

# Millennium Challenge Corporation Hosts a Public Outreach Meeting

## Speakers

Matt McLean,  
Vice President for Congressional and Public Affairs,  
Millennium Challenge Corporation

Ambassador John J. Danilovich,  
Chief Executive Officer,  
Millennium Challenge Corporation

Sherri Kraham,  
Deputy of Vice President,  
Policy and Interational Relations  
Millennium Challenge Corporation

Darius Mans,  
Vice President, Compact Implementation  
Millennium Challenge Corporation

John Hewko,  
Vice President , Compact Development  
Millennium Challenge Corporation

## Transcript

MCLEAN: Good morning, everyone. Welcome to the headquarters of the Millennium Challenge Corporation. We're really delighted that you're here. It's a full house. We appreciate your time. We appreciate your interest. My name is Matt McLean. I'm vice president for congressional and public affairs here at MCC. I'd like to give a

special welcome to the ambassadors, the ambassador corps who is here, and, also, the charges from several of our countries, partner countries.

We're pleased that you're here and appreciate your time, as well.

Today is the last time that we will have an outreach to give a report on a board meeting from this particular board. Of course, our board of directors met yesterday and, with the new administration, we will have new government sector board members, secretary of state, secretary of treasury, the administrator of USAID, the U.S. trade representative, of course, a new CEO.

What will not change, though, is our ongoing commitment to partnering with countries worldwide to reduce poverty through economic growth. And we're particularly pleased that our unique board structure allows us to have very strong continuity, because we have four private sector board members.

Today, you'll hear about the progress we're making towards -- in the fight to end poverty, as well as our results of the deliberations of our board meeting from yesterday.

Our first speaker is Millennium Challenge Corporation's chief executive officer, Ambassador John Danilovich, who will give the first briefing.

He will have a chance to take just a couple of questions after his remarks before we turn to our panel, which can provide some additional information regarding recent events in the board meeting yesterday.

Before I introduce Ambassador Danilovich, let me just make a personal note.

I came in with Ambassador Danilovich three years ago as his chief of staff with him and there has been a tremendous amount of progress. But my personal note is I had the chance to see very personally, up close, and participate in what's gone in with MCC.

And I just want to thank him for his leadership. He's the real deal from a distance and he's the real deal up close, and I want you all to know that and I think you already do.

But with that, let me introduce Ambassador Danilovich for his remarks.

(APPLAUSE)

DANILOVICH: Thank you, Matt, very much for that. You know, the wonderful thing about leaving is people say very nice things about you as you're walking out the door. But I do appreciate it. Thank you very much.

Thank all of you for being here at the MCC this morning. I thank you for your interest and I know you're particularly interested in what transpired yesterday at our board meeting.

But as this is my last opportunity to speak to you as a group, I want to take advantage of it and review some other things with you.

The Millennium Challenge Corporation today, nearly five years into its existence, is an effective and smart tool in America's toolbox of engagement and for eradicating one of the most pressing challenges of our time, entrenched systemic poverty that robs citizens and countries of a share of the opportunities at prosperity and growth.

With \$6.7 billion committed to 35 countries around the world in compact and threshold programs, MCC is making a difference in this right through country-determined and country-driven antipoverty programs, where more than 55,000 farmers have been trained and more than 5,400 hectares of additional land are under useful production.

More than 25,000 hectares have been registered through improvements in land titling and leases and the establishment of long-term land use rights for individuals, where almost 3.5 thousand kilometers of roads are under design and some roads are already built and operating.

And this is only the beginning, the tip of the iceberg, for the successful results that the MCC is showing in all of our programs.

Throughout the ongoing implementation of our programs around the world, MCC is accelerating our impact against global poverty.

During this time of change, as power transitions from one administration to another and from one Congress to another, what endures is America's sense of compassion and generosity to reach out and replace poverty with prosperity for the world's poorest.

We congratulate President-elect Barack Obama and Vice President-elect Joe Biden on their election victory and we will continue to work closely with their transition team as we move into the next administration.

We encourage the Obama administration and elected congressional representatives from both parties to continue their efforts to fight to end global poverty.

Especially given today's global economic concerns, we recognize the importance of investing every dollar of taxpayers' money wisely.

Poll results released yesterday through the Modernizing Foreign Assistance Network confirm a clear majority, almost 60 percent, believe that foreign assistance and encouraging development in poor countries should become a more important tool of U.S. foreign policy.

The poll also showed that 70 percent of engaged opinion elites favor reforms to improve the effectiveness of foreign aid by shifting aid dollars from less effective programs to programs that help hungry and poor people in developing countries provide for their families.

They make the case for modernizing foreign assistance by stressing strategy, efficiency and accountability. These are our MCC core principles.

MCC remains committed to making smart and innovative investments in countries that are focusing on positive policy performance and delivering results in the fight against poverty.

We are working closely with the transition coordinating council to ensure that a smooth and effective transition takes place at MCC and that we maintain the continuity of our programs with our partner countries.

I'm proud of the tremendous work we've done here with some of the best and the brightest minds in development, with the sound input and advice of so many friends throughout the development community from both sides of the aisle, many of you right here in this room today, with the expert leadership of our board of directors, and in partnership with countries committed to change.

Let me brief you on what we've accomplished since the last board meeting and share with you what the board decided when it met yesterday.

It's been a very busy fall for us, with substantial milestones in our fight against poverty. Our board approved a \$100 million amendment to Georgia's existing \$295 million compact. This additional amount of money will complete existing activities.

The projects include the rehabilitation of the roads linking Georgia with Armenia and Turkey, water supply and wastewater projects outside Tbilisi, and priority energy sector studies.

MCC was also one of the agencies highlighted at the historic White House summit for international development in mid-October. The summit showcased MCC's innovations in development assistance.

Several participants, from President Sirleaf Johnson of Liberia to President Bush to Secretary of State Rice, spoke of MCC's achievements.

Perhaps Ritu Sharma Fox of Women Thrive Worldwide captured the sense about MCC best when she said, and I quote, "Given this new economic reality, it is absolutely essential that U.S. assistance is strategic, effective and transparent. I think that the MCC represents the future of U.S. assistance and not the past."

We, of course, agree with Ritu in this statement.

We also collaborated with Habitat for Humanity to hold an important event here after the elections to discuss the housing crisis that no one is talking about.

Our partners consistently identified secure and efficient access to land as critical for sustainable economic growth and poverty reduction.

MCC has invested almost \$300 million to strengthen the real property rights systems in our partner countries.

I also traveled to Ghana recently to see implementation progress underway there. I joined President Kufuor to break ground on a major road project. Funded through the Ghana-MCC compact, the rehabilitation of this critical transportation route will contribute to reducing poverty by transforming agriculture.

Having pineapples sit on the back of a lorry (ph) for three hours on their way to market wastes time and fuel and shortens the food shelf life.

This is why the rehabilitation of this roadway is a linchpin project for achieving the compact's objective to transform Ghana's agricultural sector and use it to help fuel sustainable economic growth.

Seeing this road come to life, visiting with mango farmers benefitting from MCC assistance, and touring elementary schools rehabilitated through MCC funds during my brief visit to Ghana gave me firsthand perspective on how this country is using its MCC grant effectively and efficiently to deliver results for the poor, where it matters.

When the panel convenes, our vice president for compact implementation, Darius Mans, will talk more about implementation progress in our compact countries.

We will also hear from our vice president for current compact development, John Hewko, on what potential compacts are in development.

Here at home, we've also seen very positive developments in Congress this fall to make MCC's mission even more effective with the introduction of language by Congressman Donald Payne of New Jersey for regional, longer and concurrent compacts.

We hope this bill will gain increased traction when the next Congress begins its important work in January.

And in our ongoing effort to leverage our investments by cooperating with others who share our development goals, MCC signed a memorandum of understanding with the Danish Ministry of Foreign Affairs in October.

This MOU will increase coordination in countries where both MCC and the Danes are working, countries such as Benin, Burkina Faso, Ghana, Mali, Mozambique, and Tanzania.

The MOU envisions cooperation in several priority areas, including climate change, gender, impact evaluation, policy environments and the private sector.

Similarly, in November, MCC signed an MOU with the French Development Agency, AFD. This MOU identifies practical areas for cooperation in countries where both the United States and France are engaging in poverty reduction programs.

These countries include seven francophone countries in Africa, Burkina Faso, Benin, Morocco, Mali, Madagascar, and Senegal.

The memorandum provides a solid framework to deepen in-country cooperation between our two agencies in sectors such as microfinance, land tenure, legal and judicial reform, transportation infrastructure and agriculture.

Just last week, I joined my good friend and a champion for the poor, Josette Sheeran, to sign a memorandum of understanding between the World Food Program, which she heads, and the Millennium Challenge Corporation.

This MOU creates a framework for coordinating our investments to significantly leverage our mutual impact on global economic growth, poverty reduction, and improved food security.

The MOU outlines three areas of cooperation in countries where both the WFP and MCC work -- agricultural production, policy and program reforms, and gender integration.

These are all important components for strengthening local markets and achieving food security.

Yesterday, our board met to make selection decisions for FY '09. This, as you all know, is the last MCC country selection board meeting that I will participate in, along with the current secretary of state, the secretary of the treasury, the USAID administrator, and the U.S. trade representatives, we being the five government members of the board.

I also want to especially acknowledge the important role played by our four private sector board members, Lorne Craner, Bill Frist, Ken Hackett, and Alan Patricof.

These private sector board members offer extremely valuable expertise to inform our decision-making process and their involvement ensures strong continuity and institutional memory that will serve MCC very well moving forward.

The board voted, I am pleased to announce, that Colombia, Indonesia and Zambia are now eligible to submit a compact proposal, and Liberia can now be eligible for our threshold program. Also, the board reselected Paraguay as threshold eligible.

As I wrote in my blog in late October, Paraguay continued to take tangible steps towards rooting out corruption through its initial threshold program. In recognition of these concrete efforts, MCC invited Paraguay to submit a second stage two threshold program, which is currently under review.

When our panel convenes, Sherri Kraham, our deputy vice president for policy and international relations, will go into more detail on why specific countries were selected and discuss other country selection decisions, but I wish to highlight three key points about MCC's selection process.

First, sound policies matter. Our selection process has always begun and will always begin with policy performance, on how countries perform on 17 indicators we use to assess if they are ruling justly, investing in the health and education of their people, fighting corruption, and promoting economic reforms.

Regardless of the outcome, regardless of which countries are selected, we should not overlook that our board takes policy performance very seriously in selecting suitable partner countries.

Second, policies matter in context. I'd remind you that our board, in keeping with MCC's legislation, looks at indicator performance as the primary factor in the selection process.

But the board also looks at the opportunity to reduce poverty and generate economic growth within a country. In addition, we have to see how much funds are available.

To gauge opportunities to impact growth and poverty reduction, our board considers a number of factors, such as development and political context, size and economic context, as well as political will.

We take an holistic approach rooted in sound policy performance. And third, there needs to be a consistent and constant commitment to improving policies. Once a country is selected, we expect it to continue to reform its reform processes to work to maintain and improve its overall policy performance on the indicators.

We expect that should a country not meet the criteria in a given year, it will work toward improving by developing and implementing a policy improvement plan to address outstanding concerns and demonstrate its firm commitment to meeting the eligibility criteria.

Again, Sherri will go into more details about MCC's selection process when the panel convenes.

Also, the board discussed developments in Nicaragua. The political conditions leading up to, during and after the November 9 municipal elections in Nicaragua are inconsistent with MCC's eligibility requirements for assistance.

They are also inconsistent with MCC's core principles based on aid with accountability and good governance.

As a result, our board made the difficult decision yesterday to suspend assistance for new activities under Nicaragua's \$175 million compact.

MCC will not approve disbursements for activities not already contracted by MCA Nicaragua, the entity that implements the program.

The board called on Nicaragua to develop and implement a comprehensive set of measures to address concerns regarding the government's commitment to democratic principles, and the board will continue and will determine subsequent actions at its next meeting in March 2009 based on the government of Nicaragua's response to our decision.

Through the MCC compact, hundreds of thousands of Nicaraguans, poor Nicaraguans, stand to benefit from better roads, property titles, and agricultural business support.

The poor of Nicaragua recognize these benefits and they deserve nothing less than the realization of the full potential of their MCC compact.

It is our sincere hope that the government of Nicaragua recommit to the principles of democracy and the rule of law so that the MCC can reestablish what has been an effective and successful partnership.

With this overview, I'll stop here. Our panel will provide greater detail on our latest selection process, as well as compacts in implementation and development.

As this is my last public outreach meeting following a board meeting, I want to express what an enormous pleasure it has been to contribute to MCC's innovative visionary work to transform development assistance and to make a difference in the lives of the poor.

It is noble work that would not have been possible without the commitment of our partner countries, the support of our friends in Congress, the invaluable insights of the NGO community, many of whom are here today, and, of course, the tireless efforts of my colleagues and staff here at the MCC.

Together, we have made incredible strides in the fight against poverty.

As I return to the private sector after the inauguration, I will forever remain a friend, an advocate, a champion of the Millennium Challenge Corporation and of its important mission to reduce poverty through sustainable economic growth.

I have seen the difference MCC is making in the lives of countries and in the lives of the world's poor and we must continue to build on the successes we have had to date.

Towards this, please indulge me for a moment and allow me to take this opportunity to say a few words about Rodney Bent, who was moderating today's meeting.

The skilled management of our very capable deputy CEO has proven extremely valuable during this transition period and will continue to be a great benefit to the MCC following my departure.

I have worked very closely with Rodney since joining MCC in November 2005. His knowledgeable counsel and sage advice has served me and this organization greatly and I know his expertise will continue to be a guiding light of efficiency and effectiveness in bringing in and welcoming the new leadership to MCC to further MCC's mission of lifting the poor worldwide out of poverty.

Thank you, Rodney, for your service.

MCC's best days are ahead and I'll be watching and following developments with great excitement as this organization sets a new standard for winning the fight against global poverty.

With that, I'd be very happy to answer any questions or comments you'd like to make about my remarks or about our meeting yesterday, and I know you all look forward to hearing from our panel.

Thank you, again, very much.

(APPLAUSE)

MCLEAN: Thank you. Any questions?

QUESTION: Thank you. My name is Gonzales Parks (ph). I work for the German Press Agency.

DANILOVICH: I'm sorry. You work for who?

QUESTION: German Press Agency, the Spanish part of the German Press Agency.

My question is regarding the decision of the board about Nicaragua, very briefly.

Considering that this decision will have to be reviewed by the new administration, has the decision somehow been consulted with the transition team?

And the second one is I understand you've been working with representatives from the government and foreign minister of Nicaragua.

What has been the response? What have you told them personally and what has been the response of the Nicaraguan government?

Thank you.

DANILOVICH: We have an ongoing engagement with all of our compact countries and a very positive ongoing relationship with our program in Nicaragua. It's an excellent program and it's a very successful program.

As I think I may have mentioned, it's targeted particularly at the poor in Leon and Chinandega up in the north of the country and it's already beginning to show tremendous results.

In fact, I went up to the north with President Ortega about a year ago and he was able to see firsthand and, in any case, knows very well how successful this program is.

I would also point out that that particular area is very strongly Sandinista and that the mayors in that area are very supportive of this program.

It's always important to realize that the MCC is not just about development assistance. It's not just about the money. It's a different type of package and it's also a partnership.

That partnership includes the development assistance, the creation of the implementation of these programs, but it also includes compliance and adherence and ongoing commitment to our 17 indicators.

As you know, they're political, economic and social. And I know all of you are familiar with them, but, particularly, after the November 9 -- the municipal elections that were held last month, it was clear to us that activities surrounding that event really expressed a deterioration in the government of Nicaragua's commitment to democratic principles and to those core areas of ruling justly which we feel are important to development assistance.

We believe there's a connection between good government, good government policies, good governance, citizens' rights, political rights, the electoral process, and the success of development assistance investment.

We do not only development assistance investment in a country, but we also do it in countries that have good government. That's why there is this phenomenon called the MCC effect, which encourages countries to make reforms in their political, economic and social policies, and all of our countries have done that to qualify to become eligible.

When we entered into our partnership agreement with Nicaragua almost 2.5 years ago now, the fulfillments on the indicators was very strong and we are a program that is dedicated to good policy, not to any specific political leader.

We have had a number of programs in a number of countries that have evolved already from one president to another, from one Congress to another, from one president to another, and it is always our commitment to the good policies, not to the individual specific political leader that the MCC is concerned about.

We need good political leaders to continue the reform process in all of our countries. We need effective political leadership to implement our programs in country. Without that leadership, without that commitment in our countries, the programs will not be well implemented. It is part of a partnership and part of a team.

Unfortunately, we have a situation in Nicaragua which is contrary, which is inconsistent with MCC policies, MCC programs. We have now offered the government of Nicaragua a reform opportunity, a window of opportunity for them to revert to us with their suggestions on how they might recommit to democratic principles and come back into line with MCC requirements.

Not only the MCC, but many others, bilaterally, and the European Union itself, have taken steps in recent months, not necessarily because of the November 9 election, although that has now provided an additional pressure on the development community, but the other development agencies were already taking steps with regards to Nicaragua because of their disillusionment with the trend that was evidencing itself in Nicaragua.

I did meet with Foreign Minister Samuel Santos earlier this week. I put forward our position to him, not that the decision that was taken yesterday, because the board votes democratically on this matter, but the decision of our board was to -- unfortunately, if I can put it this way, the dilemma is between the impact that this will have on our programs and the poor and we are very much in favor of providing assistance to the poor, but the government must do its part to provide the correct political structure and institutional structure in country to also help the poor.

And I made that very clear to the foreign minister and I also spoke with our ambassador in Managua last night and also to the Nicaraguan ambassador to the United States last night, and we'll be formally communicating our decision to Nicaragua in the near future.

QUESTION: (OFF-MIKE)

DANILOVICH: Transition team. We took steps early this summer, actually, to prepare for the transition, for whatever eventual presidential candidate it would have been, and, in fact, we have, since that time, been very engaged with the transition team here in Washington.

It's an outstanding team that knows development assistance very well. That team happens to be focused on not just the MCC, but the three development agencies, MCC and USAID.

So it's the same team which is looking at all of our procedures and operations and we have, in fact, Sheila Herrling who is part of that team, who is at the Center for Global Development, who is in our office regularly, working with all of our personnel, in fact, throughout the organization and coming to grips with not only the mechanics of the MCC, which, in fact, Sheila knows very well in her previous position at CGD, but even establishing a great degree of familiarity with the organization.

And I would assume, eventually, that the transition team, perhaps not in the immediate future, but eventually will come up with a formula, a structure for U.S. development assistance that confederates or, in one form or another, makes more effective and efficient our efforts with regards to development assistance.

But we have a very good working relationship with them.

QUESTION: (INAUDIBLE) I'm an Armenian reported.

I wanted to ask you about the Armenia compact, where it is, what's the status of it.

I understand no new decisions have been made. There's been a report from MCA Armenia that they're expecting \$7 million spent next quarter.

That seems still sort of low compared to the amount of money that's been allocated.

Is there any break that's still in effect on the program and where you see it's going?

Thanks.

DANILOVICH: We have a good working relationship with Armenia. Our program is being well implemented there. It's having the impacts we had hoped for.

We encourage the new government in Armenia, under President Sargsian, to reassess their commitments again to democratic principles, particularly in light of some election matters which occurred at the time of the election, now, I guess, about nine months ago.

Since that time, the government has embarked upon a number of reform efforts, which include an investigation into that particular election, to introducing legislation on freedom of the press, on assembly, et cetera.

In the fall, there was the point of going forward on a certain part of the package of roads in the southern part of Armenia. And at that time, we discussed this matter with President Sargsian. He elaborated on his reform efforts and, in fact, suggested, on his own initiative, that the government of Armenia do the funding for this particular road segment.

That amount of money was around almost \$17 million. He, in fact, remained true to his commitment and followed through on that and the government of Armenia did, in fact, find the funds to proceed on this particular segment.

The funding on the part of the MCC should resume in March, after the winter period.

The board, again, yesterday, reaffirmed its commitments not only to reducing poverty, but also to democratic principles. And you'll see on our press release those are, in fact, the two main headlines, reduction of poverty and encouraging our partner countries to recommit to democratic principles.

I gave an update to the board yesterday on progress made with regard to those reforms in Armenia and we very much want the government of Armenia to continue the speed, increase the speed and the substance of those reforms.

We are about good policy performance and poverty reduction. So we encourage all of our countries to focus on not just the grant and the poverty reduction programs, but on maintaining their good policies, maintaining their good scores.

It's important they do that for the continuation of a good government environment. It's also important, quite frankly, as we're not almost five years old and soon some of our earlier countries will be submitting second compact proposals, requests to be considered for a second compact.

Our policy is that to be eligible for a second compact, they must, again, pass the indicators.

So if a country has not -- if their performance has wavered over the five-year period, without any egregious fall in performance, but if it's wavered with regard to the indicators, we've entered into a policy improvement program, as I mentioned, to try and keep those indicators up so our programs can continue, taking in a lot of variable factors over a five-year period.

But at the end of that five-year period, when a country will most likely want a second compact, either to build on their first or to start new endeavors, they must pass again.

So in the case of Armenia, it is important not only for the present compliance and adherence to policy, but also for the eventual possibility of future engagement with the MCC that they work on their commitment to democratic reforms.

One more question.

QUESTION: Thank you very much. I'm (INAUDIBLE), Kingdom of Swaziland.

In that part of the world, the southern part of Africa, we are the smallest country in terms of landmark. We are landlocked. We have done a lot in terms of improving our policies. I've been a permanent secretary for planning and development for 11 years.

We did the poverty reduction strategy. We did the national development plan for 25 years. We looked at our political system and I think we are evolving. We are emphasizing the civic education to meet our peculiar needs.

I was just wondering who you speak to in Swaziland. I ask this question because there are more Swazis in South Africa than there are in Swaziland. Those in South Africa are not part -- they are not citizens in terms of our structure of the Kingdom of Swaziland.

I've seen some young men speaking on the South African Broadcasting Corporation and I know them and they are part of COSATU (ph) and they are not Swazis, and they speak ill of my kingdom, my country and my kingdom.

And they come here, they don't even speak to me as an ambassador. And I'm just wondering, why are we left in the cold when we do so much? Who are you speaking to?

DANILOVICH: I think it's important that -- not so much who we speak to. It's important who you speak to.

And in that regard, when our panel convenes later in the morning, I would ask you to specifically address that to our participants who are going to be on that panel and they will directly answer your question.

Thank you very much. Thank you very much.

(APPLAUSE)

MCLEAN: Thank you, Ambassador Danilovich, for your remarks and your willingness to give a report of a board meeting. It's unusual that a government agency will have a public outreach session to provide information and take questions regarding its internal deliberations. So we appreciate your time.

And I'd like to convene the panel now, if they could come populations to the table.

I'd like to introduce, first, MCC's deputy vice president for policy and international relations, Sherri Kraham, who will brief us on our latest selections of MCC eligible countries.

If our panel can come up while I'm talking.

I'd also like to introduce MCC's vice president for compact development, Mr. John Hewko, who will speak about compacts in development, of course.

And MCC's vice president for compact implementation, Darius Mans, who will speak about the status of implementation in the compacts that are already underway.

If our panelists can make just a few brief remarks, introductory remarks, and let's start with Sherri. And then we'll have some questions after the remarks.

KRAHAM: Great. Good morning, everyone.

I'd like to take the opportunity to elaborate on what Ambassador Danilovich referred to about our selection meeting.

First, I'll talk about our new compact partners and then I will turn to the threshold program and then our current compact eligible partners.

But first, I want to recognize the work of the development policy team. The work -- it takes months to culminate into this final selection meeting. Incidentally, they worked so hard, they've been asked to stand here at the corner of the room.

So I'd like to recognize the development policy team and thank them for all of their work.

(APPLAUSE)

As the ambassador mentioned, the board selected three new countries as compact eligible for fiscal year 2009. I'll talk a little bit about each one and why they were selected.

First, Indonesia. Indonesia meets MCC's eligibility criteria for the first time in fiscal year '09, after having made steady progress on improving its corruption score over the past several years.

The government of Indonesia is in its second year of a successful threshold program that focused on reducing corruption and improving immunization rates and has also initiated a series of reforms which have improved the investment climate.

Second, Zambia. Zambia also meets the indicator criteria for the first time this year, performing above the median on 16 of 17 indicators.

Anticorruption efforts are a high priority of the government of Zambia. It has improved performance on this indicator in recent years and has also demonstrated prudent macroeconomic management.

Zambia is nearing the end of a successful threshold program that focused on anticorruption.

And finally, Colombia, which meets the indicator criteria in the highly competitive lower middle income category for the second year in a row. The government of Colombia pursued a significant reform agenda and has been cited by the World Bank as a top (INAUDIBLE) business reformer for the past two years.

We're looking forward to beginning compact development with each of these countries.

Turning to the threshold program, as you know, the program is designed to support efforts of reforming countries that are close to meeting the criteria so that they can eventually qualify for a compact.

We look at a number of factors, including the number of indicators or policy areas the country must address in order to qualify for compact eligibility, the type of policy reforms or actions that would be necessary to address the indicators, how much the country must improve to meet the given indicator, the country's commitment to reform, and whether MCC assistance is likely to have a significant impact on the country's efforts.

Taking these factors into consideration, the board selected only one new country this year -- Liberia -- as eligible for threshold program assistance.

Liberia falls only two indicators short of meeting the compact eligibility criteria. The government is strongly committed to reform and their upward trends evidenced on nearly all of the indicators.

The board especially recognized the government of Liberia's commitment to enact the reforms necessary to improve the policy environment that will foster and further economic growth and poverty reduction.

The board decided not to select Timor left (ph) as compact eligible because they felt that we could best support Timor left (ph) through the threshold program.

The government has been working to meet the eligibility criteria once again over the past year and through the threshold program, we can support its efforts to once again meet the criteria.

Beginning last year, in addition to selecting new threshold countries, the board also considered countries for stage two threshold eligibility.

These programs are for those countries that are not yet compact eligible, but have made satisfactory progress on an initial threshold program and are pursuing efforts that could be enhanced by additional programmatic support.

This year, the board did not select any new countries to apply for stage two programs, but they did reselect Paraguay.

Yemen. The board decided not to select Yemen as part of the threshold program for fiscal year '09.

Now, we'll move to the compact development category. In addition to selecting new compact and threshold countries each year, the board also reviews the performance of MCC's current compact partners.

Countries that are developing compacts, but have not yet signed the agreements, must be considered for reselection each year in order to continue the compact development process.

The board has reselected five countries -- Jordan, Malawi, Moldova, the Philippines, and Senegal.

In selecting the Philippines, the board urged the Philippines to intensify the efforts to address corruption and indicated that it would support a compact there when the government meets that criteria.

There were three countries that were not selected, again, as compact eligible -- Bolivia, Timor left (ph) and Ukraine. But as I mentioned, Timor left (ph) was selected for the threshold program and we look forward to working with Ukraine on their existing threshold program.

The board also reviewed the performance of those countries that have and are implementing compacts. In that regard, the board, as the ambassador already mentioned, the board closely reviewed the performance of Armenia and reiterated its concerns about the efforts that the government is making to strengthen democratic governance.

They underline their expectations that the government of Armenia fulfill its commitments to reform and noted that it would review Armenia's performance and examine continued collaboration with the country during its March meeting.

As the ambassador mentioned, the board also took the difficult decision to suspend assistance for new activities in Nicaragua because of the government's actions there.

We sincerely hope that the Nicaraguan government will take the actions being demanded by their people, civil society and the international community to bring that country back in line with democratic principles.

Once MCC makes a commitment to a country through a five-year compact agreement, MCC will not select this country as eligible on an annual basis during the life of the compact, but MCC does require, as the ambassador mentioned, each partner country to seek to improve and maintain their policy performance.

Countries can be generally maintaining and improving their performance, but not meet the criteria in a given year, for a number of reasons that do not indicate a significant policy reversal.

MCC will continue to work with countries so long as they are not indicating a significant policy reversal or a pattern of actions inconsistent with our criteria.

In those cases, the board can hold it accountable by applying the suspension and termination policy.

But for those countries that simply do not meet the given -- the indicator criteria in a given year, MCC has, for the last two years, invited countries to participate in this policy improvement process, where the countries create and implement a plan to improve performance and we support their efforts.

And we are working with a number of countries on this process. We are seeing many of them work with MCC's help and other partners across the U.S. government to plan and implement reforms.

In closing, I'd like to say that we're looking forward to working with our new and existing partners. We look forward to continuing our engagement with countries working to qualify for MCC programs.

We're happy to meet with the ambassador from Swaziland following the meeting and have a nice conversation about the criteria and how that worked.

And we're looking forward to continuing our conversation about ongoing reform.

Thank you very much.

(APPLAUSE)

MANS: Thank you, Sherri.

Good morning, everyone. My name is Darius Mans. Again, I'm the vice president for compact implementation. Thank you all for coming and thank you very much for your continuing interest in Millennium Challenge Corporation, both in our newly eligible countries, as well as in our partner countries that are engaged in implementing compacts to reduce poverty through growth.

As you all know, we now have 18 countries and compact implementations and I'm very pleased to report to you that we are building serious momentum in all of them.

Our first 11 partner countries are actually now well into implementation, with the bulk of their compacts already or soon to be under contract.

For example, at the end of our last fiscal year, September 30, 2008, in Honduras, we had committed 84 percent of the compact, with still two years remaining, during implementation of the five-year compact program.

By September 2009, the end of the current fiscal year, we expect to have committed close to 97 percent of the Honduras compact, with another year to go during implementation.

Likewise, in several other compact countries with nearly two or more years of implementation remaining, for example, Madagascar, Cape Verde and Georgia, over 70 percent of the compact is already under contract. We expect that percentage to jump to 90 percent by September 2009.

Disbursements in the first 11 countries are somewhat lower, of course, but they closely follow contract awards. For example, as of this past September, in Madagascar, our first compact country, we had already disbursed close to half of the \$110 million compact, with two years remaining for implementation.

Based on contracts already awarded, by the end of this fiscal year, September 2009, we expect to have disbursed well over 80 percent of the Madagascar compact.

Now, with over \$1 billion in cumulative contract awards across all 18 compacts, we have already seen and we will continue to see significant increases in our disbursement numbers.

But let me tell you what's behind these disbursement numbers. It's concrete results on the ground. In the agriculture sector, already, over 55,000 farmers have been trained across all of our compact countries.

Our MCAs have extended over nearly \$6 million in agricultural and rural loans and close to 5,500 hectares are under production, with support from MCC.

In roads, as Ambassador Danilovich mentioned earlier, construction is well underway in a number of countries, including Armenia, Honduras, Vanuatu and Cape Verde.

We now have close to 3,500 kilometers under design and over 800 kilometers of roads under works contracts. A number of roads have already been completed.

In property rights and land policy, five legal and regulatory reforms have been adopted, which those of you who work on land issues know is no small feat.

In Madagascar alone, over 130,000 land rights documents have been restored and digitized and over 6,000 land certificates have already been issued.

While it's too early to talk about concrete program results in the early countries, our seven new compact countries, these countries have been ramping up and delivering in equally important ways.

Burkina Faso and Namibia signed compacts just in July 2008 and Mongolia, Morocco, Mozambique and Tanzania only entered into force, which marks the official beginning of the compact implementation period and the five-year clock, just this past September.

But these countries have been actively laying the foundations for successful compact implementation by establishing their MCAs and boards of directors, by finalizing detailed implementation plans, putting in place the key fiscal procurement and monitoring and evaluation systems, and passing critical policy reforms.

Let me give you just a couple of examples. The government of Mozambique recently agreed to pass critical reforms within the urban water and sanitation sector to improve the way not just how compact funds will be used, but the entire sector, the way it is managed.

This fiscal year promises to be a big year for compact implementation. We have set financial targets of \$0.5 billion in disbursements and \$1 billion in contract awards.

This means we intend to double cumulative contract awards and to essentially double compact disbursements over last year.

In addition, for the first time, we have set performance targets at the sectoral level to measure concrete results from the ground. And the roads, irrigation and agriculture sectors, we will use measures of tangible results on the ground, such as the value of works contracts, the value of agricultural and rural loans, kilometers of works under construction, and the number of farmers trained to determine how well we're doing on the ground.

With these kinds of targets, you can expect to see dirt flying all over our compact countries, lots of shovels in the ground. In Cape Verde, as we speak, construction is advancing very well on all three of the roads funded under the roads program through the compact, and, as well, the Port of Priya (ph), I am very happy to say, construction is also well underway.

Construction on Ghana's N-1 highway is also expected to start soon and work on the Vival (ph) northern trans-national highway that runs through El Salvador and connects it with other countries to regional markets will be awarded in the spring.

These are just a few of the many examples that I could give you of successes that we expect to see during the course of this year and there are a number of them in the non-infrastructure sectors, as well, that I could elaborate on, if you'd like.

Once more, let me thank you for your continuing interest in MCC and the difficult, but very important work that all of our partner countries are doing.

At the end of this, I'd be happy to take any questions you have.

HEWKO: Thank you, Darius. Again, my name is John Hewko and I'm the vice president for compact development at MCC.

As Sherri mentioned, we have a robust compact development pipeline for the next several years. In addition to our five current compact development countries of Moldova, Senegal, Jordan, Philippines and Malawi, the board yesterday chose three new countries, as Sherri mentioned, Colombia, Indonesia and Zambia.

So a very robust pipeline of eight countries going forward for compact development.

Now, this represents a significant commitment both on the part of MCC and of the United States government to these eight countries and we will simply not be able to deliver on our goal of reducing poverty and stimulating growth in these countries if we're not adequately funded by Congress.

So I would like to urge the Congress to fund us to the necessary levels so that we can provide these eight countries with the necessary funding so we can make a true impact and affect the lives of the poor in these countries.

With respect to our five existing or current compact development partner countries, in Moldova, we are currently looking at rehabilitating a number of national roads, rehabilitating primary and secondary irrigation systems, and providing access to finance for post-harvest and irrigation equipment for farmers.

Technical assessments and feasibility and design work will commence in January and we very much hope to sign a compact with Moldova in September of 2009.

Senegal has provided us with five projects that they'd like us to look at, a road rehabilitation of a national road in the south, rehabilitation of a national road in the north, and then rehabilitation of two irrigation schemes in the Porto (ph) region in the north and in the Senegal River Delta region in the north. And they've also asked us to look at a small judicial reform program affecting the country at large.

Feasibility studies and design work on these five projects are also commencing and we hope to sign a compact with Senegal toward the tail end of fiscal year 2009.

Jordan has provided us with an integrated water project in Zarka region for four different components. Technical work, technical analysis and assessment on those four components is also beginning. We hope to assign a compact with Jordan at the tail end of 2009 or in 2010.

And again, these three countries, the funding level that we receive from Congress will be absolutely critical. We really want to make sure that we can fund these three countries fully, because they have provided us with very solid, solid proposals.

The Philippines has provided concept papers for five projects. Assessment will be beginning shortly and we hope to sign a compact with the Philippines sometime in 2010.

And finally, Malawi has recently completed its constraints analysis and consultative process and will be providing us with its proposals and concept papers sometime in January or February of next year, and, again, we're shooting to sign a compact with Malawi in 2010.

A final word about the process, the compact development process and certain changes that we have implemented in that process or introduced into that process over the past year.

With our five current compact development countries and the three new ones, we have introduced a concept of a constraints analysis.

In other words, before a country undertakes its consultative process, we ask it to, with MCC, to undertake what we call a constraints analysis to try to narrow down what really are the principal constraints to growth in the country.

And that constraints analysis is then intended to better frame and guide the consultative process. And the consultative process takes place and we then ask countries to provide us with what we are now calling concept papers.

These are documents which provide the bare essentials, the basic, that answer the basic threshold questions with respect to any given project, the idea here being that we can engage earlier and faster with countries and respond to our partner countries quicker in terms of what projects look like they have legs and which ones look as if they do not.

So we started that process with Moldova and Senegal and Jordan. It's worked quite well and we will continue doing it with our remaining compact eligible partner countries.

Thank you very much and look forward to answering any questions you may have.

MCLEAN: First of all, let me thank Sherri, Darius and John for their opening comments.

We expect a lot of transparency from our countries and, as a result, we also expect a lot of transparency from ourselves to you and our own stakeholders and constituents and folks interested in what we do.

So we appreciate your candor, as well.

Let me just add one footnote onto Darius' update on implementation. We are currently working on having a far more robust set of information for the public to look at in terms of exactly where our countries are in implementation and reporting on the results that we're getting, because we are now matured as an organization, that we have 18 countries in implementation and we need to capture those results that are happening on the ground so that you can kick the tires on us, as well.

I hope it's up my desk here this afternoon and we can hopefully get that out in the next couple of weeks, both in hard copy and up on our Website. So look for that. I don't have a date for it, but we're going to see if we can be as aggressive as possible in showing you exactly what's going on in implementation, as well.

We do have time for just a couple of questions, if we have them for our panel.

QUESTION: Thank you. I had one general question and one specific, if I may. The general question is about...

MCLEAN: Can you say your name?

QUESTION: I'm Jim Michael (ph). I'm with DPK ARD.

I was wondering about the policy improvement process which has been something that has been evolving. And if you could, describe how that works. How is it decided to begin one and when a program is begun, is there additional funding that is provided and is there a mechanism for implementation that you could describe?

The specific one was really about Paraguay and whether there will be any -- if you could give us any prediction as to the timing and the content of the agreement for the phase two threshold program.

Thanks.

KRAHAM: Thank you, Jim. I'll answer the easier one first. It's Paraguay. The program will be focused on corruption, the indicator that Paraguay does this.

We hope it will be coming forward soon. We have a proposal that's under review and I can't give you a specific date.

But on the policy improvement process, this is a process that we started two years ago to try to provide countries with tools to monitor, track and improve their own performance and, also, assess their ongoing commitment to reform.

And we have been doing this in countries that do not meet the criteria, but we've also been doing it with all of our compact countries, to some degree.

We want to promote ongoing reform in all of our country partners. So the first step is that we work with the country to identify the policy areas that the country could work to address and the factors that are driving its performance. What steps would the government need to make in order to improve on that indicator?

We ask the government to develop and implement a plan, an operational action plan to improve performance on the criteria and then periodically report on the progress that is made.

It really is an operational tool. It's a tool for dialogue between the U.S. and MCC and the government, and it's also a way that the government, as a country partner, can demonstrate its ongoing commitment to MCC, its board and all of its stakeholders that care so much about ongoing reform.

Not many countries have asked for financial assistance in implementing their policy improvement plan. I know of one country that identified a need and that was in Madagascar. They asked for something for a -- one of the challenges that we found there is that they had outdated immunization data.

So we worked together with USAID, our partner in the U.S. government, to support that request. USAID funded, with WHO and UNICEF, an immunization survey and the results wound up showing a large improvement in Madagascar's performance and provided the government with very useful information about where ongoing reforms would be useful.

So to the extent that we can work with our partners across the U.S. government to identify ways that we can support our countries, we will, whether by MCC or by others, and other donors, as well.

MCLEAN: More questions?

QUESTION: Thank you. My name is Sarah Lord (ph). I'm with the Department of Justice.

I have kind of a general question about the relationship between the performance indicators, a country's economic status, and the role that they all play in the decision-making.

I notice that, this year, several countries were elevated from the lower to the lower middle income status and that this is not the first year in which that has happened.

Obviously, if a country changes status during the period preceding or during its period of compact eligibility, its performance will also be affected.

At the same time that countries have now recently been elevated to the lower middle status, economic circumstances around the world are affecting those countries and there's a possibility that countries that have recently been elevated to the lower middle income status could be forcibly descended or have their status lowered into the lower income status.

My question is: to what extent does an awareness of these factors play into the decision-making about compact eligibility, as well as a country's success in performance under either a TCP or preceding the award of compact eligibility status?

KRAHAM: Thank you. Great question, something that's on our mind at MCC.

Our legislation outlines two income categories that countries can compete in, low income and lower middle income, and those figures come out from the World Bank every year, those categories.

So MCC doesn't control that. A country must compete in its income category and there really can't be any exceptions by MCC to adjust that.

What we have seen, as you pointed out, is six countries that MCC selected as a low income country have graduated to the lower middle income category and what we find is that even very high performers can become low performers in their new income category, because there are much higher standards in the LMIC, lower middle income category.

So the way that we have dealt with that is we've looked at whether a country is maintaining and improving performance and try to take into account whether there is an absolute change in performance. And in most cases, when a country has graduated, they're still performing the same and, in most cases, they're still improving.

So we are able to continue to work with those countries. We do engage in the policy improvement process so that we can help them, support their efforts to strive to meet the criteria in a new category, and we continue implementing their first compact.

But in order for any country to compete for a second compact, it's quite likely they have to meet the new criteria. So we do want to support their ongoing efforts and the board does care that they strive to meet the criteria in the category that they are now in.

We haven't had a country, that I'm aware of, move down. Maybe that might happen, but I don't know how that would affect performance. I suspect the reverse trend, they become star performers in the low income category. But that hasn't happened yet for us.

MCLEAN: You have a question from the far side.

QUESTION: I'm Carla Scatini (ph). Mine is a process question, mostly for John and Darius.

I was excited to hear about the constraints analysis and the concept paper analysis and the improvements that you've made in the process.

Based on the information that I've gotten about the reorganization that MCC went through, what, eight, ten months ago or so, you now have practice groups or practice leads. There's slightly different organization about that.

My interest is in those practice groups. Who leads them? Is it an internal organization structure only? And how do they work with compact development and/or transition into the implementation stage, if you can address that?

Thanks.

HEWKO: Yes, you're right, Carla. There was a reorganization last year at MCC and two new departments were created, compact development and compact implementation.

I think the theory was -- and it's worked out in practice -- has been to have all of the various team members that are developing compacts be under one roof and then all of the team members who are implementing compacts to be under one roof.

Having said that, what we have tried to do between the two is to create what we call the permeable membrane. We are a small agency and we do have limited resources. So we do have a system in place to have staff and colleagues move between departments as needed to make sure that the work of both departments is being carried as it should be.

There are practice leads for the various subject matter areas and they are cross-departmental. In other words, they span both of those departments, and their job really is to ensure that the specialists in both departments are applying similar standards, are looking at things in a similar way, and, also, to ensure that there is a transfer of knowledge, that what our colleagues in implementation are learning once they're implementing is then fed back to us in development so that we make sure that, when we're developing compacts going forward, they're taking into account the lessons that are learned from our colleagues in implementation.

The aim here is to perhaps make more efficient the process of implementing and developing, yet, at the same time, create a mechanism to make sure that knowledge and staff and experience is being shared across departmental lines.

MCLEAN: Any questions on this side?

QUESTION: Thank you. Dianna Jerhot (ph) from (INAUDIBLE) Health Consultants.

I'm wondering if there are any health components in any of the new compact countries.

(UNKNOWN): Of the five compact countries, development countries that we're currently looking at, there are no health developments that our countries have provided to us.

There are significant water and sanitation components in many of the proposals we have received and, obviously, that has a very significant health impact.

When we first engage with our partner countries, we make it very clear that we have no preference as to sectors that they may ask us to provide financing in. It could be health, education, infrastructure, rural development, justice, law issues, anticorruption.

It really is up to our partner countries to decide and this particular set of five countries, we did not receive health proposals, but we did receive other projects which will have a direct impact certainly on health and sanitation.

MCLEAN: Question up in front here.

QUESTION: Thank you. (INAUDIBLE) Actually, this is not a question.

Being selected as a new compact country, I would like to express our appreciation for the joint effort that we have made so far together.

In this regard, I just would like to know what will be the next step and procedure that we have to process. Thank you.

MCLEAN: John, maybe you can just take that.

HEWKO: Yes. With respect to Indonesia, Colombia and Zambia, the next step going forward is we from MCC will send out a senior team to meet with -- in Indonesia's case, with Indonesia's political leadership, with representatives from civil society, private sector, to explain the MCC process, the next steps going forward.

The next step after that, the ball then is in the country's court. Indonesia will be asked to put together a core team of specialists, to designate a point of contact, a person who would be leading the effort on the part of Indonesia.

We've asked the countries to come up with a budget for this core team of specialists and then we would begin engagement with the country, constraints analysis followed by a consultative process followed by Indonesia and the other two countries providing us with concept papers for the specific interventions that they would like us to make.

Timing-wise, I would not anticipate compacts being signed with either of the three -- any of the three countries prior to the end of 2010, 2011, given the steps and the work that needs to be taken going forward.

MCLEAN: You had a question. Does anybody else in the middle have a question? Go ahead. Just giving everybody a fair shot.

QUESTION: Thank you. I'd use this opportunity to ask a controversial question, I guess.

Deliberations that have taken place on the board, have you had situations where U.S. foreign policy imperatives have come into conflict with project implementation?

Say a country is doing relatively well, however, not doing as well in terms of U.S. friendliness and the State Department is unhappy with that, suggests that perhaps you take the compact in a different direction or suspend that compact.

Has something like that occurred on the board with any other countries or the reverse, say, countries doing the same or worse, however, and the decision is made at the highest level to show political support for that country and add to the program, and while there is not a needs-based or a performance-based reason for that?

MCLEAN: Let me just add a context to that. Having sat in the board meetings for the over three years, I will say that the great protection that MCC has are indicators and our performance-based criteria.

Now, certainly, there's a larger context in which things are discussed. We have representatives from various parts of government.

But I will tell you that the overwhelming portion of discussion is on performance and the likelihood of performance and accomplishing the tasks and reducing poverty through economic growth.

And so that's -- I'm not going to get into who said what on the board, but I will tell you that in my experience, overwhelmingly, that the conversation has been on how do they perform on the indicators, how are they likely to perform in implementing the compact, and can we get some real results in this particular country.

And there's a lot of experience around the table that helps us have some discussion with countries, but, again, the great protection that MCC has is that not only do we go by indicators, but they're by indicators that everyone gets to see. They're on the Website.

So outside folks can say, “Oh, bad pick there, great pick here. That’s a great conversation and I don’t know any other agency that has -- aid agency around the world that has a system by which everybody can take a shot and take a look at what the criteria is and how folks have performed.

QUESTION: Good behavior doesn’t make news. If you could perhaps discuss a controversial case that you had handled where, say, U.S. policy and performance have come into conflict or have diverged in some ways?

MCLEAN: I think I’ll leave that to board members to discuss, if they choose to. But believe me, it’s a very substantive conversation about performance, how they perform in the indicators, how they will perform in the indicators and the prospects of getting real results on the ground.

Question over here.

QUESTION: Thank you. My question is regarding Bolivia. I don’t know if you could explain a bit more why it has not been reselected and what part of the process it was, the (INAUDIBLE) process Bolivia was, how long it has been selected.

Thank you.

KRAHAM: Sure. As Matt just explained, the board looks at two factors, in addition to our funding, when making eligibility decisions, and that is policy performance, as well as our opportunity to impact growth and poverty reduction.

While Bolivia meets the criteria, we have seen some declines in policy areas and the indicator institutions also cite some uncertainty about performance.

But I think the other point is that reaching a compact agreement with a country, so when we’re analyzing our opportunity to have impact, reaching a compact agreement and eventually implementing that agreement requires a great deal of close collaboration and cooperation and trust.

And conditions over the past year have made it very difficult for us to work there and develop a compact and make it unlikely for the foreseeable future that we could successfully develop and implement the compact.

With constrained resources and countries all vying for the competition, MCC has had to make some difficult choices this year about prioritizing who we can work with.

MCLEAN: I recognize the associate from Zambia, please. We have a microphone. Just a second.

QUESTION: Thank you. In fact, mine is just an appreciation; all the time when good news comes, you don’t have to sit down and celebrate within your own mind.

I want to say that I wish to take this opportunity to thank the United States government and its people for the continued support to Zambia's efforts to fight poverty and generation of economic growth.

I also wish to thank the board and staff of the Millennium Challenge Corporation, who have been working tirelessly monitoring our development efforts to ensure that our performance on the policy indicators are on course.

Today, we are very happy and excited for having been selected for eligibility for the compact program, which will entail large-scale grant funding from the U.S. government aimed at reducing poverty through economic growth.

The Zambian government remains committed to the promotion of good governance through fighting corruption, maintenance of rule of law, and political rights, investing in the people, especially in the education and health sectors, and last, but not least, a commitment to economic reforms.

Your presentation today made the whole embassy staff to be in this meeting for us to hear physically and personally how good this board has been to our country.

Now, looking on the press release, we see that Africa, with the name Zambia, seems now to be fully recognized and represented that you are doing something within that continent, although many countries are on the list of your attention.

And I thank you very, very much.

MCLEAN: Your Excellency, thank you and it's an honor to not only begin a new relationship with your country and the other countries that were selected, but also continuing the relationship that we've had from our threshold.

And I'm sorry to hear no one is at the MCC to answer the phone. But I guess that's a good thing today. Thank you very, very much, Your Excellency.

We have time for one more question from this side first. No questions. I'll go over here. Last question, anyone? Going, going, gone.

Thank you, everyone, for your time and your attention. We know you're busy people. We appreciate your coming by and spending some time with us, quite a bit of time. And we refer to you our Website, [mcc.gov](http://mcc.gov), for a transcript that will eventually go on the Website, in case you missed anything here today, and to see -- take a look at all the other things that are going on with MCC.

Thank you very much.

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