

# Doing Business With MCC

## Speakers

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## Transcript

COOPER: Good morning. My name is Chuck Cooper, and I am the vice president for congressional public affairs for the Millennium Challenge Corporation. Welcome to the MCC.

Today we want to have a very interactive, productive conversation about doing business with the Millennium Challenge Corporation. You know, one of our top priorities for 2011 is to deepen and strengthen our relationships with private sector firms. Our mission is to reduce poverty through economic growth, and we know that we're not going to be able to do that without strong partnerships with private sector firms.

And speaking of strong partnerships, I wanted to thank Rodney Bent and his team at SID-Washington for helping us put this event together and for all the work that we do together.

We're looking forward to continuing that partnership and we look forward to working together with you in the new year.

With that, I wanted to introduce our CEO, Daniel Yohannes, who himself has a private sector background, to come to the podium and to offer a few words of welcome to you as we start the day's program. Daniel?

YOHANNES: Thank you, Chuck.

Again, good morning and welcome. Also I'd like to especially welcome Rodney Bent, who was our deputy CEO in the past, a great friend, so you are in good hands.

As Chuck said, as someone that spent about 30 years in the private sector I really understand and value the role you all play in creating employment opportunities, economic growth in our country and also around the world. That's why my top priority at MCC is to make sure to engage the private sector at every level of our operations. I think it's good business here at home; it's also very good business overseas.

So we're looking forward to partner with you to maximize your investment opportunities and also to help the poor around the world. So in the next year-and-a-half, two years alone we're going to have about \$3 billion-plus opportunities and I want to make sure that American businesses are participating and getting the bulk of the business.

So I just want to tell you that we are very much committed. Of course you're going to hear about the opportunities today, but I just want to personally tell you that I am really committed to make sure that you benefit from it.

When you benefit from it, also I just want to make sure that our partners, the people that we work with overseas, the people that we're trying to make some significant changes in their lives also benefit. So it's a plus-plus; it's a win-win for all of us.

So again, I wish you well. I also want to hear from you today in the sense (ph) of how we make sure that we continue to provide you with what you need and be very efficient. So again, have a beautiful day and I wish you all the best. Thank you.

(APPLAUSE)

COOPER: Thanks, Daniel, for those words, and thanks for joining us.

MCC was created in 2004 with bipartisan support in Congress, and since then -- in the seven years since then -- MCC has approved 22 compacts and more than \$7.8 billion -- worth more than \$7.8 billion. This is really a pivotal, critical time for MCC because even as our first compacts start to close out many, many more compacts are in full implementation. And what that means is that there are many procurement opportunities particularly coming online over the next 18 to 24 months.

And so I think our meeting here this morning is well-timed in that we do have these opportunities coming online. And what we want to do is we want to reach out to you, we want to be as open as possible with you and transparent in sharing as much information as we can so that the procurement process is understandable and accessible, and that all of you find it to be very accessible and open.

So what we also want to do is make sure that the conversation here today is interactive as much as possible. So please feel free to ask questions. It was designed as a forum to be interactive and to make sure that there is an

opportunity for questions. So at any time during the program today feel free to participate because that's what we're looking for.

So I just wanted to give you a brief overview of the program for today, and the first item will be brief remarks by Rodney Bent, who, as Daniel said, is the former deputy CEO at MCC and the current president of the board of directors at SID-Washington and a close friend of the MCC. Then we will have a presentation on specific upcoming procurement opportunities that will be coming up in the next several months, and that will be followed by two panel discussions that are going to really delve into in more detail the nuts and bolts of doing business with the MCC.

So we're looking forward to today. Thank you very much for coming. We're looking forward to productive relationship with all of you, and again, thank you so much for being here.

And with that, I will turn the podium over to our friend, Rodney Bent.

Thanks, Rodney.

BENT: I've stood at this podium so many times before that I really had to remind myself what hat I was wearing. Was it the deputy CEO hat, the president of SID-Washington hat, or my Booz Allen hat? But today it's the president of SID-Washington.

So first let me say how proud I am of the MCC and what has been going on. The MCC has always set standards for transparency and working with the private sector. In fact, when I read President Obama's speech at the U.N. General Assembly and I circulated it to my colleagues, and I think I put something like, "This was written by the MCC." So I think the principles, frankly, of the MCC have been embraced, endorsed, ratified, and it is gratifying to see it taken to a new level of transparency.

So, you know, frankly, I'm very proud of the MCC; I'm very proud of the team that's here now. I think they've done a fabulous job.

As president of SID I have to put in a few shameless plugs, so I hope you will forgive me for doing that. One is that next week we have our dinner at the -- to honor Aaron Williams and the Peace Corps and the 50th anniversary. There is still time to sign up. It's been a fabulous event. I don't know how many people here are former Peace Corps volunteers, worked with the Peace Corps in some of the countries, but it is a great institution, and because we're now at the 50th anniversary point I think our dinner is the opening salvo. We've got all sorts of good tribute speakers lined up.

But in any event, let me, however, stop there and say again, thank you to the MCC for putting this on. It is a model, in fact, I hope used -- it's very much the same kind of forum at AID, at the World Bank, and some of the other places around town that have a little bit to learn from our friends at the MCC. So with that, thank you.

(APPLAUSE)

WITRIOL: Hi. Good morning, everyone. I'm going to go over MCC's procurement opportunities as well as kind of give you a flavor of what sort of procurements MCC deals with on a regular basis on the non-infrastructure side, and then my colleague, Ellen, is going to deal with the infrastructure side.

So in general MCA's portfolio, as you can see, is over \$7 billion. Around 50 percent of that is infrastructure or infrastructure contracts, and that includes transportation, agricultural, and irrigation, the water supply and sanitation, and then of course -- and energy -- and then of course we also deal with agricultural projects, or governance projects, which includes land, our health and education projects, and then our financial and private sector development projects. In addition to all these MCC also requires monitoring and evaluation of all our programs as well as environmental and social assessments, so there is opportunities there as well.

We're going to have a full list of all the different opportunities available posted onto our Web, but we at least wanted to give you a highlight of some of the opportunities -- upcoming opportunities over the next six months or so. So in the agriculture our procurement -- our upcoming procurements range from reforestation of 529 (ph) hectares in Mali to institutional capacity-building in Burkina Faso, as well as a large-scale consulting opportunity and project implementation manager for a transition to high-value agriculture in Moldova.

In our financial and private sector development sector these include financial opportunities such as technical assistance to microcredit associations in Morocco and the revenue administration reform in the Philippines, but it also deals with other sectors as well. So we also have upcoming tourism projects. One example of that is in Namibia, where we have the online tourism marketing campaign as well as design and produce and supervise the establishment of a national ID card system in Lesotho.

Under land tenure and policy, we have large-scale procurement opportunities in consulting services such as the systematic land regularization in Lesotho and the privatization and registration of land rights in Mongolia. We also have other procurements that deal more on the equipment side of things, such as the purchase of GPS and cadatial (ph) equipment in Burkina Faso, and then the development of the land information management system in Mozambique.

In our health and education, right now a lot of our opportunities happen to be in equipment. Ellen is actually going to cover the work side because there is a lot of construction opportunities. Usually we also have consulting opportunities on the health side but right now they're limited because we've already procured a lot of those. In our new countries that have upcoming health opportunities those sort of consulting opportunities will be available.

Right now there is -- in Lesotho and Mongolia there is equipment and instruments procurements coming up, and in Mongolia and Namibia on the vocational education side there is two consulting opportunities upcoming. One

is the implementation of professional development programs for vocational education administrators and instructors, and the other is a tertiary education finance reform implementation consultancy.

For our environmental and social assessments -- these are required, of course, throughout our compacts. A lot of times we do those in house, at MCC, but we also have those opportunities from our MCA countries as well. For an example of those, on the MCC side we have Zambia, which is an upcoming new compact, and MCC is going to be procuring a situation on -- doing a situation on livelihood analysis study in the nine game management associations throughout in Kafue (ph) National Park. And then on the MCA side we have two of these -- these are just representative, as I said, and these are dealing mostly with resettlement action plans in both Ghana and Moldova.

And then on the monitoring and evaluation side, very similar to environmental and social assessment we do a lot of this in house at MCC but our MCA's each have monitoring and evaluation components within them as well. And just an example of the monitoring and evaluation side we have an external data quality review upcoming in Malawi; a design, test, and build of a management information system in Tanzania; and then the regular -- the land surveys coming up in Burkina Faso.

And now I'm going to turn it over to Ellen to deal with our non-infrastructure side -- or infrastructure side.

MORAN: Thank you.

As Jennifer mentioned, the infrastructure component represents over half of the total portfolio of projects under MCC-funded compacts. Before actually getting into a discussion of the opportunities I wanted to talk about the range of services that are procured, starting with the consulting side and then I'll move on to the works side.

During the lifecycle of an infrastructure project there is likely to be opportunities for a full array of services, starting with feasibility studies and moving on from there to preparation of designs. In some cases designs will have been prepared by other consultants, perhaps funded by some other donor, in which case the MCA may need the services of a consultant to prepare a design review to ensure that the design is appropriate and ready to move on for procurement. The same consultant or another consultant may also be involved in preparation of the bidding documents that are going to go out to procure the construction contracts.

And moving on from there, there is potentially an opportunity to assist the bid evaluation panel, perhaps by providing technical consulting services to the panel as they evaluate the bids that are received by qualified bidders.

Related to the infrastructure projects, as has been mentioned, we have a tremendous emphasis on the environment, so there are a number of service there, could start with a strategic environmental assessment, which would encompass a scan of a whole range of environmental issues not specifically related to the project but in the area of impact by the potential infrastructure project. In addition, for each one of the infrastructure projects there is going

to be need for an environmental impact assessment; and flowing from that there will have to be an environmental management plan, and then also a health and safety plan to be prepared.

In addition, there are a number of other services related to infrastructure. For each and every one of the construction contracts there is need to have in place a construction supervisor or engineer to oversee the works on behalf of the employer, in which case it is going to be the MCA entity.

In addition, we've recognized that given the complexity and the scale and the compressed timelines for the infrastructure projects that many of the MCAs need some additional support from a project management consultant or project management support consultant to help them execute the program and the projects.

In addition, related to infrastructure there are a number of other types of consultancies that may be procured. We place a lot of emphasis on the institutional arrangements around some of the projects, so there may be need for a consultant to come in and assist with the development of the institutional arrangements for a project. It could include regulation, putting into place TERA (ph), commercialization of a utility that's going to be the beneficiary of, let's say, a water supply project or an energy project.

And in addition, there may also be some opportunities to provide technical assistance and/or capacity-building for some of the entities that are going to be the recipients of the completed projects. We want to ensure that they are well prepared to operate and maintain the projects going forward.

On the works side, we generally make a distinction between small works and large works. Small works are typically contracts that are going to have a dollar value of less than \$10 million; large works would encompass procurements for works that exceed \$10 million. And other large works, again, there's a range of forms of contract that we may employ, ranging from a more conventional design-bid-build contract to design-build, and then there are a number of instances where we are also taking a look at an EPC contract, which would encompass engineering, procurement, and construction.

In addition, there may be some opportunities related to construction projects for a separate goods procurement. There have been a number of instances -- for example, a pipeline rehabilitation project, where the line (ph) pipe was procured separately from the installation of the pipe.

So again, there are some opportunities for goods as well as works procurements.

What I've described so far have been procurement opportunities flowing from the MCAs. In addition, there are some opportunities for services to be provided directly to MCC on the infrastructure side.

There are generally two types of services that we procure for ourselves, and one is due diligence support. During compact development when we are assessing the worthiness of the projects that are being submitted for our consideration we oftentimes will bring in outside consultants to help us conduct that review.

And then once the decision has been made to go forward with a particular infrastructure project we then would hire an independent engineering consultant to support us during implementation and support us in carrying out our oversight responsibilities.

And there are also a limited number of specialty consulting contracts on the infrastructure side. I mean, an example that comes to mind is the specialized test management consultant. So there are some limited-scope contracts as well.

I also wanted to touch a little bit about how this suite of services may be packaged and procured, because I'm sure that's going to be of interest. The decision about packaging is generally a joint decision between MCC and the MCA, and there's going to be a range of factors that are going to be taken into consideration.

Certainly timing is a consideration. Delivering a completed project within five years is a stretch for many of the countries. We are increasingly trying to advance the development of the project prior to compact-signing.

For some of the earlier compacts the entire array, starting with feasibility studies all the way through to completion, were done within the five-year envelope of a compact. In some of the more recent compacts we've tried to complete the feasibility studies and in some cases even the design prior to entry into force of the compact, thereby leaving more time for the works and the defects liability period. So again, depending upon whether or not it's an old compact or a new there may be varying opportunities there.

There are a number of cases where sequencing is a consideration. In making this decision we also take a look at what is customary in that country. For example, in some countries when it comes to make a decision about design-bid-build versus design-build, where we may be comfortable and supportive of going to design-build the country may not have any experience with that approach to contracting so we might have to adopt a more conventional approach. In addition, for all of these there is going to be a certain amount of market research which is conducted in order to arrive at the optimal approach for procuring the services.

There is also various ways of combining these services. There are some contracts which have the full suite of services, from feasibility study, EIA, design, preparation of the bidding documents with an option to move into construction supervision, assuming that the firm performs well during those earlier phases. In other cases, again depending upon the analysis that's done, there may be several smaller packages of services.

The environmental services, ESIA, and RAP may be integrated with the other services or may be put out as a separate stand-alone package. Again, there is a whole host of considerations that come into play there.

With respect to the project management support, that's an area where we feel that the countries do need some support. Some of them have resisted our pushing that on them, so to speak, and we've ended up with what we call

Project Management Lite, project management support consultancy, rather than a project management consultant which is truly empowered to make decisions on behalf of the MCA.

We respect to the works, I already mentioned that we have to be certain that the country who is actually responsible for the implementation of the project is comfortable with the type of contract that they're going to be managing. Other factors that come into play -- I mean, if you have a portfolio of small projects that are geographically dispersed throughout the country that may put you in one direction. You might go for multiple small packages, small works. If you have a rural portfolio, again, you may end up with a number of lots of small works contracts. If you have a water treatment plant that's going to put you into the large works contracts.

Another consideration that comes into play is whether or not the procurement will follow a prequalification process or whether or not the MCA will go direct to the procurement for the service itself. That decision hinges on, again, a number of factors, but at the end of the day the overall objective is to ensure that there is an adequate amount of competition and that the procurement at the end of the day will yield well-priced services for the MCA and that you will have a good number of well-qualified bidders attracted to each of those opportunities.

I'm not going to get into much on the documentation because one of my other colleagues will be getting into that, but we have adopted standard bidding documents. We recognized several years ago that given the sheer number of procurements that it was in our interest as well as in the interest of the MCAs to have some standardization.

We wanted to have a set of documents, both the instructions to bidders and the contracts themselves, that would be recognized in the marketplace. Therefore, we chose as the starting points for the preparation of those documents either the World Bank documents for services, goods, works; and the basic form of contract for construction is based on the SDCT (ph) suite of contracts, for which we do have a license.

Now I'm going to present a little bit of the opportunities that are coming up in a number of the infrastructure subsectors. Historically, transportation has been the largest of the subsectors within infrastructure. The upcoming opportunities are all for roads projects. Historically we've had a number of other type of transportation projects, both airports and port projects, but all of these opportunities are now closed and the contracts have been awarded or there are prequalified bidders to some of those contracts that have not yet been awarded.

So in each of the half-a-dozen or so countries that I've listed they are looking to construct anywhere from 200 to 400 kilometers of roads during the compact period. That could be new construction, but by and large, many of the opportunities are for rehabilitation of roads that have been neglected, poorly maintained. As a result of that, we are very concerned about ensuring that there is provision being made for maintenance of not just our roads but the entire road network in the country going forward.

In a number of these there will be conditions that the country set up a road fund or that they put into place a tax -- it could be in the form of a fuel levy -- so that they can fund road maintenance going forward. So there are also

-- for example, in Burkina there is a provision for endowing a roads maintenance fund in conjunction with that road project.

The next subsector is water supply and sanitation. I've just highlighted opportunities that are coming up in three countries. Water supply and sanitation here is defined to include everything from the most simple of water holes (ph) through rural water supply systems all the way through an urban water supply and sanitation system, which could include relatively high-tech treatment plants.

In addition, under this subheading we've included dams. Some of the dams may be small; other would meet the definition of large dams and therefore would be subject to the International Convention on Large Dams and all of the safety considerations that enter into the design process and the implementation process.

On the water side, Jordan represents the most recent of our compacts and is one of the few compacts where the entire program is in a single sector. So their entire program includes water supply and sanitation, and in addition there is a wastewater treatment plant which is being developed with private sector developers, so this is one of the first large projects where we have actually engaged the private sector.

In Lesotho we have pretty much the full range of opportunities -- rural water supply, urban, plus we have the Metolong bulk water conveyance system. The Metolong project represents a very large project in Lesotho and is an example of donor coordination. There is a dam; there's the conveyance system; there's the connector. And so a number of the donors have gotten together and decided who is best placed, who will handle which element of that larger-scale project.

Mozambique, again, is a country where we have the full range -- a dam, and both rural and urban water supply and sanitation projects.

We also have quite a few opportunities in irrigation. Historically we've had quite a few irrigation rehabilitation schemes, many of them in former Soviet Union countries where there are many neglected, abandoned irrigation schemes which need to be rehabilitated. Some of the opportunities here are for rehabilitation and there is at least one opportunities here in Burkina Faso for a green field (ph) development.

Irrigation of all of the infrastructure sub-disciplines is going to involve the greatest amount of integration with some of the other disciplines. Because of the potential social impacts of an irrigation scheme that aspect of the project is going to be very closely scrutinized. In addition, there are very likely to be linkages with a land projects as well as with an agricultural development scheme.

We don't have a slide on the energy sector but I did want to note that we do have some opportunities in the power sector. Coming up soon is a compact in Malawi; it's in the final stages of compact development.

That, too, is a single-sector program focused on the power sector, which the elements there will include some generation rehabilitation as well as work in both the transmission and the distribution side. But because of the concern with sustainability a certain amount of the program is focused on the institutional arrangement, making sure that there is a regulatory framework in place, that tariffs are set at the appropriate levels, and that there's a certain amount of commercialization of the activities of the utility. And we do also take a look at the potential for privatization, at some point down the road, of the current government-owned utilities.

We also have a subsector that we call vertical structures, but these structures tend to be related to other sectors -- health and education, primarily, where we may be building a number of hospitals, clinics, schools. Here we have an array of the opportunities that are coming up in the next six months or so.

In connection with the vertical structures, again, we are concerned with sustainability. We want to make certain that the structures are designed appropriately. We want to make certain that there are managed well during the construction period so that we achieve the quality of construction that we are targeting, and in addition we want to make certain that the mechanisms are in place to maintain and operate these facilities appropriately going forward.

So with that, I will turn it over to the next group of speakers.

BLADES: Good morning, everyone. My name is Jim Blades. I am the managing director for contracts and grants management. Daniel had mentioned in his opening remarks that we were going to share every level of our operations in terms of opportunities for you, so I wanted to mention, as Jennifer alluded to, the in-house procurement opportunities.

Who we are here in house is a staff of 20 in-house contract specialists, and we -- doing business in accordance with the federal acquisition regulation as opposed to the MCC procurement guidelines. And that's the distinction I wanted to make here. My five minutes is to ensure that you understand we do procurements here in house in accordance with the federal acquisition regulation, and the procurements entail goods and services to run the corporation so we have opportunities for H.R., finance, I.T., contract support, security, and legal and congressional affairs.

Ellen had alluded to, in her remarks, the other services that we buy, and that is consultant services for firms, for individuals, and that's for a range of things -- economic analysis, legal services, the due diligence, the independent engineering for the feasibility and design reviews, and then impact evaluation and monitoring and evaluation at compact during implementation.

To put it in perspective, the portfolio for the procurements out of the MCA countries is the \$7.1 billion that Ellen had shown -- or Jolyne had shown up there. We have a budget of about \$61 million for 2010. Of that, 84 percent of that was for the services that are for the support of the compact development and implementation.

The guiding principles of the FAR are to satisfy our customers' needs within the agency, for buying quality and timely goods and services. We want to do business with vendors that have successful past performance so we have that as part of our evaluation criteria. We want to maximize the use of commercial items.

And we want to promote competition. The MCC in-house staff awarded 96 percent of their procurements last year -- the \$61 million -- competitively.

We want to minimize administrative operating costs and we do that through our model of full and open competitions that are publicized on the FedBizOpps. And what we want to do is create multiple award in-house vehicles that we then can have these prequalified list of vendors to have a sort of a smaller competition realm to award our services against. So we issue multiple award BPAs and multiple award IDIQs to the maximum extent possible.

We conduct our business in accordance with the FAR in terms of the integrity and fairness of the process, openness, and we document all of our processes. We let you know what we're going to be doing; we follow the processes that we publicize to you; and then we document what we did so that it is all in accordance with the FAR.

We also pay attention to our socioeconomic goals that we have. We establish small business goals at the beginning of the year. Last year we established a goal of 30 percent for small business and we met that goal and exceeded it by doing 41 percent.

The Web site is -- has a lot of good information. The business and procurements tab has several tabs that my colleagues will talk to. I'll talk to the contracts and grants management tab. That's where you can find a link to the Federal Acquisition Regulation, if you're not familiar with it.

We do have a business forecast that we ask our customers to provide and we publish that. I have copies of that over here on the table. They essentially mirror the opportunities that Ellen and Jennifer had gone through earlier.

Those are for the in-house consultants. They're either individual consultant opportunities or opportunities for firms. They also include the opportunities for running the corporation, so some I.T. requirements are on there, some H.R. requirements are on there. There is about a \$35 million forecast that you can see if you grab a copy of that.

I also have my business card over there, and you can get a hold of me with any questions that you have about the forecast. We do publicize everything over \$150,000 in value on that Web site.

This other tab is for consultants, and this is where we would publicize an opportunity for individual consultants, and we end up either issuing personal service contracts, because the MCC has dispensation to do that, or we have competitively awarded BPAs and we award consultant opportunities on a vehicle -- we award it to MBO partners.

And that is it -- that's all that I have for my presentation. But I just wanted to make sure that everybody understood the difference between the MCA procurements and the MCC procurements. Thank you.

NASH: All right. I'm Gerry Nash, the senior director of procurement, and I want to talk to you about the MCA procurements, where the bulk of the money goes from the MCC compacts.

As you've heard today, we've actually -- MCC has got three different means of putting money out the door. Jim talked about the ones that he does here in house.

There's also another program called the Threshold Program that's administered for us by USAID. That's for those countries that don't quite meet the requirements to actually be eligible for a compact. MCC gives money to AID, and then using the Federal Acquisition Regulations AID will go out and procure services, primarily on the consulting side, to help a country go ahead and meet those eligibility criteria that they just aren't quite there on yet.

So those are the two areas where we're going to spend most of the time today is talking about the compact procurements. The MCAs -- we'll talk a little bit about what an MCA is here for those who you don't know in a second -- but they are required to extensively advertise their procurements in a number of sources.

Those sources I've got listed up there: dgMarket, UNDB -- United Nations Development Business, their own Web site. Every MCA is required to have their own Web site. MCC.gov is the place you really need to go because these dgMarket requirements -- every one of them will show up on the MCC.gov Web site.

As Jim mentioned, if you're interested in doing business with MCC you really need to start right here, because everything you need to know about doing business with MCC is actually right here on this page. You've got our procurement guidelines -- we'll talk a little bit about those in a second. You've got our standard bidding documents. And you've got our procurement opportunities -- the MCA's procurements opportunities are all listed here.

And this is the one place, I think -- if you're a business developer this is where you need to start. Before I came to MCC I was working for Booz Allen. I was actually a procurement agent in the Republic of Georgia.

Prior to that I was a business development manager, or a program manager, for over 25 years in the management consulting firms throughout the Washington, D.C. area. So I've got a good feeling for the kind of information you're looking for, the kind of challenges you're facing, and we're trying to address those and trying to get you the information you need to make educated analysis and decisions on what to bid for and what to go after in order to expand your corporations.

Let's spend a lot of time on this chart. It's a real busy chart. I really don't like this chart and some day I'm going to find time to redo this chart.

But one of the things I -- what I want to talk to you about is the fact -- the big difference between Jim's procurements and our procurements, on the MCA's side, is that we do not do the procurements. MCC does not do the procurements. The contracts themselves -- the procurements are all handled by this organization called an accountable entity. The Millennium Challenge Account -- or MCA Millennium account entity.

They are set up in every single country. It's an organization -- it's a governmental organization staffed with civil servants from that host country -- that is there for the sole purpose of actually managing the money that has been given to that country in the form of a grant. That's where the project managers are. Those are the ones who are actually -- they will be your clients.

Now I'll kind of walk you through the procurement process and how it works. The MCA -- well, the accountable entity -- will actually go ahead and draft the bidding documents via consulting services or IFBs (ph) for works. Then they will send it to MCC for our no objection and our clearance.

So all along the way you will see there is an MCC touch point. We don't give the money, hands off, and wish them well. They will develop the bidding documents, they come to us. While the bidding documents are out for you to be working on to preparing your bids and proposals they will be selecting an evaluation panel.

Unlike a lot of other donor programs, for MCC-funded programs everyone on the evaluation panel is selected specifically for this particular procurement. There are no tenure (ph) boards out there. There is no standing body of five to seven people to evaluate.

They are all selected specifically for this procurement and they are -- all those names are submitted to MCC for our approval as part of that membership panel. So we have a vote on who is on that panel to make sure that the right expertise is reviewing your bids and your proposals to make sure you get a fair shake at winning these opportunities.

Panel meets, conducts their evaluation, produces an evaluation report. That evaluation report comes back to MCC. MCC reviews that evaluation report to make sure that that evaluation was conducted in accordance with our procurement guidelines.

In addition to that, for the complex and larger procurements there will often be an MCC observer in the room. That MCC observer is not there to read the proposals; he's not there to score your proposals; and he's not there to steer them. But he's there to make sure that that evaluation is conducted in accordance with the guidelines and in accordance with our processes and procedures to make sure, again, that gives a fair treatment for all the bids and proposals that come in, that you get a fair shake at winning these opportunities.

When that evaluation report comes in, again, we approve that and that goes back. The winning bidder is invited to negotiations.

Oftentimes there will be an MCC observer in those negotiations as well, a silent partner talking behind the scenes, helping the MCAs who haven't sometimes negotiated \$40 million, \$60 million, \$100 million contracts before in their life. We're there to help and provide guidance and to identify areas that perhaps need to be clarified to make sure that the contractor and the MCA understand exactly what's meant by those clauses and that there is confirmation on both sides that the work will be done for the price that was offered.

And then the contract is signed and you're off and running.

During the actual conduct of the procurement, particularly on the works, MCC will often send what we call independent engineers -- Ellen touched on those -- that will go out into the field on a periodic basis to conduct independent assessments aside from the MCAs independent assessments to make sure that the work is being done, again, in accordance with the guidelines in the contract that was sent out.

So there are MCC touch points all the way along the line. We never take our hands off the process. We're very results-driven, and in order to do that we need to make sure the results are happening and the contracts are achieving what's originally intended.

Now, when you're out there working on your contracts -- we actually hire procurement agents and fiscal agents and we actually have some of both in the room today that are actually MCA fiscal and procurement agents, and you're going to hear from one of them during the panel a little bit later on. But they are actually independent consultants that are handled -- or hired to manage the financials and to manage the procurements.

And when you're doing your contracts you will submit your invoices to your project manager -- your MCA project manager -- who will approve that invoice. That invoice will be sent to the fiscal agent. The fiscal agent will then take that approved invoice and send it to the National Business Center in Denver, Colorado, and you'll be paid by the U.S. Treasury.

Now, that is something that was done -- the change was made a number of years ago to make sure that there wasn't any delay in getting you the money back from when your invoices were approved and submitted so that you are paid directly by the U.S. Government and not paid by the host country government, trying to reduce the risk to your corporations, which is often perceived (ph) -- if you're working for a host country, "Am I going to get paid?" You're going to get paid if your invoice gets approved, so that's the means by which a vast, vast majority of our money -- there is some of the minor local stuff is done through the local banks but we move very little money through local banks.

Oh, the only thing I didn't mention was that in each country there is a -- we have a very small footprint. If any of you have worked with USAID we are not USAID. We are limited to 300 by the legislation, so -- but each country we have a very small footprint of two people: a country director and a resident country director.

They are the liaison between MCC Washington and the host country government. They oversee the process in country to make sure that everything is being done in accordance with the various environmental, procurement, fiscal guidelines that MCC puts out. They are actually the team -- MCC has a country team back here made up of sector experts that oversee the project inside the country. They are actually the team leader for those country -- the country teams back here at (ph) MCC.

Well, I put this up here. Mainly it's very similar to the FAR, and if you're used to dealing with the FAR these are the same principles on which the FAR is based, but it's also showing you that we've taken a lot of lessons from the FAR and a lot of -- that even though we don't operate under the FAR there is a lot of things that we like about the FAR in terms of commercially reasonable price. That you won't find in any other donor's procurement guidelines.

That's in ours because price reasonableness is key. We ensure there is a mandatory requirement on every single contract before it is awarded that there is a price reasonableness analysis conducted, which -- and something I didn't mention at the beginning of this is we did get a number of questions and I'm going to try to address some of those questions as we go through this briefing. We'll talk a little bit about some of the other ones during the panel. There's a couple specific ones I want to address offline later on. So if I didn't get your questions please bring them up.

But this is one way we have tried to defend against the low-ball bidders, is that a price reasonableness analysis is conducted and it's a very detailed analysis to determine whether that price that was offered is indeed a price that that contractor can do the job at. If it's not, and it has not been uncommon that that contractor is found to be an unreasonable price and they are thrown out and the next highest bidder has been awarded the contract. That has happened in a number of cases, so we actually -- we stand firm by that.

That's one of the things that MCC definitely looks at when those evaluation reports come in, is has that price reasonableness analysis been conducted? Not only do we look at it, the Office of the Inspector General looks at it and the General Accounting Office looks at it. So it's something that we have discussed with all of them. They think it's a highlight of our system.

And responsible suppliers and contractors, past performance counts. We look for experience. In the qualification literature you will definitely see that if you've got the experience and you can demonstrate that that you will definitely get in and score appropriately.

Our procurement process: If you're familiar at all with World Bank guidelines you're going to recognize our procurement guidelines, and I know we've got a lot of companies in here who are actually bidding for it with us right now, and I'd definitely be interested during the discussion part if you've had experiences good and bad with our procurement guidelines and definitely bring them up.

But our procurement guidelines are based on World Bank's, but we've modified them with several key differences: broader advertising -- that's definitely something we talked about a few minutes ago; tighter restrictions on currency -- for this audience here it's actually a good thing. We only allow contracts to be awarded in two currencies: host government currency and U.S. dollars. Doesn't make a lot of friends in Europe, but...

No preferences: This is untied aid. There is no national preference. There is no set-asides that any contract must include a certain percentage of local labor. None of that is included in our contract. There is no national preference.

However, that also means there is no U.S. preference. That is something else to keep in mind. This is not the Federal Acquisition Regulations; it is untied aid. There is no preference given to U.S. contractors.

You've got to compete on an equal basis, and I tell you, if you compete you will win. There are lots of American companies over there working right now who have gone up against the best that Europe can put forward and they're beating them.

Excluded parties list -- that's something you won't see in any other donor. Because of national laws we've got seven (ph) different Web sites the procurement agent and the fiscal agents must validate that you are not on before a contract will be awarded. They are lists such as the World Bank debarred list, they are on the antiterrorism list, and the other corruption lists maintained by Commerce and State. So we've got a sophisticated checking point to make sure that we are not giving money to people who should not be receiving any.

English is the official operating language. However, anybody interested in doing work in Francophone Africa and in Latin America, we have made exceptions in those two areas of the world. Francophone Africa is using bidding documents in French. You can be operating there you'd better be able to speak French, and it was decided that if you couldn't then you probably didn't need to be bidding on those opportunities anyway.

Same way with Latin America. We do use Spanish. Those are the only two exceptions, is those two sectors of the world.

Just recently -- and this was one to help level the playing field and to help a lot of companies and a lot of nations but particularly U.S. companies -- is the implementation of an exclusion policy against government-owned enterprises. And one of the questions that came in was regarding whether some of the parastatals out there that you may be familiar with, whether they are still considered a government-owned enterprise, they are indeed. They have only issued one waiver to date to the policy and that was to allow the MCAs to buy their utilities and phone systems from the government-owned power companies that were running the businesses.

That is the only waiver we -- if a waiver is requested it will be reviewed, but it will be reviewed and only approved at the highest levels of this agency. There may have been small changes to procurement guidelines that could be approved at a procurement director level because they aren't major impacts to the rest of the way we do business;

when it comes to government-owned enterprises we take it very seriously and it will go all the way up to the CEO's office.

I want to talk about the standard bidding documents. We do have them. Again, if you're familiar at all with World Bank's standard bidding documents you're going to recognize ours, with some changes. We've cleaned them up in some ways to make, we think, improvements to them. We've also included some clauses and protections, both for the bidders and for MCC funding, that were necessary by U.S. law.

As Ellen mentioned, a lot of the reasons why we did it was for consistency across the contract. Actually, when we first started this MCC several years ago every country developed their own standard bidding documents. We soon realized we only had 300 people here; there was no way we could be experts in 20 different sets of standard bidding documents, so it was actually easier for us to review, that we went to a one-set-fits-all, and that's why we have a mandatory requirement for all MCAs to use those standard bidding documents.

However, we often are looking for feedback from industry, and that's what the red highlight on the bottom is. We've got an e-mail address set up specifically for industry and for procurement agents, and they use it on a regular basis to send us in recommendations on how to fix, improve, and change our standard bidding documents.

In January we're starting a major revision of all of our standard bidding documents and we are looking at any comments from industry on how to make them better. We are open to those ideas and suggestions. Our procurement guidelines -- and I should have mentioned, should have put the same address -- is an address: [MCCppg@MCC.gov](mailto:MCCppg@MCC.gov). Anybody that thinks there's a way that we can fix our procurement guidelines any better, we are looking for comments from industry.

I'll tell you, it's the procurement agents that are in this room and that are in other parts of the world that have actually played a major role in the way our procurement guidelines look today, because as they are trying to use them they are finding some things that worked and some things that could work better, and we're taking those -- taking advice onboard. We're always looking for ways to improve our process, which is really the whole reason why we're holding this meeting here today.

Not really sure what Ellen mentioned, but for the works contracts we do use the FIDIC form (ph), which is a kind of a deviation from World Bank, where they've actually taken FIDIC and adopted it as their own, but we actually do use the red book and the yellow book versions of the FIDIC contract with MCC conditions to particular application to modify certain clauses, again, for U.S. protection, the protection of the bidders, the protection of the MCC funding.

We are in the process -- another way we're looking, we -- particularly in the yellow book, we have found that normally yellow book contracts and red book contracts, when they are awarded, is rewarded to a contractor who is responsive (ph) to the requirement's lowest price. We have been experimenting with, successfully, in a number

of countries, the idea of using a quality and cost-based selection evaluation method on the yellow book, where we are actually weighting (ph) technical and weighting cost in order to give the more qualified technical companies a leg up over those who are just going in there and marginally qualify for a low price. And it has worked out quite successfully.

Normally on the consultant side we -- there's normally and nominally (ph), 80 percent technical, 20 percent cost weighting. We have been seeing 66 percent-34 percent, 70 percent-30 percent on some of the yellow book design. We may be using yellow book for more of the complex procurements where we -- water treatments plants is one of them. I think we may have used them in the ports. But those are something we're looking at.

We actually expect to -- we're planning on, right now, coming out with a new standard bidding document in January or February, which will be the weighted scoring of a yellow book design, so there will be a standard yellow book large works design build and then there will be a weighted scoring design build.

Again, that was in response to some comments that we've received from an infrastructure conference we held here over a year ago, so we really do listen; we really are trying to make the process better. And it's one of the beauties of owning our own guidelines. We don't need to run regulation through Congress for approval, we just -- if it makes sense, and it's right, and it meets those four principles up front we can usually make that change.

The other thing that you won't find in a lot of other donor programs is we actually have a protest system, very similar to the abilities you have in the Federal Acquisition Regulations, another one of the protections for bidders that we brought into the MCC funding side is we do have a bid challenge system. Every MCA is required to set one up based on a template that we provide them, which has two levels of review.

If you do not feel that you were treated fairly during the procurement process you do have the ability to go ahead and file a protest, bid challenge, as we call it, and that bid challenge goes to two levels of review. The first level of review is actually Millennium Challenge Account itself, and if you are not satisfied with the answer that you get out of that body when they review your challenge you do have the right to appeal that.

And there have been a number of times that it has been appealed. There have been a number of times that your challenges were upheld, and there are a number of times that the challenges were not. So it has been a fair system.

The independent panel is -- usually there's a pool of eight to nine experts, of which the MCA will choose a representative, the contractor will choose a representative, and those two representatives will then choose a third person to be the chairman of the independent body. So the appeals board is definitely an independent body that will give you a fair shake on your challenge.

Procurement opportunities: where to find them. Again, MCC.gov. But the ones with a hyperlink, these are the dg-Market real times. They're coming in as they get posted on dgMarket -- and the MCAs are required to post them.

When they put a procurement on this three (ph) that gets posted on dgMarket those links show up here on our Web site. So rather than going to 20 different Web sites or going to dgMarket you can start right here.

The other thing -- and I'll show blowups of these, are the two on the left hand corner, the plan procurements and the contract awards. As a business development manager I think that'd be the first place I go because those are both Excel spreadsheets that I would definitely download and then rake, shake, and rattle however you want to get the information you need.

Planned procurements will give you everything -- now, caveat on these: These are good -- every quarter the MCAs submit to us what we call a procurement performance report. In that is the planned procurements as well as all of their contract actions that are ongoing. That goes into a database system and that's where we extract.

So the information is good as of the last quarter. And these, right now, that I've captured, are good as of September. The MCAs are sending in reports right now -- December 10th the deadline. Later on in December we'll have new files set up. But at least these are good files to work with.

But these are planned procurements that are coming up in the next six months. They are all required to have procurement plans that look six months into the future, and that's the kind of information that you can find on here. And again, you can sort it by all kinds of categories so that you come down with something that might be of interest to you and your firm and meet your capabilities.

This one, to me, is probably the most valuable one you have out there, because when you take a look at this one the contract awards -- first, there's a lot of things you're going to get out -- as a business developer a lot of things you're going to get out of here. You're going to get who's winning for large contracts, who can I go contact today?

Or maybe you're a subcontractor from a small company, you're looking for a subcontract. Who's winning that I can team with the next time something comes up who understands MCC and I haven't done it before, that maybe I can add something to them in order to go out there and do a good team?

The contract values for all the contracts ever awarded by an MCA are on this list, on this Excel file. If you're looking to do data quality audit in Tanzania I would shake this thing and rattle it, and you will find every data quality contract that was ever awarded, and you will know what price it was awarded at.

So you will get a good feeling -- one of the questions that came is whether we would post the budget estimates. Very rarely do we. We have found that for a lot of reasons sometimes the budget estimate, if posted, improperly skew the bids that come in, low or high.

Sometimes the budget estimates do not have the fidelity (ph) perhaps they should. We've been surprised in a number of cases where our budget estimates were much, much lower, by factors of three and four, than what the bids came in from people who really knew how much a work would cost.

So very often we do not put the budget estimates out there, but this will give you a good idea of what it's costing right now, what kind of contract values have been awarded out there so that when you're pricing you'll at least have an idea, a kind of ballpark, and when something comes up and says data quality on it is this something I'm even interested in? Is this big enough or small enough for something that my firm might be interested in bidding on? But this would give you some sort of indication.

Like I said, there's a lot of information I can get out of this one. It's definitely a file that I would -- if I was a business development manager -- I would definitely download.

Some of the lessons learned, and these were learned the hard way by a lot of companies: I've got an example of the first one on the reliance on couriers, and it's a real sad story of one of the biggest engineering firms in France who called up the MCA the day the bids were due and said, "You did get our bid, right, because we submitted it to DHL two weeks ago?" The answer was, absolutely not. They checked with DHL. It was still sitting in Paris the day the bids were open.

Do not ever, ever submit something to DHL and FedEx without checking it on a daily basis to make sure that progress is moving, and be prepared, if you need to -- the day before, if it's not there put somebody on a plane -- it may really be worth it -- with that bid in their hands to take it there and make sure it's there on time. Just like Federal Acquisition Regulation procurements, if it is not there, and the bid closing is at 2 o'clock on a Friday afternoon and you get there at 2:02 you are out of luck. And knowing how much money it costs to put these bids and proposals together and having been there myself before, you don't want to be there. It could be a career-ending decision to...

Now to local challenges: There's no requirement to team, but there's often some requirements in the terms of reference themselves to at least have an understanding -- there may be some language requirements at times, so -- you often will be a leg up in your technical approach if you actually have teamed with and understand the area you're going into. If you have a local company that can speak the language who can provide some of those services that you, as an American company, cannot, so it's something, definitely, again to be watching that contract awards list for some of these contracts, is who's winning and who potentially could you team with that might provide a service or capability that you don't have in your own company?

Read everything. And this is no different than the FAR. Something as simple as having a notarized power of attorney for the person who signed that bid that proved that they signed that bid. If the bidding document says it must be there, it must be there or you're not -- that is as far as you're going to get in the evaluation process. You do not know how many companies have been thrown out because they did not provide everything that was in those bidding documents. So please.

Price reasonableness we talked about. Advance (ph) payments we did get in many of our consulting services. They usually have to be by bank guarantee. In some cases it depends on the scope of the program and the size of the advance (ph) payment. We've looked at sureties.

This is the last bullet. This one is directly pointed at American firms. For some reason there's a lot of American firms who have very expensive risk lawyers located in New York, and I swear they just -- they're working by the hour and they feel like if they're not rewriting our contracts they're not doing their job.

Our contracts have been through our general counsel, they have been in use for six years. We really don't need any help with rewriting our contracts, and I will tell you, it will significantly delay your negotiations; and as more than one company has found out, it will actually result in the end of negotiations, and thank you very much for your services, and next, please? Because our contracts are there for a purpose, so when you bid on them make sure you understand them.

We often do bidders conferences, pre-proposal conferences. Make sure you ask those questions. Contracts are in the standard bidding documents. Make sure you look at them ahead of time.

There's no real surprises, nothing you should be really shocked at. But make sure you understand what's in there because you will have to live with it when those contracts are signed.

This is just kind of a wrap-up of kind of everything we've all gone through today -- untied. This one is a big one for American firms and it gives it a big plus. Like I said, past performance matters. Every one of our requirements, every one of our contracts has got requirements that you must have, particularly on the works side, experience and environmental health and safety.

If it's not there you don't even pass, which is actually a big plus because everything we're doing is actually built, for the most part, to international standards, which are American standards, are already built that way, so it gives us an up; it gives us a capability that we don't have in some of the other Far East, Middle East countries that may not be operating and may not be used to those type of requirements. So take advantage of it; make sure you highlight it; make sure you provide the information so the evaluation panels can discern that you definitely do have that capability.

We talked about the experts, we talked about being paid directly, and we really have looked for every way -- we've got an extensive fraud and corruption policy that -- or prevention policy -- that we have in place here at MCC, and the -- in fact, one of the questions that came in prior to this meeting was a question about whether an unsolicited proposal could be submitted regarding helping us out in the fraud and corruption area. If that company is interested in pursuing that, or any of you sole source area (ph), Jim Blades would be the person to talk to about sole source (ph) opportunities or process here at MCC for that kind of funding.

And Jolyne Sanjak actually runs our fraud and corruption prevention efforts here at MCC, but we take that fraud and corruption effort very seriously. We work closely with the Office of the Inspector General. We've got procedures in place that all the MCAs are following to make sure that you're protected and we're protected.

This is one slide, again, just a reminder: MCC.gov. Start there. But I copied right off the Web site, if you're interested in getting regular updates you go right to our Web site, you can sign up for our e-mail list.

I'm sorry. I'm too old to be doing all this stuff. But if you're doing twittering and facebooking and all that stuff, it's all there. MCC is into -- we've got people who understand that stuff. (inaudible) I.T. guy, or Internet guy.

But that's kind of my presentation.

(APPLAUSE)

And I think what we would like to do now is actually open it up to questions.

But Jim, let me, before I do that -- there is a number of people at the table; we've got Mary Jo Johnson, Sinnammal Souppaya. They are both procurement directors in West Africa. I've got San Pereshi (ph), a procurement advisor. I've got a number of our procurement -- I think Mike McIntyre (ph) is here. But we've got a number of our procurement folks are in the audience, but do you have any questions?

Now, questions that I would ask you to stay away from is any questions regarding a specific procurement. We, you know, should not talk about specific ongoing procurements and anything. If you have a specific issue with a particular MCA right now or a current contract we can talk about that offline.

One of the questions that came up is whether MCC (inaudible). I just want to remind you that your contract is signed with the host country government. We are there as oversight. We are also Americans and we were there if you have a question, if you have a problem that you can't seem to get resolved. We have, at times...

UNKNOWN: (inaudible)

NASH: Anyway, we have been able to at least help make sure that issues have been resolved, maybe not to your satisfaction, but if you feel like you're being ignored we will at least make sure that the attention is given to whatever concern you have. So that is, again, that's something that we can do.

But we are definitely open to questions.

Sir?

QUESTION: Earl Rasmussen (ph), Devconia (ph). You mentioned towards the end the issue with local challenges, specifically -- as well as social areas and social awareness -- and especially in like in countries like Africa and

perhaps Latin America there is a big cultural difference on how you interface with both community as well as local governments that really play an important part as far as addressing risk, and managing, and success of the project. Is there specific criteria in your evaluation of contract awards that you put into this as far as consideration or have you already, or have you considered providing consulting opportunities for those organizations that have expertise in delivering cultural awareness and social interaction-type consulting capabilities?

NASH: I will say -- and I'll let Sinnammal and Mary Jo talk to us in a second as well -- is that the majority of our procurement -- and I'm thinking particularly of the ones I've got in Lesotho and Tanzania, they've actually got a requirement that has a past performance experience requirement that says, "Must have experience in Sub-Saharan Africa." A company that does not have that will not be scored as highly as one that does not, and that can be achieved through either teaming, or joint venture, or your own. There's a lot of companies in here that are operating in that region.

Opportunities for a company to come in and provide that kind of a cultural training, I don't know how many opportunities -- I think that's something that I would look at, particularly for a large company that has won -- we actually had American companies just won over \$100 million instructional (ph) works in Tanzania. That's a company, I think, that as soon as that contract was awarded I'd be calling and asking if that's a service I could provide before their personnel deployed out of the U.S. over there to get an idea of the kind of environment they're going to be walking into.

I think I'd be looking more going directly to the companies that have been awarded the contracts. I don't know that we do any...

JOHNSON: I've never heard of any. We do have some training that we are doing with our MCAs themselves on project management primarily, and risk management, so that they begin to understand a little more thoroughly our MCC approach. But that is a different aside. I don't believe that's really what you're looking for. But we are doing that at MCC -- the countries have identified that as a need -- so that hopefully the bridge will, you know, will come together. There will be some bridge.

NASH: Sir?

QUESTION: Good morning. David Jesse (ph). Imagine you give similar presentations in a country where you're working to the local businesses, consulting companies, construction companies, whatever...

NASH: We gave a similar presentation yesterday to the Canadians.

QUESTION: OK. What do you tell them about how to work with American companies, or first off, how to position themselves to win some of these contracts, and secondly, how they might form alliances with American companies? And related to that, do you do any brokering of information about companies in Malawi, for example,

that might be interested in working and doing some of this work and American companies that are looking, or any of that sort of brokering?

NASH: Right. No. We ourselves do not do the brokering. A lot of the embassies, though in the various countries that we're operating, have a commercial attache that does that exact type of brokering, that actually is looking to marry U.S. companies with local companies to go after those type of efforts. But at MCC we just don't have the resources to conduct that kind of brokering effort ourselves.

A lot of the embassies here in D.C. will run trade missions through, and so we -- and in the last month we've had the Spanish, the French, and yesterday the Canadians, and next week the Germans in here. And pretty much the very same procurement presentation you just saw with a few different ad libs, maybe, is exactly what I gave to those countries when they -- or those industries when they come in here, those companies from those various countries.

But again, with the recommendation of looking for local firms in order to get local knowledge, et cetera, and in terms of using their past performance, and in terms of environmental standards, but we don't have a whole lot of avenues ourselves to actually marry American and foreign companies.

QUESTION: You mentioned some training that you're offering to the MCAs on sort of the culture of U.S. procurement systems -- about the contracting process, how we do business in the States, I guess, or -- do you offer similar training to companies in the countries where you're working on how to put together good proposals and -- with the objective of winning?

JOHNSON: We have pre-proposal meetings, and the pre-proposal meeting is on almost all major procurements. And they are in country, so when the company goes to the pre-proposal meeting they can get quite a bit of information about how to -- what would be required for that particular procurement, and that really is procurement-by-procurement, because, you know, we have the monitoring and evaluation, we'd have construction, we'd have education -- they're all so different. So that's basically done primarily at the pre-proposal meeting.

NASH: The other place I've seen it done is companies like -- who are serving as our procurement -- or as the MCA's procurement agents -- such as CARDNO Emerging Markets, Crowned Agents (ph), (inaudible) have actually gone out with the MCA into local industry in the country themselves to -- because a lot of them have never seen -- a number of them have never been on World Bank, so they've never seen these type of procurement documents. They've actually held tutorials on how to -- where to find the opportunities, where to bid on them, how to bid them, how to submit, and that kind of thing. So a lot of our procurement agents have actually been conducting some of that training in the countries.

QUESTION: You mentioned briefly about past deals and not working directly with government-owned companies. Can you go more into if energy is something that's very important in the country do you just not deal with those

sectors? And also, you mentioned that the money is not kept in banks in the country. I'm just wondering how you get around that, or why, and how?

NASH: Well, I'll deal with the second part first, and that's that the money's not kept -- when we give the \$700 million to Tanzania for their compact that money stays in the U.S. Treasury until the invoices have come in that need to be paid. So it's Tanzania money, it's earmarked for Tanzania. Nobody else can touch it. It can't be taken to fix Social Security or anything else.

But we keep it in our country to make sure we've got control over it. It minimizes leakage. It minimizes delays in getting contractors paid.

Because we're more interested in making sure that the objectives of the contracts are achieved and that the bidders and, you know, the contractors themselves get the money that is due them, which is why -- and it's faster for us to do that, which is why we decided to pay direct rather than to essentially put \$700 million in the bank in Tanzania.

QUESTION: (OFF-MIKE) it's related because, for the same reason you're involving with things that the government would want to...

NASH: The whole issue of the government-owned enterprises is that what we are trying to do is provide a level playing field where government-owned enterprises were not competing against you. And since they're subsidized they've got lines of credit that we don't see that are at much lower interest rates than you can get from a banking system. We wanted to make sure that they are not competing against you and taking contracts away from private industry irregardless (ph) or what country that private industry is coming from, that that should be properly won by private industry and not some state-subsidized corporation.

And that's the main reason we did that. So it's mainly on the procurement side, to make sure that we guard against that.

Yes, ma'am?

QUESTION: Mariz Selino (ph), from Northrop Grumman. I wonder, without asking you to comment on any specific country -- I mean, you can refer to Country X or Y -- if you've encountered -- and I understand the money stays in the Treasury; I understand what you said about the country controls the process and you observe -- have there been any instances of corruption or procedures that have not been according to your standards that you have encountered?

NASH: The issues of corruption that -- or I will say fraud that I've seen have actually been conducted by companies, not governments. And I have actually -- I don't personally know of a government issue that we had where we had to -- we've had some that were providing poor oversight, and we actually went in and replaced -- requested

the replacement of personnel because they just didn't have the management capacity to really oversee a job, or we bolstered them with a project management consultant, as Ellen has mentioned.

But I don't personally know of any situation -- because if a country itself had actually conducted fraud against us, or corruption against us and taken our money, that is automatic end-of-compact, we want -- all of our money comes back, including the money that was already spent. That has to be reimbursed. So we take that very seriously. That's...

QUESTION: (OFF-MIKE)

NASH: Yes, ma'am. That's...

QUESTION: ... in terms of selection of awardees?

NASH: Oh, that's one reason we've tried to put the safeguards in we have, is we do not have any allegations right now that I know of of kickbacks being received, which is why we review the evaluation reports. I mean, it's why we stay in touch along the -- it's why we have independent procurement agents watching the process, because there are other eyes and ears in the field that are not tied to the government. That's why the evaluation panels are individually selected for each procurement so it's not -- it's been a major issue with tenure (ph) boards in other countries, that a number of them were wrong (ph) to take. But in this situation where you're changing out the evaluation panel members for every single procurement it's a little harder to first figure out who they are and then to actually corrupt the system.

Jolyne?

SANJAK: I'll just add that we -- in addition to the standard procurement safeguards we have a very aggressive policy that's causing all of the MCAs to put in place a specific action plan that adds in additional measures to bolster against those situations. We have had allegations. We've had no incident that has materially resulted in any loss of any kind.

QUESTION: Good morning, ladies and gentlemen. My name is Rosemary Segudo (ph). I'm a small, woman-owned business.

What does MCC, or how can MCC benefit small, woman or women-owned business in doing business? That's one question -- doing business with MCC?

The other thing is, how do the locals in those countries where MCC is working benefit from creating jobs, and in working with the local businesses in those countries? What are they doing and how can they do it to create more jobs and fight poverty in creating jobs in those countries, or just program for five years, two years, and then after the program no jobs? Nothing, and that's the end of the story? Thank you.

NASH: Do you want to answer part of it and...

BLADES: So for the in-house procurements we -- again, we have a very aggressive small business -- we have goals that we establish and those goals are to the level of the Small Business Administration goals, which includes woman-owned businesses, and we've met that goal as well. We publish everything on FedBizOpps, so you can monitor FedBizOpps.

We are also going to do a better job of publishing smaller procurements on our Web site. Heretofore we had not done that. We're going to be doing that, you know, in this fiscal year.

What I'd like to do is say, take a card that I have here and I'd be glad to entertain as sort of a conversation to let you know how to traverse the Web site that we have. There's a lot of information. There are small business opportunities on that procurement forecast that I had mentioned earlier. So I welcome you to grab my card and give me a call and I'd be glad to talk to you more.

NASH: On the training of the local people in order to build capacity, I think you will find, if you've been on these jobs, that it is a lot more expensive to bring all your entire team from the United States over there than it is to take a management team over there and then hire a local staff, and during the terms of your contract build up a capacity. And companies that are in here that are doing that work right now can probably tell you and share experiences where -- I don't know (ph), because I work right now in Lesotho and Tanzania quite a bit, and I do know that CARDNO Emerging Markets, in Lesotho, has got a management team in there for their procurement agents, but the rest of that staff are all Lesotho and they have been teaching those Lesotho on how to do international procurements to international procurement standards.

So when we are gone those people that have been trained are going -- in fact, some of them -- majority of them used to be drivers -- taxi drivers that they have taken off the street and they're training to be procurement experts -- well, then when MCC closes -- or MCA closes down will actually be able to find a job in the government, probably, as a procurement expert.

On the other side, an extreme side, is on the situation with the -- I'll use their name because we're very proud of them, it's Symbion Power. It's an engine (ph) company from the U.S. located here in Washington that just won huge jobs in Tanzania. Symbion Power has actually gone to -- they are actually teamed with Pike Electric, the big transmission distribution company from North Carolina. They are actually building schools -- transmission and distribution lineman schools -- in Tanzania to train Tanzanian linemen and power operators on how to build transmission lines in Tanzania, because they actually did this in Iraq and Afghanistan and it's a model that worked.

In fact, they did so well in Iraq that the people that they trained in Iraq were actually able to successfully compete against Symbion and win the follow-on transmission power -- but they take great pride in the fact that they trained

them; they trained the managers; they brought them the equipment; they trained them how to use it to American standards, Western standards.

And Symbion's thing, it's smart business because they didn't have to take a whole -- you know, they didn't have to take 300 people from the U.S. over there. They've taken a good, solid team of instructors and managers over there, and equipment over there, and now they're training the locals and bringing them up and leaving something behind.

And there's a lot of American companies that are doing that. A lot of -- not just American companies, a lot of companies. There's no way to take a whole 300, 400 people from the U.K., from Germany, from France down there either. They're all using local labor worker support.

Vanuatu, a little Pacific island -- that was done by the New Zealanders, but everybody driving every bulldozer, or every dump truck, every grader was trained by the New Zealanders and are now part of the public works department for Vanuatu. So we are making a difference; we are leaving a legacy behind with our projects. We're not just building and getting out of there. There's something left.

Sir, you've had your hand up for a while?

QUESTION: Thank you. Good morning. Peter Rabli (ph), with International Land Systems. I'd like to start by actually thanking the MCC. We've seen some improvements in procurement, and some of it based, I think, on some feedback that we provided. So I'd like to start off with saying that.

However, having said that, my question is related to state-owned or government-owned enterprises, and my focus is on the cost question. You've pointed out several times the need for a level playing field, having fair competition. And when we don't have consistent taxes applied across compacts and then we have government-owned institutions or other quasi government-owned institutions that don't have the same tax burden, say, American companies do there is a natural unfair competitive advantage for those firms bidding.

And I have a recent description here of the prohibition does not apply to government-owned educational institutions, research centers, any statistical mapping or other technical entities not formed primarily for a commercial or business purpose. It would seem to me very clearly that it does allow those not for commercial purposes that might have significant cost competitive advantages over private U.S. firms, so would the MCC in those cases consider a cost ratchet on those organizations to create a level playing field for private U.S. firms? Thank you.

NASH: We have not considered cost ratchet and the reason why those exclusions are in there is because oftentimes they are the only source of the information needed to -- particularly on the environmental and social assessment side -- to actually conduct the projects that we're putting in there. And as those universities are in place, the

cultural centers are in place, the circle (ph) societies are in place to do the archeological digs to verify the remains that are found alongside a roads project, we don't have a better way of providing those resources.

We don't see those same universities -- we don't see the University of Tanzania competing against Ohio State for a major feasibility study, just because they don't have the capacity and the capability to do that. So what I don't think that we -- we have felt that it was not an unfair disadvantage to U.S. similar educational institutions in that regard.

QUESTION: Thank you. Nella Hangstra (ph) from the Austrian Embassy. I was wondering if you could expand a little more on the role of the procurement agents, like who hires them, how long are they on their retainer (ph) basis, are they in country, are they here? Just a bit more detail...

NASH: Absolutely. The procurement agents are all hired by the Millennium Challenge Account itself through a competitive process. We've got six or seven of them right now that pretty much are competing on a regular basis for each one of the countries so that they're -- we've got some very, very experienced procurement agents out there. They actually are located in the country. They actually are often co-located with the Millennium Challenge Account itself.

And their main role is to develop the procurement documents and actually to manage the procurement process. They make sure that everything is done in accordance with -- for any procurement -- is done in accordance with our procurement guidelines. They are our front line safeguards on the procurement process out there in the field in the host countries.

And the majority of them are there for the life of the compact. In some situations the MCA has been able to build enough capacity internally that after a number of years they've actually been able to take the procurement agent function in house into the MCA using their own personnel, but for the most part a lot of them are there for the entire five to six years of the compact period.

QUESTION: Good morning. I'm just wondering if MCC programs are independently financed or can they be co-financed with other bilateral and multilateral agencies?

NASH: They can definitely be parallel financed with other donor agencies. We do that on a regular basis. The Vanuatu roads were parallel financed with New Zealand Aid -- I think they've changed their name. But anyway, it was New Zealand's version of MCC and MCC.

We've done a number of jobs in Georgia, which was World Bank EBRD and MCC funding it. There's a project in Lesotho, which has got Arab Development Bank, it's got African Development Bank.

Yes. We can definitely do -- and we're moving more and more into the private-public partnerships.

Sir?

QUESTION: All right. Good morning. My name is Rex Hinkles (ph), from Providence Trade and Development. My question pertains to the feasibility process.

We make solar-powered water purification systems and solar irrigation systems. How do we get these systems considered as part of the feasibility study?

NASH: Ellen, can you help me with that one?

I take it -- post-compact-signing.

MORAN: I guess I should start by saying that, in terms of program design MCC does not design the program for the countries. When a country is designated as eligible for a compact they are supposed to put together their own internal task force. They're supposed to go through a consultative process within their country to identify opportunities for economic development. They're supposed to go through a constraints analysis whereby they take a look at what the obstacles to economic growth are within the country.

Flowing from that, they will put together a series of concept papers that they'll present to us that we will vet. We might say, "This sector doesn't look as promising as some of the others," so they'll narrow down the number of broad themes and ideas. And when we've narrowed the scope they will then go out and further develop the portfolio of projects that they will bring to us.

So if you are interested in selling your services you need to start interacting with some of the MCAs that are in the compact development stage, OK?

QUESTION: Good morning. I am originally from Francophone Africa, and I know for a fact that many countries there do not qualify for the MCC requirements because of political reasons. But yet, rural populations are in dire need of water or roads, for example.

How can the population, maybe with the civil society's help, submit proposals to MCC? How would you address that in the future?

NASH: Would you like to...

SANJAK: ... to say that I don't -- MCC is not going to accept proposals from non-governmental organizations in countries that are not eligible because we have, by design, a very purposeful approach in which we have 18 indicators. All countries are judged with third party indicators on those, and it's a very neutral and fair process. And that is not envisioned to change.

We are exploring ways to partner with sub-nation governments, with non-governmental agencies as part of the programs in those countries that are eligible, and I think that's an interesting innovation that you should be

watching for. If the country has a big corruption problem or political problems they are not eligible. That distinguishes us from other U.S. government development programs, like USAID, that work in a range of other countries than MCC works in.

NASH: And I guess I want to go back to the question from (inaudible) regarding something along the same lines, and that was, MCC will take immediate and quick action if there are certain circumstances which would cause a country to fall off one of those criteria that actually made them eligible in the first place. For instance, when Madagascar's coup happened we shut down that compact. When the demonstrators were arrested in Armenia we deleted parts of that compact.

When there was unrest in Honduras and the demonstrators were put down because, you know, against the -- it was a fight against democracy, we shut down parts of that compact. And we did the same thing in Nicaragua. So we take those indicators serious and we will take action against a government that actually falls off those -- off the trends over (ph) which they originally were qualified when they first were granted the compact to begin with.

So the MCC will definitely take action.

Ma'am?

QUESTION: When you do your feasibility studies is there an OCI clause in that which will prohibit a sister division of the same company from actually performing the work in country?

BLADES: I'll take that one. For the MCC headquarters procurements the smaller dollar valued things we do have organizational conflict of interest provisions that we've put into those contracts, so that's a decision that a company has to make if they're going to go after the sort of the bigger dollars and the procurements that are out of the MCA countries. You just need to consider that when you make those decisions if you're going to consider the smaller procurements that we let out of the MCC in accordance with the FAR.

QUESTION: I know with other government entities, because of the way our company is actually structured and who does the feasibility studies versus who does the work, we do have Chinese firewalls in between. Do you ever waive the OCI?

BLADES: We do have that -- as part of the provision there is a waiver and we often entertain sort of a question in that regard and we process that through our legal counsel. And often we find that there isn't a conflict of interest, or there is a proper mitigation plan to ensure that the work -- you know, the same company, with the proper firewalls, can do -- get involved in both activities.

QUESTION: OK. Thank you.

BLADES: Sure.

NASH: Yes, sir?

QUESTION: Thank you. Thank you. My name is Robert Hands (ph), and E S Partners (ph). I had two questions.

One is related to the prohibition on state-owned enterprises. Does that apply to United Nation entities? And the second question is related to the taxation on MCA procurements. We have seen, and as the gentleman in front mentioned as well, we have seen, on a number of procurements, very different applications of taxation issues, and based on tax treaties competitors from other countries in fact do have -- potentially have advantages vis-a-vis American companies.

And one of the recommendations that we have made on a specific procurement, which was not in the end accepted, was to make the financial offers net of all taxes -- and taxes would be added on the basis of whatever they were if you could define them, and that was one of the issues that was difficult to define in this procurement -- and at the least would level the playing field that -- so if a French company or a German company had a tax treaty which gave them a lower net tax rate it would not affect the bid; it would not affect the evaluation. However, this was not accepted at our -- when we made this recommendation and the bid ended up being all-inclusive with all taxes and that was, indeed, not a level playing field.

So I guess the issue -- that question is two-fold: What is MCC's policy vis-a-vis taxation? It seems it differs in every country, and that's understandable, but we'd like to understand that better. And second, have you considered this concept of having the financial offers be net of all taxes so that we do not have this issue of unfair advantage? Thank you very much.

NASH: You know, on the first one, that's a real easy one, and that's the U.N. organizations are not excluded by the GOE. They are not government-owned enterprises so they are not excluded.

I'll just tell you for historical purposes, I don't know of a situation where they've competed and beat -- I know they've competed, but just based on -- oh did they? OK. I was just going to say, I do not -- that's the first case, that's (inaudible). But in general I have not seen it. But no, they are not excluded. They are not a government-owned enterprise. U.N. is not a government.

The tax issue is a bigger issue, I agree. And I wish I had, actually, our general counsel responsible for taxes down here. In general, MCC-funded contracts are not subject to taxation, either personal, or vat (ph), or whatever. But do know that it is handled differently in each country, which -- I actually hadn't even thought about the issues with the differences in terms of tax treaties between countries. That's something we didn't look at and that's good feedback, and that's something we will look at -- perhaps the idea of doing it net and then figuring out the actual contract value afterwards, that may be a way to level the playing field -- had actually not even -- yes, Sinnammal?

SOUPPAYA: I just want to clarify that in each of the compacts that have been signed with each of the MCAs the tax issue would have been addressed and the provision for the tax would have been included in each of the standard bidding documents for that particular country. For example, Morocco has a separate tax agreement, and in the standard bidding document for all Moroccan procurements there will be a clause on the tax issue.

But I do recognize that the application may be a little bit more complicated than what the provision would say, so follow-on to that we recently had meeting with the ministry of finance in Morocco to come to an agreement on the implementation of the tax provision. But please do consult the standard bidding document carefully, and if there are questions you should raise it at the pre-bid conference, or pre-proposal conference, to assist you in preparing competitive bids or proposals.

QUESTION: Sasha Sirovitza (ph) with IMSG. In regards to the MCA procurements I want to get a clarification. Do you have to have to hold an IDQ (ph) before you can submit or not?

NASH: No, sir. You do not. The MCC IDIQs have no bearing on the MCA procurements themselves, so...

QUESTION: There is no IDIQ process for MCA procurements?

NASH: Well, now that's a different question. And yes, in some cases -- I'll let Mary Jo because she's the IDIQ expert for MCAs.

JOHNSON: Yes. We didn't list it among the standard bidding documents but we have developed an IDIQ process here at MCC (ph) that can be used by the MCAs, and we also have developed a blanket purchase agreement process. And some of the MCAs are very successfully using this process and have had enormous success with this in some countries, yes. And it probably is going to be increasing, I do believe, in the future, because we are beginning to see the opportunities to use this process.

QUESTION: So if we are not part...

JOHNSON: I don't believe it is on the Web site yet. I...

QUESTION: So if we are not part of the -- if we don't hold an IDQ, we're not part of an IDQ, can we bid on procurements?

JOHNSON: Absolutely. The MCC process, where there are many, many IDIQs, has really no relationship in that regard to any of the MCA contracts or procurements that will come out. No. You do not have to have an MCC IDIQ to bid on a project that comes from the MCA. I hope that's explaining that clearly.

Sometimes -- and Jim, you can probably add to this -- sometimes the MCC process would be used in different countries rather than the MCA doing the procurement.

BLADES: Yes. I mean, the portfolio that was shared with you earlier -- \$7 billion across all the countries...

QUESTION: That's what I'm talking -- MCA procurement...

BLADES: Right.

JOHNSON: That's MCA.

BLADES: So that's MCA and that has nothing to do with this \$61 million that I had processed last year, and those procurements are for the smaller, you know, augmentation of the staff here to help with the feasibility studies and the design reviews. It has nothing to do with the MCA procurements that are larger and let out of the MCA entities.

QUESTION: Thank you.

NASH: OK. We're going to take a break now. But you'll have lots of chances to ask more questions. We're going to take a break for like 10, 15 minutes, and then we are going to bring the panel up of myself and a couple company representatives who can tell you about their experiences in doing business with MCC. And think about your questions because we'll still be here after they get done and we can ask all those good questions.

Thank you very much.

(RECESS)

SANJAK: OK. Thank you. We want to get started so that we leave time for more question and answers at the end of this panel. As I see, there is quite a lot of feedback and good questions that we're getting already. And I wanted to thank people for actively engaging with us

This panel was specifically designed -- and it's a little different than what we've done at previous procurement outreach events -- with the idea of having a conversation with you -- those of you particularly who have bid or considered bidding on our projects in the past. We wanted to have a conversation about your experiences, and as Gerry said, welcome the good comments and the questions and the concerns. So we hopeful that you'll be frank and open with us.

The way this panel is set up to kick off that conversation is that we have two companies, Cardno Emerging Markets and Chemonics, who have agreed to give short reflections on their experiences with MCC procurements, MCA procurements to give you a flavor from their experience that just will kick off the discussion. And then Gerry Nash, who had the floor in much of the last session, and he introduced himself, I'll just mention that he's our senior director for procurement and our practice area leader. so he will also make an intervention on this panel beginning to answer some of the questions that we got by e-mail in advance of this conference that he has not already answered in the previous section.

I will also take the floor as moderator to answer a couple of the questions that came in by e-mail in advance of the conference that had to do with MCC's model as opposed to our procurement processes. I'm a managing director here in the department of compact operations and I cover quite a broad spectrum of our thematic areas as well as our internal contract liaison with Jim Blades' office and our general and social assessment. So I'll try to field the questions that had to do with our model per se as opposed to procurement more directly.

So that's the nature of this panel. Our first speaker -- let me just -- I'll introduce the speakers from Chemonics and Cardno and then ask Chemonics to take the floor first.

So from Chemonics we have Mr. Luis Chavez. Luis is the managing director for the Latin American and Caribbean region at Chemonics. He has over 25 years of senior management experience in the field of international development and he is responsible for the headquarters supervision of projects that Chemonics implements throughout Latin America and the Caribbean, including the El Salvador Productive Development Project with MCA El Salvador, FOMILENIO, it's called. Previously he worked for the Latin American region of TechnoServe, which is a nonprofit organization involved in international development particularly relating to private sector and business development.

Our second speaker is Russ Webster. Russ is a managing director for governance and economic growth at Cardno. He leads a team of nearly 100 professionals providing services to donor and private sector clients on 24 projects in 18 countries around the globe. His focus is on business environment, infrastructure, enterprise development, agriculture, the whole gambit, kind of like myself. It's a pretty broad spectrum. And he has over 30 years of experience in this field of international development.

So without further comment I will ask Luis to give his reflections. Thank you.

CHAVEZ: Thank you, Jolyne.

First, I'd like to express my appreciate to SID and MCC for this opportunity to participate on this panel and share some of my experiences and knowledge we've gained regarding MCA procurements. First, just a little plug on Chemonics, for those of you who don't know us. We're an international development consulting firm that promotes meaningful change to help people live healthier, more productive, or more independent lives.

Around the world we design and implement projects in financial services, private sector development, health, environmental management, gender, conflict and disaster management, democracy and governance, and agriculture, working on the contract to USAID and other foreign aid donors. We've implemented more than 1,000 projects over our 35-year history. These projects are implemented in collaboration with local partners and local staff in order to build local capacity and self-reliance and to promote the long-term sustainability of results.

Now, within the past six years Chemonics has acquired a significant degree of experience working with MCA procurements. We have MCA implementation experience in five countries. Overall we have participated in a total of 17 MCA bids and have considered and declined participation on an additional 38 bids.

My remarks to you are going to be in three separate areas. First I'm going to take a case study of our engagement in El Salvador, which I know the best from direct participation from the bidding process through current implementation. We're two years into a four-year implementation.

I will then share some of the issues and challenges that generally we face in MCA procurements. And then third, a couple of recommendations we would like to make to MCC regarding, I think, significant factors that could really improve the impact sustainability of activities.

In terms of our engagement with MCA El Salvador, known as FOMILENIO, we found there a well-managed RFP process. The RFP document itself was well-constructed. Pricing guidelines were provided and were realistic. MCA hosted a bidders' conference and the proposal evaluation process was very transparent.

The MCA management and staffing -- the agency staff were dedicated professionals that have facilitated the implementation process. The agency has shown an ability to make changes when needed and recruit qualified professionals. They've also shown an ability to respond quickly to emerging opportunities.

A manageable political environment: You know, it's within the MCA the board is led by (inaudible) that exert a great deal of influence over major decisions. In El Salvador the local MCA had to manage through a historic change of political leadership as the opposition party won the presidency for the first time since the end of the war. Despite this political environment the MCA was able to focus on its business at hand and there was minimal disruption to compact activities.

A proactive and engaged MCC country rep (ph): The proactive engagement of the MCC country rep and deputy country representative as facilitators and problem solvers has played a key role in the success of our project, in my opinion. We've also found flexibility in program design and strategy. MCA has demonstrated a willingness to listen, accept changes in project design and strategy, when the rationale for such changes is well-documented and persuasive.

We have found an efficient payment procedure. The lag time between our presentation of quarterly contract deliverables and reports and the receipt of scheduled payments against (inaudible) deliverables has been minimal.

We've also found an efficient approval process. In many ways MCA engagements are more streamlined than those of USAID, which allow the contractor to put in place quicker, more flexible, and more efficient use of technical resources such as international technical specialists. Overall, this produces cost savings and optimizes the use of project resources.

Finally, in the area of flexibility and creative thinking, we've been able to set up a private-public partnership in the fruits and vegetables value chain with the blessing and support of FORMILENIO. This alliance includes FORMILENIO, USAID, a locally-owned large supermarket chain, and a producer cooperative. The alliance will link over 6,000 small producers with the 85 retail supermarkets across the country. The innovation of this value chain using cold chain (ph) technology, improved logistics, and increased productivity and production post-harvest management will result in higher farm gate (ph) prices for producers while delivering fresh quality and lower prices to local consumers.

I know in the early presentation there was some reference to PPPs and I'll come back to this point at the conclusion as well, but I think it's an area of these alliances that provide a lot of potential for scale sustainability and impact while leveraging resources.

Now, the next part of my comments, again, are issues and challenges that contractors like Chemonics and others face in addressing MCA procurements. The first is estimated price. Several bids that we considered an upper (ph) on estimated prices; others were unrealistically low in consideration of the scope of work to be performed. If MCC MCAs are truly interested in attracting proven international consulting firms with successful track records realistic pricing is a key consideration in our decision to participate.

Fixed-price contracts: International consulting firms such as Chemonics consider fixed-price contracts for long-term implementation projects to be high-risk because this contractual mechanism puts the contract in the position of holding all of the liability for cost overruns. It's often leave (ph) the firm to make one of two decisions: either decline participation in the bidding process or hedge this risk through a higher fee percentage.

MCC may wish to assess the costs and benefits associated with continued use of the fixed-price contract mechanism for long-term technical assistance projects.

Taxes and registration, which again was an issue that I heard in a prior panel: Many U.S. international consulting firms such as Chemonics are primarily contractors for USAID projects. As such, our project activities, legal presence, and tax status are covered through bilateral agreements between the U.S. and the host country.

In MCA engagement taxes and legal registration become significant issues that require due diligence and assessment. RFPs should contain clear and comprehensive language which defines the responsibilities and costs that prospective bidders would have to assume and therefore price in their bids.

And I thought it was a great point that be made when a firm from -- originally from a country that has a tax agreement with the local MCA country, the idea of metting (ph) out this advantage is a very interesting observation that I share.

Technical (ph) assumptions of the RFP strategy: Many of the RFPs issued by MCAs are fairly prescriptive in the sense that economic development of a given region of the country is pursued by promoting increases in productivity in selected value chains. Often, these value chains were selected by the MCA based on incomplete market analysis, prior commitments, regional or national political decisions, and supply-focused activities. This process undermines the commercial viability and long-term sustainability of the program strategies and activities.

MCA RFPs should be more focused on the desired economic development results -- increases in sales, jobs, investment, and incomes -- and allow the contractors to propose program strategies for achieving these results.

Communications and logistics: Many MCAs are being recognized for organizing bidders' conference to share information and engage in question and answers regarding upcoming procurements. This is a good practice when done well. In many instances the communications and logistical aspects of these activities were not well-managed, causing confusion, frustration, and even a disinclination to further participate in the process.

Planning and strategy development: MCA is faced with the dual challenge of building their own internal management capacity while procuring the services of various firms for the implementation of compact activities. Given the fixed end date of a compact MCA is often left to (ph) planning a strategy development process to get RFPs out and contract out the necessary services, or these are delayed in the implementation period for critical components is reduced to three or four years, which impacts sustainability. This often works to the detriment of good developing practice.

MCC may wish to consider an initial startup period focused on institutional capacity-building of the MCA as well as project planning and strategy development that does not shorten the implementation period for the downstream critical component activities.

Project management and supervision: MCAs are essentially a new donor created to manage the compact implementation process. As with any new agency or institution there is a learning curve that they must go through before arriving as a cohesive, well-managed developing agency.

Along the way MCA has manifested some growing pains, particularly their inclination to micromanage contractors working under a fixed-price contract. This is an area of tension that could be greatly reduced if MCAs received training on managing fixed-price contracts.

Project monitoring and evaluation: Many MCA engagements have multiple players involved in the monitoring and evaluation process, which can often create confusion and an inefficient use of resources. MCC Washington has an M&E unit that is engaged in the process in opting (ph) contracts in outside firms to perform baseline and evaluation work. The local MCA also has its own M&E unit in opting (ph) contracts and outside firms to perform monitoring and compliance functions.

The implementation contractor also has its own M&E team and develops the required management information systems to adequately manage this function. Additionally, each MCA seems to develop its own automated M&E system with varying degrees of success. This would seem an area that could benefit from standardization.

My final remarks are regarding two recommendations we would like to make to MCC to consider in future compact design. PPPs for infrastructure development -- again, private-public partnerships -- have been used successfully in a number of developing countries to drive infrastructure development in sectors such as transport, energy, waste management, and others. Well-structured PPP strategies and compact infrastructure components can yield significant results, such as leveraging of compact funds, more efficient management operation and maintenance of infrastructure investments, and building of local capacity to structure and implement PPPs well after the compact ends.

And the second point has to do with MCA capacity-building, providing project design, project management, and project closeout training and technical assistance to MCAs. While we understand that MCC recognizes the scheme (ph) and has provided this type of management support in varying degrees, the process should be made more systematic, increased in scope, and be appropriately sequenced and integrated into the compact timeline.

So those are my prepared remarks, and again, when we open up for Q&A I'd be glad to expand on any of these. Thank you.

(APPLAUSE)

SANJAK: Thank you, Luis.

And now I'd like Russ to take the podium. Thank you.

WEBSTER: Good morning, everyone. It's great to see so many folks from the private sector here, many faces that are new to me even though I've been working in this business for about 30 years. It's wonderful to be associated with an organization like MCC, which is really opening up the field for a lot more private sector involvement, and of course we applaud that.

I'm hoping to make a few short remarks that will put some more fertilizer into the Q&A -- help fertilize some of the Q&A that's coming up shortly. I just wanted to give you a quick overview first, however, of the breadth of work that we have done with the MCC and also with various compacts, just to give you affirmation of some of the points that were made earlier on the slide.

We've been working as an implementing partner with MCC since 2004, and since that time we've undertaken 16 projects, either as a prime or as a subcontractor, in 11 countries throughout Asia, Africa, Latin America, and former Soviet Union. We've done Threshold work, which as referred to earlier. For example, in Ukraine we worked on

some business environment improvements. In the Philippines we helped in rolling out an integrated tax information system.

We've also worked under blanket purchase agreements. PPPs were mentioned. We did some early work in analyzing best practices from PPPs that might be incorporated into MCCs objectives.

We developed various tool kits to enhance private sector dialogue, which, as you know, in the development of the compact, is a very important principle that MCC requires of the participating country that they develop their projects in dialogue with the -- with various groups throughout the society. We also did some capacity-building for MCA offices. That's been referred to earlier. It's a point I will bring up later as well, but we've done some training and capacity-building for MCA counterparts.

We've also managed what are called standby or interim fiscal agent or procurement agent agreements in four countries, that being Namibia, Vanuatu, El Salvador, and Bning (ph). We've also participated in IDIQs. We've done due diligence for proposed -- excuse me just a minute -- we've done due diligence for proposed compact projects in the water, energy, transportation, education, and income generation sectors.

We have been the fiscal agent and/or procurement agent in three countries. That will be the focus of my comments in a minute. And we've also recently started as an implementing partner in Namibia tourism development activity, which I think was referenced earlier in one of the slides presents by our MCC colleagues.

Like I mentioned, my comments will focus on F.A. and P.A. -- fiscal agent and procurement agent -- and also, to some degree, implementation work that we've been involved in, and what I would like to do is to highlight both our -- the positive experiences that we've had working with MCC and MCA, which have been many, and also just to point out some of the challenges, and some of these you have heard about already.

Some positive experiences that we've had and continue to have: We really have experienced MCC as a learning organization, and the public outreach, the meetings such as we're participating in today, are really, I think, one of the primary distinguishing factors for us in working with a donor agency.

MCC -- they are accessible and open to meeting with implementing partners, as you can see today. Another example of this is, I think back in early November MCC had a little breakfast session called "MCC in the Field: Breakfast Meet and Greet with MCC Field Directors," and if some of you were here at that you know how well-organized and how open and receptive that was.

We find the same openness in working with MCA either pre-compact or compact partners in the field. We also have appreciated the regular public forums that the MCC -- after MCC board meetings. Board has a meeting, they open a public forum, they report out. And if you're not in the circuit for those -- for announcements of those meetings you need to get into that circuit because a lot of good information is shared there as well.

Also, regular public forums, which really focus on country-specific programs, and also the -- we've appreciated the participation of the head of MCC at external meetings, for example, earlier this year, at Corporate Council on Africa in D.C.

The third point I wanted to mention is that we really have experienced -- and you've heard it from MCC today -- that they do want to draw on our experiences in order to improve the systems that they have in place. And we've, in fact evidenced that already through some improvements that we've seen over the six years we've worked with MCC.

But in summary, all of these examples I think really add to a sense of partnership among MCC, MCA countries, and, of course, those of us who are in the private sector.

We've also noted, as I mentioned, some improvements to date already. Payment schedules, if you're working for MCC, are quite smooth, and the clarity of fixed-price agreements tend to be more and more better tied to comprehensive and sequential milestones. If you are not familiar with fixed-price contracting you have got to get familiar with it because it is, in fact, a challenge, but it's also an opportunity if you know how to manage it well.

We've noticed that over the years there is less ambiguity and more opportunity for the MCA counterparts to weigh in on what exactly those deliverables and milestones should be. For example, on our Namibia tourism project that we recent signed the board of tourism from Namibia actually approves the deliverables and then MCC Namibia authorizes payments. So counterparts are involved and it gives you an opportunity to work with them in a real relationship of mutual goals and objectives.

The procurement guidelines have been mentioned earlier. The procurement guidelines set out general conditions but it's also -- there is some flexibility in those to adopt the specific requirements to country-specific conditions, and giving countries some flexibility yet still operating within the clear guideline.

And overall we feel that the adoption of this approach, certainly as compared, for example, if you're quite familiar, as we are, with USAID procurement, has really provided both a smoother system, a decentralized bidding, awarding, oversight, payment, and approval authorities. So we've found that to be helpful.

Particular to our F.A. and our P.A. work, we've worked with MCC over the last four to six years on these guidelines that have been used at the country level and we've found that the guidelines that have been developed are really quite fair and transparent. And there were some references earlier to some concerns about things happening under the table, but -- we, of course, acknowledge that, but we've found that overall the systems that are being put in place, and if they're well-managed, they are in fact quite fair and they're quite transparent.

The fiscal accountability plans that MCA has utilized describe policies and procedures that ensure complete fiscal accountability and transparency and independent management of the MCC funds. Basically what that means -- it

was presented earlier -- the money stays here; third parties come in and have a very clear mandate to operate the procurement process and the fiscal process in a very transparent way so the we, as fiscal agents or procurement agents, are there to assure that the process really meets the objectives of full and open private sector competition.

We have found that payment is really quite timely, generally within 30 days. And we've also discovered that there is a regular audit requirement of the MCA I think every six months. There is an audit requirement, and I think that that, at least in terms of our experience, really helps us keep on spot, and not only us, but our MCA counterparts, helps them focus on the whole need for good accountability and good transparency. When somebody's coming every six months to check things out you're doing your best.

Now I'd like to mention a couple of challenges. One of the challenges that some of you may have that, of course, we also have -- CARDNO is a global company of some 4,000 employees offering a range of services in the physical and social infrastructure areas, and so when a compact starts, since we also worked in the fiscal agent and procurement agent field, we need to make a strategic decision if we want to go after that part -- because if we end up being fiscal or procurement agents obviously we can't fully legitimately be involved in downstream work. So some of you who are from companies like ours, that have a broad sector of services to bring to this enterprise, one of the challenges is prioritizing and close-coordinating across your companies about what's going to be the priority for the particular compact.

This was mentioned but I want to reiterate it: Pricing is highly competitive. It's highly competitive and it's really a commercial-based system. It's not USAID; it's not just American companies. It's global.

There are these tax issues that were mentioned earlier that sometimes affect pricing, but I think that the reality is that this is a market that is wide open, and therefore you will find that price is really a factor and it's a very competitive playing field, but as evidenced by us and others, you can manage to get there.

Want to come back to just a minute and -- for just a minute and reiterate the point about being able to negotiate and manage fixed-price contracts. You know, there is a -- yes, there is a risk. But with every risk there can be an opportunity. But I don't want to -- I can't emphasize enough how important it is to be able to get those terms and conditions if you get into a negotiation, and certainly if you're in the bidding stage, to set out the milestones, the payments, the deliverables in a way that you can deliver and also manage your business.

I have to mention the T word, but what I want to say is that the real challenge, you know, pending, perhaps, some changes that might level the playing field that people have talked about, the real challenge is getting into the country, understanding the situation, and knowing how to manage -- from a cash flow standpoint, from a budgetary standpoint, because in some cases you may have an exempt status; in other cases you have to go back and recover it. But it takes time and energy to be able to manage that particular dimension of the work that you do, the work that we do.

But as you can see, it's a very hot topic and I think MCC takes seriously the mandate to try and help us do that in a more effective way. But at the end of the day you're there, you're working. You've got to try and manage that as best as you possibly can.

Also, in the F.A. and P.A. work we do it's sometimes difficult to moderate, manage, facilitate, broker differing opinions between the MCA compact that we're working for and paid by and the MCC representative. And I say that only -- not disparagingly, but I say that as a reality, because it's like I tell my staff all the time, we as consultants, part of our job is to help manage our clients, and so when you have a situation where MCC, which really has quite a bit of authority and can make decisions that affect you, yet you are embedded in and working with the MCA. You've got to be able to manage that relationship and you can only do it if you're proactive in that regard.

MCA also frequently wants to -- we've discovered sometimes they want to restrict our communication with MCC even though we feel like we need to talk through an issue with MCC we have sometimes an internal struggle because they want to restrict that. It's a little bit, if you're familiar with the USAID world, it's a little bit like you're Qatar (ph) saying, "I will talk to the contracts officer, not you." And so that's another reality that you have to be prepared for.

The other thing that we encountered -- again, this is F.A. or P.A. -- the other thing that we've encountered and had to manage is that sometimes the MCA would really prefer if you weren't there, and -- so while you're giggling I'm going to take a drink of water -- because they would prefer to manage those processes both on the procurement side as well as the financial side. They would prefer to manage them themselves.

And so it takes time -- again, I mean, our business is all about relationships, even for accountants it's about relationships, believe it or not. So it takes time for that team to get beyond that hurdle and really try to convince them that, no, we really are part of your team. We're here for a clear reason and a clear purpose. That's something you really have to manage.

We've encountered, on a few instances, a lack of planning -- or adequate planning -- on the part of the compact country in terms of projects. Because as procurement agents we've got a timeline, a schedule we need to follow, but it's dependent on other things that are downstream. We're not operating in isolation.

And if the planning has proceeded smoothly and on time we can go out and carry our work, but sometimes it hasn't. And again, you have to find away to manage that. It's a challenge.

Also, on a more practical side, because -- fiscal agent or procurement agent, we're supposed to be on the ground pretty early. The logistics of our operation depend really on how well the logistics of the MCA have been set up. So sometimes there's a little bit of a shuffle back and forth in terms of getting set up and operating.

And then the last point I want to mention, and it was -- it's been brought up by some questions: Our success as a service provider is intimately interlinked with the capacity of the MCA. And this is not a challenge that's unique to this type of business; it's a challenge that's unique to any kind of business where you are dependent on a host country institution as a partner for carrying out your mandate. And their capacity, and their skill set, and their vision, and their management is directly linked to our ability to perform well. Again, another challenge.

So I'm going to close now and I -- but I want to close first by thanking both MCC and SID-Washington for creating this opportunity. And we really view MCC as an innovative approach to fighting poverty, spurring economic growth, and we really do appreciate the country-driven model and the country-driven methodology because we've experienced it as transparent, as results-oriented, and we really do feel that it's a unique opportunity different from others that many of us have had. And if you can find a way to become part of it I think that you will appreciate the challenge as well.

The only last thing I want to mention is that I brought two colleagues from CARDNO Emerging Markets office here in the D.C. area who have worked directly in the field more, and that's John Sitton, who is technical director from CARNDNO, and also Paragsus Owallo (ph), who is senior manager. And I've asked them to, if appropriate, to help answer questions from their more direct experience.

So with that, thanks very much.

(APPLAUSE)

SANJAK: And now I'd like to ask Gerry to take the floor, and maybe we could just stay sitting at the table, I think, for this part, so if you want to just give a few comments either reflecting what the two speakers said or the questions that came in by e-mail?

NASH: First off, I'd like to thank both speakers for excellent questions and -- or excellent statements, and actually, excellentness (ph) of challenges, because -- and if I could get a copy of your prepared notes I would definitely appreciate it, because I can't read my scrawl -- you know, there were some great points, and both of you, I would definitely appreciate it. That would definitely help me out, because they are.

And I guess I've been with MCC -- I guess I started with Booz Allen as a procurement agent in Georgia and so it's been a little over four years, and it has been a learning experience and it has been a growing experience for the agency in terms of trying to do best practices from the field. We have learned that everything we do here is not right 100 percent of the time we roll out a policy. Some of our recent policies were changed the day after they went out. The procurement agents out there realized (ph) that with the government-owned enterprise policy. I think we issued the amendment 48 hours after we issued the policy.

But that's OK. That's part of growing. It's part of being a younger organization and it's part of being MCC, which is why I really love this place.

But there were a couple questions, I think, that were kind of touched on by Luis, but were also were asked by another company that sent in a question, and that's the whole issue of fixed-price versus time-material and cost-plus. Having come from a long career of winning and executing cost-plus contracts, I really used to love those.

Then we've got two things, unfortunately, that are not in our favor of being able to do that anymore. One of them is an executive directive from the White House that we as a federal government are to move from the cost-plus arena to fixed-price pretty much across all federal agencies, which we are doing -- we are leading the way in some ways, because part of our issues that we had here at MCC is that we're working with World Bank procurement guidelines, we're working with foreign host governments, we don't primarily -- our main reason, we don't have a means of conducting the audits that are necessary to sustain a cost-driven, or cost type of contract process.

The ability to go into companies -- it's quite -- any company that works for the federal government has got to have an accounting system that's capable of being audited by DCAA. We can't put that same requirement on any company from another country outside of the United States, and the ability of DCAA to go out and audit the material costs or the labor costs of a company in Mongolia, or in Georgia, or Armenia, or Lesotho is impossible.

So we went with fixed price. From Contracts 101, fixed-price contracts do move most of the risk onto the contractor's side, costs on the other side -- cost-type contracts put most of the risks on the government side, which is why our federal government's moving to put the risk back on the contractor's side, as a general principle.

But it also, as was brought up by (inaudible), it also is a place of actual (ph) risk, but potentially maximum profit. A properly executed fixed-price contract can definitely maximize -- the deal (ph) of having to get a negotiated 4, 5, or 6 percent profit line on your fixed -- or on your cost-plus, fixed-fee contract -- I hated those days. I mean, we were lucky to be making 1 or 2 percent by the time we got done.

The ability to make 15, 18, 19, or some other percentage of profit because you managed it properly, you had the right people in there, which is also another reason why a lot of American-European firms send in an American-European management team with local labor because you will make your money there and build the capacity and train them, but you will bring them up to standards, but at the same time you will lower your costs and still be able to deliver the products that are required by your contract.

So that's kind of the wrestling match we've been having. One of the ways we try to -- and to some degree it's been successful -- to get the advantages of a time-material contract under a fixed-price type of scenario is our use in many of our consulting contracts of a, what we call normal services and additional services, where when the bids -- we've used it a lot in the supervision consulting world where we will lay out -- the MCA will lay out the core requirements for the staff and the man -- the labor amounts that are needed to do the majority of the work on the

team. Then we will also ask the bidders to go ahead and price out manmuf (ph) rates for specialists that they may or may not need, which could then be easily added on to the contract through a contract amendment or the effort which was originally proposed to be 23 months ends up being 38 months so the easy contract mod (ph), do the math, we now have a new fixed-price contract because we have fixed units we're buying rather than buying labor hours, which can be -- so we tried to work that into the system to try to give us some flexibility.

That's one means of doing it. We're open to ideas. If there's a better way, if there's another idea that industry's got on how we can do this we're open to listen.

But the audit issue is the one that really has got us stuck and the ability to actually go out and audit a cost-reimbursable contract is one we have not been able to solve.

So that was one comment that came in from several forms. That question has actually come in just about every time I meet with industry, particularly American industry, and I definitely recognize where it's coming from, but we still don't have a good solution for that.

Just looking to see if there's anything else that I didn't -- there was a question about -- as to whether a small, woman-owned business could find work with MCC. The answer is absolutely yes. You know, the majority, I think, of the U.S. contracts that are award by the MCAs are awarded on individual consultants or on very small two, three, four man operations over there. There is a lot of small work. This is not all \$100 million construction contracts.

So there is a lot of work out there for consulting companies of all sizes and there is a lot of legal reform efforts that have happened in the past which were won by American lawyers -- individual lawyers or two-team lawyers that I know of, Lesotho I'm thinking of specifically right now in legal reform. So I know the opportunities are out there for small business.

Do we do set asides for small business? We do not. But the American small business does have an opportunity, and I guess one of the advantages I see is you're not bringing your equipment with you, other than a laptop. So you don't have the logistics issues that the construction companies -- American construction companies, with OSHA on either side of us, have got a major disadvantage on trying to get to the actual ground to actually do the work, which puts us at some disadvantage if we're not already in that country with the equipment. So we've got to take that into account when American construction companies price.

For American consultants, on the other hand, laptops will travel. And you get yourself an airplane ticket and you're there. And I've seen it work, and if you look at the numbers that are -- when you do go through the contract awards you'll see which countries are being awarded the contracts and you'll see a very high percentage of the consulting contracts went to American firms, which is why we try to encourage American companies -- we encourage a lot of

companies from a lot of countries, but definitely American companies to go out there and take the shot. It's worth it. Take the risk.

We've tried to minimize as much as possible in these other areas, and I appreciated the comments about the taxes today. That's another area where we've been working. We'll continue to try to work and try to make it a more level playing field.

So if there's other ways for us to reduce the risk that is preventing you from going to your board of directors and saying, "I want to go bid on a job in Lesotho" -- and you don't know how many companies will come to me and say, "I really want to do this work but my board of directors just will not approve it. They consider Africa too risky for me to go." We've been trying to do that, to try to reduce that risk so you can convince your boards it's a good thing.

If there's anything else we can do let us know. If there's another message we can send, any other steps that we can take we will definitely consider them.

SANJAK: Thanks, Gerry.

I'm going to add a few answers and comments to what Gerry said and then I'll open the floor. So just want to also talk a little bit more about the fixed price concerns that are raised. As I think Mary Jo mentioned in the first panel that we have found a way to do blanket purchase orders and IDIQ-type mechanisms under our compacts. We don't have very many of them yet but we expect that they'll be on the rise, and I think those are important to those of you who have expressed a frustration with a fixed-cost world when the needs are either evolving or not that well-defined.

In fact, part of the task under the contract is to define the need. So there might be an assessment; after the assessment the rest of what you have to do is more well-defined. And so we have, in Ghana in particular, very effective approach to using blanket purchase orders where the assessment can be the first task order and then the next terms of reference can be much more well-defined.

And so Mary Jo has done some very creative and, I think, good work that's helped us and helped the MCAs find a way that I think you'll find accommodating some of the concerns around that part of the conundrum with the fixed price world on things like agriculture, land tenure, other non-infrastructure services that AID traditionally has done as time and materials. So I just thought that was worth adding.

I also wanted to address a couple of things that Luis and Russ said that are more about MCC's model. We talked about private-public partnerships. I just wanted to reinforce that from the CEO down several of the speakers have stated that MCC is -- part of our underlying philosophy, and certainly this management team's priorities are to really encourage real engagement with private sector, not just through bidding on contracts but through real partnerships where the private sector also puts some resources on the table.

And we're looking -- I'm part of a new -- MCC did another reorganization recently, and part of my new job is to work with our OCEO's office to find the mechanisms that are going to make those things viable, both within compacts and perhaps directly with MCC. And so we're working on figuring out how we can come up with structures that allow us to invite you to engage with us in creative partnerships.

Our Jordan compact, which was most recently signed, has a very substantial public-private partnership, that opportunity that's going to be coming up fairly soon, so you might want to watch for that. It's in the water and sanitation because that's the whole theme of the compact.

On the monitoring and evaluation, I wanted to thank Luis particularly for bringing that up. I personally have seen a lot of those frustrations and I'm sure many of you that worked for us have seen those around impact evaluation in particular. I just wanted to mention that our management team is currently taking a hard look, together with our M&E team, about how we can make our M&E approaches -- again, one of MCC's core philosophies is results matter. It's engrained from the beginning of the compact development process that we will take this seriously and build it into everything from beginning to end, but we're trying to figure out ways to make it work more effectively and practice to make that vision a reality that works from all angles. And so that's a conversation we might even want to follow up with some of you on.

Just finally, Russ said -- referred to things happening under the table, and I just wanted -- someone else in the break asked be a question about our fraud and corruption policy and, you know, what they should do if they suspect that something is not being done properly in a procurement process, and I just wanted to mention that if you go to MCC's public Web page and you scroll down to the very bottom of the main page you'll see a link to our fraud and corruption policy. At that same link you'll find a form where you can report any suspicion or any allegation.

We encourage you to do that. We receive allegations. We address them quickly and promptly, both by coordinating with the U.S. Office of the Inspector General, but also taking our own management and administrative decisions about what to do to protect the integrity of our model and the results and the investments that we're making.

So I just wanted to tell you that if you suspect, you know, things under the table please report it. That's what we want you to do.

I want to answer -- we got four questions in advance of this that I think are more about MCC's model than procurement so I just want to real quickly touch on those. The first two had to do with health sector. First person asked, "Given the announcement of the Global Health Initiative and the investment of over \$63 billion over six years to help partner countries improve health systems how would MCC procurements intersect with the Global Health Initiative agenda?"

And I just want to comment, Ellen Moran, one of the first speakers, mentioned in one of her answers that MCC is a country-driven model. We don't go into a country and say, "We're going to work with you in health," or, "We're going to work with you in agriculture." Rather, the country defines those priorities.

Having said that, countries do, I think, seek to understand also what we're interested in. We have, in Lesotho, a major health project, and we also have in Mongolia a major health project. We are working with Indonesia right now on the compact development process and I understand that there is some interest in that country in health.

So we are active in the health sector, but we aren't going to say, "Because of this initiative we're going to set aside or cause countries to work in that sector." Our model is demand-driven, not supply-driven.

Having said that, our lead director for health is on the steering committee for the Global Health Initiative and helped shape it, and much like the Feed the Future food security strategy, MCC's model has influenced the way that that program will be rolled out.

The second question that had to do with health was looking at -- asking, again, about private-public partnerships and would MCC be interested in a project Guyana for a health training school, and basically the same answer: It's country-driven. We wouldn't go to a country like Guyana, if they were eligible, and say, "You know, we want to do this with you," unless they had already expressed an interest in the health sector.

When we look at how to do private-public partnerships we are going to be soliciting ideas, and we already welcome -- you know, if you have an idea in a country where there's been defined, we're going to work in health, or we going to work in agriculture, if you have an idea of a private partnership that we could help facilitate we'd be glad to hear about those.

The next question is a little bit hard for me to understand, but I think it has to do with how -- given our country ownership approach, where these countries are given quite a lot of authority to implement, manage, design these projects, how can civil society be involved in ensuring accountability? And I would just say, you know, three basic things: MCC's requirements for the consultative process, as one of the speakers mentioned, put a heavy emphasis on private sector involvement, but also a heavy emphasis on civil society involvement. So from the get-go, in terms of figuring out what the country's priorities are, civil society is involved in those consultations.

Once the compact is signed the board of directors typically has a civil society representative on it, and many of the projects have advisory boards or ways that civil society has to weigh in as that project design is developed.

In terms of our fraud and corruption policy and that kind of accountability we are, in Washington, interested in looking at the use of civil society monitors and how we might build that into our program. So if any of you have ideas about that those are welcome.

And finally, really quickly, the last question was also about women-owned businesses. Part of the question was, this woman-owned business has an idea for us about how to better implement our fraud and corruption policy and could they turn in a proposal. I think Jim answered that earlier. We kind of said that if you have that kind of idea for us please contact Jim Blades or myself. We'd be happy to discuss.

We also have been toying around with doing a competitive cooperative agreement to get civil society organizations that have experience in fraud and corruption prevention to help us continue to be on the frontier as we want to roll out our policy into implementation.

And the second question was how a woman-owned enterprise can get involved in uplifting women's economic status, and MCC has a very forward-leaning gender policy. It's on our Web site. Part of the reorganization and one of Mr. Yohannes' top five priorities is getting that gender policy into action even more effectively than it has been to date.

I manage that unit. The procurement opportunities around that would be either on Jim's tab at the Web site -- procurements that help our own staff do a better job of gender analysis in our due diligence process -- or on the places where Gerry mentioned, where you can find opportunities within the MCA compacts to help them put together a gender integration plan and implement it.

Not too many compacts have set aside funds for that but some of them do. Lesotho has about \$1 million or \$2 million set aside outside of the other activities to complement those and ensure that women are involved and women are empowered to benefit, and I think that kind of thing is going to be on the rise under our new management.

So with that, I'll open the floor for questions.

QUESTION: Thank you. Demba (ph), from Saigon (ph), but I'm based here in D.C. with a consulting business. My question was one I just wanted to ask prior to the break, which was about the second point you just mentioned about the knowledge of local challenges, teaming is encouraged.

Actually, if you take, out of the lessons learned -- if you take off the option (inaudible) of reliance on couriers like DHL and FedEx. It's very important for companies --U.S. businesses -- to understand the basics of making business abroad. Because to this point, due to historical and cultural and political circumstances European businesses have been in Africa for a long time, and they're the ones actually reaping the money, the benefits of bidding into those projects and winning and giving, as you may guess, a bit of the obstruction (ph) of money to those indigenous businesses.

So I understand until you raise this point to a level of -- instead of saying, "Teaming is encouraged," I think it should be definitely mandatory for most businesses to successfully implement and successfully win and bid and work properly, and deliver accordingly.

So that was my concern, and this is something that impacts, to this point, if part (ph) of the U.S. test (ph) money going to foreign aid assistance we don't see that much. Private businesses, obviously in the U.S., benefiting really from the other ways of getting back to that money (ph) out of their own pocket, so that was my question, and I definitely would recommend to have some sort of protocol or modality to really do something from your end -- the MCC side -- to make sure the U.S. businesses are really informed on local environments in those countries. Thank you.

NASH: Thank you very much. The bidding documents that we put out actually do have a requirement in there that the country -- or the companies bidding on these jobs should have that experience, should be able to demonstrate that experience. And so that actually elongates (ph) -- it's not MCC's responsibility to make sure the companies have the experience; it's the companies that are bidding on this work that must be prepared to find a way to get that experience, either by having a local organization there or a local team member there, or at least staff members who have been there.

So I totally agree with you. But that is actually why, when you go through the qualification requirements of many of our bidding documents, particularly of Sub-Saharan Africa there is a requirement that they are experienced in Sub-Saharan -- doing work in Sub-Saharan Africa. And if they're not then they will lose points to the counterparts who may be.

SANJAK: OK. You, and then you, and I'll come back...

QUESTION: My name is Stephen Templeton (ph), and I represent IMS Dredge (ph). We supply dredge and port development equipment to 18 Sub-Saharan countries. We've had a number of cases -- I won't go into specifics -- where we've had clients who, if we've helped put together bids, lose contracts against -- and this speaks to the government-owned enterprises -- pastale (ph) enterprises, usually from a large, populous country in the Far East who...

(LAUGHTER)

... who have, first of all, access to subsidized -- they may not be government-owned enterprises now, but they arguably have access to advantageous financing agreements -- for example, the ability to raise performance bonds or advance payments, bank guarantees, without placing assets at risk. They have advantageous tax agreements. They are not beholden to U.S. environmental nor labor practices.

And we've seen cases -- my question is, I understand that MCC is a learning organization. I think there are many of us here who wonder what policies and practices have been put into place to improve the -- to level the playing field against such companies, specifically in public works and large civil engineering construction projects in Sub-Saharan Africa? Have there been any changes or improvements?

NASH: Well, the recent policy that we released that actually excludes government-owned enterprises from being in receipt of any contracts took out the majority of those companies that you're talking about in Sub-Saharan Africa because they actually have somewhere in the neighborhood of \$300 million worth of our contracts right now. And that's when the lights went off, with some help from Congress, that told us...

(LAUGHTER)

... that perhaps we needed to change, and we did. And I will tell you, between the time the discussion started with Congress and the time the policy was issued was about five weeks, which is probably extraordinary in a federal government agency to get out a new policy change of that magnitude. But it was specifically for that reason, to take them out of the playing field, not -- and I know all the reasons why we did it.

And I will tell you, just even based on our experience watching the bids come in, it was really surprising that the majority of the times those same government-owned enterprises were the highest bidders not the lowest bidders, just looking at the numbers. We watched them bid in Eastern Europe; we watched them bid in Africa; we watched them bid in other countries.

And it's like, you would have thought they would have come in with a much lower ball price because of those reasons. They didn't. But I'm glad we took them out of the playing field, so they're not there. So I think we did take care of that problem.

SANJAK: And I also just want to add on that part that you said about environment and labor standards, actually MCC has very, very strong requirements based in U.S. precedent on both environment and labor practices and we do have the authority, and we have exercised it from time to time, to look at particular bids and question whether they are compliant. And so I think a little bit of misunderstanding there: We actually have very strong standards on that and we enforce them.

QUESTION: (OFF-MIKE)

SANJAK: Our oversight continues throughout; it doesn't stop when a contract is awarded. And I don't know if there's anyone here from our environment...

NASH: I can take that one right now. Yes, particular company in question is actually probably the largest construction company in the world, and unfortunately for some companies in here we're actually bringing them up to international standards because they do have our contracts. We have stopped their work; we have made sure they complied with the environmental guidelines that MCC has issued and the safety and health guidelines.

So they are paying a fair wage; they are doing all the environmental things that are in compliance. We are on top of our supervising engineer who is on top of that contractor on a daily basis, and we have stopped their work until

they have correct the situation which, like I say, it's going to make them a whole lot more competitive now in the other areas.

They're not going to get any more work from us but they now have learned how to do international standards, which to me is actually a good thing for the environment anyway, so hopefully they will continue to do it on the other jobs they win but they have actually started learning how to do -- to take care of the environment the way the rest of us take care of the environment.

QUESTION: Good afternoon. It is now. Jackie Shiner, Tetra Tech ARD. We work on the softer side, not on the manufacturing side in ARD side of the house.

This question is more for industry, I think, than the government itself. We have been investigating why we have been overpriced and trying to understand, as I'm sure you have as well, in a fixed price environment you're going to want to have a few expats (ph) and one of the things we've learned is our multiplier is almost double -- and all of us are about the same place in our multiplier -- than the European firms. So right there that immediately takes us out from playing in that sense and we have to have some oversight and a firm fixed price even though we are predominantly USAID so we'd like to hire as many locals to get the local knowledge there.

The other thing that we've learned also is that in negotiations in one of our wins, because we actually did one that was technical only and not cost and technical, the MCA organization was surprised to find out that we had included a lot of the things that are standard practice when you work with USAID as opposed to some of the other competitors that are non-U.S.-based -- for instance, in M&E, the fact that we do work closely technically with them to design it, and as I believe one of you pointed out -- I believe it was you, sir -- that the M&Es vary from place to that, and we're used to that in AID so we automatically cost that in, clearly making us more expensive.

Have you, as a private industry, taken upon changing the way you do business and starting to, you know, look at it differently than how you do the rest of your business in order to compete, or what are some of the ways that you've looked at to try to come down in cost in -- because we're winning technically but we're not winning on cost when it's an 80-20 QCDS?

SANJAK: Luis or Russ? I think that's directed to you.

CHAVEZ: At the risk of giving away trade secrets...

(LAUGHTER)

... we did early on develop cost strategies for MCA engagements that differ from USAID cost strategies. I wouldn't say that the difference is hugely significant but it helps, so that's one of the things that we did early on.

A second thing is that we have, by and large, been limiting the presence of expatriates to, I guess, a minimalist level. And beyond that, I'd just say, you know, we've been -- we've had to be really sharp with the pencil in terms of the costs because, you know, our front office requires a higher fee because of the perceived higher risk, and so that has to be offset somewhere if you're going to be competitive. So that's all I can offer. That's all that we're doing in terms of (inaudible).

WEBSTER: I'd like to add a couple of comments. You know, those of us who have been working principally in the USAID world and have, in the case of my company, certainly not in comparison to the Chemonics, to the DAIs or the ARDs, but have expanded tremendously in the past 10 years with USAID, you have to admit the fact that that kind of a business model drives your operating costs up. I mean, you've got a huge back office operation to be compliant with all of the highly regulated transactions that you do with the U.S. government.

So all I can say -- now, in our case, you know, across the river in courthouse, CARDNO Emerging Markets, USA, we are only about 75 percent USAID, 25 percent other clients. We have offices in the U.K., in Brussels, in Melbourne who work under different business models and we've learned from them.

But all I can say is you have to start thinking strategically because I believe -- and you have to be nimble, right, and you have to be smart about what kinds of costs that you are loading up. This is not business as usual.

But having said that, I will reiterate, I believe that this type of model -- and you heard Gerry make reference to -- and we all are aware of procurement reform that's going on, what's going to be the outcome. But I will tell you, the way that we in the USAID world do business is very high cost compared to the way other companies working with other donors do business. This is an opportunity to get in line.

Is it easy? No. Of course it's not easy. But if you're strategic and nimble and forward-thinking I think you can make it work.

And I note Gerry was a little apologetic about fixed-price contracting -- and all of us should be familiar with the old IQC days of time and materials -- look, again, it's not like having -- if you're operating strictly on a CPFF basis you're not much different than sort of a highly regulated government office. You're lucky if at the end of the year you can, after you take out all of your disallowables, you can make a couple of percent fee.

So you have to really be prepared, I think, to come into a different market with risks, yes, but what's the old adage? Nothing ventured, nothing gained. And so this is really an opportunity, I think, to sharpen the pencils, get nimble, think strategically, think globally, and we've been able to make it work.

We've learned a lot, believe me, on the pricing side the last couple of years with some of our fiscal agent and procurement agent bids. But you've got to get in and you've got to be willing to be in for a while before you start learning some of those lessons. So that's all I wanted to say.

SANJAK: Are there questions over here? Yes?

QUESTION: I'm Michael Davidson (ph), with Cowy (ph), and just as the presenters up there, we've been doing some work with the MCA -- more MCA than MCC. I think that the presentations we got for both of the gentlemen was excellent, right on. It's very much reflect on our experience.

We've been trying to think strategically -- I mean, we've been always trying to think strategically, and one of our strategies was, we want to be in the countries where we have a long-time presence. For some reason that was not a good idea.

So, I mean, I think maybe there wasn't -- early on maybe some transparency issues that was not -- you know, that was -- maybe they are maybe under the table. Lately we have seen -- we haven't seen anything like that; we are working now totally -- our strategy is to be the best, be very strategic and find a way to write good proposals.

And I think if you know the sector, you know the country, and you can write a good proposal the fee itself is not a problem. At least it's not been a problem in our case.

Now, let me reflect a little bit about some of the -- give a little feedback, as well, to you. We very much would like there to be some kind of prequalification -- I've talked particularly about a short list of maybe six firms instead of having this completely open-minded. That would make my decision so much easier when I have to allocate a pocket (ph) when we have to go out and write a proposal.

It's expensive to write proposals. We'd like to know that we have a theoretic (ph) chance of whatever percentage that will be.

I think the fact is there's not that many proposals getting in so maybe it doesn't really make a difference, but up front for us it's harder for me to make a decision, say I'm going to write off \$100,000 (ph) to this proposal not knowing if I'll be faced five competitors or 15 competitors. Sometimes working in our case in the Francophone countries I think it would be helpful just to have one-language proposals.

There are, you know, silly -- at least in the one country, one there was a requirement of submitting proposals in both English and French. That does take more time; it does cost more money to translate 100-plus pages from one language to another.

I'd like to see the Web sites of the MCA countries to be more homogeneous. They look like the same, maybe, but they're not the same, so maybe a more homogeneous framework that is just annotation (ph) and so forth, that could be something; regular updates at the local MCA Web sites, emphasizing on that.

And then both of my colleagues, I guess we should call each other, saying, as different stakeholders in the process, and I think that's very important that you understand who is your client, and who's releasing the money, and so

forth, and that is a spider web. And until you understand the kind of key performance indicators of each individual agency -- I mean, the procurement agency, the physical agency, the project supervising consultant, the MCA, the MCC local -- that helps you when you have understood each individual's key performance indicators and we're trying to learn from that, and that's a little bit different from country and project.

I think I had one more point. No, I'll leave us with a -- it's not really -- it's more like a comment, I think, you know to give you feedback, and thank you very much for organizing the event. Thank you.

SANJAK: I don't know if Sinnammal or Gerry want to reflect on a couple of the comments that you made, I think would be useful.

SOUPPAYA: Is it on? Hi. I'm Sinnammal Souppaya, working in Francophone country, Morocco, Mali, Benin, and previously Madagascar.

At the beginning of the Madagascar compact I recognized that there were bids that -- requests for bids or invitation for bids that were issued and they asked for proposal in English and French, and later on MCC approved a waiver for a proposal and bid to be submitted in French only. And now it is true for most of the Francophone countries -- for Morocco, for Mali, for Benin.

Proposal and bids are being submitted in French only. So I hope that would reduce the burden to the compact in community to the bidders in preparing and submitting bids or proposals. Thank you.

SANJAK: Gerry, did you want to talk about the pre-qual, or Sinnammal, do you...

NASH: No. I know that as we discussed -- you and I have discussed short lists before, and actually looking over our history of the number of bids received, and given our five-year timeframe, that is actually the reason why we normally do not do short lists is it's only because the number of bids normally coming in are somewhere between three and seven. So we did a short list -- very seldom do we ever get, on our consulting contracts in particular, do we ever get more than six or seven proposals come in for the majority of these countries.

So where there are situations where we believe that we're going to get a large number of -- when the -- what do you call it -- the procurement agent has gone out and done a preregistration via the Net just to get an indication of how many companies are interested in competing for this particular procurement, and the indications are that we're going to have a large number, then we do that. But the prequalification, the short-listing process does take time. It takes months, and those are months sometimes we don't have available to us with the five-year clock.

I know where you're coming from and I hear you, and we have been doing that. We're doing more of that now in -- even in the construction side than we were for a while. I think we learned some lessons where we went away and just started doing just full and open on the construction side, so on the construction side we're doing more prequalifications.

But the short-listing is still -- it's a case-by-case depending on what the market looks like it's going to be.

Is there anything, Mary Jo or Sinnammal?

JOHNSON: I'd only like to add that because of our competition principle, if several companies are qualified we don't disqualify them just to reach a certain number of six or eight. It is one of our major principles at MCC, is competition. So we've found that often this takes a lot of time and we really cannot eliminate a company that's qualified.

NASH: Thank you. Absolutely right. I forgot about that part. It is key.

Unlike World Bank and some of the other donor organizations where they say they're going to do a short list and it's going to be five companies and then they go through and they do a short-listing process and then pick the five that they want, to us that's actually not transparent, that's not fair, and that's why we put out -- if we do a short listing or we do a pre-qual, and if 12 companies are qualified based on their prequalification or short-listing documents then 12 companies are on that short list.

We do not exclude anybody. We do not handpick who is going to be around to submit or not submit proposals. And that's one of the things we did change that some of the other donors do it a little bit different than we do.

SANJAK: I think we can take one more or two more questions if anyone would like to ask or make a comment.

OK, well it seems like we're finishing exactly on time. I just wanted to conclude by saying that MCC really is a learning organization. I want to thank you all for the robust and constructive comments you gave and thank SID-Washington one more time for helping us organize and host the event.

So thank you all and have a good day.

END

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