Transcript

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MCC Quarterly Town Hall Meeting

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WEINBERGER: Good morning, and welcome to the Millennium Challenge Corporation. And a special welcome to members of the diplomatic corps who are here today. I'm Paul Weinberger, Vice President for Congressional and Public Affairs. I'm delighted to welcome you.

Typically, our CEO, Daniel Yohannes, is here to kick these meetings off. He couldn't make it today, but has a good excuse. He's with the president in Africa right now. In fact, he just finished a trip to Morocco, where we'll be closing out our compacts this September. And he is now joining President Obama in Senegal and Tanzania. As you can imagine, we're very excited he invited Daniel on this trip. It's a recognition of how MCC's partnerships are advancing the administration's priorities throughout the continent.

By promoting sound democratic and economic governance and investing in energy and food security, MCC is creating conditions for inclusive and sustainable development, and helping to attract private sector investment in trade. We'll have more to say about the trip and about how MCC is a key component of the administration's priorities for Africa in the coming days.

Now, I'd like to touch on some key developments since our last town hall meeting, starting with the fact that the CEO testified in late April with USAID administrator Shah before the House Foreign Affairs Committee. If you didn't watch it, it was a good hearing.

We have a number of warm comments from members of the committee. And we continue to hope that we will come out OK in the end, but we're obviously following budget discussions on the Hill closely. As you all know, these are difficult times for all federal agencies, but we have good support on the Hill for our model.

We also held MCC's second annual Forum on Global Development in April, celebrating the power of partnerships to achieve sustainable development. We had record attendance at the forum. We had the former secretary of state—Condoleezza Rice was there, Senator Patrick Leahy, and then-Deputy National Security Advisor Mike Froman, as well. I hope you were able to attend, but if not there's a video on our web site, mcc.gov, and you can relive it or watch it again.

I'm also pleased to say that MCC publicly launched an evaluation data catalogue to coincide with the G8 International Conference on Open Data for Agriculture. The catalogue will place data from MCC's impact evaluations—excuse me, independent evaluations—in the public domain. So far, we have metadata available for our food security programs in Armenia, Ghana, El Salvador and the Philippines, and we'll be adding microdata after taking steps to protect the individual privacy.

This is all part of our ongoing commitment to transparency and open data. This information was paid for by U.S. taxpayers, and we think it should be open to all of them and all of you to analyze, to comment on and, at the end of the day, to hold us accountable for what we're doing, as well.

At this point, I'd like to turn to a quick discussion of last Wednesday's Board meeting and share two highlights.

First, the board heard a robust presentation on the five MCC compacts that are closing September: Lesotho, Mongolia, Morocco, Mozambique and Tanzania. These five compact completions mark a major milestone for MCC. Together, they total $2.5 billion and account for nearly half of our current portfolio under management. The investments we have in those five countries are expected to benefit 12 million people.

Across all five compacts, major policy and institutional reforms in transport, land, water, energy, credit and gender help ensure that our investments are effective and sustainable. We've learned a great deal from these partnerships, including how to better prepare, structure and implement them, and also how to manage completion risks more effectively.

The second point I wanted to make is, the board approved a compact with Georgia. This is actually only the second time that a second compact for a partner country has been approved. Georgia's second compact totals $140 million, and focuses on education. And we're hoping to sign that compact later this summer.

At this point, I'd like to turn the podium over to Tom Hurley, Deputy Vice President for Compact Operations for Europe, Asia, the Pacific and Latin America. Tom is going to discuss the Georgia compact in more detail, and take any questions you might have about it. Thank you.

HURLEY: Thank you, Paul, and good morning.

MCC has had a long and very good relationship with the government of Georgia. Particularly, it developed during the first compact, which had just seen enormous infrastructure needs that existed at that time. And while many of those infrastructure needs have been filled over the last 10 years, a lot of barriers to economic growth exist in Georgia.

So shortly after its selection in January 2011 for a compact, the government of Georgia prepared a constraints to growth analysis and identified the quality of human capital, in particular the science, technology, engineering and math, or STEM, skills as a binding constraint to growth. This analysis really confirmed that human capital is limiting growth in Georgia, as many of the graduates are entering the market without sufficient skills. Now, I should say that the constraints analysis was embraced by the new government, so it shows this real commitment to this compact.

And we also built very much on the work of USAID over many years in the sector—and we created a policy environment that's really enabling this investment to take place. So let me walk you through this.

In terms of the "problem statement," the underlying cause is weak human capital. It's basically the quality of education in Georgia. As this chart [indicates to slide presentation] will show, Georgia ranks 120 out of 142 countries on the availability of scientists and engineers. And while enrollment is very high, Georgia consistently ranks very low on international testing scores.

So the solution that was proposed by the government is to work on three main projects.

First, there will be a general education component, where a subsection of schools will be rehabilitated. There will be operations and maintenance policy reform done. There'll be a teacher training component, as well as assessment of both classroom teaching and student performance.

In technical and vocational training, the compact will provide support to Georgian TVET—technical and vocational education and training—institutions, to better link them with the private sector to ensure that the students are graduating with the appropriate skills.

In higher education, we will support Georgian students to obtain U.S. degrees in engineering—or U.S.-accredited degrees—and at the same time strengthen the public university system.

So in terms of the program logic, the investments—if we improve the learning environment, improve teacher training, the quality of school, that will lead to increased investment in education, higher workforce productivity, improved employability, ultimately greater STEM skills, increased incomes and economic growth.

So expected results—23,000 teachers will benefit from training; 186,000 students will benefit from implemented learning environment in teaching; 23 percent higher wages for TVET grads. And we're expecting 40 percent higher wages for engineering graduates.

Now, we're excited about this in a number of ways. First of all, as Paul mentioned, this is the first time we have a single sector compact in education. But we also believe that this is really showing the MCC model at work.

First of all, we used economic analysis throughout the development of this compact. Every investment decision was made based upon economic modeling. We also had extensive public consultations throughout with the private sector, with academia, with civil society. And we used beneficiary analysis to ensure that the benefits of this compact are going to reach the most vulnerable people in the country as well as women and girls. And finally, we think that this compact will build very interesting partnerships, both with the private sector and particularly with TVET, but also with U.S. universities that we intend to support their entry into Georgia.

So I'll leave it at that. That was a quick overview, but I'm more than happy to respond to any questions that you might have. Is someone—OK, I see one question over there, here, and there.

QUESTION: Thank you. I work with two of the private universities in Georgia. I just have a quick question. I think everybody agrees the education sector in Georgia needs a lot of investment, and I think this is a great focus for the second compact. I think the first compact was a really big success in Georgia, and people really were grateful to the MCC for being there.

Was there any discussion about delaying the approval of this compact, given the current public debate over (inaudible) in the higher education space, which public and private universities are pretty upset about? I just was wondering if that had been discussed at the board meeting.

HURLEY: We certainly have an ongoing dialogue with the government about those reforms. We have expressed some concerns, but overall we're very pleased with the direction that they're going and the way they're responding to that. We did discuss at the board that we will continue to monitor that situation in all reforms, not just in the higher education space but in all of education. And I think, as many know, having this compact really does put us in a unique position to engage very constructively with the government on the education sector.

So we're aware. We've expressed concerns. We'll continue to monitor. But overall, I think we're very confident that this investment is a good one.

QUESTION: If memory serves correctly, when Georgia was first talking about the second compact and sort of higher level education, I remember there being a little bit of concern about the direct link between pretty strong rates of economic return and the poverty reduction piece. I'm wondering if you could talk through a little bit more of what that connection is, maybe a little bit more on the beneficiary analysis.

HURLEY: OK, sure. It's a good question. I think certainly when the government initially—their initial concept papers were purely in the higher education space. And I think that we rightfully, you know, questioned that. Because we didn't feel that we were reaching the number of beneficiaries—that MCC would like to do more, where we're seeing the return. So we, again, engaged in a long discussion with the government and that's how we evolved into this very comprehensive approach.

So, you know, if you don't get the students well-trained early on and throughout the education cycle, then a single investment in higher education wouldn't make sense. So we're confident that (inaudible) and this is a first for MCC so we are going to learn a lot. You know, we don't have all the answers. We believe that our economic models are showing returns that exceed our hurdle rate.

We will be working in the general education (inaudible) ensuring that we're reaching vulnerable populations and ensuring that girls also get involved in the STEM. So we're aware of that, but we're confident going forward that we're on the right track.

QUESTION: Thank you. I'm very glad you brought up the gender issue. I'm curious as to what measures you're having to make sure that girls and women are (inaudible) STEM cycle into (ph) higher education and (inaudible) gender equality in education (ph) what precisely you're looking at to ensure that (ph) cycle continues in a positive manner. Thanks.

HURLEY: Again, it's—we really are starting at a very young age, and hoping that we reach out and interest girls in the STEM fields early on. I think that's going to be a big focus of the general education component. I think there's a lot of outreach to sort of open up sort of technical and training areas that have traditionally been attracting mainly men. There will be outreach activities to try to encourage more women (inaudible) it's not—and then we are really actually looking forward to working with U.S. university partners who, I think, have great experience in encouraging more women in the United States to enter STEM fields.

It's not to say that we're perfect here, but I think that we could draw on a lot of the lessons that these U.S. universities have learned over the years and apply those in Georgia.

QUESTION: Can you have a comment or two about how smaller universities who have excellent capacity and wonderful commitment in this kind of cause can get involved, so that there isn't just the perception that it's the Harvards of the world (inaudible)? And number two, can you talk a little bit about the language issue between

U.S. institutions and what's happening over in Georgia so that we can figure out the process of how to get involved and how to support?

HURLEY: Oh, thank you. First of all, in the higher education piece we've already preselected university partners that we're going to continue with the development with them, after having a wide-open competitive process that was open to all U.S. universities. Well, all international universities globally. However, with the technical and vocational component, we're very much looking toward community colleges, smaller universities to partner with us. There'll be plenty of opportunities of calls for ideas and reaching out to universities and encourage partnerships with particularly the private sector and looking for your ideas.

I think what Georgia is really looking for is injecting some of the experience that we have here in the U.S. and elsewhere and apply that in Georgia. Now, on the language area—Georgia now requires English at a very early age. I think my Georgian colleagues could maybe speak to that better. But English is now required, and the engineering degrees that we're working toward will be in the English language. And that was something that the government of Georgia, both governments, consistently recognized as very important for the country. That people learn English and that they're taught in English. So (inaudible) language barrier.

Yes?

QUESTION: (OFF-MIKE) Thank you. (Inaudible) questions (inaudible), what portion of this assistance will go towards the rehabilitation of the (inaudible) schools, as you say in the newsletter? And if—I wonder if that will cover (ph) the refugee (inaudible) areas inside Georgia, such as (inaudible) country which neighbors to the south (ph) enclave inside the Georgian community. And the second part of the question (ph), how will MCC's Board, or members of its executive Board, make sure that Georgia adheres to good governance practices or democracy throughout the MCC program?

HURLEY: OK, thank you. I'm afraid I don't have the exact budgetary breakdown with me, but I can follow up with you and provide that information. In terms of the selection in the selected areas, if I could clarify. Do you mean the disputed areas, or those under Georgian control?

QUESTION: Georgian control.

HURLEY: Because we—it's certainly only in Georgian-controlled areas. The actual areas have not yet been finalized. We are going through what I think is a fairly sophisticated analysis of beneficiaries and economic returns, and we are targeting areas of ethnic minorities—but that is one area that I can't state with certainty at this stage. But that process will be ongoing in the coming months, and there will be, certainly, opportunities for public engagement during the process.

The dialogue, you know—the way MCC works is, we maintain that dialogue throughout the five years. You know, even that Georgia has performed very well on our scorecard they still receive a scorecard every year. We usually—the ambassador often leads those discussions, but MCC, of course, engages very deeply throughout the five-year period. And if there are any significant slippages, that's something that is addressed by MCC.

QUESTION: Hi. I was hoping you could comment on the level of engagement with the Georgian private sector to support any decisions made on this scope, or project direction.

HURLEY: Yes. I mean, I could safely say there are extensive consultations the private sector in Georgia. I think there were a number of large events, particularly on the technical-vocational training component, but not exclusively. But the Georgian private sector is going to be critical to the success of this compact because so much of what we're trying to achieve here is ensuring that the skills being built in Georgia meet those needs of the private sector. And I think that that will be very important that we continue that engagement.

And I believe that we'll be looking at a way, the sustainable forum, that ensure that there's not back and forth long beyond the time of our compact closure.

OK? I think that's it. Thank you, thank you very much.

(APPLAUSE)

WEINBERGER: Tom, thank you very much for that presentation, and thank you to the audience, too, for those great questions.

At this point, I'd like to move us to a conversation with our panel about one of the key factors in the MCC model, and that is engagement with the private sector. I'd like to introduce our panelists. We have investor Mark Green, the president and CEO of the Initiative for Global Development; former congressman, ambassador, and a member of our Board of Directors. Ambassador Green, welcome.

GREEN: Thank you.

WEINBERGER: And we're also joined by Carl Sangree, the head of MCC's division of Finance, Investment and Trade, or FIT, in our Department of Compact Operations. Carl, welcome.

However, before we talk about that, since there is a question from the audience—interests in investments in higher education, I wanted to give Ambassador Green a chance to comment, since we happen to have a member of our Board present.

GREEN: Great. Thank you. Thanks, Paul. I wanted to respond to your question. As a Board member, I've always been hesitant for MCC to go into areas that I think are not—don't lend themselves to the kind of measurement and performance metrics that are at the heart of the MCC model. I was satisfied that the Georgia compact, the way it's set up and the fairly narrow function of providing certain skill sets required by businesses in order to grow and expand, that, to me, does lend itself to the kinds of measurement metrics that MCC uses.

So as a general matter, I'm a little hesitant about going into some of these areas that I think perhaps can't show those measurable results either in the scope of a three-year Threshold Program or a five-year compact. I think this one is narrowly drawn, and I think does lend itself to that.

And also, in my capacity at IGD, I can tell you that the businesses that we talk to almost always point to lack of workforce capacity as their—if not their greatest barrier to growth, one of them. And so I think in this case, especially when you take a look at where Georgia is today in its rankings, this seems to make a lot of sense. And you can understand why the Republic of Georgia has put such a priority around it.

So I think the Board—again, sometimes (ph) about going into these broader areas, but look at this as something that's very achievable, very measurable. And I think that does lend itself to really providing a service to the Georgian people.

WEINBERGER: Great. Thank you, Ambassador Green. At this point, I'd like to ask a few questions to get our conversation going, and then take questions from the audience, as well.

Ambassador Green, you mentioned challenges that the private sector faces when it thinks about investment overseas. And that's lack of workforce capacity. I wonder if you'd like to talk a bit more about that, and perhaps about some of the other challenges that corporations face.

GREEN: Well, when businesses—particularly America businesses—are looking at investment opportunities in the developing world, often times it's a lack of transparency, a lack of predictability, concerns over the protection of rule of law or the importance of rule of law. The MCC model is built around those things. So that as a compact is entered into with a country, many of these issues are explored and addressed and sort of reinforced in terms of the solutions early in the compact process.

One of the things that I think is interesting to watch with the MCC in the countries in which MCC is working is not only to see the private sector involvement join the course in the compact, but take a look at the enhanced opportunities that occur after the compact. In other words, all that takes place as the MCA is set up, as MCC compact operations go into play, have an effect of—not only for the narrow purposes of a contract improving (ph) the rule of law and these requirements, but they tend to have a lasting effect that goes well beyond just the sectors (ph) helps private investment.

So if you take a look at the growth of America business investment in MCC countries post-compact, it's not a coincidence. It's because the model makes it much easier for an America business to make those investments. The rule of law, transparency, predictability, and finally I think one of the biggest reasons that the MCC model is so business-friendly is that it's time-limited. So what is it that often chases businesses away from doing work in the developing world? It's a lack of predictability in the timeline for decision-making.

President Obama is, obviously, on the African continent and among the many areas that he's talking about is power. As we all know, every single African country has a power deficit. Well, if there's a power deficit and everybody knows about it, why isn't it being addressed? One of the reasons why is that in some places, in some countries, it takes so long for an investment to go in, for an investment to begin to take hold, that the recurring costs become too great. The MCC model, because it's time-limited, it has predictable benchmarks. And a predictable timeline is very reassessing—and business-friendly.

WEINBERGER: Thank you, Ambassador Green. Sticking with the field of time-limited nature of MCC compacts, I want to ask Carl about one of the challenges that creates for us. Which is the need for sustainability, the need for ensuring that the investments we make have staying power. Carl, can you talk about the private sector can contribute to that sustainability?

SANGREE: Sure, but I guess first I'll have to say I'm still struggling with the concept of private sector. I'm relatively new here, and business, to call it private sector. Well, Mark just said it well. That we're time-limited. And when I have conversations and talk to people about us, you know, we're investors. And we're a funny kind of investor because we're seeking long-term results, but we're fast money. We're in and we're out. So it's hardwired in the DNA of the business.

We're out of the country in 5 years. We're trying to create things that last. That's not going to be us. So that's—to me, it's pretty straightforward.

WEINBERGER: Thanks, Carl. Can I ask you also, MCC recently rebalanced its strategy for private sector engagement. Can you talk a bit about that, and how we're doing things differently?

SANGREE: Sure. I think, you know it would be remiss if we didn't also acknowledge that Mark Green was one of the original authors of the MCC legislation when he was in Congress. And so when he talks about the business-friendly nature of the business model, to me that resonates. So thinking about if your mission is to reduce poverty through economic growth, economic growth is typically a function of commercial activity. This is nothing new. It's not that we have a new strategy here.

(Inaudible) the things we're doing differently include, in our group, organizing people by industry. Because, of course, we're very focused on countries here, and projects. And yet to make ourselves more accessible—the commercial world is organized by industry. So it's an industry focus.

I think we're also reminding people how broad a conversation we can have with them. You know, procurement is obviously just one potential commercial activity for us. But really, we need information flow throughout the development of the compact, in the early stages of our compact. We're trying to identify where our dollars are going to have the maximum impact. And what better audience to poll on that then people who are actually doing business in those countries. That kind of intelligence tells us what risks people are prepared to take, what risks we might think about mitigating. Make our projects more investable.

So at the very beginning stage of our compacts we want to involve people. During the compact itself people may decide to invest alongside of us. We may be building a water system and they may want to extend the reach of that water system. We may be digging a trench to put in water pipes. Somebody else may want to lay fiber optic cable next to us. Why not? You know, we're digging the expensive trench.

And then finally, again, back to Mark's point, you know, we're trying to create lasting things. So people—hopefully, we're mitigating in the investment environment through an extent, making it more business-friendly that people will look at what we've done and decide to build on it after we've left. So I'd say throughout the cycle, we're really trying to broaden the conversation so that people understand how they can find commercial opportunity in everything we do.

WEINBERGER: Thanks, Carl. (Inaudible) we talked a bit about the challenges U.S. companies face overseas. And I'm wondering if there's some competitive advantages that U.S. companies have when they look at investing in emerging and frontier markets.

GREEN: Well, the advantage in the frontier markets is that these economies are growing rapidly and they're looking for investment partners. Seven of the ten fastest-growing economies in the world are in Africa. More than half of the fastest-growing economies, looking forward over the next 10 years, they're going to be in Africa. You have an emerging middle class that is looking for things to buy, and we hope that we make those things that they're looking to buy and to help them make them on the continent.

So I think there are tremendous opportunities for American companies to do business, to invest, to grow. One thing I want to touch upon that Carl was saying, you know, I don't think that we should understate the significant reforms that our MCC partners have to undertake in compact implementation. I remember, when I served in Tanzania—it was the closing of the Threshold Program and the signing and implementation of the compact there. And I'd always remember because after the compact was signed a few people sort of expected a giant check to be brought in and handed out, and you just go spend the money and have a nice day.

And I said something that was reported widely. They asked me, well, what can we expect? And I said, look—a wedding is easy, and a marriage is hard.

(LAUGHTER)

And we've just cut the cake.

(LAUGHTER)

As the MCC compact in Tanzania winds down and closes this fall, I could not be prouder for the performance that we've seen. These are major reforms that our partners have to undertake. MCC is a generous partner and a demanding partner. That's the whole purpose of this program. It is—was intended to be something different. It is a partnership, it is a marriage in which equal partners get together and undertake significant reforms and investments for purposes that we all believe in.

And so I don't think that we should go lightly over this point. When a country—and we see a number of our compact partners represented here today—when they undertake a compact it is a major commitment. It is a significant challenge that requires all kinds of reforms, some of which may not be immediately politically popular. But at the end of the compact, you have, from our perspective, a dramatically better business environment for companies like American companies to invest in.

And you also have the benefits, obviously, of the core purposes of the compact. So, you know, we shouldn't take that lightly. It's something very significant. And I think we're celebrating. These compact closings that the MCC does is a great celebration. You know, why are they celebrating? Because there's a tremendous sense of pride of accomplishment, and there should be. It's a significant achievement.

WEINBERGER: Thank you. (Inaudible) say that (inaudible) because of the compact process and the difficulty of actually becoming eligible for MCC funding. We still have a large number of countries where they're competing for MCC funding, which obviously speaks well to the model and we're very happy about that. (Inaudible) partners, but apparently we're in demand, which is nice.

GREEN: Probably stop the (inaudible).

(LAUGHTER)

WEINBERGER: Yeah, (inaudible). Can you talk a bit about how a private company can get involved with MCC?

SANGREE: Sure. I—it really depends on the point of the life cycle in the project. I mean, at the beginning we're looking for ideas. You know, we're 300 people worldwide. And so we've got to find points of leverage. And 300 people here and other places, we're just not going to have the best ideas. So early in the process, you know, we're at five new compact countries this (inaudible) cycle, three of which are brand-new, two of which are second compacts.

And, you know, right off the bat people come to us because they're doing business in a country or because they're interested in a country. We're soliciting ideas. So I'd say compact development is one place. Again, our incentive in that is we're trying to identify the most investable projects, we're trying to identify the risks, we're trying to figure out where we can have the maximum impact. We want to be the catalyst.

So during the compact itself, you know, tactically there are two roles for people. I mean, sometimes—Mark referenced some of the difficult things we do. I mean, (inaudible) empower. One of the fundamental issues in power is often the tariff regime. And, you know, that's tough, right? People are not used to paying for electricity, and some of those people are the governments themselves that maybe are not used to paying for electricity. And so it's a very difficult decision for someone to make.

Well, we can—we certainly have a powerful voice at the table. But it's also very powerful when potential commercial partners—I mean, even in a large compact we're going to be—you know, I mean, even if we're $700 million that's not going to solve the power problem in—in most countries. So we're going to be sure that the leading edge of the capital that can do that. And what—the biggest part we can do is to change the rules of the game so that the other capital can then make an entry into the market and solve the problem.

So I'd say that during the contact itself there can be a very valuable tactical role, where people come to us with ideas or we call for ideas. Sometimes we sit around a table and it's powerful for our partners not just (inaudible) say, you know, the tariff regimes look like X or Y or Z. But to have the other people say, well, no, we won't invest a dime in your country unless, you know, they do it. And then, you know, just a long way (ph), there (inaudible) co-investment opportunities, where somebody's doing something specific that coincides with our compact goals.

And obviously, part of that's procurement. And then finally, as I said before, you know, as we leave the country people may have been watching us or know how we think and know how we invest, and recognize what we've done and decide to leverage off what we've done after we go, or as we're leaving. So there are numerous ways.

WEINBERGER: That's good. I wonder if you'd like to give us some specific examples of—I'm not going to call them (inaudible)—firms that have successfully engaged with MCC overseas.

SANGREE: Sure. There—you know, some of these things (inaudible) from grand plans, and some of these things are more opportunistic. I guess two examples occur to me: One would be—well, we were talking before about TVET, and the new compact for Georgia. We have an existing compact in Mongolia, and one of the activities there was a TVET program. And we were trying to figure out how to do it.

Well, lo and behold, Caterpillar had, at their local dealership, or distributor, for that part of the world had a loan trigging (ph) program. And we got in contact with each other. And that became sort of the kernel for our TVET program in Mongolia, which was—the way it developed was sort of opportunistically, if you will. It had a very powerful outcome and was relatively small dollars. I'd say a recent example, much greater—or (inaudible) more dollars—was an announcement that General Electric made, I guess it was, just a week ago.

They're signing (inaudible) with the government of Ghana to float a billion-and-a-half dollars into a power park in Ghana. Electricity's a big problem in Ghana. That idea was actually, you know, pushed around a table here very early this year. Because we're in the process of developing our second compact with Ghana. And the idea of a power park was put on the table. No one here had that idea. We began looking at it. It was a concept we were (inaudible). We were probably going to make an investment.

And the concept that we would build a—an—(inaudible) would be, say, like the shopping mall. Except this is someplace where you have a fuel supply, you have a facility. You put in pads, and then you have the distribution network on the other side of the fence. And so (inaudible) tenants, and that those tenants (inaudible) power producers in this power park. So General Electric decided that that was a big enough and strategic enough opportunity for themselves that they wanted to make the entire commitment.

So they have gone ahead and signed this (inaudible), which I think is a powerful statement. They credited MCC with helping create some of their conditions and got them to this stage. And it—for us, I think—it enables us to focus on the other parts of the system. Because, of course, electric power is a system. If you have a generator and you don't—you can't get fuel to it or you can't distribute the power, and you don't have the (inaudible), all those things have to be resolved. So (inaudible)—there's lots more, and more in the hopper.

WEINBERGER: Thank you. And Ambassador Green, I know you've spoken a great deal about the opportunities for the energy sector in Africa. And I wanted to give you a chance to expand on the cost (ph).

GREEN: Well—and there's another example. (Inaudible) examples is Pike Electric. Pike Electric has never been involved in energy production or its work outside the borders of the United States, and yet took a significant piece in the compact in Tanzania. And now, from what I understand, is looking to come back for more. So, again, I think Pike would not have gone into an African market without the kinds of rule-based reforms that are at the heart of the MCC model. When they saw MCC and how MCC structures a compact, that gave them reassurance of certain standards and minimized the risks.

So that's an example. You know, I'm delighted that the president and Yohannes, the CEO, have been in Senegal. I went to Senegal a couple of years ago and met with our NCO (ph), with our compact leaders in-country. And one of the things that they told me that I'll never forget is, they said look, the reason that (inaudible) this compact is not what you're building. See, that's not it. It's that when this compact is done we will have a large number of Senegalese who know for a fact that you can do this in an open way (inaudible) rule of law, on time, under budget.

It's absolute proof and it is transformative. Now these men and women will be able to apply what they have learned to all kinds of other projects. So just as you were saying, Carl—MCC becomes the leading edge of a significant investment. There's the not insignificant (inaudible) is actually channeling in but, in so many ways it opens the door for much larger investments because it has created a regime that provides the kind of environment that, certainly, American businesses are looking for.

WEINBERGER: Thank you. And one last question from me. I wanted to (inaudible) that Carl was speaking about of (inaudible) engagement throughout the process, from product design through implementation. And give you a chance, Ambassador Green, or Carl if you want to speak on that some more as well, to talk about what that means for (inaudible) can benefit them.

GREEN: Well—and it's interesting because, Paul, you're talking about—as you talk about business development you're—the phrase "target (ph) design" keeps coming up. That's somewhat unique inside the federal government. Generally, what happens with most agencies—development agencies, but also domestic agencies—they'll set up a program, they write all the rules, they (inaudible) all (inaudible). They go to the business and say can you please do this. And businesses will say, well, you know, if you'd just designed it this way, sure, we could have, but the way it's set up we can't.

MCC crafts the projects in consultation with business, and that is a game changer. That's one of the major reasons why businesses like working with MCC because they're not called at the end of the process, they're called at the beginning of the process. So that is a major unique characteristic of the MCC that makes so very much difference. So, to me, that's something that we should stress. Businesses who want to be involved, involved now, then—the way we can leverage is set up and (inaudible) that you missed an opportunity.

Stay in consultation with the leadership here at MCC. Because they will listen to you, they'll take your input, and you will not only have a business opportunity to compete, but you'll help shape something, and shape it in ways that will maximize (inaudible) some of the principles that I know we all think are important.

WEINBERGER: Wonderful. Thank you. Carl, do you want to expand on that (inaudible)?

SANGREE: Well, actually, I guess I'd just make one other point on Pike Electric, which Ambassador Green mentioned. Because I think it's an interesting case. They actually won a procurement in Tanzania so they continued, you know, in the open competition, and they won it. So I think they're being really smart because they will use that as this strategic entry point for an African business, (inaudible) their business. I mean, you know, they're—they're a small (inaudible) the grand scheme of things a relatively small U.S. company.

And they had never done business outside of the United States. And so here they win a procurement, and that becomes their entry point into Africa. I know that they're actually seeking work, I think, in Rwanda and other countries. So I think, you know, involvement with us—I mean, look, it's a two-say street, right? for us. I mean, we need the information, we're certainly looking to leverage our capital. We're looking to create as much economic activity as we can, and have as much an impact as we can.

(Inaudible), you know, (inaudible) I think there are multiple ways that the business world can use our activities to serve their ends. There's mutual interest here, right? I mean, we're seeking partners that are interested in the geographies we're in. We're also seeking partners that do business in ways that we can support. And, you know, the reality of the world today is most businesses have realized that doing business the right way is—it's not a marketing gimmick. (Inaudible) do is sell soda pop, you're much better off if the people you're trying to sell to are healthy and, you know, their incomes are rising, and, you know, they have a vested interest, a strategic interest, in making the world a better place.

WEINBERGER: Wonderful. Thank you. At this point, I'd like to open this up to questions from the audience for our panel. Yes?

QUESTION: I'm the director for the Institute (inaudible) here in Washington, D.C.. In many of our interactions with African organizations that come to improve their understanding of P-3s (ph) and capacity-building in their institutions, there's a (inaudible) conception that public-private partnerships often means sort of a corporate (inaudible) responsibility idea or a philanthropic investment in that process. So that's their perception of public-private partnerships versus the general idea of public-private partnerships essentially leading to a partnership between the public and private sectors, and showing risks and fiscal responsibility.

And I was just wondering what MCC's approach is to establishing the clarity in that idea. And coming up with a sense that this is a long-term commitment that has financial risk for both sides.

GREEN: (Inaudible) I guess, you know, for me I sometimes don't like the term public-private partnership just 'cause it's used in this town so many ways in so many places it's almost devoid of meaning. To me, it's about alignment of interests. Where the private sector, where business, is operating and has certain capacities, and that lines up with publicly-shared objectives, the results is golden. You will see efficient and effective investments that further everyone's goals.

And, again, I—you know, the MCC model, which has a compact with mutual obligations at its heart, is just that. Obviously, by definition it's based upon shared interests. And I think that's significant. Nobody is giving anybody anything. It's not a grant. It's not, again, buckets of money being handed out. This is simply giving people an opportunity to compete, and making sure that the playing field upon which they compete is a level one. It's a rule-based system with each side having something at risk, as you put it.

And, again, I think that's one of the reasons why our compact partners overseas are so proud of the work being done. Because there's a recognition to everybody is putting something at risk, everybody is giving something into the process. So I—to me, that's what makes the MCC different is that set of shared obligations is at the very heart of everything that gets done. Every year, countries that are our compact partners, their record of performance comes back to the board.

You know, again, this is not a—you know, you sign the paper and do your handshake and say have a normal ice day. Every year countries have to requalify. And I can tell you, as a board member I look at those sponsorships every single year. So there are obligations on both sides, from the moment the ink has dried on the documents, and before.

WEINBERGER: Yes?

QUESTION: (Inaudible). I guess (inaudible), and (inaudible).

WEINBERGER: Thank you for that—thank you for that question. As far as the Georgia compact, and Tom spoke about previously the focus was on education (inaudible) and not so much on private sector or small businesses. But (inaudible) working (inaudible) was absence of qualified workforce and to address that problem by creating the conditions for a better-trained workforce (inaudible) those companies, including smaller companies, medium-sized companies find the workers that they need.

SANGREE: Maybe I can say a few words on the topic. Well, two—a couple comments. First, of course, we know in our country, the United States, who powerful entrepreneurial businesses can be, smaller businesses, in terms of job creation, wealth creation, and where the innovation comes from. And I—you know, that's certainly true in other places, as well. You know, what—one of the things that really moves the middle (ph) here is when we work and assesses results it's per capita increases in income. And obviously, you much rather have, you know, more people have increases in income than fewer, at least in terms of our objectives, right?

Because we're an investor. But we're a funny kind of investor because we're not just looking for a financial return. We're not going to take money home, stick it in the bank. You know, we do need economic viability for projects so that's an important piece of it. So in terms of SMEs (ph), number one, when we go into a country one of the things that happens very early in the compact development process—and my team is part of this now—we have something called the investment opportunity process.

And when we go into a country, we have a sort of macro-level look with the economists who are trying to figure out what they assess to be the binding constraints to economic growth. But my people are going at a much more micro level, and essentially doing focus groups. And the focus groups will be with whoever's doing business in the country. Now usually that includes large numbers of smaller businesses. And that kind of conversation is really focused on, OK, the economists'—the microeconomic view is that government regulation is a—is a constraint to growth.

When you're sitting around the table, you want to find out what is it really. You know—is it customs, is it tax, can you get the permits that you need, what is the problem, why aren't you investing more money in your business, what's holding you back? So early in the process we try to engage, and often do engage, with small and medium enterprises. So I guess to your point, we don't have—I'm not aware that we have training in any of our compacts that's designed for small and medium enterprises.

They can compete on the heads-up basis with anybody else in any procurement we do worldwide. And in terms of the data input that we seek, they're fundamentally part of what we do.

WEINBERGER: Any other questions? We'll give you a second question. That's fine.

QUESTION: I waited to see if someone else had one. Carl, earlier this week I think you had a (inaudible) conference, and asked a very good question to a number of businesses on the panel about, you know, what can the U.S. government do better to engage businesses. And I would say you got rather diplomatic answers. I suspect you have heard more pointed critiques elsewhere. I'm wondering if you could share of those, and maybe how the MCC is trying to address them.

SANGREE: Well, actually, the answers that I got were clarity and flexibility. And I think that—I was interested to ask the question because I'm always interested to test the market and see what—if there is different information, new information. I said flexibility is the big thing, right? And part of that is we are probably way more flexible than other forms of development assistance and other forms of U.S. government activity.

But, you know, I mean, it's—we do operate in some very well-defined areas, and especially in a situation, you know, we've got sequestration and all the rest of it. And we were designed as a lean organization to begin with. And then I'm fond of saying the challenge is our middle name. I mean, that's kind of a joke, but not really, right? Because we're out trying to change significant things in a defined group of countries with a very small number of people in a very tight time period.

So we need the flexibility to be able to offer the flexibility. I think that comment—you know, the answer to my question about flexibility, I think that is an important one. And it's something that we try to do. It's much easier for us, again back to sort of where in the cycle people are involved with us, it's easier for us to redirect things when we're early in our development cycle. Once we've signed a compact, which is essentially the investment agreement, in most cases it's been determined what it is that's going to be done.

Now, during that 5-year period things may get re-scoped or slightly redirected. But our degrees of freedom decrease as time passes in the course of that time (inaudible).

GREEN: It seems to me that the problem, often times, with government programs is they lose sight of what their value-add is. So what I always argue is that the federal government, that each agency, should look and say, OK, what is our irreplaceable value that we bring to any project, to any process. What—you know, we started off the conversation today talking about those barriers to investment, those barriers to growth. And often times, it's a lack of transparency, a lack of predictability.

It's not had a rules-based system. Again, I think what MCC brings to the table that's unique is, at its core that's what it does. That's what a compact does, and that's what the implementation process does. So, you know, the compact implementation process is really focusing on setting out those conditions, those—and providing the irreplaceable reforms to the conditions it finds on the ground, the constraints to analysis, that makes all the difference. It doesn't seek to do everything, every program, every sector, every place.

It focuses in on those things that have been identified as a constraint to growth. It focuses on those, and sets forward the conditions. And only the public sector can perform that function. You know, only the public sector can help as we take on issues in the rule of law. The private sector can't. So MCC, by definition, is working on those things that it is uniquely capable of doing in those markets. And that, I think, is probably the most important thing. And it's a lesson (ph) that, you know, quite frankly, I'd like to see across government (inaudible).

WEINBERGER: Thank you. I kind of think we have time for one last question.

QUESTION: Thank you very much. A quick question for Carl. Carl, you're running a new part of—just for the last few months—a new function here at MCC. And thank you for taking on that challenge. Could you characterize your emerging relationship with, for example, USAID's newly-deployed private sector, private investment officers, as well as your emerging, growing relationship with OPIC, TDA, (inaudible). (Inaudible) it appears that (inaudible) might be partnering with you, and what you hope to do in the future. Thank you.

SANGREE: Sure. And I guess I'll—my answer will, in part, reflect my short—relatively short tenure. Because, of course, I used to be on the other side. And every time I came to Washington and kind of tried to navigate all the acronyms it was—I was the blind man with a stick trying to figure out (inaudible) of the elephant was, and the rest of it. Look, we're all about trying to leverage what we do. We have limited capital, we have limited time, we have limited resources.

And certainly, (inaudible) be—you know, we're constantly leveraging with other U.S. government entities, be it, you know, USAID, USTDA. One of the first meetings I had here was with USTDA. Everybody's (inaudible)—it was—you know, it was looking at different things. I mean, there was another—I think the puzzler to me, and I know there's been ongoing effort and there is renewed effort with OPEC, for example.

OPEC seems to me like a natural, right? And they're debt. We're not, we're equity. You know, in the capital structure debt and equity ought to find a place. And we've—OPIC has—has recently taken their people and given them regional focus. And, of course, that helps a lot because we are, you know, very regionally oriented. They're in a broader area than we are. So I'm optimistic about where we will head with them. I mean, the way I describe ourselves to people that ask me is, we're kind of a special teams, you know, in this football game, if you will.

We're the special team. We're meant to be on that field quickly, change the game. We have a very narrowly-defined role. And USAID has a much broader mission. They're, you know, greater resources, more across (ph) the world. And I think there are places where we have worked seamlessly with them; you know, Jordan, for example. USAID built the sewage treatment plant outside of Zarqa that we're expanding. You know, other places they have capital—there are pieces of capital that others can make available different stages in the process than we can.

So look, the U.S. government's a big organization. I'm probably not the best guy to comment on all the ways we could or should be working together. Everyone I've met has been, you know, absolutely with to. And certainly we, of all people, have the greatest incentive to since we—we're the ones operating in such a short time frame with trying to have maximum impact with the capital available.

WEINBERGER: Thank you, Carl. Thank you to the panelists for a great conversation. Thank you, everyone else, for showing up. We appreciate that. Please stay in touch. We look forward to seeing you at the next MCC event.

(APPLAUSE)

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