Official Minutes from the April 21, 2022 MCC Advisory Council Meeting

Millennium Challenge Corporation (MCC)
April 21, 2022
9:30-11:30am ET (Hybrid; Webex/In-person)

Meeting Agenda

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Call to Order and Roll Call

Alex Dixon welcomed everyone and reviewed the agenda. The roll call was taken.

Introduction of MCC CEO

Fatema Z. Sumar, Vice President, Department of Compact Operations thanked the Council for its advisory role in the now operational American Catalyst Facility for Development (ACFD) and Millennium Infrastructure Impact Accelerator (MIIA) facilities. The leadership team incorporates Council feedback into strategic planning. She introduced MCC’s CEO, Alice P. Albright who comes with more than 30 years of experience in the public and private sectors.

Welcome Remarks and Dialogue with Members

Alice Albright, CEO thanked those who put this meeting together. She thanked the Council for their letter of recommendations for MCC. Close collaboration between the private, finance, and development sectors is especially essential now because of vulnerabilities and unpredictability. The Council plays a vital role in advising MCC. At MCC, we are working on our existing business, but also thinking about strategy in our current environment. At times like this, we must listen to stakeholders.
Stephen Groff asked what Alice’s priorities were and if she envisioned changes in direction.

Florie Liser asked how Covid and the Ukraine war will impact MCC compact countries.

Carolyn Campbell asked Alice how she envisioned coordination occurring between our DFI community (DFC, Africa 50) and USAID and other government development organizations.

Alice noted that these challenges are now evident in ways they were not when MCC started: 1) pandemic preparedness, 2) food security linkages, 3) exclusion and marginalization hindering development goals, and 4) the need to diversify forms of finance. MCC can respond to the current environment, but we need to make our importance understood. We help finance, diagnose problems, and set guardrails. My top priority is to maximize the impact of MCC to use our incredible tools in the current landscape. MCC is fantastic. Countries embrace MCC’s approach. No donor country has enough money to work independently. USTDA, DFC MCC and USAID need to and can work together in a way countries want. Countries see the agencies as the USA. I welcome input from you. We all work in different areas—and can be effective together. I am giving real thought to the letter you sent, and I will come back to you with a proper response.

Daniel Runde noted that MCC funds are limited. MCC needs to 1) help its current compact countries close the digital divide by convening responsible partners and 2) move the goal posts to work with more countries.

Josh Powell said MCC has an opportunity to invest in digital infrastructure, human capacity, regional compacts, and border compacts. MCC has been a leader in using data, but can MCC improve its use of data in routine compact management and decision making?

Alice agreed that the digital divide has been more evident since Covid and is huge and complicated in many sectors including education. The Council can advise MCC in how to use work with finance and delivery sectors to think about digital. Countries want to bridge the divide. We hope to expand our use of data because it helps guide MCC decisions. We need data on how bridging the digital divide impacts the marginalization divide, for example.

Readout on Subcommittee Meetings (Blended Finance, Energy & Climate)

Florie Liser reported that the blended finance subcommittee welcomed presentations on the ACFD and MIIA. Mini Roy presented on the ACFD as one of MCC’s blended finance initiatives which provides strategic grants to catalyze private sector investments in MCC countries. It is designed to expand the activities of the DFC. Deirdre Fair James presented MIIA which helps frontier markets face infrastructure gaps because of the absence of bankable deal pipelines. The ACFD expands the activities of the DFC. MIIA started with smaller projects that needed to be funded to become bankable. MCC won’t judge smaller projects like larger ones. ACFD can enable and link projects in lower rated countries. If risk
perception remains high, it will be used a lot. MCC looks forward to your input as we tweak both ACFD and MIIA.

Willie Gaynor summarized the energy subcommittee. Doug Mason presented and asked: What is the SWAT analysis on integrating climate policy in our compacts? It is challenging to integrate and reform policies, but these things help our compacts with climate. It is difficult and incremental. Should we be focus on projects or improving their broader country environments?

Sierra Leone Presentation Member Feedback and Discussion

Jason Small introduced the presenters, Albert Bossar, Ndeye Koroma, and Kate Iovanna. They presented the MCC Advisory Council Presentation: Sierra Leone.

Tony Bello asked, given the pandemic, climate change, and the need for food security, can MCC shorten the timeline for approval? How can we ensure the investment in infrastructure is tied to food and agriculture outputs (so profit is not taken while leaving others behind)?

Kate Steel said it is important not to try to do too much at once. To attract investors, utilities need to be solvent and cost effective. To do that, you need to be oriented to commercial customers who can pay. A separate agency needs to focus on access and rural electrification.

Robert Prieto said there are national and local scale challenges. The world has changed. The energy divide is more important than the digital divide. He noted these concerns: 1) Energy supply restructuring puts high pressure on countries; 2) Diesel is and will continue to be in low supply; 3) Fuel and materials are increasingly unaffordable, so more modest rural electrification projects are more feasible than larger ones. From them, you model other financeable projects.

Jason said the timeline is a priority for MCC. We are analyzing constraints and projects and are moving as quickly as possible.

Kate Iovanna agreed that we need to help EDSA to become investment grade and fix the core of the system to expand it and increase access as soon as possible—a challenge for the utility.

Albert agreed that they are looking at the project from a profit and loss perspective. What is the maximum revenue potential? And how do you reduce costs? MCC is working with the government to reduce costs and ensure that the government gets paid (i.e., credit worthy).

Ndeye Koroma said the government is getting more private investment to increase agricultural productivity and food insecurity. How can we reduce post-harvest loss? Involve the private sector? Include women in the value chains? Use blended finance? We will succeed when we see a decrease in food insecurity and benefits for more people along the value chain.

Valérie Vencatchellum asked 1) Have the political economy dynamics been evaluated? 2) How much is
MCC willing to use its leverage to influence the investments of agrobusiness development investors?

Maureen Harrington noted that EDSA still needs work to become more investment worthy. How is MCC protecting the investor beyond the five-year life of the compact? Bidders will ask that.

Carolyn said she supports the Sierra Leone compact. She was on the board of Eranove, a power and water utility hold with renewable and gas assets in Africa. They attracted major investment and trained regulators well, looking widely at training models globally including in Trinidad and Tobago. They are an open, creative group that uses blended solutions.

Peter Choharis noted that improving electrical generation, sustainability, and viability in Sierra Leone is a massive undertaking. He is skeptical of the micro-grid numbers. Subsidizing bloated bureaucracies is not good, but subsidizing access to electricity can be good—if it can help support healthcare, promote safety and security, etc. Since Sierra Leone can’t increase tariffs for consumers and we’re told that improvements can’t be financed by off-take agreements with commercial customers, then modernization is going to have to go slowly. We need to prioritize and amass less ambitious successes rather than swinging for fences. Focusing on smaller projects is especially important because of inflation, the rising cost of capital, and energy generation uncertainty in the country.

Oren Whyche-Shaw said it is a red flag that Sierra Leone’s government wants to maintain all ownership. That was not successful for 20 years. Start small; bring in blended finance. Build a robust track record of consistently implemented regulations. Companies invest based on returns and consistency of the environment. She supports the compact, but its realizable potential and timeframe need work.

Olu Verheijen suggested that MCC focusing on on-grid projects with a particular focus on densely populated areas and commercial and industrial clusters could result in quick wins. 1) Prioritize investment in upgrading wheeling capacity and smart metering to stem high transmissions and distribution losses. 2) Build capacity in the regulator to improve tariff setting/targeting and phase out tariff subsidies for customers who currently have a higher capacity to pay. If MCC supports the government in addressing these fundamental issues, investments to grow generation capacity and diverse energy sources for on-grid will become more attractive.

Jason said MCC is focusing on the political economy across MCC compacts.

Albert said that MCC is co-mingling funds. We may invest substantial amounts in EDSA, but having another donor lessens our risk. We are actively looking at other approaches to derisk on a macro-scale and micro-scale. Some of the project’s challenges are things we can’t change.

Kate Iovanna affirmed that MCC will continue to work on tariff reform. EDSA requires a lot of capacity building, import-export management, and loss reductions.

Ndye said Sierra Leone has many problems. Sierra Leone is small, has a rudimentary economy, and a nascent private sector. Access is important. There are perverse incentives in place. How can we address all these concerns and make Sierra Leone a place people will want to invest in? MCC can provide resources
and crowd in investors to make Sierra Leone investment ready.

Advisory Council Housekeeping

Alex thanked the Council members and stated that meeting minutes will be circulated once ready. MCC will be recruiting new members and will share details around the process.

Opportunity for Public Comment

The following written public comment was submitted in advance:

“public comment on federal regist

no american tax dollars should be leaving america to go anywhere. america under biden has been making itself very vulnerable paying for every other nation in this world so that we hav eno money left in america to fix anything. our bridges are falling down, our roads are in rough shape. we are taxing people so they have nothing left to take care of themselves. stop this horror. shut down any tax dollars to sierra leone. let the damn people in sierra leone work for themselves. its more than time. we have een sending out this money for the last u75 years. its over. keep it all here. this comment is for the public receip.d please receipt. b ker bk1492@aol.com”

Meeting Adjourns

Alex adjourned the meeting.

MCC Advisory Council Members Present

- Kate Ahern
- Tony Bello
- Carolyn Campbell
- Peter Choharis
- William Gaynor
- Stephen Groff
- Cem Hacioglu
- Maureen Harrington
- Florie Liser
- Tam Nguyen
- Joshua Powell
- Robert Prieto
- Shehnaz Rangwala
- Daniel Runde
MCC Advisory Council Member Absent with Apologies

- Justin DeAngelis
- Tariye Gbadegesin
- Lawrence Jones
- Jeffrey Krilla
- David Spira

MCC Participants

- Alice Albright
- Bahgi Berhane
- Albert Bossar
- Alex Dixon
- Kathryn Iovanna
- Ndeye Koroma
- Jennifer Rimbach
- Jason Small
- Fatema Z. Sumar
- Paula Tufro