

MCC Hosts Post-Board Public Outreach Meeting

Speakers:

Chuck Cooper, Congressional and Public Affairs
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Daniel Yohannes, CEO
Millennium Challenge Corporation

Mark Green, Board Member
Millennium Challenge Corporation

Deidra Fair, Department of Compact Operations
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Jim Parks, Department of Policy And Evaluation
Millennium Challenge Corporation

Theresa Osborne, Economist
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COOPER: Good morning. My name is Chuck Cooper, and I'm the Vice President for Congressional and Public Affairs at the Millennium Challenge Corporation. Thank you for being here today.

The MCC Board of Directors met yesterday, and today we're convening our quarterly public meeting to update you on the Board's actions and to also update you on recent developments at the Millennium Challenge Corporation.

This is part of our ongoing commitment to transparency and also maintaining an open and frank dialogue with you, our stakeholders.

I'd like to talk for just a minute about how we're going to proceed today. First, we're going to be hearing from our CEO, Daniel Yohannes, who's going to be providing an update to you about the Board's actions and also talk about recent developments at the MCC. Daniel has just concluded his first year as CEO at the Millennium Challenge Corporation. I think it's fair to say that it's been a year that's been marked with many new opportunities and some challenges, and a lot of great results. So we'll hear from Daniel about that.

Next, we're going to be hearing from Ambassador Mark Green, who is our newest Board member. We're very excited about Ambassador Green joining us on the Board and joining us at MCC. We think he's going to be a tremendous asset, given his congressional and diplomatic and non-governmental experience, so we think he's going to have a major impact here.

And then we're going to convene a panel discussion, and we're going to talk about the new Malawi Compact, which was approved by the Board yesterday. We're going to talk about the Cape Verde closeout, the closeout of the compact in October, and we're going to have a discussion about country selection and the Board's decisions with regard to country selection.

So with that, I'd like to introduce our CEO, Daniel Yohannes.

YOHANNES: Thanks, Chuck.

Good morning. Thank you, Chuck, and thank you all for being here this morning. Also want to thank our country ambassadors in attendance today.

As Chuck mentioned, the Board yesterday talked about a lot of different things, which I'll go in detail afterwards. And first, I just want to give you some of the highlights from last quarter. Of course, November we had an election, right, and the election returns MCC friends to Capitol Hill, and also brought many new faces. We welcome the opportunity to work with all of them, both Republicans and Democrats, to make sure we're spending taxpayer dollars as efficiently as possible in the fight against global poverty.

As change comes to Washington, we found that more unites than divides our vision for global development. There is a bipartisan consensus around the core principles of aid effectiveness that are essential for sustaining global economic prosperity, principles that focus on results, accountability, transparency, country ownership, sound policy performance, and investing in economic growth.

There is a common recognition that MCC has been putting these core principles into practice since our creation in 2004. There is assured understanding that, even in these difficult economic times, investing in global development is a moral, a strategic, and economic imperative for the United States. And the MCC Board will play a key role in

reaching out and working with the new Congress. We're glad that Alan Patricof has been confirmed for a second term.

And we are extremely excited to welcome our newest MCC Board member, Ambassador Mark Green, and we'll talk about Ambassador Mark Green in a few minutes. Mark is with us today. Also, he'll talk about himself and what he's accomplished in a few minutes, as well. He's been a great friend. And Mark was in Congress when MCC was created in 2004, so we're very delighted to have you, Mark.

In addition, last quarter I had the opportunity to visit three MCC countries. I was in Cape Verde. Cape Verde was the first country in Africa to complete the five-year program. It was done on time and on budget, and with significant results on the ground. And as I travel to many of those countries, as I did last year, I become a believer that the model we have at MCC really works. Country ownership, transparency, accountability and emphasis to economic growth, real results.

In addition to our investments, we are seeing significant reforms that are being made by our partner countries, creating opportunities for their countries, creating opportunities for the private sector, creating the conditions in those countries for success. So I must tell you that the model really, really works.

I also had the opportunity to visit Moldova. Moldova signed the Compact earlier this -- last year. In fact, it was my first compact to sign. And of course, I saw the work that -- being prepared to be completed the next four and a half years, primarily in agriculture infrastructure.

And then, I had the opportunity to visit Georgia, another great country. Georgia was complete its five-year program this year in April. I saw the rehabilitated gas pipeline that were done by MCC, helping Georgia become more energy secure. I drove another 223 kilometers for -- from Tbilisi all the way to the Turkey and Armenia border. It's a wonderful road. In fact, the president, President Saakashvili, talked about MCC build the best roads in the universe.

In fact, in one of his public statement, he told the audience that there's been three major roads build in Georgia in the last decade. Two were built by the Russians to divide us, one was built by the Americans to unite us, referring to MCC roads. And that road is bringing a lot of opportunities for the Georgians, provide them with the access to market, you know, access to clinic, access to everything.

And it's a wonderful road, and also provided them with tremendous opportunity for tourism, because some of the locations I have visited down south was not accessible to tourists. A great place, a great monastery built about 1,200 years ago, but it was simply not easy to get in, so MCC is making it possible for the Georgian to have those many tourists in that location.

Now, they tell me that the -- you know, the road has created at least a minimum of 3,500 jobs -- you know, just the last couple years. And I'm sure that opportunity would increase as we go forward.

I also spoke to a number of small business owners when I was in Georgia. We assisted approximately 400 small business entrepreneurs. I went to this guy, who was just wonderful human being, a trout farmer, who was previously producing about eight tons of trout per year, and now he's producing approximately 18 tons of trout per year, and he was able to hire about four or five new employees and expanding his business. And his income has grown tremendously since he was assisted by MCC.

I also had the opportunity to visit a dairy processing center closer to the Armenian border, and again, another success story. The two couples have hired approximately 85 people to work in the dairy processing center. In addition, they are supporting about 300 farmers in the region.

So I could tell you many stories success -- (inaudible) success, but the fact of the matter is the model works. It's lifting people out of poverty. It's transitioning many of those countries from poverty to become self-sufficient hopefully very soon.

So I could tell you that, in the last year since I've been here, I've here now, as Chuck said, for about a year. I've been to about seven different countries. In every country I visit, I come convinced that American taxpayer's dollar is being used effectively, efficiently lifting people out of poverty. So as a taxpayer, I must tell you that I'm very happy to see what has been accomplished. So it's a great program.

After I returned from our visits, of course we signed the Jordan Compact, which is a \$275 million compact presided by Secretary of State Clinton. Again, it's a great program. It's going to be able to help Jordan become more water secure, whereas Jordan is one of the poorest country in the universe in terms of water. And we're going to be able to help approximately two million people in Zarqa, which is the second largest city in Jordan. So it's a good program, and it's also -- what makes this program very unique and different from others is the fact that we do have a private sector partner in this deal.

And then also, last quarter we signed an MOU with the United Nations World Food Program. This is an extension of an MOU that was signed in 2008. And with our MOU, the World Food Program purchased about 1,000 metric tons of maize from Ghanaian farmers who were trained by MCC. I mean, those farmers are not only, you know, producing crops for themselves, for their families, for their communities, but they're also producing for their country, helping them to become more food secure.

And because of the success of this program, we are expanding to include other for additional countries, Mozambique, Burkina Faso, Mali and Senegal in addition to Ghana. And these are all countries where we are having some significant investments in agriculture. So we're really excited with the opportunities to help many of

these countries become food secure, and also to see the fact that these are countries that are selling food to other neighboring countries. So this was a wonderful program, and we'll continue with it.

As Chuck indicated, the Board met yesterday and approved compact from Malawi, which we'll talk about in detail in a few minutes by the panelists. But this is a great opportunity for MCC. It's a great project. It's going to help Malawi become energy secure. It will help approximately 5.9 million people out of 50 million people over the next 20 years.

In addition to the significant investment, the Malawi government have agreed to make some significant changes, to make some significant reform and policy areas, really creating the path and creating the conditions for the future for private sector investments. And it's a very nice (ph) -- so it's a great compact. We are very excited. And I believe I have an appointment to speak with the president today to tell him the good news. Of course, we have passed that information to the ambassador, but, you know, we've been working with them for four years, and this is a great opportunity.

In addition, the Board selected Ghana and Georgia as eligible to submit proposals for second compacts. I've been in Ghana. I've seen what has been accomplished, as well. They've been great partners. Both Ghana and Georgia have been great reformers, and also they are implementing the programs extremely well. So it is a great selection, and we look forward to working with them again.

The Board also agreed that Cape Verde, Indonesia and Zambia remain eligible to submit proposals for MCC Compacts.

I'll stop here, and we'd be very happy to take questions before I introduce Ambassador Green.

Yes, ma'am?

FEENEY: Thank you. Paula Feeney, Cardno, and Happy New Year to you.

YOHANNES: Happy New Year to you, too.

FEENEY: And colleagues. Thank you for hosting us.

Could you share, was there any discussion regarding the Threshold Program at the Board meeting?

YOHANNES: The -- thank you very much. The Board decided to defer the Threshold discussions hopefully to the next Board meeting, which is in March.

Any other questions?

Great. Well, now it's my great pleasure to introduce MCC's newest Board member, Ambassador Mark Green. Mark is no stranger to international development. He served as the managing director of the Malaria No More Policy Center. Previously, he served as U.S. ambassador to Tanzania. In fact, Mark was ambassador when MCC signed \$700 million deal with Tanzania. I'm sure he had a lot of opinions about the compact. I was teasing the ambassador that, when I was in Tanzania last year, there were a lot of roads built after your name as ambassador, so they must love you very much.

But anyway -- but also, I think the most important thing is, besides doing an outstanding job as our ambassador in Tanzania, Mark was the architect when MCC was created in 2004. He knows MCC extremely well, better than anybody else. So we are extremely delighted to have Mark serve on our Board because it helps tremendously when you have people like Mark that really understand the because, that really believes in the business.

So Mark, with that, I'd like to have you come here, say a few years, and great to have you, all right?

GREEN: Well, thank you, Daniel, although I will say he has shown poor judgment in one respect. He has given a former diplomat and politician a microphone and then said he'll offer just a few words. Very, very dangerous thing to do.

I am honored to be on the Board of the Millennium Challenge Corporation, and very grateful to President Obama for this great honor.

As Daniel mentioned, I was an original co-author of the MCC legislation. I, in fact, was the whip on the House Republican side gathering the votes. And so I remember so clearly going to House members, conservative and moderate, talking about this new program, this new idea, explaining it and getting their support and really trying to talk to them about this strange new idea that we were trying in foreign assistance.

To be there as the Tanzanian Compact was signed and as it was implemented was also a great honor. And I can tell you, from firsthand basis, that the MCC team here and around the world is extraordinary, dedicated, talented, and I'm immensely proud of them.

But now, to be here with the Millennium Challenge Board and to help in some small way shape policy, well, it doesn't get any better than that. It's very, very rewarding for me.

When we created the MCC in 2004, you know, we really set out to forge a new approach to American assistance in the developing world, one whose products and tools are as clear a statement of our values and beliefs, those values that we believe are important as Americans, taxpayers and entrepreneurs as we could possibly do.

It's reflected in the fact that we use scorecards and indicators, sometimes imperfect, but nonetheless, objective measures of those values that we believe are the key to economic growth and important to democracy in ruling justly. It's reflected in the fact that we don't do grants, we do compacts; that we don't give money, instead we enter

into arrangements as equal partners with reciprocal obligations, both sides having responsibility and the benefits being earned.

It's my view that the MCC should publicly reinforce and reaffirm these values as clearly as we can, without hesitation, every step of the way. I think it's fair to say that that was reflected in the Board discussions yesterday. Whether I was expressing my bias of the importance towards low-income countries as being those that we should focus on as much as possible, or talking about the need to look at global fund investigations of issues that we may see in the developing world, or whether it was talking about the opportunity for private sector investment to build upon the compacts, all of that I think really is in line with that statement of values and beliefs.

As ambassador, I did have the chance to see a compact being signed and then implemented. So I know firsthand how challenging the path can be to earning that compact and to implementing that compact. But I can also say without reservation, I too have seen the model work, and I too am a big believer in the model and what it can achieve and what we can achieve as equal partners with reciprocal obligations, obligations built around those American values.

So Daniel, again, it's great to work with you. I'm very proud of the work that you're doing, that your team, our team is doing. And I look forward to doing whatever I can to help lift it higher.

YOHANNES: Thanks.

GREEN: Thanks.

COOPER: I know that Mr. Yohannes has to leave momentarily for an important meeting. But as that happens, I'd like to call the panelists to the front, to the table. And as they come to the front table, I will introduce them.

Our first panelist is Deidra Fair, and she's a director in the department of compact operations. And Deidra is going to be speaking to us about the Malawi Compact.

We'll next hear from Ariane Gauchat, who is also a director in the department of compact operations. And she will be addressing the Cape Verde closeout, compact closeout.

And then, finally, we're going to have a discussion about country selection, and that discussion will be with Jim Parks and Alicia Mandaville, who are with our department of policy and evaluation.

Deidra?

FAIR: Sure. Thank you, Chuck.

MCC is excited about the Malawi Compact, as this compact presents an opportunity for MCC to have a significant impact on poverty reduction and economic growth in Malawi by removing one of their key constraints to growth, and that's access to unreliable -- I mean, it's access to power and also unreliable and poor quality power.

The \$350 million compact is highly integrated and focused. It's a foundational investment that addresses the urgent problems in the power sector as well as provides a platform for future growth.

Before describing in more detail the compact, I just wanted to give you a little bit of background about compact development. The process began in 2008 with a constraints analysis that was conducted jointly with the government of Malawi, African Development Bank, DFID and World Bank. We happen to be very fortunate that, at the same time that we were embarking on the MCC process with the government, that DFID and the World Bank and African Development Bank were planning to conduct a joint growth analysis. And so we joined forces.

And needless to say, in a country like Malawi, a lot of things were a constraint to growth, but power really came out at the top of that list as a constraint to not only businesses, potential new investment, as well as households. Here are some just brief stats. In Malawi, only 9 percent of the population has access to power, and in rural areas it's even less, at 1 to 3 percent. Thirty -- there's about 30 to 50 megawatts of daily load shedding because capacity demands and generation capacity don't match. There's a lot more demand for power than they have generation capacity.

The total install capacity of the country is only about 286 megawatts, which is very small for a country of 15 million people. This leads to rolling blackouts that can last up to three to five hours a day, or all weekends. It depends. They actually schedule them in the papers. So sometimes, if you're lucky, it'll happen on schedule. Other times, it can happen and really, you know, deprive people not only of productivity but also quality of life.

The network is undersized, and therefore cannot convey all the power that is generated to the consumers. And network losses are high, about 20 to 25 percent compared to a world average of 8 percent. So even the power that can be conveyed through the network, a big percentage of that is lost.

So after the constraints analysis, the MCA, our counterpart there in-country, conducted a very robust national broad base consultative process to get stakeholder's views on the constraints analysis, as well as identify potential MCC Compact projects. And these consultations included private sector NGOs, civil society, rural areas, women's' groups, youth groups, as well as academia.

And one of my favorite parts of the job is to visit rural areas during consultations and to listen to people in terms of how this constraint impacts them in ways that maybe not intuitive to us sitting in Washington, but when you see people standing in line -- a woman standing in line for hours trying to get their maize milled after they've walked several hours but the power is out, so they're all sitting around waiting for that is -- you really see how it impacts the people where they live.

After the consultative process and the country started to look at how they wanted to development the compact and what they wanted to focus on, and one of the things that they saw was -- more so than what they saw, they looked at their Malawi -- their growth and development strategy. And one of the things that the country said they wanted to do was to diversify their economy and improve their competitiveness.

With these power outages, Malawi has one of the highest -- well, has the highest rate of sales lost due to power. About 20 percent of businesses, according to the World Bank Enterprise Service, 20 percent of the value of the sales of businesses is lost due to these power outages, which is three times higher than the sub-Saharan African average.

When these power outages occur, businesses either must switch -- either must lose productivity, or they switch to more expensive substitute forms of power, such as diesel generators, which it can cost 10 times more than reliable grid supply of power. Even at the level of new investment, new firms are always mentioning that access to electricity, or available, reliable electricity is one of the key drivers of their investment decision.

Without this, they simply won't invest in the country, or they can't expand their businesses. And this deprives Malawi of the opportunity for potential investments in agri-processing and irrigated agriculture and manufacturing, among other sectors.

There's also a burden on households, as well, households who can afford it have to purchase kerosene for lighting, which is, again, vastly more expensive than grid supply power, and also social services, hospitals and schools also go -- those needs also go unmet. Talking to university students about -- who are majoring in information technology but yet can't access computers because there's no power and can't do their homework. And so talking to these students at Mzuzu University and the Polytechnic, again, really opened our eyes to these challenges.

So after that process, that extensive consultative process, the chairman (ph) of Malawi submitted the proposal to us in 2009, asking us for a investment in the power sector. And after an extensive process of feasibility studies and environmental impact assessments and gender analysis and appraisal and due diligence and sector analysis and institutional analysis, we -- a very expansive process -- we worked with the government to develop an investment that would revitalize the sector. It's focused on the restoration and upgrade of the infrastructure, the power sector infrastructure, as well as power sector reform efforts.

The infrastructure development focuses on the key generation and distribution assets in the system. And the power sector reform piece I think, even though the infrastructure is \$283 million versus the \$26 million thereabouts for the power sector reform, we really see the power sector reform is key. It underpins this whole investment.

And it focuses on the corporate turnaround of electricity utility and creating an environment that supports investment in growth. And we're fortunate to have a partner in the government of Malawi that is very, very motivated to fix this problem.

And they've already taken some significant steps. They've invested their own money, the government of Malawi's own money, in additional capacity. They're looking to expand by 64 megawatts one of their existing plants. They're also moving toward cost-reflective tariff in order to make the sector more sustainable as well as attract new investment.

And they've also committed time and resources and political capital to improve the performance of the parastatal utility. And after many years of losses, this was the first year that they eked out a positive net income, which is a step in the right direction.

The project covers the entire country, from north to south, starting in the south with a refurbishment of their oldest power plant. It will improve the capacity of the plant by 25 percent and also should extend the life by 20 or 30 years. It also upgrades critical sections of the transmission backbone in order to remove those bottlenecks to conveying power to key load centers. And then, also it focuses on upgrading, expanding and rehabilitating the modern -- and modernizing key distribution assets throughout the country.

As I mentioned before, in addition to this, we will, you know, spend about \$26 million for TA and capacity building for the power sector, working with the regulator as well as the utility, the ministry of energy, and we're excited to partner with our colleagues at -- especially partner with our colleagues at USAID, as well as USTDA, in order to provide this assistance to the government.

The program is expected to have a significant impact on poverty reduction in Malawi. As Mr. Yohannes mentioned, our economist estimates that over 5.9 million beneficiaries and \$3.1 billion in income benefits could accrue because of this project. And the key drivers of that economic value are the preservation and creation of jobs through expansion of energy and new investment, a reduction of energy cost for households and businesses, and improvement of productivity in key sectors. And the majority of these benefits will accrue to the poor and the very poor.

In addition to the poverty benefits, the restoration and upgrade of the system will have significant technical impacts as well. I mentioned before the increase of generation capacity by 33 percent. The network throughput will increase by almost 60 percent. And these economic benefits are very significant. However, I think it's important to emphasize that the -- although the economic rates of return are very high, this is a project that's really focused on revitalizing and restoring the sector.

The -- a lot of the additional demand in throughput capacity will go toward improving the reliability of power, but we will need to partner with private sector and other donors and other key stakeholders to help the government

attract new investment in generation, because without this new investment in generation, we really can't achieve the access numbers that the government of Malawi wants to attain. They're very ambitious. They want to double capacity, double connections over the next decade.

And so, I am asking those in the room who are -- who do have an interest in investing in the power sector in Malawi to please see me after the meeting, because we -- I'd love to tell you more about the potential opportunities and also some of the activities that we're working on with the government of Malawi to attract that investment.

And so, with that, I want to say thank you, and I look forward to answering your questions.

GAUCHAT: Thanks, Deidra. As our CEO mentioned, the \$110 million Cape Verde Compact closed out in October of last year. There were many achievements -- there were many achievements under this program, as well as lessons learned from the early compacts that inform both the next generation of compacts as well as are currently informing the second compact development process underway.

So I think, really, the best way to understand the impact of the program is really to hear directly from the program beneficiaries and from those that implemented the program on the ground. And so, to that end, we're going to show a short excerpt of a video that was produced by MCA Cape Verde. The entire video is available on our website, so this excerpt will not go through the Port Project nor the government reform aspect, so I encourage you to look at the full video on our website.

(VIDEO PLAYED - [click here to watch online.](#))

GAUCHAT: In the interest of time, I think we're going to stop there. But again, the rest of the Web -- the video is available on the website.

I think the video does a great job of showing sort of the tangible results on the ground, and I just want to point to a few of the more intangible results that I think exemplify the MCC model and how it worked in Cape Verde.

The first is the importance of the governance model. I'm not sure if you're all aware, but the MCAs in our countries are governed by a Board very similar to the MCC Board, mixed public-private Board that has strong representation by the civil society and private sector members.

So in the case of Cape Verde, this Board met without fail on a quarterly basis. The minister of finance chaired the Board. And the Board was really essential in helping to navigate through the inevitable challenges of implementation and to serve as a really direct oversight mechanism over implementation in the field.

This Board was also critical when pushing difficult policy reforms, which again always face inevitable challenges and are a significant and involved process during implementation. The Board is also supported by a stakeholder

committee of civil society members who, again, provided oversight on the ground and represented the voice of beneficiaries.

The second aspect I'd like to highlight is the importance of policy reform. I think, in your handouts, there's a story about policy reform in Cape Verde. But Cape Verde is a good example of the MCC effect in terms of the importance of retaining MCC eligibility. Cape Verde graduated from a lower income country to a lower-middle income country status, and so there was a lot of work to be done to then qualify as a lower-middle income country.

And so there was a committee set up in-country, inter-ministerial committee, that both focused on improving the data itself as well as pinpointing policy reforms that could be -- that could be tangibly achieved in a short timeline.

In addition, there were major policy reforms embedded in the compact itself. The video pointed to one policy reform area in the agricultural sector related to lifting an embargo on agricultural exports from one of the agricultural islands. And there were major policy reforms in the micro-finance sector, as well.

Think a third area I'd like to point out is how the MCC programs strengthen government systems. So in the case of Cape Verde, the government itself served in the role of a fiscal agent. And we invested in strengthening the financial and procurement systems, as well as some of the monitoring and evaluation systems. And so, I think the advantage of working in a smaller country such as Cape Verde is that there's -- the MCC program is quite high profile in-country, and that, when models work, the government really took notice and rolled out those systems more broadly.

So for example, the procurement guidelines were adopted broadly in the country for all public procurement. So I think those are some of the intangible results that don't always get captured in the results that you will see on our -- or ER our spreadsheets. So, you know, it will take some time for MCC to assess the impact of these programs, and in some cases that will take several years.

But again, I think that the program really exemplified, you know, the MCC model on the ground in terms of a clear country ownership and accountability. And I think you saw that in the kind of pride you saw, both from beneficiaries and stakeholders involved in implementation. So I'd be happy to answer any questions during the Q&A session.

PARKS: Thanks very much. Good morning, everyone, and after those -- it'll be hard for me to follow those really interesting presentations, because you see the countries, you know, the action on the ground in the countries. And that's what, I think -- what we're all about, in the end.

But to get there, of course, there to that stage in a country, there's a selection process, a very rigorous one, and I'm going to give you a little bit more detail on the discussion yesterday at the Board on country selection.

As Daniel mentioned, the Board selected two new countries as eligible for compacts, Ghana and Georgia. Both cases, these are second compacts. Let me give you a little more background, then, on how we -- how we envisage second compacts.

The criteria for second compact eligibility are, in fact, stiffer, a little bit tougher than for first compacts in addition to the policy criteria that we apply for consideration of all countries. For second compacts, countries must have implemented the first compact effectively, and we look very closely at a number of aspects, including the nature of the country partnership, how solid and vibrant it is, the degree to which the country has demonstrated commitment and capacity to achieve results, and we look at, to the extent possible, the interim results, the initial results; and the degree to which the country has implemented the program in accordance with our values and our standards.

I'd like to let you know that we have posted yesterday a guidance note, new guidance on second compacts, and that's consistent in timing, so we wanted to put that out in time, in sequence with the Board decision. So you may want to look at that on our website.

A few words on Georgia. As Daniel again mentioned, the Georgia Compact will come to an end, the first compact, in April this year. And we believe the program is on track. I think you got a very vibrant description from Daniel in terms of what has -- what has been achieved, so I don't think I can add much to that.

On the policy front, looking towards the second compact, Georgia is widely recognized as a top performer investment climate. It regularly tops the list in the encouraging economic freedom category, and that's a very impressive performance.

Some of you may have noticed that this year Georgia did not actually meet the full criteria in the investing in people category, and there's a very clear explanation for that. It had to do with decreased coverage of immunization, which we looked at very closely with the government and in consultation with WHO. And we understand this is primarily due to a temporary shortage of a particular vaccine, and we don't believe that this constitutes a reason for any sustained reduction in policy performance in this area.

Turning then briefly to Ghana, the Board, as you've heard now several times, also selected Ghana as eligible for a second compact. The first compact will end in February 2012. The government has prioritized investments in Ghana in the area of private sector, and we've seen already tangible interest from the private sector leveraging those investments.

On the policy front, the case for Ghana is quite clear. Performance -- policy performance has been strong and consistently so. Ghana ranks among the top LIC performers in the category of ruling justly. It's recognized as a vibrant democracy, dynamic West African economy, and clearly the kind of environment where MCC investments can prosper.

Turning then briefly to Thresholds, as again, Daniel mentioned, the Board decided to defer consideration of Threshold -- of country selection for the new Threshold Program to later this year. As I think we have discussed with you in prior -- in prior sessions, MCC has recently concluded, or -- a broad-based review of the Threshold Program to assess its achievements and program objectives, how well it was achieving these.

Based on the results of that review and the initial evaluations of the -- some of the early Threshold Programs, MCC has developed a refocused Threshold Program, and together, in consultation with our partners at USAID, we developed a body of lessons learned in the Threshold Program to be applied, going forward. And again, those lessons are available on our website, together with the initial program evaluations.

MCC is committed -- and the Board made this very clear -- committed to the new Threshold Program, but it wants to ensure that the program is piloted in the right locations, and therefore decided to take more time in its considerations.

Turning briefly to compact development, I think those of you who follow us clearly know that the Board reviews -- also reviews the performance of MCC's current compact partners, those countries which are in compact development is -- their policy performance is reviewed on an annual basis as part of the selection process.

As Daniel in this context, again, informed you, the Board re-selected three countries that are in compact development, and those countries are Cape Verde -- we heard just now a discussion of their performance on the first compact -- Indonesia and Zambia. I'd be glad to take your questions on those if you have -- if you have some issues you'd like to discuss.

The meeting was also an opportunity for the Board to review the performance of those countries that are already implementing compacts and threshold programs. And again, if any -- if you have comments or questions on any of those countries, we're glad to respond. If we're not able to respond here at the table, we have our friends in the audience working in those countries, and be glad to take your questions.

In closing, I'd like to say that MCC is building on the great year we've had. We're looking forward to working closely with all of our country partners. We're also -- we also look forward to continuing engagement with countries that are working to qualify for MCC programs and continuing our dialogue with those countries on their policy reform efforts and supporting them in their efforts to move towards eligibility.

Well, thank you very much. And I think, with that, we're -- we may open for questions.

COOPER: Thank you, panelists, for your presentations. We'd be happy to entertain your questions if you have any. I'd just remind you to please make sure you state your name and your affiliation, and speak into the microphone. Are there questions? Yes?

QUESTION: David Baxter, Jacobs Engineering. Just had a question regarding Malawi. I come from Southern Africa, so I know what all the rolling blackouts are like and the issues that Malawi is facing.

But one of the biggest issues that's facing Southern Africa is affordability by rural communities to pay for those services. So it's great to bring the infrastructure and development the infrastructure, but if people can't pay for it, you're not going to have a good investment profile that anyone's even going to be interested. What is MCC doing to encourage or find ways that rural communities can afford to pay for electricity?

FAIR: That's a good question. And we're fortunate to be joined by our economist from the MCC country team. We've had these discussions, especially in terms of tariff levels. We've -- currently, the tariff's are below cost recovery level. And so, in order for the sector to be sustainable, as you know, they have to get to those cost recovery levels, but they can't forget how -- about the poorer groups and how those groups can be served, as well.

Theresa, can...

OSBORNE: Hi, sorry. First, I think it bears just clarifying, first of all, that the primary focus of the compact actually is not to extend into the rural communities, but that the objective of the policy reform agenda would be to enable an expansion of the system, which would include rural areas eventually. At the moment, the system is unstable and unable to serve many more rural customers than is already -- than it is already serving. But obviously the goal, in the long run, is to get to as many people, rural and urban, as possible.

In terms of affordability, the problem right now in Malawi is actually a little bit the opposite. People are paying a very large multiple of what it actually costs to produce and distribute electricity in a country on alternative sources of energy, including, you know, kerosene for lighting and diesel generation, for those who can afford to get it -- to get a generation.

So the way we're sort of looking at it is that it's actually unaffordable not to have electricity just for basic energy needs. I think the key issue for poorer people pick (ph) is really the connection fees. Is there a way of finance or save up to pay for connection fees, or is there a way for the utility to finance that poor people.

And so I think, as we go forward in the ongoing discussion on tariff levels and including brackets for connection fees, there will be a discussion about affordability as the regulator takes those issues up and we engage with them on those issues. Affordability for the poor in particular will be -- will be taken into account. I hope that answers your question.

LARUE: This is related, and so I appreciate the timing right away. Two sort of questions related to this. To what extent -- my name is Rick LaRue. I'm with the Solar Electric Light Fund.

In Haiti, for example, grid access was estimated, before the earthquake, at about 25 percent, but only half of that was official. The 9 percent figure that you indicated, is that official? To what extent is unofficial access to the grid an issue?

And then secondly, in terms of extending to the rural areas somewhat, you know, supplemental to, or subsequent to the compact, will renewables be looked at in terms of reaching those communities where the grid cannot reach?

FAIR: Thank you. In terms of the access number, that comes from their latest -- Malawi's latest household survey. So we're assuming that there -- it's probably official. I don't know if people would say, "Yes, I have access," and they're stealing, so it's probably more along the official lines.

In terms of renewable, I'm glad you brought up that point. Actually, 99 percent of Malawi's power is generated by hydro-electric. This is not including the -- probably up to 50 megawatts of just standalone diesel generation they've had to -- that businesses have to use. But in terms of the grid supply power, it's pretty much all renewable. And there are many other renewable resources they can exploit, such as solar and winds, and even potentially geothermal.

And actually, we worked with our colleagues at the U.S. Department of Energy and Idaho National Labs. MCC funded a renewable mapping exercise, and we plan to launch that sometime next month. And that'll be a map of Malawi that shows where these renewable resources are located so investors and other organizations such as yours, who are interested in expanding access to solar products or other renewable products in the rural area, can see where there's the greatest potential.

But in terms of those opportunities, even though this compact does not -- directly funding those types of projects, but we are doing the intensive work with the government to ensure that the enabling environment exists for you to be able to operate. Because as we mentioned earlier, the -- currently, the government really wants private sector to come in, but they recognize that there's some policy reforms that have to happen in the interim.

But I'd love to talk with you after.

COOPER: Other questions?

QUESTION: Thank you. My name is Marshall Kilojen (ph). I am a freelance reporter in Cameroon. Yes, my question is to know what is the average timeframe does it take from the initial application for a country to be qualified? And I also want to know if the MCC can directly assist the country candidate to meet the eligibility requirements that the intervention of a (inaudible)?

FAIR: All right, so thank you. I think in general, maybe it's helpful to highlight that MCC's Board meets annually to make a decision about country eligibility. And any country whose income falls into either the low income

country bracket or the low-middle income country bracket is considered at that time. So it's not that there's a formal application process that takes a period of time. There's an annual consideration by the Board.

On the second piece, MCC is always very happy to talk with countries about their efforts to make improvements on policy indicators that would enable them to become closer to becoming a MCC eligible country. So as you know, MCC's Board looks at a scorecard of 17 different publicly available policy indicators. We have a very open dialogue with a number of countries about the policy reform efforts that they're undertaking to make improvements in each of those policy areas in the way that may or may not be reflected on those scorecards.

So that's a dialogue that we're always very happy to have.

COOPER: Are there other questions? Yes?

QUESTION: My name is Eric Njongu (ph). I work with the Cameroon Centre for Democracy and Human Rights. I have a couple of questions. Let me say, one, do -- are lobbyists involved in your process -- eligibility process? And then, secondly, how far do you get information from the private sector, the civil society? Do you get only information just from the government? Because my experience with the Cameroon government is that they'll provide you information that will get them qualified or eligible for your programs, which are not necessarily true or do not reflect the reality in the country.

I also know that the Cameroon government sent a delegation here in November to come and discuss focus in democracy and governance so as to gain eligibility or qualification for your programs. How far did you consider them, and why -- is Cameroon still in your qualification process?

FAIR: So a couple of different points, then. To try to answer each of those three, maybe not in exactly the order you originally put them, so any country with -- in those income brackets I described is always considered every year. So it's not that MCC chooses to consider a country or not consider a country. Any country in the right income bracket is considered by MCC.

And the first round of consideration is always done by producing our annual scorecard, which you can find on our websites dating back to 2004, for every country in the low income and low-middle income brackets. All the data on those scorecards is not only publicly available but produced by third-party organizations. So neither MCC nor the U.S. government, nor the government of the country in question control the data that goes into that scorecard.

We look to NGOs, like Freedom House or the Heritage Foundation. We look to the World Bank and to the World Bank Institute. We look to U.N. actors, like the WHO or UNESCO. So it's all third-party information that's our primary source for the first level of consideration of a country.

We do, of course, accept supplementary information, both from NGOs as well as from the governments of these countries. And we compare that against the third party available data, and we use that to inform our decision-making.

I would say we try to run as transparent and clear a process as possible. There is not a space for lobbying in that process. It is a publicly data-driven process, and then a lot of internal MCC consideration.

COOPER: Any other questions?

All right. With that, I would thank the panelists and thank all of you for coming today. Also would say that the video and transcript from today's meeting will be posted on our website, so you can go to the website to see -- to see the transcript and the video.

Thank you very much for coming, and have a great day.

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