

Event: Post-Board Public Outreach Meeting

Speakers:

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COOPER: Good morning, everyone. My name is Chuck Cooper, and I'm the Vice President for Congressional and Public Affairs with the Millennium Challenge Corporation.

Yesterday, the MCC Board of Directors met, and today we're convening this meeting to talk about the actions that the board took and to have a discussion about the board meeting. This is part of our ongoing effort to be committed to transparency and to maintain an open dialogue with all of you, our stakeholders.

From an MCC perspective, it's really important that we have meetings like this so that you have an opportunity to get updated on what we're doing at the MCC; but as importantly, we have an opportunity to hear from you, that we have an opportunity to hear your questions and answer them, but also seek your input and your ideas.

And we don't want to confine that just to this meeting. But broadly, if you have ideas or input for MCC, for any way that we can improve our operations, we're more than happy to have that conversation, and we encourage it.

So please, we seek your input and we welcome your input.

This is a very pivotal and exciting time for MCC. MCC was created in 2004 based on a very distinctive model, based on best practices and aid effectiveness over really the previous 40 or 50 years. And when MCC was created, there was an open question, and that is, will the model work in operation?

And we've had an opportunity now, seven years later, particularly as our first compacts come to close and are closing out, to see an answer to that question. And the answer is a resounding yes, the model is working. And we're very excited about the fact that the model is working.

We're seeing very encouraging results with regard to policy reforms. We're on track and on target with regard to our outputs and outcomes. And we're very excited about the fact that in some of our closeout countries, we're starting to see preliminary income results. And that's really important to us because it's a primary focus of MCC.

So we're getting the results that we're seeking, and we're excited about that.

Another thing that's really critical about MCC is that we're a learning institution. And so what we've done and what we've seen over the last seven years are an incredible amount of lessons learned. And what we're constantly trying to do is we're trying to incorporate those lessons learned into the way that we operate, because we continuously want to get better. And so that's what we're striving to do.

So as part of this conversation we're having with you, we would like to share our lessons learned with you, but then also have you provide input to us on how we can continue to get better.

It's also a pivotal time for MCC because we're in a very constrained budget environment right now. We've had these accomplishments. We've achieved these results. We want to continue to keep the momentum with regard to the results that we've achieved and the path that we're on. But we know that we're in this budget-constrained environment.

So what that means is we have to do more with less. We have to make sure that we're leveraging all the dollars that we're getting and we're creating very innovative and effective partnerships with NGOs, with the private sector. We need to make sure we're getting the best bang for the buck.

We also want to make sure in this budget-constrained environment that we're continuing to improve, we're continuing to get better. And so that's really what our mission is at MCC.

What I'd like to do before we proceed is talk a little bit about how we will proceed. And we're first going to be hearing from Daniel Yohannes, our CEO, who's going to be talking about the board meeting, going to be talking about some key developments at MCC and will be taking a few of your questions.

We're then going to convene a panel discussion, and we're going to have a conversation about closeouts in Georgia and Vanuatu, which are coming up, the next two closeout countries. We're going to have a discussion about a new initiative that we're launching to facilitate partnerships with the private sector and with NGOs that we're very excited about. And we're going to have a conversation about the MCC results framework.

So that's the agenda for today. And before introducing or turning the podium over to Daniel, I just wanted to say a couple of things about Mr. Yohannes.

You know, the senior management team has now been in place for a year. Daniel's been here at the agency for a little bit longer than that. But the team has been in place for a year.

And I want to say that I think Daniel has shown incredible leadership at MCC. And he's laid out a very clear vision for MCC, for his senior management team and for the entire agency. And I think it's a vision that's based on approaching development like a business. So we take a businesslike approach to development.

And what that means is having—one of the things it means is having a laser-like focus on bottom-line results. I think we are very much focused on results as a result of Daniel's guidance.

The other thing it means is make sure that you're always paying attention to and serving our customer. And in our case the customer is, first and foremost, the American people. It's also all of you, our stakeholders. It's our stakeholders on the Hill.

And importantly, our focus is always with the millions of poor people around the world that we're striving to help. That's why we come to work every day, is to serve the people that we're trying to benefit.

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

Daniel?

(APPLAUSE)

YOHANNES: Good morning. Thank you, Chuck. Nice to have you this morning. It's raining outside, but it's warm inside, and surrounded with a lot of good people here. So this is very good.

As Chuck indicated, we had the quarterly meeting yesterday with the Board, and there were not any major action items. So the discussions were primarily based on MCC's business and core principles.

So the two items that were highlighted, one is the compact closeout. The other one is our approach to results. So we had a very fruitful, thoughtful discussions with the Board.

It is an outstanding time and a great time at MCC. We are developing compacts, we are implementing compacts and we are closing compacts. Last year, we closed two compacts, one in Cape Verde. I know Ambassador Veiga is here.

Nice to see you, Ambassador Veiga.

And we closed out our compact with Honduras. Both were very successful.

And this year we are on track to close five more compacts, with Vanuatu, Georgia, Benin, Armenia, and I believe it was...

(UNKNOWN): Nicaragua.

YOHANNES: Nicaragua. All right, good. I have so many countries on my mind!

But anyway, they are on track, and they're going to be doing very well.

And let me tell you that, having traveled to a number of those countries in the last year, and also having seen the results, one thing that's very clear is that our model of country ownership works extremely well. After all, those were projects that were identified by our partner countries, and also projects that were designed by our partner countries, and projects implemented by our partner countries—with great results.

So our model of country ownership really, really works extremely well.

The other area that we've learned is the fact that much of the preparatory work must be done early on; and—some of the work that was done on previous compacts was done after the compacts were signed. But today, we learn a lesson: When you do that early, that means you avoid a lot of the rescoping and the cost overruns.

So we're learning a lot, but nevertheless we are very happy where we are. Many of those countries are getting the compacts complete on time, on budget, which is very unusual because, you know, many of those countries are used to getting time extended from other development agencies. But we're strict with our time line, and there's the political will, the political support from governments to get it done. So they are being done and very happy with it.

Second, the Board talked about our approach to results. As Chuck indicated, our number one priority at MCC is to get the best results for the American taxpayers and to see the best results for our partner countries. And I believe we are achieving our objectives. It's hard, but we're on the right track.

And Sheila and Patrick and Tom yesterday—which, I know we're going to talk about it today, too—talked about how we approach results. When people talk about results, they talk about, you know, projects completed, or (inaudible).

For us, what matters at the end of the day is the investments, the ability to generate additional income for our partner countries. But along the way, you know, we report on a continuing basis from projects that have been completed; in other words, interim outcomes, interim outputs, and eventually the investment's ability to generate additional income, and measure policy reforms that have been implemented as we go through the processes.

So it's on a continuing basis. I know you're going to talk about it this afternoon. That's what makes MCC very unique and different from any other development agency, is how we approach results, how we project, report, evaluate the impact of our investments, which is very different, but very forward looking.

And then, last week I also had the opportunity on the Hill to testify regarding our budget for 2012. As you know, we are operating in a very constrained budget environment. And there are some critics that believe that we should not spend a single dime of American taxpayers' money overseas on development projects.

I think I just want to make it very clear, when we talk about development investments, we're talking about less than one percent of our budget. It's not the 25 percent that a lot of people think about, all right? So I just want to make sure that we all understand.

The other thing is, when we talk about investments, we're talking about investment which is in our national interest, investment for our prosperity, investment for our security. It's about helping many of those countries become self-sufficient. It's about reducing poverty. It's about creating the global world which is secure and prosperous, a global world that would also take responsibilities and share the responsibilities with us.

It's about creating the next set of emerging markets, which is good for U.S. businesses in terms of, you know, investment and income opportunities, as well as creating jobs here at home.

So it is in our national interest.

So to that extent, I would like you to join me to educate some of the people that believe that we should not spend not even a single dime of American taxpayers, because it is in our national interest. As Secretary Gates said, it's much easier to spend money in development rather than sending the Marines, at the end of the day.

So I just gave you a very brief summary for what happened in the last couple weeks, but at this time, I would like to answer any of your questions you may have.

Any question I may answer?

If not, well, thanks for coming.

And Chuck, it's to you. Appreciate it.

COOPER: Thanks, Daniel. I know you have another commitment and have to leave. And as you do leave, I would call the panelists up to the table, and I will introduce them.

First, we'll be hearing from Frances Reid, who wears a lot of hats here at MCC—but the hat that I think she's wearing this morning is as an acting Deputy Vice President in our Department of Compact Operations. And Frances is going to be focusing on the Vanuatu and Georgia closeouts. So she will be speaking to us first.

We'll then be hearing from Tamara Heimur, who is going to be introducing a new MCC initiative that's meant to facilitate partnerships with NGOs and the private sector.

And finally we're going to hear from Tom Kelly, who is with our policy shop, and Tom is going to be focusing on MCC's results framework.

Frances?

REID: Great. I was told that we had to take these mikes out. Was that an I.Q. test?

(LAUGHTER)

Sorry, I'm technologically challenged here. Let me try this one.

OK, thank you.

I'd like to start by showing a very brief video about Vanuatu.

[The Vanuatu video begins at the 12:45 mark in the [event webcast posted on www.mcc.gov](http://www.mcc.gov).]

REID: I think the video gives you a little bit of a flavor for the roads that have been improved in Vanuatu.

But one of the points that I think is really worth making is that Vanuatu is a very challenging country to work in. It's a long ways from here. It's actually a fairly long ways from Australia and New Zealand, which are the nearest large countries.

And it's a classic example of poverty in paradise. You know, to a tourist coming there, you see the beaches, you see the trees, you see the happy villagers with, you know, leis around their necks. But in point of fact, Vanuatu faces enormous problems of poverty, of lack of resources. There are something like 83 islands in Vanuatu, the vast majority of which have no electricity, no running water, no sewage systems, no anything.

One of the things that we did is work on the two major islands that represent the economic hubs of Vanuatu. When we went, Vanuatu had something like 77 kilometers of sealed road. They now have 222. And their key roads, because, as you saw at the very beginning of the slideshow, these roads are on the two main islands that are responsible for the vast majority of economic activity in Vanuatu.

And one of the critical aspects of this is that, not only do they permit tourists who arrive in the capital, in Port Vila, to travel, you know, more widely within Vanuatu, but most importantly, from our point of view, they also permit ni-Vanuatu to travel to the capital and to bring goods, to bring food, to bring handicrafts, to be able to participate in the economic life of Vanuatu much more effectively than was the case before.

So this is one of our—in fact, it was the smallest compact. It has been, in many respects, one of the most challenging because, as you will imagine, you know, capacity in Vanuatu is fairly limited.

But the government of Vanuatu and the people of Vanuatu have totally adopted this compact as a critical priority for Vanuatu development. And I think we are rightly pleased with the outcome. But we're especially proud to acknowledge the role that the people of Vanuatu and the government of Vanuatu have played in developing this compact.

The Vanuatu compact completes on April 28th, and the roads were completed ahead of time and on budget, which is something else that is very much to be complimented because all of the heavy equipment and many of the key inputs had to be imported from Australia in order to complete these roads.

The other compact that's completing in April is Georgia. It completes on April 7th. And Georgia has been an extremely interesting compact in many respects.

It's a complex compact. We had a number of different projects, including rehabilitation of critical gas pipelines that literally, when we started work, were at risk of blowing up because of leaks and because of the corrosion of many of the pipelines that had been built by the Soviet Union many, many, many years before.

We also were doing rural regional infrastructure development, primarily providing water systems inside key cities in Georgia, working in cooperation with the European Bank for Reconstruction and Development and the World Bank.

Another project was an agribusiness development activity, which involved giving grants to a number of farmers. We actually distributed grants for 280 agribusiness and farm development projects, which resulted in close to 3,000 jobs.

Still another activity was the Georgia Regional Development Fund, which has invested almost \$28 million in 12 small and medium-size enterprises in Georgia, but with an emphasis on agribusiness and tourism outside the capital, which has attracted by far and away the greatest amount of investment.

And finally, we have built a number of—or rehabilitated, actually—something like 220 kilometers of road in Georgia. And those roads turned out to be pretty important.

We always knew that they had the potential to open up a number of areas of Georgia that were relatively remote and disconnected from the capital. But as many of you may remember, Russia invaded Georgia a couple of years ago, and when they did, they disrupted traffic on the main east-west road in Georgia. And our road turned out to be the main road that was left open for commercial and other traffic in Georgia.

And the fact that the Georgian government was able to respond effectively to the need to keep projects going during what was obviously an exceptionally stressful time for Georgia was very important.

We have two more compacts ending relatively soon, Nicaragua in May and Armenia in September. And I think that in the case of all four of these projects—compacts, rather—you know, our country partners have done exceptional jobs in carrying through complex and important work programs.

So, I don't know if there are any questions about these compacts? If not—yes?

QUESTION: You put out an information sheet about a year ago referring to one of the water and sanitation projects, or water projects, I guess it was, in Georgia. At that point, only one of the five had been completed. Have the other four also been completed?

REID: I think most of the other four are either complete or in the process of completing. We expect all of the projects to be complete by the end of the compact.

QUESTION: What type of consultants did you use on the water projects?

REID: I don't remember exactly who—I wasn't here when the project initially started. But we typically retain the best expert advice that we can get. And we review the specifications for consultants that are retained by the MCA unit in country. So...

QUESTION: (inaudible)

REID: It's an international tender, and it's open, there's no nationality type. But it is an international tender.

If there are no more questions, I would like to hand off to Tamara Heimur. She—oh, sorry.

QUESTION: (inaudible)

REID: What would you like to know?

QUESTION: How all the projects were structured and how much was the fund and how much MCC brought to the fund and how much Georgia government brought to the fund and how it was handled.

REID: It's, I believe, a \$32 million fund, of which close to that amount has already been committed in investments. It was an MCC-funded activity. The government of Georgia did not contribute to it. However, they are now discussing as part of the follow-up to the compact the prospect of continuing an investment program in Georgia.

QUESTION: Could you comment specifically about the ongoing arrangements for financial sustainability to these projects. For example, in Vanuatu, how are funds going to be collected for maintaining the roads, or in Georgia, what institutions and tariff rates, et cetera, are in place in order to sustain those projects?

REID: In both cases, as part of our project development work, we require governments to provide additional road maintenance, road fund support. The government of Vanuatu increased its road maintenance fund. And we also, as part of the overall project, provided training and equipment to the public works department in Vanuatu in order to ensure that there would be sustainability.

And one of the things which you also saw in the little film was the extent to which the government of Vanuatu has engaged communities all along the road to assist in the maintenance and monitoring of the roads.

In Georgia, there, I believe, is road maintenance support in place. And I don't have—I don't know—oh, there you are. The person who's responsible for Georgia can speak to some of that.

SHAHRIKIAN: Hello. Thanks for your question.

Just very briefly, we've engaged the roads department. And the roads department is responsible for managing continued operations and maintenance afterwards and has allocated a portion of their budget to maintaining the roads. So very similar to what we're doing in all of our countries.

QUESTION: (inaudible)

REID: Is there anybody from M&E who wants to speak to that?

HERRLING: Well, so the typical way we structure it in the compacts is that, about a year after the compact closes out, we have impact evaluations for most of our activities. And this is important because it is done independently. So it's not done by the MCC. It gives a counterfactual.

So actually, what we're really looking for here is to understand where any improvements or any unmet challenges due to how we actually structured this program, MCC's investment, or was it from external forces? Did the farmers get increased income because they had better range, better commodity prices, for example.

So we typically structure those a year out. And so you will have a lot of these results that Frances is talking about independently verified. And Tom is going to get at some of this in his results, how we manage for results. So I think you'll get a much fuller picture there.

REID: If there are no more questions, I would like to turn the microphone over to Tamara Heimur, who is a Harvard Business School fellow working with MCC for the year, and who has done an exceptional job in helping to develop our Annual Partnership Solicitation.

HEIMUR: Hi, everyone.

So, MCC has launched something just a few weeks ago called our Annual Partnership Solicitation. And this is a mechanism we're really excited about. It invites innovative ideas from the private and nongovernmental sectors for partnership ideas that will help to expand the impact of MCC Compacts and that are also in line with our mission of poverty reduction through economic growth.

This initiative supports the CEO's priority of increasing partnerships and private sector engagement in our compacts. And for those of you that are familiar with it, it's similar to the USAID annual program statement that they use to invite partnerships for their global development alliance.

In this first round of the annual program—Annual Partnership Solicitation, we have focused on just a few of our countries and sectors.

The first group is the compacts in development. We currently have compacts in development in Indonesia and Zambia.

Our second compact is in development for Cape Verde, and Ghana was named newly eligible, so we've also included them in the solicitation. We feel there's a lot of opportunity there for partnerships because the projects are in the process of being defined.

So we've highlighted the areas that the compacts will cover in the solicitation with the hope of getting creative partnership ideas in those areas.

The next type of—the next group of compacts we've included are the compacts in implementation. We've included Lesotho, Tanzania and Ghana, and we've highlighted a few areas for partnerships there. They're a little bit

more narrowly defined than the compacts in development because we've already had projects that are under way there. But there are a few opportunities within those compacts.

And then, finally, we have selected two priority sectors for partnerships. One is land tenure and property administration, and the other one is transportation corridor development. So that's expanding the impact of our roads projects, expanding the economic impact.

At this point, we are limiting it those sectors and countries, and we may consider expanding it in the future.

It is important to note that although this is coming out of MCC, we are very much committed to country ownership and that partnerships would be subject to the approval and engagement of country counterparts if they move along in the process—in the approval process.

Also, in describing these partnerships, I just want to distinguish the partnership solicitation from our procurements. The procurements go out and more narrowly define exactly what we're looking for. But here, we're really envisioning a much more collaborative approach with potential partners, where we're co-designing, co-implementing, co-funding, sharing the risks of implementation. So it is a very different approach (inaudible) to consider for organizations that are looking at this mechanism.

Other characteristics of partnerships that we've identified in the APS are that they would contribute to our sustainability in our compacts, that they would introduce something innovative, build local capacity, bring new types of partners that we hadn't previously worked with.

Examples of these partnerships could be something that introduces a new technology, such as in the area of clean energy, a new approach to, for example, expand access to finance, or a new expertise in something such as improving agricultural productivity.

So could be a range of things. Those are just examples of the types of things that could be submitted.

We're open to working with many different—with many different kinds of organizations, private sector, non-governmental, social responsibility funds, and partnership applications can also include multiple partners with different roles in the partnership over the life of the program.

This solicitation is posted on grants.gov. It highlights the requirements for a partnership, the process for submitting concept papers and how we'll be evaluating them.

So if you have any questions, I'd be happy to take them.

Yes?

QUESTION: Would you clarify who are the partners and NGOs you're planning to have? Specifically, are these local or foreign?

HEIMUR: It's open to everyone, as long as they meet the partnership requirements, the things that we're looking for can contribute leverage, then we're open. One of the objectives is to increase the types of organizations that were working with, so we're trying to be flexible.

Yes?

QUESTION: What differential or protection will you give for the intellectual property component of the ideas that are offered?

HEIMUR: I think with the—we haven't specified that in the APS. I think that that's something that would be negotiated. We envision—the process for submitting is a concept paper, and then we invite a full proposal. So there would be a period of discussion and negotiation for those types of issues.

QUESTION: My question is—thank you very much. Thank you very much. What about those countries already in the compact and that haven't yet been (inaudible) to benefit from the APS?

HEIMUR: The compacts that are already in implementation?

QUESTION: Yes, in process and, yes, about to be closing and that would need to make use of this APS statement program.

HEIMUR: So we're limiting it to Lesotho, Tanzania and Ghana. Ghana and Tanzania—well, all three of them will be closing in the next, I think, one to two years. So in those instances, we have identified that there may be opportunities for partnerships. So it is possible, but it is limited to those three at this point.

QUESTION: (inaudible)

HEIMUR: Yes, and we may consider updating it. An update could come, you know, within a few months or within a year. So it will depend on the opportunities.

Yes?

QUESTION: While I understand that ownership is very important, I'd like to understand better what will be the relation between the country and these partners? It's not going to bring another element of a bureaucracy?

HEIMUR: No.

QUESTION: No?

HEIMUR: That would definitely not be our aim here. We—we're just trying to—this is a mechanism for ideas, really. We recognize that we may not have all the answers and that we may get some good ideas, that we can sit down with our country counterparts and say, "We've gotten this creative idea. Do we feel that this is something that could expand the impact of our compact? And if so, then how can we incorporate it?"

So this is not—it's not really going to change very much about the way that we work. It's just an idea collection mechanism, really.

QUESTION: Is there a time frame for a partnership application?

HEIMUR: It's open. This will be open until we update it, at least for a few months. But obviously the sooner we get concept papers, the easier it is for us to incorporate it into compacts in development or implementation. So it's to partners' advantage to submit as soon as possible.

QUESTION: I have two questions. One, it's open in those three countries so far. Is it—do you envision it as a follow-on to the compact process? Should proposals be tied to compact projects, or is it more open-ended than that?

And I intend to go and look at the grant.gov website and get more information, but is there—are there any key things that you're looking for right now? Is there—is there, you know, are there bullet points or talking points for us to take back?

HEIMUR: I mean it's not just open to those three countries. It's open to the group of countries in development implementation, and then countries that we've listed out in our priority sectors. So it's open to a number of countries.

It's not really changing the compact process. We just identified within the compact specific areas that we feel would be—that the compacts may benefit from partnerships. So when developing a concept paper, it should focus on those areas.

And the things that were looking for—I mean, we are not very tightly specifying what we're looking for, because we want creative ideas. That's the purpose of the mechanism. So things that contribute to sustainability that are innovative, that include new partners, just the types of characteristics that I mentioned. But it could be in any different sector or—as long as it's tied to the areas we've highlighted for each compact.

QUESTION: Thank you. I have a question. If we invest in sustainability of these projects that we've been involved in for the long term, how do you support us in—we're looking at return on investment, eventually, and the legal framework might not always be in place. How do you look at this in certain countries, and how can we get some kind of security when you do this kind of investment?

HEIMUR: I think we would have to look at the specifics of what the partnership proposal would include and if it relates to the compact. But I also think that that's something that would be negotiated between the concept paper and if there was a full proposal invited. It's difficult with some of these partnerships because a lot of it is in the details, so we would have to figure it out at that point.

QUESTION: The APS was issued through the USAID procurement mechanisms, at least that's my impression on the announcement. Is that not true?

HEIMUR: It's an MCC solicitation. We use a mechanism that is similar to USAID's annual program statement. But it's not related to USAID.

QUESTION: I'm an academic, so I don't know anything. Your response to my question, whether you prefer local—whether you're open to local NGOs and partners or American NGOs and partners, for me that's not a good answer. And if you're trying to do sustainable development in countries “A,” “B,” “C” and “D,” I think the answer should have been you prefer to use and help develop local NGOs and local partners, et cetera.

I know most of the people here in this room are probably, you know, Americans that would be very unhappy with my question. But from an academic developmental point of view, shouldn't you be trying to develop local partners? You're talking about country ownership, country development. That—shouldn't that be your preference and press?

Thank you.

HEIMUR: I think that we—this is one of many things that happens in a compact, and I think that there may be other components that focus more on local capacity development. And we would be very happy to partner with local organizations here.

The reason that we're not limiting it in this particular case is because we are looking for creative and innovative ideas. Development is a difficult thing to do, and we feel that there may be answers out there that we are not including.

And so if we're looking for those types of things, we wouldn't want to limit the types of organizations that are able to submit ideas. So we feel that we still have the potential to support local organizations if they want to apply through the mechanism.

Any more questions?

So now I'd like to introduce Tom Kelly, who will be presenting on results.

KELLY: As our CEO mentioned in his opening remarks, we're entering a period in which we have a fairly intense closeout process under way. We have already closed out two compacts, and have five more that are about to close out.

[View the slideshow presentation that accompanies these remarks on the [event page at www.mcc.gov](http://www.mcc.gov).]

One of the things that we have learned during this process is that this closeout process has generated very intense interest in how MCC looks at its results and how we understand results.

This is what we talked to our board about yesterday in a wide-ranging discussion. And what I'd like to do for you today is give you a sort of overview of how MCC understands its results. I'll go fairly quickly, and I'd be happy to take questions after I'm finished.

The framework in which we look at results actually starts with our country selection process. Most of you are probably familiar with our scorecard process and the process through which we select countries every year, in December.

To give you a sense of how this selectivity works, there's roughly 200 countries in the world. About 100 of the 200 or so countries in the world are poor enough to be considered for MCC eligibility. Of those 100 countries, we are currently working in 19 countries.

The reason we are so selective in identifying the countries in which we work is we think that these are the countries in which the policy environment is such that our aid dollars have the best chance to generate returns on our investment. So we're starting to think about returns as we start to think about where we're going to work.

In any one of these 19 countries, obviously, there are many more potential investments than we could finance. The next stage we go to is, when we've selected a country, is a period of very intensive ex-ante analysis. By ex-ante I mean before we begin to actually implement our investment.

That ex-ante analysis starts with what we refer to as a constraints analysis. By constraints, what we're referring to are constraints to growth.

So MCC does what some organizations call a growth diagnostic. We have adapted a methodology for our own use that we refer to as constraints analysis in which we tried to identify the binding constraints to faster growth in a country. And when I say we, I mean in conjunction with our partners. The actual analysis is carried out typically by economists in our partner countries.

The purpose of this constraints analysis is to discipline the conversation we have to a conversation about growth and a conversation about where the highest returns to investments would be.

After we do the constraints analysis, the next step we go to is looking at actual possibly proposed projects. And there's two stages to our project assessment. The first is cost-benefit analysis, and the second is beneficiary analysis.

In the cost-benefit analysis, what we're looking at is where the most cost-effective projects are, where we can get the highest returns for the amount invested.

In the beneficiary analysis, we're looking at how those returns are distributed across different groups. We do gender analysis. We do analysis across different demographic groups.

Together, these two types of analysis are a very powerful tool for us because it allows us to do two things.

First, it allows us to say no. We have a country ownership model, but in every country there are many good projects that a country truly owns. There are also many more projects than we could possibly finance in any country. So this allows us to say no upfront to projects that would not return a high rate of return on our investment and implementation.

The second thing it allows us to do is to modify marginal projects. By looking at where the drivers of cost-effectiveness are and where the beneficiaries are distributed, we learn from our economic models how we could make proposed projects better. So we actually use both of these analyses to try and fine-tune the proposals from our partner countries.

These two are absolutely critical to the success of our projects. When we do these well, we have the greatest chance for success in implementation. When we rush these and when we don't do them well is where we have the lowest probability for our partners getting the returns they want in implementation.

The next stage, once we enter implementation, the next part of our monitoring—sorry, of our results framework—is monitoring and evaluation. And I'm going to talk through a bit what our monitoring and evaluation framework looks like at a sort of very high level.

But I want you to keep one thing in mind as I walk through the slides, and that's that as we're going through implementation, we have a continuum of different types of results that we report on in different stages of implementation. So throughout implementation, there are different types of things that we report on and that we consider results.

In the first stage of implementation in a typical compact, the types of results we're looking at are inputs. So here we're looking at things like contracts signed. We're contracting for engineering services, contracting for construction services, et cetera.

The next type of result that we're looking at in the next stage are outputs. And here we're thinking about things like farmers trained, thinking about things—if it were an infrastructure project—like kilometers of road actually paved. So are we getting the goods and services we paid for in the previous stage?

The next stage is outcomes. And in this stage we're looking to see if those outputs we have purchased and we've put in place are actually generating the benefits that we had hoped to generate.

Now, in many development projects, this is where the results reporting stops. And these are obviously this type of thing. Are you actually getting farmers to try new techniques? Are you actually getting more road traffic on the roads that you have paved? This type of thing is very important and very powerful, and these are very important benefits.

But we take it one stage further. At MCC, we're very focused on whether or not those benefits we've created in the outcome stage actually generate higher incomes for our beneficiaries. This is a very important focus for us, and you will hear us talk about this quite a bit as we try and ground our conversation in the extent to which we are able to increase incomes, and therefore reduce poverty.

So as you can see, as we sort of walk through this continuum of results, policy reforms, which is the green banner across the bottom, is critical at every stage. We've built policy reforms into our compacts in a couple of different ways.

Obviously, as I started out talking, we're very selective when we pick countries, and there are policy reforms that take place that are in the areas that our country indicators measure. So these are sort of broad economy-wide reforms. There are also critical reforms that take place in the investments themselves, in our compacts themselves, critical reforms that are necessary to get the returns on the specific investments we're looking for.

Now I want to step back a second and call your attention to that last slide, the one that focused on income. And I want to call your attention to the time frame we're thinking of, what stage of the compact it is where we think we can begin to get results that show us if incomes are changing.

There in this slide, it says 48 months-plus. So we're really talking about the fifth year, in which we potentially might begin to see incomes of our beneficiaries going up.

This is a very important point of context in understanding our results framework. It's very important because our investments are typically designed to generate results, to generate returns on income over an extended period of time.

If you look at this slide, this shows you a typical compact pattern in which that initial period, the first five years, you can see red. What that red is showing you is when we are investing, when we are spending money in order to build assets, in order to build assets like new roads, new ports, in order to build assets like improved institutions or a better policy environment.

Those assets are going to generate returns over an extended period of time. Those assets aren't going to stop generating returns when the compact ends. We're typically looking at a 15- or 20- or 25-year time frame over which we expect those results to be generated, and that's where the greatest income benefits are going to accrue.

But we faced a real challenge operating in the environment in which we do, because after we've been investing in a country for three or four years and spending money in major works programs, people begin to ask us, "Where are your results, what do you have to show?"

And if you look at that green arrow there, that green arrow is pointing at about year three or four. That's when we begin to get questions from stakeholders to explain what have we achieved.

Now, this is one of the reasons that it's so important to take this overall continuum of results into consideration when you're thinking about the results we have, from those initial inputs gearing up to the outputs to the outcomes.

We do sometimes have some income results we can talk about in the final year of a compact. Mr. Yohannes mentioned results from Cape Verde and from Honduras, and those are very important. But we also want to emphasize that they're not the only type of income results we're going to talk about.

Obviously, we're going to have fuller, more robust income results over time, and also we want to focus very carefully on making sure that we're getting those results and that we can attribute them to our investment. So we're going to independently evaluate the results to see whether or not we're getting the income from these investments, as we hoped. And that's the last stage of this monitoring and evaluation framework we have.

We're committed to doing independent and rigorous evaluations: independent, so we have outside evaluators doing them; and rigorous—so by rigorous, we mean that these evaluations will be of impact. Many evaluations stop at process, but ours will continue through to look at the impact.

They will include cost effectiveness. Many evaluations that do include impact will look just at benefits, but we will look at the costs we incurred in order to generate those benefits. And finally, to the extent possible, they will include a counterfactual.

So many evaluations are simply before-and-after. To the extent possible, we will try and determine what would have happened in the absence of our investment in order to determine the extent to which the returns are attributable to our investment.

I already talked a bit about policy reforms, but I do want to underscore that. There are a lot of policy reforms that are associated not only with countries making efforts to become eligible for MCC in that initial stage of selection, but also within the compacts themselves.

Many of these policy reforms are critical to getting the results we hope we will get, policy reforms like new road funds in order to ensure the sustainability of our investments, policy reforms like changes to commercial law to improve the investment climate in areas in which MCC is investing.

Finally, I want to emphasize that in this results framework, we are going to be transparent, and we're going to be transparent at every stage of it.

We're going to be transparent at the selection stage. We're going to be transparent at the stage in which we do our investments. If you go to those URLs there, you will see the economic rates of returns that we do in our ex-ante analysis.

We will be transparent in our monitoring. If you go to those URLs there, you will see the spreadsheets that are coming in from the field that show our quarterly updates.

We will be transparent in evaluation. If you go to those URLs there, you will see our evaluation plans for the compacts that are coming. And as the independent impact evaluations start to roll in as these compacts finish, you will see not only the reports, but in most cases the underlying data sets from which the reports were drawn.

And finally, transparent in learning. We have just begun a Principles into Practice series in which we are reflecting on what we've learned as we try to apply this model. And the first paper is out, the Principles in Practice paper that's listed at that URL is one about what we have learned on results. And we'll be continuing this series, and the next couple of papers will be on country ownership, on policy reform, and that series will continue.

And with that, I'll stop and take your questions.

QUESTION: Yes, good morning. My question is to you, Tom. When we talked about transparency, I'm just curious, is there a link where we can see the number of contracts that's been given to the people who won the awards? I know it's international, but is there transparency where we can see who's been winning these awards and getting these contracts for the various seven years?

KELLY: Jonathan? I'm going to ask my colleague Jonathan Bloom from our Operations Department to field that question.

BLOOM: Yes.

(LAUGHTER)

More seriously, I'm not sure if you're referring to all of the contracts, but there is a link on our website that shows the contracts that we have solicited, and on the individual MCA websites there's also a listing of who has been the successful bidders on their contracts.

So if you want to talk afterwards more precisely, we can do that, but it should all be out there.

QUESTION: Hi. You've emphasized the importance of policy reform throughout the process, and many development organizations have found over the years that it's necessary to devote specific attention and assistance and pressure to achieve those policy reforms.

It sounds to me as though, in MCC's way of operating, those reforms are coming about in part through response to the organization's criteria for engagement, probably in part through negotiations and project planning and preparation with MCC staff.

Could you clarify whether or not MCC sees any—the need for any specific investments, either during project preparation and promoting those policy reforms, or whether they're happening sort of as a—I don't want to say unimportant, but as a—byproduct of your engagement rather than through specific investments?

KELLY: I certainly wouldn't characterize them as a byproduct of our investments. They are typically built into the investments as part of the investments, in the case, say, of the sectoral reforms that I was referring to earlier.

In terms of, do we invest resources? Absolutely. In order to get these returns, we invest a great deal of resources upfront in understanding what the ideal operating environment or the best operating environment would have to be in order to generate these returns.

AMELIA MATOS SUMBANA, AMBASSADOR OF MOZAMBIQUE TO THE UNITED STATES: Thank you. I am the Mozambique ambassador. We have a compact. And I'd like to know, you have mentioned that the (inaudible) is from zero to 24 months if you look at the value of contracts signed. And I think that that has to be with the consultants, with the project designs, and maybe also the approval of the work done by the consultants, which sometimes takes (inaudible) in the contracts—in the contracts or the starting of the implementation. How do you rate it in terms of the country and the performance of the country?

KELLY: Yes, I should have been much more clear as I was marching through those slides. I was trying to go quite quickly. The last time I gave this presentation, I belabored all this for about 45 minutes.

When I was talking about that framework, that's a sort of general kind of prototypical framework and timing. It's a sort of general outline for how we think about things.

Obviously, in each compact, we assess it on a compact-by-compact basis, and the type of context that you were talking about is critical to understanding how good the process is.

Our people who are managing the compacts are extremely close to them. And so when we're talking at this level about generalizing from our overall framework what kind of results can we report, we're thinking about it slightly differently than when we're actually—our project managers are close to the project and managing them.

QUESTION: Thank you, Mr. Kelly. And (inaudible) of course, is profoundly—profoundly appreciates the signing of the compact last September.

Part of your overall results framework is the introduction of what you call the policy improvement process. A parallel process for the—under the compact development process, and this sort of paints this, in fact, continuing its PIP plan of action.

I was just wondering, in terms of recalibrating the so-called MCC effect, where is this policy improvement process right now in your scheme of MCC results? Thank you.

KELLY: This is an extremely good question, and something I should have given more attention to in the presentation.

One of the things MCC is trying to get better at is talking about the policy reforms that are achieved by our partner countries. We have paid enormous attention to getting as good as we can at talking about the results from our investments in compacts that are things, like I gave the examples of physical investments, but the policy reform investments we're trying to get much better at how we report them.

In terms of the policy improvement process, for context, this is—for others, this is for something that countries engage in to try and improve their policy performance as they are MCC partners. This is something we are committed to, and this is something that our management team is increasingly taking much more seriously.

QUESTION: After a—after a project is considered, is there any monitoring after the five years to find out what type of progress they're doing on their own when they have their own operation and maintenance?

KELLY: This is—this is an excellent question. Most of the impact evaluations I was referring to earlier occur after the end of the compact. They're planned for a year or two out. MCC is just coming to the point now where we're beginning to think about what happens after a year or two after the compact finishes. I don't have an answer for you now. You can imagine the obvious tradeoffs.

The way you framed the question is exactly right: Is the investment being sustained? But, of course, the considerations will always be what sort of resources should be devoted to monitoring five years out, 10 years out, et cetera.

But it's a very important question for us.

QUESTION: Have you come across a selected country in which the economic reforms are compatible according to MCC, but the political reforms are not? And how do you deal with that?

KELLY: Yeah, so the question is, distinguishing between economic and political reforms. If I could cast this slightly differently, economic and political governance are both very important considerations for MCC when it thinks about where it's going to make its investments.

QUESTION: Well, I mean, my understanding, most of the economic reforms depends on the political reforms. You can have good reforms—good economic reforms by the governance. The governance of the country is not really comparable, according to the MCC, and that gets a kind of disturbance in terms of doing business in the country.

I mean there are many examples around the world of (inaudible) whereby the political reform doesn't meet some of the expected criteria, some of the 17 criterias of the MCC. And I wonder how you deal with that.

KELLY: OK, the question is: How does MCC deal with cases in which political governance is a concern?

QUESTION: Right.

KELLY: Yes. OK. Thanks for the question.

MCC does take very seriously political as well as economic governance. The MCC has ongoing dialogues with many of its countries. MCC is a part of a broader U.S. government dialogue on many issues associated with political governance.

And our board has shown that if their concerns are serious enough, they are serious enough with political governance, that it's willing to take fairly serious action. There have been cases in the past in which the board has actually suspended countries from eligibility. There's been cases in the past in which the board has actually terminated part of a compact.

QUESTION: Thank you. There's no surprise that your presentation's getting so many questions. I probably have a hundred, and I hope that there might be another session after this where you might focus just on this subject. I think that the whole defense of the MCC strategy is part of the reason that we're all interested in this.

But two quick questions. First, when you talk about income, are you looking only at formal income growth, or are you looking at informal income growth as well? And if the latter, do you price them differently when you do the evaluation?

And hopefully, a harder question. Are you learning any things that are answering the question whether the initial screening variables that are being used are valid predictors of whether a country can be successful under the MCC program. Can you chuck some out and narrow it down? Can you eliminate the need for some threshold programs, because the things that they haven't passed on yet may not be very serious predictors?

KELLY: Yeah. So the first question, you're making a distinction between income earned in the formal sector and income earned in other ways? That was the formal/informal distinction you were making?

QUESTION: Income that will be taxable to the government and therefore help fund the government rather than relying on money coming from the MCC I would argue is more valuable to a country than money that's going into informal income growth that can't be taxed.

KELLY: OK, sure.

The short answer is that most of the type of work you're talking about is done by follow-up surveys. It would be—much of it is household income expenditure surveys, so it would be able to capture both of those. Obviously, those types of questions are extremely context specific and would depend on the investment in the country.

On your second question, we are actually conducting now a review of our selection system in which we are looking at the indicators, and the types of questions you're posing are exactly some of the types of questions we're looking at.

We don't know yet if we will make any changes to the system. It's possible we might change indicators, it's possible that we may not. But we're currently conducting a review of the system.

QUESTION: My question is attribution question. How do you attribute the income increase to your project only. You know, in the—in the project, a number of things, a number of factors interplay, and how do you exactly attribute all the benefits to your project?

And my other question is, in implementing that (inaudible) framework, did you have any challenge as you deal with multiple stakeholders in country, and if you had this challenge, how did you deal with?

KELLY: Let me address your first question. In terms of how we deal with the attribution challenge, this is a challenge that all development agencies deal with. We are trying to the extent possible to do very rigorous impact

evaluations. And when I say rigorous, I mean we're trying to create a counterfactual to try and determine what would have happened if MCC had not invested in a country.

Now, there's a lot of different techniques to do that. You can think about the most extreme one in which you say had a particular type of intervention that you could actually randomize where you—where you did that intervention.

We have impact evaluations that are at that end of the spectrum and all along the spectrum in the other direction to ones that are as simple as before and after. To the extent possible, we're always trying to push things towards the end of the spectrum where we can be as rigorous as possible.

COOPER: We have time for one more question, if we have one.

QUESTION: Hi. Thank you very much. (inaudible) institutions here in DC, such as the World Bank and the IDB, are following the trends that you started at the MCC, the program (inaudible) results at the World Bank, it's going to be implemented this year and (inaudible) systems at the IDB is also going to be implemented very soon.

So I'd like to know whether you've been involved in this new implementation because of your know-how regarding the program (inaudible) results and if you're going to share anything with these institutions, and do you think it's going to be feasible from this big institution, such as the World Bank, which is 13,000 employees, versus 300 employees in the MCC, and the IDB, which is 1,500 or 1,600 employees, do you think it's feasible from their side?

Thank you.

KELLY: I wouldn't speak for the World Bank or for the IDB. We obviously are in conversations with our partners in development quite a bit, and we do quite a number of exchanges of ideas.

I think where we've had the most direct contact and the most direct impact is within the United States Government and the other agencies within the United States Government that do development.

Many of the ideas that you characterized and associated with MCC are ones that have also been picked up in the president's new development policy. So these are very important ones for the new policy of the administration, and they're ones that we have spent a great deal of time helping the administration to implement in a support role, as well as in our own role at MCC.

COOPER: All right. You have been invited to visit our website on several occasions during the meeting, and I would like to do that again. And when you do visit the website after the meeting, you'll find a transcript and a video of this meeting. So please do that. And I would like to thank each of you for coming. We appreciate it.

(APPLAUSE)

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