

Gateway to Opportunity: Connecting Africa

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WEINBERGER: Good afternoon. Thank you. My name is Paul Weinberger. I'm the Vice President for Congressional and Public Affairs at the Millennium Challenge Corporation. I would like to welcome the diplomatic corps and our stakeholders to the first event in MCC Gateway to Opportunity summer series.

We have some more events coming up in the series which is intended to provide a platform for U.S. companies to discuss their role in Africa and how MCC provides new opportunities in key sectors.

Today's session is about connecting Africa to power. We'll be hearing directly from our U.S. private-sector energy partners and we're delighted to have Ambassador Mark Green here to moderate this panel discussion.

As you probably know Ambassador Green is the president and CEO for the Initiative for Global Development. A recognized leader in the foreign-policy business communities, Ambassador Green served as the U.S. ambassador to Tanzania from mid-2007 to early 2009.

Prior to serving as ambassador he served four terms in the U.S. House of Representatives where he helped craft key policy initiatives including my own favorite piece of legislation, the legislation founding the Millennium Challenge Corporation.

I should mention Ambassador Green also serves on MCC's Board of Directors.

Ambassador Green, thank you so much for coming and for granting us today in what promises to be an exciting conversation about power in Africa.

GREEN: Great. Thank you, Paul. Thanks very much.

And thanks to all of you for coming out. It's good to see such great interest here.

As Paul mentioned, I served four terms in the House of Representatives. I know this room all too well. It sometimes brings back bad memories. It's good to see it's being put to productive use here.

As Paul mentioned, I am the president and the CEO of an organization called the Initiative for Global Development. Our mission is to reduce global poverty by catalyzing economic growth in business investment in high-need, high potential regions of Africa.

We're really a network of senior executives from sector-leading companies who have the commitment, interest, and capacity to make strategic investments. We work in the areas of agribusiness, internet and telecommunications, financial services, and the subject that brings us all here today, power.

In the brief introductory remarks that I'm going to make, I want to address two questions. Number one, why power? Why is it that we're talking about power as part of American foreign policy?

And secondly, how do we get there? What do we do to try to help expand access to reliable energy throughout the African continent?

Why power is pretty simple. First off, every country in Africa has a power deficit. Only 30 percent of the continent has access to reliable power and in some places, it's far, far worse, and where there is access to power, it's often a very fragile and aging infrastructure.

In my days as ambassador in Tanzania, I remember vividly when that undersea cable between the mainland and the islands of Zanzibar essentially went down. It was a \$100 battery on the mainland that overheated and when the acid flowed over it destroyed several of the parts. They had to find a retired Norwegian engineer and fly him down in order to fix the system.

And during that time, Zanzibar, most of Zanzibar, was out—without power for 30 days. We began to become concerned about the potential for cholera. In fact, we had to declare an emergency to be able to bring assistance there.

So even where there is power, that grid, that infrastructure is so fragile and often—oftentimes so aging, it's vitally important that we help reinforce it and make it more productive and modernize it.

The lack of reliable power hurts effectiveness of all of our programs in Africa. As I think everyone in this room knows, the largest part of American foreign assistance to Africa is global health.

From the AIDS initiative to the present malaria initiative, to our support for the global fund, while none of those programs could be fully effective if it isn't reliable power to take care of things like refrigeration and to help with distribution and logistics.

Secondly, a lack of reliable power dramatically restricts the potential for economic growth. It's very hard for countries to advance for economies to rise if they can't get the power they need to bring in processing and manufacturing.

Third, the lack of reliable power dramatically restricts the ability to learn and to bring about modern education tools. When young Africans go to school, but have no ability to study at home to read because there are no lights, no affordable energy, affordable electricity, obviously they fall further and further behind at a time when education is more and more important.

And finally, as everyone knows, we live in a very interconnected world. Not being able to access modern tools of the Internet and mobile technology causes a people, a country, to fall further and further behind every single day.

So it's very important that we take on the issue of energy not only for humanitarian reasons but also to assist our friends and allies around the continent as they seek to rise and brighten their own future.

Finally, the most important reason to me for why the U.S. should be involved in providing assistance to expand access to energy is that we can do this. We know how to do this.

The United States business sector, the business community knows how to generate, distribute power. It's something that we can bring effectively tapping into our might, the might of our system, in ways that can help others rise and advance their own future.

The challenge of providing access to reliable power in Africa is not an intellectual challenge. It's a policy challenge, and it's a test of will.

Now my own organization, the Initiative for Global Development has proposed an approach to ramping up private-sector driven solutions to the power deficit. Working through our working group of developers, lenders, investors, equipment manufacturers, we have put together a program to simplify and streamline the power development process.

Now I know my good friend and former colleague, Congressman Ed Royce, will soon introduce bipartisan legislation to establish comprehensive policy that will assist countries in sub-Saharan Africa and help them by developing a mix of power solutions.

The approach that Congressman Royce, Chairman Royce would take very much as in line with the views of my organization, IGD, in that of the business community.

This legislation will tap into the strength of U.S. CID and OPIC to support private investments. It will leverage MCC's remarkable record of success in the power development sector.

All of these approaches again are built around America's comparative advantage. The strength of private enterprise to provide and transform policy power is essential we think for Africa's future and essential quite frankly for our own economic development prospects.

There is a role for the private sector to play. In fact, it is an irreplaceable role. The public sector through the types of reforms that the Millennium Challenge Corporation is famous for, through the types of risk mitigation that

OPIC is built around giving private business a chance to compete in a very competitive world in very competitive markets.

In many ways, today's event symbolizes that the approach that Chairman Royce would take in the approach of that IGD supports.

We have at this table, representatives of the public sector and the private sector who will talk about ways that a blended approach looking at the irreplaceable capacity of the public sector and the private sector, how they can be brought together, really does provide many of the answers that we all believe are necessary for Africa's future.

We're going to begin by listening to my friend Steve Kaufmann, Chief of Staff at the Millennium Challenge Corporation. Again, I serve on the Board of Directors of the Millennium Challenge Corporation, and I'm very, very proud with how closely it works with the private sector to meeting development challenges but also to assisting countries in the types of policy reforms that create an enabling environment for private business to succeed and to flourish.

Steve?

KAUFMANN: Thank you, Ambassador Green.

It's a pleasure to be here with all of you. I'd like to talk just a little bit about MCC, what MCC does, and then really get into what we're doing in the power sector.

As folks probably know, MCC is a small agency. We just have 300 employees. We have a focused mission of reducing poverty through economic growth. We're selective in that we only work with poor but well-governed countries. That is, those countries that are committed to good governance and are committed to fighting corruption.

Our model is based upon one of country ownership. That is, where the countries identify what the economic problems are that they have and what the issues are that they have that need to get resolved, and then they ask MCC and the U.S. government to help them with that, and we also ask them to undertake the hard work of implementing the programs.

So they are responsible for overseeing the development projects that we undertake. The decisions that are made by our partner countries however are informed by a set of guidelines that we set, that require evidence-based decision-making, a focus on what are the economics of potential projects.

That is, will a project really attack the major constraints to private investment and economic growth in a country and will a program that is proposed to give you a real bang for the buck. That is, for the money we are putting in, are we going to see a potential reduction in poverty?

And what is amazing about this is that—and it's not surprising given what Ambassador Green described for you—but when countries themselves are asked, "What are the problems that you have that you need to solve? And how are those informed by the evidence of the situation?" Over and over again, they are turning to electrical power as the circumstance and the situation that they need to address.

So right now, MCC's portfolio in Africa is investing about \$550 million. What's on the potential drawing board from other potential projects that we're going to see will probably push that to \$1 billion to \$2 billion in the next 4 to 5 years. So we're seeing a huge growth in just our expenditures in that area.

I'm proud that one of the projects that we have just completed is in fact replacing the Zanzibar interconnection cable that Ambassador Green talked about. That was a bit of a softball to me. He knows well about that, and I'm proud about that.

But to continue, not only did they have problems when he was ambassador there, but just this past year, portions of the cable and the theater systems going into the cable and out exploded twice and for great parts of this last year, Zanzibar was without power.

They now have reliable power going in and there are 400,000 residents within the Zanzibar Islands that now have more reliable power because of the efforts.

What is the private sector doing with MCC? Really, two things. The first is somewhat on the front end. That is, when we're financing the construction of transmission lines, distribution lines, substations, we need to have the private sector do that work.

And while that work is contracted out through our partner entities in the countries, we set certain procurement standards for open procurements for fighting against corruption and we look to the private sector to do that and in many instances, that's the U.S. private sector is doing that work and Eric Pike, who is sitting next to me, will talk a little bit about that.

We're really proud of the engagements that U.S. companies have in the procurements that we insist upon for doing that power work.

The other work that is so important with this that's really the key to success in eliminating the power deficit in Africa is, as Ambassador Green mentioned, it's the private sector because despite the fact that the U.S. government and governments around the world are trying to help in this area, and it's not just the MCC, it's a USAID, it's OPIC, it's Ex-Im Bank, it's USTDA, all focus on helping to with power issues in Africa, but it really is the private sector that's got to bring the capital and the expertise to bear to alleviate the power deficit and we want to be working with the private sector to be investing alongside of us.

When we're looking at intervening in countries, we're helping those countries attack the policy environments that are preventing private sector investment, that are preventing growth of electrical power industry in their countries, and that's creating the space for the private sector to come along and invest with us.

One area that we're particular proud about is that we're looking to develop a compact with that the country of Ghana to deal with their power deficit.

We have been working for quite a while with General Electric to be able to help partner in doing that where we are looking to do certain policy interventions, doing transmission distribution, dealing with power supply.

GE signed an MOU with the government of Ghana yesterday where they announced that they are targeting to do 1,000 megawatts of projects, \$1.5 billion of investments that will go along the work that we're doing and we're really proud of that because it's those types of efforts that are going to spur the growth in Africa.

Thank you.

GREEN: Next we'll hear from Eric Pike, CEO of Pike Electric, and I'm glad that Steve got the Ghana reference in so you don't think this is an entirely Tanzania-related table, but I've seen firsthand the work that Pike Electric has done in partnership with MCC in the United Republic of Tanzania and it's remarkable.

Not only did Pike Electric provide, as called for by the compact, some of the hardware that was necessary, but some of the training that was vital towards securing energy independence for Tanzania.

So Pike Electric, a great participant and a great citizen.

Eric?

PIKE: Thank you, Ambassador.

Thank you for letting me speak a little bit this afternoon. My company has been around now almost 70 years in the United States. We provide engineering construction services to the power delivery space.

That includes renewables, transmission substation, distribution, but truly one of the most amazing projects that we have ever completed had to be this portion of the Tanzania compact for a variety of reasons.

One, it was our first international project. The MCC framework and format allows U.S. companies to have a fair and even playing field in the international market to bid competitively for work.

When they had the in-country team, you have an in-country team, in our case, it was the MCAT of local Tanzanians in the government that are working to make this project work. You have local people there that if there are times when there's a bit of corruption that might raise its head, they were very quick to address that for us.

The whole project went across without any major hitches as we were there. We engineered and built over 500 miles of brand-new distribution power lines around the former capital city of the Dodoma.

We did this by sending over and shipping over our equipment, modernized equipment and that we use in the United States and I had 15 expat trainers that I sent over. Over the life of this project, we built out a workforce of over 450 Tanzanians.

And while we didn't perform work in the country on an energized basis as we do in the U.S., I would tell you by the end of that project, I would have put my Tanzanian crews up against anyone in both quality and productivity.

They want to learn. They were very adaptive to new techniques, to learning how to use modern equipment. We saw people rise to the occasion that came to us as simply as day laborers but we realized that some of them had college educations and they rapidly moved to crew foreman and crew supervisor positions.

And I'm very pleased to say that of the ones that have worked with me in the past, as we finished up the project, they said if we have any other projects in Africa, Tanzania, Malawi, anywhere, they want come back and go to work because they said this is the people that gave us the opportunity. They want to grow. And we couldn't have been more impressed.

I would tell you a couple of stories at that—very quickly, don't want to take too much time, but they tie into what Ambassador Green was just saying about the residual benefits to this.

Not only was this a great opportunity economically for my company to go over and expand its boundaries, we partnered with Malaria No More at the very beginning of this project with Martin and his team and President Kikwete's Zinduka campaign around mosquito nets.

So every village that we went to that had no power we were also presenting the Malaria No More solution to bed nets and President Kikwete's campaign was wake up, we have the bed nets, use them. You know, and we would try to help supply those.

Additionally, in the little village of Makumi, which is about 45 minutes outside of Dodoma, that was one of the areas, the first areas that we built in. There was a school and the school has a 1,012 kids from basically kindergarten to high school age.

They have nine classrooms. They had no power. We just took it upon ourselves, our crews of lived there for several months. We decided we were going to energize the school.

So we went to the headmistress and as we talked to her about it, I don't think she quite understood the value that it was going to be because she said, "I only want you to put lights and four of my classrooms." We said, "Okay." So we put lights in four of the classrooms.

I was so proud when we went back for the ceremonial lighting of the line that their community had pooled together to light two more classrooms because they had seen the benefit. She came to me and said that, "After you turned the lights on, the kids could come back at night," and she said, "In 6 months, our test scores doubled."

The secondary school that's two miles away that doesn't have access to power yet, those kids come at night and they're building rooms in one of the extra classrooms so that they can have, basically, a hostel, so the girls don't have to walk home at night, they can spend the night and go home in the morning.

We continue to support that school. It became somewhat of just a rallying point between my expat guys that were over there working and we still stay in close association with them and are trying to build out the school.

But I can tell you too, in the village of the committee of Kamumi and it's truly—this is a village that is the majority, this is a mud hut community. I couldn't help but laugh because that's where we had celebration. President Kikwete came out for a ceremonial lighting.

There was an electronic store. There was a sign up by the time I went back in February selling televisions and radios in that little village, and it was right there in the hut and it was really amazing.

But we finished that job in December of this past year and by the time I was over there in February, there had already been 2500 connections made to that 500 miles.

So we are very proud to be partner to the MCC, very proud to be a partner to Tanzania, and extremely pleased with what we've done, and if a future compacts come along I hope we can continue to participate in the future.

GREEN: Thank you, Eric. That's a—that's a great story. Great story.

Next we're going to hear from Patrick Hennelly of Weldy/Lamont Associates, a small engineering firm based in Illinois recently won a \$350 million rural electrification contract from the government of Ghana, which is backed by Ex-Im Bank.

I think one of the things that Patrick's story shows is that corporate involvement in development harnessing the strength of America's private sector doesn't just mean harnessing the strengths of the big guys.

It means tapping into the strength and ingenuity of small and medium-sized enterprises in the United States of America and bringing those values with them as they do those projects and investments overseas.

Patrick?

HENNELLY: Thank you, Ambassador.

Similar to Eric, I'm 3 years younger than you are.

Our company is 67 years old. We are an engineering provider in Chicago. We—we specialize in equipment for utilities; utilities, banks, data centers. So that's what we've been doing for years.

In the 80s, we have done projects in China, Thailand, so we didn't—this wasn't our first venture out. But in 1994—there's a little story here how I got involved with it.

1994, there was a young man who was born and raised in Ghana, moved to the United States in the late 70s to go to college at the University of Illinois, which is my alma mater, and he got out but he never—he never went anywhere. He was finance.

And he was around until 1994. He had his wife's relatives show up at a dinner in Naperville, Illinois and said, "Ghana has not bought anything from a U.S. company for the utility market. Do you know—my partner's name was John—John, do you know anybody that can supply this stuff?"

Well, long story, it goes around three times John and he finally came up with, "Don't know, but call Pat Hennelly, he deals in the weird stuff which somebody doesn't really know about."

When that was in 1994. We did our first project in '97. We did another one in '99. We—we started the one I have right now, there's 350, started actually in the year 2000. Dennis Lamont and myself, we went over—we didn't know if Bush or Gore—who was going to be president and we didn't learned over there until we came back, but that's when we started.

We came back and I keep saying that's when it started. Ghana then filed HIPC. And I wasn't working with a grant fund or anything. This was through Ex-Im Bank you had to borrow the money to make it work.

We—we hung in there and finally, it took 9 years after we did our first walk-through before we finally had all of the credit agreements and everything ready.

It started out, the government wanted us to build rural electrification for a little over 1200 villages and we started doing that, and Eric was talking to about it.

It was originally designed in the UK, the English. There's no lightning in England. There's lots of lightning in Ghana and they built—they designed it wrong.

We're not trying to be arrogant Americans, but we—we put it in the way they wanted it for the first, I don't know, 200, 300 villages and then persuaded them to use some new American products and by doing that, we reduced the cost and went from 1200 villages to 2100 villages for them.

To give you a scope on that, if—if you—you put—the poles we use—if you put a pole in Bangor, Maine, went all the way to Los Angeles and then took a left and then go down to Cozumel, that's how much wire and poles we're putting in.

We're going to electrify probably about 1.2 million people, 3.5 now? Okay, but that's how it started. Then we—we—we started putting in all this power distribution and they found out that their grid now can't handle it and it's week in certain areas.

So talking to them part is, you know, of this contract, if you work with Ex-Im Bank, we can manipulate this. So we wound up getting a contracted then for three substations and we just completed one, ended in March—is that when you energized it, Frank?

It's 161 KB interconnect which was absolutely needed by the government to bring power from the Chinese damn that's being put up there and you—you—you have to run it.

Technically, this is easy. Politics is the game and when the Chinese start trying to blame the Americans because we're slowing down the connection to their damn, the Minister of Energy over in Ghana came to our support and said, "No. There's nothing wrong. The Americans are ahead of you."

We were ready already,, but we've been doing work over there. We started from scratch. John, the—the—the gentleman I mentioned back in '94, he eventually moved back to Ghana, started a company, and right now, in—in Accra, which is the capital city—that's where our focus is out of. We've got three warehouses, an office building. We have 20—28 full-time guys—a lot of them are engineers. We have 800—800 contract employees on the road, and we're always out there trying to do more.

I'm very interested that Millennium Challenge is finally going to look in the power sector. I've watched you, and I've driven on—the George Bush Highways is what they affectionately call it over there. It's cut our trip down by quite a bit.

I have only one thing to say. You guys have got to move faster. They're—they're out of power. I just left—Frank and I just got back on Tuesday. It's in the newspapers now. Three pages—where you live—in—wherever it is in the country, your rolling blackouts will hit.

They had a—they lost a brand-new power plant that was 6 months old and they had a technical problem with it. So they had to shut it down. So the whole country is short on power right now, and we've been talking to them trying to initiate plans with Ex-Im's help for another expansion, four more substations, renovate the entire grid, and then do some more rural rectification.

So when Millennium—you guys bring in your package—they need—they need the IPPs. I think that's what you're focusing on. I hope you're going to focus a little bit on distribution because you can't get the power out if there's nothing connecting it.

I could ramble on and on and on here on Ghana because it's—it's—it's a passion. Usually I do it over a couple beers, but we can't do that here.

So, thank you.

GREEN: Great, thank you, Patrick.

So it isn't that far from Mount Pleasant or Mount Prospect all the way to Accra—not really all that far after all.

And one of the things he kept hearing from what Patrick was saying is, "We know how to do this."

With each of the challenges that he referenced, we know how to do this. These are challenges that that the private sector knows how to take on, and again, that's why I think this is such a ripe area for U.S. policy to turn to.

We're now going to hear from Martin Edlund, CEO of Malaria No More. One of the things that Malaria No More is I think best known for is its innovative partnerships with the private sector.

There are a lot of NGOs out there that sort of do the traditional government work, but Malaria No More has been able to tap into the partners who are working in countries like Ghana, in Senegal, and Tanzania and use the potential of the private sector applied to take on broad public challenges.

Martin?

EDLUND: Thanks very much, Ambassador Green.

Great to be with all of you. My role on this panel is really to talk about that intersection between health and progress, and in our view, the two are inextricably linked. Just as inextricable is the link between government and private sector.

Sitting here today, we need to applaud the U.S. government and its leadership role in the fight against malaria. The work that USAID, that the presidents from the malaria initiative have done, that the global fund have done have contributed it more than virtually anything else to the 33 percent decline in malaria deaths that we've seen over the last 6.5 years since Malaria No More started.

But equally important is the role of the—the private sector. So that's a piece that I want to talk about today; how to—how to act responsibly as a businessman and as a partner to the countries in which you're—you're working.

The mention of rolling blackouts brought me back to a quick story that may be the most direct link electrification and malaria. I was living in Senegal in West Africa and my wife and I moved there 3 months after we were married to—to pursue this work, malaria control work, and we got pregnant.

So we were sleeping under our bed nets at night and they had rolling blackouts in Dakar. Whenever the summer heated up it somehow overtaxed the—the electrical system and you just had days and sometimes weeks of blackouts.

So here we were pregnant, worried about malaria, sleeping under a mosquito net, and in the middle of the night, I'd—I'd get a shove and then I get a harder shake and my wife Jen would say, "There's a mosquito under the bed net."

So we'd turn on our flashlights and we'd be hunting for these mosquitoes under—under our mosquito net with our flashlights absent any electricity. So—we've got to—we've got to improve the electricity in Dakar for starters, and I know you're—I know you're working there.

For those who don't know us, Malaria No More was founded in December 2006. We launched at the White House Summit on Malaria and we were founded by two prominent American businessmen; Ray Chambers, who comes from the world of finance and Peter Chernin.

And they came to this cause because they saw it as in their words, "The best humanitarian investment in the world today." And the fact is it's also one of the best development investments in the world today and here's why.

Malaria is one of the top three killers of kids worldwide. It claims the life of a child about every 60 seconds. About 660,000 people die each year from mosquito bites.

So our mission as the name implies is Malaria No More. Nobody dying from mosquito bites, but it's also an important investment from a development standpoint.

Malaria is the leading cause of absenteeism in the workplace in much of sub-Saharan Africa. It's the leading cause of school absenteeism; 10 million missed days of school a year.

Workers often miss 1 to 3 weeks of work a year due to the disease, and a recent McKinsey Study found that for every dollar invested in malaria control, you have a 40 time, a 40X return in terms of economic impact and productivity.

And as I said, the—the private sector plays a really important role in this particularly on the ground in Africa and one of the things I want to comment on quickly is how to do that right. How to work in-country in a way that's successful from a business standpoint and also from a relationship and business standpoint.

And just to cite a couple of examples, first of all, to applaud Eric Pike who is a board member of Malaria No More, for the work that they've done and Tanzania.

You know, it makes a profound difference how you enter and partner with a country and to come in and take an interest in people's health first as a stepping stone to the development in education and progress in the communities makes an enormous difference.

We also work closely with Exxon Mobil, and with the extractive industry in particular, there's a real concern that they are taking more than they are giving back and it's a—it's a legitimate concern, but I've seen firsthand how to give back and how to give back successfully.

Exxon Mobil came to this as businessmen. They saw that we began working with them after they were building a pipeline from Cameroon—from Chad through Cameroon to the ocean and realized that the leading cause of worker absenteeism was malaria. They realized that if they spent less than \$2 million on malaria control, they could save some \$20 million on worker productivity to do this.

So they started with their workers. They expanded to the communities in which their workers lived and that commitment has turned into now \$110 million commitment on the African continent to control malaria. So it's a great example of a good business being good partnership at the same time.

So let me just applaud everyone here for the work you're doing. I know that the tagline for MCC is, "reducing poverty through economic growth," but the fact is these things are linked and economic growth is also going to be a big driver in reducing deaths from malaria and health concerns generally. So it's projects like this that are going to help us achieve our goal of making Malaria No More.

Thanks.

GREEN: Great. Thank you. Thanks, Martin.

Just to begin our panel discussion, I'm going to start with MCC.

We've heard some references in the opening comments about competition in Africa, frustrations in policy, and barriers to growth. How does MCC help level the playing field for American businesses that are taking part?

KAUFMANN: So, in terms of leveling the playing field, I view it kind of at—we have three levels.

First is that we're starting out with countries and we only select those countries that are relatively well-governed and that have instituted real efforts to control corruption and where they're making it. So we're only in those countries and we're creating an incentive for those countries to govern themselves better.

And there was a recent William & Mary study that actually found that the MCC selection criteria creates a real incentive for countries to improve their governance, to improve their control of corruption, and that happens in the countries where we work, but also those countries where we don't even work that aspire to become MCC countries. So that's the first thing.

The second thing is, as Eric described, when we're doing work in-country and there are companies that are bidding on the projects we're financing, we're requiring that there be open and fair procurement.

We're putting in place mechanisms that the government has to follow to put in even more stringent controls against corruption and we're also leveling the playing field for U.S. companies in that state-owned enterprises, particularly from some countries that really control the economy a lot, they're not eligible to bid on our projects.

So while we have open procurement, it's only for those companies that are really actively participating fairly in the marketplace. That gives a leg up for American companies that operate in that environment.

The last thing that we're doing is we're focusing on a within each sector, particularly the power sector, on the policy environment, the laws, the regulations that are going to make it easier for the power sector to flourish and for more investment to come in.

GREEN: Thanks, Steve.

Eric, I guess I'm going to ask you this as well as Patrick. So here we are, we're in the House Foreign Affairs Committee Room. You have a captive audience. Many of the folks who are here are involved in policymaking. This is your chance to contribute.

So as legislation is drawn up, as approaches are put forward to expanding access to reliable power in Africa, what your advice? What would you like to see policymakers think about and take into account? What would help you expand your work in Africa?

PIKE: Well, Pat may have a different view. I never made any policy so I'm speaking totally out of the scope of what I know.

The biggest thing that has helped us is when you have U.S. organizations—if our government is going to support projects like this is really laying the framework for an open and fair bidding process whether that be MCC, whether that be USAID, whether that be support from an Ex-Im or an OPIC, such that during the life of that project, you're there, that U.S. companies do not—they can do what they were bidding to do without running afoul of U.S. law or running afoul of the host country law to build these projects because I think Pat really summed it up the best.

Once we've been able to go over and look at the project, that's what we do. Those are actually not the hard part. The hard part is negotiating the politics both here and abroad and learning the logistical issues of how to get things into the country, how to clear their customs, how to exit our customs. So on and so on.

Those are the things that will either make or make a project a success or a failure and my only exposure, I think Pat's had more and probably he should speak longer than I do—my only exposure has been through MCC, and I can say that we likely would not have been very aggressive bidding that project had it not been for the framework that they offered to bid it because we felt like that it gave us financial security that we would be paid for the work that we were doing.

It gave us a fair and open assessment of our bid and our capabilities and the framework that they laid to encourage us to utilize a local workforce was all in place at the beginning. For us, it worked well.

So I mean I think it—not so much new policy, but just to continue to build out on the existing would be my—I don't know, Pat, you may see a different.

HENNELLY: No, no. Quite a bit like yours.

I have—because we've been bidding on these for—over the years—the one thing I would ask Millennium Challenge and I know—I know you didn't do it—I called it the George Bush Highway—is that this is U.S.

taxpayer dollars. Demand that you use U.S. products, and U.S. companies are the ones that are awarded the contracts.

I know the George Bush Highway is built by the Chinese using our dollars. When we compete, I can't compete against the Chinese when they walk-in—see I'm doing a loan usually in the Chinese will walk-in with 1.9 percent money, 20-year repayment and then their products—of their products are half or even less of the U.S. products. India is the same way.

So if I could—one word of advice. Just make it—if you're going to use our dollars and the product's available in the states, have it purchased here.

Now another word, work with myriad (ph). Now I'm gonna get into—you asked me. It was your mistake to ask me here. The U.S. flag rules that that Ex-Im makes us go by, it's twice as expensive to use a U.S. flagship.

I can get a commercial ship and I can get product in Ghana in 17 days if I use a non-U.S. flag. U.S. flag, twice as much, 6 weeks. So I get passionate about this a little bit.

The politics—we've learned that getting product into the country as long as you have the right people in place that have legitimate brokers, we could—we could tag all the time in the port. We get about 3 weeks—3 weeks free containers before you start paying demurrage charges.

The customs guy will sit on it for 5 weeks and you can't get it out of them. So now you are starting to pay demurrage and it goes partially into his pocket.

Anyway. Summarize it. U.S. product, and U.S. companies, and I think you're going to get some great work over in Ghana.

GREEN: It seems to me that what we're hearing from both of you is actually a similar theme and that is having the public sector, MCC and others, focus on those things that are within the public sector in policy, in creating a level playing field, in creating open competition, and creating an opportunity for businesses to have a fair chance.

And again, what I heard from both of you is when it comes to the actual performance, you know how to do that. That's not hard. That's what you're very good at. That's what you hire people for. So if we can get policy taken on by policymakers, the rest will take care of itself.

Malaria No More—Martin, you talked a bit; Eric being on MNM's board, talked a bit about some of the work that you're doing, but talk a little bit more about how Pike and Malaria No More intersected in Tanzania and where you worked together in projecting that message out.

EDLUND: Yes, as I said, though work with Pike in Tanzania and this does seem to be a Tanzania panel by and large starting with the Ambassador Green, is a great example of how to do this right.

You know, the commitment really came at the outset of their relationship. One of the first to touch points with these communities that they were working to help through electrification was to first come in and understand the needs realizing that those needs included right at the top of the list health and malaria.

They were providing mosquito nets. They were also providing using local voices and local communications platforms really effective health education. You know, it's not enough to give people the mosquito nets.

You've got to make sure that they're using them, especially when the lights go up and people are inclined to be outside longer, that they are using those mosquito nets, that they're seeking treatment in a timely way.

And so to enter those communities first with caring, first with a looking out for the citizens, and then secondly as a business partnership was really a successful model and I think paved the way for the work that Pike has done.

I would also just say that, you know, business is becoming so much more sophisticated in the way that it works in the developing world and there are real opportunities to leverage core strengths of business. CSR isn't done anymore just to—you know, as a gesture. It's really often done best as an extension of core business capabilities, you know, innovation entrepreneurship.

We've done a lot of work in the developing world with mobile phone companies and to take another example, we worked with MTN, the largest mobile provider on the continent, South African company, in Cameroon.

And we knew that 8.6 million mosquito nets were going out to families who'd never had these before and so we were able to bring MTN, who's the best rural marketer in Cameroon, to the table to help design the government's health education campaign and then to turn around and leverage their spokespeople, their billboards, and most importantly, their mobile phones.

This is my phone from when I was living in Senegal, but simple SMS technology reminding people at 9 p.m. to sleep under their mosquito nets is a—is a great example of this kind of integrated partnership with countries.

GREEN: Thanks.

Before I turn to the audience for questions, I'm going to ask each of your question. We'll go down and give a brief answer if you can.

Steve, I'm going to ask you; why energy?

Eric and Pat, I'm going to ask you; why Africa?

Martin, I'll ask you; why Africa, but I think the answer is probably obvious.

But gentlemen, if each of you could give me a real quick answer.

KAUFMANN: So I address this at the beginning. Africa—energy in Africa for two reasons. One is it's what the countries want. They've identified it.

And second, part of their identification is applying an economic lens to it where if you—if we invest alongside of them in electric power, it's going to have a big bang for the buck in reducing poverty.

PIKE: I think ours on the why Africa is really as we looked to start working internationally it met all of the criteria for—it fell right into the niche of what we do best.

There was a tremendous need and the—the combination of being able to go in and through a U.S. government program gave us the security to take that step and I mean, it just—it met the needs of what we were trying to do to grow internationally.

HENNELLY: It's an interesting question, why Africa. What brought us to Africa was our partner, John. We didn't have any security blanket. We didn't even know how to finance it when—when we first started it.

Maybe it's a poor cliché —we were too naive to know why not. It was—it was—the way it was presented to us is bringing power to areas that don't have it. We take electricity for granted.

I'm not going to get real philosophical about it, but hey, we've met the people in Africa. It was our partner, his sincerity on it. We went over, we were smitten.

They're great people to work with. I've told lots of other people in the manufacturing world, Africa is going to be the next Asia, and it's just booming.

EDLUND: You're right. It's pretty easy to answer from my standpoint.

From a malaria perspective, 90 percent of the deaths are there, so it's obviously the place to work, but really from a business standpoint, just to underscore what Pat said, there's enormous opportunity.

In the 6.5 years that we've been working there we've seen gains in health, but we've also seen incredible gains in innovation and in productivity.

You know when—when you have Walmart investing in the biggest grocery chain on the continent, when you have Bob Geldof, whose best-known for running around with Bono and talking about poverty, turning his work into an investment fund in Africa, you know that we've turned the corner.

And I think the foundation that we've laid with healthy citizens and the foundation that the U.S. government has laid through the president's malaria initiative, USAID, CDC, and the global fund is responsible for that, but now it's a real opportunity for the world to invest.

GREEN: Excellent.

Questions from our audience.

QUESTION: Good afternoon. I was saying that I'm trying to find out from the MCC whether it is possible to run two compacts in a country in different sectors.

KAUFMANN: Thank you for the question. So for people who don't know, MCC has a compact in Zambia. That compact actually is focused entirely on water and it's—that's because that's what the Zambians chose to invest in.

Right now, our statutory authority does not allow us to run two compacts at the same time. So that's—that's not something that Congress allows us to do and we are plenty busy enough right now running the other compacts that we've got.

QUESTION: Five years ago, Rodney Bent and I sat in the same room and testified on MCC—and Rodney was your predecessor—and we asked the same question then that I'll ask now.

Many of the power solutions in Africa do not end at a border. Many of the most optimal solutions are cross-border transporter problem solutions, some of which among MCC eligible countries, others not.

There's plenty of literature out there from Paul Collier and others that say maybe the best thing to do is invest in your neighbor's infrastructure particularly among landlocked and power-poor countries in Africa.

I've raised this question with MCC. I was a nominee for the board of MCC, the seat that Mark Green now sits in, and I've never really been satisfied with an answer of any ambition that MCC with Congress is going to work to try to create a proportion of your projects as regional projects.

KAUFMANN: I think that's a good—a good question for us and it's a challenge that we face all the time because again, our statutory authority allows us to pick specific countries and not operate just on a regional basis.

Power is one of the areas where we are seeing that the regional nature of the power and the power pools in certain areas really creates problems and opportunities for us as—as well.

The—we do have situations right now where we have one country that—that shares power resources with another country. One country qualifies for our assistance, the other country does not.

And how we navigate that is something that we're trying to explore how we can be most—most efficient in doing that, putting in the right resources where we're avoiding duplication and trying to maximize the benefit.

We do have a situation right now that I think really for the first time where we have two compacts that are developing at the same time with two neighboring countries with Liberia and Sierra Leone, and we're actively looking at—at least with those two for opportunities where we can get synergies with those.

QUESTION: There's been a really lovely push and pull, all this conversation between the, kind of, the paternalistic, you know, we're going to develop Africa and reduce poverty, and the other option being an opportunity for American businesses to, kind of, get into African infrastructure.

So we know that America is kind of falling behind in terms of China, Brazil, India; they're all getting their foot in the door in terms of infrastructure.

Are American electricity companies in a position to invest in African nation power supplies if those power supplies were to become private like Nigeria?

GREEN: Well from the perspective of IGD, the Initiative for Global Development, absolutely. That—American companies, American investors, American business leaders are looking to Africa for opportunities to invest and to partner.

So absolutely, and that's the approach that we favor, which is taking on some of the challenges, the delays, the policy barriers that make it harder for American businesses to have an opportunity to compete fairly, but we absolutely believe the opportunity is there and that American companies can certainly help fill the need.

KAUFMANN: Our experience as well is that power is definitely one of the places where American companies can compete and operate effectively in Africa and that's because our—American industry in this area brings a lot of expertise and a lot of skill that is not just manual labor and it's not just stringing the wires, but it requires some intellectual know-how as well, and technology know-how that we really bring to the table. That know-how American industry brings to the table provides significant value.

QUESTION: My question is for Eric and Patrick. Could you please share with us some lessons learned on being a—being a successful American company bidding on MCC contracts?

PIKE: I think one of the challenges at least for us was you have to adjust your time horizons. Things move that much slower than what you're expecting here.

You—you have to understand that one, you're going to have to learn the in-country team. It's great that the ambassador and his team are here, but when you get an MCC project, you are working with the local team and that's the host country's government officials, the host company's utility officials if it's in the power space, and you're going to have to develop those relationships just like you do in any other business and that takes time to do.

You have to learn the process as they go through. A lot of these countries are very, very paper-based. Things that we've become a very accustomed to—oh, I'll just shoot an email or all just call. No you won't. I mean, they—you can, but it won't do any good.

It's going to go through—if their process is there are 13 people that are going to sign off on this document, it's one, going to be a document, and two, all 13 people are going to sign off.

You're going to have to adjust your time frames and your processes to understand that's how they work every day and that's how they want to work right now. They want to improve.

I think those are probably some of the most challenging pieces. When you—when you get out into the field and you're actually doing the construction and managing that part, that pretty quickly takes on a normal function, but I would say the processes, learning the processes both for the owner engineer, for MCC, for the local government. Those are the biggest challenges that we had.

HENNELLY: A little—what you said—we have to learn—we learn to rely on our local partner. You have to have a local partner there that knows—knows the culture, knows the technical—in our case, technically he knows me—knows the right people in the government to get technical things through.

One thing you said, on time. If you need something urgent over there, everybody—I don't know who wears a watch here, they don't wear—they have a watch on, but that's a calendar. If they tell you, "We'll get back to 20 minutes," it could be 4 days, and email doesn't work over there.

But I want to throw—one little quick thing. Rely on your partner for the culture. We'd shipped over some Ford pickup trucks, and we wanted to emulate what we do here in the States, and put the company logo on the side of the door. And we—we had the stuff made up and our local partners said "No, no, no. You're going to make them really small and you put them on the quarter panel on the bottom."

We asked, "Why?" And that is if you have it on the door like that and you start going out to the field, out into the bush, they're going to look at that and say, "That's a very wealthy company. We're going to strike and ask for more money." So my local—they told us keep the logo very small.

So that's the only word of advice. Rely on your local partners and their knowledge of the culture.

QUESTION: My question to MCC is why is it so that—why is it that we have many African countries at Threshold and not being given actual money for their compact?

And my question to you all is when you are given the money by MCC, Ex-Im Bank and we are small companies, why don't I—why don't you work with us as local USA companies and how do you work with small—small and medium companies in-country to make them grow instead of just saying they are—you know, you need to share a part of that by to us and work with you, contractors, subcontractors, as small businesses, not just for you and—that's what I want to know—how can we work together?

I'm also a venture capital. I started my venture capital to work with a small businesses, small and medium businesses in East Africa. How do you help us and how do you support us to make this happened because the small and medium businesses are the businesses that grow countries economically. So we should think about us and the MCC and you companies that are working Africa.

Thank you.

GREEN: Thank you for the questions. I will answer that question in my capacity as a member of the board.

The interesting thing about the way the Millennium Challenge Corporation works is that its decisions on eligibility whether a country is eligible for a compact are based upon objective indicators. So they're not based upon personal opinion, they are based upon objective indicators that are right on the website.

There are plenty objective indicators that come from outside sources of information that measure such things as ruling justly, investing in people, and commitment to civil rights and democracy. And when a country reaches—is able to pass half of the indicators, they become eligible and then that's when the communications occur about the possibility of a compact.

So it's actually very easy for a country to look at what must take place in order to be eligible. It's actually right on the website and there are objective indicators.

With Kenya, Kenya, a country that I lived in 25 years ago, is a country certainly on the rise. The reason there is a threshold program is just that. I think MCC believes that Kenya is a country that is making commitments to the values that we all believe are essential for economic growth.

And so I think the hope is that as Kenya rises and the indicators and the scores in the indicators improve, there is great hope of the possibility of a compact in the future.

With respect to working with small- and medium-size enterprises, it is actually one of the values that the MCC supports and so in that process of putting programs and projects out for bid, MCC encourages small- and medium-size enterprises to bid.

We think that it is terribly important for the future not just of any African country, but of our own country. We know that small- and medium-size enterprises are the drivers of the economy. You are certainly correct.

QUESTION: So typically when you invest in the power project like—like the ones we discussed, an important element here would be the local permitting of this project and developing environmental and social impact assessments because it's a project like this, while it's bringing a lot of good to the country, it could create some potential environmental and social issues.

How does MCC address those issues?

KAUFMANN: So that—built into our requirements, and developing the compact, are doing rigorous environmental and social impact—particularly as you are doing, for example, a power project—there may be a number of environmental issues, social issues.

We often have—we're displacing individuals along the rights-of-way and so often relocating individuals along the right-of-ways is a significant portion in cost in some of our projects.

MCC itself is often times hiring firms to help us evaluate those risks and those potential costs at the beginning of projects really before we are investing so we are doing our due diligence upfront.

And then, when the project is going on, our counterpart entities, the MCAs in-country, they're also hiring companies that will help implement of those types of programs for them.

So those are two ways that we are doing that—that assessment. Unlike the work that we were talking about with Eric, the first part is actually something that MCC bids out and procures those services directly.

GREEN: I will say that one of the values and principles of MCC that we've been talking about, transparency applies here as well. The process of decision-making and the rigorous analysis is public and is available and working

through the MCAs, those responsible parties inside a host country with whom or through whom the compacts are administered, that process is a very open one.

QUESTION: I have two thoughts. First I'd like to thank you for the good work that you do. We all appreciate it very much.

First of all, how are you working and how can we explore working with our universities so that we might be able to collaborate with you a little bit better, particularly private sector folks, to help do training so that you—you—the folks that you work with in country now maybe have access to our online kind of training so now we can help get people up to speed to meet your needs even further.

And let me say please, don't limit the university opportunities to just the big boys, the Harvards, the MITs of the world.

And that segues into my second point, which is what has been brought up indirectly as it relates to in-country folks. I'm a lawyer also when I work a lot with the Congressional Black Caucus and the Congressional Hispanic Caucus and there's a little bit of a sensitivity that small and disadvantaged businesses aren't necessarily being brought into the loop or made aware of these kinds of opportunities.

And as was said earlier, it's U.S. taxpayer dollars and all of these communities represent U.S. taxpayer dollars and there is a feeling that like in Iraq and Afghanistan for example that only the big, big, big boys seem to be profiting when you have so many women-owned, Hispanic-owned, African-American owned companies in the United States who are the small and business—small- and medium-business folks who do drive jobs and create jobs, so that you can then have a natural lobby for funding for MCC because as you know, with domestic urban problems and rural problems being as severe as they are, there are a lot of Americans that question why we give so much money away to our friends internationally.

So I think if there was a little more coordination between the opportunities for small and disadvantaged and women-owned businesses in our communities, that could be a natural lobby for you to always impress upon our friends in Congress the importance of supporting MCC and its funding and increasing it.

KAUFMANN: So let me—let me take those—those separately and thank you—thank you for the comments. First is with regard to universities. I think there are a few places where there's engagement with universities that are really interesting.

The first is again, I mentioned some of the due diligence and analytical work for projects that's upfront that MCC is procuring itself. I think there are places where we've seen university partners often come in and bid on those projects to help provide design engineering and analytical work.

Those are also places as well—because MCC is procuring those directly—where small, minority-, and women-owned businesses really have substantial opportunities. Because we provide great emphasis on doing that when it's—particularly—when it's procurement directly by MCC, and I think we had a very good track record on doing that.

I think, of our procurements, we're at about 30 percent of our procurements. There's some folks in the back that maybe they're shaking their heads, no, that I'm too high.

We have some projects that are directly education-focused. We actually—our Board of Directors with Ambassador Green earlier this week approved one of those projects. It's not in Africa but it's actually in Georgia where it's an education project, and a significant component of that is actually to do some teaming on higher

education work with Georgian universities and U.S. universities. So we are making a considerable investment in those areas in doing that.

I think the last thing is the big bulk of the money that comes out of MCC is not our procurement, it's really going into the actual construction of the projects that we're doing.

And it's through outreach like this and through other types of efforts that we're making where we're trying to encourage American businesses to bid on these projects that are out there and it's—the information is available on our website, and our team is really anxious to help small, medium, and all American businesses really engage in those opportunities and look for the opportunities.

QUESTION: Just a practical question in terms of U.S. equipment supply for MCC projects, and I hope it's not a loaded question.

We have an office in Ghana. We have an office in Beijing. So if we have the MCC (inaudible) compact coming up, a procurement coming up, do we associate with a Chinese company or do we associate with Weldy? Thank you.

KAUFMANN: Yes. So let me try to talk a little bit about MCC's model that's a little bit different from some other entities in the U.S. government.

Our procurement is designed to be fair and open. That is, we have international procurement standards and we don't favor companies from any country including the United States.

Part of our doing that is we want to encourage the countries where we're working to have fair and open procurement and not provide certain favoritism.

So we don't require American flag carriers to carry things and we don't say you must eat using U.S. companies to do it, but we want a fair and open opportunity for U.S. companies to compete and our experience is when that exists, the U.S. companies do very well.

That said, one of the experiences we learned from the George Bush Highway in Ghana is that there are some companies that are competing in the world market that aren't competing fairly and openly and they get subsidies from—from their governments and they are not—they're—you know, government-owned entities that are out there. And we no longer allow them to compete on our projects because we think that it's not a level playing field.

So when you have a company that's based in Ghana and it's going to be bidding on a project in Africa, that's a good opportunity that we look for. If you can team up with an American company, we're even happier about that, but it's going to be a fair and open competition.

QUESTION: I think everybody agrees with the importance of the work that you're doing promoting energy in Africa and my question is related to the promotion of green and renewable energies in the process, and I was wondering if there is any emphasis put on a currently, and if not, if there were any plans for that in the near future.

KAUFMANN: So, clearly there's an emphasis that we have on dealing with trying to be responsible stewards of the earth as we're trying to do our work.

That, we hope can often and we find more and more that can be married with our mission of trying to reduce poverty and stimulate economic growth.

There are certain times when you're dealing with the energy sector where—and you're dealing with electrical power—that it's not the transmission lines and distribution lines that these folks doing and substations that are creating the environmental problem, it's really the production of energy that's going along with that.

And we're trying to see if we can encourage that to be done in a way that's most environmentally sound, that's trying to manage and control the release of greenhouse gases and we're trying to take a balanced approach that's doing that.

Having said that, we're also looking for projects that do involve renewables and that do involve situations where we can do those on a commercial scale if they're viable and sometimes on a pilot scale when they're not looking for those opportunities.

As you know, right now that a lot of those types of opportunities are not scalable commercially, but just for example, as part of the Tanzania compacted that we have, there is an off-grid solar component to that that we have done, and looking for those other types of opportunities where they can be economically viable are things that are part of our portfolio.

GREEN: I want to thank everyone for coming. I think we've had a wonderful, vigorous discussion.

We talked about why this is important from a sector point of view, why power is an appropriate issue for the U.S. to take on, but also why reaching out and partnering with our friends in Africa makes so much sense.

Seven of the 10 fastest growing economies in the world are in Africa. There's tremendous opportunity for Africa to rise, and there's a tremendous opportunity for American business to be part of that rise.

It's clearly one of those situations in which if done right, everyone benefits.

Thanks again to all of you for coming.

(APPLAUSE)

END