

MCC Holds a Post-Board Public Outreach Meeting

Speakers:

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Transcript

COOPER: Good afternoon. I'm Chuck Cooper, the Vice President for Congressional and Public Affairs for the Millennium Challenge Corporation. I welcome all of you to our public outreach meeting — welcome you and thank you for coming.

This is a pivotal moment in the history of the MCC. We are in the process of looking back to evaluate the progress of our operations and our programs, but we're also looking forward with a renewed sense of commitment to the future of the MCC and our programs and our activities to look at new strategies and new approaches.

And we've taken this sort of period of reflection and looking back at what we're doing from an evaluation standpoint and the progress of our operations, and also looking forward to the president's new policy on development.

Last week at the United Nations the president gave a speech in which he outlined his new policy, and he talked about the fact that the policy, in part, builds on the lessons that have been learned at the Millennium Challenge Corporation. So we have been part of shaping the new — the president's new policy.

So as we shape it and learn from the lessons learned here at the MCC we also are looking forward to working with our interagency partners and working with all of you to implement the new policy, which is going to be critical.

This look back to evaluate the progress of our programs and looking forward to the future of the programs also applies to our Compact programs. Today we're going to mark the end of our first compact closeout in Honduras, and as we mark the positive successes that we've had in Honduras we're also going to be looking forward to new compacts in the Philippines and in Jordan.

That also applies to the Threshold programs, as we'll talk about later today. In the Threshold program we've taken a hard look for the last 12 months — nine to 12 months — about how the Threshold program is operating, and today we're going to be talking about a new direction for the Threshold program after this year of review.

So this is a period in which we're evaluating; we're reviewing. There's a period of reflection and introspection. But we're also, with a sense of energy and commitment and focus, looking forward to the future to implement the policies, the new strategies, and the new approaches.

So let me just outline for you how we're going to proceed today. First we're going to be hearing from our CEO, Daniel Yohannes, who has provided an incredible amount of focus and energy to what we're doing at the MCC. A lot of the new approaches and strategies that we're looking at come from Daniel's vision for the MCC and his work with our interagency partners and others within the administration.

Daniel is going to give us an overview of where we are now. He's going to talk a little bit about our recent board meeting and he's going to update you on key developments that we've experienced at the MCC since our last public meeting back in June.

We're then going to have a conversation about the Honduras closeout. We're going to hear from two key MCC partners to talk about that closeout, and we're going to hear from the live by video conference. We're going to hear from Jonathan Brooks, who is the resident country director in Honduras; and we're going to hear from the MCA-Honduras director general, Martin Ochoa. We'll have a conversation about the closeout in Honduras.

And then we're going to convene a panel that's going to consist of Patrick Fine, who is our Vice President for Compact Operations; Patrick is going to focus on the new compacts. He's going to focus on the Philippines and Jordan and talk about how those compacts are looking.

Patrick's going to be joined on that panel by Sherri Kraham. Sherri is Managing Director in our Department of Policy and Evaluation. And Sherri is going to be focusing on the Threshold program: She's going to be giving you a sense of what the review consisted of over the last 12 months, and she's also going to be talking about the new direction for the Threshold program.

So with that, I would like to introduce Daniel Yohannes. Daniel?

YOHANNES: Good afternoon. Usually we have these meetings immediately after the board meeting, but September has been a very historic month. Especially the last two weeks; a lot has happened. So today we'll provide you about events that took place the last two weeks as well as decisions made by the board.

First and foremost, I had the great privilege of joining Secretary of State Clinton, Treasury Secretary Geithner, Secretary of Defense Gates, and USAID Administrator Shah yesterday for the unveiling of President Obama's U.S. global development policy. Ladies and gentleman, this was really a historic moment. This is the first U.S. administration to have a new strategy in development.

I was in New York myself last week with the U.S. delegation when the president unveiled his new vision. It was a moving experience. The message was extremely powerful.

It was a great day for development and a great day for the Millennium Challenge Corporation. As Chuck said, the president referred the Millennium Challenge Corporation's contribution to the new vision.

Many of the principles the president talked about are principles that have been implemented by the MCC for the last six years — accountability, transparency, an emphasis on economic growth, results, working with countries that are committed for their own development, governance, anticorruption. All those are principles that have been used and have produced results. We know they work so we are extremely excited and happy about the new vision.

UNGA also provided us an opportunity to work with other agencies about lessons learned and how, together, working not only with U.S. agencies but multilateral institutions, private sectors, and NGOs — we can deploy many of lessons learned and deploy our resources so they'll be very impactful and sustainable.

I'd also like to recognize four individuals that have done a great job in providing lessons learned in the last year with the PPD group in the White House. First, Sheila Herrling, vice president for policy, monitoring, and evaluation...

Sheila, can you stand up so people can see you? All right. Let's give her a big hand.

(APPLAUSE)

Franck Wiebe, our chief economist. Franck?

(APPLAUSE)

Tom Kelly, managing director. Tom, are you here?

(APPLAUSE)

Sarah Lucas, who's not here — I believe she's in Italy.

But these four individuals have done a marvelous job, again, representing the Millennium Challenge Corporation providing lessons learned from our experiences. Of course you've seen what happens in the new vision. Many of the MCC principles have been incorporated with the president's new development agenda.

Second, I was in Honduras. I know we're going to speak about Honduras in a few minutes, and Honduras was the first country selected and the first country to complete the compact.

I get excited when I talk about Honduras because, one, I was there two weeks ago, but two, what I have seen in Honduras reaffirms the principles that have been employed by MCC for the last six years. First, Honduras survived three different presidential administrations and one major political crisis. But you know what? The compact was completed on time, on budget, and they met all of the targets.

This is very unusual. Why? Because they were not owned by a single president; they were owned collectively by the Hondurans themselves. From the beginning they were responsible in setting the stage, in designing and crafting the program, linking farmers to markets by providing them technical training, marketing skills, business skills, providing them access to credit, and building roads around their communities so these people have access to markets.

At the end, more than 7,400 farmers have been trained and 6,000 farmers are producing cash crops. Previously many of those farmers were producing corn. In most cases they were not able to get their produce to markets because you know what? There was a lot of abundance, all right? And also, they did not have the infrastructure to transport their produce to market.

Today, guess what? Wal-Mart is the single largest buyer of their produce. They are selling fruits, vegetables, herbs, and the process in the last five years — they have almost doubled their income. Of course, we are waiting to get the confirmation of our numbers by a third party very shortly, but nevertheless, we've seen a tremendous progress.

And I want to thank the Honduran people and MCA-Honduras for doing a great job, and everyone at MCC who have worked with them from the beginning to the end, because the results are evident. The model works. It was done in a very transparent way and the results, again, are very clear and they have achieved the results we wanted them to achieve.

So it was phenomenal. I was touched and energized by what I saw.

Also came back home feeling great as an American, knowing that our tax dollars are utilized effectively, efficiently to get the people out of poverty because you could see the numbers qualitatively and quantitatively. They are real.

Also came back home reaffirming, believing on the system that have been implemented here for the last six years. They work, ladies and gentleman. It is very powerful model.

And lastly, you know what? Those people are on the path to prosperity — one day, hopefully soon. Hopefully they will never have to depend on foreign aid. They will be able to replace our aid dollars with investment dollars from the private sector. And the government itself has created the atmosphere for sustainability of our project.

So I came home impressed, believing in our system, believing in our model, and happy about what has been accomplished in Honduras.

After we came from Honduras we were in New York, again, for the U.N. meeting. We also had the opportunity to sign the Philippines compact with President Aquino. It was presided both by President Aquino and Secretary Clinton.

I know that Patrick is going to talk about it in a few minutes. It was a \$434 million compact. It was signed in New York.

We also had the opportunity to meet with a number of heads of state to talk about the various programs in our partner countries. In fact, you know, I talk about Honduras having gone through three transitional presidential governments, and we have about six or seven of our partner countries that have gone through at least two presidential administrations in the last five, six years. But you know what? The program still continues to function and work extremely well.

And, of course, I'll go back very briefly and tell you about what was decided at the last board meeting. The board approved a \$275 million compact for Jordan. Again, this is going to be discussed by Patrick Fine in a few minutes.

This project will alleviate the water shortages in Zarqa, the second-largest city in Jordan. As you know, the region suffers from water shortages, so this is a great project and a project that will benefit at least over one million people in the Zarqa region.

We had the privilege of meeting His Majesty the King of Jordan Abdullah when we were in New York last week. He is extremely appreciative of the work that has been done so far and is looking forward to getting this project completed in five years.

The Threshold program, which will be discussed by Sherri Kraham, was also discussed at the board meeting. And I know Sherri's going to talk about it in detail. We're excited about the new direction of the Threshold program. We believe it is going to satisfy for what we want accomplished in the next few years.

So I'll stop my remarks here and I will take questions if you have any.

If not, it doesn't hurt my feelings. I've been speaking a lot in the last couple of weeks, so...

All right. Thanks, Chuck. It's yours, all right? All right.

(APPLAUSE)

COOPER: Thank you, Daniel.

And we will next have a discussion about Honduras, which we will do live via video conference, and we'll be hearing from Jonathan Brooks and Martin Ochoa. So if we can get them connected we'll get started on this portion of the program.

BROOKS: This is Jonathan and Martin. Can you hear us?

(UNKNOWN): Yes. We can hear you.

BROOKS: OK.

Hello, everyone. We haven't been able to hear everything that's been said, but so just by way of quick introduction, I'm Jonathan Brooks, Resident Country Director for MCC in Honduras, and I'm here with Martin Ochoa, who is the General Director of MCA-Honduras.

Just a couple of points that I thought I'd share with the group, and I'd ask Martin to join me in doing so as well — but the first is that this is — today is the 29th of September, which is a very momentous day for the program because it marks the conclusion of the five-year timeline of the program that was signed on September 29th, 2005.

You know, the program is, in our view, concluding with a very strong finish. The program is, you know, widely viewed in Honduras as having a high degree of country ownership, which I think embodies some of the key principles of MCC.

We've had very strong technical support and implementation directly through the Honduras MCA unit, which my team led through the last four-and-a-half years. We, I think, are also able to state that the objectives of the compact were well aligned with the national objectives of Honduras, which is part of the reasoning of the sustainability of the program despite the different political transitions that Honduras has undergone in the last four-and-a-half years.

The program is also widely viewed as having achieved very high results. I won't go into the details, but it's of the training of over 6,000 farmers, the significant improvement to the road infrastructure, and also the work that's been done on governance around the country I think, you know, speaks highly of the successes of the program.

And the program is recognized for that not only within the Honduran government or MCA-Honduras. I can say you have set a new standard for the quality of implementation and for the efficiency and transparency of the implementation of the programs. So that and the focus on results, I think, is also highlighted in the program.

So, you know, a lot of credit, I think, goes to our partners in Honduras who have walked with us through the experience and been pioneers and are now here to — are able to celebrate with us the successes of the program.

With that, I'll turn over to Martin, if he would like to make some comments.

OCHOA: Thank you.

There are perhaps three key factors that I would like to share with you all. First, the MCA-Honduras has clearly addressed the key factors that limit the growth and the poverty that is in Honduras. And the interventions that we — MCA-Honduras — made, they do target the rural poor, do target development in the rural areas, and do target the deficiencies found — the lack of infrastructure, and are moving forward on the results made.

Secondly, the MCA-Honduras is clearly a transformational tool. I use transformational because not only the results we've made are clear, tangible results, but also help people, and certainly what we were able to achieve on access

to credit, for example, and the needs we have created for private sector to engage ensure that these results can be used forward.

And thirdly, it has been truly an alliance between MCC and the partner country, in this case Honduras, in not only the approach toward tackling the communication challenges that we face, but also the regional cooperation we were able to achieve or push through, in the good and the bad of these four-and-a-half years, have shown clearly how to work in a country like Honduras. It is definitely the evidence of true partnership and a true alliance.

I want to congratulate the agency colleagues in Washington, certainly Jonathan and his country team in Honduras. And also, on behalf of the MCA-Honduras entity, the results we are sharing are clearly a true effort of all these colleagues and our Honduras colleagues and professionals.

I also want to end by saying, mission accomplished. These were four-and-a-half years where we all tried our best, and what we have achieved, again, it's something that we can all claim as an evidence of putting our best efforts toward reducing poverty in Honduras.

COOPER: Thank you, Jonathan. Thank you, Martin.

COOPER: OK. Do we have any questions for the Honduras team?

All right. Thank you very much.

So we'll ask Patrick and Sherri to come to the front and we will have a conversation with Patrick, who's going to be focusing on the new compacts in the Philippines and Jordan, and with Sherri, who's going to be talking about the new Threshold program.

FINE: I think that we've set a standard for no questions...

(LAUGHTER)

FINE: This was the first board meeting that the Department of Compact Operations participated in. Before that it had been the Department of Compact Implementation and the Department of Compact Development. So this was the first time that we came together as a consolidated department and presented the overall review of our portfolio, what's on our plate.

And one thing I can say is that even in the two months since we've really been operating as a consolidated department the advantages of bringing us together as a group are already quite clear, particularly with respect to bringing together the resources within the overall organization on the different work we're doing both in development and in implementation and seeing those — are total resources being able to focus in on critical issues that we're facing.

Now, at this particular meeting there were three things that the Department of Compact Operations did. First, we did a quick review of the overall portfolio. We have 20 compacts which are being implemented right now, and then we have a number that are being developed and we spend some time on the ones that are being developed.

We spent some time talking about compact closeout. Chuck mentioned that today is the day when the first compact that is reaching its five-year term ends, and that's in Honduras. But we have six more compacts that will end between now and the end of next year. We have another one — the next one is Cape Verde, which is next month, and then there are five that will end during 2011.

And so that's a new experience for us and it requires us to really look at our policies and our practices for managing the winding down of activities in a way that is orderly, that is responsible, and that ensures the sustainability of the programs that we've been financing. So there's a lot that — a lot that's involved there and, we talked to the board about those issues and about what we're doing to ensure that closeouts are responsibly handled.

And then we had a presentation on Cape Verde, which is the next program to close, that was a little spotlight presentation that looked at what's been accomplished in that compact. So that was our overall presentation to the board.

Now, the biggest issue for us, as Compact Operations, at this board meeting was presenting Jordan — the compact for Jordan — and requesting the board to approve it. So we presented the Jordan compact for approval to the board.

There was in-depth conversation about that compact, about the issues that we had encountered in developing it, about the nature of the three projects that make up the compact. And then the board did vote and approved that compact, and so that compact now will make our 22nd, I think, our 22nd compact, since the Philippines was signed last week, and we're hoping that we'll be able to sign that in the coming month.

So that was, for us, the most critical thing on the agenda, and we were very pleased both with the quality of the discussion and with the board's decision to approve the compact. That compact is a \$275 million compact. It also includes a — is Jay or anybody from the Jordan team here?

So, Jay, rather — maybe you would like to just give a very brief — Jay Scheerer is the leader of the compact development team, and so if I say what is in the compact I'm just going to be saying what I've heard from him. So, I mean, he is the authority on Jordan and MCC and is the person who really provided the leadership to put together a very challenging, very exciting program.

And so, Jay, maybe if you'd just take, like two minutes to summarize what's in it that will be better than me trying to do it.

SCHEERER: Great. Well, thank you very much, Patrick. Very kind words.

As our CEO mentioned a short while ago, and as Patrick was just saying, the compact in Jordan is designed to target water problems specifically in the city of Zarqa, which is the second-largest city in the Kingdom of Jordan, located just to the northeast of Amman, the capital city, and the compact program has three projects in it.

The first is a project to rehabilitate significant sections of the water delivery system. At present, about 57 percent of the water that flows through that system is lost between the moment when it's pumped out of the ground as water supply and the moment it reaches households where it's being used. That contributes to what is already a very severe shortage of water in Jordan.

So we're proposing to spend about \$110 million on rehabilitating significant portions of that water network to reduce that non-revenue water percentage, or the amount of water that's lost. We're hoping that through our interventions we'll get that level down to about 25 percent, so it's a very substantial reduction, which means more water actually ending up in households. And a small component of that overall program is designed to work specifically with poor households to ensure that they're able to benefit from the additional water that's being made available.

The second project is about \$58 million for rehabilitation and expansion of the waste water collection system. At present in Zarqa, just over 70 percent of the households are connected to a proper sewage system but it's a very densely populated area, which means that the remaining percentage of households are using cesspits, or septic tanks, in a dense, urban environment to treat their wastewater.

That leads to groundwater contamination, limitations on the capacity — carrying capacity of the wastewater collection network. Also it means that there's substantial wastewater overflows into the streets and to the surrounding environment, which is a very fragile natural environment. So through our interventions we'll be connecting two large neighborhoods — the neighborhoods of East Zarqa and West Zarqa — to the collection system and expanding the overall capacity of that system to carry wastewater.

The third project is an expansion of an existing wastewater treatment plant that's located in an area called As-Samra. That project was originally developed with some assistance from USAID on a build, operate, transfer basis, or a BOT basis, in conjunction with the private sector. We're proposing to expand that, also on a BOT basis, so working directly together with the private sector operator that's currently in place to substantially increase the amount of water.

That treated wastewater can then be used in agricultural uses in various parts of the Jordan Valley where currently freshwater is being used, so that means that additional freshwater can then be freed up so that it can be used by households and industries in Jordan. So those are the ways in which we're helping to address the limitations on wastewater, and specifically with an interest in how the poor households in Zarqa are able to use that water.

FINE: Great. Thanks, Jay.

One of the things that's particularly exciting about this is the fact that it does — there is a built in partnership with the private sector operator that's bringing about \$90 million of its own resources into the program, and the government of Jordan is providing \$30 million to finance specific parts of the overall system that's going to be built. So it is a true public-private partnership, and something that responds to the priorities that our CEO is setting.

The second big development in DCO with respect to new programming is the Philippines. As Chuck and Daniel mentioned, we signed the compact with the Philippines on Thursday night last week. Secretary Clinton and President Aquino both were present and witnessed the signing of that compact, and so that is now launched.

We have deployed Matt Bohn as our resident country director to Manila. He was previously the acting chief of staff here and was our resident country director in Nicaragua. He's one of our most experienced, most capable people, and so he is now in the Philippines.

Troy Wray was the compact development leader for that. I don't see him here today.

But that program has three major components, and it's interesting because it's another example of some innovative approaches for MCC. One component looks at improving revenue collecting and decreasing corruption in the government by strengthening the department of revenue — inland revenue, I think — Bureau for Inland Revenue — is that what it's called — of Internal Revenue? Bureau of Internal Revenue.

So that is recognized as a major issue. In fact, in yesterday's USGLC meeting, president — I mean, Secretary Clinton made a comment about not providing foreign assistance to countries that aren't taxing their own elites, and this is an example of the Philippines identifying revenue collection as a major issue, identifying tax avoidance as a big issue, and also avoiding just poor administration within that department is an issue. And so that will be one of the targets of the compact.

The second will be doing secondary roads in rural areas. And then the third is an interesting program which is essentially a community development program, called KALAHI-CIDSS, which is a community-based, grassroots development program. And I think it will be — that will be a new step for us to finance that kind of community-based programming.

So that's the Philippines. I'm going to stop very quickly.

There are three other programs that we're developing right now; I'll just mention them. One is Malawi — that's the furthest along in the development path; a second is Zambia; and then a third is Indonesia. So those are areas where — countries where we're working with the countries right now to develop programs.

So let me stop there and turn it over to you, Sherri.

KRAHAM: Thank you.

Good afternoon, everyone. Can you hear me? Excellent.

It's so good to be back with you returning after five months of maternity leave. The baby is wonderful, and like my colleagues talked about the possible delay in communication from Honduras — sometimes that happens to me — the vestiges of being off for five months. My mouth doesn't always catch up with the brain. So I hopefully you will not experience that today.

So I'm here to brief on the new Threshold program. In June we briefed the board on the results of a year-long review, and introduced a concept for the program. And so, most recently — earlier this month — we presented a more detailed, fleshed out concept for a new program. So let me give you a read-out on that, which focused on some new objectives for the program and some new ways that we will work to improve the implementation and design of the program.

First of all, the overall purpose of the program remains the same, and that's consistent with what is in our legislation. So, the program purpose is to help countries to adopt reforms to become eligible for MCC compact assistance. We will continue to enable countries to improve their policy environment in the three broad policy categories outlined in our legislation, so ruling justly, investing in people, and encouraging economic freedom.

The change is that the new direction of the program we will be focusing our objective — our program objective. We will not be focusing interventions to move the indicators within a two- to three-year period, and that was a major conclusion of the Threshold review, that while we can support meaningful reforms with the program we are unable to achieve, for the most part, changes in the indicators that we use over a two to three-year period.

So we will be working with the countries to support over changes in the underlying policy environment in the three broad categories that I outlined.

So let me give you an example of how this would work: In the previous program, if a country had a challenge with their economic freedom category, we might provide support to a country to adopt reforms in "doing business," and that indicator is a proxy for the ease of doing business in a country and the ability of the private sector to operate. But it only measures the days and cost to start a business. It really works well for us as a proxy for doing business in the country.

Through the new program we can support streamlining business registration to improve days and cost to start a business, but we may also go beyond that to impact — to support interventions that get at the broader business operating environment in a country.

We will still use the indicators as a cornerstone of eligibility — of compact eligibility. So we will still use that as a cross-country comparison, but we will not be using that to guide as our objective for the program interventions.

The other change in the objectives of the program is that we will be working to address another factor that the board considers when making eligibility decisions about a compact. So there are three factors in our legislation: One is a country's policy performance, evaluated by the greatest extent possible by our indicators; the second is how much money we have for compacts; and the third factor that the board is asked to consider is our opportunity to impact growth and poverty reduction through a compact.

So we'll be placing greater emphasis on that third factor in our new programming, so we'll be focusing on both the policy environment and improving the policy environment to — so that we can have impact through our compacts, helping to make the country a more attractive candidate for compact eligibility. We expect to continue to see programs emerging in governance, where that is a binding constraint to a country's development, but we also expect to see programs emerging in a given sector, where those areas are a binding constraint to investment and to compact success.

We hope to incorporate a policy lab component into the program, which will allow us to experiment with our investments to see what are the most effective approaches for providing reform assistance to countries. And so we hope to incorporate a more robust learning component into the program.

In terms of other ways that we hope to improve how the program works, we have learned a lot in our internal review over the past year, but we also have been doing some learning on — based on three program evaluations that will soon be published over the coming months. And so we plan to continue to work with USAID as our partner and invest in making that an even more effective approach — effective partnership between the two agencies.

MCC plans to play a greater role in some of the earlier program diagnostics and program design. We expect to incorporate some new tools to make the selection of activities more effective and more rigorous and narrow down the scope of what our programs fund. And we expect to be more selective on the partners that we will be working with.

So there are a range of new improvements that we hope to launch in the coming months about the program, with USAID, and I would invite you to look at our Web site in the coming months as we seek to identify what those lessons were of the review and of other — of the evaluations and launch our new program design.

So please look for that in the coming months, and we look forward to hearing from you about the — in terms of feedback on either the old program or what we can be doing differently or better in the new program.

Thank you.

So now we're on to questions?

QUESTION: My name is Irving Rosenthal, formerly of AID, now with American University.

Sherri, the issue on the Threshold program is very complicated, but I want to focus on the subject of the corruption. Before, that was one of the major type programs that the Threshold program worked on, and some of us in the field agreed with you, thought it was kind of — trying to think of a nice word, but — ridiculous — to try to achieve reduction of corruption in two years. So you've now moved to a different level.

The issue of corruption still remains and I don't know how this is going to be handled. Indeed, at the meeting that the CEO was at with Secretary Clinton the one specific question Mr. Yohannes was asked about was corruption, and it wasn't quite a, you know, a strong answer on that. So I'm wondering — I've got a lot of questions here, but corruption — how do you handle that?

You said the new Threshold program will be moving away from specific indicators. Well, I'm concerned about that comment since the MCC is supposed to be concerned with specific indicators and results. So now because it's more difficult you're not going to be doing them.

And you said you're now going to be narrowing the scope, but you're not narrowing the scope; you're moving from corruption to democratization. Now, I think democratization is broader than corruption.

So I'm not sure — I guess my question is about the whole Threshold program and corruption. I don't think by moving beyond it you solve the corruption problem, and I'm just wondering, you know, what really will be done with this Threshold part. Thank you.

FINE: This sounds like the conversation we had at the board meeting.

(LAUGHTER)

KRAHAM: Great. Thank you very much for the set of questions and giving me the opportunity to correct, maybe, some misunderstandings about our focus.

I want to assure you, we remain ever so committed to fighting corruption and to keeping that on the agenda with our partner countries. So that hasn't changed at all.

But what we found is that using these broad-based governance indicators that measure experiential data and perception data to measure the success of our program interventions is not very realistic...

FINE: The Threshold program interventions.

KRAHAM: The Threshold program interventions...

FINE: Not the Compact program...

KRAHAM: Right. I'm focused on the governance indicators that we use for eligibility and using them to measure the success of our programs for compacts. That doesn't mean that we won't be measuring this – success of our Threshold programs — that's that mommy-brain thing that I warned you about. That doesn't mean we won't be measuring the success of programs and that doesn't mean that we won't be funding governance programs or anticorruption programs, but we want to use a more realistic measures of our success rather than these long-term institutional indicators that are unlikely to change in a two to three-year period based on our interventions.

We did learn, through the review, that a two-year period is quite a limited time frame to impact corruption, and we will be lengthening the period of our programs. We will also be limiting the scope, so where we may, in the past, have focused our anticorruption interventions in a variety of sectors, it's much more realistic for us to focus our energies and our program assistance in one sector.

We also believe that this should be part of a country's broader reform agenda. So we never had the feeling that our programs were going to solve a country's corruption program, and we don't — we believe that this has to be a part of a much broader dialogue with a country about corruption and about governance. And that dialogue continues even after a country becomes compact eligible.

So that's part of a long-term discussion, a long-term reform agenda of a country, and we hope that we're making our program goals of the Threshold program a little bit more realistic.

FINE: So we aren't changing the selection criteria for selection for compact eligibility at all.

QUESTION: Thank you very much. My name is (inaudible) with the U.S. Aid for U.S. Africa (ph) coalition.

Trust me, when (inaudible) and that you're not doing strict work with corruption we're going to make sure we tell you to get into that or get out of Africa.

QUESTION: Robert Krause, with Quatrex Energy International. I'd like to follow up on the previous theme here, using the sad case of Ukraine as an example, a country that had been compact eligible, and then ineligible, had a threshold focused on corruption control, as I understand didn't do so well. Will that preclude a country like Ukraine from being a part of the Threshold program ever again?

KRAHAM: Well, I have to say that one of the criticisms of the program, internally and externally, was that — was the idea of a second Threshold program in a country — the idea that we were actually not working with countries that were on the threshold of compact eligibility but had longer-term challenges. And so a second program in a country is something that we would have to examine very closely before we decided to support that.

A country does not need to be a Threshold — have a Threshold program to be compact eligible, but if they do have a Threshold program we would expect to use the information that we learn from the Threshold program in deciding whether to go ahead with a compact, and if we are not seeing success or the political will to undertake

the reforms that a country committed to in the Threshold program that would definitely be a factor that the board would consider.

QUESTION: My name is Alan Wyatt, from RTI International, and I'd like to change the subject to the Jordan compact. I had really two questions.

First of all, how was the Zarqa — or who — or how was the Zarqa region chosen as the target area for the project? And are there institutional efforts that go along with the rehabilitation and hardware efforts to sustain the benefits of those hard investments?

FINE: Yes. Well, it was selected by the government as part of their overall water sector plan so it fits into the national development plans, and in particular to the plans for that sector. And it was attractive to us because that's where the largest concentration of poor are, and so in terms of looking at our contribution and having a impact on reducing poverty through economic growth that was where the greatest concentration of poverty was — or is — and so that was a good match for the kind of investments that we make.

In terms of institutional strengthening, Jay, can you answer that?

SCHEERER: Yes. In terms of institutional strengthening in the water sector, there is already quite a lot of work that's going on in Jordan. USAID, which is our other U.S. government bilateral assistance organization, is already focusing quite a lot on institutional assistance, so we've worked very closely with them in identifying areas that we would like to help reinforce, but they're taking the lead along with some of the other donors, GGZEB (ph) included.

QUESTION: So that's a no?

SCHEERER: Specifically funded through our compact, no, although I would mention that one of the things that we worked very closely with the Jordanians on is a plan to spin off the operations of the Water Authority of Jordan, which is a national water utility water provider, into a corporatized entity operating in Zarqa. So it would be set up as a company under the Jordan company's law, operating on commercial principles. So that's a form of institutional...

FINE: That's a policy reform dimension.

QUESTION: Yes, hi. I'm David Hartingh, with IESC.

I had two questions. One was that we're aware that there were prior discussions about looking at an extension of the five-year term for certain countries. Is that something that's still on the table and what's the likelihood of that? And two, a specific question about Sri Lanka, which had been a compact eligible country and was removed: What are the prospects of Sri Lanka in particular getting back on the list?

FINE: OK. First, on the issue of extensions, let me ask Chuck Cooper to take that question.

COOPER: It is one of the legislative changes that we have sought — the two-year extension of the compact period. We have worked closely with the Senate Foreign Relations Committee. That provision has cleared the Senate Foreign Relations Committee.

We've worked with the Senate Appropriations Committee to include that legislative change, and it has been approved by the Appropriations Committee on the Senate side as well. We've been working with the House authorizers and House appropriators to move that language on the House side. We've had conversations with them.

The likely vehicle for that would be the omnibus, which should be considered during the lame duck session in November or December, and so we're focused on trying to move that as part of the omnibus package and we're hopeful that that will happen.

KRAHAM: On the Sri Lanka question, Sri Lanka is a candidate country for MCC assistance. It was previously selected as compact eligible and in previous years the board decided not to continue to pursue a compact there, but it will be a country that is evaluated, as with all other candidates, during the annual selection process in December.

QUESTION: Thank you. My name is (inaudible) For the Future. I have three questions, and the first one just is about — besides being part of an overall statement of intent is there any inclusion mechanism making sure that the civil society in those countries you are operating are part of the country assessment of needs or (inaudible) produced locally?

The second question is about the fact that after the evaluation we have been having and sharing with some (inaudible) in the U.S. and how it was noticed that most U.S. companies are not yet part of the bidding process in the markets won in developing countries.

My question right there was, is there any way there is a mechanism that would be giving information to those U.S. private business (inaudible) money, which is part of this money (inaudible)?

At this time you can see that most European countries are ahead of most U.S. businesses in having bids with those countries, so something needs to be done, basically?

And the last question was about what happened recently in Senegal, because lately we heard from local news right there that the government finally have a deal with the MCC as per the disbursement and everything, so it seems like all those corruption things are going on lately were cleared up for some reason, and if there's any answer you can have on that. Thank you.

FINE: Let's see. The first question was on...

KRAHAM: I think that was intended for me, on civil society? You're talking about their involvement in our program?

I think you used the term assessment, so I'll take a stab at that part. In terms of the Threshold program, we certainly want to improve our — or increase our interaction with civil society, especially as it relates to governance programs. We have sought to involve civil society organizations in helping to design what is necessary in a given country, so local civil society organizations. Certainly U.S. organizations are involved in the implementation as well as local partners, so that is certainly part of our program and part of our future intent.

On the compact side, we are exploring ways to expand our participation and our partnerships with all sorts of organizations, with other donors, with private sector, with civil society. So I think over the coming months and years you will see more information about that available.

FINE: Yes. You know, to some extent it looks different and develops different in different countries, and it has to do with the compact development process, which is specific to an individual country.

But, for example, I was just in Indonesia, and there there's a very active participation of NGOs — local NGOs — and civil society partners. They've set up a steering committee for civil society partners early on in the development stage.

In other countries it's not as formalized like that. In some countries it might be focus groups, where when doing the problem identification and doing the constraints analysis to what are the constraints to economic growth, which is the first step in the compact development process, that almost always — maybe always — includes conversations with civil society groups.

So it's a lot more than just rhetoric with respect to our compact development process. There is, built into that process, concrete conversations, interaction, and engagement with civil society groups, and I think really that's something that MCC is doing right. I think that's one of the things that we do well at.

With respect to government, U.S. private sector companies participating in the programs, in fact, we've done an analysis to look at where the — where the contracts are going, and as you know, our resources — our funding is untied (ph) — the vast majority of contracts are contracts that are let by the countries themselves. That's part of our model, and I think one of the parts that really helps build country ownership of the programs and is an advance in terms of managing foreign assistance, and that's done through international competitive bidding.

Now, we've looked at the — who's winning the contracts, and there are, as of, like June 30th, 54 countries — companies from 54 countries has won contracts, and a lot of those the bulk of those were companies from the countries — you know, the partner countries. So you have a fair amount of participation from local countries in —

companies in the countries we're working with, which also is, I think, in keeping with good development practice and principles.

In terms of nationality, U.S. companies have the biggest share of MCC contracts, with about, oh, something over 14 percent of the share of MCC contracts. So there is a good amount of participation from U.S. companies, but you're right. I mean, this is U.S. taxpayer money and we do want to see U.S. companies participating mostly because we want to see U.S. companies competitive abroad.

I mean, it's in our national interest to see U.S. companies — not because they get, you know, some earmark that they can go and have entitlement to the funds, but because they can operate in the countries where we're working, and operate competitively, and win contracts. That's what's in our national interest, in terms of building the relationship between our society and those societies.

And what we do is two things to promote that, and we're very committed to doing it. One is we do outreach to companies. You were in Kansas City; you know that we had a delegation that was there talking with private sector companies, and we do that throughout the year and around the country to encourage U.S. companies to get involved, to look at these opportunities, to bid for these opportunities, to go into these countries and establish themselves in a competitive fashion.

The second thing that I think is really important — and anybody from the private sector who is here, listen to this: I worked in the private sector and bid on contracts in developing countries and I know the risks — personally, I know what the risks are.

And a couple of the things that reduce the — that increase the risk or reduce the appetite of American firms are, one is fear that you're going to have to pay bribes. First of all, we don't like doing that; second of all, it's illegal under the Foreign Corrupt Practices Act; and it's just not something American businesses do. So that's one risk, and there's — whether it's a true percept — whether it's just perception or reality, there's that concern.

The second is that it may be a clean procurement, but just not very transparent and not very professionally administered. So you lose, you know — you don't suspect that it was unfair, necessarily, but you don't know why you lost, and it seems arbitrary. All right, so those are two big risks with bidding on host country contracts.

MCC vastly reduces those risks because we work with the countries, we provide oversight on the procurements, we provide a lot of training to the — our partners in the countries who are managing the procurements.

And I can say with a — you know, with a high level of confidence that on the procurements for MCC-funded contracts that are done in the countries by the local institutions, they are clean, they are fair, they are — it's a level playing field. There's no corruption, or bribery, or, you know, send my kid to college and, you know, you'll get better consideration. None of that happens.

And the second thing is that they're professionally administered. In fact, an American company that lost a bid, wrote us, and praised us on the professional quality of the procurement process even though they'd lost.

So they're well run, they're professionally run. It's not an arbitrary process; it's not one that has a lot of pitfalls in it. So that reduces the risk, and that's a good reason for American businesses to pay attention to these procurements and to bid on them.

Finally, you asked about Senegal. Times up! Sorry.

No, you asked about Senegal. It's an important question.

We entered into force — we signed the compact with Senegal about a year ago, and last week that compact entered into force, which means now it's ready to start in the full-scale implementation. And your question was, "Well, you know, what about this — the news we hear about corruption? You know, are we ignoring that?"

The question is — I mean, the answer is no. We don't ignore it at all. And the reality is that the — one, that Senegal has the advantage of having a very open press, and so you get a lot of reporting out Senegal — more reporting out of Senegal and out of — they've got investigative reporters. It's really an asset and a credit to the country, in terms of their practice of democracy, that they have such a free press, and so a lot of stuff gets reported.

But a lot of the stuff that's been reported in the last year — the last 12 months — is about news that happened in 2008 and early 2009. So when we looked an entry into force one of the things we looked at is, are there new — is this new news?

You know, we're reading the reports. Of course it's of concern to us, just like to you and to anybody who's concerned about the effective use of these resources. But the news is recycling things that happened two years ago.

And we looked — we consulted with civil society. We've had very candid conversations with the government. We looked at what steps had been taken in the last two years to address some of the genuine concerns that people had, and we looked an Senegal's overall score on our indicators, which is — those are the third party indicators, which really are the standard we use to determine a country's policy performance.

And when we did all of that we came to the conclusion that entry into force was merited at this time and that it was the right thing to do, and we did it. Thank you.

COOPER: I think we have time for one more question.

QUESTION: Good afternoon. Don Cuizon, International Land Systems, ILS, a small American business that has operated very effectively around the world for the past 15 years.

I just wanted to be able to strike while the iron was hot in regards to procurement, and my question is in regards to a decision that was made during the board meeting on 9/15, which actually now precludes state-owned enterprises, which yield a certain unfair competitive advantage from bidding on MCC work. So I'd like to know, first of all, whether that's accurate, because I wasn't at the board meeting.

And will the MCC be proactive in defining what a state-owned enterprise is, and which organizations actually fall under the definition of a state-owned enterprise, or will I as a — you know, as a competing bidder, have to, you know, offer my own definition of what an SEO is — or SOE is, and, you know, my list of organizations that I would deem to be ineligible for bidding?

Furthermore, does that recent decision effectively preclude a state-owned enterprise even from contracting under CME (ph)? And finally, will this effect pending awards or just future ones? You know, our hope is for an environment where, you know, American money can go to American jobs and not to foreign governments via these SOEs. So, thank you.

FINE: OK. Bunch of questions there.

First of all, we have revised our procurement guidelines so that government-owned enterprises — government-owned commercial enterprises — are ineligible to bid on our contracts, and we've done that in the — with the objective of ensuring a level playing field and ensuring that competition is fair.

With respect to the — the way this is going to work in our procurement processes is, organizations that want to either get short-listed to bid or that bid when there's no short list, that submit offers, are going to be required to indicate the nature of their organization, how they were formed, and just — we've developed basically a little survey kind of sheet that all bidders will fill out that will provide us with information about whether the organization is a state-owned or a government-owned entity or not. And then we're using a definition that's a standard definition within the U.S. government.

Melvin Williams, our General Counsel — I don't know if you want to say anything about that.

WILLIAMS: Hi. Two things: One, the full details and descriptions are on our Web site. If there's some detail I miss, it'll give it to you.

What Patrick is saying is absolutely right. Essentially, we are looking at prohibiting state-owned enterprises, government-owned enterprises from bidding on our — you know, our procurements. And state-owned enterprises are defined — very broadly here — as entities that are owned or controlled by government. And to further break that definition down, owned is a sort of a percentage, 51 and over; controlled is a little bit more subtle analysis, but we walk through the steps, you'll see, in what we have posted on the Web site, but it's essentially various measures of indicia of control of an entity that they can use.

You asked about subcontracting, and so our prohibitions do go to that. So whether directly or indirectly, and — because that goes to the larger idea of trying to, you know, encourage the, you know, the level playing field.

Now, you will also see — and I have to be, you know, candid here — there are a couple of exceptions that we have put in from our experience and what we've learned. For instance, you know, research, statistical, other state-owned, you know, foundations, universities that are, you know, that are essentially state-owned entities are exempted here because they're not necessarily formed for a commercial purpose, and we have found that in many instances they are the ones who provide the best type of data. A classic example is mapping, and we use a lot of mapping work in the countries in which we deal, so that becomes an area.

There is also the ability to have a waiver of these provisions under very — what we think will be very rare circumstances, and those decisions will be made by senior management, but a — just a classic example would be if we put out something for bid and the only bidder is a state-owned enterprise, then we'd have to look at whether or not a waiver would be appropriate there.

Your last question was on the timing of when this would be. This will affect procurements that go into effect October 22nd — October 22nd. So those that are in — you know, awards that are in the pipeline that have been made as of now will be grandfathered in, but those that are coming after the 22nd will be under this new amendment to our procurement policy. I think we covered it.

FINE: Yes. Any RFP that's issued after the 22nd will have its language amended and be following these new procurement guidelines.

I just, with respect to allowing educational and research institutions, that's consistent with U.S. government practice more broadly because, as Melvin said, oftentimes those are the kinds of — if you're doing a higher education program you're probably going to want to be working with the universities.

COOPER: OK. Thank you, Melvin.

Thank you, Patrick and Sherri.

And thank all of you for coming. I'd also like to encourage you to go to our website where you can get information about recent developments, but also a transcript and a video from the meeting today. So thank you very much for coming.

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