

MCC Quarterly Town Hall Meeting

Speakers:

Daniel W. Yohannes
Chief Executive Officer
MCC

Chuck Cooper
Vice President, Department of Congressional and Public Affairs
MCC

Alicia Phillips Mandaville
Director, Department of Policy and Evaluation
MCC

Jonathan Bloom
Deputy Vice President, Department of Compact Operations
MCC

[*]

YOHANNES: Good afternoon, welcome. For those I have not met, I am Daniel Yohannes. I am the CEO of the Millennium Challenge Corporation. It's good to see you all this afternoon.

This afternoon, we're going to be talking about Malawi and Mali. Our panel is going to be moderated by Chuck Cooper, our Vice President for Congressional and Public Affairs.

For now, I will give you a brief update about some of my activities since we met here last March and talk about also what we discussed at the board meeting last week.

So first, let me talk about my trip to Zambia. In May, we added Zambia as the new member of the Millennium Challenge Corporation family, and I was in Lusaka to sign a \$355 million compact with the Republic of Zambia. The entire \$355 million is concentrated in water to help the country become more water secure, especially in Lusaka, where we are concentrating our projects.

The water system in Lusaka was built some 40 years ago, when the inhabitants of Lusaka were only about 250,000 people. Today, Lusaka has over a million people, and they have not been able to distribute water effectively and efficiently. If you live in Lusaka, you get water once a week if you're lucky or maybe once every two weeks. So you have to do a lot of storage in order to use water.

So our compact eventually is going to be able to help the citizens of the country. We expect, after it's completed, about 1.2 million people would benefit from our investment.

And of course, with that, you create a very healthy workforce that's free from any kind of water-borne diseases, and also create the best environment for businesses. So I think it's going to be a win-win in Zambia.

And then, at the beginning of June, I went to Jordan and Morocco. Jordan, also, we have a \$275 million investment in the water sector, primarily invested in Zarqa, which is the second largest city in Jordan. And once that compact is completed, as well, that about three million people who will benefit from our investment.

Let me talk about our investment in Jordan. Even though it's about \$275 million, it has three components to it.

The first component is really designed to rehabilitate the current water distribution system by fixing many of the lakes. Approximately, we lose about 50 percent of the water today because it leaks everywhere.

The second component is primarily to hook up additional 19,000 household to the current source (ph) system. We also will be rehabilitating that system as well.

The third component is going to be primarily invested in the wastewater treatment plant in Zarqa. That's where we're going to be able to leverage our investment by partnering with the private sector. In fact, when I was in Jordan, I was able to witness the signing of a \$183 million agreement between the government, the banks and a private sector consortium that's going to be managing the plant for the next 25 years.

So it's great to see that our investments are going to be leveraged with investment from the private sector.

And also when I was in Jordan, I was able to go and see some of the beneficiaries that will benefit from our investment.

If you happen to live in Amman, you also get water once a week, but they have large containers that would help them. If you happen to go to places we're going to be working in Zarqa and other places, you're going to be collecting water in plastic containers. That's what I saw.

I went to Fatima Ali's house. And Fatima is collecting water that will last her for one week. But you know what? She'd been using plastic containers that had been previously used for paint. And when I was there, you know, she's doing a very good job, but I saw old paints floating around in the water, which is not very healthy. And I went to another house next door, I saw the same thing.

So, once our projects are completed, hopefully water flows every day instead of once a week, and people like Fatima hopefully will be able to get water—clean water, that is, and not the kind of water she collects today.

So Jordan is going extremely well. And I met with our management team there, and I'm 100 percent confident that our investment in Jordan is going to be able to be completed ahead of schedule because we have a great team and we have great partner with Jordan.

Then I went to Morocco. Morocco's a different story. The compact was signed five years ago. It is for \$700 million, and it is invested in many different sectors throughout the country.

And it entered into force much quicker than it should have; in other words, much of the due diligence work was not done early on. It was done after the compact entered into force. Having said that, I believe that our teams both here at home and in Morocco are doing an outstanding job in trying to get the compact completed before September [2013] when it has to be completed.

And I met with the head of the government, with many of the ministers, who are 100 percent committed to make sure that the projects are completed, I must say. And if in fact it's not completed, then they have agreed to complete the project using Moroccan funds.

So this is the kind of partnership we expect from our partners. I came home extremely pleased with where we are, and also pleased to see the kind of commitment we have both in Morocco and Jordan.

Now, what have we learned from Morocco? Well, what we learned today is, first, all of the compacts that were signed in the last three years—whether it be Zambia or Malawi and other places—that they are pretty much sector specific, and also concentrated in few geographic areas.

And much of the work, the preparatory work, is now completed ahead of time before the compact enters into force, which means it provides more time for our partners to do the work on a timely basis.

So this is the beauty of MCC, we are flexible to adjust, correct, modify to make sure that our work is having a tremendous impact with our partner countries.

So it was a great visit, I came home again very pleased knowing that we have great partners and also that our investments are going to help many of our constituencies in that country.

Now let me talk to you about the board meeting last week. There were two countries that were discussed, Mali and Malawi. One is a happy ending, and the other one is a very sad story.

The compact with Malawi was signed some 18 months ago. And because of declining performance in democratic and economic governance, first we put the compact on hold.

And things were not getting better, so finally I recommend to the board that it be suspended. So the board concurred with my recommendation and they made a decision to suspend the compact last March.

Then, when it was formally suspended, there were events that took place. President Mutharika sadly passed away. Vice President Joyce Banda took the presidency; the transfer of power was seamless, orderly and we were very proud of how it happened.

And under President Banda, she was able to take a very courageous and bold move to reverse many of the democratic and economic governance trends that were sliding before. And she was able to address our concerns, the concerns of the donors, the concern of other multilateral institutions and, frankly, the concerns of her own constituencies in Malawi.

There have been dramatic, dramatic changes, which you're going to hear about from the experts in a few minutes.

So I went to the board recommending that we should lift the suspension and resume the compact. And the board unanimously voted to do that.

And also in the last 90 days, I have spoken to President Banda myself three times, and I tell you: I was extremely impressed. It's not about her, it is about her country, and this is the kind of partner you want to have.

I'm going to be there in about two weeks with our technical experts to support our decisions—and it's also a great compact. It is \$350 million, pretty much concentrated in the power sector to help that country become power secure.

So it's going to have a tremendous benefit to her constituencies as well. So that is dramatic move, the kind of move you expect from a great partner and I trust what she's doing and I believe that we have a great partner in Malawi under President Banda.

Mali is a sad case. I was there last year and, you know, in Mali, we have a \$460 million compact concentrated in two sectors, agriculture and the expansion of the Bamako Airport.

This compact was six months away from being completed when the coup happened last March. A sad case because the progress that was being made was just phenomenal. It was not an easy compact. Mali is not average country, as you know, that's why we're there. They did have some capacity issues at the beginning but they were doing an outstanding job.

Then you had the officers who decided to overthrow the legitimate government of President Toure. Of course, when that happens, we cannot work with countries that do not abide by the commitment in which they signed to become partner in the first place. So I recommended to the board to terminate the compact in an orderly way, effective August 31.

Now, the agriculture part was pretty much complete when the board made the decision to terminate.

The airport is a different story; you will hear more about it from Jonathan Bloom, who is our Deputy Vice President for the region. The team is working hard trying to do it responsibly and quickly to make sure that American taxpayer funds are preserved and protected.

But it is a sad story. Since the coup happened, the country is divided in two. Frankly, we are concerned about the future of the people of Mali, and we join the rest of U.S. government in calling for a full and quick restoration of constitution civilian rule. So with that, you're going to hear more from Jonathan Bloom.

Again, we have a lot today, but I'll stop here and take your questions.

QUESTION: Thank you.

So this was with regards to your coming from Mali and the progress that was being made and the unfortunate overthrow of the government.

I'm sure there are concerns about the fact that this will affect the people that have nothing to do with the overthrow and are trying to make a living for themselves which is the purpose of your project in the first place. So could you comment on that a little bit please?

YOHANNES: Well, again, I think that, as you know, we work with countries that have done extremely well in democratic and economic governance. This is all about partnership, we have to have partners that are committed to good democratic and economic governance. All right? That's why we got engaged with President Toure previously. But you cannot get engaged with dictators that have absolutely no respect for good democratic governance.

And it's unfortunate, yes, in the long term, there's going to be some consequences for the people of Mali. But you have to choose and pick the partners you want to work with and the current regime is not the kind of government we want to work with.

Yes ma'am?

QUESTION: Good afternoon ladies and gentlemen, my name is Rosemary Segero; I stand for Segero International Group.

I want to thank you so much, Mr. Yohannes, for lifting the compact for Malawi. I think lifting the compact of Malawi is a wonderful thing and that's why I came here. You'll always see me here, but that was my main aim of coming. Now that we have another woman president, I think the compact will be used very well. And I'm so glad to say thank you so much and that's what I came to hear and we look forward to working with you on the Malawi compact.

Thank you.

YOHANNES: Thank you.

I think if the people of Malawi and the president—we need to be very thankful for the efforts and the decisions the president made in the last 90 days, but we're glad to be there.

QUESTION: Hello, Jennifer Ravelo (ph), I'm a reporter with Devex. And I'm just wondering what conditions would need to be met or what would need to be in place in order, in your view, to reinstate the Mali compact?

YOHANNES: The Mali compact is going to be, I mean—it had to be done. Even before it was terminated, it was expected to be completed in September of this year, so it was six months away.

So in our system, it must be completed within five years, there's no extension. Well, now it is terminated, and we are carefully doing the wind up activities. And it's going to be a very, very long time before Mali could be considered a candidate. The incident that happened is not easy. That's why our model is based on selectivity, that's why we work with only 25 countries around the world.

And it's not easy to be a partner of the Millennium Challenge Corporation, so it's going to take a very long time.

They need to go back to—first of all, they need to adopt the constitution or restore the constitution that was suspended by the regime. So there's a lot of work that must be done.

Yes:

QUESTION: Salif Gumara (ph), I work for Open Society Foundation and I study at American University.

I'm very concerned about the issue of Mali. We compromise in (inaudible) social need and politics because you talked about partnership. What about shifting to civil service—service society instead of working with the government? Why can't we (inaudible) continue to serve the people and work with civil society just to continue doing the work—the great work you guys are doing?

YOHANNES: I think Jonathan Bloom is going to talk about the work that is being done to wind up.

But again, I think that it's extremely difficult to work with dictators. I think some of the projects will not be completed. But it's going to be a reminder for the people of Mali that it happened because of some dictator that decided to overthrow a democratically elected government. That's not right. All right? That's the price you pay when you do that. And I'm not happy about it because I've seen the progress and I saw what Mali needs. And this is not what we expected.

As Jonathan will be saying, some—for example, the terminal will not be completed, it's going to be boarded up, but that's going to be a reminder that when you have a coup d'état and overthrow the government, that's the price you pay. It's unfortunate, but it is what it is.

Any more questions?

Thank you very much, great to see you all.

(APPLAUSE)

COOPER: Good afternoon everyone, my name is Chuck Cooper and I'm the Vice President for Congressional and Public Affairs at the Millennium Challenge Corporation. We wanted to follow up on Daniel's remarks by going into a little bit more detail about the two subjects that were the primary focus of the board meeting.

Jonathan Bloom, who is joining us, is the Deputy Vice President for West Africa at MCC. He is going to be talking to us about Mali.

And Alicia Mandaville, who's with our Department of Policy and Evaluation as a Director, will be talking with us about Malawi.

As Daniel said, it's interesting that these two countries that we're going to be talking about today really do provide a stark contrast in democratic governance, and it's really been dramatic over the last three months. We've seen tremendous progress and movement in the right direction in the case of Malawi. And in the case of Mali, it has been very disappointing—and as Daniel said, sad and even tragic, what's happened in Mali over the last three months.

But from an MCC perspective, one of the things that we're very much focused on, as Daniel had mentioned and was subject of some of the questions that were asked of him, is selectivity.

So I wanted to follow up with Alicia Mandaville about that issue, because it's so core to the MCC model, and I think it's really important to think through selectivity in the context of Malawi first. And think about how the MCC model is being put into practice with regard to selectivity, and why it is so important from the MCC perspective with regard to our ability to incentivize policy reform and good governance?

So, Alicia, can you talk a little bit about selectivity and why it's so important to MCC?

MANDAVILLE: I think that as you heard the CEO mentioned quite a bit, selectivity is something that MCC seeks quite a bit, not just at the point in time in which we select compact or threshold partners but throughout the course of that partnership with them.

To us, the partnership with a country is—there's pieces on both sides of it. There's our commitment to the investment, our commitment to uphold the investments we'll make and (inaudible) with technical assistance that's required.

But there's also the expectation that our partner remain committed to the level of policy performance and the sound policies that they showcased at the point in time that they were selected.

So when we're thinking about selecting country partners, we—by law and by practice—look across multiple different policy areas. We rely on a publically available score card. It pulls data across 20 different indicators produced by third-party sources, so neither we nor the country in question can control the evaluation of policy in that country. But it's an outstanding way to make a good visible comparison about policy performance.

And in order to be considered seriously by MCC, a country needs to perform better than more than half of their peers within an income bracket across three areas: good democratic governance; investing in people, both health, education and natural resource management; and also economic policy.

So it's a really broad—even though we say we focus on being selective, we're selective across a broad base, if that makes sense, in terms of looking at policy performance really as a comprehensive set.

So I think once a country is selected to be compact eligible, though, we then, we take very seriously the implications of that, so that means that we expect to have a partner that maintains that level of policy performance.

And then the difficult piece of that can be that MCC needs to uphold that standard as well. And so you hear us today talking about both the ability to reinstate Malawi but also at the point in time, the need to have terminated the Mali compact.

So I think this is an interesting conversation because it really throws into relief both sides of that conversation, both: ‘What does it look like when a country demonstrates its ability to really hold up the policy performance and—and reverse it so that there’s an improvement,’ and then, ‘What happens when a country reverses course and stops being able to uphold that performance?’

COOPER: The development community talks about the MCC effect. Are the events that we’ve seen unfold in Malawi over the last three months an example of that? And if so, how?

MANDAVILLE: I think that people are starting to point to that very strongly as an MCC effect. And I should say up front that—I think all of my colleagues at MCC will say that—when members of the current government of Malawi speak with us, they talk about the fact that these are reforms that they see as critical to the population of Malawi. These are the things that they as a government would undertake anyway.

But what we think has been really significant in the last, say 60 to 90 days, has really been the speed and energy focus behind some of those reforms.

So for context, I think that there’s kind of two pieces to the MCC effect, if you break it down a little bit. There’s the selectivity side but there’s also the transparency side.

So it’s not just that we say we have some concerns and then stop. MCC was very clear over the past year that this is what we’re concerned about on the democratic governance side. And we talked about being concerned about changes in laws and institutions in Malawi. We talked about concerns about human rights violations. We talked about concerns around the violent events of last July and the police response to the citizen protest.

And in the last 60 to 90 days, we’ve really seen the government take steps to address each and every one of those categories. And so I think that’s what’s probably most significant and demonstrable in this case is that while reform, as part of a transition when a new leader comes in, is often a natural step, the speed and the depth at which the government has really, I think, tackled many of the areas that we were clear, publically, we had concerns about, really showed how much (inaudible) working towards not just making these changes, but also showcasing to MCC that they were really committed to making sure we saw them as able to uphold their responsibilities as a compact partner.

COOPER: As you’ve said, we’ve seen really some courageous and bold actions being taking by President Banda and her government, but it’s been three months since she’s been inaugurated. How can you try to incentivize continued progress? And how can you be sure that those reforms will continue—how will MCC continue to monitor events on the ground in Malawi?

MANDAVILLE: I think this is something that a lot of people have asked. ‘It’s been a short period of time, what is that you saw that gives—gives you confidence?’

And I think MCC is—so I’ve been here for a little while, I’ve been here since 2006—we can be accused of being somewhat plodding and methodical in our analysis, and we won’t take an immediate signal or a trend and just go, we’re often looking for the evidence that goes behind it. Which is great in some camps, and then very frustrating to other camps, I think.

And in this case, it's that same kind of methodical look, at: 'How are the institutions being affected in Malawi?' How reform is working in those institutions, or through those institutions, is really the core answer to this question.

For example, I mentioned that we had expressed concern around the events of last July. It was a situation in which multiple city protests were met with a police response that led to the death of some 19 people.

So in the immediate post-presidential transition to the Banda presidency, we saw a replacement of the new—of a police inspector general and the appointment of someone who is known to be reform oriented. But really since then, we've seen the fact that he has publically called for an investigatory body inside the police to investigate allegations of human rights abuses; that he's publically reversed a shoot to kill order that had been standing under the previous police inspector general. And then he said that the police will be subject to questioning as part of investigations into last year's events.

Those are things that are tangible and institutionalizing. And so it's that kind of difference, between—it's not just the immediate signal, it's also the actions that you see that help build the positive reform into practice, as opposed to just the person.

COOPER: I think one of the earlier questions that was posed to Mr. Yohannes was about this tension between focusing on the beneficiaries, focusing on the fact that our mission is to reduce poverty through economic growth, but then the principle of selectivity.

And so one thing that we see the board, during the board meetings, really grapple with, is trying to balance between selectivity—making decisions about whether to suspend a compact or terminate a compact or reinstate or lift a suspension of a compact—they never take their eye off the beneficiary ball. And I think in the case of Malawi, one of the things that was so difficult was that we think this is such an important investment and it's going to benefit so many Malawians, yet we had to make the difficult decisions to suspend, but now are happily lifting that suspension.

Can you talk a little bit about what the focus of the compact is with Malawi and what benefits we expect there to be for the people of Malawi as a result of this investment?

MANDAVILLE: I can give the general outlook, and my colleagues from the operation teams can cover it in more detail when people have questions as they always do.

But in essence, I think Chuck's point that this—the structure and design in this compact was something that MCC had been extraordinarily proud of as we went into compact signing.

As the CEO mentioned, it's concentrated in the power sector. It was intended to be implemented as designed. It integrates both capital investments in the infrastructure required for the power sector, but also policy reform in terms of the regulation and the governance associated with the power sector.

And that kind of integrated investment was expected to generate something like \$2 billion in benefits for over five million Malawians. And those numbers are particularly resonate in a country where the per capita income is less than a dollar per day.

So the impact of the potential investment was something that we really talked a lot about as we went through the decision-making process, when things were getting worse. And it's been something that has been so pleasant to be able to come back to talking about, now that we've seen a restoration of the commitment to democratic governance.

I think I would leave it to the operations—to Kyeh or Patrick when we get to questions—to talk in more detail about the investment.

COOPER: Thanks, Alicia.

Jonathan, we want to turn the conversation to Mali, which obviously is a difficult conversation and a tragic situation as the events unfold.

Can you talk a little bit about what the events are right now in Mali? Give us an update on the situation in Mali as of today?

BLOOM: Sure. Thanks Chuck.

As the CEO mentioned, the board decided to terminate the compact by the end of August. So our charge has been to wind up the activities of the compact in a responsible and orderly fashion and we took that—devolved that into really three objectives.

One was to secure the work site to make sure we were leaving no hazard behind.

Two was to preserve the value of the investments that have been made to date to preserve the value of the taxpayer dollars.

And three, in line with some of the questions that have been asked, was to protect the beneficiaries of the investments and ensure that they were no worse off than before.

So the team went through the long list of probably on the order of 100, 150 contracts? On that order, and determined which should be simply cancelled and brought to a sharp halt, and which needed to be continued for a limited period of time in order to achieve those objectives.

If you'd permit, I'd like to back up a step and just build on what Alicia was saying in the earlier questions.

We share the distress that's implicit in the questions. We, and I think even more so, the MCA Mali team, is greatly distressed by this turn of events. The board does consider, as Alicia mentioned, the impact on the beneficiaries of any suspension or termination discussion. And they also consider our ability to have an impact.

The criteria of selectivity of democratic governance, market-based economies, and investing in people are set not only because they are desirable in and of themselves, but because they've been found to be indicators—sorry, bad choice of words—indicative of effective use of taxpayer dollars, of development investment dollars.

So that since we have a limited pool of funds, we have to put them where they can be best used. (Inaudible.) That is the charge—that's what we're here for.

I would add one more point, that the Malians on the team, as distressed as they are, recognize this and respect the decision, just as they were so proud, as are many countries, at being selected in the first place. They recognize that the flip side of that is when those terms are violated, that is the cost.

COOPER: Can you go into a little bit more detail about where we are on individual activities, and what we're trying to do from a wind up perspective, and what the status of that is?

BLOOM: Sure. As the CEO mentioned, there are two projects within the compact.

First, the Bamako Airport, it really breaks down into yet two major activities.

One is the rehabilitation reconstruction of the principle runway and taxi-ways. That was about two-thirds of the way along. It was determined we could not leave it in the shape it was in. It was simply unsafe for continuing operations and would have—well, partly unsafe, and partly would have degraded very quickly had we just left it. So we have continued that contract and expect to finish that up to leave it in a safe operating condition.

On the other hand, the terminal building will not be finished. We determined that it was best to what we refer to as mothball it, or wrap it up, leave it so it does not present a hazard but is not functional.

The other major project the Alatona irrigation project: most of the works were pretty far along. Many of them were completed already. So as not to leave the beneficiaries worse off, we are finishing the last few pieces of that.

We made a determination of a road—about an 80 kilometer access road—that about half of that could be finished to make it usable. And on the other half, we have engaged a contractor to make sure it is not left in an unsafe condition.

The final piece is the distribution of just shy of 3,000 land titles, which was a critical policy reform as part of the program. Those titles are being produced and are being distributed in a fashion to educate the people to what their rights are, where their property runs to, so as to solidify the rights that they have gained.

One of the other consequences of the project has been notwithstanding the turmoil in the area, the families that have moved on to the irrigated area are now substantially more food secure than they would have been otherwise, and more secure than many of the families in the area.

So notwithstanding the turmoil, it has been a success already.

COOPER: You mentioned briefly the response of MCA-Mali, our counterparts in Mali, with regard to the termination, the authorization of the termination, can you talk a little bit more about that? What has been their response been, of the Malians that we're working with?

BLOOM: Well, let me just reiterate in, I guess, in three ways.

One is the staff (inaudible) in Mali, as I've said, I think out of dedication to the program and trying to cushion the blow on Mali, are working exceedingly hard to maximize the benefits—even out of the termination.

Second of all, in the irrigation area in the Alatona region, as I mentioned, the farmers recognize the benefits they're already gaining from it.

Third, there is, on our website, posted a letter that we received from one of the beneficiaries in the Alatona area—that was unsolicited, I hasten to add—which talks about the benefits of what was done, but I think equally as much how it was done.

Let me just read the first paragraph from it, because I think it responds a lot to Chuck's question.

The letter starts off, 'Thank you, MCA-Mali. When considering effort, perseverance and keeping one's word, quality work is better than talk. There is currently a large American organization helping Mali to put an end to poverty, difficulty and suffering in a place called Alatona. Every strong person give your best effort. Every weak person give your best effort. As for MCA-Mali, they have completed what was in their power to do. May God assist us.'

So I think it's a recognition of what—like the phrase—what was in their power to do.

COOPER: And it's got to be a difficult situation for the MCA Mali staff to be in a situation where they have to complete the compact under a circumstance of termination—or not complete the compact, but wind up the compact under termination.

What's their reaction been?

BLOOM: Well their reaction has been, as I mentioned, to work even harder within the limits that we've posed. I think it's also a good demonstration of how both the working relationship has improved over the five years or so, but also, how they've come together to work as an even more effective team, probably one of the most effective teams working in Mali today, and working with our frequently painstaking procedures, shall we say.

COOPER: And from a budget perspective, how much money is being spent to wind up the compact?

BLOOM: Out of the \$461 million, we expect to stay within a budget that's been set for us of not exceeding \$436 million, of which something north of \$400 million has already been disbursed.

COOPER: So you anticipate there may be cost savings as a result of the termination? There may be some money left over at the end?

BLOOM: We do expect there will be some money left over, yes.

COOPER: OK. All right, thanks Jonathan.

We want to open up the questions to you. So at this point, we will maybe do 15 to 20 minutes of questions if you have them, and we'd be happy to answer your questions. Starting right here.

QUESTION: Hi, Penelope Hucker (ph) from ACIDI/VOCA.

As you know, ACIDI/VOCA is one of the contractors still working in Mali, with MCA-Mali. And we are happy to see that most of the agriculture-related activities will be able to finish. But one of the questions that we've grappled with internally, with our team in the field as well as here, is the capacity building and activities afterwards, with the large U.S. government investment being made through this compact with Mali. I know some discussion have gone on with USAID, but we're looking at, you know, what sort of additional capacity-building is being envisioned afterwards?

We definitely understand the transparency and the democracy-related issues, and why the compact needed to end early. But as a large \$436 million investment has been made, I'm curious to see, kind of, the way forward, and if the U.S. government in another fashion—shall we say with USAID or some other entity—will be looking at additional assistance?

BLOOM: I think there are two aspects to that. Whether there had been a coup, even if there had not been a coup, MCC's program would have terminated on September 16 or 17, I forget. So there would have been an end to that regardless. It's the nature of MCC that we have this five year limit which encourages discipline and rigor in getting things implemented.

We had planned a series of capacity building activities so as to leave the farmer organizations and the water user associations in a condition to manage the investment. I believe a good part of that has already been accomplished. There's some small bits of it just being finished up. But we will not be able to get as much done as we had hoped. And that will not be able to happen.

There have been some discussions with the—there had been and have been some discussions with USAID as to whether or not they'll be able to take those over. I think that depends a lot on their ability to continue to operate in that area, which is not at all clear.

So at this point, I'd have to say it's uncertain whether those will be able to continue.

COOPER: Other questions? Sarah Jane?

QUESTION: I'm Sarah Jane Staats with the Center for Global Development. And shifting gears back to Malawi, I think everyone would agree that there's lots to be impressed with the new president and the speed with which she's made the reforms. But as Chuck mentioned, it's only been three months, so I'm wondering why now, as opposed to waiting a few more months, and why MCC, as opposed to other U.S. tools?

MANDAVILLE: Thank you.

I think that—going back to kind of the original point—that at the time that Malawi was suspended, we were really transparent about what we were worried about. And we were transparent domestically and we were transparent with the government of Malawi. And we were transparent in the open Malawian media as well.

And so as a result, I think there was a pretty good understand across the board of what kinds of things MCC was looking for in order to be able to say, 'Our confidence in Malawi's ability to be a good compact partner has been restored.'

And as a short amount of time passed and we saw a larger and larger number, and then all of those things, I think the consensus grew increasingly around the point that if you've been very public about what you expect to see to have your confidence restored, if you see bold and sometimes politically difficult decisions taken in an effort to restore that confidence, then you should act once you have that in place.

And so, would more time show us more? Definitely. But I think it was the board's decision and the CEO's recommendation that at this point, we have seen a sufficient amount that we should feel confident that this government is moving reform in the right direction, and so therefore, would be able to be a good MCC partner.

So the timing, there was a lot of discussion around that, but I think that the conclusion was generally one should act when one sees what's needed to restore confidence.

QUESTION: I have a question regarding the mechanics of the reinstatement, in particular, MCC let out a task order on the oversight of that compact, I think three weeks before the actual suspension.

Do you anticipate reverting back to that task order or are you going to reissue—are you going to issue a new task order? Do you have—have you decided what to do about that?

MANDAVILLE: I'll be honest in my ability to speak to specific task orders, it's extraordinarily limited to about zero. But I will say that I know that as our compact team and our operations team move towards moving into implementation, or moving towards the EIF, there are a number of steps they have to put in place.

And so they're in the process of assembling a technical mission to determine what are the appropriate immediate next steps for us. And so if there's more we can (inaudible) specifically, we can but I think because the reinstatement decision happened just some number of hours ago, no—just a few days ago, we're still in the process of identifying the exact next steps.

COOPER: Yes?

QUESTION: Hello, I'm David Baxter (ph) with Jacobs.

In your handout, you've made a statement that immediate steps following reinstatement include a thorough reassessment of the scope and the cost of the project, or the compact. Can you share some of that with us?

MANDAVILLE: So the reassessment will be the mission of this technical delegation. My understanding is they're expected to go at some point—as soon as possible, but likely in July, since we're quickly approaching the end of June.

In essence the MCC investment compact in Malawi sat on a shelf more or less for about a year. And so as part of appropriate due diligence, we have to go and assess—are there changes to the cost structure? Are there changes to some of the technical specifications? Are there new adjustments that we would need to make? Not to the major substance of the investment, but to the technical details that allow most appropriate implementation.

So, as I said, that mission would go out within the month, I think, within the month. But we haven't actually had it yet, so we can't speak to the details.

QUESTION: Hi, Mike (inaudible) from (inaudible) Communications.

With regards to the airport, is it being used now and are there expectations that the government will finish it itself? Has it indicated what's going to happen with it, and just what do you think might happen with the airport?

BLOOM: The airport is being used now. Actually it's one of the principal difficulties with finishing off the runway, because the airport needs to be closed down for 72 hours at a time to get a lot work done, and it's been difficult scheduling around that. So some of the regional international carriers are still operating, although it's with less traffic.

We—at the moment, we've seen no indication the government will—sort of depending on which government we're talking about, but—we've seen no indication that they will pick it up, so that for us, the responsible thing to do is to wind it up and leave it in as safe a condition as possible.

COOPER: Other questions?

QUESTION: Thank you. Hi my name's (inaudible) from (inaudible).

And just regarding Malawi, do you—you said that the technical end costs will be reassessed, will the timeline be reassessed also in terms of implementation?

MANDAVILLE: By law, we're required to implement in a five-year timeframe. There is usually a period of about nine to 12 months before our compacts move from kind of initial startup to what we call entry into force. At that entry into force point, the five year clock starts. And there's not—we have no capacity to renegotiate that. Entry into force had not happened yet, so we haven't hit that five year clock. It hasn't started yet. It will start in the future.

COOPER: Any other questions?

All right. Thank you very much. We appreciate you coming today. Thank you Alicia, thank you Jonathan. Have a good afternoon.

(APPLAUSE)

END