



June 24, 2019

Sean Cairncross, CEO
Millennium Challenge Corporation
1099 14th Street NW
Washington, DC 20005

Dear Mr. Cairncross,

Congratulations on your confirmation this week as CEO of the Millennium Challenge Corporation.

Since its inception in 2004, the Millennium Challenge Corporation has repeatedly broken new ground and distinguished itself as an innovative, nimble and effective leader in the field of international development. With a relatively small workforce and budget, MCC has done a lot with little, committing more than \$14 billion in more than 40 countries worldwide improving the livelihoods and lives of tens of millions of people, thus contributing to American national security and global economic development.

Along the way, MCC's motto, "Poverty Reduction through Economic Growth", has become a universally accepted goal in the international development community. So too has MCC's consistent focus on measuring results and promoting transparency and accountability. As MCC's innovative model has demonstrated success over the past 15 years, it has helped to shape the entire international development landscape. MCC clearly promotes U.S. interests through economic diplomacy.

Today, both the scope of development challenges and the urgency to address them have never been clearer. Persistent poverty rates, massive migration and growing state fragility threaten international stability and U.S. interests on a global scale. Meanwhile, official development assistance is receding and dwarfed by the scale of the need. The private sector, now more than ever, is looked upon by world leaders and the international development community as the key to achieving global development goals.

MCC is uniquely positioned to bridge the public/private divide. MCC programs incentivize partner countries to pursue policy reforms that support business growth and encourage public/private dialogue at the local level that prioritizes development goals. Indeed, MCC maintains that the engine of economic growth resides in the local private sector and is fueled through its linkages to U.S., regional, and global partners.

Within this context of successful innovation and change, MCC established the Advisory Council (the Council) in late 2016 to provide a platform for systematic engagement with the private sector. Since then, members have discussed how MCC could develop a more effective private

sector engagement strategy that, in turn, will help the U.S. government address some of the profound and menacing challenges of our time while simultaneously serving the American tax payer, the private sector and U.S. strategic interests.

The Annex includes findings and recommendations of the Council to you as MCC's in-coming CEO. The Council will continue to work on these issues in subsequent meetings and in select working groups. We look forward to providing you and your team with insights on how to strengthen MCC and leverage the private sector to achieve MCC's goals.

Sincerely,

Members of the MCC Advisory Council

Aaron Bielenberg, McKinsey & Company
Justin DeAngelis, Denham Capital
Timothy Docking, Refugee Investment Network
Joe Dougherty, Dalberg - Global Development Advisors
Robert Dove, Darby Investment
Stephen Groff, National Development Fund
Maureen Harrington, Standard Bank
Aubrey Hruby, Africa Expert Network; Atlantic Council
Lawrence Jones, Edison Electric Institute
Neal Keny-Guyer, Mercy Corps
Florie Liser, Corporate Council on Africa
Hector Morales, Macquarie
Mima Nedelcovych, AfricaGlobal Partners, Schaffer
Tam Nguyen, Bechtel
Naabia Ofosu-Amaah, The Nature Conservancy
Mini Roy, Metis Markets LLC; MCC Advisory Council Co-Chair
Nilmini Rubin, Tetra Tech; MCC Advisory Council Co-Chair
Daniel Runde, Center for Strategic and International Studies (CSIS)
Alex Sarac, Bryan Cave Leighton Paisner
Patricia Sheikh, Roots of Peace
Fred Sisson, Synnove Energy
David Spira, Deloitte
Kate Steel, Nithio
Craig Steffensen, Asian Development Bank (Retired)
Guevera Yao, U.S. Chamber of Commerce

Annex: MCC Advisory Council Recommendations

The Council believes that the MCC's executive team could address three key areas to drive further private sector engagement:

1. Promote the agency – its track record, methodology and goals – within the U.S. and compact country private sectors and globally with other development partners;
2. Accelerate and routinize early contact and engagement with the private sector in the formulation stages of MCC compacts;
3. Increase and scale MCC's impact through the creation of new engagement strategies with new partners such as institutional investors and private foundations and including regional compacts with partner countries.

Accordingly, our recommendations below represent a consensus view from the Council on how the next executive leadership team at MCC could effectively “bring in the private sector” for the mutual benefit of MCC, the business community, and poor people around the world.

Raise MCC's Profile Domestically

Advisory Council members are concerned that MCC remains relatively unknown to many private sector organizations in the U.S. and internationally. Council members recommend that MCC:

- Adopt the language of the private sector in its outreach, e.g. “business development” rather than “trade” or “international development”;
- Convey, through renewed outreach to the private sector, that MCC is working with partner governments to lay and improve the groundwork for future investment and economic growth (e.g. Namibia tourism, Ghana power, and Jordan water, creating pro-business policy environments worldwide) by welcoming their suggestions/comments;
- Engage in sector-specific (e.g. infrastructure, agriculture) outreach, particularly to US-based companies and their subsidiaries in MCC partner countries and in the regions where MCC works;
- Target engagement with outstanding and differentiated segments within the US private sector, e.g. technology, professional services, agribusiness, and renewable energy;
- Develop a deal book of investment opportunities, or another clear, specific and concise tool, that highlights opportunities across compacts;
- Draw on best practices of the Trade and Development Agency's (TDA) “Reverse Trade Mission” practice to bring Millennium Challenge Account (MCA) CEOs, procurement teams and leading local private sector partners to U.S.-based conferences and trade shows to help ensure that a broader range of U.S. companies is aware of MCC and the MCA-led procurements and processes;
- Focus on facilitating investment opportunities and connecting compact-country SMEs with U.S. firms for ongoing business development;

- Help companies that do not have Washington, D.C., offices or staff in MCC partner countries by promoting “windows of opportunity for early-stage private sector engagement,” including offering webinars and online information;
- Regularly review with the Advisory Council ways to increase U.S. business participation in MCC and MCA procurements;
- Design procurement processes for efficiency and consider how to engage companies through sector-wide or regional contract vehicles that “pre-clear” companies and provide additional opportunities that may offset extensive up-front investment;
- Strategically consider prioritizing U.S. companies for MCC service procurements; consider providing incentives (extra points during procurement scoring) to foreign firms that partner with U.S. firms as subcontractors or suppliers;
- Address the structural competitive disadvantage for U.S. companies on cost in the bidding process. U.S. companies need to cover health care costs that companies from some other countries do not. This can result in U.S. companies losing MCC bids based on a small price difference;
- Build criteria into compacts that require MCC’s partners to engage with the private sector at the earliest stages of the design phase;
- Review best practices across the U.S. to help create an effective PPP pipeline (e.g. State of Virginia’s P3 Agency); and
- Work with Members of Congress, Governors and State Trade Offices to organize in-state/in-district outreach events with U.S. firms to inform them of MCC’s work and forthcoming opportunities.

Engage U.S. and Host Country Private Sector in Early-Stage Consultations

Advisory Council members recommend several ways that MCC could raise early awareness in the U.S. private sector of MCC/MCA procurement opportunities as well as harness more corporate engagement into the compact-development process:

- Develop a pro-active mechanism to bring the private sector into a consultative process at the beginning of the project conceptualization and planning process;
- Involve the private sector in the compact development phase to ensure optimal design and sustainability of interventions and to identify programmatic synergies;
- Emphasize technology by creating a “Tech Lens” to assess the potential application of technology to project design, implementation and monitoring and evaluation (M&E);
- Consider the national-nexus model that many development agencies employ to ensure that U.S. firms benefit from MCC-backed projects;
- Increase organic partnerships in the technology and innovation space, rather than relying solely on procurements (e.g. Microsoft’s TV whitespace technology that provided internet connectivity in rural schools through the Namibia compact and is now being scaled up across the country);
- Mandate that MCAs’ procurement information sessions are widely publicized and actively recruit local private sector firms;

- Ensure that U.S. Embassies in compact and candidate countries understand MCC and MCC/MCA procurements so they can effectively engage U.S. and local firms; and Ambassadors should leverage MCC investments to push for pro-business policy reforms;
- Ensure that any county receiving funds provided by MCC does not take actions that negatively and disproportionately affect the interest of U.S. private investors; and
- Highlight the benefits of engaging in MCC-funded procurements (e.g., all awards paid in USD; MCC mandates clean procurement processes).

Increase MCC’s impact through leveraging private investments, innovation, and the creation of new strategies, including regional compacts

The Advisory Council would like to emphasize MCC’s unique position in the American development apparatus and its potential to engage with the private sector. Considering recent shifts in both the U.S. political and international development landscapes, members emphasized MCC’s opportunity to parlay broad bi-partisan support into innovative private sector engagement. Thus, Council members encouraged MCC to remain innovative, to take risks, to take advantage of its legislative flexibility, and to consider the following strategies:

- Emphasize the national security implications of MCC’s work, particularly in fragile and post-conflict states, making the connection between economic growth, a vibrant private sector and long-term stability;
- Maximize the potential to leverage private sector investments alongside public sector investments made by MCC, including bringing in regionally based private equity funds and local pension funds, whose capital is specifically earmarked for local investment and encouraging U.S. investors through mitigation of the sovereign and sector risks by partnering with risk mitigation products from development agencies or private insurance. MCC could seek opportunities to provide credit enhancements rather than just grant funding;
- Leverage current legislation calling to create concurrent (regional) compacts;
- Explore the viability and identify the possibilities of developing sub-national compacts within the existing MCC model;
- Incorporate internet access in the constraints to growth analysis since internet access is now as critical as electricity to promote economic growth in the modern economy;
- Unlock financial bottlenecks and significant growth opportunities by increasing MCC involvement in financial sector reform in compact countries;
- Maximize impact and scale MCC investments through new partnerships with multilateral development banks and their PPP platforms; and
- Build strong links and partnerships with the new U.S. Development Finance Corporation.