

CONVERSATIONS WITH MIKE MILKEN



Sean Cairncross

CEO, Millennium Challenge Corporation (MCC)

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Mike Milken: Sean, you were a private practice attorney for almost two decades. Then you made the decision to go work for our government and we thank you for that. The Millennium Challenge Corp., MCC, very few people, I believe know what its mission is. One of the podcasts I had done earlier was with Chris Austin, who was the first and only head of a center called the National Center for Advancing Translational Science to move science along from the basic to the clinical. And I would say if 1 percent of the American public knows it even exists, even though its work will affect everyone on the planet, it would be high. So I'd like to start with the reason that the MCC was formed, the fact that it was bipartisan, and what is its mission?

Sean Cairncross: The Millennium Challenge Corporation came out of the Bush Administration as a way to innovate and do foreign U.S. assistance more effectively. The MCC has a singular

mission and that's reducing poverty through economic growth. The way we go about doing that is we select countries that have good governance, economic freedom and are working to be responsive to their populations. Once we select a country, we enter into a five-year, typically hard infrastructure project called a compact, which is between \$500

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million and \$800 million. Typically it's all grant funding and engage in a process with the country. So its country led, it's sustainable and engages third party stakeholders. It is an incredible thing to see a concept go from idea to reality in Washington, D.C., and then survive three administrations, Republican, Democrat, and Republican again, with bipartisan support on the Hill; universal support.

So let me just point out here that the Millennium Challenge Corporation ranks first among U.S. agencies in 2020 transparency index. And the fact that it's been a bipartisan effort has been extremely important to its success. Let's give a few anecdotal examples if we could so people understand the work of the Millennium Challenge.

As an example, Cote d'Ivoire when President Alassane Ouattara was first elected, met four of 20 MCC indicators. We have a scorecard. It's publicly available and that's part of

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the reason we ranked so high on the transparency index, how we select countries. And the president made it a goal of his administration to get MCC engagement. The reason for that is its grant funding, but it's also the stamp of approval from the U.S. government that this is a country and a government that is trying to do the right thing for its people. It sends a signal to the private-sector market that this is an environment that is de-risking and open for investment. And so over the course of only a few years, Cote d'Ivoire met 11 of 20 MCC criteria and was selected as a partner country.

We're now engaged in Cote d'Ivoire in a compact. We're developing the Akwaba infrastructure project in the port of Abidjan, and we're working on an education project in the north and a women's economic empowerment piece of that and training. So it's a project that we're very proud of. It's a partnership that we've been working with the government of Cote d'Ivoire over the course of time. It really builds the sort of lasting partnership that I think the U.S. taxpayers should be very proud of.

The question is when you're supporting something, how do you disengage? How do they get to stand on their own? Your strategy spoke about there's a start and there's an end. Can you give us a couple of examples where a program that started has been completed?

Once we select a country, our team of analysts works with the partner countries team to identify the core constraints on an economy and then a root-cause analysis, which gets at what are concrete projects that could be completed in that five-year window that will address those core constraints. And then how do we know that there's going to be

significant buy-in and sustainability for these projects? When we leave for example, if we're doing a road, is there a road maintenance fund? Is there a taxation system that supports that fund? And if not, then you better believe we're going to be working on that policy side, and that's going to be a precondition to our entering into this compact.

And so even though our assistance is grant funding, it's not simply a check that we hand over to this country. There are conditions precedent, both on the policy side and on the actual project infrastructure side. There are quarterly reviews that our teams undertake to ensure the progress is being made and that metrics are being hit before that money goes out the door, and it is monitored and evaluated for success on its initial estimation. Each project has to have a certain economic rate of return before MCC will invest in it. We look at that over the course of time, for 20 years

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after that project is completed in order to report essentially to our stakeholders, the U.S. taxpayer, that this is money well spent and that we've achieved a result.

One of the challenging areas over the decades has been Central America and getting good, government stable governments in Central America. I know you had launched a program in El Salvador. Talk to us a little bit about that.

Sure. We're in our second compact in El Salvador; it's actually going to wrap up in September of this year in all likelihood. President Nayib Bukele was elected recently in El Salvador and suddenly the compact, which had been dragging in a way under the prior administration, got new life. And two public private partnerships have come to market since that time. We've worked on the coastal highway, putting in a lighting and video system for security purposes, working on an international cargo terminal at the airport and helping the government develop coastal tourism sites to bring the flow of tourist dollars into what is a terrific surf coastline. We were in Azlanta and met with a group of villagers, and the villagers were telling us that at the beginning of our project, and it's a wastewater treatment, project that we have in that village, they were very skeptical. They didn't believe that the government was going to do what it said it was going to do. They were skeptical about what U.S. involvement meant. But over the course of time, what this group of about 30 villagers told me, was working with MCC and more importantly, the communications they'd had with their own government and seeing the project develop, they now are believers in the project, supporters in that project. That wastewater treatment has just recently come online, and that is the sort of support,

building that trust between a partner countries, people, and its own government and being responsible in part for that, as an American is I think what this agency is designed to do., and it's what we try to do in every one of our projects worldwide.

The COVID-19 crisis obviously has put the greatest strain on those countries at the lowest end of the socioeconomic spectrum and the need for the Millennium Challenge, I'm sure, is greater than ever. What has happened over the last six months as you've looked at your efforts at the projects you have going on? What difficulties have you had, and what has surprised you, Sean?

Well, the first thing I'd say, Mike, is challenge is the agency's middle name. We are accustomed to dealing with events in very dynamic climates, countries and political situations routinely. COVID certainly has impacted us more broadly than anything else, but the team that we have here are problem solvers, and we have been working country by country, project by project to manage and mitigate, because we're talking about basic

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services. So whether it's directly related to the health sector or indirectly through water, sanitation and health, or transportation, infrastructure or power, without the work that MCC is doing the strength of that health sector is not going to be there. And as we know, economics and a strong health sector are inexorably linked. That's a continuing focus here as we work through day-by-day managing through the COVID pandemic.

So Sean, you mentioned your middle name is “challenge.” Not all organizations have challenge in their name and your ability to adapt to things that have occurred and looking

over the history of the organization has been amazing. Can a citizen of the United States offer to help the organization, who might have expertise in a particular area?

Sure. I'd say a couple of things. One, we have a private-sector advisory committee open for applications for new members; that application process is, is available, for individuals if they contact us on our site. We have a partnerships team that are always looking to connect with individuals or groups that offer expertise or resources to engage alongside us with our projects. One of the things that we've seen increasingly in the development space is, government funds alone simply aren't going to get the job done. What's needed is the engagement of the private sector and the private capital flows that come into these markets to make lasting change sustainable. The blended finance effort, we've

been pushing forward very strongly in connection with other U.S. agencies, and also with our private-sector partners. So the answer is, yes, we're looking to engage anybody who wants to help.

How do you identify these opportunities? Do people bring them to you from the country? Do people recommend them to you?

So this is part of what makes MCC such a special agency. It's the incentivizing effect that it has on our partner countries, and that works with countries that don't yet meet our governing criteria. So we hear from and meet with countries that aren't there on those governing indicators, but want to be, and they've engaged with us to ask, 'how can we make improvements on this so that we will pass your criteria and are eligible for an MCC project.' We put them in contact with the third parties who create our scorecard so they can better understand the sort of metrics that go into making our selection and eligibility decisions.

The sustainability aspect of the analysis by the MCC is extremely important. As you travel the world, you see so many projects that were started, maybe even completed, but could not be sustained. Talk to us about how you analyze whether it's sustainable or not.

We engage with our country partners directly. Our team meets in-country with relevant stakeholders, women's groups, small- and medium-enterprise owners, government organizations, farmers, whatever the relevant group of stakeholders in-country are. We've had those conversations to ensure that when we do select a project and when there's agreement it's going to have the support of the people it's designed to benefit. That's a process that takes about two-and-a-half years typically on the front end. Before project implementation, it goes through a whole host of internal review; our team of experts sit the program team down on the final review, and it's like a dissertation defense, and move through and try to pick it apart. It goes on to our board of directors ultimately for approval. So it's a long process, but it's designed in a way to ensure the maximum success.

One of the concerns we had as we focused on COVID-19 crises around the world was, what about health infrastructure? Do they have ventilators? Do they have PPE? Do they have facilities? And one of the projects you had that really struck me was the health infrastructure you had built, whole outpatient centers within the borders of South Africa. And obviously that decision was made long before the COVID-19 crisis occurred, but these outpatient centers and the ability to deliver health care have made quite a difference to that part of the world.

That's right. You're talking about our work in Lesotho. That was a compact that was begun in 2007. It's a \$362 million compact; 40 percent of that was designed at the health sector. We went in and ultimately built 138 health centers, 14 outpatient

departments, which constitute 90 percent of Lesotho's capacity. It was a national reference lab, a blood transfusion center, and trained over 200 practitioners in the delivery of medical services. Blood transfusions, I believe, are up 128 percent since that time, and we're now engaged in a second compact in Lesotho, part of which will be focusing on healthcare service delivery, cutting red tape in the bureaucracy to ensure that those services are as widely available as possible.

So I was in Johannesburg in February at our healthcare conference, we were putting on. We had a number of people singing your praises in South Africa for what you had done. One of the areas, no matter how talented you are, and even though you have been involved in the electoral process, is changing government. How do you decide on what countries to go do on? With the current government in place it's quite possible that government might change before you complete the project?

Well, this happens quite a bit. In fact, we've just had very recently in Malawi a change in government; the Malawi courts upheld the challenge to the former president's election last year. So that administration has just changed. Part of the design of this agency is to have a long-term look. So the way that this was created, both in our funding stream and in our selection and design and implementation process, is to ensure that we're there over that long haul. There's going to be potential upheaval in places where we work.

They are inherently dynamic environments as they exist; that's why we're there to begin with. But on the other side of that coin, if they stray from our selection and eligibility criteria or move in the direction against those governing standards or those economic policies, this agency has the power and the authority to end a project, reduce the scope of a project, or withhold funding for a project. And it's MCC has done so in roughly 40 percent of its projects at some point or another, have experienced that sort of that sort of reduction or scaling down based on a country's performance.

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Are you able to draw on other agencies or other organizations? One of the podcasts that I have done was with Adam Boehler and his focus on what was OPIC [Overseas Private Investment Corporation] and USAID [United States Agency for International Development] and the combination of those, the ability he has to invest and support private industry, the ability of the IDFC [U.S. International Finance Corporation] to support public private partnerships. Are these areas that you're able to collaborate with, or do you have to operate totally independent?

One of the things, Mike, that I think people don't know about the Trump Administration is the alignment that's taken place between the U.S. Development toolkit and the agencies that are designed to implement that. The Development Finance Corporation that you just mentioned is a new agency. It took over for the Overseas Private Investment Corporation [OPIC]. It's designed to back capital that wouldn't otherwise go into a market because it's too risky. What we're designed to do is create the enabling

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environment that attracts more of those potential investors. And so we do work very closely with the DFC. In fact, we have a project that I'm very excited about that we're working on now called the American Catalyst Facility for Development, where we are seeing if we can combine with the DFC, who does not have any grant authority to infuse some grant money and help attract potential investors on their side. So that's just one example of the sort of

things we're working on collaboratively, but we have tremendous partners and it's a conversation that we're engaged in all the time.

One of the things that led us to the partnership with the IFC, International Finance Corp., was the idea that in-country we needed to bring significant financial expertise, development expertise and identify individuals who were willing to devote their career to government and the development of their country that could work with you and others and carry on these missions. Has anything surprised you since you arrived, and turned out to be a little different than you thought it was?

Well, what's really surprised me is the outsized impact and attention that MCC has in countries where we work. We're not a large agency by any means; our funding is under a billion dollars a year. Relative to other agencies, that's not that much. But the incentivizing weight that we carry makes it possible for us to talk to the very highest levels of government, receive their support, and work with them to achieve the sort of policy reforms that take some political capital and political will to do. In Morocco, in particular, we're engaged in a project to open land titling to women and give them inheritance rights on that land. That took a constitutional change in Morocco, and then it took implementing authority from the government. That's something that took some real political will on the government's part to do. MCC, and I should say in combination with the White House, with the WGDP [Women's Global Development and Prosperity Initiative] effort, which is spearheaded by Ivanka Trump, the focus and attention that went on that made that happen. And so now we have people like Samira Sabri in Morocco, who just found out that she has a title to land and is on the inheritance list and will be able to open a farm and own her own land. And that's an exciting thing.

The second thing I'd say is that's all due to the success of the agency and the track record of the agency, which is due to its staff. Without the staff that has made this agency run for 15 years, and the work of the people who care so much about it, we wouldn't have that ability. And we do. We've enjoyed bipartisan support. It's something that is very fulfilling. It's a terrific job, and I'm proud to be doing it every day.

So, Sean, I once again, want to thank you for taking up this assignment. As the coronavirus has taught us, we are a very small planet in a very big universe without another place to go. Therefore, it's so important that we focus on these opportunities for everyone. All the best to your team at MCC. We can't thank you enough for for what you do to empower the world.

Thank you so much for having me. It's been a really fun conversation and thanks to your team and for all you and they are doing.
