

MCC Quarterly Town Hall Meeting

December 12, 2013

Speakers:

Daniel W. Yohannes
Chief Executive Officer
Millennium Challenge Corporation

Paul Weinberger
Vice President, Congressional and Public Affairs
Millennium Challenge Corporation

Himesh Dhungel
Senior Director and Practice Lead, Energy
Millennium Challenge Corporation

Heather Hanson
Senior Policy Advisor
Millennium Challenge Corporation

Alicia Phillips Mandaville
Managing Director, Development Policy
Millennium Challenge Corporation

[*]

YOHANNES: Good morning, and welcome to Millennium Challenge Corporation. I am Daniel Yohannes, MCC CEO, and thank you for being here this morning.

In a few minutes Paul Weinberger, our Vice President for Congressional and Public Affairs, will moderate the discussion, which will be primarily concentrated on the board's decisions and actions last Tuesday. But before I give the podium to Paul, let me highlight some of the events that took place since we met here last September.

First, I was extremely pleased to hear the good news that London-based Publish What You Fund ranked MCC first among 67 donors from around the world on its 2013 Aid Transparency Index, which was released in October. This is the first time MCC was ranked No. 1 in the world. Last year we were ranked No. 9.

So I am extremely pleased and thankful to all of my MCC colleagues who made this thing happen and possible, I know they put a lot of work into it. And also, it demonstrates MCC's commitment to the Obama administration's priority of advancing transparency in open data throughout the U.S. government.

We must continue to invest to make sure the quality is better so that it's accessible to all of you. And Heather Hanson will go into more details about MCC's commitment to transparency and open data when the panel convenes.

Last month all of us at MCC were in shock and sadness as Typhoon Haiyan wrecked such catastrophic devastation in the Philippines on MCC partner country. We mourn the terrible loss of so many lives. Our hearts and prayers remain with the people of the Philippines as they work now to rebuild the communities.

About half of MCC's \$434 million investment is committed in islands of Leyte and Samar, those are the two islands that were hit the most. Those investments are primarily concentrated in infrastructure projects. And many of the structures that were built by MCC were used as shelters to save lives.

In fact, MCC funded equipment were used to clear the debris so that supply could be available to the victims of the two islands' citizens. So our compact will be a key part of the construction and continues to be a success in our bilateral relationship.

Now let me turn to Tuesday's board meeting. December meetings are primarily concentrated on selections. Last year the board selected five countries eligible for new compacts. This year the board only selected one. Lesotho was selected, the only eligible country to develop a new compact.

I know the ambassador is here, Ambassador Thabane. Congratulations to you, sir. Let's give him a big hand.

(APPLAUSE)

Lesotho has a strong record of policy performance and has been an exceptional partner. I had the honor and the privilege to be in Lesotho last May. I had seen the work they have done. And it is extremely impressive.

Our \$383 million was concentrated into different sectors to improve the health care and also to help the country become a water secure. In fact, our health care investments are leveraged by investments from other donors, USAID, PEPFAR, CDC. And on the water side, we also leveraged our investment by partnering with Kuwaiti funds and Saudi funds.

And the government itself made a \$150 million contribution to the compact. So at the end, our \$383 million was complemented by an additional \$700 million to make sure that the investments that are being made in the country is more effective than just the \$383 million.

So they have done a great job. Again, congratulations to you, sir. I've had the honor of calling the prime minister yesterday to congratulate him and also to congratulate the people of Lesotho.

The board also selected Ghana, Liberia, Morocco, Niger and Tanzania to continue developing their compacts. The board expressed concern that Liberia and Morocco did not pass their most recent scorecards.

While it is worrisome when a country does not pass the scorecard, in these cases it was due to changes by indicator institutions. Nevertheless, the board made it very clear that it expects for both countries to pass the scorecard before a compact could be presented and approved.

Two other countries currently developing compact proposals, Benin and Sierra Leone, were not reselected. These two countries did not pass MCC's control of corruption indicator, which is a hard hurdle for passing the scorecard.

The board did not vote on reselecting Benin and Sierra Leone. It urged continued limited engagement with both countries. And it expects both countries to pass the control of corruption indicator before it would approve a compact.

I've spoken to President Yayi yesterday, and as you know—Benin has been a partner of MCC for the first compact. They did an outstanding job in getting the first compact completed. And I'm sure that both President Yayi of Benin and President Koroma of Sierra Leone are committed in the fight against corruption. And I hope that the results next year will be different than what it is today.

Lastly, the board reselected Guatemala and Nepal to continue developing Threshold Programs. And Alicia Phillips Mandaville will talk more about the board's selection decisions.

And finally, some of you may know that I have been nominated by President Obama to serve as the next U.S. ambassador to the OECD, which is headquartered in Paris, France. And I am awaiting Senate confirmation. I'm very humbled and excited by this new opportunity.

Should I be confirmed before our next town hall meeting in March, this could be my last town hall meeting. I just want to thank all of you for your support of MCC, for your support of me personally. And your questions and advice have challenged us to continue to push the envelope on our practices and principles.

We have seen many accomplishments over the past four years. In addition to being ranked number one for our transparency efforts, I could spend the next hour to tell you what have been accomplished. But in the interest of time, let me just give you one or two highlights.

Together we closed 14 compacts on time and achieving our targets. In most cases many of the projects are very complex, even by our own standards here at home. And yet working together with our partners we were able to complete the projects, whether it be roads, bridges, airports, water, energy, they were completed.

Not only were they completed, but also they were complemented with many policy reforms so that the investments we made are sustainable for many, many years to come. It also opens up opportunities for others who want to invest in those wonderful countries.

We are continuing to perfect our model by improving our economic analysis, and learning from our impact evaluations, and seeing the model work, and watching the MCC effect in action with countries reforming their policies so they could be partners with the Millennium Challenge Corporation.

While MCC prepares to celebrate its ten-year anniversary in January, I believe the groundwork is in place for MCC to continue solidifying its reputation as a thought leader, committed to evidence based decision making and leveraging its expertise in development for a greater collaboration and the strategic partnerships.

Engaging the private sector for more opportunities for growth and investments, and making immeasurable difference in the lives of the poor by investing in their priorities, not ours, is key for reducing poverty and generating economic growth.

I expect great things to continue to define this agency going forward. Again, I appreciate your support. And as I say goodbye hopefully, that I wish all the best and happy holidays. Thank you very much.

(APPLAUSE)

Thank you. Thank you very much.

WEINBERGER: Thank you, Daniel. And thank you all for being here today.

I'd also like to welcome those who are watching us through the live stream online.

We will hear from our panelists first and then the panel will take questions from the audience. I know many of you are eager to hear more about the board meeting and I promise we will get to that shortly. But we do want to update you first on our work in Malawi and also on how we are, as Daniel said, pushing the envelope on transparency.

First, I'd like to introduce the panel. Today we have Himesh Dhungel, senior director and practice lead for MCC's energy portfolio. Himesh?

Next I'd like to introduce Heather Hanson, senior policy advisor in our Department of Policy and Evaluation. Heather is responsible for leading MCC's open data and transparency policies.

And lastly Alicia Phillips Mandaville, managing director in our Department of Policy and Evaluation. Alicia will go into detail about the board's decisions this week.

We have a lot to talk about, so let's go ahead and get started. Himesh?

DHUNGEL: Thank you.

Good morning, everybody. My name is Himesh Dhungel. And I am the practice lead for the energy practice group here at MCC. And you may think, why are we talking about Malawi? Let me just mention two reasons.

First of all it's, as you know, President Obama has a Power Africa initiative, which is really about how to tackle Africa's energy investment gap. As you can see, Africa sort of a power sector has many challenges, which really comes down to almost \$48 billion of annual investment need and only about \$9 billion to \$10 billion get financed.

So that kind of gap cannot be supplied by donors or multilateral banks. It can only come from the private sector. And the Power Africa initiative is all about how to encourage trade and investment, and particularly in the power sector because there's also another initiative called Trade Africa. So I just wanted to highlight that.

And talking about Malawi, this is a country that we started engaging in back in 2008-2009. But the compact was put on operational hold for an entire year because of some policy sort of challenges there. And it was reinstated in July—June of 2012. And we're really on an upswing with the implementation and kind of reforms that are really taking place there.

So I just wanted to highlight that there are challenges in countries that have been put on operational hold have managed to come back and do some really great things.

Just to quickly go over some of the challenges we found in Malawi—are really like what you see in the general Africa sense, but—except that the problems in Malawi are even more acute. They have very low electrification rate, essentially a low level of infrastructure development.

The utility at the time we started engaging was insolvent, so, negative net worth. And also the policy environment was not conducive for any kind of private investment. So broadly speaking—these were some of the problem areas that we found.

In fact, the time we started engaging the electricity rate was well below cost reflectivity. It was about \$0.043. It's gone up to about \$0.079. And one of the hallmarks of our compact is to see that they get to a cost reflective tariff, one of the main components or requirements of any private sector who wants to come in.

So how do we attract private investment? Generally speaking you want to have a counterparty who is credit worthy. So you've got to look at whether the tariff that they're charging is the right amount. There are operational financial issues that have been resolved.

And most importantly, as we saw in Malawi, that the balance sheet has to be clean. And we—one of the compact's requirement was that the government convert all of their debt to the local utility into equity and about 12 billion kwacha, local currency, of government that was converted prior to entering into force.

Also, in terms of regulatory independence and capacity for private sector to feel confident about engaging in that particular sector is that the regulatory regime has to be such that they provide impartial and you know sort of a dispute resolution, and the process is transparent and clear.

And then finally about—you know if power market being a very complicated sector, you need to organize it in a way that allows more investments.

So what have we done in Malawi in terms of sort of improving, as I showed you, the lack of infrastructure is that we're investing out of the \$350 million, \$250 million plus in improving all of these infrastructures.

And the main one is the 400 kV line. It's a big line that goes from the south of the country to the center of the country, essentially allowing Malawi to trade with Mozambique and further out with the South African power pool.

And how are we turning around the utility (inaudible) in terms of trying to make it more credit worthy is that we have a number of interventions through fixed financial situation, their operational situation and also some of the corporate governance challenges because we have multiple reporting and the board is not organized in a very professional, effective way. So we have a number of interventions in these three areas.

But that's on the utilities side. But on the—broadly on the sector itself we are looking at the institutions that really make up the rest of the sector, which is the regulator and then the ministry. And we're working with them to address some of the challenges of the capacity—weakness in capacity, the power market structure not being proper or the right structure for the private sector to engage in.

So we are literally two months into entering into force. So—but there have been a lot of achievements. And as I highlighted earlier, 12 billion kwachas of local currency at the then exchange rate. It was about \$80 million, \$90 million. For a small company that's a lot of money.

That amount of debt, government debt was converted into equity. A lot of the commercial loans were renegotiated or retired. And the important feature—and interesting feature of the Malawi compact is also that they are—the utility has to slowly bring the tariff back to the cost reflective level.

But however, if the government somehow does not allow that, we have put in a feature in the compact where they have to plug any cash shortfall in the utilities sort of financing. So either allows the tariffs to go out or our government contributes to a gap because utility has to be healthy in order to provide access and expand access.

And also there are a lot of other achievements such as you know hiring of a CEO. We've made that a requirement because they had constantly an acting CEO, you know for many, many years. And that kind of leadership does not allow a company to be reoriented in the right direction.

And finally one of the things that in fact when President Banda was here in the U.S. I think back in 2012 soon after she became president, had shown interest in having somebody very senior to advise her government on energy matters. And even though it was not in the original compact, we found a way to fund an energy—through the compact, a very seasoned energy sector expert.

And in fact he just mobilized last week. So this person is going to be working there for two years plus, helping the government strategize on power sector issues.

And in the near term again, we're going to address all of these issues that we had identified in the different institutions to basically make the Malawi energy sector ready for private investment and growth. Thank you.

(APPLAUSE)

WEINBERGER: Himesh, thank you so much. I wanted to ask you a few questions. Can you talk a bit about how was this program unique compared to either other MCC programs or work that other donors are doing?

DHUNGEL: Thank you, Paul.

A number of things about this program; first of all this is one of the first few compacts that is very focused on a single sector. So it allows us to go deeper rather than be wide and not deep, and not have meaningful impact on the sector. So, that's number one.

Number two is because of our singular focus on the energy sector we structured it in a way that allowed, while helping solve some of the infrastructure issues. We put a lot of effort in the policy reform area because as we all know we need both hardware and software for the sector to operate well.

And we have like in many other compacts, but more so in this compact, we have what we call a semiannual review, which is a way for MCC to engage with the government every six months to see how they're doing in terms of the reform activities. So that it gives us an opportunity to have a dialogue of why is this indicator or this sort of problem area not improving?

So it allows us to calibrate our sort of expectations as well as our program a little bit. So I would say those three are some of the interesting attributes of this program.

WEINBERGER: Thank you. And to follow up on that, what would you say the government of Malawi's learning throughout this process?

DHUNGEL: I think that when we started out back in 2008, 2009, 2010, the environment was very different. And I would say that it was very challenging. But what we have seen you know since 2012 with the new administration in Malawi is very serious, you know, about reforms.

And very open, very supportive because you know think of what—think of it this way. Even less than 10 percent of the population has access to electricity, and yet there's this desire to increase access. But there are so many other competing needs you know health, education, other infrastructure.

So just being able to organize the capital to expand just one sector is not—it comes down to social equity. You need to balance you know which sector gets the most amount of money.

And so consequently I think there is a recognition that we feel that the sector needs to be prepared in a way that it will allow private capital to come in. And whether it is the Ministry of Finance or Ministry of Energy, they are very open to the changes that we have you know suggested in the compact. And they're very supportive of—so far of all the things that have been asked in the compact.

WEINBERGER: Great. We have a number of representatives here today of U.S. companies seeking to do business in MCC partner countries. Do you have any advice for them?

DHUNGEL: Sure. I see three ways of engaging in any compact.

DHUNGEL: One is to work with MCC when we have solicitation. It's a very procurement-oriented sort of engagement. They're all posted at MCC.gov and it's very transparent about when we procure and what kind of services.

The other one is to work with the countries, the MCAs. And that's where we would really like the U.S. companies to really pursue those opportunities because you know if you think about sort of it globally, Africa is the last frontier. This is where the growth is going to come from. So use the MCA, sort of, opportunities, as anchor activities for your company to grow. So I think that's the second one.

And finally, which is what we are hoping will happen is that perhaps whether you have engaged with MCA or not, that you help expand the infrastructure of these countries. So basically go in as a businessperson to work in an energy sector or agriculture sector or any other sector.

So—because our engagement with the country should already send a signal to the business community that the country is ready for business.

WEINBERGER: And one last question from me. Himesh, what's your assessment of the energy sector in Malawi going forward?

DHUNGEL: We have a lot of optimism about where the sector is moving. And you know Malawi has a lot of challenges. I mean energy is just one of them. And it's a whole package because the country needs to diversify. But again, it really comes down to if you want your country to diversify you have to have some basic level of infrastructure services.

So I think that the government does recognize that. And the government does have some very smart, dedicated people who are now in the Energy Ministry who really want to see the sector turn around. And so, we look forward to working with country sort of people bureaucrats there and technical staff to help them get to the next level in their development. Thank you.

WEINBERGER: Thanks again, Himesh.

I want to remind the audience that we'll take questions for the panel in just a few moments.

I wanted to turn to Heather. As Daniel said, we're all very excited about the latest Publish What You Fund rankings. Can you talk a bit, Heather, about them, and how we got to where we are today?

HANSON: Well, for those of you who have seen the rankings and seen the other donors that are in the top four with MCC, I should start out by saying it's really also very humbling for MCC to have been awarded first place.

Obviously we're all thrilled by this achievement. But the other donors in the top ranks are actually doing terrific things. And so we're really proud to be able to share with them the honor of being ranked well.

And in addition, the U.S. government as a whole performed really well in the index this year. Six out of seven agencies went up in the rankings. And so it's great to see this kind of progress across the U.S. government.

And that's really a tribute to the administration's commitment to transparency and to the work of the Foreign Assistance Dashboard, which after only two years of existence now is able to post about 90 percent of foreign aid investments—information on 90 percent of foreign aid investments. Which given the complexities of getting this information out of many government agencies where it lives, I think is a real achievement across the government.

The Publish What You Fund Index is really the only independent ranking system to look at how aid donors are performing on their international transparency commitments. And MCC is proud to be ranked number one by them, but also proud to partner with Publish What You Fund in conversations throughout the year, and with other civil society organizations in terms of how we move the field of transparency forward.

Because at the end of the day, the information we provide is a really valuable component. But transparency is really a conversation. And it's a conversation that MCC wants to have on an ongoing basis with civil society, with our stakeholders, with all of you in this room. So thanks for coming to our town hall meetings and being active participants.

The ranking—getting to number one—was actually really hard work for MCC. And it also required a lot of political will.

Our vice president Sheila Herrling's written a great blog about some of the elements that went into the process. But for other donors who want to do it, it really does require investment. It requires leadership that's really committed to it. There's a number of problems, stumbling blocks. You have to form a really great team around it.

This year MCC jumped from number nine to number one largely because we decided to make our information available in a more accessible format. We published to our open data website, a file with all of our performance and our financial data since inception in an XML format that is to the standard of the International Aid Transparency Initiative.

That required a lot of work. But also I think it demonstrates MCC's commitment to transparency. And understanding that to be transparent, we can't just put information out there. We have to make it accessible, because at the end of the day we're not just doing transparency for transparency's sake.

Sure, it's the right thing to do. But at MCC we do it because we believe it can help country governments, partner country governments plan their own development better. It can help citizens here and in those countries hold their own governments accountable. And also it can help us all learn and improve the impacts of our work, which is something that MCC is really committed to as a data driven agency.

WEINBERGER: That's great. Could you give us a sneak preview of what we have in store for the next year perhaps?

HANSON: Sure. Some of you who were here at our last town meeting, or who follow our work on our blog may have already learned of some of these efforts because they're ongoing. All this stuff takes a lot of time.

We're on the verge of approving a disclosure policy. The disclosure policy actually will provide guidance to our own staff on how they can better implement our presumption of disclosure and make more information

transparent. So it allows staff to understand which things can be released with no further approvals up the approval chain.

Hopefully this will speed the process of all those kinds of information that there's no reason for MCC to not share. Hopefully it will speed the process for staff in terms of sharing that information openly.

We also are going to be working on a new Open Government Plan. We had one in 2010 and 2012. And our 2012 plan is now in its final six months.

We're going to be doing an evaluation of our progress on that, and then having a really open participatory process of coming up with a new Open Government Plan to orient our efforts for June of 2014 to the following two years. And we hope many of you will participate in that process.

We're also—many of you may be familiar with our Principles into Practice series. This is a series of papers that shares MCC's learnings on topics, many of which have to do with founding principles of MCC.

So there's papers on country ownership. There's papers on results. It really aims to demonstrate our learning and engage in a conversation with the broader community to move the field of development practice forward.

And this coming year we'll be doing one on transparency. We're going to be involving the community much more in the development of the paper, not just in the launch.

And so you'll see more blogs coming from us. You'll see more events around transparency in the coming years, in the coming six months, in an effort to really make sure people are engaged in the process of learning with us before that paper comes out.

We're also working with the Foreign Assistance Dashboard to enhance and evolve the dashboard. Despite the fact that technically it's actually really tough to do, we aim to be the first USG agency to submit data to the Foreign Assistance Dashboard in XML format.

And we're hoping this can actually lead the field and make all of the USG data over time more accessible by helping other agencies build out the standard and by helping the dashboard build out the standard.

We're also going to be releasing survey datasets that have been collected through our independent evaluations. We've been in a process for about six or nine months now to actually put into place everything required for adequate protection of human subjects with the data release. And we are going to begin releasing some of that data probably this month.

And we'll continue at a steady pace, hopefully to reach 10 to 20 datasets by the end of our 2012 plan, which will be June. So in the first six months of 2014 we aim to get at least 10 to 20 in the public domain.

WEINBERGER: Wonderful. Thank you, Heather. And we look forward to more updates.

At this point I wanted to turn to Alicia, who will walk us through the Board's decision.

Alicia, I know you've had a very busy few weeks, so thank you for finding time. Can you start perhaps by talking a bit about how selection works? What are the basic principles?

MANDAVILLE: Sure thing. Certainly.

So starting maybe with the most basic of all, MCC's Board meets every December, as you all know, to make a decision about what countries will be eligible to partner with MCC either through compact or Threshold Programs.

And maybe—dialing back even a little bit more just to review, our Board is composed not just of U.S. government officials but also a set of private sector members.

So our Board is chaired by the Secretary of State. It includes Treasury, Trade, USAID Administrator, our own CEO of course. And then there are four positions for private sector members, which are individuals who are either from the literal private sector or heads of NGOs or have been in previous public service that are appointed to our board.

And it's a really—it makes for a very unique discussion because as you can imagine there are quite a lot of views across the table when making some of these decisions.

So that meeting happened, as you know, on Tuesday. And the process itself is set up to consider closely which countries are the right partners for MCC. By law we're—the Board's directed to consider three things.

Country's policy performance, measured as best possible by the scorecard and also assisted with supplemental information.

We are actually directed by law to look at MCC's opportunity to reduce poverty through economic growth. And that's often a broad conversation as well.

And then thirdly, of course, we're directed to look at the resources that might be available to implement these—fund and implement these programs. And this year, of course, that conversation reflected the budget environment we're all operating with.

It's a process that's designed to be both evidenced-based and as transparent as possible. And so for folks who have looked recently at our website on the selection process, you can find not just the scorecards themselves and the description of the methodology there, but also a guide to the supplemental research that we do.

What types of services does MCC look at? What kinds of information do we consider? There's even a guide to the survey that we use when we're trying to understand what we've learned from implementing a first compact with a country if we're thinking about a second compact.

WEINBERGER: Great. Now I know last year the board selected five countries for new compacts. This year as we heard there was just one, Lesotho. Can you explain why that is?

MANDAVILLE: We talk a lot about selectivity at MCC. And you see it most when the Board takes a decision about which countries will be eligible for programs and partnerships. So any selectivity is kind of byword there. Nothing is more selective, I think, than a decision of one, in some ways.

Last year was also a really large year. We have a pipeline—with the selection of Lesotho, we now have a pipeline of eight countries working on compact development. And the Board's discussion really reflected the fact that we're operating in a more constrained budget environment. So the competition for resources is really intense.

But I think it also highlights the fact that Lesotho being selected for a second compact really shows the way Lesotho brings to the table the things that the Board is looking for when making a decision about awarding a second compact. You know—strong policy performance. Lesotho's performance on MCC's scorecard has consistently been strong over time every year since the beginning of MCC's founding.

The implementation throughout the compact is strong. Compact implementation partner through the first compact, managing it with dedication, not being afraid to step up and into difficult policy decisions that were part of the reform process that accompanies that compact, contributing their own very significant resources to the implementation itself and to pieces of the project that required additional resources.

So I think the Board in making this decision really recognized all those things about Lesotho. And it makes for—it make this a really a happy kind of announcement.

WEINBERGER: In addition to selecting new countries, the Board also typically considers whether to reselect previously selected countries to continue compact development.

Now this year we had an interesting circumstance. We had four previously selected countries that did not pass the latest scorecard. Can you talk a bit about what the Board decided to do with those four?

MANDAVILLE: I think a lot of people start from a question about, you know—in the last few years we haven't seen this kind of situation. This is the first year in a couple of years where MCC saw some partners in compact development stop passing the scorecard.

Many people asked over the course of preparing for this meeting has that happened before? It has happened before in MCC's history. And so just to be—in the interest of being transparent, MCC's Board when this happens asks us two really fundamental questions.

What's happening? What does the—what can we learn from the scorecard? What's happening in the policy environment? In a nutshell, has the country maintained its commitment to sound policy performance?

That's the first question they ask. And I really think the bulk of the conversation with the Board this year focused on that piece.

They also ask us though about MCC's relationship with the country. Has it been a collaborative, constructive compact development relationship so far? Because both of those things go directly to what I mentioned earlier that MCC's legislatively directed to look at. We're directed to look at policy performance and we're directed to look at our opportunity to reduce poverty through growth.

So the conversation this year really focused on that around four countries: Morocco, Liberia, Benin and Sierra Leone.

And I think it's funny because—just to reflect the sense of the meeting, you're sitting at the table with the Secretary of State and in some cases you're talking about the behavior of data because you have a scorecard that's filled with data that's intended to measure policy performance. But that data window closes at the end of a calendar year. And we have nine months, 11 months between when that window closes and what's happening now. And data can be messy.

And so we—the Board wants to know. They take our scorecards really seriously. I think MCC recognizes, the Board recognizes it, scorecards are not just a critical part of MCC's model, but using them to inform decision making is good development practice.

And so the decision wasn't really—or the discussion was a really robust one because when you unpack what you see on the scorecard, MCC can't find evidence of policy decisions in the country that reflect decline.

So for example, in Morocco and—in Morocco's case, Morocco passed one—two less indicators this year than it did last year. But in one of those cases it's because the indicator institution that gathers that data changed the way they asked questions. They asked a new set of questions this year.

So the policies in Morocco are actually on this issue in gender and the economy identical to the policies that they had last year. But the institution is asking a new set of questions. So the Board looked at that and talked quite a bit about it and finds that that's not evidence of a policy decline.

Similarly in Liberia, Liberia passes one less indicator than it did last year, the natural resource management indicator. And in looking—unpacking what's happening in the data, what we find is that essentially the data institution had got new maps this year that were more accurate and more correct.

And they updated their data to reflect those new maps. Well, that's not a reflection of a change by the government of Liberia. It's a reflection of greater accuracy.

And so looking at that in both cases the Board did decide to reselect both of these countries, but also made very clear that they expect these countries to pass the scorecard before any compacts could be approved.

And I think that that really goes to the heart of the conversation around this year that the Board really reflected the importance of the scorecard and the emphasis on evidence based decision making and looking at real policy changes in country.

Sorry. I realize I'm talking quite a bit, but I think partly because there's four countries to talk through, and having covered Morocco and Liberia—Benin and Sierra Leone also have quite a lot of discussion.

And you know MCC's recognized and well known for having a control of corruption hard hurdle. And in both of these cases the countries fell right below the passing threshold this year. They are literally the country just below the median and the country just below just below the median.

But this scorecard matters and this indicator matters. MCC uses it for a reason. And in this case it prompted a really significant conversation around how can—what is happening in terms of the efforts to combat corruption in Sierra Leone and Benin?

And the Board asked, so what's happened over the last year? And in both cases we were able to talk through actions by the government over the past year and third party sources we can also go to. You can find in our reports—MCC often looks at reports from Global Integrity, Transparency International.

This year we were able to talk a lot about the Open Government Partnership and what we could learn through countries' engagement there or questions they may have asked. In both Sierra Leone and Benin's case we spoke quite a bit about the actions—the establishment or the actions of their anticorruption commissions, steps both governments may have taken to try to further efforts to combat corruption.

And in—after reviewing this information, in light of the fact that the control of corruption indicator is significant, it matters dramatically. But when looking at the supplemental research, again, there's not evidence of policy decline. What we can find is that the data moves. What we can't find is that the country government has done something significant to cause that data to move in a negative direction.

And so the Board did three things.

They did not vote on whether or not to reselect Benin and Sierra Leone. And that's significant because I think it signals really strongly how seriously the board takes the control of corruption hurdle. There's a signature issue

for MCC and corruption is indeed a true barrier to economic development. And I think this decision to not vote really reflects the fact that they take this seriously.

But the second thing they did was to urge MCC to remain engaged a more limited way with these countries in terms of their compact—development of a compact proposal. And that’s in recognition of the fact that we didn’t find evidence of policy decline.

And that goes to the second piece, which is the idea that—consistent with what they said on Morocco and Liberia—the expectation is that countries pass the scorecard in order to have a compact approved. The Board made that very clear.

But it also means then that if these countries were to pass in the future, they would be able to bring a compact forward for the Board to consider. So that’s the second thing they did, which was to urge MCC to remain engaged in a limited way with these countries and compacts as they work on their own compact proposals.

The third thing was to make absolutely clear that the countries are expected to pass the scorecard to have their compact approved. And I think that’s significant. And this outcome as a whole shows that there’s really universal agreement within our board the MCC scorecards matter, and looking at policy performance matters in the countries MCC is working with.

There’s always a robust debate about what the right reaction is—what the right response is when you see a change on the scorecard. And I think there’s a rational and informed debate about the timing and severity of consequences of not passing that scorecard.

Our private sector members made really clear that they would—had we put—had Benin and Sierra Leone been put to a vote they would not have voted to support reselecting them. They also made real—private sector members made very clear that they would be extremely reluctant, very reluctant to approve a compact if a country didn’t pass the scorecard.

And I think that shows the healthiness of the discussion inside the board. It shows how seriously MCC takes control of corruption in its scorecard. But I think the outcome also shows our focus on both the fact that policy matters and MCC’s mission to reduce poverty through growth matters as well.

WEINBERGER: Thanks, Alicia. And thanks for reminding us all that the challenge of countries that have been previously selected not passing the scorecard is not a new challenge, and it’s something that we’ve certainly dealt with in the past.

Now looking ahead to next year I’m wondering are there potential challenges that we may face again at the next December Board meeting?

MANDAVILLE: So it’s been 47 hours since our last Board meeting. So my predictive capacity for next year is probably slim.

This is an issue that has happened before. This is in part using data to drive decisions mean you can find changes in data.

And I think, you know—another thing that the Board talked about as looking ahead, are there places we want to make clear that we are being up front and clear with our—MCC’s—current compact development partners, or compact partners, that we see a trend in the scorecard that we’re watching. And there was actually quite a lot of discussion around Tanzania.

Tanzania was re-selected to continue in compact development and remains a strong compact development partner. But there was a lot of discussion about the fact that Tanzania's score on the control of corruption indicator has declined over time.

And a desire to use this opportunity to make very clear, as you could see from the decisions and the outcome that the Board's had this year that we take that seriously, and to be up front with our current partners that there is the expectation of continued focus on efforts to combat corruption and continued policy performance.

WEINBERGER: Before I open this up for questions I just wanted to make sure—I know you had a lot you wanted to cover today. Was there anything else about the Board's decisions? We've covered it all. Thank you.

At this point I'd like to open this up for questions for our panel from the audience. If you could please raise your hands, and when you're recognized just tell us your name and organization. And we'll have a microphone we can bring to you. Thank you.

QUESTION: Hello. I'm Justin Higgins (ph). And I had a question regarding Benin, if there were any specific measures that they could take to enhance their control of corruption score on the indicator.

MANDAVILLE: Yes, certainly.

So like I said, the Board talked quite a lot about this. And in doing the research to be able to have an informed conversation about what's happened to date, I think that one of the major principles that was reflected is that you can see a lot of the initial positive steps in Benin like establishing an anticorruption commission in May just of this year.

And there was a lot of discussion around the fact that it's the follow-through on those things that probably matters the most. And I think that's reflective also of, you know, the anticorruption and transparency community's view on what are the right steps to combat something that's hard to measure and hard to define, but really detrimental to society and to economic growth.

So I think the Board's discussion really reflected the idea that in both Benin's case and in Sierra Leone's it's follow-through on the things that have been started; implementation, resources to the institutions that are responsible for identifying, investigating and prosecuting corruption; the strength of the judiciary to be able to follow-through on convictions and things like that.

QUESTION: Hi. Esther Ledis-Fitzu (ph), self-employed international consultant. I'd like a question on Malawi.

I can presume the issues and challenges in the energy sector are not new. And I can also—should I also presume that there's been other efforts to deal with this sector, either through the U.S. government or other donors? And how much—how important it is for you all to work with work that has been done through other donors or other U.S. agencies in terms of implementing the compact?

DHUNGEL: OK. I'm assuming everybody heard the question. Essentially, what have other U.S. agencies have done or are doing as well as other donors and how—I'm paraphrasing—how, you know, our own MCC's engagement there can be supplemental, complementary to the other activities.

And as you know, when MCC engages with any country, you know one of the things that we are required to do is what we call donor coordination. So by—starting back in 2008-2009, we've been working with all other donors that have been active in this area. Particularly, obviously, World Bank has been active in this area. So has the African Development Bank and also DFID and the Japanese.

I'll just give you an example of an interesting collaboration that happened. It really highlights the importance of engaging with other donors.

When the Malawi government submitted their list of projects and we started analyzing those, you know, we were already given a budget envelope for the compact. But when we looked at the total amount of the projects that were proposed, it was—you know, it exceeded by \$100 million or more, dollars.

So we had sort of prefeasibility level information on these projects that we couldn't support because we didn't have—we didn't have enough budget. So we shared that information with the World Bank. And it just so happened that it was around the time when the Mozambique-Malawi Interconnector, the transmission line project was canceled.

So the World Bank had about \$85 million, \$90 million of the IDA credit sitting there. And it would have expired I think in June of 2011. And basically the World Bank took, you know, a subset of the extra—the projects that we hadn't funded, and put that in their—you know, repurposed the canceled project. And about \$65 million worth of projects were supported by the World Bank from the projects that we had studied. So that kind of shows how we work with other donor agencies.

In terms of the U.S. government, there have been some activities, but I think MCC right now is the major, sort of—player in terms of the U.S. government. And we are trying to work with other nongovernment agencies here in the U.S. to bring them to Malawi so that they can sort of create, as I was discussing earlier, the sort of enabling environment for investments, power sector investments.

And we will continue to work with these NGOs as well as our Trade and Development—TDA. USTDA has a reverse trade mission that's been under—you know on the works for quite some time. And most likely first quarter of next year we may see a reverse trade mission.

And that allows the Malawi government officials and experts to reach out and meet with the U.S. companies about, and discussing sort of some of the business opportunities that are out there. Whether with, you know, involving the compact or outside, and most likely given the severe shortage in the power supply that we expect some of these conversations to include new investment in the supply side.

Thank you.

QUESTION: Thanks. Diana Albam (ph). I'm an independent consultant. And this is for Heather.

Thank you, first of all, so much for your leadership on transparency, and congratulations on the ranking.

As you think about next steps on the Open Government Partnership, have you given any thought to kind of moving things to the next level on transparency, including things like publishing contracts or contract transparency, collecting and publishing beneficial ownership information for companies that bid on MCC contracts, and budget transparency in the countries that are partners with MCC?

HANSON: Thanks. I have to say that we have had some active conversations about the MCC model and how it actually poses—it offers real benefits to us in terms of allowing us to more easily be transparent because it's in our DNA.

We're a smaller agency. The amount of data we have to publish is not as much. And actually we've been more engineered to do that than some other USG agencies and some other donor organizations.

But it also poses some specific challenges. And a lot of these come from our country ownership model. So MCC generally funds—we fund all program investments through our MCAs, through the accountable entities in country.

What that means is that we would need them. We would need to place requirements on them in terms of reporting on the contracts that they're signing.

We also for our due diligence processes and for MCC requirements can publish that for all of MCC's investments. And we're right now in the process of trying to generate reports that would allow us to publish to the Foreign Assistance Dashboard MCC managed what we call 609(g) funding and some of the other funding that MCC does which is program related but is managed by MCC.

So the MCC portion of that, yes, it's already in process. And we're working technically to iron out some kinks so that we're able to do that probably in the pretty near future.

And the MCA portion I think is an ongoing discussion. We've talked about various ways that we could actually facilitate the process for our MCAs so that we could build out tools and capabilities that would be easily utilized for them to report more transparently in country on everything they're doing. We haven't made determinations on that at this time.

In terms of budget transparency I think MCC in all of the work that we do really we encourage partner governments to be open and transparent. Our selection process is a big part of that.

We see a lot of the countries that are entering into MCC agreements or trying to enter into MCC agreements making important policy reforms, some of them having to do with openness. I mean openness is one of the primary ways to control corruption in countries. And so we have seen a lot of countries make positive steps on that.

Many of the countries that we partner with, I think 17 or 19 now, are members of the Open Government Partnership. And through the interagency we've been involved in conversations with the rest of the U.S. government on how we can all use our resources to help advance the Open Government Partnership together.

WEINBERGER: Question from the middle row?

QUESTION: Eric Boyle from ICF International.

The follow-on question about Malawi and the power sector, it seems that with all the accomplishments so far, as well as the potential that you're bringing up. I'm curious why Malawi isn't considered a Power Africa country.

Or—and whether or not Power Africa—whether or not there is consideration made for compacts to be done in Power Africa countries. And vice versa, whether there are countries that you would—that MCC is working in in Africa that could be a part of the Power Africa umbrella other than the ones that are listed. Thanks.

DHUNGEL: It's a good question. We also wonder why Malawi is not part of Power Africa. And I think if you look at the—you know the—sort of the criteria so to speak that was used to select some of these early countries in the Power Africa grouping, it's about, are they reform oriented and are they good partners? And clearly Malawi fits the bill.

So I think that there are conversations going on to see whether and when they could become part of the—you know, the Power Africa sort of club.

But in terms of sort of broader Power Africa engagement, you know we have Tanzania and Ghana are both MCC partner countries, and so is Liberia. Now whether—Liberia's still in the very early stages of compact

development. So we're not sure you know how deep the engagement there will be for MCC in the energy sector in Liberia.

But certainly the constraints analysis and all the background work that was done in Ghana and Tanzania through another initiative called Partnership for Growth had indicated you know for Ghana it was power and for Tanzania it was roads, rural roads and power. So in Ghana I think we're advancing with our compact development that does involve the energy sector.

And in Tanzania we're in very early stages of getting sort of concept notes and ideas in terms of what would the government like us to consider. And our expectation is to be a combination of roads and energy. But again, we're still at an early stage.

And the other Power Africa countries are not MCC countries because they're not—they don't have the eligibility criteria, so Kenya, Ethiopia and also Nigeria. So those are not in our portfolio currently.

QUESTION: I'm Larry Nowels with the Hewlett Foundation. And actually I had the nearly identical question as the last one. But let me just build a different—kind of come at it from a different angle.

You have a couple, you mentioned Tanzania and Liberia compacts being in very early stages and there's not an indication of how this is going to go. Can you talk about what role within the interagency process MCC has played on the Power Africa initiative up until this point?

And how do you see that playing out in a country, whether it be Liberia or Tanzania, where you get down to the specifics of the compact development and the countries clearly are not placed a high priority having power as a major element in the compact going forward. And how does that jive with the larger U.S. government initiative in these countries?

DHUNGEL: OK. Well, thank you for that question.

You know the interagency group meets every week to discuss opportunities in each one of these countries. So there's active engagement. In fact I've been going to many of these meetings and one of my colleagues in fact today actually Thursday, is when we meet.

And you know we're looking at it at sort of two different ways of sort of U.S. government engagement. There are some who are very transaction oriented and there are others who are looking at a deeper sort of policy reform oriented. And we're trying to bring these two streams together. So if you look at Tanzania, there are a lot of opportunities for U.S. government—U.S. businesses to invest there.

So we have OPEC and Ex-Im with the financing capabilities who are interested in supporting the U.S. businesses, sort of do business there, provide the insurance, the kind of right products. While at the same time MCC, you know if we're going to be engaged in the sector, our engagement with our other agency partners is that look, it's important to have transactions because there's a shortage of capacity.

However, they have to be done within the framework of longer term reform because if you highly structure a deal it's just one deal. But the country needs another 10 in the next 20 years, or 30 of these deals.

So how do you create that environment where those kinds of transactions can happen without sort of the donors coming in? And that's the whole idea of behind Power Africa is let the private sector bring that investment. Not just constantly going to the donors to bring this, because as I indicated, you know only about 20 percent of what is needed in Africa gets financed.

It has to come from the private sector. And that's a sort of conversation we have. And we—essentially the Power Africa is a very nice forum for all agencies to share with each other what we are doing, and complement or supplement each other's activities where it makes sense.

But at the end of the day also that you know every agency has its own mandate. So we have to follow those. But it has allowed us a platform where we can now have really an open discussion about these issues and to coordinate our activities.

QUESTION: Calvin Sauder (ph) of Patton Boggs. My question is focused on the countries that were not reselected, particularly Benin and Sierra Leone.

And you noted that you're looking for a follow-through when it comes to the corruption indicators, but that you would hope that these two countries have a somewhat more restrained or restricted relationship with the MCC. Can you describe what that relationship looks like?

MANDAVILLE: Yes, certainly. So you know I think the urging from the board was clear, which was to have a—maintain a limit to the engagement with these countries as they continue to develop their contract proposals.

In essence it does mean that the burden of continuing to maintain the forward momentum on developing contract proposals rests solely with the governments. I mean compact development proposals at MCC are always country led and country owned. And you know countries are in the driver seat on the economic analysis and identifying the actual topics of proposals.

In this case I think it has an effect on the timeline in which compact development can take place, and the amount of resources and kind of staff expertise that MCC can bring to bear.

You know, the decision was two days ago and countries are in different stages of their compact development process. So I can't speak to the actual individual specifics. But the instruction was really quite clear. Maintain that limited engagement with an impact on essentially, from our understanding, the timeline on which compact development might continue, and then the resources that we bring to bear.

WEINBERGER: It looks like we're out of questions. Thank you all for showing up. Thank you to our online viewers as well. We'll be posting a transcript and video on our website, MCC.gov. We wish you all happy holidays. And we look forward to seeing you again in the New Year.

Actually, I apologize. Was there one more question? Alicia go ahead, you're the last word.

MANDAVILLE: I just wanted to congratulate Mr. Thabane—I'll mic up.

I just wanted to congratulate Lesotho one more time on its eligibility for a second compact. It's a really nice announcement to be able to make. And going into the holiday season I didn't want to lose sight of it. Since we said it at the beginning of the meeting, I'll reiterate it one more time.

WEINBERGER: Thank you all.

(APPLAUSE)

END