learning from the experience.

I think one of the things she mentioned it made me think of specifically was the amazing transparency the MCC has. I assume you know it probably better than a lot of us did, that everything about the MCC is up on the Web, everything.

That's the principle that Rodney and Ambassador Danilovich have had from the beginning, and I think the secretary was saying, you know, that's a model for everybody in government. Everything is out there.

I am not part of the audit committee. I sat in the audit committee meeting. And Lorne is chairman of the audit committee, he can speak to that. But the — even the OIG, who audits, expressed how well run this organization is and how transparent it is and how the whole process is run so efficiently.

CRANER: I think the secretary understands the fundamentals of MCC, which is the transparency and the standards that have been talked about.

The other thing she — two other things she talked about. One was the ability to coordinate between different foreign aid mechanisms, whether it's AID, OPIC.

That does not mean, and she was quite explicit about this, that she wants to see them all rolled into one. But I think she's very interested in coordination between State, AID, MCC, et cetera.

The other was she — I think she very much views MCC as an instrument of foreign policy, and she used that phrase a couple of times.

As far as the audit committee, I won't bore you with all the details, but that was certainly the case that in terms of audits that were done here two or three years ago, it's been remarkable progress and the I.G., the USAID I.G. commented on that, and again I think that's largely a tribute to Rodney.

BENT: And a tribute to my team, to be honest. They do all the hard work and I try to take the credit every once in a while.

Other questions?

QUESTION: My question is, what is the likelihood of continuing the compact agreements with the three countries which you enumerated, Armenia, Nicaragua and Madagascar? Is it dropped for good, forever, or is there hope that the compact agreements could be revived?

BENT: Well let me take each country in turn briefly. Start with Madagascar.

The board has voted to terminate our compact with Madagascar, and what we are now in the process of doing is winding it up. How do we in some measure complete the contracts, make sure that there are no issues of safety, because we were building a lot of small public works there.

It's with some regret, frankly, because the Madagascar compact was going extremely well, but there's no question that good governance is at the core — and that's true with respect to Madagascar, Armenia and Nicaragua — of what we do.

And so therefore, if you have an extraconstitutional coup, there's simply no way that we could have a productive compact with Madagascar.

Same time, in all three cases we don't wish to penalize the poor people in these countries. Case of Madagascar, we're therefore going to make sure that we wind up so that the building sites are left safe, that we do everything we can to be a good, if exiting neighbor.

The case of Nicaragua, this has been an issue for some time. The deeply flawed elections of last November have been problematic. We had suspended Nicaragua.

We've had a series of conversations with them. I was there three weeks to — four weeks ago to talk with the minister of finance, with the minister of public works, with the minister of economy about what needed to be done.

There's no question that we were very straight with them about what could be done to resume the roads portion of the compact.

We are continuing with several portions of the compacts. So I want to be clear: It's a — what the board voted on yesterday was a partial termination. We are going to finish up what we contracted to do. We're just not going to do new activities.

Case of Armenia, this has been an issue for a period of time. There were a series of incidents last March that were problematic. People have been arrested. People have been killed. Armenia fails five out of the six indicators in the "ruling justly" category. That's a problem for us.

We have wrestled with how to have the most constructive outcome, frankly. We want to be a good partner. We're absolutely cognizant in both cases, Nicaragua and Armenia — and also, frankly, Madagascar — the projects themselves were being well run. They were doing what we had designed them to do.

But if you take a step back, the only way we can get the kind of poverty reduction and economic growth is if we have good governance. And if we have partners that are not practicing good governance then the most brilliantly conceived, brilliantly executed projects in the world are not going to have any kind of lasting value.

What the board did yesterday, I think, with respect to Armenia was to recognize that we've been very clear with the Armenia government about what needed to be done. We hadn't gotten a very satisfactory response.

The notion was that there's no intention of taking the issue up again. The ball is entirely in the Armenian court. It is up to the government of Armenia to do what we've suggested would be a series of steps that would bring them back into — I won't say compliance because we're not really about compliance, we're about incentives.

We will continue some of the projects there, but the road project is on hold and, frankly, I think the prospects of its continuing are slim to none.

PATRICOF: I want to add an extra comment here, and this is extremely important from the stand point of Lorne and myself and the other two members.

We take very seriously these indicators. They're not perfect, but we do take them very seriously.

And we have — our conscience is at work at all times and we keep reminding ourselves and reminding everyone around us that if we don't establish the principles of this organization, there's no point to continue it.

We have to be firm and that we are certain principles that are part of the formation of the MCC and that we have to be careful in sending messages to all the other countries who have compacts, who are in Threshold programs, who are, quote, "having the MCC effect," unquote, which means they're getting — they would like to become eligible for Thresholds or compact programs.

And if we don't stand by the principles of the organization, then it makes it very difficult in dealing with all the other countries that are out there on the horizon. So that that was a very important part of the discussions yesterday and have gone on for, frankly, the last six months and before that because Madagascar was earlier.

And we've worked every way possible to make — get these programs in shape and get the governments to be responsive that we are serious about what we — that we took this very seriously. And I hope that what took place yesterday is a message to a lot of other countries that the MCC is serious about its principles.

(CROSSTALK)

CRANER: Yes, I was thinking that when Rodney was asking your question, we all have to remember this is a different kind of foreign aid program. This is a foreign aid program that is aimed at countries that show a willingness to meet certain standards in terms of governing justly, taking care of their people and building their economy.

If those standards are not met, there are plenty of other aid agencies that are happy to help those countries. But MCC, I think especially, frankly, the private sector board members are extremely aware of these standards. And that I think over the last couple of years and certainly the last few days provoked a lot of discussion about some of these countries.

And then yesterday you saw a complete termination of Madagascar, the partial termination of Nicaragua and the partial termination of Armenia.

In both the case of Nicaragua and Armenia, it is unimaginable to me that the parts that were terminated or effectively terminated, respectively, could be resumed, and it's certainly within the five-year compact, within the five-year compact time line.

Literally, it would not be possible to complete those projects at this point, so they're, in effect, terminated.

BENT: One more question, provocative as usual. You're the only provocative one in the room. Go ahead.

(LAUGHTER)

QUESTION: Alan, in your remarks — Alan, in your remarks, you mentioned that the Threshold Program. Can we expect to see any modifications to the implementation of the Threshold Program or the way it's working?

PATRICOF: I'll answer that and let Rodney (inaudible). And Lorne can also.

This is truly a partisan group, so we do a lot of things. It's a great experiment in democracy.

(UNKNOWN): (OFF-MIKE)

(LAUGHTER)

PATRICOF: I think it's fair to say from our standpoint and not in a critical fashion, we're looking at that and trying to see what's good about it, what's bad about it, how can we improve it.

And so I would guess that going forward in the future, because the MCC is learning and thinking all the time about these things, that it'll keep coming up.

And we were talking about it actually this morning, before this meeting. Maybe we should all get together and talk about programs and ideas. But the organization itself has thought a lot about it and my guess is it will be tweaked in different ways, in trying to make it even more effective than it is today.

CRANER: Well, I think there were — Sherri had an interesting study, which you can question her about, about the Threshold Program. The I.G. also took a look at the Threshold Program.

I think there are a couple of questions. Number one is the criteria for coming into the Threshold Program, and I think the second would be the effectiveness, in terms of getting countries over the line.

But I, you know, again, as somebody who was there for the early discussions, originally there was not talk of a Threshold Program. And when we took the program to the Hill, the whole MCC idea, they said, “Well, what are you going to do about all these countries that are close to the line, but aren’t quite over?” And I think, from my — as far as I’m concerned, that is the main thrust of the Threshold Program.

BENT: Two observations. I think General Eisenhower said, first, that no battle plan survives first contact with the enemy. And I think the second quote was something like the plan is always worthless, but the planning process is essential.

What the Threshold Program was initially designed to do, I think, was to bring countries from not meeting the indicators and to help them meet the indicators. It was intended to be an inclusive way of helping countries that were short and yet worthy of some kind of assistance.

What we have seen over the last five years, and because we believe in, I won’t say endless introspection, but pretty deep introspection — disciplined introspection may be the better way of putting it — does the program work? Does it meet its goals? How can it be made more useful across the board?

I think AID has been a very effective partner in implementing many of the programs, and so what I’m about to say is not in any way a reflection on USAID or the implementation, but instead how is it that the board uses the Threshold Program. How do we, when we offer it to a country, are we making them — how do we manage their expectations that because they’ve got a Threshold Program they will automatically get a compact? That’s not the goal.

We want to help them, but they have to be good partners.

What are the issues involved in implementation of the compact? Are there things that we could anticipate and preview and use the Threshold Program to do? Right now, our legislation is a little bit restrictive on that score.

So these are the kinds of questions that I think are going to come up. I think the board has, frankly, asked some tough questions. When I was at the (inaudible) hearing a couple of weeks ago, the first question from Chairman Lowey involved the Threshold Program.

So even though it’s about 10 percent of what we do, it’s a precursor of the kinds of issues that we confront. How well are the programs designed? Are the partners that we’re working with good partners? How can we make them

better partners? What is it that we're offering them that they need? What is it that we're not now offering them that they need?

Those are the kinds of questions that I think the next management of the MCC will take up with great vigor. And, since I know the board will continue, I am confident that they will ask all the tough questions, and so a lot of spade work has been done.

Thank you very much. I appreciate the chance to be here, chance to meet with you, and I'm sure my colleagues do as well.

(APPLAUSE)

SHERINIAN: We're grateful to Mr. Craner, Mr. Patricof, and of course our acting CEO, Rodney Bent, for their time.

And as we move to the second part of the program and welcome to the table our panelists, I'd like to draw your attention to a series of interviews with our private sector board members.

If you go to www.mcc.gov, under "new media," there is an interview with all of MCC's private sector board members, under "Why Americans Do and Should Care about the World's Poor." So I would invite you to hear more about their perspectives as part of that feature.

We have with us today and are mostly interested in your questions and your perspectives, and so we brought to you Frances Reid, deputy vice president for compact implementation, Darius Teter, acting vice president for compact development at MCC, and Sherri Kraham, acting vice president for policy and international relations at MCC.

We are going to begin with some brief remarks on their part and then we'd like to open up to your questions regarding the detailed aspects of what Rodney, Mr. Craner, Mr. Patricof mentioned at the offset.

So with that, we'll start with Frances. Thank you.

REID: I have no idea how this works.

(LAUGHTER)

You know, I just want to underline a couple of points that Rodney made with respect to MCC's commitments to the programs in these countries.

I'm responsible for, among others, both Nicaragua and Armenia, and have worked for a very long time on both compacts. And, you know, I can honestly say that those of us who have been working in these countries very much regret the situation that has emerged.

We're very much committed to the programs we've been working with. We've been very pleased with the level of cooperation from the Millennium Challenge Account entities in both Nicaragua and Armenia, and we believe that the programs have been making a significant impact.

We remain committed to working with our counterparts on the programs that will be continuing in both Armenia and Nicaragua, and, you know, we look forward to successful outcomes in those programs.

Thank you.

TETER: Thank you. I'm Darius Teter. I'm the acting vice president for compact development.

We have eight eligible countries in our pipeline. I'll start with the newest first, which is Indonesia, Zambia and Colombia.

We have now completed our initial visits to all three countries, where we met with a broad swathe of civil society, private sector, chambers of commerce, NGOs, parliamentarians, opposition parliamentarians, and senior government officials to lay out the process for the next 18 to 24 months of developing compacts with those three countries.

We would expect to sign compacts with Indonesia, Zambia, and Colombia probably in fiscal year 2011. This is always a fluid problem of managing a very lumpy pipeline.

For fiscal year 2010, we are well under way developing compacts with our partners in Malawi, Jordan and the Philippines, and I can speak to the content of those proposals, if anyone is interested.

And for this year, and what we discussed at the board was a preliminary update on the status of compact preparations with Moldova and Senegal. I think there was very — quite a lively discussion about these countries.

The Moldovan — our Moldovan partners have proposed a series of investments in road rehabilitation and irrigation to help them transition to higher value agriculture.

In the case of Senegal, irrigation and water resource management projects in the Senegal River Valley, as well as two major highways for rehabilitation.

The current value of all of these programs exceeds our budget for this fiscal year, and that will require us, together with our partners, to trim down what's frankly quite an exciting set of bankable projects to something that we can actually finance.

I will say that a number of board members expressed some concerns and reservations about the current election process in Moldova, including some of the violence around the first round of parliamentary elections. And we will

be watching the facts on the ground very carefully going forward as we put together our recommendations for the board in the near future.

Thank you.

KRAHAM: Good morning. I'm going last, just like I did yesterday, keeping the board from eating their lunch, so I'll make it very brief. And I, you know, I think you've got a fairly good sense of what we've been looking at, from our board members.

We started this review three months ago. I'll tell you exactly why and what we're looking at now and what we hope to accomplish in the next coming months, what we're learning.

Why did we start this review? We decided that with four years of experience in the program — and as Mr. Patricof described, we are a learning and growing organization all the time — we've invested heavily in this program and with a new administration it's time to take stock of where we are and assess the impact of these programs.

A number of outside stakeholders in Congress and in the development community have also expressed interest in this assessment and want a better understanding of what we are achieving.

To date, we've primarily focused on what exists now. We've gathered and analyzed information about the current program portfolio. The review is an internal review. We're working very closely with our partners at USAID, in consultation with them, and also drawing largely from the field missions to do our analysis.

We consulted with a broad range of those stakeholders to understand the questions that they have about the program. And we hope to learn more information about the results from planned independent evaluations on the individual programs.

Let me just cover briefly where we are now. We have 21 programs in 19 countries. We've invested \$470 million. Over half of that funding has focused on fighting corruption.

We are also currently developing two new programs, with Liberia and Timor-Leste. The board selected those countries last December.

These programs were designed to support countries' reform effort, so they can improve their policy environment and create a better foundation for economic growth and poverty reduction and hopefully qualify for MCC compact assistance.

The programs are between two and three years in length, and we have approximately seven programs which have concluded or are in the process of concluding, winding down.

In terms of the individual programs, we found that we have supported meaningful and important policy, institutional and regulatory reforms focused on improving the eligibility criteria.

As Rodney mentioned, implementation has gone well. Most of the inputs and outputs agreed to in the programs have been achieved.

We've also been able to document some significant improvements in outcomes, such as reductions in corruption in a given sector.

Some early results from the first programs, for example, in Paraguay, the time and cost of starting a business declined by approximately 50 percent.

In Albania, the number of new registered businesses increased by nearly 20,000 new businesses and tax-related bribery fell from 77 percent to 22 percent.

In Burkina Faso, the interventions funded under the Threshold Program increased primary enrollment rates — primary education enrollment rates by 21 percent and boosted math and reading scores — reading test scores significantly.

However, in most cases, it is too early to draw conclusions about the results of the programs or the outcomes of the individual programs since most of the programs are ongoing.

For most of the programs, it's also too early to expect an impact on the indicators to be fully captured because of the reporting lags, because of the lags between when a reform is implemented and when the full range of effects will take hold.

And so this accounts for one of the challenges that we've seen in the program in terms of the length of the program and what we're trying to achieve in helping countries to meet these indicators.

Finally, we found that we expanded and strengthened the U.S. dialogue with a number of countries using MCC scorecard as a very clear and transparent way, road map, and we think that, joined with the incentive of compact eligibility, has created a strong tool for the U.S. government.

So that's what we've learned to date. There are a number of important issues that were already mentioned that we'll be thinking about in the next phase of the program and hopefully working with a new CEO and the new board to tackle in terms of the future direction of the program.

With that, I'll take your questions.

SHERINIAN: Before we take questions, just a reminder.

Eliza, could you raise your hand?

We have people following this meeting in 18 countries worldwide so make sure that you find Eliza and state your name and your question into the microphone so that our colleagues can hear and so that it can be part of the transcript.

So with that, we'll take your questions.

QUESTION: Good morning. This question is for you, Miss Kraham. My question to you, the umbrella of one of the indicators is natural resources, OK.

The question is, under your programs, can you share any information regarding how fighting corruption deals with the natural resources management of those countries that you're dealing with (inaudible) those programs?

In other words, you have the fighting corruption, and you know corruption will be linked to natural resources (inaudible) conflict resolution is going on.

So I'm wondering can you share anything regarding conflict resolution regarding your program that's tied into the management of the natural resources. Thank you.

KRAHAM: Thank you.

Our natural resource management indicator is made up of four components: access to water, access to sanitation, child mortality ages 1 through 4, which is tied to access to water and sanitation, and then the fourth component is indoor air pollution.

We have not, as far as I can recall, invested significantly in that indicator in any threshold programs. It's a new indicator. We just brought it into the portfolio about two years, but we know of the strong linkage between corruption and the management of natural resources.

And we are investing in the anti-corruption front. Most — you know, the majority of our investments are in anti-corruption and they cut across all different sectors. So we're doing procurement. We're doing procurement in the health sphere. We're doing land management extensively.

And so there probably is a great deal of overlap. But I don't — I don't recall that we have a program specifically designed to tackle that natural resource management indicator.

We are also investing heavily in those areas in our compacts. We, for example, are investing in water and sanitation in Mozambique, and anti-corruption factors and considerations are figured into these compacts. So you'll see that anti-corruption is a cross-cutting issue in all of our investments.

QUESTION: An observation. I've had the privilege maybe of living in a Third World country for many years and being an agent for a government that received foreign aid. And one of the biggest things that challenged us were all the rules and the ways to implement and use the funding.

And in many times, we were overwhelmed with a lot of the funding that we received because the rules, and so programs suffered slightly under those conditions.

What is MCC doing to alleviate that, because many of the people you work with don't have the skill sets or have trouble with implementation.

REID: Since I'm responsible for a lot of countries in implementation, I should perhaps address that.

We're very mindful of the fact that the rules and procedures, which we have in place largely for reasons of fiduciary responsibility and good overall management, can pose very serious burdens to the people with whom we work, and this is a matter that's under constant review.

We're doing a number of things to try to make our procedures as simple and effective and efficient as possible.

One of the things that we're starting to invest in much more heavily is upfront training of our counterparts in other countries, both the local staff of the MCA units and also some of the people with whom we work, our procurement agents, our fiscal agents, and in some cases, providing more information to contractors about what we require.

Another thing that we're doing is constantly reviewing our procedures to see where they can be simplified. Our objective is to get that information, which we have to have in order to maintain prudent control of our funding and our operations, but no more than that.

And so we're constantly revising — well, I shouldn't say constantly revising — but we're constantly monitoring our procedures and we revise them when necessary in order to take account of the lessons we learned from the field.

Lessons learned is another way that we're looking at this issue because we periodically assess our programs and what kinds of lessons there are to be learned about lack of understanding of our procedures, lack of clear communication, over-engineering of some of our processes.

I can say, in all honesty, that over the last couple of years, we've made major strides in reducing the burden of unnecessary reporting and over-elaborate reporting while trying to ensure that both we and our parties have the information we need to manage effectively. But this is, as in it's in the nature of such things, a work in progress.

TETER: We're mindful of that also now in how we develop compacts. One of the things that — I mean, Frances didn't mention it, but our procurement guidelines are modeled after the World Bank procurement guidelines

with a few key exceptions that don't make them more difficult, but they're just exceptions for the way the U.S. government wants to do business.

But they're not a big surprise. The standard bidding documents we use, again, are modeled after the MDBs, who now have almost uniform standard bidding documents.

But on the development side, Frances mentioned upstream training and capacity building. We're using funds, grant funds under our 609(g) authority to design a package of capacity building on procurement, on financial management, on project design, on project management, which we can provide to countries as they're developing their compacts.

Then I think the third piece of that is that, frankly, some projects that are proposed to us are really overly complex. They'll have seven or eight sub-activities, each of which has six or seven moving parts. And the moment a project involves more than two government agencies to work together seamlessly I get nervous. So we're mindful of that.

And then I think the fourth and final piece of this is our commitments to the Paris Declaration. And one of the objectives of the Paris Declaration is to reduce the transaction costs, particularly the lower capacity countries for dealing with, you know, the endless stream of donors, each of whom says, "It's my way or the highway" — or, "My way or no highway," actually is what they really say.

So we're mindful of that, and that's why in the development phase of compacts we are trying very hard to work with other donors so that we're actually building off of successful programs.

The example I would like to give is the Philippines, which has a community empowerment and bottom-up small-scale infrastructure development program funded originally by the World Bank called KALAHI-CIDSS.

It's a very exciting program. The post-evaluation results on the first program looked quite good. The Philippine government has asked MCC to consider expanding that program into new areas.

So there they have the implementation mechanisms in place. They have the project management unit in place. They know the processes. They know the procedures.

For us, you know, a program that's proven, that we can expand on, that they already know how to implement, well, that's a win-win, so that's another strategy that we would look to simplify the implementation complexity.

Thanks.

QUESTION: Thank you.

I'm wondering once you have signed a compact with a country and the broad parameters are there — maybe not so broad, maybe they're very clear about exactly how much money for electricity, how much for roads, how much

for water, and so on — how much flexibility or does the local MCA entity have some flexibility over the course of the implementation of the compact in seeing that there are new realities that they hadn't anticipated, adjusting budgets, perhaps moving some money from electricity to water or vice versa or within, as you mentioned, there may be seven or eight moving parts within one sector, making adjustments along the way? What kind of flexibility is there?

REID: There is limited flexibility, limited in the sense that the compact specifies an initial allocation of funding to projects and the documentation associated with the compact specifies, you know, what we expect to spend, how we expect to spend it, and, you know, and pretty much all of the operating parameters of the projects.

However, reality has a way of biting you. And, you know, where we encounter difficulties in implementation, where we have — for example, in 2008 there were significant issues with respect to depreciation of the U.S. dollar in which most of our contracts are denominated against a lot of other currencies, and also simultaneously the escalation of energy prices, meant that some of the projects could not be completed in the manner originally anticipated.

And that, of course, precipitated detailed discussions about what the best way forward was in terms of either rescoping projects which were affected by those kinds of cost escalations or possibly reallocating funding. In some cases material circumstances changed and a project could not be completed in the manner originally anticipated.

When those sorts of events occur, we certainly enter into a dialogue with the MCA unit to discuss what the alternatives might be. In several cases, we rescoped projects in coordination with the MCA unit. In some cases we have reallocated funding within a compact.

All of those are issues that are grounded in detailed discussion between the parties, between MCC and MCA and the government involved, and, also, are subject to review here, because any decisions that we make about reallocating or rescoping projects must lead to projects which are compatible with MCC's fundamental criteria.

But the bottom line is we do have some flexibility, but it's within essentially predetermined parameters.

QUESTION: Since we have a little bit more time, I have another question.

To the panel, compact program, lesson learned. World Bank. When you first started out and when the first 18 month World Bank gave you a lot of credit regarding the streamlined programs and how you got money into the system to a country (inaudible) can you share with the audience lesson learned from the World Bank, how you're working with them now, present or future, on their model. You have your own model but you're, obviously, I assume, working with them in some format. Can you be a little bit more (inaudible) what format?

TETER: I can address that on the development side.

One of the things that I am mindful of, when a country is selected for MCC eligibility and we show up, we're the new kid on the block. And typically, there's at least one or two major bilateral donor partners that have been in that country for years, plus the World Bank, African Development Bank, European EBRD, EIB, Asian Development Bank.

I spent nine years in the MDB world myself.

So we're the Johnny-come-lately and we're very mindful of that in a very specific way, which is that — and, you know, some countries like to balkanize the donors, so they figure well, heck, these guys were going to lend us the money, these guys will give it to us as a grant, let's just go for, you know — so projects jump from donor to donor.

And the donors need to work together to make sure that they're, you know, on the same policy dialogue page and that's typically around the issues of sustainability, you know.

So you find out that there's been a long dialogue about road maintenance funding between one or two donors in the country. If we come in and we don't care about that and we just pay for the road, we're not helping anybody. We're certainly not helping the country. We're not helping the beneficiaries of those roads. We're not helping the larger dialogue on sustainability and figuring out what the absorptive capacity is for that kind of infrastructure.

So what we do now, we ask countries that are newly eligible to submit a concept paper, not to send us a 200-page detailed proposal, but send us a 20-page concept paper of the types of projects you're interested in doing.

We ask that those be publicly posted on their Web sites, they're MCA Web sites. The first thing we do to those proposals is we shop them around to all the other donors that are working in that country to say, "OK, what do you think of this? You've been in the power sector for 15 years, what do you think of this \$300 million power sector proposal?" And it's a very rich discussion that that kicks off.

So we're doing this in Malawi, in the Philippines, in Jordan, because all three countries have submitted detailed concept papers for the types of projects that they would like us to finance.

So the first door we knock on is the door of the person that's already — or the outfit, the organization, whether it's bilateral or multilateral, that's already put the most money into that sector in the past because they've got all of the historical memory.

So I would say that our relations with the World Bank are excellent and getting better, particularly in new countries where we're looking for ways to work together.

The caveat, the caveat of that is that — and this is not just true between MCC and the World Bank, it's true between the World Bank and bilaterals, it true between the Asian Development Bank and bilaterals — it is hard to do true co-financing, if that's where your question was going, you know.

To do a true co-financing where you're blending funds towards the same objective, that gets sticky for everybody because, you know, "Oh, our procurement thing is a little bit different from your procurement thing."

It works best when a country has its own sector development plan that's very clearly enunciated: "This is our public investment program for the next 12 years. These are the objectives. These are the outcomes. These are the investments that support all of that." And then countries can — then donors can put money into a basket to support that.

You don't see that very often where there's a really well-organized sector-wide approach that's all been laid out and mapped. I mean, I think probably the biggest example was the Indonesia tsunami trust fund which ended up being almost, I think, \$4.5 billion.

And, you know, it was on budget. That was what was new about the trust fund, the Tsunami trust fund, and there was a board and there was — the donors had, you know, were ex-officio members and helped oversee the money.

That was probably the most dramatic example, but it's — I'm not going to pretend it's easy to do that kind of real blended co-financing.

KRAHAM: I just want to add a point from a policy perspective, which is, you mentioned that there is a lot that we can learn from the World Bank, and what are we — and what are we contributing?

We've been able to participate in a few key policy dialogues about water and sanitation and best practices there. Land policy, MCC has one of the prominent land policy experts, land tenure experts here, and she's been able to contribute to their thinking.

We also engage with them heavily because we're so heavily invested in impact evaluations, rigorous, independent, impact evaluations.

And so we are sharing with them what we are doing and what we are learning, and I hope that over the next few years, as we have more and more results from these impact evaluations, that we'll be able to contribute to the body of learning.

Recently we sent a team there to talk about the impact evaluation in Burkina Faso for example. That is our first impact evaluation program.

So I think there's a lot of cross learning and there's a lot that we'll be able to contribute.

QUESTION: I'm with the Solar Electric Light Fund. And this question, a follow-up question, did I hear you say something about in the resource question that indoor air pollution was an issue that you were looking at? Did I hear — did I hear that or did I not hear?

KRAHAM: You did.

QUESTION: OK. Could you elaborate a bit on that? To what extent is that in homes in terms of kerosene or are there other issues?

And then a larger issue, in terms of some of the projects moving beyond the grid and the experiences that you've had extending the grid and/or with diesel or solar alternatives for those communities that are off the grid?

KRAHAM: In terms of the indoor air pollution, it's one of the — one of the causes of death of children ages 1 through 4. And so it is part of the natural resource management indicator. It's generally something that can be addressed through changing the type of fuel.

Ventilation. I'm not an expert. I have an expert that can tell you more about it. We have not invested in this area, but it's something that we talk about extensively with the country counterparts.

And how we arrived at this is, we had a two-year process to find a natural resource management indicator that would, that was linked to economic growth and poverty reduction, and it was good policy, before selecting this indicator.

So we consulted with a broad range of environmental and — experts. And so that's how we arrived at that.

I will pass the solar energy question to my colleagues.

TETER: I just wanted to say that we, in the case of Malawi, which is one of our — we expect to sign a compact with Malawi in fiscal year 2010, they have asked us to look at off-grid alternative power generation because, I mean, penetration of electricity in Malawi is extremely low. I think it's in single digits.

It's very costly to expand the grid, plus their generation capacity is limited for a number of technical reasons.

So we're looking at that. I don't think it's solar. I think it's actually using biomass generation.

In terms of, you know, household pollution, apart from the — how we use it as an indicator of natural resource management in selecting countries, you know, another example I think would be Mongolia where in Mongolia there's massive Ger or Urt (ph), to use the other word, Ger areas around Ulaanbaatar, and those are almost entirely heated by very low-quality coal or wood with very low-quality stoves.

And so there's a major human health impact both for families who live in the Gers, but also all of Ulaanbaatar now is just a giant smoggy mess, especially in the winter.

So one of the things that the government has asked us to look at there is some kind of project to help improve either the stoves or how the — how Gers are lit and heated.

(UNKNOWN): Could I — before you move on? I just wanted to say we also have a solar project in El Salvador, which we're looking at. And because Mongolia's one of my countries, I would very much like to talk to you briefly after this for a couple of reasons.

QUESTION: I spend a lot of time in lesser developed countries and least developed countries and the primary concern among the very, very poor is the absence of jobs. And I'm just wondering how much of your resource allocation is focused on the output of jobs.

It sounds a lot like it's infrastructure, and a lot of it's temporary infrastructure — well, the building of it and then ultimately once it's built then there's jobs, but then the actual job creation and programs and so on?

TETER: I'd like to tackle that at sort of the 10,000-foot level. If you look — if you look on our Web site and you see what we're investing in, I would say about half of our investments are in transport and agriculture. And the agriculture stuff you could probably more directly link to job creation.

But both of those are about constraints to growth. I mean that's really — we don't have job creation programs. We have economic growth programs. Because it's only with growth and investment, both domestic and foreign investment, that you generate jobs. That's where it comes from.

So our programs are designed based on an analysis of constraints to growth in those countries that are preventing people either from investing in businesses or from really profiting from those businesses.

And, you know, the reason why you see transport there is obvious. You can grow all you want, but if you can't get it to market before it goes bad, it's worthless and you can't get any money for it.

The same goes for, in agriculture it's often that there's very little irrigation water available or it's not reliable or the crop mixture is really almost entirely subsistence.

So I think that while we can't say, well, we're going to create 75,000 jobs, what we can say is we're going to encourage substantial investment in activities that generate income and employ people.

SHERINIAN: Sherri, Darius and Frances will be available for individual questions after.

We thank you for your attendance and want to reiterate that the statement by Secretary Clinton that was mentioned by Rodney Bent and our private sector board members is available on the table here as you exit.

Thank you for your time.

(APPLAUSE)

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