

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 at the Millennium Challenge Corporation. On Wednesday, our board met. And today we're convening our quarterly public board meeting to discuss the board's activities.

This is part of our ongoing commitment to reach out to our stakeholders and our ongoing commitment to transparency. And what we want to do with these meetings is to make them, as much as possible, an interactive session. So please feel free to ask questions, both of Mr. Yohannes and of the panelists.

We want to make sure that we're getting your input because that makes us better. And I think it strengthens our partnership. So please—please participate.

It's a critical time for the MCC. We've concluded our first five compacts. And during that period of time, as we've concluded our compacts, we've seen—we've learned lessons. And we've seen that we're making progress. We've seen that the model is working.

And so we're excited about that. And we're producing very impressive results.

These results and this progress are coming now at a very critical time for the agency. It's a time of great budget constraint. And so what we need to do is work with you, all of our stakeholders, to build awareness about MCC and get out the good news about the results that we are producing.

So we invite you to work with us in that effort to reach out to stakeholders on and off Capitol Hill to share the good news about the work that we're doing and also the news that the model is working.

So what I'd like to do is just give you an overview of what we're going to be doing today—what the agenda is today. First, we're going to be hearing from our CEO, Daniel Yohannes, who is going to be giving you a summary or an overview of the board's actions at the meeting on Wednesday. He's also going to provide an update on developments—key developments at the MCC since we last met in March.

Then we're going to have a panel discussion to talk about the board's action with regard to the reinstatement of the Niger Threshold Program. And we're going to have a conversation about policy reform and gender and how those two issues are so important to MCC operations.

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

(APPLAUSE)

YOHANNES: Thank you, Chuck.

Good morning and welcome. I'd also like to welcome our board member, Ambassador Mark Green. Mark, where are you? Nice to have you.

And before I get into what was discussed at the board last Wednesday, I'd like to provide you with a brief update about some of our key activities that happened since our last March meeting.

I've had the opportunity to travel to four of our partner countries. I went to Armenia, where we have \$180 million compact, which is coming to an end this September. And at the end of the compact, this compact is going to benefit approximately 400,000 people, helping Armenia become food-secure.

So I was very pleased. I was there. I spent a lot of time with the beneficiaries. They told me their stories, how they were able to increase their income throughout the last four or five years. So we are extremely pleased with our compact in Armenia.

We also added a new member to the family, Malawi, where we signed a \$350 million compact. In fact, our vice president for operations Patrick Fine was in Malawi to sign a \$350 million compact primarily concentrated in the energy sector to help the country become energy-secure.

So it was probably one of the best developed compacts. And with the compact, we have an excellent policy reform that's been undertaken by the government, which makes our investments extremely sustainable and also opens up opportunities for investments from the private sector. So we are extremely pleased with the beginning of our relationship with Malawi.

I also had the opportunity to travel to Namibia, where we have a \$306 million compact primarily concentrated in education, tourism and agriculture. It is in the early stages of implementation. But let me tell you some of the amazing things that I saw when I was in Namibia.

I traveled to the northern part of the country where approximately 65 percent of the population lives, where you have the largest concentration of poverty. I spent time with kids—these are high school kids that were previously educated under a tree or in a room without a roof or no windows, or they had to share one textbook with 20 other kids.

Just imagine—tell me how you're going to do very well when you have to learn in those circumstances. Today, so far, we have distributed about 750,000 textbooks so each kid is able to have one textbook so they don't have with 20 others in science, math and English.

I was able to see one facility where we financed—where there are classrooms; there's roofs, windows. There's some housing quarters for the principals and teachers. And I was told by the education minister, who was with me the whole time, the result, how they were able to improve the scores.

And we have another 3.5 million textbooks that's going to be distributed between now and the next 12 months, helping the country become education-secure. So I was pleased and I was really touched when I was speaking to the children.

And then I went to Zambia, where I spoke at the AGOA Forum. My speech was primarily on how private-sector partners could take advantage of the investments we are making in our partner countries in Africa.

As you know, approximately 65 percent of our investments are concentrated in infrastructure and agriculture, which are key and vital sectors for trade and investment-related activities. So we wanted to make sure that investments within, as well as investments from America, are being considered when you think of our partner countries in Africa in particular.

Then he gave me an opportunity to speak some with President Banda. You know, we are in the process of developing a compact in Zambia primarily centered in two areas, water and sanitation and ecotourism. And our development is moving very nicely, and we expressed to the president that wanted to see open and fair elections, which is scheduled sometime in August and September of this year.

Then I went to Tanzania, where we had the opportunity to host Secretary of State Clinton while she was visiting Tanzania and one of our projects.

Tanzania is one of the largest recipients of our compact at \$700 million. Of the \$700 million, \$204 million is concentrated in helping the country become energy-secure. And I'm very happy to tell you that the majority of the contracts are won by American companies—two American companies, Pike Electric and Symbion Power.

And what's even more successful about the story is they used the leverage to get in the market. As the result of our compact, Symbion Power was able to buy a power plant to help the country become more energy-secure.

Again, they have taken advantage of our investments. They are going to be creating more jobs here at home. And they're going to be helping our partner country, Tanzania, become energy-secure.

So it's a win-win relationship. That's what we like to see, American companies taking advantage of the opportunity that exists in many of our partner countries. So I was very pleased with the outcome.

And now let me just give you a very brief summary of what were discussed at the board meeting last Wednesday. First, Patrick Fine talked about results framework.

You know, at the MCC, when you talk about results, it's from the beginning. Countries that are reforming their policies in order to be considered for our program and those countries that are continuing to reform their policies while they're implementing our compact, and to the outcomes, the outputs and finally the investments, the ability to generate additional income to our partner countries. So we talk about it on a continuing basis.

It is our number one priority. It is what makes the Millennium Challenge Corporation relevant, is our ability to generate income and results.

And for those of you that have been involved in the investment field, right, when you deal with investment, it is a risky business.

I mean, I've done this for 30 years before I came to the Millennium Challenge Corporation. And some investments are going to give you above and beyond the desired results. Some are going to give you at the expectations and some is going to be below. But because who we are—we are a very transparent agency—we're going to tell you everything, the good and the bad, all right.

We're not going to cherry-pick and tell you all the best stuff, but we're going to be able to tell you those investments in which we are not able to achieve. And we're going to learn from it and hopefully, next time, when we do another compact, we would not repeat the same mistake. But nevertheless, because investment is a risky business, don't expect the entire investment to be 100 percent positive. Some, it's going to be below.

So—but Patrick took us through various scenarios. And then Sheila and her team—I believe Sherri Kraham is going to talk about it today. We talked about MCC's support to policy reform.

Policy is in our DNA. It's what makes the Millennium Challenge Corporation. We want those investments to be sustainable for a very long time. And one of the best way to do that is through major policy reforms.

So, ladies and gentlemen, otherwise, it's extremely difficult to help our partner countries. We cannot lead them to the path to become self-sufficient and generate investment from the private sector unless they make some major policy reforms. So Sherri is going to talk about it in a few minutes.

And then Ginny Seitz—Ginny, who is the head of our gender program—gender is also a major priority of the Millennium Challenge Corporation. In fact, it is extremely difficult to achieve economic prosperity unless you have both men and women are equal champions of the development.

So we put a lot of emphasis to it. And Ginny's going to talk about our success story in Nicaragua, a compact I just completed about a month ago.

Even when I was in Armenia, I saw that 50 percent of the beneficiaries were women. And so—whether it be in Honduras or in Nicaragua or in other places, I think what you see is women are also benefiting from our investments, not only men.

And then, finally, the board made a decision to reinstate Niger threshold. As you know, the Niger threshold program was suspended in December of 2009 after the president decided to extend his stay in power. And then we had a coup d'état in the country, and as a result the threshold program was suspended by the board.

But then they've had an election. And the new regime is in the process of implementing many of the democratic principles that matter to us the most. So the board made the right decision, which is to reinstate the threshold with Niger.

Again, what happened in Niger is a classic example of how our program motivates others to do the right thing. And not only Niger, but I've spoken to a lot of countries in the last 12 to 18 months since I've been here that want to be considered for our program and are all doing the right thing in terms of reforming their policies.

Of course, some of them may not be a candidate today. But, eventually, they'll be good candidates one day in the future. But even if they don't get our investment, I think the key is they are—they are reforming their policies to create the environment and the conditions for private-sector investment in those countries. That's what matters the most.

So with that, I'll stop here. And I'll take a few questions before our panelists come to the forefront to talk about some of the issues I talked about. Thank you. Any questions? Yes?

QUESTION: Can you tell us a little bit about how the reinstated Niger program will reflect some of the lessons learned from the last threshold programs? I know you have a nice piece of paper just outside that accounts some of those lessons learned. And I know there's a plan for a next-generation threshold program. So I'm wondering how it takes into account some of those ideas?

YOHANNES: OK. I think Sherri's going to talk about—but I think the new threshold program is going to put more emphasis on policies. They are trying to prepare those countries just so they could pass our indicators.

I think, this time, we're going to try to find out what are the real constraints, and with an emphasis on policy. And Sherri is going to talk to us in detail. Yes, ma'am?

QUESTION: I want to thank you so much, Mr. Yohannes, for the wonderful work you are doing in incorporating women into MCC. As I've been talking about, when you empower women everywhere the world, you empower the whole community. So thank you so much for the wonderful work you have done to incorporate women into MCC.

And how can our organization, small organizations like mine, work with MCC?

YOHANNES: We are open to any ideas. We welcome good suggestions. In fact, we do have a website—a website called Innovation to Innovate where we accept new ideas.

So just, you know, whatever new ideas you have in this area, please welcome to give us your new ideas. Thank you.

I'll take one more question. OK, sir?

QUESTION: I'm just curious about what are the lessons that the MCC has learned from the early days to now? How are you doing things differently today that—that's different from before?

YOHANNES: I think that's a very good question. What have we learned from the past? A lot of different things.

Number one, I think, in early days, the method of compacts were done quickly—we really hadn't a lot of the preparatory work. So what does it mean, because we had not done a lot of the preparatory work?

We had to re-scope some of the projects. So if we were planning to do 600 kilometers of road, today, we'd probably be building about 300 or 400 kilometers, because we really have not done the really detailed work that needs to be done early on.

So today, we spend a lot of time in making sure that a lot of the work is being done before the compact is signed so we do not have to re-scope the projects in the middle of the implementation processes. And this is one example. There's a lot.

All right, thank you very much. I appreciate being here. And welcome to stay and listen to our panelists. All right.

Thank you.

(APPLAUSE)

COOPER: Thanks, Daniel, for coming. I know you have another commitment and have to leave. At this point, I'd like to invite our panelists to the table and introduce them to you.

We'll first be hearing from Alicia Mandaville, who is the director in our Department of Policy and Evaluation. And Alicia will be going first. She also has a commitment, and so I think she'll be leaving—she'll be able to take a few questions after her remarks, and then we'll move to the next panelist.

And the next panelist will be Ginny Seitz. And Ginny is the senior director for our Social and Gender Assessment at MCC. And Ginny is going to be talking about our gender program, particularly in the context of Nicaragua.

And then we're going to be hearing from Sherri Kraham. And Sherri Kraham is going to talk about why policy matters at MCC and what specific tools we use—what policy tools we use to engage with our partner countries.

So, with that, I will recognize Alicia.

MANDAVILLE: They warned me that this would be slightly different than normal and that we usually have this fixed. So if I look a bit awkward, I apologize.

As Chuck mentioned, my name is Alicia Phillips Mandaville. I'm the director for development policy. Our team manages the country eligibility—questions of country eligibility, so the annual selection process in December, as well as questions of suspension, termination and then questions of reinstatement of programs.

This is actually a really exciting meeting from my perspective. And this is the first time we've been able to talk about reinstating an active program that had previously been suspended. To me, this is—I'm really pleased to be able to talk about the decision to reinstate the Niger threshold program assistance.

It's the arc of the story that's actually—what I think is significant. It shows that not just the restoration of an elected government in Niger but also that eligibility can come full circle.

So it's possible for a country to be selected for good policies, to experience a period of problematic policy or problematic change and decline and then to be able to restore its eligibility and restore a good policy environment and a good commitment to democratic institutions.

So bear with me while I, kind of, give you the arc of the story because I think that's the biggest takeaway.

Niger was selected as a threshold program (inaudible) in 2006. At a per capita income of about \$240, it's—what's significant is that Niger passed all of three of (inaudible) democracy indicators. That's something we really recognize.

The—we signed the threshold program with them in 2008. It primarily focused on girls' primary education completion but also some work in the anti-corruption area, as well as land right and access.

And the program was proceeding—moving smoothly. In 2009, it became apparent—President Tandja took a—then-President Tandja took a number of steps to try to extend his term in office. The legislature pushed back against this and he dismissed the legislature. The supreme court pushed back against this and he dismissed the supreme court.

After a number of steps like this, it became clear to MCC that there was a clear pattern of actions in which the president was undermining democratic institutions. And MCC took a very considered decision to suspend them towards the end of 2009.

In the month that followed, the military stepped in, arrested the president, announced that they would, over time, restore democracy within the year. Significantly, they took a series of very methodical steps to then restore those same institutions that we had previously seen the prior president take steps to undermine.

So the first thing was to announce the (inaudible) in the military government would be allowed to stand for future election—would be allowed to stand in the next election. And that was significant because it showed us that the military was not attempting to cling to power.

Secondly, they assembled a constitutional assembly that was a very participatory body. It included political stakeholders, civic stakeholders, traditional leaders and all of the key stakeholders in Niger whose buy-in is critical for long-term political democratic stability.

And they tasked this group with drafting a new constitution, something that addressed challenges in the constitution that had in part enabled some of the previous issues to occur under—at the end of 2009. That constitution (inaudible) was approved by referendum by the people of Niger in October.

They held local, parliamentary and presidential elections. And in April of this year President Issoufou was inaugurated.

So the arc of the whole story goes from 2006 to 2010. But what the story, kind of, as a whole shows is that institutions change slowly. They don't change overnight. And MCC doesn't take decisions about eligibility overnight.

We didn't reinstate the minute a new president was elected. We didn't reinstate the minute the transitional government talked about commitment to restoring democracy.

And so now we have a situation where, you know, it's extremely—it's exciting to say that the—there is a restored government in Niger elected by the people of Niger. And MCC recognizes that and recognizes the significance of that. And the board took a decision to restore—or restore Niger's eligibility as well.

So we're really pleased to have Niger back in the—the circle of MCC partners. And this is—like I said, if you can tell, this is an exciting kind of point. This is the first time that we've been able to see this whole circle unfold.

So I can take some questions. I do, unfortunately, have a second meeting proceeding right next door that I'm supposed to go to. But if there are other questions that I can't take now, then my colleagues here could answer as well.

QUESTION: What are the sectors you need to focus on in this new program? And is there also some geographic areas you're going to be looking at around the (inaudible) region or up in the north, or where exactly?

MANDAVILLE: So this is, I think, related actually to the question that Sarah Jane asked earlier about the new lessons of the Threshold Program. And Sherri may be able to speak to this in more detail.

For our purposes, we—this decision was for MCC to be able to reengage with Niger. So we don't have actually a predesigned program at this point. The threshold team will take some time to consult with the government of Niger, consult with people and stakeholders there and then design a program from that with the goal being, in part, I believe, to apply some of the lessons that we've learned to date with previous threshold programs.

QUESTION: I just—I take it that Madagascar is nowhere close to restoring the program. Can you say a few words on that?

MANDAVILLE: So I can't speak as well to exactly what's the specific political environment right now in Madagascar. They have not—we have not seen anything like the same steps, to my understanding, in terms of steps taken to address a non-constitutional transfer of power. I believe the high transitional authority is still in office.

It's been, at this point, well over a year. So that's actually a—it does help throw into relief the way the transition in Niger is significant in that there was a commitment to make that change. And then we saw those changes actually occur.

SEITZ: Thank you very much. I'm Ginny Seitz and I'm very happy to say that I lead the team that works on Social and Gender Assessment at the MCC.

And I want to start by giving a tremendous congratulations and thank you to our CEO and our senior management, many of whom are sitting in front of me here, for the way that they have made this commitment a reality at MCC. And what I had seen—as you can tell, I've spent many, many years in this field. And what I see at MCC is a real change in the organizational culture around gender integration that I never expected to see in a development agency.

So I want to thank them and say that we are working really hard to make gender analysis and ensuring that women benefit from our investments. And we're making it part of our standard practice. So I wanted to start with that because Nicaragua has taught us a lot about the best way to do that. And I want to give you some examples.

First, the context within MCC's mission: We see women as economic actors. And we focus on incomes, rather than rights. So our gender analysis informs economic growth projects, rather than separate women-focused activities.

By increasing economic opportunities for women, you not only improve their well-being and that of their families, but you increase the overall impact of our investments. And as I've said, this has placed us in a unique place in the development space to do gender in way that hasn't been done before.

So why was Nicaragua successful? First, there was engagement from civil society. And, as you know, MCC places great emphasis on country ownership and the engagement of civil society through consultative processes.

And this has been—this is really important in Nicaragua because the NGO that started advocating with the MCC and with the Nicaraguan government was very concerned because other development projects that tried

to grow rural businesses in the northern region had been unsuccessful in reaching women. In fact, typically, less than 5 percent of the beneficiaries in these projects were women.

The compact in Nicaragua also demonstrated what the U.S. gender advocacy organizations, including InterAction, Women Thrive, many others, have identified as the key requirements for successful gender integration.

And these are highlighted in red on the slide. So there was leadership from both MCC and the MCA who worked with this NGO and who hired one of their leaders as the gender director, ensuring the capacity for gender integration on the staff of the MCA.

They provided her with financial resources and gave her authority to hold contractors accountable for performance on gender.

And using our gender policy as her mandate, MCC's gender director developed the first gender integration plan in an MCC compact. Now we require gender integration plans in all of our compacts. And we also require that the MCAs have a social scientist with gender expertise on their staff.

So what difference does a gender integration plan make in projects?

In the \$58 million roads project, it made a difference in design. In response to consultations with women, for example, the roads project paid careful attention to social services in locating bus stops near schools and health centers.

But women are economic as well as social actors. And in the roads project the MCA expanded opportunities for employment for both women and men. Working with the local women's group, the MCA provided training so that members could do road maintenance and traffic control. The group later obtained legal status and now has government contracts to maintain other roads.

The rural business development project had a target of 30 percent for women's participation. And this was achieved during the compact. It required moving against cultural assumptions as well as a decade of constraints in the agricultural sector that it pushed women out or to the margins of the service sector.

In fact, by 2005, only 8 percent of individual producers in Nicaragua were women. In the planting component pictured on the slide, women were 48 percent of the beneficiaries. But what's really key is they moved into the entire value chain.

They were no longer just hired as workers in processing plants. They were producers and business people.

Without gender analysis, women were unlikely to qualify for the dairy component of the rural business development project because they didn't have sufficient assets. So the project developed flexible participation criteria, such as allowing women who did not own land to produce a document, such as a letter from relatives stating their use rights as a basis for qualifying.

In the end, the participation of women was so deep that they are now on the board's milk collection centers and livestock associations. MCA Nicaragua was also highly successful in the land regularization project, with 72 percent of land titles going to women in a country where only 13 percent of land nationwide is owned by women.

Nicaragua's success was not easy to achieve. The cultural dimensions of gender inequality in northern Nicaragua required specialized recruitment so that women could perceive of themselves as rural business people.

Careful attention to gender integration across projects also led to greater acceptance of gender equality among the many stakeholders. And I think this is an advantage of the gender integration approach through economic development programs.

The Nicaragua compact has given MCC evidence on what works. It's validated our approach in focusing on the economic growth sectors, as well as the importance of a clear policy and other key requirements of leadership, the ones that I mentioned before. Leadership mandates capacity resources and accountability.

The illustration above done by a child for the cover of MCA Nicaragua's gender integration plan says that, without the participation of women, there is no development. And we've heard that already today. So we're saying it again.

Even though we know this and even though there are many examples of projects that work for women, very rarely can we expect a development agency to consistently achieve success. By adopting detailed operational procedures and formal requirements for every compact moving forward, MCC is ensuring that gender integration is standard practice.

So please go online and look for our gender integration guidelines, as well as our gender policy to see how that—how these operational procedures with milestones are changing not only our institutional culture, but moving the field along as well.

We're seeing significant progress and innovation in the designs of the Indonesia, Zambia and other compacts in development now. And I hope to be able to return to you in future with those stories as well.

Thank you.

KRAHAM: Good morning, everyone. While we're getting my presentation up, I'll just say how delighted I was to hear your question about lessons learned, because that places my presentation perfectly in your interest.

So I'll be talking about the lessons that we've learned in promoting reform. And last quarter, we presented the lessons that we've learned and results. And there's a presentation on our website highlighting, you know, how we've evolved.

I'll also take the opportunity to invite you to look at the "Principles into Practice" series, which is on our website. This is a series that really focuses on the lessons that we've learned in implementing our key principles over the years.

We have a paper on results that is available. The next paper is on ownership. And we have a number of (inaudible) papers coming out over the summer. And these really are the good and the bad and how we've evolved based on these—these lessons.

So in terms of promoting policy reform, this is one of the CEO and senior management team's top priorities. And so we've been systematically, over the last year, looking at ways that we operate and thinking about how to innovate, how to build on our lessons, adopt new tools.

And this has always been a core principle. But we're really trying to pursue it through a very targeted and purposeful approach. And this is because we know that investing in reform increases the impact of our (inaudible) and development outcomes generally. And we're seeking also to leverage the experience and activities of others working in this space.

We learned that the prospects of MCC's seal of approval and potential for substantial resources have added huge incentives for countries to reform, making it a really valuable asset, not just to MCC but to other agencies within the U.S. government and other donors. And so I am going to try to share some examples with you.

The key here for MCC is how do we strategically leverage the three sources for greater impact?

So, as I mentioned, we're (inaudible) our support instruments trying to match the right instrument to where the country is on the reform spectrum. And I'll walk you through some of our principles and some of the instruments.

So I think you've seen these terms from MCC before. From our model to our practice, promoting reform is integrated into our relationship with all of the countries that we work with that their various stages of development. We invest in countries that have good policies and then, in carrying out our investments, we invest in those reforms.

There are three principles driving our approach: being selective, letting country performance drive our terms and our level of engagement, and a focus on results. So let me walk through selectivity.

First, we're selective with the countries that we work with. These countries must themselves be committed reform. And this goes beyond the initial selection to ongoing reform, not just on the criteria but in our programs.

What reforms we focus on really will depend on the diagnostic analysis that we're incorporating in the threshold program, to come back to that. And how—it's about the instrument that we bring to bear and how we can calibrate our instrument to the level of reform commitment and to where the country is.

So country performance, I said, drives these four instruments. So let me go through these instruments and come back to our last principle on results.

The first one is selection and the eligibility criteria. We've learned that the scorecard is an ineffective entry point for starting a dialogue with countries about reform. It's become our brand and model for sustaining that dialogue over time, and we're trying to deploy it in new ways.

One of the ways that we're deploying it is working with transitioning countries. So I'll be headed to Tunisia next month to work with the transitional government there. They've opened the doors for us to meet with people—senior people across the government that are formulating policies and approaches, that are planning elections for the constituent assembly because we bring with us this independent assessment using our scorecard and our criteria to help the country see how they are evaluated against international best practices and norms.

The second, as we deepen our approach, is the policy improvement process. And this is a process for engaging countries that have already reached a certain level of performance in order to qualify for a compact but where ongoing reform is critical.

And so in—we're being increasingly selective and targeted. And we're deepening our engagement with countries that are working through reform. So I'll just mention briefly the situation in Honduras.

They successfully completed their first compact. And based on their experience, they are extremely interested in qualifying for a second. So we're using that opportunity to engage them in several areas of the criteria focused on anti-corruption and human rights.

And we're working with others across the U.S. (inaudible) U.S. government where they are the lead. So human rights, obviously, that's the State Department.

On corruption, we're working with the government to assess the actions and to supplement our scorecards, we're deepening our tools past the scorecard to—to find more fine-grained analysis of things that the government is doing on corruption and things that are more sensitive. So we're bringing a very serious discipline-focused, benchmark-measuring progress along the way.

The third area in this—I'm delighted to hear about the interest in the threshold program—is our revised threshold program. And here we had a systematic review of the program and our objectives. And we're building on lessons and our achievements in the first generation of programs.

And we've designed a new concept. You can see on our website there's a document called "Lessons Learned in the Threshold Program." And while it doesn't lay out the new concept completely, it talks about the elements, the issues that we're trying to address moving forward.

As you know, the board decided to reinstate Niger's threshold program. So we're really looking forward to assessing the policy conditions that exist there now to see if any elements of the old program still makes sense, but also to apply some of our new diagnostic tools to identifying policy areas, doing some political economy analysis to see how feasible these—these policies are in a time frame that we're working in, which is three, four years, and designing the programs based on those deep diagnostics.

So MCC is going to increase its involvement in the program design process, partnering with—with USAID, which was the implementer in the last program. We're also going to build in greater measures of oversight during implementation. And this is all based on the review. And you can see details about this on our website.

The third piece is building in incredibly robust monitoring and evaluation practices into our threshold program. Just like the discipline that we apply to compacts, we're going to bring that into the threshold program.

And the fourth area that we talked to the board about is policy reform in compacts and how our approach has evolved. We're sharpening our focus on integrating reforms into the compacts to improve governance, to increase the sustainability of our investments and to increase our impact. And I mean, when we talk about results, we're talking about increasing the economic rates of the return.

So how are we doing this? We're increasing our focus on—on these activities, so that they're identified, developed, invested in and monitored and evaluated in the same discipline as other types of investments in compacts. You can see this approach illustrate in two recent compacts. The CEO mentioned Malawi. So let me talk about Malawi for a moment.

We started with the constraints analysis, an analysis of their economy. This identified the energy sector as a binding constraint to growth. We then conducted deeper sectoral analysis that revealed investing in infrastructure wasn't enough. Inadequate institutions are key constraints.

And so we integrated sector policy and institutional reforms in the program design. We applied the same focus on due diligence work into the policy reform component during compact development. We developed a targeted monitoring and evaluation system to measure the results of these reforms. And this is going to keep the focus on these reforms and increase visibility on the reforms to local stakeholders.

We're also seeking to leverage our investments with other partners. Other donors are now contributing to the energy sector, including an \$83 million credit from the World Bank.

Within the USG, we're partnering with USAID, USTDA and the Department of Energy, internationally working with the IMF, IFC, (inaudible). Investing in these reforms reduces the risk in the infrastructure investment itself, substantially increases the impact of our investment.

And I'm looking at our vice president for Compact Development—for Compact Operations, and I'm sure he'd be happy to chime in with any answers to questions you might have.

Let me also just mention the example of the Philippines. We have a different approach that we apply here. If the stand-alone reform projects focus on tax administration, these two emerged from our constraints analysis where they identified government revenue as a binding constraint to growth.

We invested heavily in institutional due diligence. And we build upon the activities of the threshold program which focused in the same area. This analysis included leveraging other partners. And so here, too, we're working with the IMF, an institution acknowledged for its expertise.

Again, we developed a dynamic monitoring and evaluation. And the project's high economic rate of return reflects the—the fact the component in and of itself is expected to accelerate growth in the country. So those are two different kinds of examples of how we're—we're implementing this commitment to reform and integration in our compacts.

Let me turn to the results slide. This is the third principle in our approach. I talked about the ways that our programs have been developed to a very diagnostic-driven approach that's going to apply to thresholds as well as compacts, and that we're also bringing it into our engagement in the policy improvement process, which isn't really a problem of investment, but more of dialogue.

Finally, talk—focus on monitoring and evaluation, where we're increasing the robustness of our evaluations in the threshold program and in compacts. And we're even applying some of these tools to our dialogue with countries to the policy improvement process.

So that concludes my remarks. We're going to continue to work on our approach and build lessons learned. And I hope we'll have a principles into practice paper and policy in the fall. And we look forward to answering your questions. Thank you.

Any questions? Over there? We'll start here and then we'll move across the room.

QUESTION: I had a two-part question about the—the use of (inaudible) in your project evaluation or project proposal evaluation. I'm curious to know how the technology and, sort of, the private sector is engaged in these studies, whether or not they are and how we can go about interacting with MCC at the initial stages of the evaluation. And the second part of my question is, are there efforts in the MCC to update the models that are published online?

KRAHAM: Well, let me answer the second question. I'll—Patrick, may I pass you the program development question?

So our economists are working to update models, so that even our estimates are revised as conditions change from the country. And that's an ongoing effort, so please stay tuned and stay focused on our website.

Do you want to answer the question?

FINE: As Sherri said, when we started to work with—once a country is selected as eligible for a compact, we get into a discussion with that country. And the first step is the constraints analysis, which is a broad macroeconomic diagnostic to look at where are the constraints to growth. And it usually identifies two or three priority areas.

And we—the government then will crosscheck that with its national development plans. And it will identify which of these priority areas that it really wants to focus on. Then there is a period of broad consultation which includes a lot of outreach to the private sector working in that country.

So your question about how does the private sector get involved, my advice would be, if there is a country where we're developing a compact or that's been selected as eligible for a compact, to get involved in the consultation process that goes on as part of that compact development right at the beginning.

And, I mean, Zambia is a good example where one of the areas that the Zambia compact is going to work on is development of—of enterprises and private-sector operations around the Kafue National Park. And there's been tremendous outreach to the private sector in Zambia and in southern Africa around working in park concessions, working in—in the development of the—of the buffer areas—buffer zones around parks.

And that consultation has been extremely valuable in things like development of a law that governs work in that area and the country. So there is a very robust process of consultation. It's not with the private sector with civil society that takes place when we develop a compact.

KRAHAM: We'll take this one over here and then we'll go to the lady I promised earlier.

QUESTION: And we are very interested in the way the threshold program works. I've seen reports recently that the budget environment is going to result in some significant constraints particularly on the threshold program. Is there—and I assume that's an influence on the way you're redesigning it. Can you speak a little more about that?

KRAHAM: Sure, I mean, budget constraints are going to have to impact our program decisions in the selection of countries that we work with. But we do hope to have a country that we can work with in December.

We envision that programs will be smaller than in the past. And this is because one of the conclusions from the review is that we—we invested in many policy areas. And within those policy areas we had many components and activities. And so we want to focus our efforts a little bit more.

And so we think that we'll be more narrowly targeting policy areas. And the programs will likely be smaller. But I think that, in the review, we also concluded and the board concluded that this is a valuable tool for promoting reform in countries and that we have the—a very significant incentive.

And this is repeated to us by our colleagues in the embassy and the aid mission and civil society on a regular and ongoing basis. So we think it's a valuable tool. But we think the reform is the important part, not necessarily how—how fat the programs are.

QUESTION: I believe you were mentioning, with the Malawi compact, you were talking a little bit about partnerships with other donor agencies, both U.S. federal agencies, as well as other bilaterals. And I know, in previous compacts, other multilaterals have been involved. I'm sure you have to learn a little bit more about how that partnership works.

I know, in previous cases, there may be World Bank projects where MCC will pick up, you know, additional infrastructure work off of that, or if—if now there is also, sort of, a dialogue up front, as MCC metrics are coming together and saying, "OK, you know, there's donor seeking on this piece. There's donor seeking on this piece." Sort of, how does that play out?

KRAHAM: Well, as part of our compact development process, both we and the country are consulting with other partners and other donors. And we're not the first to work in or to try to tackle the energy sector in Malawi. The World Bank has a long history there.

So in doing our due diligence, you know, it's—it's—they were an obvious (inaudible) partner. And—but we worked with them to—to think through what are the kinds of reforms that would be appropriate. We consulted with other donors. So did the government's (inaudible).

And so this process happens not at the end of the road but very early on in the development process. And, like I said, the energy sector was—is a—is a key constraint in Malawi. And it—and it emerged very early on in the process.

So there's been a very in-depth dialogue with all of these countries, and so, I mean, international and other partners. And so some of them are making their own investment alongside, some of them are a part of our project. And we work together in a collaborative process with the government of Malawi in the lead, driving this to—to think about how can leverage other investments.

This woman here and—and then the woman in pink.

QUESTION: I have two, hopefully, quick questions. Sherri, for you, with respect to your partnership with USAID down the road with—with the threshold program, I think congressionally mandated, initially, at least, AID was the go-to partner to execute the threshold program. As you reinvigorate or reinstate that program, I do expect that AID will be your exclusive partner on that, or is that all up for redesign and rethinking?

And the second question for Ginny Seitz. AID has recently beefed up with at least two senior persons to come in and to get busier and more effective in the gender arena. How would you characterize the relationship between what you're doing and describing and where AID is on whatever curve you think you're on? And how would you characterize that collaboration and moving forward between the two agencies? Thank you.

KRAHAM: So first on the threshold program, we have had a history of working with USAID, but it has never been our exclusive partner. We've worked with other agencies including the Office of Technical Assistance at the Treasury Department, the Department of Justice and—and others.

And so—and the legislation suggested that USAID is a potential partner. But it's certainly not something that's mandated. And so we've had programs that were exclusively with other agencies, such as (inaudible).

Going forward, MCC is—is going to be much more robust participant in the process. So it's most important that the country leads the process because, when we're talking about these kinds of changes, it must be driven by the dynamics and the conditions in the country. So they are the first partner.

We certainly will look to—to work with USAID and other government partners. How programs will be implemented in the future will be based on what are the kinds of reforms that we're focused on. So if we think about the kinds of things that we're even looking at in Honduras, it's not threshold country. But we're focused on public and—public financial management.

Well, Treasury would be a natural ally, absolutely, you know, on a topic like that on government transparency. So—so it will really depend on what emerges from these diagnostics. And we certainly hope that USAID will continue to be part of that process.

SEITZ: Just as I noted, the leadership and commitment from—in this agency, clearly, this administration has a made a difference overall in terms of attention to gender. And that is happening within USAID. And we're very

pleased that both Caren Grown and Carla Koppell are in the leadership positions and both of them have worked with us for quite some time.

And we are really looking forward to deepening our collaboration. I've gone over that with Caren's team that's working on policy development. We've had many conversations about the partnerships for growth process and—so we—we're very excited about these developments.

What I can say for MCC is that we're—we're really positioned in terms of our model in our approach and our focus to—to achieve gender integration in these economic sectors. And I think we're—we're really moving forward in that—in that regard. And I think that we will join with our partners at USAID and move forward together in many respects.

And then I just wanted to add on to Sherri's answer about Malawi, about donor coordination that came up a little bit earlier and go back to Patrick's example of Zambia where there was—there has been intensive consultation and cooperation and coordination with the donors, for example, that are engaged in the environment and—and nature-based tourism sector with Zambia.

Zambia wants to move out of its dependence on extracting industries and wants to—is committed to the growth of tourism opportunities. And the other donors have been engaged in this. And we have been really important partners with them, and together we're pushing some, I think, significant policy reform as well. So that's been very positive.

QUESTION: My question is for you. I was listening to the gender integration topic that you were talking about. I wanted to know how—what is the selection criteria, you know, when you deal in—when you go to a country. Is it on a case-by-case basis or is it (inaudible) a contract package, you know, say if MCC deals with, you know, a nation?

Because there are some areas in the world where the women are, of course, marginalized and they are relegated to the background. They don't make decisions. So what happens when that country does not qualify, you know, to be in your program? Do you deal with the women directly or what? Thank you.

KRAHAM: I think I will tackle the first part, which I think is about how we choose partners. So MCC has range of different policy areas that we look at for countries to qualify. And they don't need to perform—they don't need to meet the criteria on all of them to qualify.

And so we have had circumstances where a country's performance on, let's say, the land rights and access indicator where there might be low performance or a lack of land rights or access to women.

And so it's sort of a two-part assessment. The first part is looking at their overall policy environment. And, again, we have had some challenges with some of the countries that we work with.

And then we turned it over to the gender analysis team and the country teams. We look at what are constraints to investment. So let me turn it over to Ginny.

(CROSSTALK)

KRAHAM: The question is about qualification for MCC, sure. So the country has to be selected by the board. And they do a very detailed analysis and discussion about overall performance in the country. And we want to choose countries that are willing to undertake the kinds of reforms even after they qualify that would help them develop and grow.

SEITZ: So, for example, we did influence some major change in—a legal change (inaudible) by essentially conditioning our assistance on a legal change that made married women full economic actors or legal adults in that country. So that was an important step for the country and for us.

I think your other question was how do you—what do you do when women are so marginalized they can't really participate?

And as I mentioned earlier in the presentation about Nicaragua, consultations with civil society, analysis of what the policy and institutional constraints might be, ensuring that that there's capacity for gender analysis in—in all aspects of developing a program are part of standard practice.

In fact, if you look at our gender policy, it says that consultation is the first entry point and an ongoing measure of how well we're doing gender integration. So we do understand the barriers that women and marginalized peoples face. And we do understand that in the end economic growth has to touch them in some way and pay very close attention to it.

KRAHAM: Are there any other questions? Oh, in the back there and then, up front.

QUESTION: On the question of the threshold program and your due diligence, I'm trying to understand, sort of, the processes that's, kind of, somewhat familiar with the (inaudible) program. Is the due diligence done before or after you select your partner for implementing?

Because I think that that's actually a key element of the due diligence and not necessarily defining it just by, sort of, the technical capabilities of the partner. So I offer that as a—as a recommendation in order to achieve your results.

KRAHAM: Thank you. So in determining a country that might be a good partner for the threshold program, we're really looking for countries that...

(CROSSTALK)

KRAHAM: ... the person that would implement the program.

QUESTION: The organization that would. I was—I understand the issue of the selection for the country. But I meant the implementing partner. Like, for example, whether it's USAID, (inaudible), Treasury, et cetera.

KRAHAM: So, going forward, we expect to see some changes in how the programs will be implemented and how—and we might see changes in who oversees procurement processes in the past. The determination of what agency we might partner with has been based on the policy area that we're focused in. And, generally, those institutions have done the procurement.

Going forward, there will be some changes. So I—I take your point about due diligence and how we arrange these programs. And I think they'll be probably smaller and more focused going forward. And—and we're looking forward to putting some new information about the threshold concept on our web very soon.

QUESTION: I want to press you a little bit more on what (inaudible) this program. It seems that the biggest (inaudible) seems to be this targeting the policy reforms, matching the instrument of the specific reform—and you, kind of, alluded to what is going to be almost necessarily smaller—smaller amounts of money. But many of these ideas, especially on what—what's on the board behind you, are very familiar.

Is this targeting the main takeaway of the change in the threshold program? And what evidence is there that this new approach will be more effective than the previous approach?

KRAHAM: Sure, thank you. So one of the key findings that I didn't talk about today from this threshold review, but I've talked about before and which is available on our website through this "lessons learned" document is that the previous threshold program really targeted all of the indicators that a country wasn't passing in order to help them pass those indicators and qualify for a compact.

And one of the lessons that we've learned is that it's very difficult to link our programmatic—the impact of our programmatic intervention on changes in the indicators. And there's a lot of variations in our indicators, and that impacts how much impact we can have through programmatic intervention.

So, for example, many of our programs were focused on anti-corruption and governance. And that indicator is a measure of experiential—experiential and perception surveys.

So the idea that improvements that we make and we have made improvements streamlining processes, increasing transparency, reducing opportunities for corruption, so we can have an impact with their program. But that may not impact the country's score. And so we're trying to use a different approach—a different diagnostic tool to identify what are the critical barriers for this country's eligibility and for their growth.

And using a constraints analysis process very similar to what we use in compact, which is just a method of analyzing a problem situation to determine what the right intervention is. So we're going to apply this constraints analysis to the threshold's problem.

So what are the policies and other changes that would be necessary to impact growth and also to impact eligibility, right? Because the goal of the program hasn't changed. The purposes in our legislation were to help countries to become eligible.

And we think that by working with the country on the kinds of reforms that will emerge from this analysis, we'll be able to demonstrate to the board that this is a partner committed to reform and able to work in a compact process. So we'll get two kinds of information from our work in addition to reducing a constraint to growth and addressing a policy problem.

COOPER: If there are no more questions, I'd like to thank our panelists for their time and insight. I'd also like to thank all of you for coming today and also remind you that all the latest developments on MCC, the status of programs and operations, go right up on our website.

So please check out the website. If you have questions, let us know if you have questions moving forward. Also, a video and a transcript of this meeting will be posted on our website as well. So thanks again for coming, and we'll see you soon.

(APPLAUSE)

END