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# Transcript

July 23, 2007 ★ [www.mcc.gov](http://www.mcc.gov)

## Remarks

### Millennium Challenge Corporation and The Corporate Council On Africa Hold A Discussion Forum On Economic Growth In Lesotho

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HAYES: Your Excellency, Prime Minister Pakalitha Mosisili, honorable ministers, Ambassador Danilovich, and ladies and gentlemen, today really is a great day for Lesotho.

It's also a great day for U.S.-Lesothan relationships. I don't know that there's ever been a stronger, more important day for the relationship between Lesotho and the United States.

So on behalf of the Corporate Council and our co-host, the Millennium Challenge Corporation, I take great pleasure in welcoming you to this private sector meeting to honor and truly celebrate Lesotho's compact agreement with the Millennium Challenge Corporation.

Again, I think it's very historic and it's very, very important, not simply to Lesotho, but again, it's important as one step forward with the United States and its relationship with African countries.

I wish to also recognize Her Excellency, Ambassador Molelekeng Ernestina Rapolaki, who is not only a great ambassador but also a very good friend, and the honorable ministers for the exemplary efforts they've made to assist Lesotho in achieving this compact agreement.

Could I ask the ministers that are here as well as the ambassador -- I'd like you to please stand and be acknowledged.

(APPLAUSE)

The foreign minister and I were discussing the importance of the next steps, and I said that I think that by and large, Lesotho is seen as a great country and I think that people in the United States generally and the audience will feel very comfortable with the fact that Lesotho will succeed in this pact, and largely because of its extraordinary diplomatic community.

Lesotho has by its own design chosen to focus on the critical sectors of health, water and private sector development as part of its compact.

As president of the foremost private sector association representing U.S. companies with operations in Africa, I assure you of our commitment, of CCA, to encourage our members to explore both business and investment opportunities in Lesotho, and I think the turnout today -- it's standing room only, apparently -- is a great example of that.

We also have an excellent opportunity to not only say such things but do such things around the time of our biannual summit, which is going to be in Capetown November 14 to 16.

Following the summit, CCA is organizing a trade mission to Lesotho. We are, in fact, organizing now 30 trade missions throughout Africa.

We hope that it will be the largest contingent of U.S. business in Africa at any one time, because we feel it's very important that we increase U.S. investment in Africa.

Frankly, without energy, the U.S. investment would be far, far lower than advertised, and I think it's very important for our own national security, as it is to the security of many nations, including Lesotho, that we work to increase U.S. business investment throughout Africa.

So we hope all of you will also be at the CCA summit November 14 to 16 and part of the trade missions going to about 35 different countries (inaudible) countries in some of the trade missions, so -- in any case.

I also wish to recognize and thank our two corporate sponsors today, the Whitaker Group and the Standard Bank, both members of CCA, for supporting this morning's program.

And I'd like to ask Rosa and Mark to stand and be acknowledged also.

(APPLAUSE)

And the sponsors today -- you have what I think is the most successful business person, let alone business woman, but business person in the United States toward Africa today in Rosa Whitaker, and you also have the largest bank in Africa in Standard Bank. Lesotho does well to have those two sponsoring today.

So we look forward to your participation in the opening program and our two panels on business and procurement opportunities in Lesotho, Rosa and Mark.

Now it's my great pleasure to introduce to you a very good friend of CCA and its work, Ambassador John Danilovich, chief executive officer, Millennium Challenge Corporation.

Ambassador Danilovich began his duties as CEO of the Millennium Challenge Corporation on November 7th, 2005, continuing a distinguished career of more than 30 years in both the public and private sectors.

Prior to his appointment by President Bush as CEO, Ambassador Danilovich served as the American ambassador to the Republic of Costa Rica from 2001 to 2004 and then ambassador to the Federative Republic of Brazil.

Ambassador Danilovich has been a business man and private investor with a strong background in foreign affairs. A native Californian and resident of London for many years, he was active in the international shipping business for over two decades and served as director of companies in the shipping, property, publishing and investment fields.

We're very fortunate to have a government representative so knowledgeable in business and so supportive of business.

The ambassador graduated from Stanford University with a bachelor's degree in political science and received a master's degree in international relations from the University of Southern California in its London school.

Ambassador Danilovich is a member of the Council on Foreign Relations, an associate fellow of the Pier-son College at Yale University, a Knight of Malta, and the recipient of several national and international awards, including the Choate Alumni Seal Prize.

Please join me in welcoming Ambassador John Danilovich.

(APPLAUSE)

DANILOVICH: Good morning to you all, the right honorable, the prime minister, Mr. Pakalitha Mo-sisili, distinguished ministers and members of the delegation from Lesotho, President Hayes of the Corporate Council on Africa, friends of Lesotho from the business and investment communities.

We will meet at the State Department later today for a momentous occasion, the signing of the \$363 million compact between the Millennium Challenge Corporation and the Kingdom of Lesotho.

This compact reflects the priorities outlined by the Besotho themselves and focuses on three areas that they determined to be essential for reducing poverty and stimulating economic growth.

They include improving the water supply for industrial and domestic uses, strengthening the health care sector and bolstering private sector activity.

And in working toward these goals, Lesotho sends a crystal clear message that it is open for business. Discussing business and investment opportunities in Lesotho in general, and particularly because of this compact, is a fitting topic for this event, co-hosted by the Corporate Council on Africa.

Dedicated to strengthening and facilitating the commercial relationship between the United States and the African continent, CCA is a worthy partner in organizing today's meeting.

And many thanks to you, Steve, and your team for all the efforts that you've made.

In addition to thanking our partner, CCA, I'd like to thank our sponsors, the Whitaker Group and Standard Bank, for making this event possible.

The Corporate Council on Africa and MCC believe that Africa's sustainable success depends upon the ability of its entrepreneurs and businesses to stimulate growth and create wealth through private enterprise.

Lesotho's two greatest strategic resources are its water and its people. And the compact we signed today focuses on the power and potential of both so that Lesotho can, indeed, remain open for business.

Let me explain how by reviewing the compact's three main goals. First, being open for business requires adequate water supply for productive capacity.

In a country where the largest employer, surpassing the government itself, is the industrial sector led by the garment and textile industry, which produces almost 2 million pairs of jeans per month and ranks as the largest textile producer under AGOA, water is vital.

Consequently, the more than \$160 million water project includes activities that will improve the water supply for industrial and residential uses.

The infrastructure to deliver water to industries will be strengthened and system upgrades will increase the water supply's sanitation and reliability for urban and rural residents.

Second, being open for business requires healthy people. In a country that is experiencing the third highest rate of HIV/AIDS cases in the world, where more than one-quarter of its population is ill, well-being of the Lesotho is critical to ensuring their ability to contribute productively to the country's economic development.

As a result, more than \$120 million of the compact's total will be invested to mitigate the negative economic impacts of HIV/AIDS, poor maternal health, tuberculosis and other diseases.

This will be done by rehabilitating antiretroviral therapy clinics in 150 health centers, constructing a central laboratory and blood transfusion center, expanding health training centers for nurses and improving medical waste management.

And third, being open for business requires creating an environment in which the private sector can compete, engage and flourish.

For Lesotho, trade is critical for business, and it important to be part of, rather than isolated from, larger markets for export, like the emerging South African Development Community, which will become a market in 2008.

Preparing for this requires that the private sector has a stable framework for doing business, from secure land tenure for property on which they conduct their operations to the enforcement of contracts.

Almost \$40 million of the Lesotho-MCC compact will bolster private sector activity by improving access to credit, reducing transaction costs and increasing the participation of women in Lesotho's economy.

It will provide land administration, modernize the commercial legal system and private credit bureau services to foster the growth of local companies and attract foreign investors.

These investments expand opportunities for doing business with Lesotho. And we appreciate your participation today to learn more about these opportunities.

I invite the business community to leverage the MCC investments in Lesotho and to use them for complementary and parallel investments of their own. The fact that MCC is investing in Lesotho should encourage your own investment, because it is no small feat for a country to qualify for our assistance.

As an innovative approach to development assistance, MCC is a bilateral American program, providing grants, not loans, to countries that are doing the right things for the right reasons.

MCC rewards good government, good governance, countries that invest in their people and provide economic freedom, all of this being the foundation upon which we can build programs for the reduction of poverty and sustained economic growth and the creation of stability and security.

We are fulfilling the mandate given to us by the U.S. Congress when they created the MCC in 2004. And only with Congress' support with sufficient funding will MCC be able to continue to fulfill our mission throughout the world.

On the 16 political, economic and social criteria we currently use to select our partner countries, Lesotho's performance is excellent, passing all but one of our 16 indicators.

Clearly, Lesotho is already committed to broader reforms that make the country attractive for doing business, and MCC's investments encourage such reforms.

We help create and sustain a viable physical, financial and policy infrastructure that gives the private sector a favorable point of entry to initiate or expand its own commercial activities.

It might seem unusual to you for U.S. government agencies such as the MCC dedicated to development assistance to also push for private investments, yet it is clear that development assistance alone will never defeat poverty.

MCC believes that development assistance can best be used to build a foundation, a starting point, a springboard, to stimulate, attract and leverage what is essential for generating transformative growth -- namely, private enterprise.

MCC's role is to help our partner countries transform from dependence on foreign assistance to independence, a sustainable investment-driven development, so as to have a meaningful and lasting impact on the lives of the poor.

This is what brings us together today, and that is why the Millennium Challenge Corporation welcomes partnering with the private sector in Lesotho and in all of our partner countries.

It is now my great privilege to introduce the right honorable, the prime minister, Mr. Pakalitha Mosisili. With an extensive background in education, as an academic, teacher, lecturer and headmaster, Prime Minister Mosisili was first elected to parliament in 1993.

He served Lesotho as minister of education and training, sports culture and youth affairs, and later as deputy prime minister and minister for home affairs and local government.

Please join me in welcoming Prime Minister Mosisili to the podium. Thank you.

(APPLAUSE)

MOSISILI: Ambassador Danilovich (inaudible) of the Millennium Challenge Corporation, Mr. Stephen Hayes, president, Corporate Council for Africa, distinguished ladies and gentlemen, later today Lesotho will sign the Millennium Challenge Account compact with the Millennium Challenge Corporation, MCC, of the United States of America.

A lot of work has gone into the preparation of our compact, which covers interventions in water, health and private sector development.

Lesotho's private sector and civil society took an active part in the preparation of the proposal, and in some cases they were involved in the drafting of various parts of the document submitted to the MCC.

The signature today will mark a concrete step toward improving the quality of life for many of our people in Lesotho, through improved access to water for both domestic and industrial use, for higher standard of health services, and for increased opportunities in the private sector -- in particular, for our women.

On behalf of the people of Lesotho, I wish to thank all those who played a role in bringing Lesotho's Millennium Challenge Corporation compact to fruition, from the halls of Congress to the MCC staff itself.

Their efforts will positively affect the lives of some 2 million Lesotho who will benefit tremendously from this compact for many years to come.

The \$362.6 million U.S. that my country will receive amounts to recognition of our commitment to democratic governance, economic growth and investment in our own people.

This grant is something that we are both honored by and proud of simultaneously. We are honored because of America's generosity and extending a hand to those on our planet who need it most, helping to eliminate the chasm that stands between the rich and poor nations.

We are also honored by the recognition of our efforts at instilling (inaudible) change and progress over these past several years.

The compact is not only an opportunity for Lesotho business, but for U.S. companies as well, through procurement and partnerships. The bulk of the funds will be spent on the procurement of works and services to be provided by the private sector in Lesotho and internationally.

While larger amounts will be spent on civil works, there will be many opportunities for supplies of equipment and instruments as well as for consulting services.

Beyond the implementation period, the private sector will benefit from the vastly improved investment (inaudible) which the compact will create and engender, along with other reforms that will begin this year, with the support of the World Bank.

The investment impact of the compact spending together with a better regulated business environment will contribute significantly to growth and thus help sustain the impact of the compact beyond 2012.

I'm also pleased to announce here that the parliament of Lesotho has enacted legislation whose aim is to ensure equality between men and women in economic rights.

In the next few months, government will also examine other laws that discriminate against women and make necessary adjustments and amendments. Accordingly, the opportunities presented by the compact will be enjoyed by all our people, men and women alike.

I wish to express our profound gratitude for the open-mindedness of the MCC in working with other partners such as the Arab Fund, who will be financing the design and construction of our Metalong Dam and related works in the amount of \$40 million U.S.

I applaud the willingness of our partners to work together to create the opportunities for economic growth and private sector participation that I have highlighted here today.

Let me take a moment to tell you about Lesotho as an investment destination of choice. Investing in Lesotho does not just mean access to our 2 million citizens. It means much, much more.

Lesotho is well integrated into South Africa's market, the continent's most developed and largest economy. Geographically surrounded by South Africa -- in fact, we often say while many countries are landlocked, Lesotho is South Africa-locked.

It is in that context that I say geographically surrounded by South Africa, Lesotho is well connected by air, rail and road links to all South Africa's major centers.

We are a member of the Southern Africa Customs Union and the Rand Monetary Area. As such, my country enjoys an unparalleled ease of access to the \$212 billion South African market, with few barriers to trade and a common currency.

Over and above this, we are a member of the Southern Africa Development Community, SADC, which is made up of 14 southern African countries. Together, our aim is to favor our socioeconomic cooperation and integration as well as our political and security cooperation.

By 2008, SADC will be a full customs union, which means no barriers for investors in all these member countries. In hard numbers, this signifies easier access to a market of almost 240 million people.

In short, Lesotho's location, infrastructure and market access make it a prime investment destination. Beyond these potential benefits for anyone looking to invest in Africa's fast-emerging market, Lesotho is already a success story.

All you have to do is to take a look at our dynamic textiles and apparel sector, (inaudible) to a large measure to AGOA. Under AGOA, Lesotho has qualified for duty- and quota-free access to the U.S. market since 2000.

From that time, we have maximized this trade advantage to become the largest sub-Saharan exporter of apparel to the United States, transforming AGOA benefits into employment, income and opportunities for our people.

From 2001 to 2004 alone, 30 firms set up operations in Lesotho, more than doubling the number of foreign firms operating in our country. The industry is now our country's largest formal sector employer, employing more than 45,000 people, mostly women.

And in 2006, our exports to the United States totaled \$408.6 million. But at the same time, we've earned a prized reputation as the hub for ethical apparel production.

Lesotho apparel industry's expansion did not come at the expense of labor standards, at exploitation of workers or through the abuse of human rights. Child labor, which is a plague in the apparel sectors of many developing nations, is non-existent in Lesotho.

Our labor laws regulate maximum working hours to 45 normal hours a week and 11 overtime hours, with a minimum leave of 12 days per annum. The industry is also one of the lead drivers of poverty reduction through its high female employment rate.

These are just a few examples of our commitment to fair labor practices and standards. By forging this niche for ethical apparel production in Africa, Lesotho is showing the world that by tapping into the rapidly growing global market of socially conscious consumers, businesses can be both profitable and ethical.

We value our partnership with brands such as The Gap, Calvin Klein Jeanswear, Chaps Ralph Lauren and more than 16 other major U.S. brand companies. Each has recognized our commitment and consistently sourced apparel from Lesotho.

But our apparel sector is just one example of investment done right and the many opportunities that lie ahead.

Through the MCC compact which we are honored and proud to officially sign later today, the United States government has recognized our commitment to spurring our economy ahead while at the same time protecting and investing in our people.

We need to partner with U.S. companies for their expertise, services, commitment to development to achieve the vision of the compact and that, indeed, of a healthier and more prosperous Lesotho.

May I take this opportunity, without, indeed, belittling anyone, to mention in a special way the assistance that we have also received from the Whitaker Group.

Rosa and her group have been wonderful partners, and we want to make special mention of them and to thank them most heartily.

Indeed, thank you all for coming this morning, responding in such large numbers to the invitation. We look forward to seeing you in Maseru, Lesotho, fondly known as the Kingdom in the Sky.

Thank you very much.

(APPLAUSE)

HAYES: Thank you, Mr. Prime Minister, for those very, very heartening remarks.

I'm also very glad that you mentioned AGOA, because Lesotho has probably been the single most benefactor of AGOA and has certainly shown great success, and largely, I think, because -- you properly acknowledged Rosa Whitaker as well in that.

But clearly, I think that if AGOA is a precedent for Lesotho, then MCC will certainly be managed and implemented just as well, so you'll be very congratulated, and wish you good luck.

In putting the forum together today, our staff, led by Sherry Singh, felt understandably it was very important also to have a business person speak about the experience in Lesotho.

And with that, it's my pleasure to introduce to you Mark Chiaviello, who spent some time in the Peace Corps, sits on the Ex-Im Board of Advisors for Africa, and has been a longtime Standard Bank representative in the United States, and also not only a member of CCA but a friend of CCA as well in many ways.

So with that, Mark Chiaviello.

(APPLAUSE)

CHIAVIELLO: I have the presentation both in electronic format and in paper copies at everybody's desk.

It's good to know that the electronic format is actually safely in my desk in New York, so if everybody could bear with me with the paper format, that would be appreciated.

That was my responsibility, was to get the electronic format down here, which clearly I have failed, but thank heavens I have a very good assistant that got the paper formats down here.

But first off, it's a great privilege to be here.

Prime Minister Mosisili, certainly, a fantastic job you've done in Lesotho.

Ambassador, a great job with the MCC, really across the continent. It's really been a great statement to see Americans so involved in Africa.

And all the honorable ministers and Ambassador, thank you very much for your time.

And Steve, once again, you put together these great events.

I think what Steve can pull off and his team and Sherry can pull off in such a short period is really fantastic. Thank you very much.

And then the Standard Bank Group -- we've been in Africa for 145 years. As Steve said, we're the largest bank by any measure in Africa. We've been involved in Lesotho since 1995, and we actually merged with Lesotho Bank in 1999.

So presently, the group that I work for, based in New York -- we at the Standard Bank Group -- we own 80 percent of the business in Lesotho. The other 20 percent -- 10 percent is owned by the government, and one of our members of the board is actually here, department secretary of ministry of finance, and then also owned by Lesotho Unit Trust.

And the way we like to look at ourselves is, really, we are a bank that is owned primarily by Africans. Eighty percent of our business is owned by Africans. And we are really Africans addressing Africa's problems, is the way we like to address ourselves here in dealing with Africa.

We're, as I said, in 18 countries, and in Lesotho we are in all 10 districts and, by far, the largest bank there.

If you'd just turn to the second page, first off, just on the flag, which is always where we kind of like to start off when we discuss Africa here, that's actually a new flag from 2006 which commemorated the 40th anniversary of the independence of Lesotho from the U.K., representing peace, rain and prosperity, and it certainly wouldn't be a Lesotho event or a Lesotho flag without that famous Lesotho hat.

And the area, as the prime minister said -- it is clearly the Kingdom in the Sky, with 80 percent of the country at 5,900 feet above sea level or higher.

And as you can see there from the map, clearly it is a landlocked or South Africa-locked country, but a couple of interesting points, though, is that 80 percent -- they generate 80 percent of their own energy needs, which is, I think, critical going forward.

And then also, they are, as we talked about, an exporter of water to South Africa and particularly the whole Johannesburg region, which is just growing by leaps and bounds, which will become that much more critical come the 2010 World Games.

Export market I'll talk to you on a little bit in a second, and the currency, the loti, is pegged one to one to the rand, which is, as the prime minister said, part of the Multilateral Monetary Area.

And just on page three, just a couple of points here. First off, just on the first two points, I think the backlog of services and health and education -- that will be very much addressed by the MCC pact.

On the rating of the country, which I think is actually -- you'll find quite interesting, rated by Fitch actually at the exact same level as Nigeria and as Morocco, and actually just one notch below Egypt, which is at BB+, Lesotho being at BB-.

The country, which I also think you'll find interesting, actually did not qualify for the multilateral debt relief because the GDP per capita was above the threshold \$380.

The economy -- obviously relying on the whole garment industry, but also there's diversification going on that doesn't get as much talked -- isn't talked about as much as one would think, and I'll touch on that in a second.

But on the economy, obviously, a couple of big projects -- the Lesotho Highlands Water Project, which obviously started back in the '90s, which at the time was the largest infrastructure project in the world, and that's starting at the second page right now.

AGOA was also obviously talked about. But I think it was also -- what we should mention is how the Lesotho government has handled quite well the end of the WTO Multifiber Agreement and how they handled that and battled that quite well and has still been able to maintain a very vibrant garment industry.

Then thirdly what I'd like to talk about is on the diamond mining. There had been a diamond industry in Lesotho years ago -- decades ago, in fact -- and then with the advent of the demand for high-quality diamonds, which I can certainly attest to with having three women in my life, a wife and two girls here in the U.S., where we seem to -- in some parts of the U.S., they say we actually eat diamonds for breakfast.

With such high-quality diamonds coming out of Lesotho and with prices continuing to increase on a global basis, that business is actually being revitalized and actually now is a very big part -- a bigger part of the export market than I think any of us would have thought.

And then what the government has done -- and a couple of points on that. April of last year, the government cut the corporate tax rate from 35 percent to 25 percent, and also the government has been very involved in improving the revenue collection, which has also allowed for a decreased dependency on customs duties.

So once again, very well done, Prime Minister, and to your team.

Just turning to page four, just on the GDP composition and the structure, the services area there, which obviously makes up the biggest part -- almost the biggest part of the economy -- that's banking, insurance, government activity.

On the manufacturing side, there's obviously the textiles. Also, Coca-Cola is very involved in Lesotho when they purchased Cadbury Schweppes' business in 1990.

And then on the agricultural, which is primarily subsistence maize and sorghum, and then on the building side, which is the dams which we have spoken about, the roads, and the also the airport.

And the Lesotho government understands that those are critical, the transportation -- being a South Africa-locked country, that is critical to the overall vibrancy of the economy -- is the infrastructure.

On the real GDP growth, not surprising to see it tail off here a little bit, we think, in the next year or two. It's had a very good run here since 2000.

And typically, you'll see that when an economy booms like that, that you'll see it pull back a little bit. As we say in the business, trees don't grow straight to the sky.

Then just turning to page five, on the export side, what I'd like to talk about here is on the diamonds, where it makes up almost 15 percent of the export.

So even though you have -- those diamonds might not necessarily be shipped directly to the U.S., they certainly end up here, whether they go through Antwerp or through the cutting houses in London, or also the cutting houses which are developing as well in South Africa.

And as I talked about, on the clothing side, how they've come back quite well from the ending of quotas on the multifiber contract. And the destination -- probably not surprising, as we said, very much the United States.

Then on the import side -- this is an issue that still has to be worked on, and I don't think there's going to be any easy solutions with South Africa being such a big part of the southern economy there.

So the trade balances, which continue to lag -- that, as I said -- that's going to be an area that still needs to be addressed.

And then just on the fiscal budget here -- and right here, we see quite a bit of prudent financial management by the Lesotho government. And what I would like you to focus on is actually the blue line, which is the overall balance, fiscal balance, as a percentage of GDP.

We've had two years now where we've actually had a surplus. And we actually included grants that Lesotho receives from various donor agencies around the world. You would actually have four of the last six years -- you would have had actually a surplus in the budget.

So we're starting to see all the hard work that they put in place in 2002, 2004 starting to actually pay off. And I think this is a very, very good indication of that.

And if you turn to my second-to-last slide, it's been difficult in some respects for the government if you look at the interest rate side, because they're very susceptible to shocks in food prices. And there's very little that can be actually done on that.

Obviously, because of the currency being locked to the rand -- they track the South African economy quite a bit, but on the inflation side, they actually don't because most of their -- their inflation for food is 50 percent of the overall index, where in South Africa it's 25 percent or so.

So the inflation -- you'll certainly have these spikes, and that is difficult, very difficult, to monitor because it's somewhat determined on the weather patterns.

But we still forecast maybe a slight uptick on inflation, and then the bank rate we continue -- we continue to expect it to trail off.

And then on the currency side, which obviously is a rand story -- we continue to be quite bullish on the rand, in part because we still think the dollar has a -- the dollar is -- probably the worst is over in the dollar, but we don't necessarily -- or we're not necessarily long-term bulls on the dollar.

So we think that the rand, or the loti, I should say, will stay in a 680 to 700 range over the foreseeable future, which if you think about where this currency has come over the last 10 years, it's actually been a dramatic improvement.

And I think what we want to see as investors is we want to see certainly a strong currency, but more importantly, I think, is we want to see a stable currency.

And I think that's what we're starting to see, is the volatility of the currency -- short-term volatility is still quite high, but if you spread it out over a number of quarters, that long-term volatility starts to wane, which is quite important as an investor.

So in short, I think they -- I think we have a sound monetary and fiscal policy. The debt levels are certainly not out of control. The GDP is diversifying, which is not talked about a lot, but it is diversifying, and the number is strong.

The budget -- a couple of very good years here, and I think you could look at it over six years. It's hung in there. And this is not easy, as I said, with the whole -- the food shocks and -- which I talked about on the inflation side.

And then on the trade, they dealt with the multifiber contract quite well. Tax cuts have been very important for the local business.

And on the diversification, clothing has certainly been -- is still critical to it, but at the same time you're seeing diamonds and you are seeing some other manufacturing pick up.

So all in all, we're the largest bank there, and what we'd like to think is what is good here -- what the MCC is doing, which is very good for Lesotho -- it's very good for us, and I think very good for the continent of Africa.

So once again, thank you very much.

(APPLAUSE)

HAYES: Well, thank you, Mark, and sorry your presentation didn't make it, but your paper presentation was excellent. It allowed everybody to focus without straining their neck. So thank you for an excellent presentation.

We are now going to go into our panels, and I'll ask the first set of panelists to come up. There's a 10-minute break, as I understand it.

Is that right, Sherry? Good.

There'll be a 10-minute coffee break, and then the panelists will assemble here again at 10.

Again, Mr. Prime Minister, Mr. (inaudible), Ambassador Danilovich, thank you very, very much for being here, and I look forward -- whether it's benefactor or beneficiary, I use the wrong word (inaudible) for MCC, and I hope it marks the start of a great success. So thank you very much.

(APPLAUSE)

(RECESS)

HAYES: This panel is (inaudible) rightly, given the panelists, business opportunities in Lesotho. You have two people who know it very well. You also have the MCC perspective as well as the government's perspective as well.

And with that, I will turn it over now to the moderator for the panel, Rosa Whitaker.

WHITAKER: Thank you very much. And I want to -- Excellencies, to again welcome all of you, Mr. Prime Minister, honorable ministers.

And I'd just like to thank you all for coming to this exciting event, because I think that this is going to be, at the end of the day, the start of something very new.

I really believe that in Lesotho, with 2 million people, with the strong leadership that we have, this is our best chance of providing an example to the world where the human condition can be transformed through

committed stakeholders like MCC, through a committed private sector, through committed governments, donor governments like the United States and others.

And so I am very pleased to be here. I'm also pleased to introduce and pay special tribute to the Honorable Timothy Thahane, minister of finance and development and planning for Lesotho, one of our participants on this panel.

I just came in from Ghana, arrived at 2 o'clock this morning with all the delays, where we were at the annual AGOA meeting, where Lesotho was just mentioned throughout the conference -- everybody was saying, "How did Lesotho emerge from AGOA being the largest exporter from sub-Saharan Africa of apparel?"

And that was just -- that question dominated the entire meeting. And everybody had their different theories about it.

And then prior to that, a few days before, I was in Uganda addressing parliament, and the parliamentarians asked me, "How did Lesotho do it?"

And there are a lot of reasons, but if I had to narrow it down to one, I was reminded of Jim Collins' book, *Good to Great*, where he examined how good companies became great companies. And I said, "You know, I think the same is applicable to countries as well."

He said that these companies didn't start with the "what." They started with the "who." And the "who" is just the right people, committed leadership, leadership that's committed to transformation.

And I really think that is what we have in Lesotho, and that is the primary ingredient for success. The leadership in that country is just tremendous.

And the leadership of that country, starting with the prime minister, who's in the room today, and the foreign minister, the finance minister, minister of health, minister of natural resources -- we have a real opportunity to see true, committed leadership. So I'm glad to be a part of this.

Our topic this morning is business opportunities in Lesotho. And for the private sector, I will say that is one of the reasons why you can succeed in Lesotho, is because you have a government that's committed to private sector-led growth, a government that will help you work through the obstacles, to make sure that there's a win-win situation.

And as the prime minister said, when you talk about Lesotho, you're not just talking about a market of 2 million people. You're talking about a broader not only South African market, but also preferential access to western markets.

You're talking about a government that's already making a difference and leading the world in so many ways.

We are launching a campaign here in September for Lesotho of ethical apparel production. And so many people have expressed an interest and so many retailers, so I will just say to the private sector, if you haven't noticed, there's a new way of doing business in the world.

Whether you're talking about apparel, whether you're talking about agriculture, whether you're talking about minerals, whether you're talking about services, globally consumers are demanding a new way of doing business. They want business done in an ethical way.

They want business done where it's not a race to the bottom, where workers and people are exploited. And they even came out with some new information that even college students have about \$46 billion in discretionary spending, and they're directing that spending to ethical places.

So when you look at Lesotho as an investment destination or place to do business, you should also look at it in terms of how it will enhance your brand, because the world and consumers are looking at business differently.

So I want to just start off basically with our panelists. I mentioned Minister Thahane, who was the minister of finance in 2002.

We know him in Washington. We know that he was deputy governor of Lesotho's reserve bank. He was ambassador to the United States. He's a friend. He was also vice president and secretary for the World Bank from 1980 to 1996. He knows that very well -- 16 years at the World Bank, many years with us.

He was also one of the leaders on AGOA even before it passed. I remember going to Minister Thahane and Minister Madia (ph) in Lesotho, and certainly Ambassador Rapolaki has been a big, most fervent advocate here doing so incredibly well.

And before it was passed, they were in it with us together because they captured the vision. So I'm pleased to be on the panel with Minister Thahane.

We also have Ms. Maureen Harrington, vice president for policy and international relations at the Millennium Challenge Account. She is also responsible for managing the threshold country selection process and annual eligibility.

She's executing the threshold program. She's doing a lot. I remember when she was at the State Department thing, at the International Republican -- IRI, as many of you were.

She's well known as an advocate, a friend for Africa, not only with a passion for the region but also the competence, and when you marry passion and competence, that's pretty lethal and very good.

And also, we have my dear friend, Mark Neuman, who is -- I always tell Mark I feel like we've been in war together because we've gone through so many battles in Washington together for the cause of Africa.

Mark was one of the very first companies in the private sector to support us on AGOA. He almost single-handedly made the case before the retailers.

When we first started doing AGOA, the retailers said it was a waste of time, that nobody would go there. Mark came there, changed the retailers, was in this fight with us, changed the minds of so many of the private sector, actually brought companies there.

He's still doing it. He just came from Burkina Faso. He's the international counselor for Limited Brands. But more importantly, he has a wherewithal in the U.S. Congress that I've never seen.

Now, I'll tell you a secret. I always said I think it's because he is working for one of the wealthiest people in America, and I think he controls -- he advises them or whatever. However Mark does it, Mark has a way -- I won't get into our internal system.

But Mark has a way of moving things in Congress because he's persuasive. I've seen him. And he is still with us, making the case about how we bring the private sector to Africa.

So any members of the private sector, if you want to know how to do it and do it well, please talk to Mark Neuman.

I'll now open up the program to the distinguished minister, Minister Thahane.

THAHANE: Thank you very much, Rosa, and the right honorable prime minister, and Mr. Hayes, and distinguished guests.

You know, after Rosa's speech, you don't know what to say, because she touches on everything and puts it so well that we just have to stand and pick up the pieces.

I think the best place to start on looking at business opportunities in Lesotho or doing business in Lesotho -- the best place to start is what does it take to do business, anyway.

One, you need a stable environment, predictable, so that you can plan your business. You can make sure that when you put your investment there, you'll also get it back.

And that immediately focuses on political and social stability, the regulatory environment and its predictability, and the transparency with which you can do business. And this is what Lesotho offers.

The judicial system is working, but it has not been working as well as the one (inaudible). Hence, the improvements in the commercial court, in the legal system, and also which are included in the current compact.

And we also have to look at -- and Washington does have quite a few lawyers, and they are not cheap. And for a small country with small business men, we need a small claims court where people can come. To get their \$1,000, they don't have to pay \$10,000 to go to court. That's also what we have in here.

But also, you want to know that when you make a payment, it will get there, and your debt will be settled. So the payment system becomes extremely important for payment and settlement. And that's (inaudible) included in the compact.

But as was pointed out by the prime minister and also Ambassador Danilovich, all these systems -- you can have them in place and everything. If you don't have the people -- but those people are simple labor if you don't invest in them, if you don't give them the help, if you don't give them the skills.

And that is one of the critical components in Lesotho we are focusing on. The people are our only asset. If you don't -- even if you have the diamonds, you have everything else, but you don't have the people and you don't have the skills, you're in trouble.

Let's look at Japan. Doesn't have much resources, but it's a world leader in a number of places (inaudible) because it had people, but it also invested in them.

Let's look at Singapore. Very small, tiny, but a world leader in terms of trade, in terms of poverty reduction, everything, because it had the people and it invested in them.

That is the situation in Lesotho. The government has chosen (inaudible) the people are both the object of the development process but also the subject of that development process.

And we hope during this -- the implementation of the compact we will improve the quality of the skills, the quality of the help, as well as strengthen our institutions for training (inaudible).

Lastly, you know, the physical environment is quite a problem. If you produce anything and you're a business man, you have to get it to the market. You have to get it to the customers.

And as has been said, Lesotho's market is the world. It's not just Lesotho. We are going to be players in a global environment. And our textiles have shown us, yes, we can compete with the best in the world.

But you need the skills. You need the streamlined bureaucracy. You need the people able to work.

So if that is the case, we also need to look at the factors of production. There, we need to look at the physical infrastructure -- the roads, the water, the telecommunications, the power.

And so government strategy is to focus on providing that minimum platform of infrastructure which will enable the businesses to invest and to reap the results. That's our long-term strategy.

So the component of the infrastructure, the water, and the prime minister highlighted, is critical for both industrial and domestic use. That infrastructure is fundamental -- you cannot produce -- neither can the people have good health.

So today, in looking at Lesotho, one needs to look at that infrastructure, and the Government's focus is to try and build that infrastructure and to invite you to invest in that infrastructure.

But in closing, the prime minister invited you to visit the Kingdom in the Sky. Now, what then? You are maybe closer to God (inaudible).

One of the things we promise to give you is a fantastic and -- tourism with a difference, because we have majestic mountains. We have some historical places. What we need to do is to have investors coming (inaudible).

Water will be necessary. Other health facilities will be necessary to make sure (inaudible) looked after, your health and everything.

So our strategy there is really to look at making the people part and parcel of (inaudible), so looking at bed and breakfast and the lodges living in the village with the people -- this is what we need to explore.

And it does require a lot of investment because of the way the land is. And we just want to invite you. I will be happy to answer more questions, but there are other people -- and Maureen -- I have to say she was very (inaudible) she may look very innocent, but (inaudible)

(LAUGHTER)

Thank you very much, Rosa.

WHITAKER: Thank you.

(APPLAUSE)

HARRINGTON: Well, with that introduction, there really -- I just can't tell you how delighted I am to be here today, right honorable prime minister, (inaudible) Ambassador Rapolaki.

This really is a very special day for MCC and the government of Lesotho. As the minister mentioned, I was an early member of the MCC-Lesotho team, and I know just how hard both sides have worked to get here today.

It's been an extraordinary effort, and I think the compact reflects that. It's going to be a wonderful program that we hope will really make a difference to fight poverty in Lesotho.

And we are just so proud to be here today and really glad that we could all be here together to celebrate. There's a lot of work moving forward, but it's good to take a moment to celebrate, to enjoy each other's company, and to recognize the achievements that we've made to be here together.

So I just wanted to say a couple of things from MCC's perspective, a little bit more about why we're -- we wanted to have this event today.

Ambassador Danilovich mentioned in his remarks that Lesotho is one of the top performers on the MCC policy selection criteria.

And what we found over the past couple of years is that a number of private sector firms and groups are taking notice of the MCC selection criteria almost as a signal for markets that maybe they hadn't been looking at before but they're looking at now, because of the countries that we're choosing to be partners for the MCC investments.

For instance, we've had a number of large, multinational corporations tell us that they're using our indicators when they're thinking about new business expansion. Now, maybe they're just being nice to me when they tell us that, but I think it's interesting.

The second is that we understand that the rating agencies are also looking at whether countries qualify as MCC. It's not going into the ratings themselves, but it's something that they're looking at as sort of a signal of how the U.S. government perceives the policy environment on the ground.

And lastly, there have been a number of private equity firms that are telling us that they're looking at countries that are MCC eligible as places to put their funds to work, because perhaps there's a better chance of a greater return given the policy environments and the kind of investments that MCC is making to help facilitate growth.

So we decided to have an event like we're having today to really take an opportunity to highlight what's happening in Lesotho and the good news coming out of Lesotho, and to use some of the convening authority that we have to help the U.S. private sector to get a picture into what both our investments will be helping to facilitate but what's already happening in Lesotho, quite separate from anything that we can take credit for.

And that's really linked to the three themes for this conference today. First, because of the policy environment, Lesotho is a country that ought to have more recognition for the efforts they're making to improve the business climate.

I think Lesotho's very well known for their leadership in AGOA, and we want to help get that word out even broader, because they truly have created an investment climate that is better than many on the continent.

We also like to think that we at MCC think like investors and that we work in countries where we think we can have a very good poverty reduction return.

And I think some of the things that we look for are probably quite similar to what a private sector firm is also going to be looking for in terms of a partner. And we hope that many of those same choices that we make will help U.S. firms to succeed.

Second, the compact is making a significant investment to further remove constraints to investment, and because we're helping the government of Lesotho with their efforts to strengthen the water supply, strengthen the health system, and to support their efforts to improve the business climate for firms -- that there'll be more opportunities for you to succeed as well.

And the third aspect of today and the third theme that we'll be talking about on the next panel are the procurement opportunities that are available through the compact.

We recognize that many firms that are new to the region or new to Lesotho may want to get to know a market through some sort of trade relationship or perhaps (inaudible) a service provider for a donor contract, and that -- those kinds of opportunities will be available through the compact, and we wanted to help make sure that firms in the U.S. were aware of those opportunities.

So as Ambassador Danilovich mentioned at the beginning of the conference, we recognize that no one donor can help remove all the constraints to investment, but our grant is significant, and we hope that it will create growing opportunities for everyone in this room.

The MCC grant really is just one tool in the toolbox, but it's really all of us working together, the private sector and government, where we're really going to be able, as partners, to work with the government of Lesotho to help reduce poverty.

And lastly, one other thing I wanted to mention. We started up a little unit at MCC that's trying to help promote better private sector engagement with the Millennium Challenge Corporation.

And one of the issues that is raised regularly is several firms have asked us, "Well, how do we go about partnering with MCC? We don't actually want to be a service provider through the compact. We're already active in some of your country partners. How can we link our corporate social responsibility programs to the compact?"

I think, as many of you know who are involved in corporate social responsibility efforts, that can be a lot of work. And being part of a program that has such high-level support from the government, as we see here today -- and it's a program that's driven and created by the government.

We're simply providing the finance for it -- you know, that there are opportunities to link corporate social responsibility efforts to what we're doing, and that, you know, we welcome those sorts of partnerships and ways to sort of expand (inaudible) to have a greater poverty reduction impact on the ground.

So (inaudible) for being here today and for supporting the success of the compact.

(APPLAUSE)

WHITAKER: Mark, is this blocking (inaudible)

NEUMAN: Yeah.

WHITAKER: OK (inaudible)

NEUMAN: Good morning. Like Rosa, I just arrived from Africa. Actually, I arrived at about 6 a.m. this morning from Dakar.

And the good news is that South African Airlines is probably the best airline in the world. The bad news is I had a connection on Saturday night on Air Senegal, so you can figure out the rest.

(LAUGHTER)

What a distinct honor and worth the extra trip to be here in the company of his excellency, the prime minister, and the honorable ministers and so many friends to talk about something near and dear to my heart, and especially given the fact that Lesotho, this country of 2 million people, is -- can you believe it? -- producing one-third of all the apparel exports in all of sub-Saharan Africa.

That deserves a round of applause.

(APPLAUSE)

And the incredible team that you have here assembled from the government, which shows other governments all the (inaudible).

And I should say a word (inaudible) representation here in Washington with Ambassador Rapolaki, a woman full of wisdom, full of grace, and don't let her fool you. She's tough as nails.

(APPLAUSE)

I've seen this legendarily tough member of Congress, faced with the ambassador, sort of melt like chocolate on a very hot day. And it's because he knows that you don't talk back to your schoolteacher. That's sort of an inside joke.

Of course, we all know the success about AGOA. But I want to share some thoughts about how we sustain that success, because one of the things that we learn in the retail business -- and as you know, Limited Brands is the parent company of Victoria's Secret, which is the best-known intimate apparel retailer, certainly, in the world.

One thing that we understand as retailers is that achieving success is wonderful. But sustaining success is very, very hard. And that's the inconvenient truth that I want to talk to you about this morning.

So you see, of course, that Lesotho is winning here, but you see that the growth has now ended, and there's a couple reasons for that, and I'd like to focus on those things, how we keep the success, what we -- things we need to do.

And obviously, when you think about the geese that are laying the golden eggs, we see really two products -- knit cotton shirts -- it's always easier just to give you a real example.

This is a knit cotton shirt. It could be a polo shirt. It could be a T-shirt. It could be a blouse. But this is producing \$100 million in terms of exports.

And then woven cotton trousers like this pair of shorts here, also almost half of the exports, so two product categories that are really, really producing in a big way. And then you see some manmade fiber.

So really, you look at -- there's 4 percent that's not trousers and shirts. So you see that it's a very, very specialized product category.

And then you see what the picture looked like in 2004 versus 2006, and some bad news there, that it was \$1.7 billion for all of AGOA apparel exports in 2004, and now in 2006, it's gone down to \$1.3 billion. And that's at a time when overall apparel exports to the United States were rising by double digits.

And you see, of course, Lesotho producing 31 percent, increasing its market share, which is good, but the bad news is that you see that the market is shrinking, and you see that overall exports are going down, not up.

And I think this is fascinating. With all the geographic challenges in southern Africa, West Africa -- you know, I was just in Senegal. It's eight days by boat. It's not even in the game. It's basically an asterisk.

Ghana has a little bit, but basically you see they're not in the game. South Africa, cut in half in terms of its market share in sub-Saharan Africa. So a lot of danger signs there.

And now, I want to understand why Lesotho exports are decreasing. China is making huge gains. Remember, since 2004 China's apparel exports have increased 107 percent, \$9.5 billion increase.

So that's four times -- their amount of increase is four times more than Lesotho exported in the past seven years since AGOA was implemented. And that is scary.

So in this same period when China's growing to \$18.5 billion from about \$9 billion, Lesotho is decreasing 15 percent.

Now, you look at China's -- remember when we talked about (inaudible) how important they were. Now, you look at what happened in six months of unrestrained growth.

Remember, by July, the United States government decided to impose safeguards, and so basically there was an embargo. So this is basically only six months of growth in that key product category.

And what we saw was basically growing from about 20 million units to 146 million units in six months.

So imagine in 2009, when China is unrestrained, what's going to happen, because they will simply be able to (inaudible) as you see, six months of unrestrained trade, they were able to export more than they exported in the past seven years.

So if you're wondering if I'm trying to scare you, the answer is yes.

Now, something I was really scratching my head about -- in this safeguards agreement, once there was a negotiated restraint level, a bunch of lobbyists were here working and saying that there were certain products which weren't made anywhere but China.

And the funny thing is that it just so happens that people brought in products from Lesotho, from Madagascar, from Thailand and showed, "Hey, this says 'Made in Madagascar.'" Old Navy -- big customer of Lesotho.

And then this was carved out. They were exempt. So you know, it was -- kind of wondering why does China need this. They're growing by \$10 billion. Do they really need to take (inaudible) away from sub-Saharan Africa?

And remember, this is (inaudible) category. So (inaudible) China gets the restraint taken off, and what happens in cotton knit sweaters? It goes up to \$94 million and is still growing. And then AGOA basically stops growing.

So you want to understand cause and effect. There it is. So unrestrained, China grew (inaudible) percent in 2005. So again, why? And by the way, there's only one country that made a stink about this. And guess who it was? Lesotho.

But where were the other countries worried about this? Did Madagascar say anything? No, not a word.

Now, this isn't -- China's really good, but it's not that good. OK? I want people to understand that the role of massive yarn cotton fabric subsidies in China and the United States are pushing the AGOA countries, and that is a fact. And I don't want people to sugarcoat that.

I want people to understand that there are consequences when you're spending \$5 billion of U.S. taxpayer money to subsidize cotton, which goes to China, and then China is spending billions of dollars to subsidize fabric, and then this pushes Africa out of the supply chain. And I think it's a disgrace.

So what you see is massive spending, and you create a huge crop, and then you subsidize it, and then the exports are pushing everybody out of the supply chain.

So you may say, "Well, but does this really matter for garments?" And I say, "Yes," because in the long term -- you know, by the way, look here. This is the amount of cotton from all of Africa.

By the way, cotton is about 15 cents a pound in Africa. It's about 60 cents a pound here. So you'd think there's arbitrage. No, because there's basically a ban.

So what it means is instead of getting to take advantage of the raw material that's produced in Africa that can help make your product more competitive from the beginning, it doesn't happen.

So basically, Mali exported \$290 and \$22,000 went from Cameroon. So basically one container and one bale. That's it. You know, Africa, the center.

So obviously, when you spend \$4.8 billion on something, it has a big effect. And I won't bother you with the other gory details, but they're (inaudible) gory.

Now, the good news is sub-Saharan Africa has a superior supply of raw materials for fiber, like cotton and petroleum, which is used for manmade fibers, good skill and favorable labor rates.

And by the way, I want to tell you about -- Rosa Whitaker, of course, is one of my heroes. Another one of my heroes is Marty Trust. Of course, I brought him to Madagascar and to other sub-Saharan Africa countries.

And I was so excited that another one of my heroes, Tamsin Smith, the president of (PRODUCT) Red, that in Madagascar they're going to be producing a trouser for Armani that is going to be basically, dirt to shirt, done in Madagascar.

The fiber was grown there. The yarn was spun there. So everything -- and even the product development was done there. That has got to be the future.

You know, I remember someone told me there was no cotton yarn in West Africa, so -- I'm standing there with that big pyramid there. You know, it's always good to show people that you know what you're talking about.

And so here's really the -- this has got to be the vision, because if this doesn't happen, you can't be a player in the long term, because I want someone to explain to me why someone -- if China's unrestrained, why someone would ship fabric made in China all the way to Lesotho after 2009 to make the garments there, when they could just make it in China.

But if you take away the subsidies that are artificially making that fabric so much cheaper, and then you give Africa the opportunity to capture the value of its raw materials -- remember, it costs a couple dollars to pump petroleum out of the ground in Nigeria.

So what Lesotho, with its visionary leadership, needs to be doing is saying, "Hey, Nigeria, why don't you help us get in the game here," and saying to your neighbors in South Africa, "Why don't you make it so some of this fabric can be produced here," because long term, that's how you stay in the game.

Because if cotton is 15 cents a pound in Africa, and you're not sending it to China but you're processing it there -- so you've got to help your neighbors.

You've got to show them how you succeeded by practicing the 11th commandment of loving your foreign investors, because talent...

(LAUGHTER)

... is global. You need to bring talent in.

When I was trying to develop this Burkina Faso organic cotton sector, the first thing I did was figured out I'm not smart enough to manage this program, so I brought the best people in the world from Sri Lanka and from India to do this.

And I said to the union of cotton growers, "You've got to do the same thing. You've got to bring a project manager to run this. I know you know how to communicate to farmers, but this has got to be -- if this doesn't happen, you can't stay in the game long term."

Because I want to emphasize here that when you look at a T-shirt that -- let's say this is a \$4 T-shirt. Only 70 cents is coming from manufacturing the T-shirt, from assembling it, from sewing it.

And what we need to do is be focusing on how we go from dirt to shirt, from fiber to garment, from this, to this, to this fabric, either to a garment or a dyed fabric, and all the way.

We have got to figure out how to keep all of the value. That has to be our goal. And my vision, of course, is a vertically integrated African supply chain.

And by the way, I want to commend the U.S. government for going after the China subsidies. And if I were Lesotho, and I'm not, I would be jumping on that challenge of the U.S. trade representative with Mexico and saying, "It's time to end the export subsidies that are WTO illegal," and take them on.

Because I promise you one thing. You take away these subsidies, and the Africa region, with Lesotho as a sewing platform, is going to be the low-cost, high-quality producer. I promise you that.

Now, how did Lesotho survive as a supplier to the U.S. market? By emulating China's fair things that they're doing, which help them increase -- exceptional ability to deliver, on speed and flexibility, of concept to market, product development capability -- accessible government, by the way, very important -- an open door to the people that are bringing prosperity to your country, something that happens in Lesotho.

I promise you, there are very few countries where that's happening. The way it's happening in Lesotho -- and congratulations to you. I really, really always use you as an example.

And then when I met with the president of Burkina Faso and the prime minister, what do I talk about? You need to go to Lesotho and see how they treat their foreign investors, and see how they facilitate to create prosperity for their people.

So this attitude, the quality customer service -- these are things that you can produce on. So I always like to advise people that you need to run like you're running for your life, because that's what global competition is.

And you need to play to win, because everybody knows here that failure is not an option. We have to win. There's no other alternative for us.

So with that, I wanted to share some of these very, very blunt thoughts, because I believe in Lesotho. And I know that given -- if you take away unfair subsidies that Lesotho can compete.

But I don't want anyone to think that if there are no restraints on China in 2009 and there are still the subsidies that exist, that you can survive. So we've got time right now to start figuring out what the solution is.

And I promise you that I will work with you, because when I see kids like that, I know that failure isn't an option. So thank you for your attention.

(APPLAUSE)

WHITAKER: Thank you.

Thanks to all the panelists who clearly see there's much work to be done. Many more challenges remain. But we have a firm foundation on which we can build.

Steve, I don't know if there -- we have 10 minutes for questions, if there are any questions about anything you've heard, anything that anyone would like to share or raise.

Mark? Why don't you introduce yourself.

SCHAEFFER (ph): Yes. I'm Mark Schaeffer (ph) with (inaudible) Water Technologies. We make water technologies to help (inaudible) but I actually have an unrelated question.

Mark (inaudible) situation where today we're here to celebrate a \$360 million grant (inaudible) U.S. policy (inaudible) China, which is basically undermining what we're trying to do here, isn't there an opportunity for the MCC to talk with commerce or to talk with the trade representative and work to change the policy that's undermining what we're trying to do here?

NEUMAN: I think Lesotho has a lot of power, more power than probably anyone in the U.S. has right now to effect this, because there are a lot of issues related to the Doha.

And as I said, I'm praising the U.S. for taking on the export subsidies that are prohibited by the WTO in China. And I think it would make a lot of sense for Lesotho take those on.

But at the same time, I hope that when this farm bill gets done that we're not giving out \$5 billion that ends up making Africans poor.

And I think there are -- the amazing thing is this is a left-right coalition (inaudible) like Richard Lugar and Paul Ryan on the right and you've got people like Charlie Rangel and Jim McDermott and Don Payne on the left.

And if we can bring them together and say, "Hey, this is about survival --" you know, I want to celebrate what Lesotho did, but, you know, my attitude as a retailer is that the minute I start celebrating how good we did last Christmas, you know, I realize that spring is there.

And my customers may decide that they're going to vote with their closet instead of voting what's in the stores.

And so the attitude that you're always behind in a relentlessly competitive sector like apparel -- I don't want us to just say, "Gosh, we're great, we're number one," but to say, "Man, we're number one, how do we stay that way?"

WHITAKER: And I also wanted to add, there have been over the past few years about six major attacks on AGOA that would have had a devastating impact on Lesotho, primarily.

And at every juncture, whether it was legislation that was going to hurt AGOA -- at every juncture, Lesotho was here. And I just want to thank the prime minister -- on such short notice sending ministers here, going to Congress, and it's with ambassador -- it's been a lot of work.

But I also think that what Mark described is probably (inaudible) right now. And I have no doubt that working together we are going to have Lesotho and other countries equally engaged.

But of all the African countries, Lesotho has the greatest amount to lose as the largest apparel exporter.

SCHAEFFER (ph): I think more people need to hear Mark's presentation.

WHITAKER: I agree.

SCHAEFFER (ph): That's the bottom line.

WHITAKER: Is there any other -- oh, did you have (inaudible)

THAHANE: Yes. Perhaps I could just -- one word.

Mark, thank you very much for that presentation, and we look forward to seeing you in Maseru and engaging in more detail, because the critical part for most countries in sub-Saharan Africa and for Lesotho in particular is that we don't have diversified economies.

Consequently, we depend for a whole lot of people on that particular thing. So our textile (inaudible) engages more than 45,000 people.

And if you think back that each of those supports four or five other people, the impact of a 1 percent or 2 percent or 3 percent cut on the livelihood and survival of our people is critical, is very, very important.

So we welcome the engagement with the retailers, engagement with the people who are dealing with the customers, in order to try and see how we could be nimble, flexible, competitive, and deal with some of these things.

The one part that Mark mentioned is the washing that this compact -- one of the problems -- one of the issues (inaudible) is that we need to have this water in order to be able to have (inaudible) treated water, because for the textile (inaudible) they require a higher level of sensitivity in their treatment of water.

And we hope we can engage the American businesses and others in making sure that we can develop that washing. We now have the (inaudible)

WHITAKER: (inaudible)

THAHANE: Yes.

WHITAKER: (inaudible)

THAHANE: So we have to send some clothes, some fabric, to South Africa to be washed and dyed, and back to Lesotho to be stitched. And that is something that could -- value-added that could come to Lesotho.

And so I would like to invite the people with the skills, and so we start with you, Mark, to really sit down and engage in how we go about this.

We are engaged with the Chinese in trying to say, "Chinese, help us improve our skills," so that we can also begin to compete with them in terms of their skills. And they are helping us.

We just had a team which has gone to China now for training in the fabrics -- the various things. But this is a battle that we cannot afford to lose, neither can anybody afford to stand by, if we do not want to see part of our human beings in the world suffer.

WHITAKER: Thank you.

And I want to say we're going to be calling on all of you, as we have in the past, around this issue.

I remember it was about two years ago, Mark, 1.5 years ago, we had a situation where the USTR was negotiating the bilateral textile agreement with China, and they basically wanted to include some of the things that were made in Lesotho.

And they told us that China said that the product in China -- had a band of lobbyists saying that these products were only made in China, so they would not hurt anyone.

So we went all over town looking for some of -- we knew that the same products were made in Lesotho. And I remember calling the LNDC and calling the ministry of trade, and they literally were up all night giving us the statistics.

We took those statistics to Congress, and we called on many of you to go to Congress with us. And that made a difference, because it doesn't make our news, but it would have been important.

Had we not had the ability to restrict China's access in those key areas, it would have never happened. And they would have just overtaken those markets.

So these things are very important, and I just want to put a marker down that, Mr. Minister, I'm committing on Mark's behalf -- he cannot say no, and he knows why...

(LAUGHTER)

... that he will be there, and he's going to bring other retailers for this important dialogue.

And I also would like you all to just keep in mind, in September we are launching the Made in Lesotho brand among the retailers. Lesotho will be at the (inaudible) show.

We're going to talk about the comparative and competitive advantages to sourcing in Lesotho. We have commitments from some of the major retailers they'll host the delegation. And so we want you to be a part of that.

I think we have room for one more question.

(APPLAUSE)

What I'd like to do is to close, then. And I would be remiss if I didn't just thank -- I want to, first of all, thank Steve Hayes, because the private sector is very important.

And certainly there was a private sector interested in Africa before Steve Hayes, but the private sector has never been exactly organized in the way it's been organized around Africa because of Steve Hayes' leadership and CCA.

And he does go beyond the call of duty to do what he has to do. And so, Steve, we want to just thank you.

(APPLAUSE)

And I also want to thank someone I've known a long time who's worked so hard on this, Sophia Mohapi from the coordinator of MCA and Lesotho -- is also the head of the (inaudible).

(APPLAUSE)

And also Deidra Fair, who was at the IFC, and I remember Deidra saying she was interested in leaving because she really wanted to do something where she could make a difference.

And certainly you can say you have made a difference being at MCC, working on Lesotho, and we're looking forward to great things (inaudible).

(APPLAUSE)

And finally, we want to thank you, Mr. Prime Minister, just for your leadership, for being an example to us here, for inspiring us and being an example to the world about what can be done in Africa. Thank you.

(APPLAUSE)

HAYES: There will be, actually, one more panel after this, so we're taking a 10-minute break, and Ms. Mohapi and Ms. Fair, who Rosa just praised, will be on that panel. Thank you.

(RECESS)

HAYES: OK, if I could have people come back in and take your seats in the next couple of minutes.

OK, if I can have you please take your seats.

In our last panel, we heard on some opportunities, but we also heard the very realistic -- and what I call the shock treatment of the obstacles to investment as well, and that the obstacles are not always African born, as the media often portrays it, but in fact, the obstacles can exist here, too.

And it also shows what a complex fabric that we have in trying to make things work both in the United States and in other countries.

You didn't hear much on health and water issues, although the minister of finance did refer to the -- that the business is needed in cleaning water and making -- related to the fabric and textile industry, apparel business.

The minister of health is also here, and I hope -- sitting over there in blue, and I hope that those of you -- I know there are several companies here that from your name tags -- interested in the health aspects of business in Lesotho. So I hope you have a chance to meet with her as well.

The next panel and the final panel for this morning is on procurement process and opportunities.

We have two people with MCC-MCA who are doing -- are responsible for exactly that -- and is chaired today by Tim Richards of General Electric, who also has been on the other end of the procurement process -- that is, seeking the procurements.

So with that, I think we've got a very good panel to help you through that.

I should note that the signing ceremony today is at 2:30, not at 2 o'clock or 1:30, but 2:30 at the Department of State, for those of you who will be going to that.

So with that, I will turn over the final session to Tim Richards.

RICHARDS: Thank you very much, Stephen.

And good morning, everybody. It's a real privilege to be here, and I think this subject we are about to discuss in the next panel in many ways is perhaps the most practical aspect of an MCC compact.

And we are fortunate to have perhaps the two best people to provide some background on that. Both Sophia Mohapi and Diedra Fair and going to speak for about five minutes each. I'll introduce them now. They'll speak for five minutes.

But mainly, we have 35 minutes for this panel. We'd like to make this an interactive session as much as possible, so be thinking of your questions now and as they speak, and we'll then make sure that we have plenty of opportunity for questions as we go forward.

Let me start by introducing Sophia Mohapi, who is the MCC coordinator for Lesotho. She is responsible for all aspects of communication between her government and the MCC team in the United States.

She also monitors the financial resources of the project and updates the stakeholders about progress in the development and implementation of the compact.

She is the chief executive -- she was the chief executive for Lesotho National Development Corporation and served for many years within that corporation.

She's also held positions with the Lesotho Highlands Development Authority and the Center for Accounting Studies. She has director positions as well with the diamond mine as well as with the Nedbank Lesotho and Lesotho Evangelical Church Planning Commission.

She holds a bachelor of commerce from the University of Manitoba in Winnipeg, Canada and also is a chartered accountant through the Center for Accounting Studies in Lesotho.

Let me also introduce -- before we begin this presentation, let me introduce Deidra Fair, who is the associate country director for Lesotho at the Millennium Challenge Corporation.

She has a impressive background in international economic development. She's managing currently MCC's relations with the government of Lesotho and representing MCC with governments in the country as well as private sector and non-governmental organizations.

Before coming to the MCC, she was with the International Finance Corporation in the infrastructure department and also the Middle East North Africa department.

And she is a B.S. -- she's a civil engineer with a B.S. in civil engineering from Purdue University but also an MBA from Columbia Business School.

With that, let's begin with Sophia, Sophia Mohapi, to give us the Lesotho perspective on government procurements.

MOHAPI: Thank you, Timothy.

Honorable ministers and distinguished guests, it's a real pleasure for me to be here today.

Two years ago when (inaudible) Dr. Majoro and the minister of finance invited me to the office and said, "We have an assignment for you, Sophia," I didn't have an idea what I was in for.

But today, I'm very proud to look back and see we made it. I never thought we'd be sitting here in this room today to begin to celebrate the compact for Lesotho.

Before I talk about procurement, allow me, just for a few minutes, the last topic about (inaudible) and if you heard what Timothy said, I worked for (inaudible) for seven years.

And it was during that time that Lesotho was put on the map as a result of (inaudible) and I'm very proud to look back about the contribution that I made at that time. Thank you very much.

OK. I'm supposed to talk about procurement process and opportunities. Again, I want to refer to the past. When I joined the minister of finance on this project two years ago in October, I was faced with a very big challenge.

As an accountant, procurement was a little bit detached from my own experience. And (inaudible) I didn't know what procurement was all about. I'd heard about it, but I didn't realize it was a whole discipline in itself.

And I can see some of you laughing, because Jeanmarie knows that I will fall into the deep end when I had to procure some (inaudible), and I didn't have a clue how to go about it.

But suffice to say we made it, and we got the (inaudible) and today we are here. OK.

Procurement for the (inaudible) -- the government of Lesotho (inaudible) possibility to oversee and manage implementation of this program. However, with the consent of MCC, the government made (inaudible) an entity to implement (inaudible) all of the government's obligations.

That entity is normally called the accountable entity. And in our case it's going to be called MCA Lesotho. That is in the process of being established.

And the entity assumes responsibility for implementing the programs on behalf of government. That accountable entity takes all necessary steps and appropriate actions to implement the program. So this is what MCA Lesotho is going to have to do in future.

In accordance with the terms of reference of the compact and MCC's implementation agreement, two agents have to be engaged. The first agent is the fiscal agent and the other one is the procurement agent.

This is very important (inaudible) MCC's contract (inaudible) the fiscal agent's responsibility are to provide financial management services to (inaudible) accountable entity to implement the project.

Now, talking more about the procurement agent's responsibilities, it is supposed to act in terms of the compact provisions to provide specified procurement activities that are required to implement the whole program.

Just to remind you a little bit, the program focuses mainly on three factors, the health sector, as you were advised, and the provision for that particular component is \$132 million U.S., the water sector, \$154 million U.S., and the private sector development component, \$36 million U.S.

Now, if you (inaudible) that into (inaudible) it's quite a lot of money. And all of this money has to be spent within the next five years.

Now, under each sector, we have a number of components, as you can appreciate, all of which will involve a number of (inaudible) when we come to implementation, and again, bearing in mind the five-year horizon that we are looking at.

The (inaudible) project, we have agreed with MCC that in some cases we'll have to establish project implementation units, PIUs, as (inaudible). However, at the end of the day, the accountable entity is still responsible for the implementation of the program.

The members of the accountable entity will provide oversight as necessary and then report progress to the board of directors and to MCC.

Now (inaudible) the water sector, this component includes construction of a dam that was referred to earlier on by the honorable prime minister. This is Metalong Dam.

Now, this particular component of the dam, which is a wall, will be financed by other donors. Now, MCC funds will be used for construction of (inaudible) for the (inaudible) of water to the capital, Maseru, and other neighboring towns.

Now, having been part of an outfit that actually implemented the Lesotho Highlands Water Project in Lesotho -- and some of my colleagues are here -- we have gained some good experiences and lessons from that project. And we (inaudible) can put those experiences to good use on this occasion.

I have to say and assure everybody here that we will talk about (inaudible) on only the good lessons learned on the water project.

Now, in line with the MCC procurement guidelines, procurement of all goods and services will have to be open, fair, competitive and transparent. In other words, it will be open to everybody in the world, not just Lesotho.

However, we believe that such a component of the compact which (inaudible) our local private sector. And this was the case with the Highlands water (inaudible).

But just by way of example, we can include relocation of housing, if any; (inaudible) and services (inaudible); (inaudible) services for building materials such as (inaudible) crushed stone, cement and (inaudible).

These are the components (inaudible) the main (inaudible) contract or form partnerships with our local private sector.

Within the water sector, there's a component that deals with (inaudible) of water and (inaudible) to the rural area. Now, again, here, we see an opportunity for local private sector (inaudible).

Of course, they'll still have to compete for the work as is required under the procurement guidelines of MCC.

For engagement of contractors for the rehabilitation of water pipes to urban and (inaudible) urban area, there's one area which offers our local private sector an opportunity to participate in this transformation.

But again, I hasten to point out that all of the procurement will be opened up to everybody.

Now, given the time frame within which we are operating, we believe strongly, as the accountable entity (inaudible) or the core team as of now, that no one (inaudible) contracted (inaudible) it isn't that simple.

Our landscape in Lesotho is very challenging, and we believe that in order to reach the time line that has been agreed with MCC, we are proposing -- and we hope that our proposal will be accepted -- that our water contracts be by region -- in other words, north, central and south.

And the reasons are simple. If we get snow, like we did last time, or we get rain -- we never know; there are floods everywhere else; maybe one of these days it will be our turn to be flooded -- we think that if the work is undertaken by region, the chances of succeeding are much greater than if the whole (inaudible) of construction would be allocated to just one contractor.

Of course, this is a subject that we are discussing with MCC, and we hope that we will be able to convince our counterparts about this approach.

Now, the health sector, which is a lot of big component of the program -- it's going to be very challenging. We are talking about rehabilitating 150 health centers throughout the country.

We're talking about constructing 14 (inaudible) clinic in different districts of the country. Added to that, we are talking about construction of a central laboratory and construction of a central blood collection and processing facility.

Now, if, for example, all of this infrastructure work is awarded to one contractor, we think that supervision of that work will be a major challenge. And hence our reason for advocating for a division by north, central and south.

In (inaudible) also be considered, as I said, for the health center, but that remains to be finalized with our counterparts in MCC.

Just in conclusion, then, I think the real biggest challenge for the accountable entity will be to drive the program according to the agreed time line.

And we believe that this will mean getting unconditional support and cooperation of the implementing units (inaudible) and actually making everybody understand that it is not business as usual this time around.

The motto of government, which we fully embrace, is "hah odabray" (ph). In English, it means "get on with it now and not tomorrow."

(LAUGHTER)

Five years is not a very long time, ladies and gentlemen, and the last thing that the accountable entity wants is failure. We don't want to be part of failure and we're going to work very hard to achieve that objective. Thank you very much.

(APPLAUSE)

RICHARDS: Thank you very much for those comprehensive remarks, Ms. Mohapi.

And now we will turn to Ms. Fair for the MCC perspective.

FAIR: Thank you.

That's a tough speech to follow. Unfortunately, I don't have a Sesotho phrase -- "hocho pula nava" (ph).

(LAUGHTER)

(APPLAUSE)

FAIR: (inaudible) that's what I do now, so maybe I can start with that.

I first want to acknowledge the honorable ministers that are here in attendance and the Besotho delegation, as well as the MCA core team, which is very excited to make these festivities and our meeting that will take place later on, and also, the transaction team, the MCC transaction team.

It's a terrific team to work with, and none of this would have been possible without them.

I'd also like to take a special mention of program officer, now deputy resident country director, Brian Baltimore, who is my right-hand person, as well as Gene MacDonald, who will be the resident country director. We're so pleased that she could join us today.

I will first describe the scope of activities in the compact to give you a little better idea of what is in the health, water and PSD projects.

And bear with me if I repeat some of the things that Amay (ph) Mohapi already talked about, but I think it's good for the audience to get an understanding of actually what we mean by water project, health project and private sector development project.

The \$164 million water project activities include the construction of a bulk water conveyance system and establishment of an (inaudible) project management unit.

So as Ms. Mohapi described, there will be other donors that will actually build the dam wall. The MCC is funding the transmission system from the Metalong Dam site to Maseru.

Second, the extension and rehabilitation of urban and peri-urban water transmission networks; the provision of improved water sanitation services for an estimated 25,000 rural households, so that's approximately 150,000 people; to construction of ventilated pit latrines and a small pipe water system; and also restoration of degraded wetlands of three areas in the Highlands, and the support for the development of a national watershed management and wetlands conservation plan.

As we say in the program, we're going to look at water from the time it drops out of the sky to Lesotho until it gets to the end user.

The \$122 million health project activities include, as Mrs. Mohapi referred to, renovation of 150 health centers all around the country, and this is in order to establish a national stock of health centers that achieve (inaudible) and have electricity, running water, security and communications; establishment of ARP centers in 14 hospitals in the outpatient department; construction and equipping of a new national laboratory, as well as a dedicated central facility for processing and collecting blood; construction of dormitories and staff residence for the health training college students and staff; strengthening health systems through increased capacity for pre-service and in-service nurse training; and improved district level public health and human resource management; and improved occupational health and safety medical waste management practices.

The \$36 million private sector development project -- the activities include reform of the civil legal system through the development of a commercial court, including case management, system support and promotion of alternative dispute resolution and small claims court; support for the production and issuance of national identification cards; as well as the establishment of the necessary legal and regulatory reforms (inaudible) privacy for the establishment of a cross border credit bureau; implementation of a new payment and settlement system; and development of land policy in Lesotho, which includes implementation of a systematic land regularization program for urban and peri-urban areas and development of a new land administration authority; and lastly, but just as important, implementation of a training and public awareness program dedicated to implementing gender equality and economic rights through the building of local capacity to continue advocacy.

Further detail on budgeted amounts for these activities will be provided in the compact, which should be published shortly after this afternoon's signing.

And with respect to procurement and procurement guidelines and regulations, I am joined here by Jeanmarie Myer and Pravat Gard (ph) from our procurement department, and they will be able to give further details.

But just in general, our MCC procurement guidelines are posted on our Web site, [www.MCC.gov](http://www.MCC.gov). But I think it's important to note, too, general rules that may be of interest to the companies in attendance.

One, the compacts do not follow the FAR, or the Federal Acquisition Regulations, that some people may be familiar with. Also, there's no geographic preference of any kind, including Americans or local preferences.

I thought that the audience might also appreciate a description of some of the activities or some of the procurements that will take place in the next eight months to nine months.

In general, we've posted a general procurement notice -- a GPN, it's called -- UND -- the U.N. database, May 31st, and so you can take a look at that general procurement notice and again get more details.

This GPN listed types of goods, works and services and procurements that are planned from now until early 2008. And subsequent GPNs will be listed as the program develops and we start listing the compact -- the subsequent procurements for the compact.

In terms of goods, what you'll find in the GPN -- approximately \$760,000 worth of vehicles, office furniture, computers and network equipment for the MCA local offices.

In terms of works, approximately \$30,000 for upgrades, retrofitting offices and (inaudible) building, again for the MCA offices and project implementation units.

And then the kind of big enchilada I'm sure people are waiting for, services, approximately \$8 million, which can be divided into several categories, including detailed planning and design (inaudible) technical assistance and consultancy services, project management and support services and studies.

And that includes detailed planning and design of health infrastructure and health centers, telecommunications networks, detailed planning and design of the Metalong Dam downstream works, urban and peri-urban water supply, water networks, consultancy services for the development of the strategic plan for the human resources development for the ministry of health, technical assistance to the ministry of health for development of a waste management (inaudible), consultancy services for the review of credit laws and regulations, development of a strategy for commercial courts, and a land administration study -- those are three separate things; they're not all one consultancy -- a project management unit to oversee the entire Metalong Dam project, banking services to support compact implementation, baseline studies for watershed management, monitoring and evaluation baseline studies, and environmental impact assessment studies for several of the projects.

Again, these procurements are listed in the general procurement notice that's on UNDB.

Again, I'd like to thank you all for coming out, again thank our teams, our respective teams, and also the government of Lesotho for being such a fantastic partner, and (inaudible) back to the moderator. Thank you.

RICHARDS: Thank you.

(APPLAUSE)

Thank you very much to both of our speakers.

Let me start with a question for Ms. Mohapi. You know, I think if you could just elaborate a little bit further on the role of the external procurement agent and some of your thought process behind making the decision to take that approach, and just as much more detail as you can provide about your planning in terms of retaining and beginning to work with that procurement agent.

MOHAPI: Thank you. That's a difficult one. I'll do my best (inaudible).

I think the idea of engaging a procurement agent really is an idea from MCC. But I think we embraced it in that the government, being responsible for implementing the project, would be faced with a real insurmountable task in terms of procuring all these (inaudible) internationally.

And therefore, we need especially in that area of procurement to assist the different (inaudible) officers within each component.

For example, if we take the water sector, where there's going to be a project implementation unit to ensure that the program and the time lines are met, clearly the time frame is important. And therefore, we will need people who are dedicated to that activity.

Now, the role of the procurement agent is to assist the government of Lesotho through MCA Lesotho, the accountable entity, by identifying the right people for the different roles by sector.

You could take the ministry of health, which has quite a number of components as well. We believe that the right procurement agent should be able to provide guidance on the procurement of all the consultants, the different consultants, that we will require.

Now, it is (inaudible) that within each PIU, as we refer to, there will be a procurement person for that particular unit who will work hand in hand and be guided by the procurement agent.

That's one (inaudible). And those (inaudible) the reporting that will be required, to go to the board of the MCA Lesotho MCC about the activities relating to implementation of the program.

And therefore, we see the role of the external procurement officer as a very key one in assisting us and the relevant ministries to identify and -- based on their international knowledge and scope, to identify within a very limited space of time the right people, the right consultants, the right companies to assist (inaudible).

RICHARDS: Deidra, would you like to add anything to that?

FAIR: Actually, I would like for Indo Sobatch (ph) or Jeanmarie maybe to expand on the experiences through MCC with external procurement agents (inaudible).

MYER: I'm not tall enough.

(LAUGHTER)

Hello. Thank you, Deidra.

My name is Jeanmarie Myer. I'm the senior director of program procurement at MCC.

When we come into a country and look to structure the governance assets of the implementation of the MCC program, we do a due diligence of the procurement capacity as well as other physical and financial management aspects of the country operations in the context of what the country's going to procure and the types of things and the volume of things.

In the context of Lesotho, after we did the due diligence, we agreed with the government that the magnitude of procurements, the difficulty, the challenges and the time frame -- that the capacity -- we needed to bring in an external procurement agent to, as Mrs. Mohapi says, really work with the government.

One thing I want to make clear is that the accountable entity is truly the entity that interfaces with MCC, and they are the -- the accountable entity is the contracting party.

So even though the PIU framework may be used as an implementing entity, think of that more as a project manager. It's not truly the World Bank model of the (inaudible) but it is more the project manager. The procurement agent will be doing all the procurements.

Of course, they're supported by and work with the implementing entities and the accountable entity, but the procurement agent actually conducts the procurements. They act as the agent with the -- in a very traditional sense of agent and principal.

The accountable entity is the principal, not the implementing entity. And they do conduct the procurements. They don't decide what to buy, but they do make the decisions about how to buy it and then take the lead on conducting, really, the process of the procurements.

Does that help?

RICHARDS: Thank you.

Well, let's open the floor up to any questions. Are there any -- would anyone like to ask the first question from the floor?

And while you think about it further, I thought we might -- we might just follow -- is there a question back there? OK, here we go.

SCHAEFFER (ph): My name is Mark Schaeffer (ph). I'm wondering if I could ask a clarifying question about the sanitation improvements that you mentioned under the water program.

You said 25,000 households, which is about 150,000 people. And the improvements are pit latrines -- and what was the other part?

FAIR: Pit latrines, about 10,000 ventilated improved pit latrines, as well as small pipe systems.

SCHAEFFER (ph): So to put in a waste water infrastructure, is that part of the...

FAIR: Well, it's actually the -- the sanitation infrastructure is just the pit latrines. The water supply is the system.

SCHAEFFER (ph): I see. OK. And then I read somewhere else that you're restoring -- is it three wetlands areas? And I apologize if I missed that in your description.

But what does that actually entail? About what size are the wetlands and where are they?

FAIR: We're actually in luck, because Loren Labovitch, our director of environmental and social assessment, who was responsible for developing this project with the government of Lesotho, is here today. So I will allow him to expand on that project.

LABOVITCH: Hi. My name's Loren Labovitch, and as Deidra said, I'm the director of environmental and social assessment and have worked for the last year with the government of Lesotho developing this program.

The wetlands program, which I think is a small but very significant and important part of the compact -- it's about a \$5 million program. And it's going to involve the restoration of three very heavily degraded wetlands in the highland areas of the country.

It's really a pilot scale project because the problem is very widespread in Lesotho. It comes, generally speaking, from overgrazing. The wetlands are a very important component of rural livelihoods in that way. They depend on the wetlands for grazing and other rural livelihood benefits.

Over time, these wetlands have basically suffered from that use in a way that erodes them and reduces the natural function of these wetlands, which -- they naturally regulate the flow of water. They act to store and release water over time.

So they're very important to the water supply of Lesotho as well as the larger Orange River basin for the region.

The program that we're going to help them out with is a program at a pilot scale, really, to look at effective methods of physically restoring the wetlands so that they can come back to their natural function, and then working with the government and the rural people to come up with improved land use and watershed management practices.

So the program will entail physical restoration, including the engineering design and the baseline studies that go into that, and then development of a strategic environmental assessment which will look at the issue from a broader perspective across the country and throughout the region, to try to develop a watershed management program that can be integrated within the existing policies of the government and some of the activities of the region, including the wetlands committee that's involved with SADC and other projects, and try to integrate all these things to improve the land use in a more sustainable manner.

So that's the general description. And if I can answer any other questions, I'd be happy to do that.

RICHARDS: Michelle DeMoor.

DEMOOR: Hi, Michelle DeMoor of Philips Electronics. You mentioned that there is a government procurement notice on the U.N. database. Will all of your procurement notices be on that U.N. database or will there be another source of information where you post the key updates?

FAIR: Actually, if you don't mind (inaudible) I was going to ask Jeanmarie...

MYER: Maybe I should talk about how we do advertise procurements. We do require a general procurement notice to be published probably at least every six months of anticipated procurements.

The required publications for the general procurement notice is the UNDB and dgMarket and a local Web site. The local Web site -- I don't know -- has it been established for -- the accountable entity will have a local Web site, and it will be published there regularly.

The dgMarket -- and let me explain to you the link. We have an arrangement with them that if you go to MCC.gov, our Web site, and link from -- on our Web site you can take a link to dgMarket. Through that link, you can access dgMarket for free.

You don't have to have a subscription, and you can get notice of all the procurements and also documents, if documents are posted. OK.

So after the general procurement notice, we do specific procurement notices for every procurement, and basically this would be most procurements over the equivalent of \$50,000 U.S.

And this would also be required to be posted again at -- if it's over \$50,000 but less than \$100,000, it would be dgMarket and the local Web site. If it's \$100,000 and greater, it would also be on the UNDB also.

These notices all have to be in English, which is our working language no matter what the country. There may be other publication of it. We also encourage like trade associations and stuff (inaudible) publications.

MOHAPI: For the local Web site, we apparently are still using the ministry of finance Web site, www.Finance.com (ph). That's one that we use (inaudible).

RICHARDS: Good.

Other questions?

I had one more general question that might be of interest. Although there are no geographical preferences, does the MCC have some experience with who actually has been bidding where there have been procurements for other compacts, and also, who's actually been winning in terms of the percentage of companies by region or location?

FAIR: That's a good question. I think I can speak a little bit about at least what we call the 609(g). That's pre-compact funding that's used to fund studies and the like for Lesotho.

And we found that we got a pretty broad geographical reach for that in terms of the companies that won some of the studies contracts. They came from Sweden, the U.K., South Africa, Lesotho, of course. So we had a fairly broad range.

In terms of MCC in general, again, I'd like to defer to Jeanmarie, who can see kind of across the spectrum of MCC countries.

MYER: Right. I think that the description that Deidra just gave kind of mirrors our experience that we have had a lot of participation from the Europeans, and companies in Africa, but -- in the African region of our compacts.

Not as many American companies have participated. Those that have have -- some have been successful. A large percentage have. But we haven't had as much participation from the American companies as we have had from the Europeans.

RICHARDS: That's very interesting. Is that primarily in consulting, or is that in also supply of equipment?

MYER: This would be also in goods and also in some of the works projects.

RICHARDS: Very good.

MYER: (inaudible) major works. The Germans have been bidding, and the Japanese.

RICHARDS: Very good. All right.

If there are no further questions, I think we are right on time. On behalf of all of us, I'd like to thank our two panelists for sharing with us their thoughts this morning.

It's been a pleasure to have the opportunity to do this panel. Madam Minister (inaudible) thank you for joining us.

At this time, we'll turn it back over to Stephen Hayes.

(APPLAUSE)

HAYES: I hope that this has been a useful morning for you and certainly we're very appreciative of the fact that you would take your time to be with us.

We are thankful to MCC for asking us to be their partner for this process and we're honored by that, just as we're honored to be on the stage with Lesotho.

We wish the kingdom very well. We hope that this does mark the start of partnerships for U.S. businesses, MCC and the country of Lesotho.

So I should also call your attention -- because a lot of you are interested in infrastructure, the CCA infrastructure conference will be -- it's the only U.S.-Africa infrastructure conference. It's a major program. Tim Richards chaired it last year.

We expect several hundred people to that conference and hope that you'll be with us here in Washington October 8th to 10th as well. So thank you very much for a fine morning.

(APPLAUSE)

END