



G A O

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United States Government Accountability Office
Washington, DC 20548

September 26, 2008

Congressional Committees

Subject: *Millennium Challenge Corporation: Summary Fact Sheets for 11 Compacts Entered into Force*

The Millennium Challenge Corporation (MCC), now in its fourth year of operations, is to provide aid to developing countries that have demonstrated a commitment to ruling justly, encouraging economic freedom, and investing in people. MCC provides assistance to eligible countries through multiyear compact agreements to fund specific programs targeted at reducing poverty and stimulating economic growth.¹ MCC has received appropriations for fiscal years 2004 through 2008 totaling more than \$7.5 billion and has set aside about \$6.4 billion of this amount for compact assistance.² As of August 2008, MCC had signed compacts with 18 countries totaling approximately \$6.3 billion; of the 18 signed compacts, 11 compacts had entered into force, obligating a total of approximately \$3 billion.³ The President has requested an additional \$2.225 billion for MCC for fiscal year 2009, of which MCC plans to use \$1.88 billion for compact assistance to countries currently eligible for compacts.

Enclosed are fact sheets for the 11 MCC compacts that had entered into force as of August 2008. The fact sheets summarize each country's

- general characteristics and location,
- timeline of key compact events,

¹The Millennium Challenge Act of 2003 (Public Law 108-199, Division D, Title VI) authorizes MCC to provide assistance to countries that enter into public compacts with the United States. MCC has negotiated compacts with countries that contain agreed upon assistance objectives, responsibilities, implementation schedules, expected results, and evaluation strategies. The act stipulates that a compact may not last longer than 5 years and that MCC may have only one compact with a country at a time.

²About \$1 billion has been set aside for MCC's threshold country program, administrative expenses, due diligence, monitoring and evaluation, and other costs. MCC's threshold program is designed to assist countries that have not yet qualified for compact assistance, but have demonstrated a significant commitment to improve their performance on MCC's eligibility criteria.

³After compact signature, MCC and the country's accountable entity must complete supplemental agreements, including a disbursement agreement and a procurement agreement, before the compact enters into force and funds are disbursed. Five additional MCC compacts entered into force in September 2008. The entry-into-force of these five compacts, with Lesotho, Mongolia, Morocco, Mozambique and Tanzania, occurred too late for them to be included in these fact sheets. With these additional five compacts, MCC has obligated a total of approximately \$5.5 billion as of the end of September 2008.

- per capita income relative to MCC income criteria,
- performance on MCC's eligibility indicators,
- compact characteristics and structure at the time of compact signature,
- compact project funding distribution as of June 2008, and
- allocated and disbursed compact funds as of June 2008.

To develop these fact sheets, we compiled and summarized publicly available data from a number of sources, including our previous reporting on MCC. We used information from the World Bank and from Central Intelligence Agency Fact Books to provide a general overview of each country and its economy. To develop timelines of key compact events, we analyzed MCC data from its country quarterly status reports⁴ and our previous reporting. To summarize country performance on MCC selection criteria, we (1) compared World Bank data on per capita incomes with MCC's income eligibility thresholds published in its annual candidate country reports and (2) compiled country performance on MCC policy indicators from MCC's annual candidate country scorecards and eligible country reports. To summarize the compact and its project plans, we reviewed and analyzed MCC's compacts, compact summaries, and monitoring and evaluation plans. These summaries reflect the compact structure and expectations at the time of compact signature and do not incorporate any subsequent compact restructuring. Finally, to analyze compact obligations, disbursements, and commitments, we compiled public information from MCC's quarterly reports on obligations and disbursements published in the Federal Register and from MCC's quarterly country status reports. The planned disbursements we report are based on MCC's projections at compact signature and on the assumption that compact funds are disbursed evenly throughout the compact implementation year. Descriptions of any compact restructuring, included in our discussions of compact implementation, are based on MCC and compact country documents. To clarify and confirm our understanding of this information, we submitted written questions to MCC officials.

We determined that World Bank gross national income per capita data were sufficiently reliable to provide general information on compact funding and programmatic indicators. We further determined that MCC financial data were sufficiently reliable for our purposes based on our review of U.S. Agency for International Development Inspector General audits of MCC's internal controls and financial statements. We did not independently assess the reliability of MCC's projections of compact benefits and have noted this accordingly on each fact sheet. We conducted this performance audit from January to September 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform our work to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

⁴ See <http://www.mcc.gov/about/reports/status/index.php> for MCC country quarterly status reports.

Agency Comments and Our Evaluation

MCC provided written comments about drafts of these fact sheets (see encl. I for MCC's comments and our response). Regarding the disbursement process, MCC noted that compact countries are ultimately responsible for project development and implementation, including the pace of commitments and disbursements, and that compact country entities sign contracts and therefore commit funds. We have modified the fact sheets to refer to commitments by the compact country, where appropriate, but have retained our presentation of MCC disbursements of funds for the recipient country. MCC also noted that its country counterparts revise their disbursement projections as additional information becomes available and that MCC will report updated projections to Congress in the first quarter of fiscal year 2009. We have incorporated the revised disbursement projections that MCC provided but have retained, as a baseline for the revised projections, a presentation of MCC's disbursement plan at compact signature. Finally, MCC noted that most eligible countries that did not meet selection criteria had previously been determined eligible by the Board; we modified the draft to reflect this fact.

We also received and incorporated as appropriate a number of technical comments from MCC.

We are sending copies of this report to interested congressional committees. We will also make copies available to others on request. In addition, the report will be available at no charge on GAO's Web site at <http://www.gao.gov>. If you or your staff have any questions or wish to discuss this material further, please contact me at (202) 512-3149 or gootnickd@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Emil Friberg, Jr. (Assistant Director), Jordan Holt, Reid Lowe, Michael Rohrback, Michael Simon, Jena Sinkfield, and Susan Tieh made significant contributions to this report. David Dornisch, C. Etana Finkler, and Ernie Jackson provided technical assistance.



David Gootnick
Director, International Affairs and Trade

List of Committees

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The Honorable Howard L. Berman
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The Honorable Ileana Ros-Lehtinen
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Committee on Foreign Affairs
House of Representatives

Related GAO Products

Millennium Challenge Corporation: Independent Reviews and Consistent Approaches Will Strengthen Projections of Program Impact. [GAO-08-730](#). Washington, D.C.: June 17, 2008.

Millennium Challenge Corporation: Analysis of Compact Development and Future Obligations and Current Disbursements of Compact Assistance. [GAO-08-577R](#). Washington, D.C.: April 11, 2008.

Management Letter: Recommendations for Improvements to MCC's Internal Controls and Policies on Premium Class Air Travel. [GAO-08-468R](#). Washington, D.C.: February 29, 2008.

Millennium Challenge Corporation: Projected Impact of Vanuatu Compact Is Overstated. [GAO-07-1122T](#). Washington, D.C.: July 26, 2007.

Millennium Challenge Corporation: Vanuatu Compact Overstates Projected Program Impact. [GAO-07-909](#). Washington, D.C.: July 11, 2007.

Millennium Challenge Corporation: Progress and Challenges with Compacts in Africa. [GAO-07-1049T](#). Washington, D.C.: June 28, 2007.

Millennium Challenge Corporation: Compact Implementation Structures Are Being Established; Framework for Measuring Results Needs Improvement. [GAO-06-805](#). Washington, D.C.: July 28, 2006.

Analysis of Future Millennium Challenge Corporation Obligations. [GAO-06-466R](#). Washington, D.C.: February 21, 2006.

Millennium Challenge Corporation: Progress Made on Key Challenges in First Year of Operations. [GAO-05-625T](#). Washington, D.C.: April 27, 2005.

Millennium Challenge Corporation: Progress Made on Key Challenges in First Year of Operations. [GAO-05-455T](#). Washington, D.C.: April 26, 2005.

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Country Characteristics

Located in the Caucasus region of Asia, Armenia has a population of about 3 million. Armenia had a gross national income (GNI) of \$1,930 per capita in 2006. Armenia's economy is primarily based on industry and services, which together constitute about 80 percent of the country's gross domestic product (GDP). Although agriculture comprises only 18 percent of Armenia's GDP, it employs about 46 percent of the labor force. Since achieving independence from the Soviet Union in 1991, Armenia has made progress in implementing many economic reforms. From 2001 to 2006, Armenia sustained annual average economic growth rates of 12.4 percent. According to the World Bank, Armenia's sustained high growth rates have led to a decrease in poverty, from over half the population in 1999 to less than 27 percent of the population in 2006. Armenia's continued economic growth is challenged by high transportation costs: the country is landlocked and its border with Turkey has been closed since 1991.

Compact Timeline

During compact development, MCC evaluates the country's proposal and, if MCC approves it, MCC negotiates and may sign a compact with the country. After compact signature, the country must complete MCC's entry into force requirements, such as procurement and disbursement agreements, in order for compact implementation to begin. MCC's statute limits compact implementation to 5 years.

Armenia was 1 of 16 countries that MCC selected as eligible in its first eligibility round. As of September 30, 2008, 40 percent of the compact's 5-year period had elapsed.

MILLENNIUM CHALLENGE CORPORATION

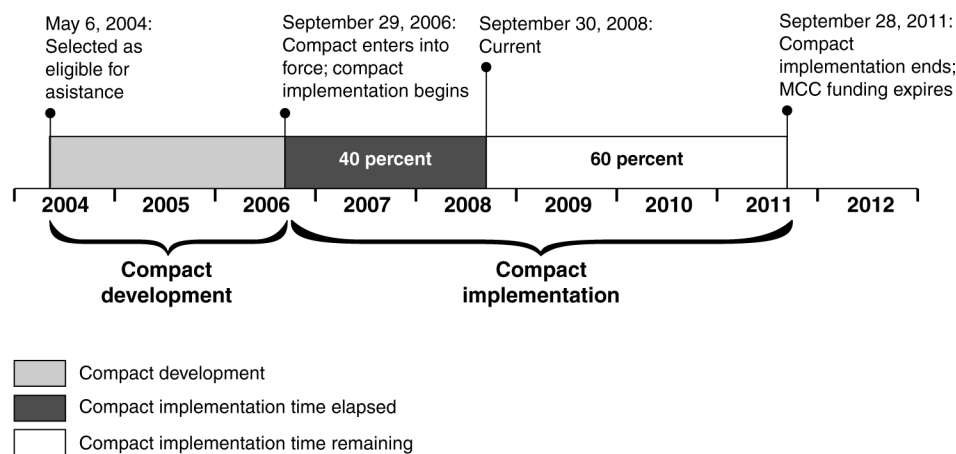
Armenia Compact Fact Sheet

Map



Sources: GAO; Millennium Challenge Corporation and Map Resources (map).

Key Events for Armenia Compact



Source: GAO analysis of Millennium Challenge Corporation data.

Armenia

MCC Candidate Criteria

Each fiscal year, MCC uses per capita incomes to identify two pools of candidate countries, low-income countries and lower-middle-income countries, based on World Bank lending thresholds. In addition, candidate countries must not be statutorily barred from receiving U.S. assistance. By law, MCC can use a maximum of 25 percent of compact assistance for any given year for new compacts with lower-middle-income countries.

Armenia was a low-income candidate country from 2004, the year that MCC began operations, to 2007. In 2008, Armenia's rising GNI per capita lifted it to lower-middle-income status.

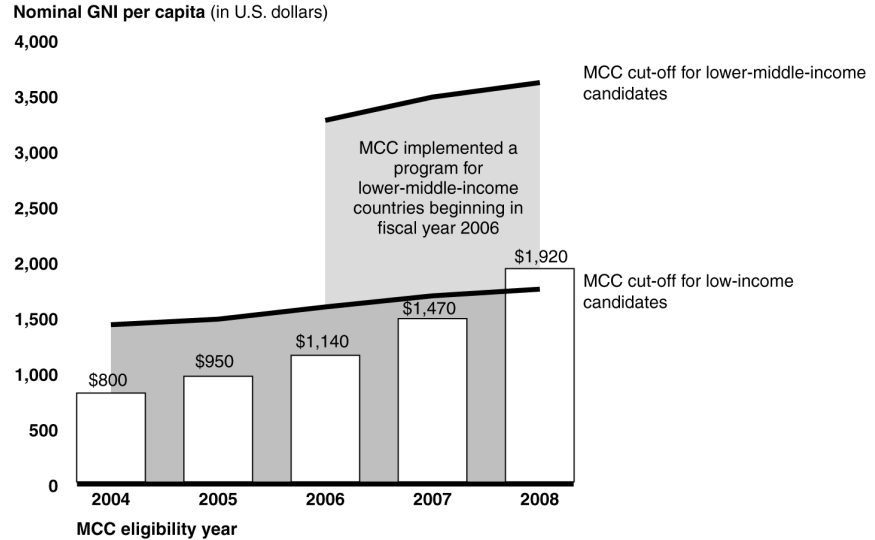
MCC Eligibility Criteria

Each fiscal year, MCC's Board uses quantitative indicators to assess a candidate country's policy performance. MCC compares the country's performance on each indicator to that of other candidates. To pass an indicator, a country must score better than at least half of the other candidates (above the median) in its income group. To meet MCC's eligibility criteria, a country must pass the indicator for control of corruption and at least half of the indicators in each of three categories. However, the Board may select a country as eligible even if it does not meet the criteria, and has done so in the past—mostly for countries previously selected as eligible. If the policy performance of a country implementing a compact declines, the Board can suspend or terminate the compact; however, it has not yet done so for any country.

MCC selected Armenia as eligible in 2004-2007. In 2008, Armenia rose to lower-middle-income status and failed the indicator criteria for that group. However, MCC selected Armenia as eligible in 2008.

MCC Selection Criteria

Armenia GNI Per Capita



Source: GNI per capita data are from the April 2008 version of the World Bank World Development Indicators.

Notes: The April 2008 data may include Bank updates that occurred after MCC candidate selection. Because of a two-year data lag, MCC used, for example, 2006 data in its 2008 eligibility round.

Armenia's Performance on MCC Eligibility Indicators

Indicator category	MCC eligibility year	2004	2005	2006	2007	2008
		MCC income group				
		Low	Low	Low	Low	Lower-middle
Ruling Justly	Political Rights	X	✓	X	X	X
	Civil Liberties	X	✓	✓	X	X
	Voice and Accountability	✓	✓	✓	✓	X
	Government Effectiveness	✓	✓	✓	✓	✓
	Rule of Law	✓	✓	✓	✓	X
	Control of Corruption	✓	✓	✓	✓	X
Investing in People	Girls' Primary Education Completion	✓	✓	✓	✓	X
	Primary Education Expenditures	X	X	X	✓	✓
	Health Expenditures	X	X	X	X	X
	Immunization Rates	✓	✓	✓	✓	X
	Natural Resource Management (2008)					✓
Encouraging Economic Freedom	Country Credit Rating (2004-2005)	✓	✓			
	Days to Start a Business (2004-2007)	✓	✓	✓	✓	
	Cost of Starting a Business (2006-2007)			✓	✓	
	Business Start-up (2008)					✓
	Inflation	✓	✓	✓	✓	✓
	Fiscal Policy	✓	✓	✓	✓	X
	Trade Policy	✓	✓	✓	✓	✓
	Regulatory Quality	✓	✓	✓	✓	✓
	Land Rights and Access (2008)					✓
Indicator assessment result		Passed	Passed	Passed	Passed	Failed
MCC eligibility determination		Eligible	Eligible	Eligible	Eligible	Eligible

✓ Passed (scored above the median)

X Failed (scored at the median or below)

Not used to evaluate performance

Source: GAO analysis of Millennium Challenge Corporation data.

Note: For the 2004 eligibility round, MCC used Primary Education Completion instead of Girls' Primary Education Completion.

Armenia

Compact Characteristics

At signature, Armenia's 5-year, \$235 million compact focused on reducing rural poverty through a sustainable increase in the economic performance of the agricultural sector. According to MCC, more than 1 million Armenians (35 percent of the population) live in rural areas and are dependent on semi-subsistence agriculture.

The data in the graphic represent MCC's expectations of compact benefits at compact signature. In June 2008, GAO reported that MCC had made analytic errors in its original projections of the impact of the Armenia compact. Correcting these errors reduces MCC's expected impact on income in rural areas and on poverty. ([GAO-08-730](#)).

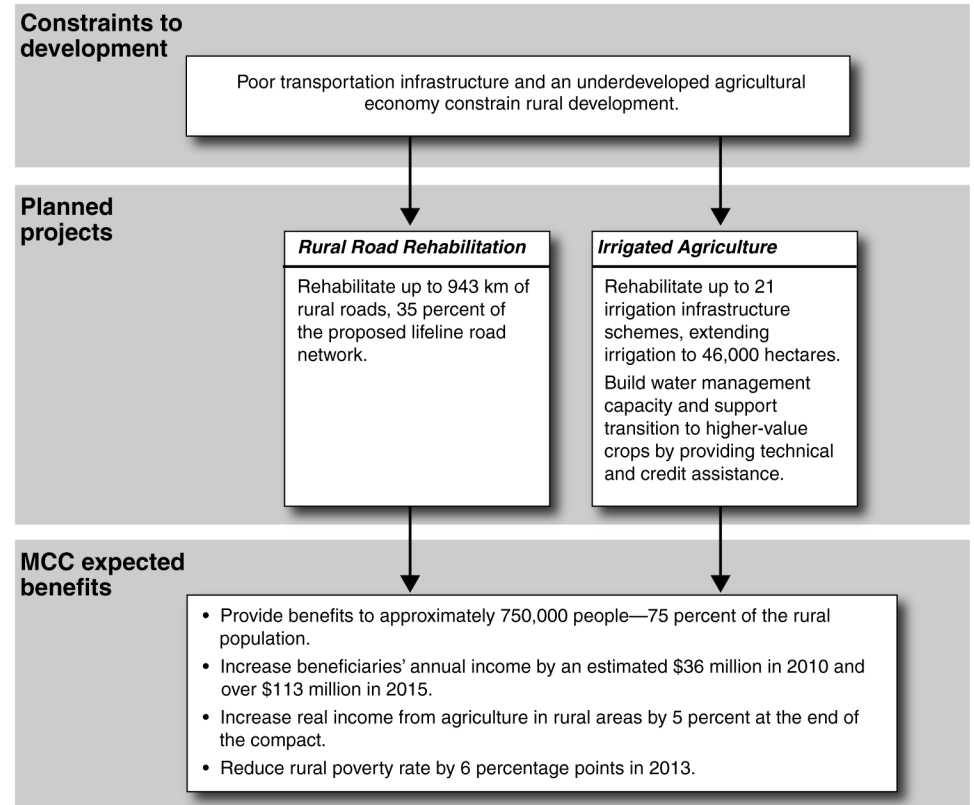
Compact Project Funding

Although the total amount of compact funding is fixed, MCC and the country may reallocate funds among projects during compact implementation as more detailed information about costs becomes available.

MCC funding allocations for Armenia projects have not changed since compact signature in March 2006.

Compact Summary

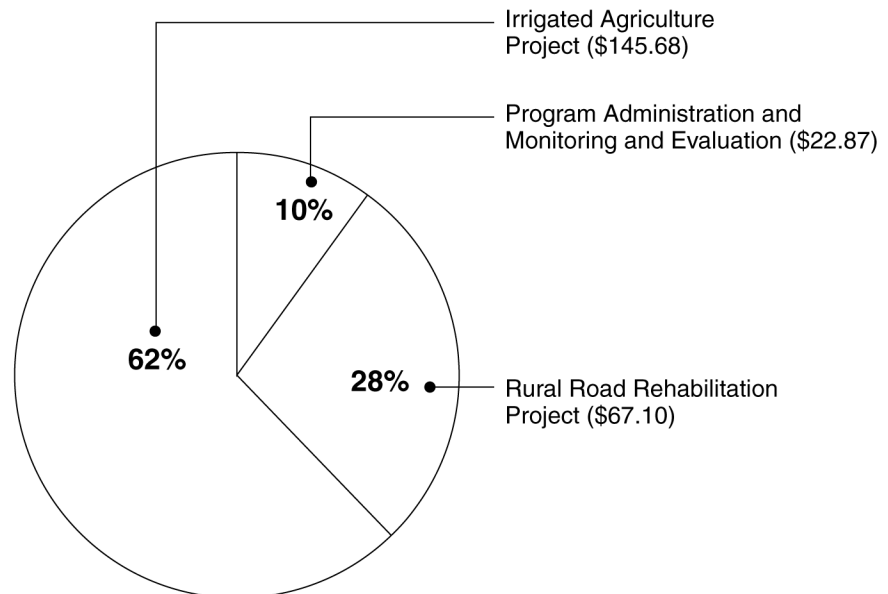
Structure of Armenia Compact at Signature



Source: GAO analysis of Millennium Challenge Corporation data.

Armenia Compact Funding as of June 2008

Dollars in millions



Source: GAO analysis of Millennium Challenge Corporation data.

Armenia

Compact Implementation

At compact signature, MCC develops a preliminary disbursement plan for the compact. MCC disburses funds as the country begins implementing projects. According to MCC, any funds not disbursed within 120 days after the compact ends would return to MCC for reprogramming.

As of June 2008, 35 percent of Armenia's 5-year compact period had elapsed and MCC had disbursed \$19.16 million (8.13 percent) of compact funds, compared with the \$58.45 million (24.80 percent) that it had originally planned to disburse as of that date. In the first quarter of fiscal year 2008, MCC and the country revised the projected disbursement total to \$34.47 million by June 2008.

As of June 2008, the country has committed \$50.26 million, or 21.33 percent of compact funds. Commitments include signed contracts and the forecasted value of recurring expenses outside of a contract.

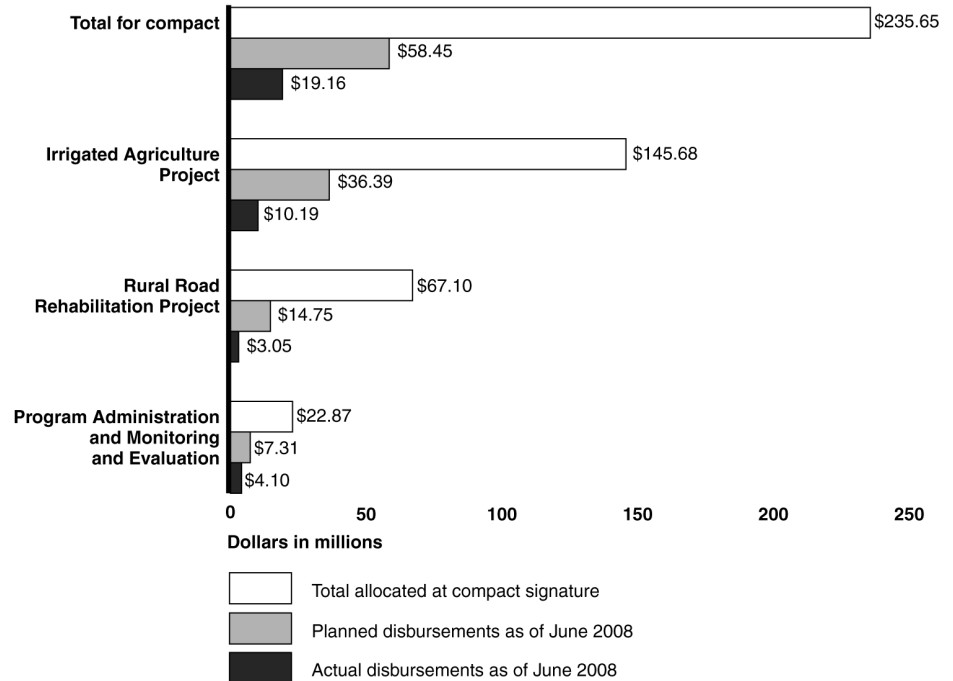
In March 2008, MCC warned the government of Armenia that the compact could be suspended or terminated because the government had suspended media freedoms and imposed a state of emergency.

According to MCC, parts of the compact are being restructured because of rising construction costs and currency fluctuations. In August 2008, Armenia signed contracts with six construction companies for a total of \$51.5 million to rehabilitate 273 kilometers of rural roads. MCC had originally budgeted \$67.1 million to rehabilitate up to 943 kilometers of roads.

MCC reports that as a result of failing the indicator criteria in the 2008 eligibility round, Armenia is preparing a plan to improve its performance.

Compact Status

Funds Provided for Armenia Compact



Source: GAO analysis of Millennium Challenge Corporation data.

Notes: Planned disbursements are based on MCC's projections at compact signature and assume that compact funds are disbursed evenly throughout the compact implementation year.

Actual disbursements by project may not add up to the figure presented for total compact disbursements because disbursements reported as "pending subsequent report" are reflected in the compact total but not in project totals. In general, "pending subsequent report" amounts represent disbursements that will be allocated to individual projects in subsequent quarters.



MILLENNIUM CHALLENGE CORPORATION

Benin Compact Fact Sheet

Country Characteristics

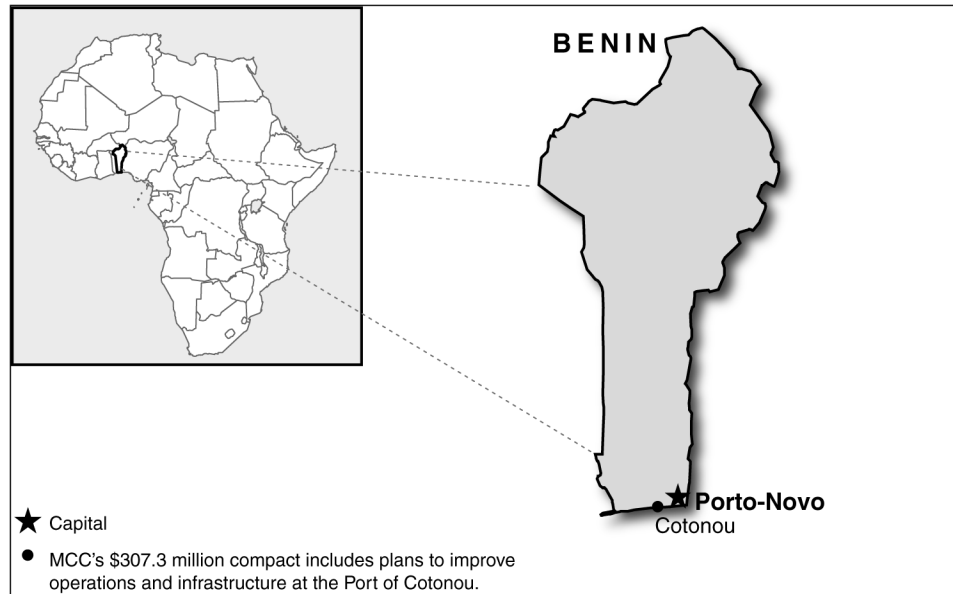
Located in coastal West Africa, Benin has a population of approximately 8.3 million. Benin had a gross national income (GNI) of \$540 per capita in 2006. Benin's economy depends on subsistence agriculture, cotton, and regional trade. The current government, which entered office in 2006, has emphasized efforts to fight corruption and accelerate Benin's economic growth. The economy has experienced some positive growth trends in the last few years, with the real economic growth rate rising from 2.9 percent in 2005 to an estimated 5.3 percent in 2008. In 2005, Benin received debt reduction from the G8 countries, an informal group of eight major industrial countries.

Compact Timeline

During compact development, MCC evaluates the country's proposal and, if MCC approves it, MCC negotiates and may sign a compact with the country. After compact signature, the country must complete MCC's entry into force requirements, such as procurement and disbursement agreements, in order for compact implementation to begin. MCC's statute limits compact implementation to 5 years.

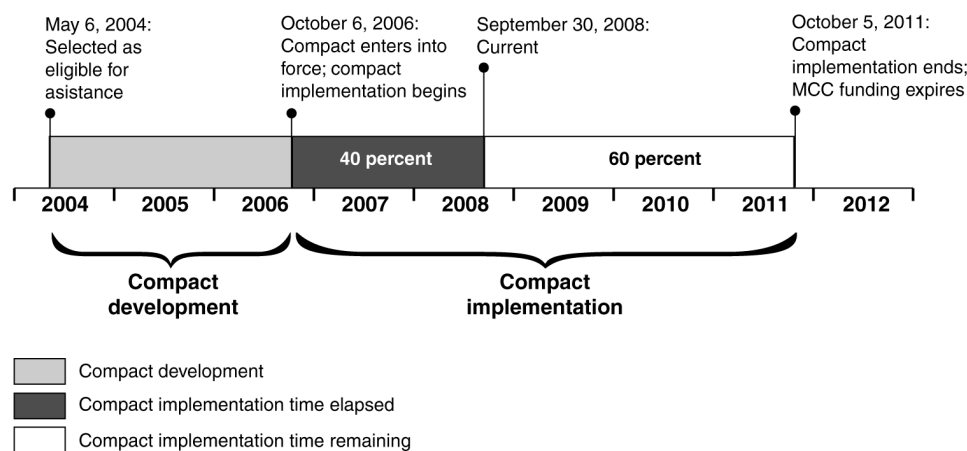
Benin was 1 of 16 countries that MCC selected as eligible in its first eligibility round. As of September 30, 2008, 40 percent of the compact's 5-year period had elapsed.

Map



Sources: GAO; Millennium Challenge Corporation and Map Resources (map).

Key Events for Benin Compact



Source: GAO analysis of Millennium Challenge Corporation data.

Benin

MCC Candidate Criteria

Each fiscal year, MCC uses per capita incomes to identify two pools of candidate countries, low-income countries and lower-middle-income countries, based on World Bank lending thresholds. In addition, candidate countries must not be statutorily barred from receiving U.S. assistance. By law, MCC can use a maximum of 25 percent of compact assistance for any given year for new compacts with lower-middle-income countries.

Benin has been a low-income candidate country every year since MCC began operations in 2004.

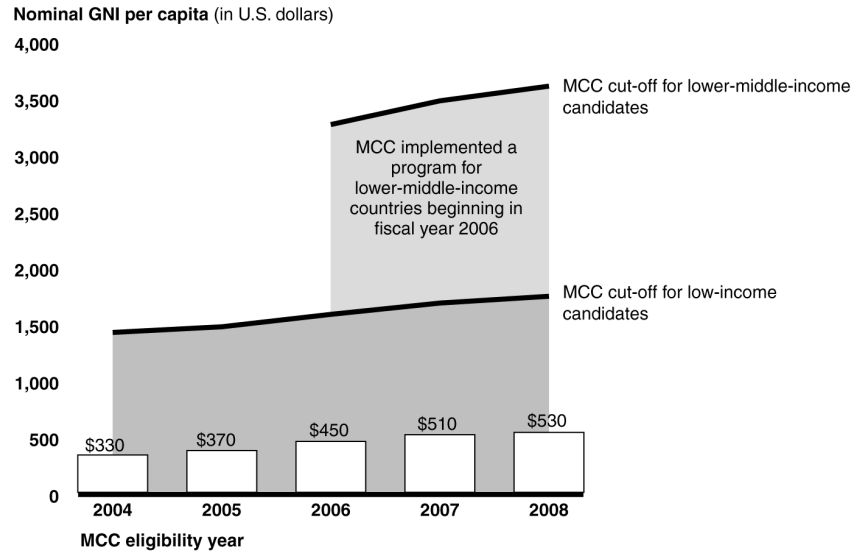
MCC Eligibility Criteria

Each fiscal year, MCC's Board uses quantitative indicators to assess a candidate country's policy performance. MCC compares the country's performance on each indicator to that of other candidates. To pass an indicator, a country must score better than at least half of the other candidates (above the median) in its income group. To meet MCC's eligibility criteria, a country must pass the indicator for control of corruption and at least half of the indicators in each of three categories. However, the Board may select a country as eligible even if it does not meet the criteria, and has done so in the past—mostly for countries previously selected as eligible. If the policy performance of a country implementing a compact declines, the Board can suspend or terminate the compact; however, it has not yet done so for any country.

MCC has selected Benin as eligible for compact assistance every year since 2004, although the country failed MCC's indicator for control of corruption in 2007 and 2008.

MCC Selection Criteria

Benin GNI Per Capita



Source: GNI per capita data are from the April 2008 version of the World Bank World Development Indicators.

Notes: The April 2008 data may include Bank updates that occurred after MCC candidate selection. Because of a two-year data lag, MCC used, for example, 2006 data in its 2008 eligibility round.

Benin's Performance on MCC Eligibility Indicators

Indicator category	MCC eligibility year	2004	2005	2006	2007	2008
		MCC income group				
		Low	Low	Low	Low	Low
Ruling Justly	Political Rights	✓	✓	✓	✓	✓
	Civil Liberties	✓	✓	✓	✓	✓
	Voice and Accountability	✓	✓	✓	✓	✓
	Government Effectiveness	✓	✓	✓	✓	✓
	Rule of Law	✓	✓	✓	✓	✓
	Control of Corruption	✓	✓	✓	X	X
Investing in People	Girls' Primary Education Completion	X	X	X	X	X
	Primary Education Expenditures	X	✓	✓	✓	✓
	Health Expenditures	✓	X	X	X	✓
	Immunization Rates	✓	✓	✓	✓	✓
	Natural Resource Management (2008)					X
Encouraging Economic Freedom	Country Credit Rating (2004-2005)	✓	✓			
	Days to Start a Business (2004-2007)	✓	✓	✓	✓	
	Cost of Starting a Business (2006-2007)			X	X	
	Business Start-up (2008)					X
	Inflation	✓	✓	✓	✓	✓
	Fiscal Policy	✓	✓	✓	✓	✓
	Trade Policy	X	X	X	X	X
	Regulatory Quality	✓	✓	✓	✓	✓
	Land Rights and Access (2008)					X
Indicator assessment result		Passed	Passed	Passed	Failed	Failed
MCC eligibility determination		Eligible	Eligible	Eligible	Eligible	Eligible

✓ Passed (scored above the median) X Failed (scored at the median or below) [Hatched Box] Not used to evaluate performance

Source: GAO analysis of Millennium Challenge Corporation data.

Note: For the 2004 eligibility round, MCC used Primary Education Completion instead of Girls' Primary Education Completion.

Benin

Compact Characteristics

At signature, Benin's 5-year, \$307 million compact aimed to improve core physical and institutional infrastructure and increase private-sector activity and investment. According to MCC, the compact planned at signature to impact up to 5 million beneficiaries—more than half of Benin's population—in both rural and urban areas.

These data are provided as context for understanding MCC's expectations of compact benefits at the time of compact signature. Previous GAO work has identified several problems with the methodology used to determine compact projects' expected benefits (see GAO-08-730 and GAO-07-909). GAO has not independently verified the reliability of MCC's benefit projections for this compact.

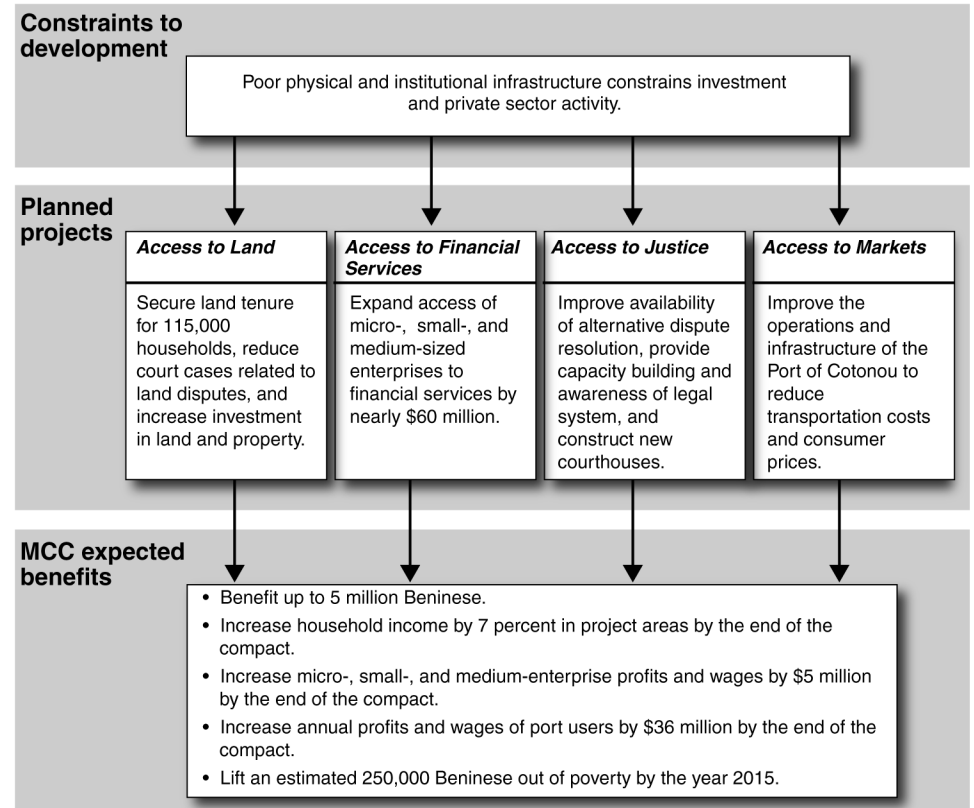
Compact Project Funding

Although the total amount of compact funding is fixed, MCC and the country may reallocate funds among projects during compact implementation as more detailed information about costs becomes available.

MCC funding allocations for Benin projects have not changed since compact signature in February 2006.

Compact Summary

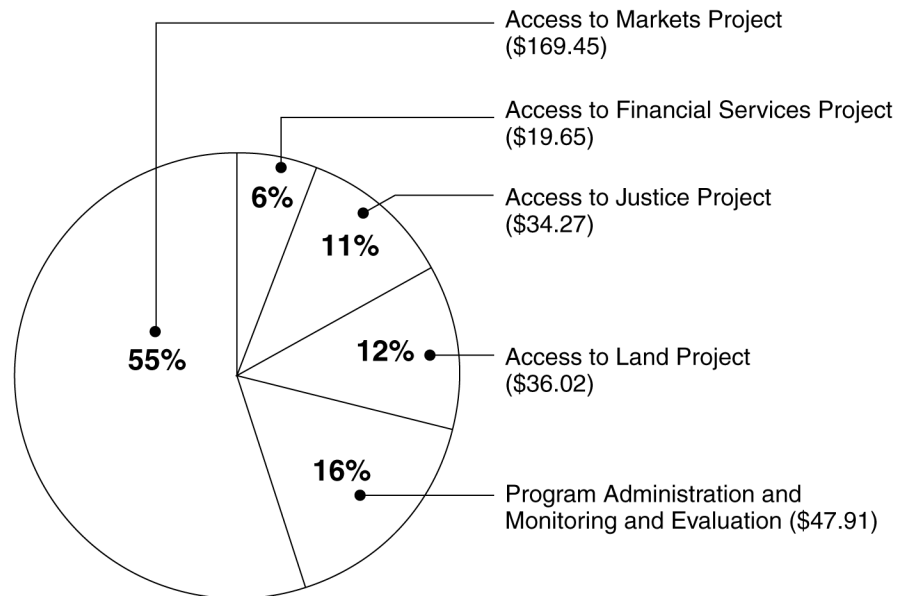
Structure of Benin Compact at Signature



Source: GAO analysis of Millennium Challenge Corporation data.

Benin Compact Funding as of June 2008

Dollars in millions



Source: GAO analysis of Millennium Challenge Corporation data.

Benin

Compact Implementation

At compact signature, MCC develops a preliminary disbursement plan for the compact. MCC disburses funds as the country begins implementing projects. According to MCC, any funds not disbursed within 120 days after the compact ends would return to MCC for reprogramming.

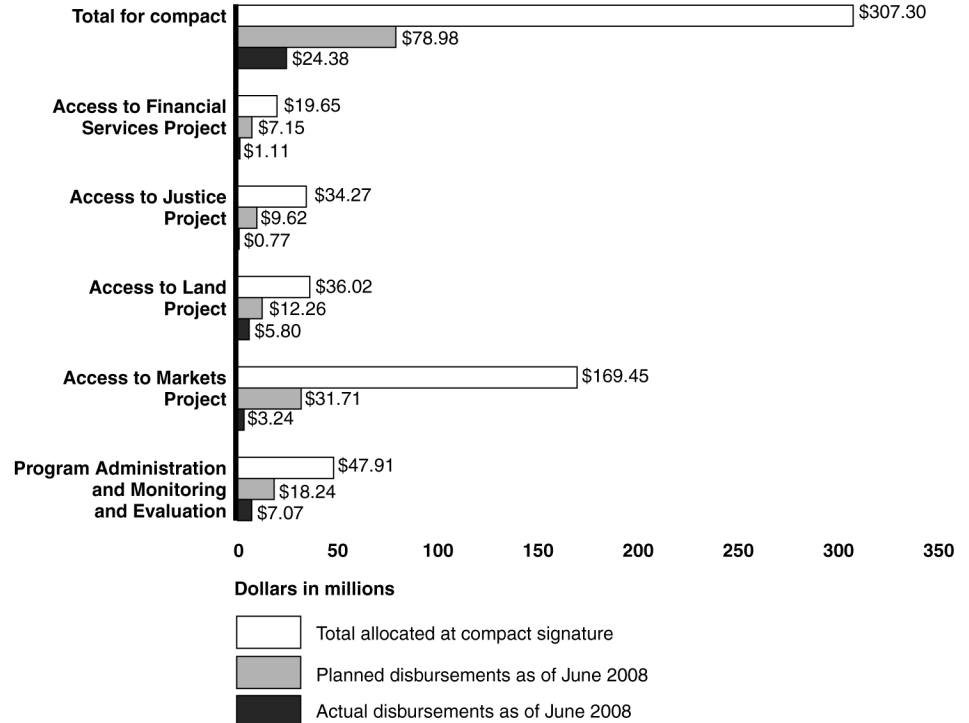
As of June 2008, 35 percent of the Benin compact's 5-year period had elapsed and MCC had disbursed \$24.38 million (7.93 percent) of compact funds, compared to the \$78.98 million (25.70 percent) that it had originally planned to disburse as of that date. In the first quarter of fiscal year 2008, MCC and the country revised the projected disbursement total to \$32.03 million by June 2008.

As of June 2008, the country had committed \$53.16 million, or 17.30 percent of compact funds. Commitments include signed contracts and the forecasted value of recurring expenses outside of a contract.

MCC reports that as a result of failing the indicator criteria in the 2007 and 2008 eligibility rounds, Benin has developed a plan to improve its performance.

Compact Status

Funds Provided for Benin Compact



Source: GAO analysis of Millennium Challenge Corporation data.

Notes: Planned disbursements are based on MCC's projections at compact signature and assume that compact funds are disbursed evenly throughout the compact implementation year.

Actual disbursements by project may not add up to the figure presented for total compact disbursements because disbursements reported as "pending subsequent report" are reflected in the compact total but not in project totals. In general, "pending subsequent report" amounts represent disbursements that will be allocated to individual projects in subsequent quarters.



MILLENNIUM CHALLENGE CORPORATION

Cape Verde Compact Fact Sheet

Country Characteristics

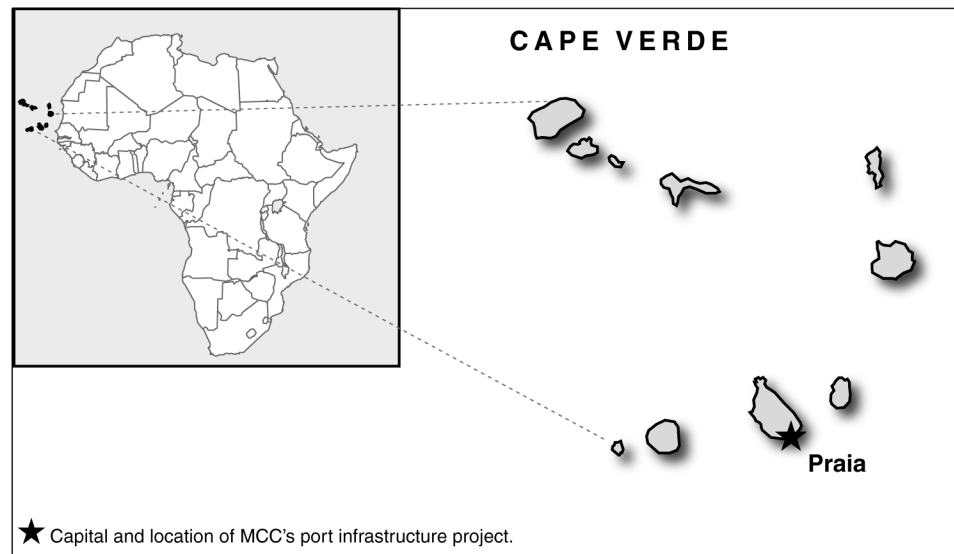
Located off of the coast of West Africa, Cape Verde is a chain of 10 islands with a population of about 427,000. Cape Verde had a gross national income (GNI) of \$2,130 per capita in 2006, and is considered to be a lower-middle-income country by the World Bank. Its economy is service oriented, with commerce, transportation, tourism, and public services constituting about three-fourths of its gross domestic product (GDP). Cape Verde is also one of Africa's most stable democracies, with the most recent government entering office in 2006. Since achieving independence from Portugal in 1975, Cape Verde has made strong advances in health, education and economic growth. According to the World Bank, Cape Verde is expected to have an estimated growth rate of 7 percent in 2007. The World Bank also reports that poverty in Cape Verde has declined from 37 percent in 2001 to 29 percent in 2006.

Compact Timeline

During compact development, MCC evaluates the country's proposal and, if MCC approves it, MCC negotiates and may sign a compact with the country. After compact signature, the country must complete MCC's entry into force requirements, such as procurement and disbursement agreements, in order for compact implementation to begin. MCC's statute limits compact implementation to 5 years.

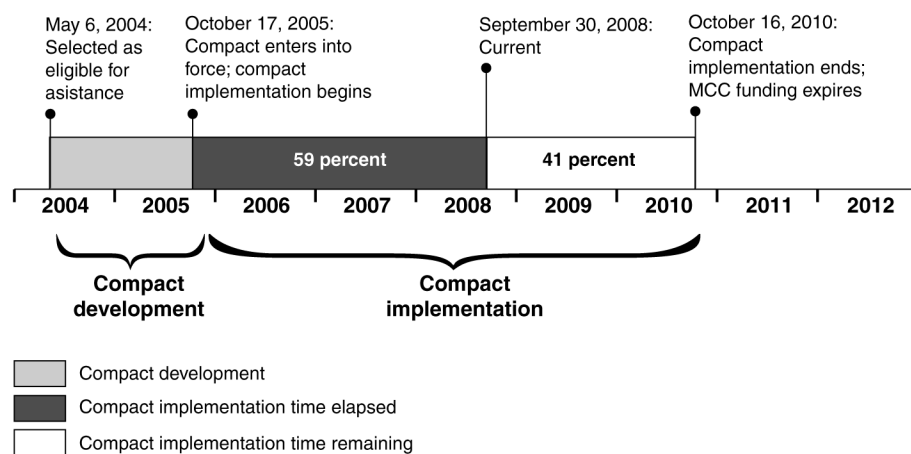
Cape Verde was 1 of 16 countries that MCC selected as eligible in its first eligibility round. It was the third country to begin implementing a compact, and as of September 30, 2008, 59 percent of the compact's 5-year period had elapsed.

Map



Sources: GAO; Millennium Challenge Corporation and Map Resources (map).

Key Events for Cape Verde Compact



Source: GAO analysis of Millennium Challenge Corporation data.

Cape Verde

MCC Candidate Criteria

Each fiscal year, MCC uses per capita incomes to identify two pools of candidate countries, low-income countries and lower-middle-income countries, based on World Bank lending thresholds. In addition, candidate countries must not be statutorily barred from receiving U.S. assistance. By law, MCC can use a maximum of 25 percent of compact assistance for any given year for new compacts with lower-middle-income countries.

Cape Verde was a low-income candidate country in 2004. It was not a candidate in 2005 because its per capita income rose above the cutoff for low-income countries. Since 2006, the first year MCC permitted lower-middle-income countries to become candidates, Cape Verde has been a lower-middle-income candidate country.

MCC Eligibility Criteria

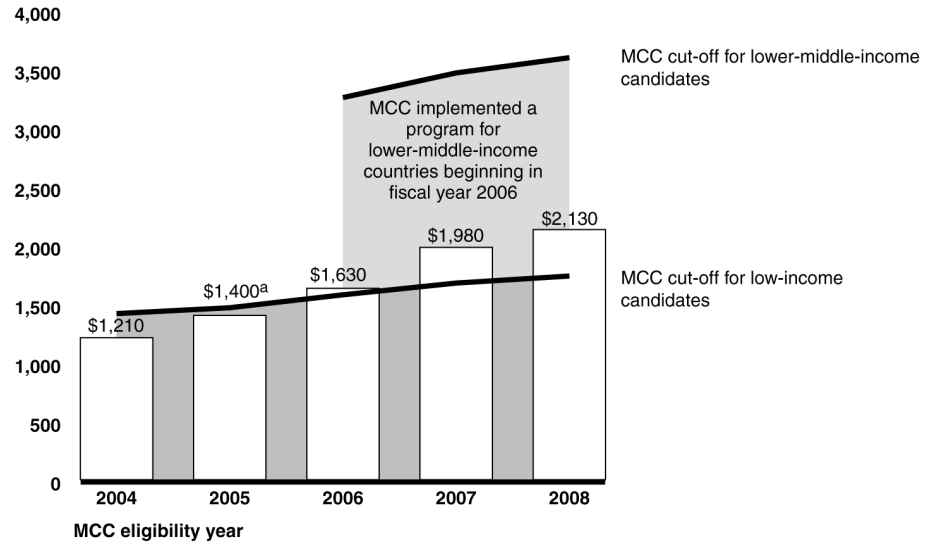
Each fiscal year, MCC's Board uses quantitative indicators to assess a candidate country's policy performance. MCC compares the country's performance on each indicator to that of other candidates. To pass an indicator, a country must score better than at least half of the other candidates (above the median) in its income group. To meet MCC's eligibility criteria, a country must pass the indicator for control of corruption and at least half of the indicators in each of three categories. However, the Board may select a country as eligible even if it does not meet the criteria, and has done so in the past—mostly for countries previously selected as eligible. If the policy performance of a country implementing a compact declines, the Board can suspend or terminate the compact; however, it has not yet done so for any country.

MCC selected Cape Verde as eligible in 2004, 2006, and 2007. MCC did not select Cape Verde as eligible in 2008 because the country had failed the indicator criteria 3 years in a row.

MCC Selection Criteria

Cape Verde GNI Per Capita

Nominal GNI per capita (in U.S. dollars)



Source: GNI per capita data are from the April 2008 version of the World Bank World Development Indicators.

^aIn its FY 2005 Annual Report, MCC reported Cape Verde's GNI per capita to be \$1,770, placing it above the low-income cutoff for the 2005 eligibility round.

Notes: The April 2008 data may include Bank updates that occurred after MCC candidate selection. Because of a two-year data lag, MCC used, for example, 2006 data in its 2008 eligibility round.

Cape Verde's Performance on MCC Eligibility Indicators

Indicator category	MCC eligibility year	2004	2005	2006	2007	2008
		MCC income group				
		Low	Not a candidate	Lower-middle	Lower-middle	Lower-middle
Ruling Justly	Political Rights	✓		✓	✓	✓
	Civil Liberties	✓		✓	✓	✓
	Voice and Accountability	✓		✓	✓	✓
	Government Effectiveness	✓		✓	✓	✓
	Rule of Law	✓		✓	✓	✓
	Control of Corruption	✓		✓	✓	✓
Investing in People	Girls' Primary Education Completion	✓		✓	X	X
	Primary Education Expenditures	✓		✓	✓	✓
	Health Expenditures	✓		✓	✓	X
	Immunization Rates	✓		X	X	X
	Natural Resource Management (2008)	✓				X
Encouraging Economic Freedom	Country Credit Rating (2004-2005)	✓				
	Days to Start a Business (2004-2007)	X		X	X	
	Cost of Starting a Business (2006-2007)			X	X	
	Business Start-up (2008)					X
	Inflation	✓		✓	✓	✓
	Fiscal Policy	✓		X	X	X
	Trade Policy	X		X	X	X
	Regulatory Quality	✓		✓	✓	X
	Land Rights and Access (2008)					X
Indicator assessment result		Passed	Not eligible	Failed	Failed	Failed
MCC eligibility determination		Eligible	Not eligible	Eligible	Eligible	Not eligible

✓ Passed (scored above the median) X Failed (scored at the median or below) [Hatched] Not used to evaluate performance

Source: GAO analysis of Millennium Challenge Corporation data.

Note: For the 2004 eligibility round, MCC used Primary Education Completion instead of Girls' Primary Education Completion.

Cape Verde

Compact Characteristics

At signature, Cape Verde's 5-year, \$110 million compact focused on water and infrastructure projects on 4 islands: Fogo, Santiago, Santo Antão, and São Nicolau. The compact funds support the upgrade and expansion of the Port of Praia, which is Cape Verde's busiest port and handles half of the country's cargo.

These data are provided as context for understanding MCC's expectations of compact benefits at the time of compact signature. Previous GAO work has identified several problems with the methodology used to determine compact projects' expected benefits (see GAO-08-730 and GAO-07-909). GAO has not independently verified the reliability of MCC's benefit projections for this compact.

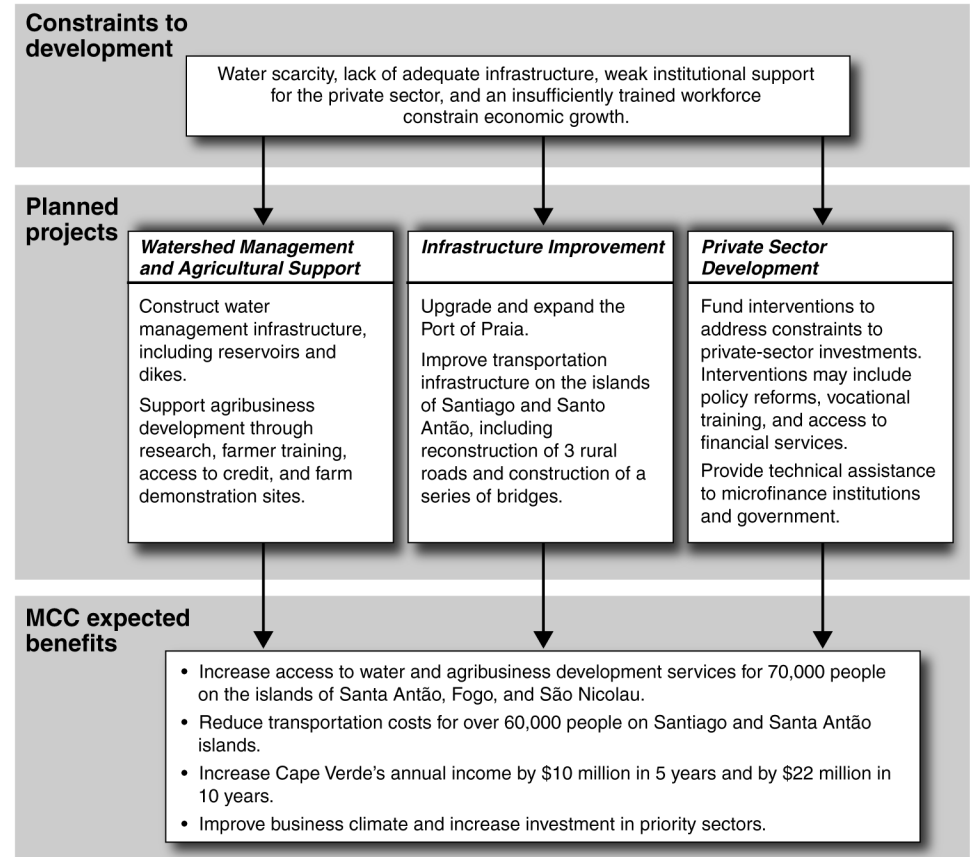
Compact Project Funding

Although the total amount of compact funding is fixed, MCC and the country may reallocate funds among projects during compact implementation as more detailed information about costs becomes available.

MCC funding allocations for Cape Verde projects have not changed since compact signature in July 2005.

Compact Summary

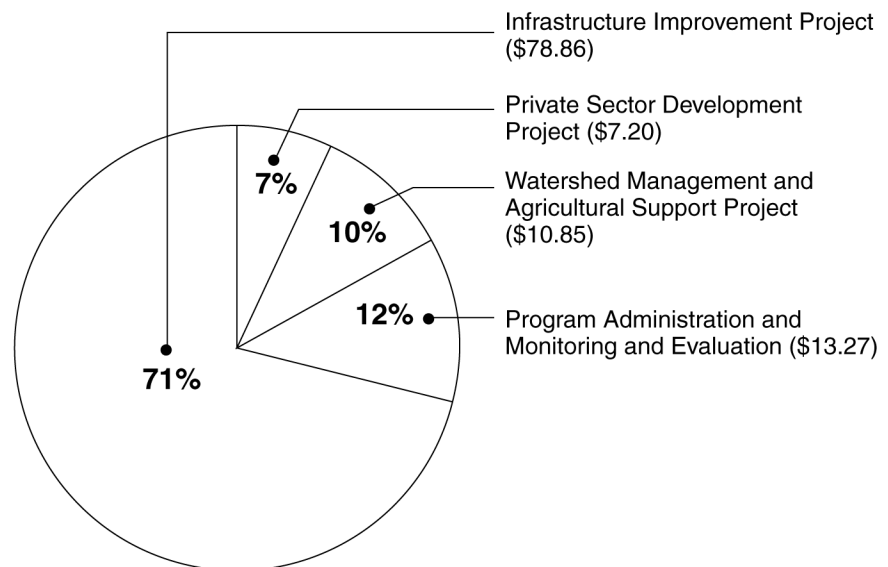
Structure of Cape Verde Compact at Signature



Source: GAO analysis of Millennium Challenge Corporation data.

Cape Verde Compact Funding as of June 2008

Dollars in millions



Source: GAO analysis of Millennium Challenge Corporation data.

Cape Verde

Compact Implementation

At compact signature, MCC develops a preliminary disbursement plan for the compact. MCC disburses funds as the country begins implementing projects. According to MCC, any funds not disbursed within 120 days after the compact ends would return to MCC for reprogramming.

As of June 2008, 54 percent of the Cape Verde compact's 5-year period had elapsed, and MCC had disbursed \$ 17.59 million (15.98 percent) of compact funds, compared with the \$67.74 million (61.54 percent) it had originally planned to disburse by June 2008. In the first quarter of fiscal year 2008, MCC and the country revised the projected disbursement total to \$30.78 million by June 2008.

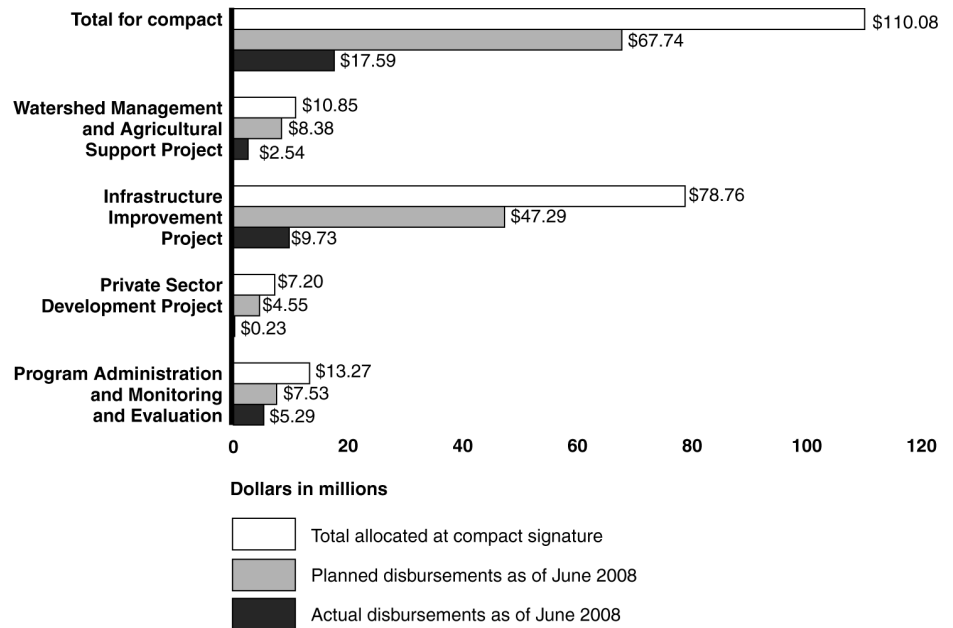
As of June 2008, the country had committed \$ 45.68 million, or 41.50 percent of compact funds. Commitments include signed contracts and the forecasted value of recurring expenses outside of a contract.

In its most recent quarterly status report, MCC reported that Cape Verde's compact was being restructured because of rising global construction costs and currency fluctuations.

MCC reports that as a result of failing the indicator criteria, Cape Verde has developed a plan to improve its performance.

Compact Status

Funds Provided for Cape Verde Compact



Source: GAO analysis of Millennium Challenge Corporation data.

Notes: Planned disbursements are based on MCC's projections at compact signature and assume that compact funds are disbursed evenly throughout the compact implementation year.

Actual disbursements by project may not add up to the figure presented for total compact disbursements because disbursements reported as "pending subsequent report" are reflected in the compact total but not in project totals. In general, "pending subsequent report" amounts represent disbursements that will be allocated to individual projects in subsequent quarters.



MILLENNIUM CHALLENGE CORPORATION

El Salvador Compact Fact Sheet

Country Characteristics

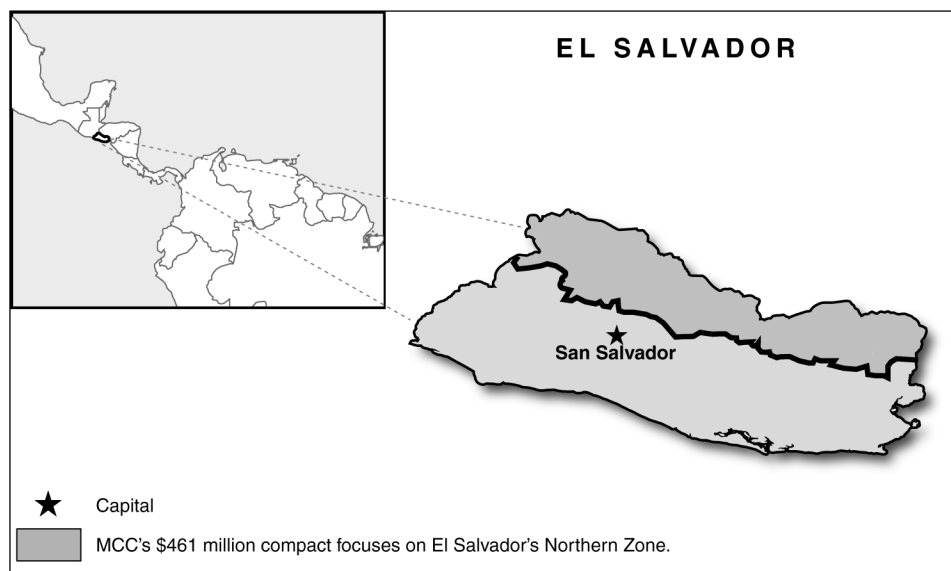
Located in Central America, El Salvador has a population of about 7.1 million. El Salvador had a gross national income (GNI) of \$2,680 per capita in 2006, and is considered to be a lower-middle-income country by the World Bank. The economy is largely based on services, which constitute an estimated 63 percent of the country's gross domestic product (GDP). Following a decade-long civil war in the 1980s, the El Salvadoran government began to institute economic reforms in the 1990s. Despite a strong record of economic reform, El Salvador has experienced relatively low economic growth rates. From 2000 to 2004, growth averaged less than 2 percent. However, the situation has improved recently, with a growth rate of 4 percent in 2006 owing to the strong performance of the agricultural, construction, and private service sectors.

Compact Timeline

During compact development, MCC evaluates the country's proposal and, if MCC approves it, MCC negotiates and may sign a compact with the country. After compact signature, the country must complete MCC's entry into force requirements, such as procurement and disbursement agreements, in order for compact implementation to begin. MCC's statute limits compact implementation to 5 years.

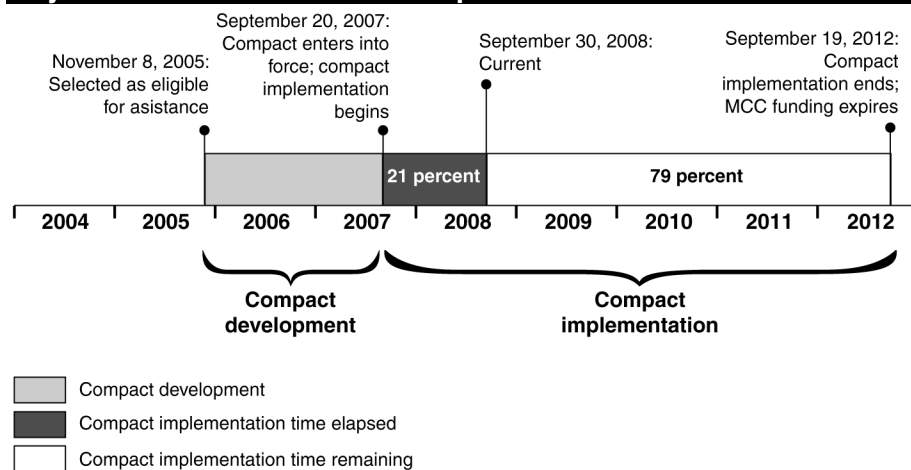
El Salvador was one of three lower-middle-income countries selected in the FY 2006 eligibility round, the first year of MCC's program for lower-middle-income countries. El Salvador was the first lower-middle-income country to begin implementing a compact and as of September 30, 2008, 21 percent of the compact's 5-year period had elapsed.

Map



Sources: GAO; Millennium Challenge Corporation and Map Resources (map).

Key Events for El Salvador Compact



Source: GAO analysis of Millennium Challenge Corporation data.

El Salvador

MCC Candidate Criteria

Each fiscal year, MCC uses per capita incomes to identify two pools of candidate countries, low-income countries and lower-middle-income countries, based on World Bank lending thresholds. In addition, candidate countries must not be statutorily barred from receiving U.S. assistance. By law, MCC can use a maximum of 25 percent of compact assistance for any given year for new compacts with lower-middle-income countries.

El Salvador was a candidate for MCC assistance for the first time in 2006, the first year that MCC permitted lower-middle-income countries to be candidates for assistance.

MCC Eligibility Criteria

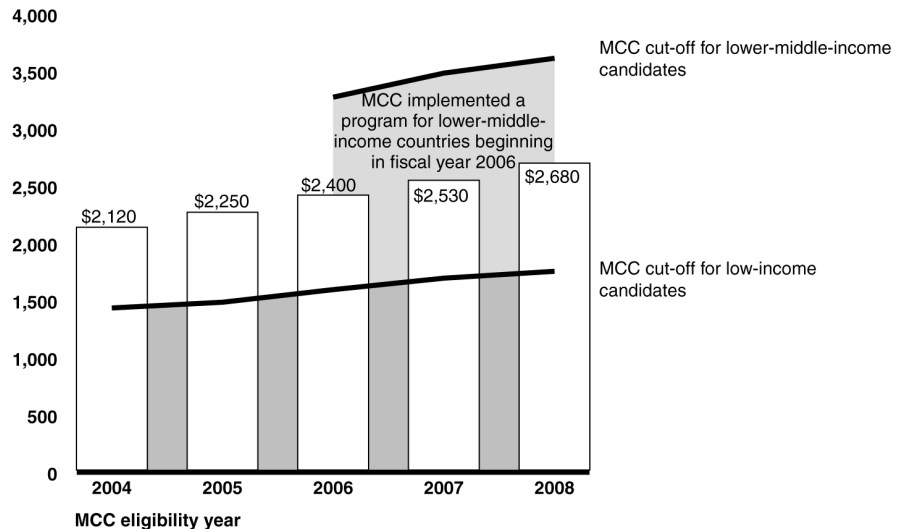
Each fiscal year, MCC's Board uses quantitative indicators to assess a candidate country's policy performance. MCC compares the country's performance on each indicator to that of other candidates. To pass an indicator, a country must score better than at least half of the other candidates (above the median) in its income group. To meet MCC's eligibility criteria, a country must pass the indicator for control of corruption and at least half of the indicators in each of three categories. However, the Board may select a country as eligible even if it does not meet the criteria, and has done so in the past—mostly for countries previously selected as eligible. If the policy performance of a country implementing a compact declines, the Board can suspend or terminate the compact; however, it has not yet done so for any country.

MCC selected El Salvador as eligible every year since 2006, although El Salvador did not pass the indicator criteria in 2008 because it failed 4 of 5 indicators in the Investing in People category.

MCC Selection Criteria

El Salvador GNI Per Capita

Nominal GNI per capita (in U.S. dollars)



Source: GNI per capita data are from the April 2008 version of the World Bank World Development Indicators.

Notes: The April 2008 data may include Bank updates that occurred after MCC candidate selection. Because of a two-year data lag, MCC used, for example, 2006 data in its 2008 eligibility round.

El Salvador's Performance on MCC Eligibility Indicators

Indicator category	MCC eligibility year	2004	2005	2006	2007	2008
		MCC income group	Not a candidate	Not a candidate	Lower-middle	Lower-middle
Ruling Justly	Political Rights			✓	✓	✓
	Civil Liberties			X	✓	✓
	Voice and Accountability			✓	✓	✓
	Government Effectiveness			✓	X	X
	Rule of Law			X	✓	X
	Control of Corruption			✓	✓	✓
Investing in People	Girls' Primary Education Completion			X	X	X
	Primary Education Expenditures			X	X	X
	Health Expenditures			✓	✓	X
	Immunization Rates			✓	✓	✓
	Natural Resource Management (2008)					X
Encouraging Economic Freedom	Country Credit Rating (2004-2005)					
	Days to Start a Business (2004-2007)			X	✓	
	Cost of Starting a Business (2006-2007)			X	X	
	Business Start-up (2008)					X
	Inflation			✓	✓	✓
	Fiscal Policy			X	X	X
	Trade Policy			✓	✓	✓
	Regulatory Quality			✓	✓	✓
	Land Rights and Access (2008)					X
	Indicator assessment result				Passed	Passed
MCC eligibility determination		Not eligible	Not eligible	Eligible	Eligible	Eligible

✓ Passed (scored above the median) X Failed (scored at the median or below) [Hatched Box] Not used to evaluate performance

Source: GAO analysis of Millennium Challenge Corporation data.

Note: For the 2004 eligibility round, MCC used Primary Education Completion instead of Girls' Primary Education Completion.

El Salvador

Compact Characteristics

At signature, El Salvador's 5-year, \$461 million compact focused on developing the economy of the country's Northern Zone, where, according to MCC, nearly 20 percent of El Salvador's poor live.

The data in the graphic represent MCC's expectations of compact benefits at the time of compact signature. In June 2008, GAO reported that MCC had made errors in its original projections of the impact of El Salvador's compact (GAO-08-730). MCC corrected these errors, reducing the expected impact on poverty and income. For example, MCC originally projected that beneficiaries' per capita income would increase by \$148 but now projects an increase of \$123—a 17 percent decrease from the original projection.

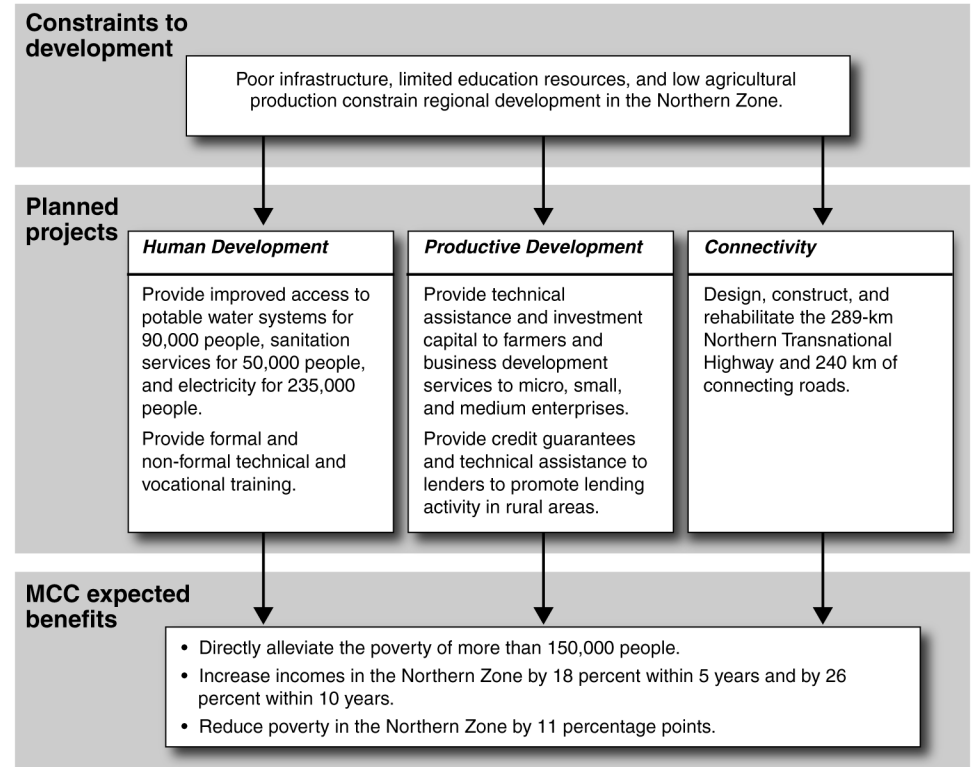
Compact Project Funding

Although the total amount of compact funding is fixed, MCC and the country may reallocate funds among projects during compact implementation as more detailed information about costs becomes available.

MCC funding allocations for El Salvador projects have not changed since compact signature in November 2006.

Compact Summary

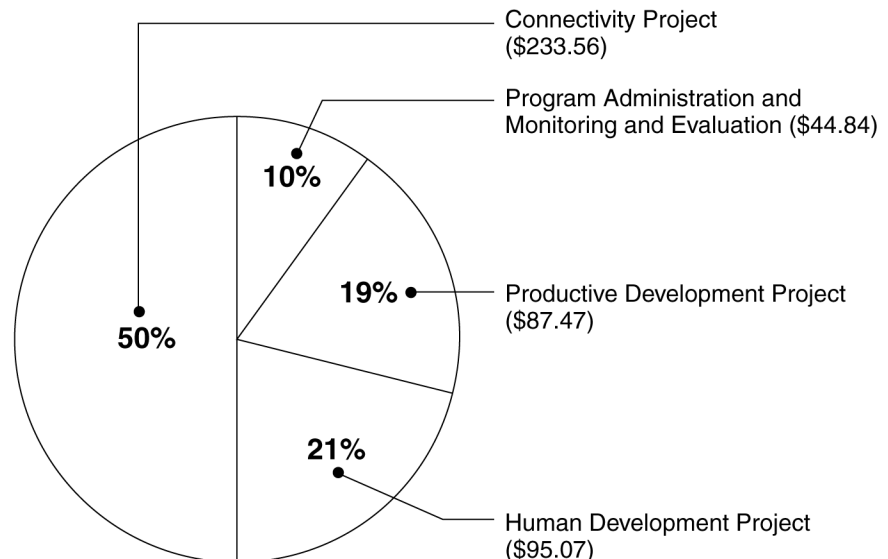
Structure of El Salvador Compact at Signature



Source: GAO analysis of Millennium Challenge Corporation data.

El Salvador Compact Funding as of June 2008

Dollars in millions



Source: GAO analysis of Millennium Challenge Corporation data.

El Salvador

Compact Implementation

At compact signature, MCC develops a preliminary disbursement plan for the compact. MCC disburses funds as the country begins implementing projects. According to MCC, any funds not disbursed within 120 days after the compact ends would return to MCC for reprogramming.

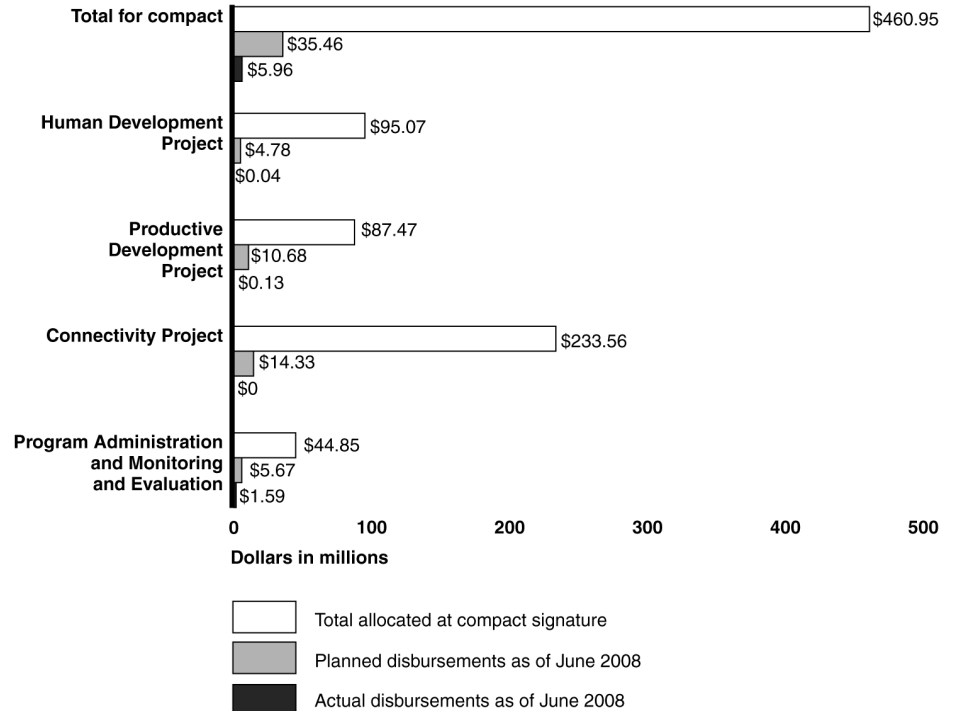
As of June 2008, 16 percent of the El Salvador compact's 5-year period had elapsed and MCC had disbursed \$5.96 million (1.29 percent) of compact funds, compared with the \$35.46 million (7.69 percent) it had originally planned to disburse by June 2008. In the first quarter of fiscal year 2008, MCC and the country revised the projected disbursement total to \$12.27 million by June 2008.

As of June 2008, the country had committed \$53.20 million, or 11.54 percent of compact funds. Commitments include signed contracts and the forecasted value of recurring expenses outside of a contract.

MCC reports that as a result of failing the indicator criteria in the 2008 eligibility round, El Salvador has developed a plan to improve its performance.

Compact Status

Funds Provided for El Salvador Compact



Source: GAO analysis of Millennium Challenge Corporation data.

Notes: Planned disbursements are based on MCC's projections at compact signature and assume that compact funds are disbursed evenly throughout the compact implementation year.

Actual disbursements by project may not add up to the figure presented for total compact disbursements because disbursements reported as "pending subsequent report" are reflected in the compact total but not in project totals. In general, "pending subsequent report" amounts represent disbursements that will be allocated to individual projects in subsequent quarters.



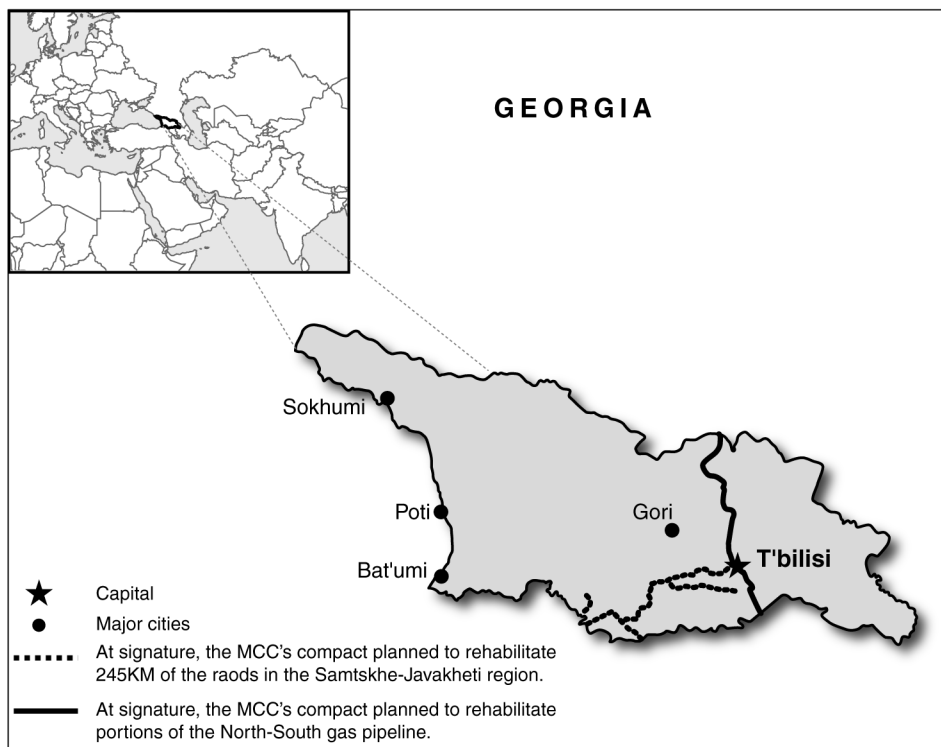
MILLENNIUM CHALLENGE CORPORATION

Georgia Compact Fact Sheet

Country Characteristics

Located in the Caucasus region of Asia on the southern border of Russia, Georgia has a population of about 4.6 million. Georgia had a gross national income (GNI) of \$1,580 per capita in 2006. Its economy is based on agriculture, mining, and industry and grew by 9.4 percent in 2006. Following widespread protests that led to its president's resignation, Georgia elected a new government in 2004. The new government has focused on anticorruption efforts and on economic, education, and healthcare reform. However, the conflict with Russia that erupted in August 2008 poses a challenge to the government's reform efforts.

Map



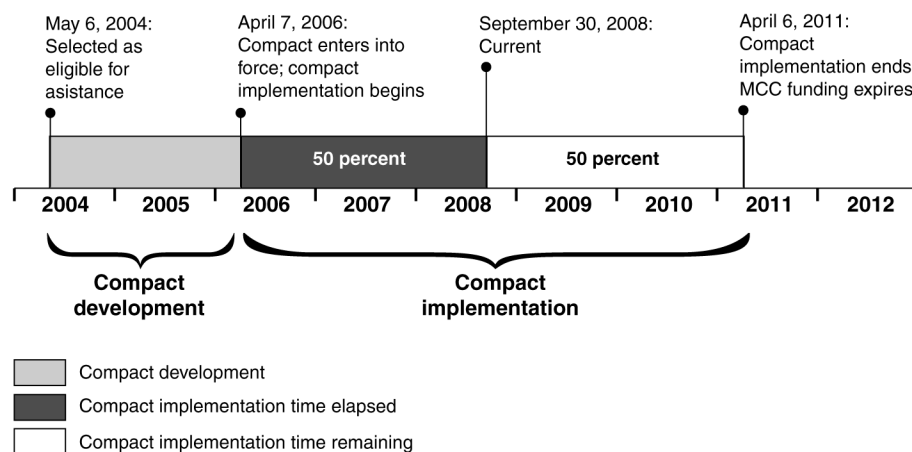
Sources: GAO; Millennium Challenge Corporation and Map Resources (map).

Compact Timeline

During compact development, MCC evaluates the country's proposal and, if MCC approves it, MCC negotiates and may sign a compact with the country. After compact signature, the country must complete MCC's entry into force requirements, such as procurement and disbursement agreements, in order for compact implementation to begin. MCC's statute limits compact implementation to 5 years.

Georgia was 1 of 16 countries that MCC selected as eligible in its first eligibility round. As of September 30, 2008, 50 percent of the compact's 5-year period had elapsed.

Key Events for Georgia Compact



Source: GAO analysis of Millennium Challenge Corporation data.

Georgia

MCC Candidate Criteria

Each fiscal year, MCC uses per capita incomes to identify two pools of candidate countries, low-income countries and lower-middle-income countries, based on World Bank lending thresholds. In addition, candidate countries must not be statutorily barred from receiving U.S. assistance. By law, MCC can use a maximum of 25 percent of compact assistance for any given year for new compacts with lower-middle-income countries.

Georgia has been a low-income candidate country every year since MCC began operations in 2004.

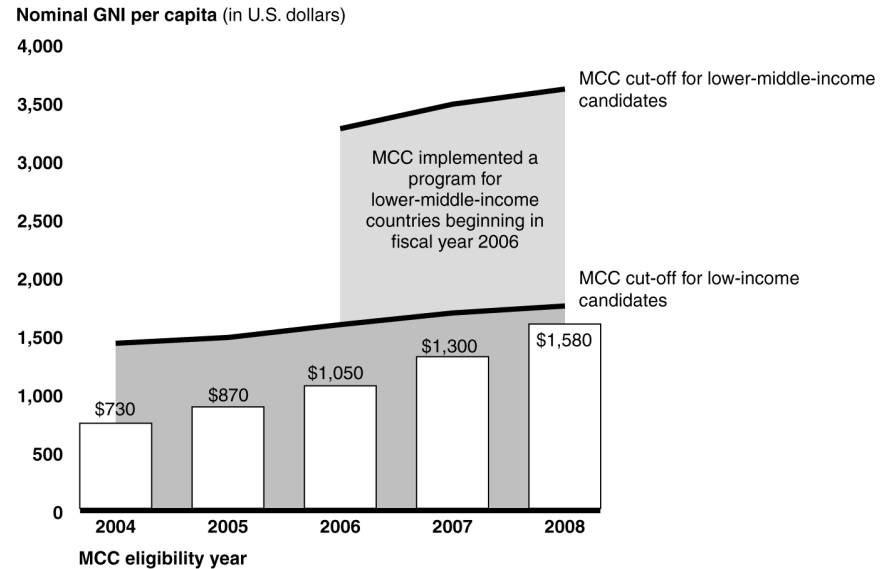
MCC Eligibility Criteria

Each fiscal year, MCC's Board uses quantitative indicators to assess a candidate country's policy performance. MCC compares the country's performance on each indicator to that of other candidates. To pass an indicator, a country must score better than at least half of the other candidates (above the median) in its income group. To meet MCC's eligibility criteria, a country must pass the indicator for control of corruption and at least half of the indicators in each of three categories. However, the Board may select a country as eligible even if it does not meet the criteria, and has done so in the past—mostly for countries previously selected as eligible. If the policy performance of a country implementing a compact declines, the Board can suspend or terminate the compact; however, it has not yet done so for any country.

MCC has selected Georgia as eligible every year since 2004. Although Georgia did not pass MCC's indicator criteria from 2004-2006, improved performance led to its passing the criteria in 2007 and 2008.

MCC Selection Criteria

Georgia GNI Per Capita



Source: GNI per capita data are from the April 2008 version of the World Bank World Development Indicators. Notes: The April 2008 data may include Bank updates that occurred after MCC candidate selection. Because of a two-year data lag, MCC used, for example, 2006 data in its 2008 eligibility round.

Georgia's Performance on MCC Eligibility Indicators

Indicator category	MCC eligibility year	2004	2005	2006	2007	2008
		Low	Low	Low	Low	Low
Ruling Justly	Political Rights	X	✓	✓	✓	✓
	Civil Liberties	X	✓	✓	✓	✓
	Voice and Accountability	✓	✓	✓	✓	✓
	Government Effectiveness	✓	✓	✓	✓	✓
	Rule of Law	X	X	X	✓	✓
	Control of Corruption	X	X	X	✓	✓
Investing in People	Girls' Primary Education Completion	✓	✓	✓	✓	✓
	Primary Education Expenditures	X	X	X	X	X
	Health Expenditures	X	X	✓	X	X
	Immunization Rates	✓	X	✓	✓	✓
	Natural Resource Management (2008)					✓
Encouraging Economic Freedom	Country Credit Rating (2004-2005)	X	✓			
	Days to Start a Business (2004-2007)	✓	✓	✓	✓	
	Cost of Starting a Business (2006-2007)			✓	✓	
	Business Start-up (2008)					✓
	Inflation	✓	✓	✓	✓	✓
	Fiscal Policy	✓	✓	✓	✓	✓
	Trade Policy	X	X	✓	✓	✓
	Regulatory Quality	X	X	X	✓	✓
	Land Rights and Access (2008)					✓
Indicator assessment result		Failed	Failed	Failed	Passed	Passed
MCC eligibility determination		Eligible	Eligible	Eligible	Eligible	Eligible

✓ Passed (scored above the median) X Failed (scored at the median or below) [Hatched Box] Not used to evaluate performance

Source: GAO analysis of Millennium Challenge Corporation data.

Note: For the 2004 eligibility round, MCC used Primary Education Completion instead of Girls' Primary Education Completion.

Georgia

Compact Characteristics

At signature, the 5-year, \$295.3 million Georgia compact aimed to stimulate growth in regions outside of the capital, Tbilisi, with an emphasis on the Samtskhe-Javakheti region in southwestern Georgia. Collectively, these regions are home to more than 40 percent of the country's total population. The compact included plans to rehabilitate key infrastructure, creating a reliable energy and water supply and lowering transportation costs. The compact also included plans to invest in and provide technical assistance to regional enterprises, increasing agricultural productivity, jobs, and incomes.

These data are provided as context for understanding MCC's expectations of compact benefits at the time of compact signature. Previous GAO work has identified several problems with the methodology used to determine compact projects' expected benefits (see GAO-08-730 and GAO-07-909). GAO has not independently verified the reliability of MCC's benefit projections for this compact.

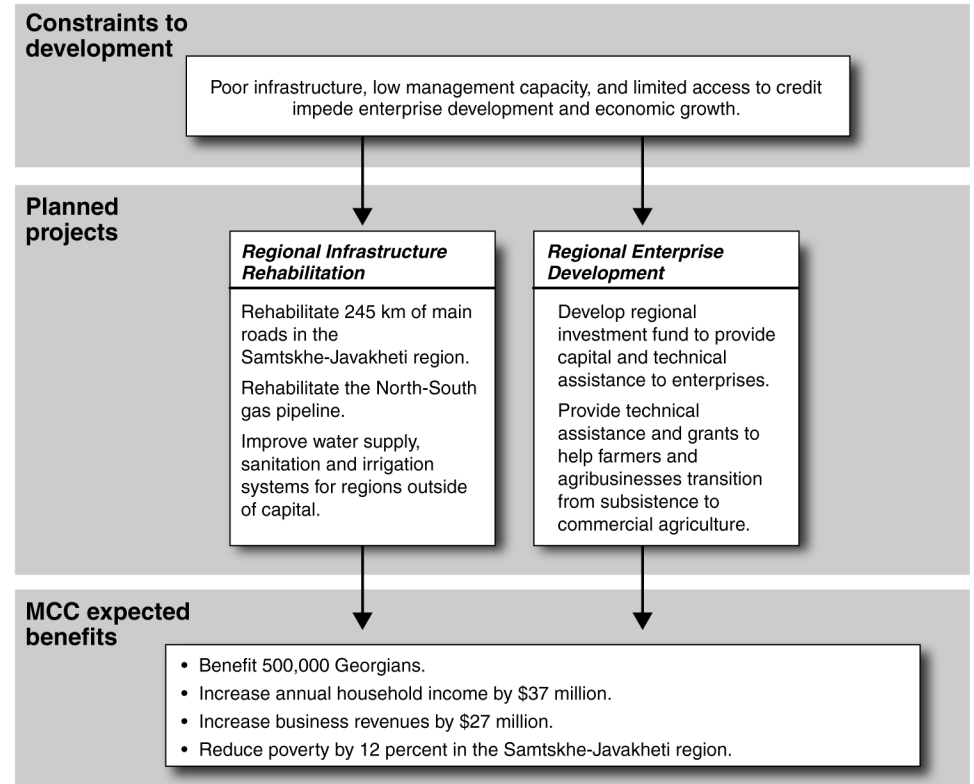
Compact Project Funding

Although the total amount of compact funding is fixed, MCC and the country may reallocate funds among projects during compact implementation as more detailed information about costs becomes available.

MCC compact funding for Georgia has not changed at the project level. However, MCC has approved slight changes in the allocation of funds within the Regional Infrastructure Project, adding \$21.4 million to complete the rehabilitation of the Samtskhe-Javakheti road. This sum was reallocated from funds originally intended for regional infrastructure development and program administration.

Compact Summary

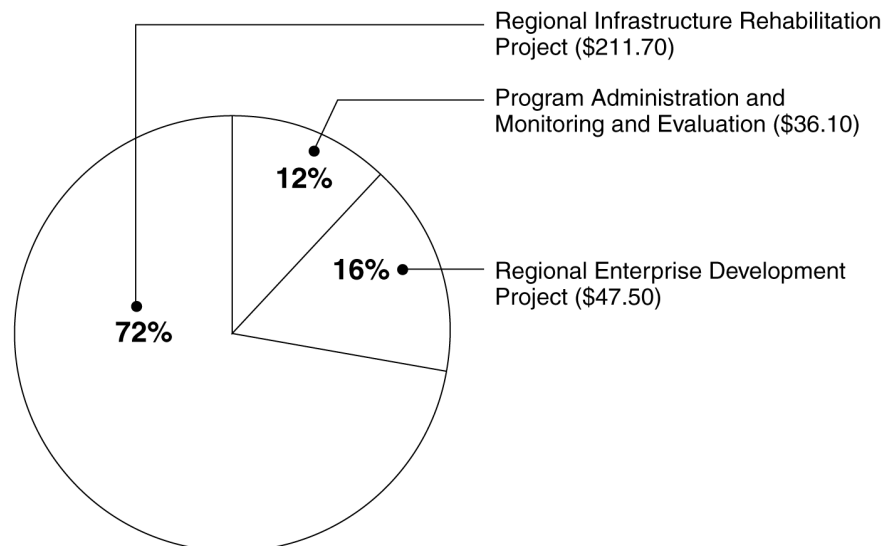
Structure of Georgia Compact at Signature



Source: GAO analysis of Millennium Challenge Corporation data.

Georgia Compact Funding as of June 2008

Dollars in millions



Source: GAO analysis of Millennium Challenge Corporation data.

Georgia

Compact Implementation

At compact signature, MCC develops a preliminary disbursement plan for the compact. MCC disburses funds as the country begins implementing projects. According to MCC, any funds not disbursed within 120 days after the compact ends would return to MCC for reprogramming.

As of June 2008, 45 percent of the Georgia compact's 5-year period had elapsed and MCC had disbursed \$51.31 million (17.38 percent) of compact funds, compared with the \$168.24 million (56.97 percent) it had originally planned to disburse by June 2008. In the first quarter of fiscal year 2008, MCC and the country revised the projected disbursement total to \$70.58 million by June 2008.

As of June 2008, the country had committed \$192.92 million, or 65.33 percent of compact funds. Commitments include signed contracts and the forecasted value of recurring expenses outside of a contract.

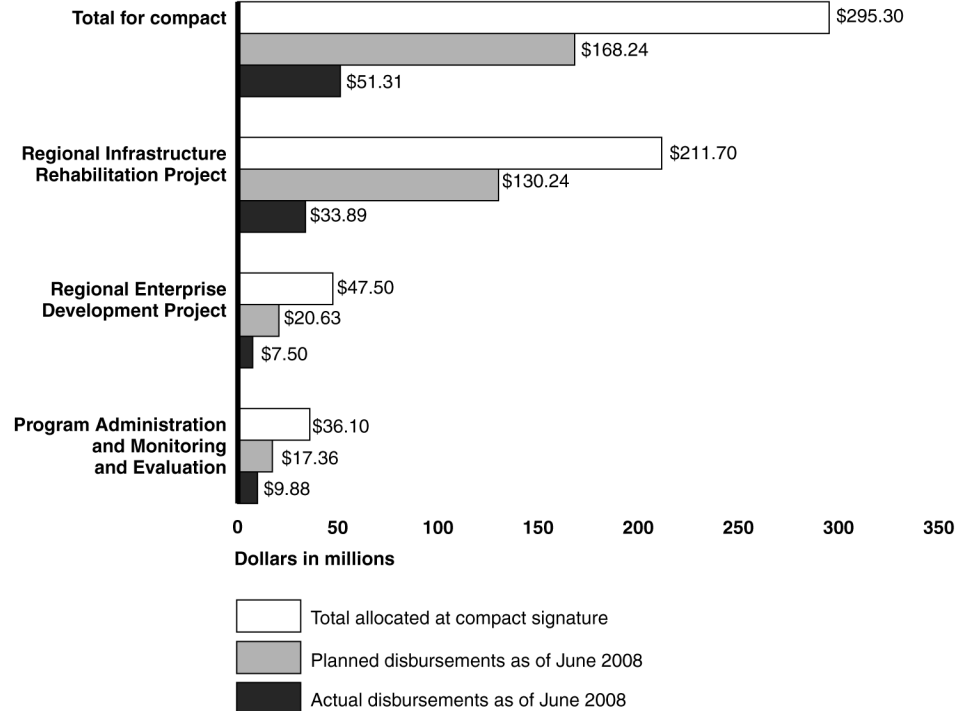
Owing to rising construction costs and currency fluctuations, MCC lacks sufficient funding for the full cost of rehabilitating 245 km of the Samtskhe-Javakheti road. Therefore, MCC will fund the rehabilitation of about 119 km and may reallocate funds from other activities for the rehabilitation of an additional 50 km. The Georgian government may fund the remaining road's rehabilitation.

In December 2007, MCC completed the first phase of the pipeline project, rehabilitating six sections of the North-South gas pipeline that needed emergency repairs. MCC had prioritized these repairs based on feasibility studies.

The conflict between Russian and Georgia that erupted in August 2008 may affect the implementation of compact projects.

Compact Status

Funds Provided for Georgia Compact



Source: GAO analysis of Millennium Challenge Corporation data.

Notes: Planned disbursements are based on MCC's projections at compact signature and assume that compact funds are disbursed evenly throughout the compact implementation year.

Actual disbursements by project may not add up to the figure presented for total compact disbursements because disbursements reported as "pending subsequent report" are reflected in the compact total but not in project totals. In general, "pending subsequent report" amounts represent disbursements that will be allocated to individual projects in subsequent quarters.



MILLENNIUM CHALLENGE CORPORATION

Ghana Compact Fact Sheet

Country Characteristics

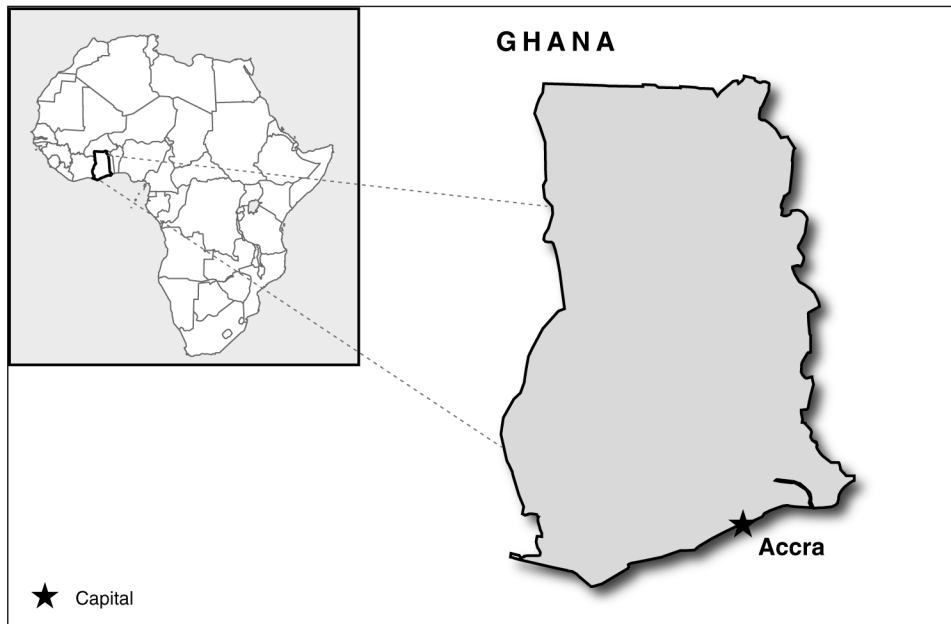
Located in coastal West Africa, Ghana has a population of approximately 23.4 million. Ghana had a gross national income (GNI) of \$510 per capita in 2006. Ghana's economy is based on agriculture, which accounts for 40 percent of its gross domestic product (GDP). Despite its low income per capita, Ghana has experienced strong economic growth rates since 2000, with real GDP growth rising from 3.7 percent in 2000 to 6.4 percent in 2006, and expected to reach 6.7 percent in 2008. Additionally, according to World Bank statistics, poverty levels fell from 52 percent in 1992 to 28.5 percent in 2005. Ghana has received debt relief as part of the Heavily Indebted Poor Country Initiative—in which multilateral organizations and governments reduce poor countries' debts—and the Multilateral Debt Relief Initiative, in which multilateral organizations provide full debt relief.

Compact Timeline

During compact development, MCC evaluates the country's proposal and, if MCC approves it, MCC negotiates and may sign a compact with the country. After compact signature, the country must complete MCC's entry into force requirements, such as procurement and disbursement agreements, in order for compact implementation to begin. MCC's statute limits compact implementation to 5 years.

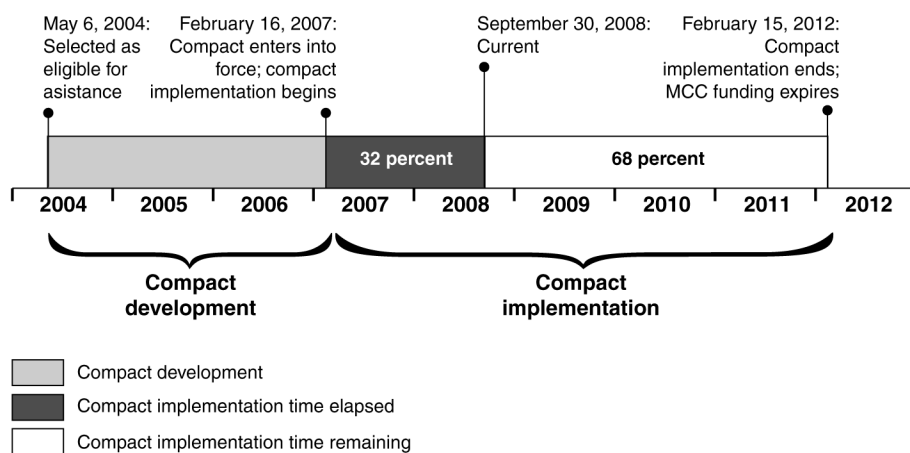
Ghana was 1 of 16 countries that MCC selected as eligible in its first eligibility round. As of September 30, 2008, 32 percent of the compact's 5-year period had elapsed.

Map



Sources: GAO; Millennium Challenge Corporation and Map Resources (map).

Key Events for Ghana Compact



Source: GAO analysis of Millennium Challenge Corporation data.

Ghana

MCC Candidate Criteria

Each fiscal year, MCC uses per capita incomes to identify two pools of candidate countries, low-income countries and lower-middle-income countries, based on World Bank lending thresholds. In addition, candidate countries must not be statutorily barred from receiving U.S. assistance. By law, MCC can use a maximum of 25 percent of compact assistance for any given year for new compacts with lower-middle-income countries.

Ghana has been a low-income candidate country every year since MCC began operations in 2004.

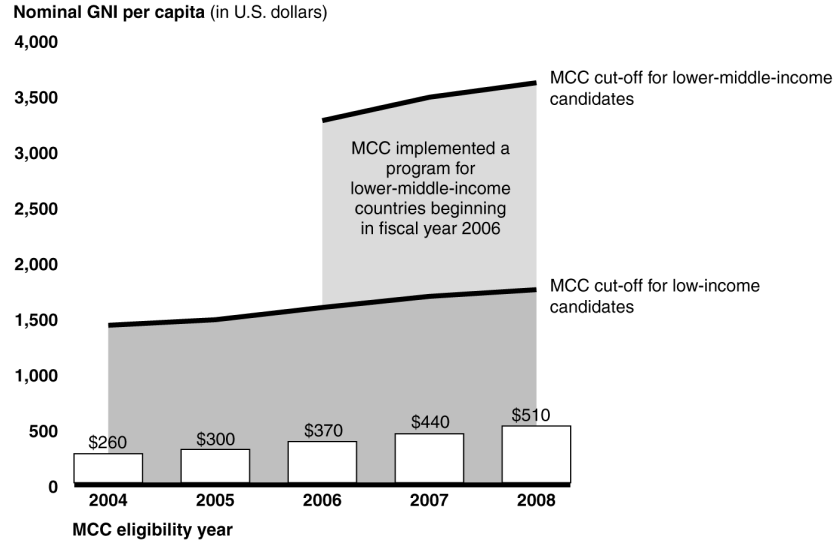
MCC Eligibility Criteria

Each fiscal year, MCC's Board uses quantitative indicators to assess a candidate country's policy performance. MCC compares the country's performance on each indicator to that of other candidates. To pass an indicator, a country must score better than at least half of the other candidates (above the median) in its income group. To meet MCC's eligibility criteria, a country must pass the indicator for control of corruption and at least half of the indicators in each of three categories. However, the Board may select a country as eligible even if it does not meet the criteria, and has done so in the past—mostly for countries previously selected as eligible. If the policy performance of a country implementing a compact declines, the Board can suspend or terminate the compact; however, it has not yet done so for any country.

MCC has selected Ghana as eligible for compact assistance every year since 2004, although Ghana did not pass MCC's criteria in 2007 because it failed 4 of 6 indicators in the Encouraging Economic Freedom category.

MCC Selection Criteria

Ghana GNI Per Capita



Source: GNI per capita data are from the April 2008 version of the World Bank World Development Indicators. Notes: The April 2008 data may include Bank updates that occurred after MCC candidate selection. Because of a two-year data lag, MCC used, for example, 2006 data in its 2008 eligibility round.

Ghana's Performance on MCC Eligibility Indicators

Indicator category	MCC eligibility year	2004	2005	2006	2007	2008
		MCC income group				
		Low	Low	Low	Low	Low
Ruling Justly	Political Rights	✓	✓	✓	✓	✓
	Civil Liberties	✓	✓	✓	✓	✓
	Voice and Accountability	✓	✓	✓	✓	✓
	Government Effectiveness	✓	✓	✓	✓	✓
	Rule of Law	✓	✓	✓	✓	✓
	Control of Corruption	✓	✓	✓	✓	✓
Investing in People	Girls' Primary Education Completion	✓	X	X	X	X
	Primary Education Expenditures	✓	✓	✓	✓	✓
	Health Expenditures	✓	✓	✓	X	✓
	Immunization Rates	✓	✓	✓	✓	✓
	Natural Resource Management (2008)					✓
Encouraging Economic Freedom	Country Credit Rating (2004-2005)	✓	✓			
	Days to Start a Business (2004-2007)	X	X	X	X	
	Cost of Starting a Business (2006-2007)			✓	✓	
	Business Start-up (2008)					✓
	Inflation	✓	✓	X	X	✓
	Fiscal Policy	X	X	X	X	X
	Trade Policy	X	X	✓	X	X
	Regulatory Quality	✓	✓	✓	✓	✓
	Land Rights and Access (2008)					✓
Indicator assessment result		Passed	Passed	Passed	Failed	Passed
MCC eligibility determination		Eligible	Eligible	Eligible	Eligible	Eligible

✓ Passed (scored above the median) X Failed (scored at the median or below) [Hatched Box] Not used to evaluate performance

Source: GAO analysis of Millennium Challenge Corporation data. Note: For the 2004 eligibility round, MCC used Primary Education Completion instead of Girls' Primary Education Completion.

Ghana

Compact Characteristics

At signature, Ghana's 5-year compact provided approximately \$547 million for projects in 23 districts in the northern region, the Afram Basin region, and the southern agricultural area in the Southeastern region. Poverty rates in these locations are generally higher than 40 percent.

These data are provided as context for understanding MCC's expectations of compact benefits at the time of compact signature. Previous GAO work has identified several problems with the methodology used to determine compact projects' expected benefits (see GAO-08-730 and GAO-07-909). GAO has not independently verified the reliability of MCC's benefit projections for this compact.

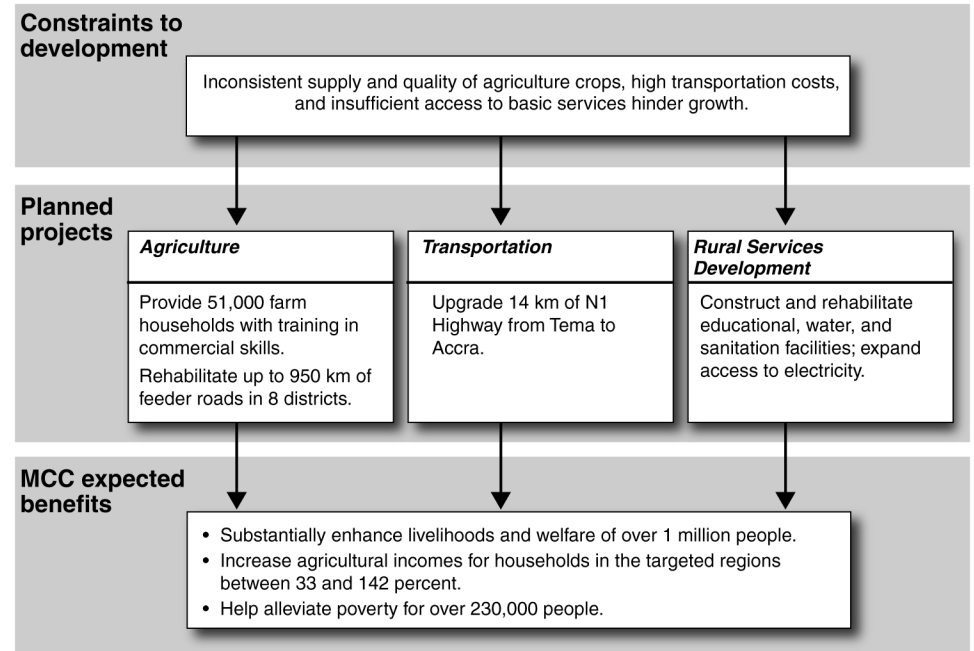
Compact Project Funding

Although the total amount of compact funding is fixed, MCC and the country may reallocate funds among projects during compact implementation as more detailed information about costs becomes available.

MCC funding allocations for Ghana projects have not changed since compact signature in August 2006.

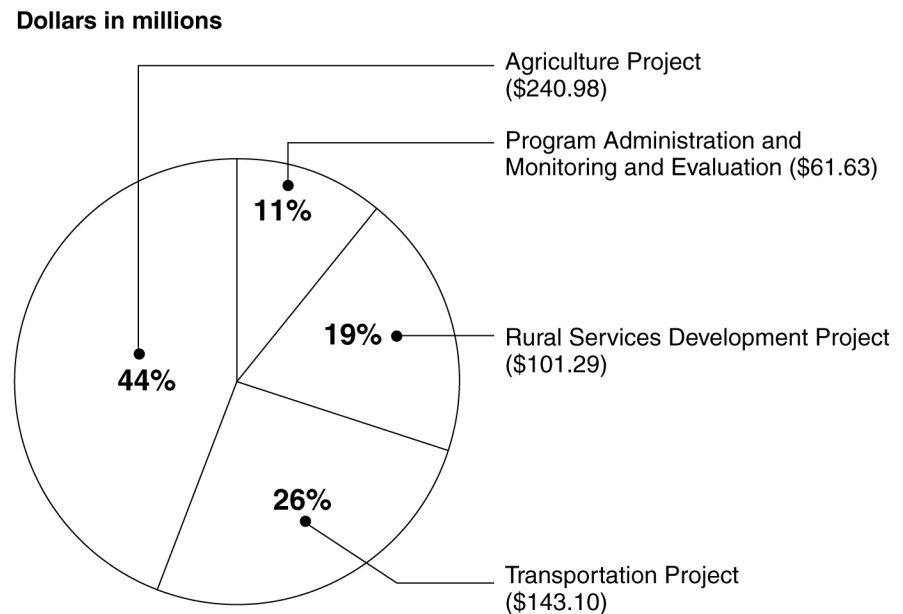
Compact Summary

Structure of Ghana Compact at Signature



Source: GAO analysis of Millennium Challenge Corporation data.

Ghana Compact Funding as of June 2008



Source: GAO analysis of Millennium Challenge Corporation data.

Ghana

Compact Implementation

At compact signature, MCC develops a preliminary disbursement plan for the compact. MCC disburses funds as the country begins implementing projects. According to MCC, any funds not disbursed within 120 days after the compact ends would return to MCC for reprogramming.

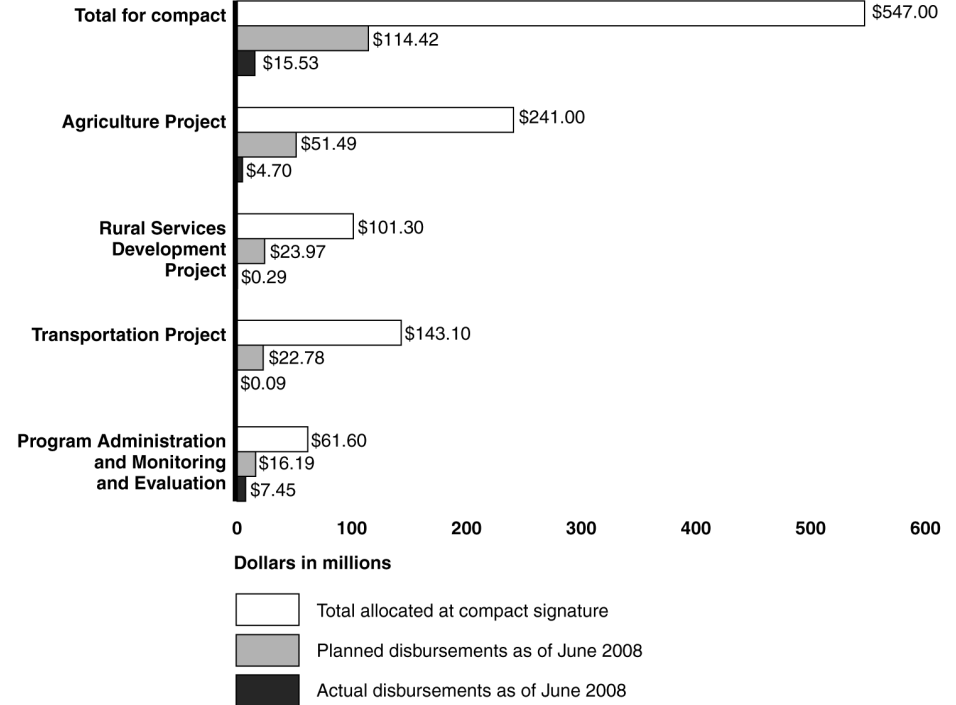
As of June 2008, 27 percent of the Ghana compact's 5-year period had elapsed, and MCC had only disbursed \$15.53 million (2.84 percent) of compact funds, compared with the \$114.42 million (20.92 percent) it had originally planned to disburse as of that date. In the first quarter of fiscal year 2008, MCC and the country revised the projected disbursement total to \$48.63 million by June 2008.

As of June 2008, the country had committed \$75.12 million, or 13.73 percent of compact funds. Commitments include signed contracts and the forecasted value of recurring expenses outside of a contract.

MCC reports that as a result of failing the indicator criteria in the 2007 eligibility round, Ghana has developed a plan to improve its performance.

Compact Status

Funds Provided for Ghana Compact



Source: GAO analysis of Millennium Challenge Corporation data.

Notes: Planned disbursements are based on MCC's projections at compact signature and assume that compact funds are disbursed evenly throughout the compact implementation year.

Actual disbursements by project may not add up to the figure presented for total compact disbursements because disbursements reported as "pending subsequent report" are reflected in the compact total but not in project totals. In general, "pending subsequent report" amounts represent disbursements that will be allocated to individual projects in subsequent quarters.



MILLENNIUM CHALLENGE CORPORATION

Honduras Compact Fact Sheet

Country Characteristics

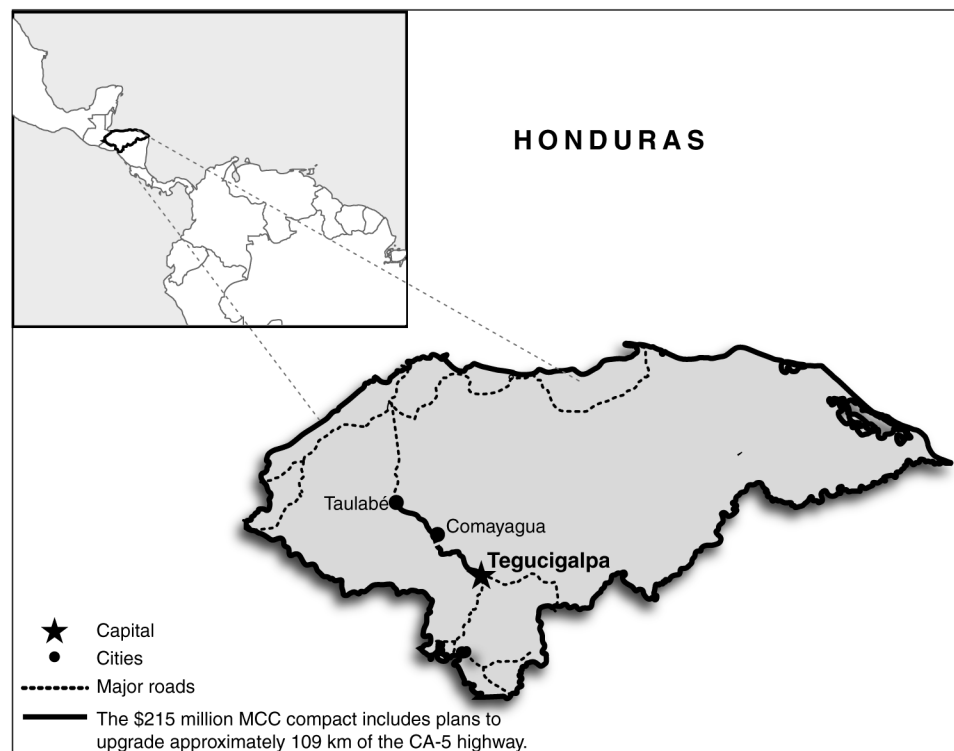
Located in Central America, Honduras has a population of about 7.4 million. Honduras had a gross national income (GNI) of \$1,170 per capita in 2006, making it the second poorest country in Central America. The Honduran economy is based on trade in agricultural and manufacturing products. However, the economy's reliance on a narrow range of exports, especially bananas and coffee, makes it vulnerable to natural disasters and commodity price changes. The current government, elected in 2005, has made poverty reduction its top priority. The World Bank reports that Honduras's economy has grown at a faster pace recently, rising from an average of 2.4 percent growth in 2001-02 to about 6.3 percent in 2007.

Compact Timeline

During compact development, MCC evaluates the country's proposal and, if MCC approves it, MCC negotiates and may sign a compact with the country. After compact signature, the country must complete MCC's entry into force requirements, such as procurement and disbursement agreements, in order for compact implementation to begin. MCC's statute limits compact implementation to 5 years.

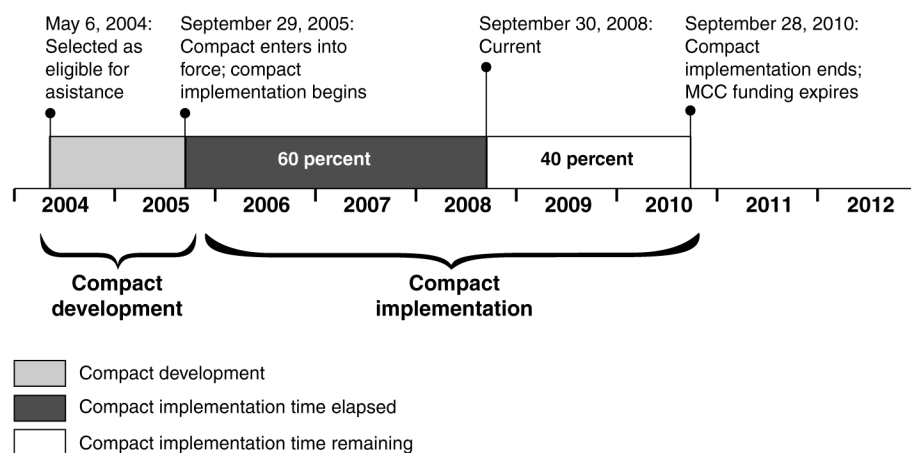
Honduras was 1 of 16 countries that MCC selected as eligible in its first eligibility round. Honduras was the second country to begin implementing a compact with MCC and as of September 30, 2008, 60 percent of the compact's 5-year period had elapsed.

Map



Sources: GAO; Millennium Challenge Corporation and Map Resources (map).

Key Events for Honduras Compact



Source: GAO analysis of Millennium Challenge Corporation data.

Honduras

MCC Candidate Criteria

Each fiscal year, MCC uses per capita incomes to identify two pools of candidate countries, low-income countries and lower-middle-income countries, based on World Bank lending thresholds. In addition, candidate countries must not be statutorily barred from receiving U.S. assistance. By law, MCC can use a maximum of 25 percent of compact assistance for any given year for new compacts with lower-middle-income countries.

Honduras has been a low-income candidate country every year since MCC began operations in 2004.

MCC Eligibility Criteria

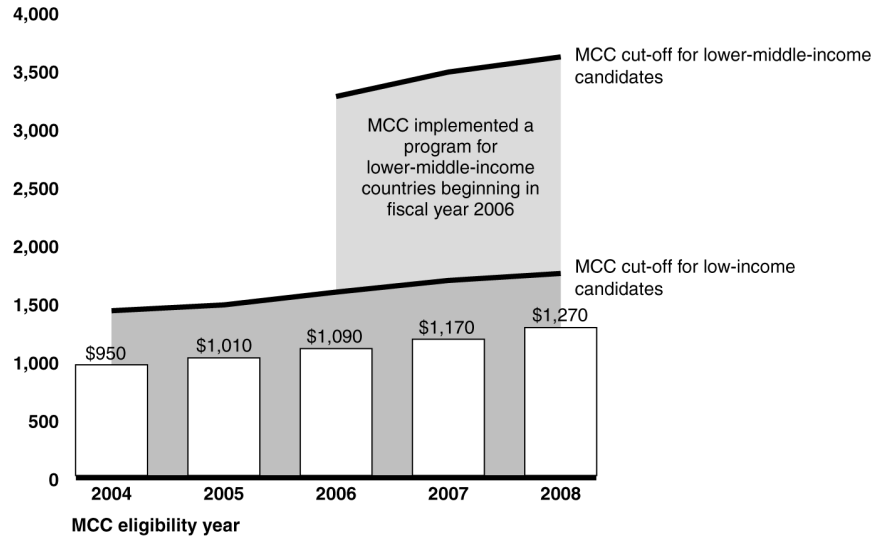
Each fiscal year, MCC's Board uses quantitative indicators to assess a candidate country's policy performance. MCC compares the country's performance on each indicator to that of other candidates. To pass an indicator, a country must score better than at least half of the other candidates (above the median) in its income group. To meet MCC's eligibility criteria, a country must pass the indicator for control of corruption and at least half of the indicators in each of three categories. However, the Board may select a country as eligible even if it does not meet the criteria, and has done so in the past—mostly for countries previously selected as eligible. If the policy performance of a country implementing a compact declines, the Board can suspend or terminate the compact; however, it has not yet done so for any country.

MCC has selected Honduras as eligible for compact assistance every year since 2004, although the country did not pass MCC's indicator for control of corruption in 2008.

MCC Selection Criteria

Honduras GNI Per Capita

Nominal GNI per capita (in U.S. dollars)



Source: GNI per capita data are from the April 2008 version of the World Bank World Development Indicators.

Notes: The April 2008 data may include Bank updates that occurred after MCC candidate selection. Because of a two-year data lag, MCC used, for example, 2006 data in its 2008 eligibility round.

Honduras' Performance on MCC Eligibility Indicators

Indicator category	MCC eligibility year	2004	2005	2006	2007	2008
		MCC income group				
		Low	Low	Low	Low	Low
Ruling Justly	Political Rights	✓	✓	✓	✓	✓
	Civil Liberties	✓	✓	✓	✓	✓
	Voice and Accountability	✓	✓	✓	✓	✓
	Government Effectiveness	✓	✓	✓	✓	✓
	Rule of Law	X	X	✓	✓	X
	Control of Corruption	✓	✓	✓	✓	X
Investing in People	Girls' Primary Education Completion	✓	✓	X	✓	✓
	Primary Education Expenditures	✓	✓	✓	✓	✓
	Health Expenditures	✓	✓	✓	✓	✓
	Immunization Rates	✓	✓	✓	✓	✓
	Natural Resource Management (2008)	Not used to evaluate performance	Not used to evaluate performance	Not used to evaluate performance	Not used to evaluate performance	✓
Encouraging Economic Freedom	Country Credit Rating (2004-2005)	✓	✓	Not used to evaluate performance	Not used to evaluate performance	Not used to evaluate performance
	Days to Start a Business (2004-2007)	X	X	X	X	Not used to evaluate performance
	Cost of Starting a Business (2006-2007)	Not used to evaluate performance	Not used to evaluate performance	✓	✓	Not used to evaluate performance
	Business Start-up (2008)	Not used to evaluate performance	Not used to evaluate performance	Not used to evaluate performance	Not used to evaluate performance	✓
	Inflation	✓	✓	✓	✓	✓
	Fiscal Policy	X	X	X	X	X
	Trade Policy	✓	✓	✓	✓	✓
	Regulatory Quality	✓	✓	✓	✓	✓
	Land Rights and Access (2008)	Not used to evaluate performance	Not used to evaluate performance	Not used to evaluate performance	Not used to evaluate performance	✓
Indicator assessment result	Passed	Passed	Passed	Passed	Failed	
MCC eligibility determination	Eligible	Eligible	Eligible	Eligible	Eligible	

✓ Passed (scored above the median) X Failed (scored at the median or below) Not used to evaluate performance

Source: GAO analysis of Millennium Challenge Corporation data.

Note: For the 2004 eligibility round, MCC used Primary Education Completion instead of Girls' Primary Education Completion.

Honduras

Compact Characteristics

At signature, the 5-year, \$215 million Honduras compact aimed to generate economic growth in rural areas by enhancing agricultural development and linking the large rural population to markets. At signature, the compact's Rural Development Project planned to increase the productivity and business skills of farmers who operate small- and mid-size farms, and the Transportation Project planned to reduce costs of transportation between targeted production centers and national, regional, and global markets.

These data are provided as context for understanding MCC's expectations of compact benefits at compact signature. Previous GAO work has identified several problems with the methodology used to determine compact projects' expected benefits (see GAO-08-730 and GAO-07-909). GAO has not independently verified the reliability of MCC's benefit projections for this compact.

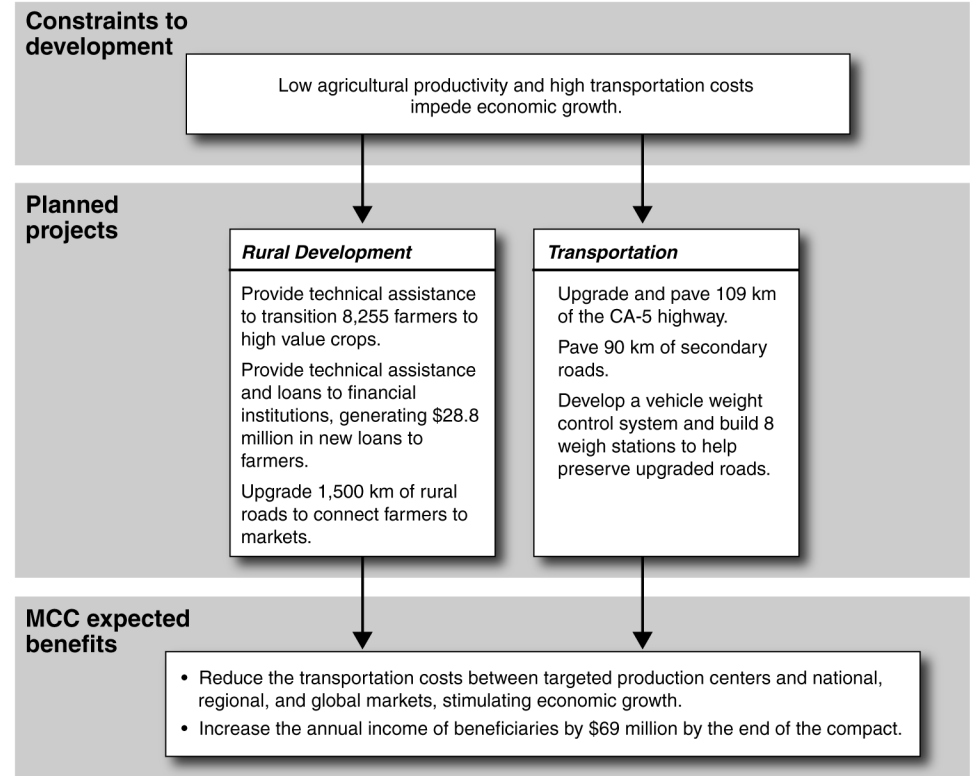
Compact Project Funding

Although the total amount of compact funding is fixed, MCC and the country may reallocate funds among projects during compact implementation as more detailed information about costs becomes available.

MCC has approved slight changes to Honduras's compact funding allocations since compact signature in June 2005. At signature, the \$215 million Honduras compact included \$72.2 million for the Rural Development Project and \$125.7 million for the Transportation Project.

Compact Summary

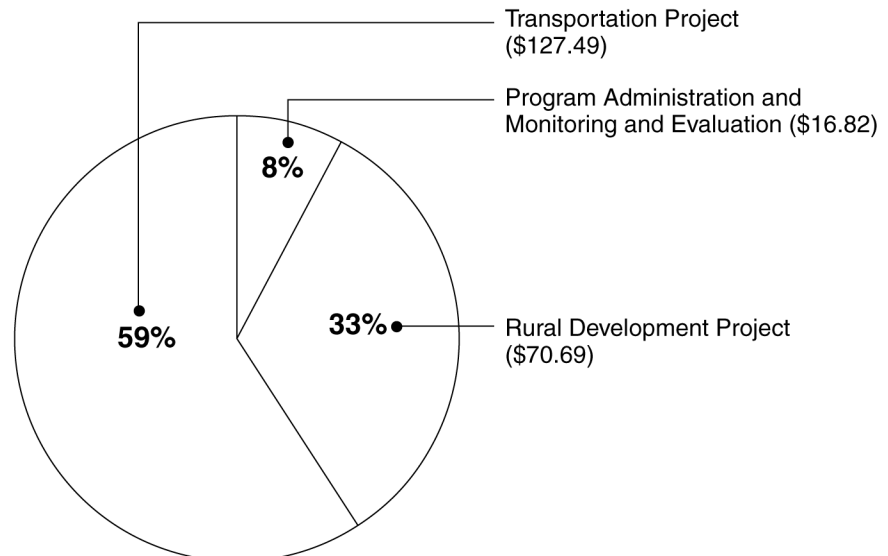
Structure of Honduras Compact at Signature



Source: GAO analysis of Millennium Challenge Corporation data.

Honduras Compact Funding as of June 2008

Dollars in millions



Source: GAO analysis of Millennium Challenge Corporation data.

Honduras

Compact Implementation

At compact signature, MCC develops a preliminary disbursement plan for the compact. MCC disburses funds as the country begins implementing projects. According to MCC, any funds not disbursed within 120 days after the compact ends would return to MCC for reprogramming.

As of June 2008, 55 percent of the Honduras compact's 5-year period had elapsed and MCC had disbursed \$21.46 million (9.98 percent) of compact funds, compared with the \$149.60 million (69.58 percent) it had originally planned to disburse as of that date. In the first quarter of fiscal year 2008, MCC and the country revised the projected disbursement total to \$48.49 million by June 2008.

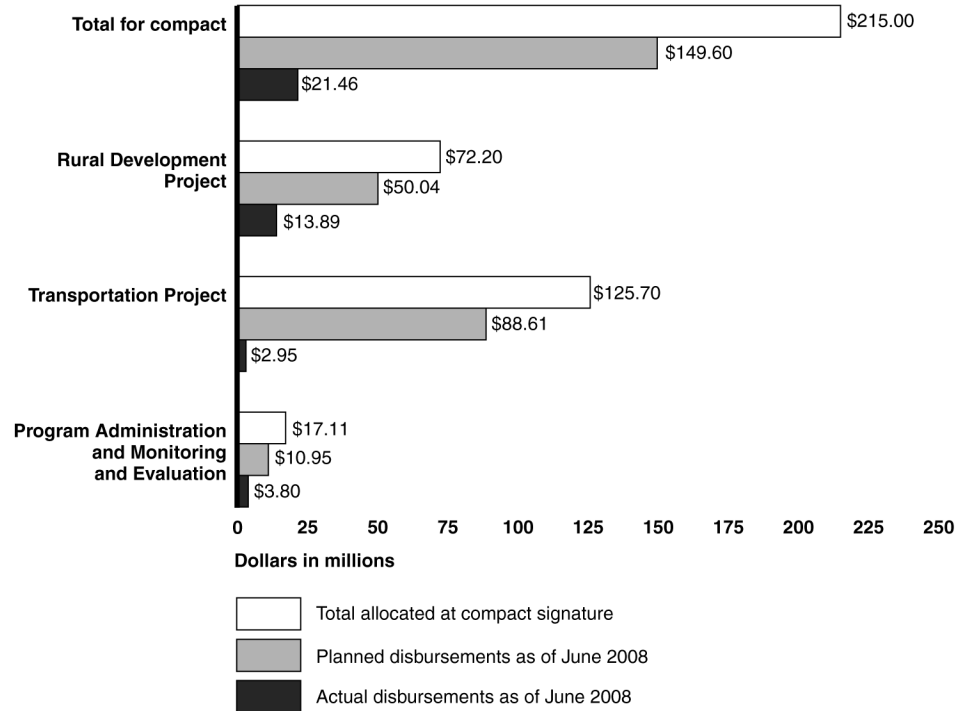
As of June 2008, the country had committed \$92.12 million, or 42.85 percent of compact funds. Commitments include signed contracts and the forecasted value of recurring expenses outside of a contract.

MCC reported that the Transportation Project is being restructured owing to both escalating global construction costs and an expansion of the project's scope that was requested by the Government of Honduras. The Central American Bank for Economic Integration has approved a \$130 million loan for the government of Honduras to co-finance the additional costs of the improvements to the CA-5 Highway. According to MCC, the loan remains subject to approval by the Government of Honduras.

MCC reports that as a result of failing the indicator criteria in the 2008 eligibility round, Honduras has developed a plan to improve its performance.

Compact Status

Funds Provided for Honduras Compact



Source: GAO analysis of Millennium Challenge Corporation data.

Notes: Planned disbursements are based on MCC's projections at compact signature and assume that compact funds are disbursed evenly throughout the compact implementation year.

Actual disbursements by project may not add up to the figure presented for total compact disbursements because disbursements reported as "pending subsequent report" are reflected in the compact total but not in project totals. In general, "pending subsequent report" amounts represent disbursements that will be allocated to individual projects in subsequent quarters.



MILLENNIUM CHALLENGE CORPORATION

Madagascar Compact Fact Sheet

Country Characteristics

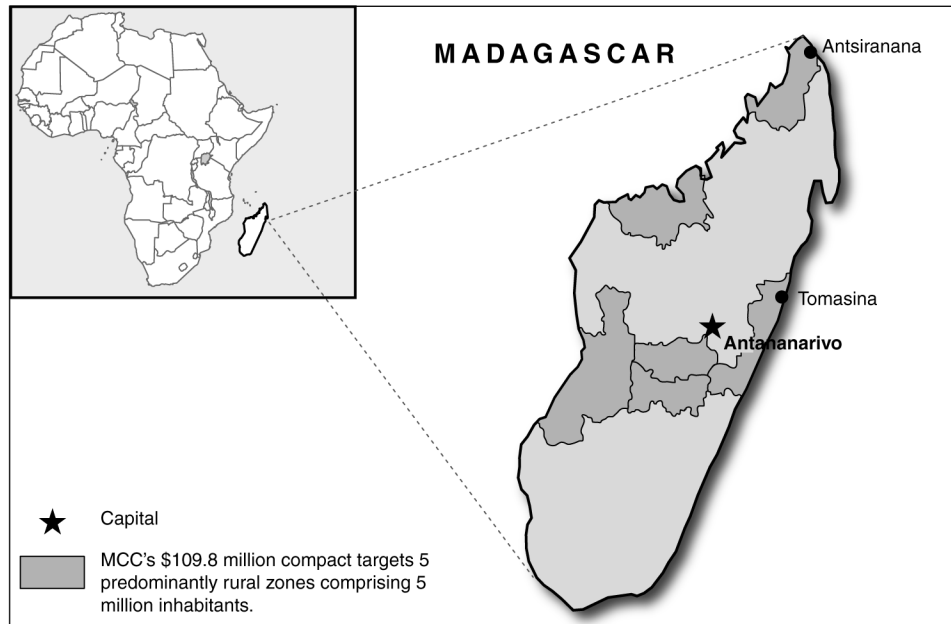
Located in the Indian Ocean off of the coast of southeastern Africa, Madagascar is an island state with a population of approximately 18.6 million. Madagascar had a gross national income of \$280 per capita in 2006, making it one of the world's poorest countries. Agriculture is one of the largest sectors of the economy, and 73 percent of the population lives in rural areas. Since the current government took charge in 2002, it has brought about improvements in social, economic, and governance conditions. The economy has grown at an average of 5 percent per year, and poverty has declined to 69 percent from its peak of 80 percent in 2002. The International Monetary Fund and Malagasy officials predict moderate, above average real GDP growth through 2011, mostly owing to the impact of two large mining projects.

Compact Timeline

During compact development, MCC evaluates the country's proposal and, if MCC approves it, MCC negotiates and may sign a compact with the country. After compact signature, the country must complete MCC's entry into force requirements, such as procurement and disbursement agreements, in order for compact implementation to begin. MCC's statute limits compact implementation to 5 years.

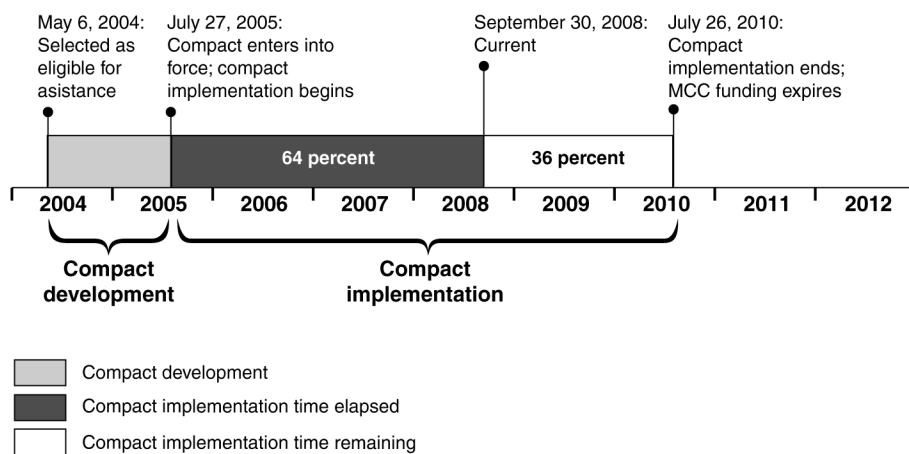
Madagascar was 1 of 16 countries that MCC selected as eligible in its first eligibility round. Madagascar was the first country to begin implementing a compact with MCC. In July 2008, MCC extended the Madagascar compact by 1 year—from 4 to 5 years—in order to allow the country more time to fully implement projects. As of September 30, 2008, 64 percent of the compact's 5-year period had elapsed.

Map



Sources: GAO; Millennium Challenge Corporation and Map Resources (map).

Key Events for Madagascar Compact



Source: GAO analysis of Millennium Challenge Corporation data.

Madagascar

MCC Candidate Criteria

Each fiscal year, MCC uses per capita incomes to identify two pools of candidate countries, low-income countries and lower-middle-income countries, based on World Bank lending thresholds. In addition, candidate countries must not be statutorily barred from receiving U.S. assistance. By law, MCC can use a maximum of 25 percent of compact assistance for any given year for new compacts with lower-middle-income countries.

Madagascar has been a low-income candidate country every year since MCC began operations in 2004.

MCC Eligibility Criteria

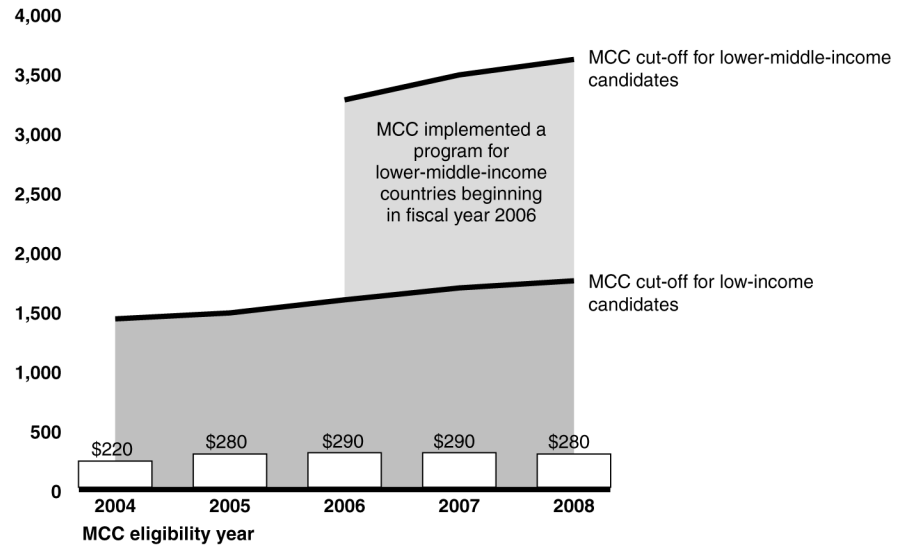
Each fiscal year, MCC's Board uses quantitative indicators to assess a candidate country's policy performance. MCC compares the country's performance on each indicator to that of other candidates. To pass an indicator, a country must score better than at least half of the other candidates (above the median) in its income group. To meet MCC's eligibility criteria, a country must pass the indicator for control of corruption and at least half of the indicators in each of three categories. However, the Board may select a country as eligible even if it does not meet the criteria, and has done so in the past—mostly for countries previously selected as eligible. If the policy performance of a country implementing a compact declines, the Board can suspend or terminate the compact; however, it has not yet done so for any country.

MCC has selected Madagascar as eligible every year since 2004, although the country did not pass the indicator test in the Investing in People category in 2007 and 2008.

MCC Selection Criteria

Madagascar GNI Per Capita

Nominal GNI per capita (in U.S. dollars)



Source: GNI per capita data are from the April 2008 version of the World Bank World Development Indicators.

Notes: The April 2008 data may include Bank updates that occurred after MCC candidate selection. Because of a two-year data lag, MCC used, for example, 2006 data in its 2008 eligibility round.

Madagascar's Performance on MCC Eligibility Indicators

Indicator category	MCC eligibility year	2004	2005	2006	2007	2008
		MCC income group				
		Low	Low	Low	Low	Low
Ruling Justly	Political Rights	✓	✓	✓	✓	✓
	Civil Liberties	✓	✓	✓	✓	✓
	Voice and Accountability	✓	✓	✓	✓	✓
	Government Effectiveness	✓	✓	✓	✓	✓
	Rule of Law	✓	✓	✓	✓	✓
	Control of Corruption	✓	✓	✓	✓	✓
Investing in People	Girls' Primary Education Completion	X	X	X	X	X
	Primary Education Expenditures	✓	✓	✓	✓	X
	Health Expenditures	✓	✓	✓	X	X
	Immunization Rates	X	X	✓	X	X
	Natural Resource Management (2008)					X
Encouraging Economic Freedom	Country Credit Rating (2004-2005)	X	X			
	Days to Start a Business (2004-2007)	✓	✓	✓	✓	
	Cost of Starting a Business (2006-2007)			✓	✓	
	Business Start-up (2008)					✓
	Inflation	✓	✓	X	X	✓
	Fiscal Policy	X	X	X	X	✓
	Trade Policy	✓	✓	✓	✓	✓
	Regulatory Quality	✓	✓	✓	✓	✓
	Land Rights and Access (2008)					X
Indicator assessment result		Passed	Passed	Passed	Failed	Failed
MCC eligibility determination		Eligible	Eligible	Eligible	Eligible	Eligible

✓ Passed (scored above the median) X Failed (scored at the median or below) [Hatched Box] Not used to evaluate performance

Source: GAO analysis of Millennium Challenge Corporation data.

Note: For the 2004 eligibility round, MCC used Primary Education Completion instead of Girls' Primary Education Completion.

Madagascar

Compact Characteristics

At signature, the 5-year, \$109.8 million Madagascar compact targeted 5 predominately rural zones with 5 million inhabitants (27 percent of the total population). Agriculture is the main source of income in these zones; 94 percent of breadwinners are farmers or farm laborers.

These data are provided as context for understanding MCC's expectations of compact benefits at compact signature. Previous GAO work has identified several problems with the methodology used to determine compact projects' expected benefits (see GAO-08-730 and GAO-07-909). GAO has not independently verified the reliability of MCC's benefit projections for this compact.

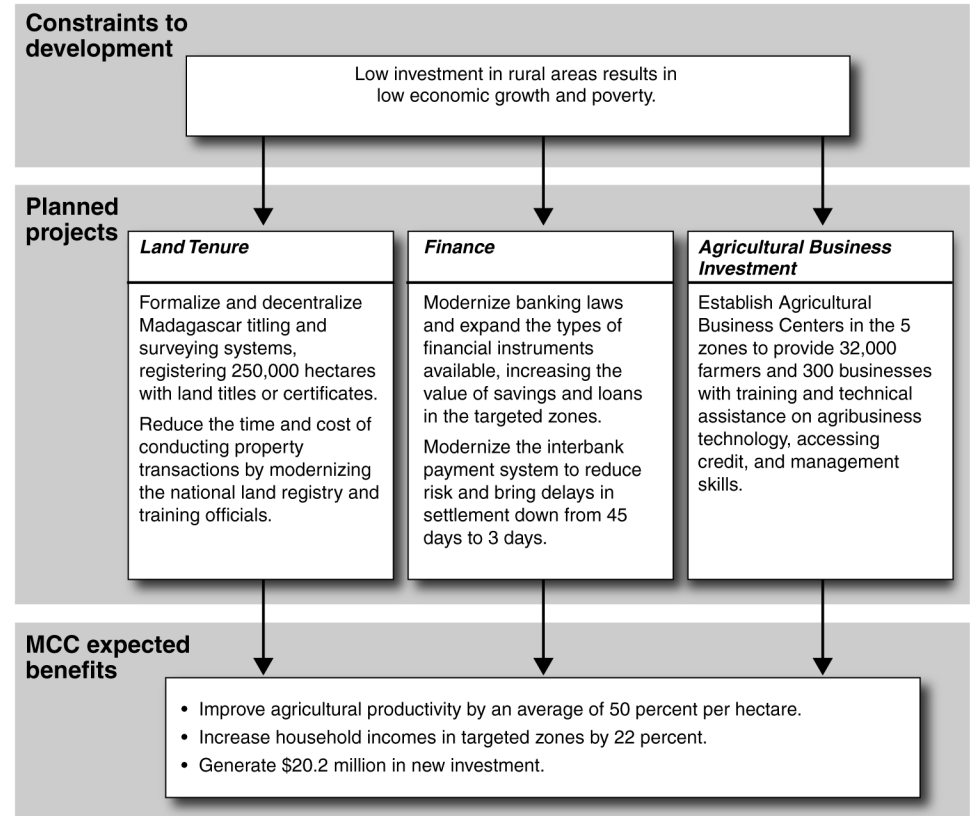
Compact Project Funding

Although the total amount of compact funding is fixed, MCC and the country may reallocate funds among projects during compact implementation as more detailed information about costs becomes available.

As of June 2008, MCC funding allocations for Madagascar projects had not changed since compact signature in April 2005. According to MCC, funding allocations have been changed since June to reflect its amendment of the compact term from 4 to 5 years.

Compact Summary

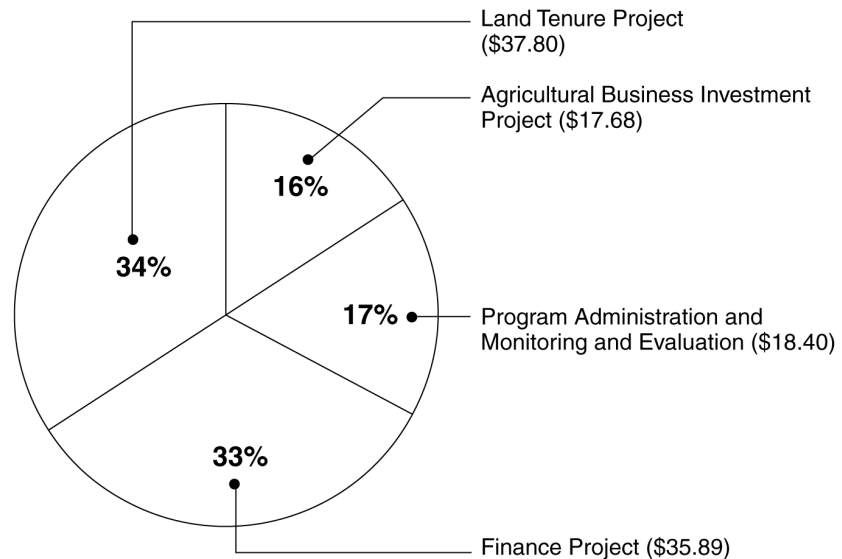
Structure of Madagascar Compact at Signature



Source: GAO analysis of Millennium Challenge Corporation data.

Madagascar Compact Funding as of June 2008

Dollars in millions



Source: GAO analysis of Millennium Challenge Corporation data.

Madagascar

Compact Implementation

At compact signature, MCC develops a preliminary disbursement plan for the compact. MCC disburses funds as the country begins implementing projects. According to MCC, any funds not disbursed within 120 days after the compact ends would return to MCC for reprogramming.

As of June 2008, more than half of the Madagascar compact's 5-year period had elapsed and MCC had disbursed \$37.79 million (34.43 percent) of compact funds, compared with the \$97.25 million (about 89 percent) it had originally planned to disburse as of that date. In the first quarter of fiscal year 2008, MCC and the country revised the projected disbursement total to \$55.22 million by June 2008.

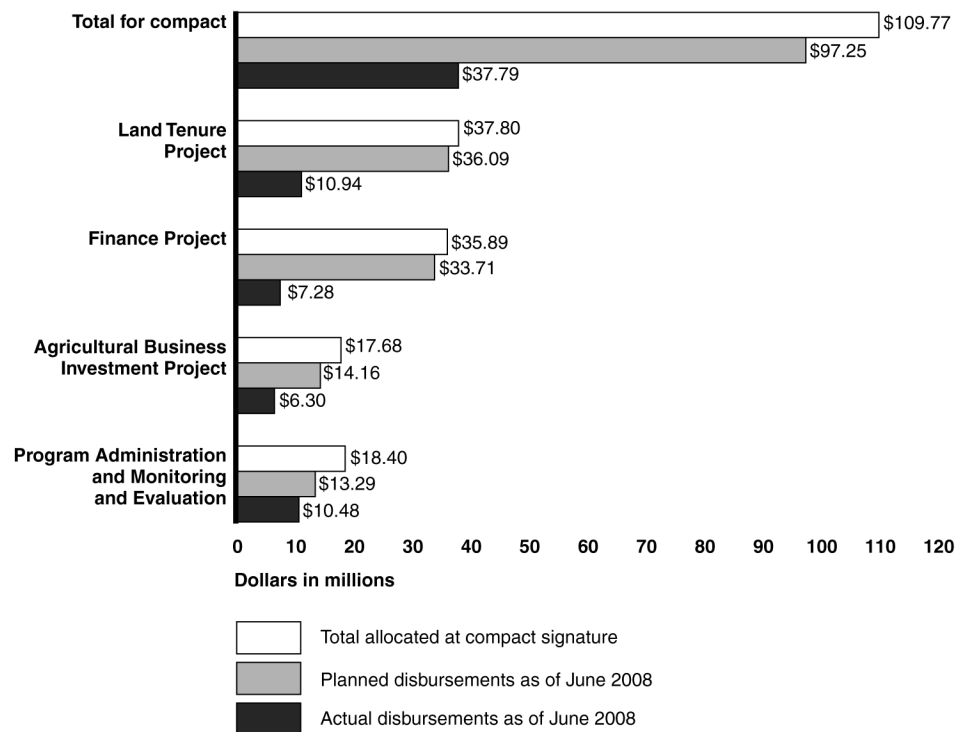
As of June 2008, the country had committed \$71.08 million, or 64.75 percent of compact funds. Commitments include signed contracts and the forecasted value of recurring expenses outside of a contract.

In December 2007, the U.S. Agency for International Development's Office of Inspector General (IG) for MCC found that MCC may have difficulty in measuring the compact's impact owing to inconsistent data collection methods. The IG noted that MCC had set program indicators and targets too low for at least one project; the country surpassed indicators for the Finance Project before it had begun implementation. The IG also found that MCC reported some inaccurate information on compact results due to data quality weaknesses, but these inaccuracies were below the IG's threshold for significance.

MCC reports that as a result of failing the indicator criteria in the 2007 and 2008 eligibility rounds, Madagascar has developed a plan to improve its performance.

Compact Status

Funds Provided for Madagascar Compact



Source: GAO analysis of Millennium Challenge Corporation data.

Notes: Planned disbursements are based on MCC's projections at compact signature and assume that compact funds are disbursed evenly throughout the compact implementation year. These projections are based on a compact term of 4 years. In July 2008, MCC amended the compact to increase the term to 5 years.

Actual disbursements by project may not add up to the figure presented for total compact disbursements because disbursements reported as "pending subsequent report" are reflected in the compact total but not in project totals. In general, "pending subsequent report" amounts represent disbursements that will be allocated to individual projects in subsequent quarters.



MILLENNIUM CHALLENGE CORPORATION

Mali Compact Fact Sheet

Country Characteristics

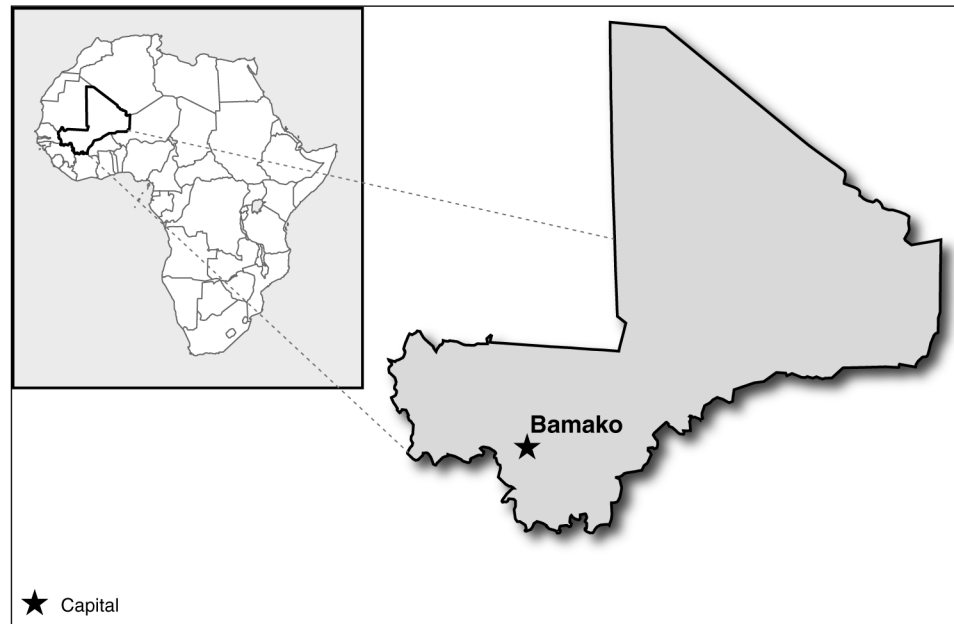
Located in West Africa, east of Senegal, Mali has a population of about 12.3 million. Mali had a gross national income (GNI) of \$460 per capita in 2006, making it one of the poorest nations in the world. According to the World Bank, 47.4 percent of Mali's population lives in poverty. The economy is based on agriculture, which accounts for 45 percent of Mali's gross domestic product (GDP). Because 60 percent of its land is desert, Mali is particularly vulnerable to drought. Mali is considered to be one of the strongest democracies in Africa, and its government has pursued economic reforms to encourage growth. Despite its low income, Mali has experienced favorable economic growth in recent years. According to the World Bank, Mali's economic growth averaged 5.3 percent from 2003 to 2006, with gold mining and transportation and communications services as main drivers of growth.

Compact Timeline

During compact development, MCC evaluates the country's proposal and, if MCC approves it, MCC negotiates and may sign a compact with the country. After compact signature, the country must complete MCC's entry into force requirements, such as procurement and disbursement agreements, in order for compact implementation to begin. MCC's statute limits compact implementation to 5 years.

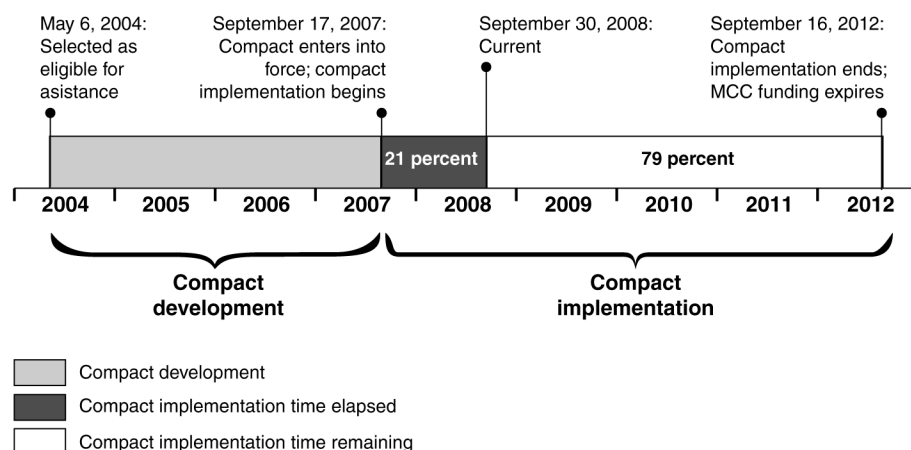
Mali was 1 of 16 countries that MCC selected as eligible in its first eligibility round. As of September 30, 2008, 21 percent of the compact's 5-year period had elapsed.

Map



Sources: GAO; Millennium Challenge Corporation and Map Resources (map).

Key Events for Mali Compact



Source: GAO analysis of Millennium Challenge Corporation data.

Mali

MCC Candidate Criteria

Each fiscal year, MCC uses per capita incomes to identify two pools of candidate countries, low-income countries and lower-middle-income countries, based on World Bank lending thresholds. In addition, candidate countries must not be statutorily barred from receiving U.S. assistance. By law, MCC can use a maximum of 25 percent of compact assistance for any given year for new compacts with lower-middle-income countries.

Mali has been a low-income candidate country each year since MCC began operations in 2004.

MCC Eligibility Criteria

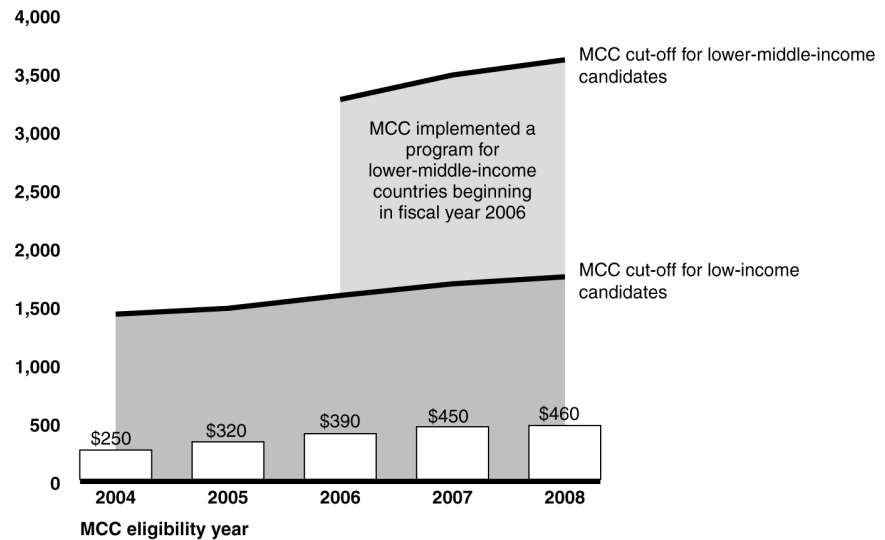
Each fiscal year, MCC's Board uses quantitative indicators to assess a candidate country's policy performance. MCC compares the country's performance on each indicator to that of other candidates. To pass an indicator, a country must score better than at least half of the other candidates (above the median) in its income group. To meet MCC's eligibility criteria, a country must pass the indicator for control of corruption and at least half of the indicators in each of three categories. However, the Board may select a country as eligible even if it does not meet the criteria, and has done so in the past—mostly for countries previously selected as eligible. If the policy performance of a country implementing a compact declines, the Board can suspend or terminate the compact; however, it has not yet done so for any country.

MCC has selected Mali as eligible for compact assistance every year since 2004, although Mali did not pass the indicator test in 2008 because it failed 3 of 5 indicators in the Investing in People category.

MCC Selection Criteria

Mali GNI Per Capita

Nominal GNI per capita (in U.S. dollars)



Source: GNI per capita data are from the April 2008 version of the World Bank World Development Indicators.

Notes: The April 2008 data may include Bank updates that occurred after MCC candidate selection. Because of a two-year data lag, MCC used, for example, 2006 data in its 2008 eligibility round.

Mali's Performance on MCC Eligibility Indicators

Indicator category	MCC eligibility year	2004	2005	2006	2007	2008
		MCC income group				
		Low	Low	Low	Low	Low
Ruling Justly	Political Rights	✓	✓	✓	✓	✓
	Civil Liberties	✓	✓	✓	✓	✓
	Voice and Accountability	✓	✓	✓	✓	✓
	Government Effectiveness	X	X	✓	✓	✓
	Rule of Law	✓	✓	✓	✓	✓
	Control of Corruption	✓	✓	✓	✓	✓
Investing in People	Girls' Primary Education Completion	X	X	X	X	X
	Primary Education Expenditures	✓	✓	✓	✓	X
	Health Expenditures	✓	✓	✓	✓	✓
	Immunization Rates	X	X	X	✓	✓
	Natural Resource Management (2008)					X
Encouraging Economic Freedom	Country Credit Rating (2004-2005)	✓	✓			
	Days to Start a Business (2004-2007)	✓	✓	✓	✓	
	Cost of Starting a Business (2006-2007)			X	X	
	Business Start-up (2008)					X
	Inflation	✓	✓	✓	✓	✓
	Fiscal Policy	X	✓	X	✓	✓
	Trade Policy	✓	✓	✓	X	✓
	Regulatory Quality	✓	✓	✓	✓	✓
	Land Rights and Access (2008)					X
Indicator assessment result		Passed	Passed	Passed	Passed	Failed
MCC eligibility determination		Eligible	Eligible	Eligible	Eligible	Eligible

✓ Passed (scored above the median) X Failed (scored at the median or below) [Hatched Box] Not used to evaluate performance

Source: GAO analysis of Millennium Challenge Corporation data.

Note: For the 2004 eligibility round, MCC used Primary Education Completion instead of Girls' Primary Education Completion.

Mali

Compact Characteristics

At compact signature, Mali's 5-year, \$460 million compact sought to improve agriculture in a geographic zone in one of the poorest areas of central Mali. At signature, the compact also planned to improve the Bamako-Sénou airport and create an industrial park on the airport's land.

These data are provided as context for understanding MCC's expectations of compact benefits at compact signature. Previous GAO work has identified several problems with the methodology used to determine compact projects' expected benefits (see GAO-08-730 and GAO-07-909). GAO has not independently verified the reliability of MCC's benefit projections for this compact.

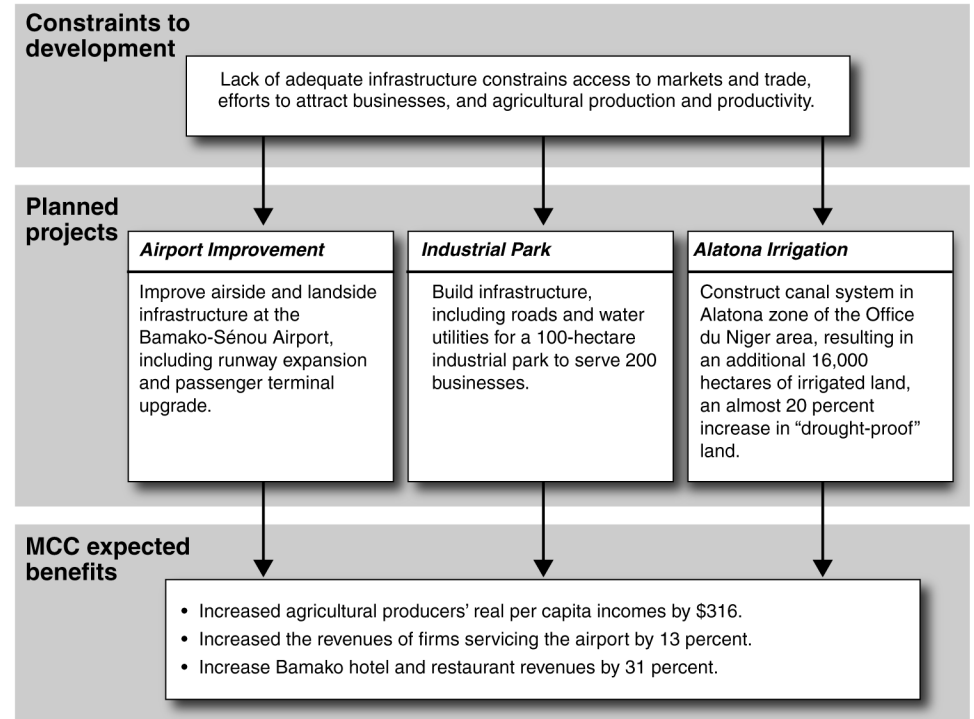
Compact Project Funding

Although the total amount of compact funding is fixed, MCC and the country may reallocate funds among projects during compact implementation as more detailed information about costs becomes available.

As of June 2008, MCC has approved slight changes to Mali's compact funding allocations since compact signature in November 2006. At signature, the compact included \$94.27 million for the Industrial Park Project; \$234.61 million for the Alatona Irrigation project; and \$42.31 million for program administration and monitoring and evaluation. MCC reports that it has amended the compact since June to remove funding for the Industrial Park Project.

Compact Summary

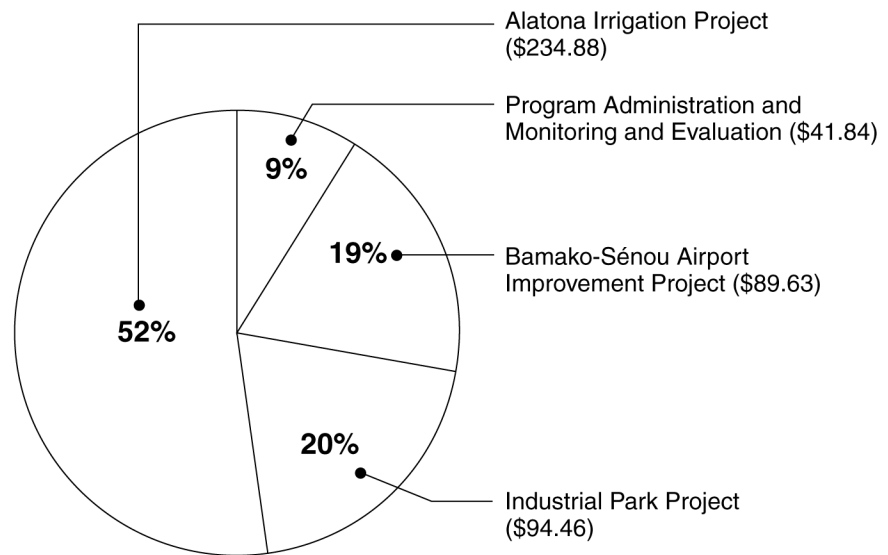
Structure of Mali Compact at Signature



Source: GAO analysis of Millennium Challenge Corporation data.

Mali Compact Funding as of June 2008

Dollars in millions



Source: GAO analysis of Millennium Challenge Corporation data.

Mali

Compact Implementation

At compact signature, MCC develops a preliminary disbursement plan for the compact. MCC disburses funds as the country begins implementing projects. According to MCC, any funds not disbursed within 120 days after the compact ends would return to MCC for reprogramming.

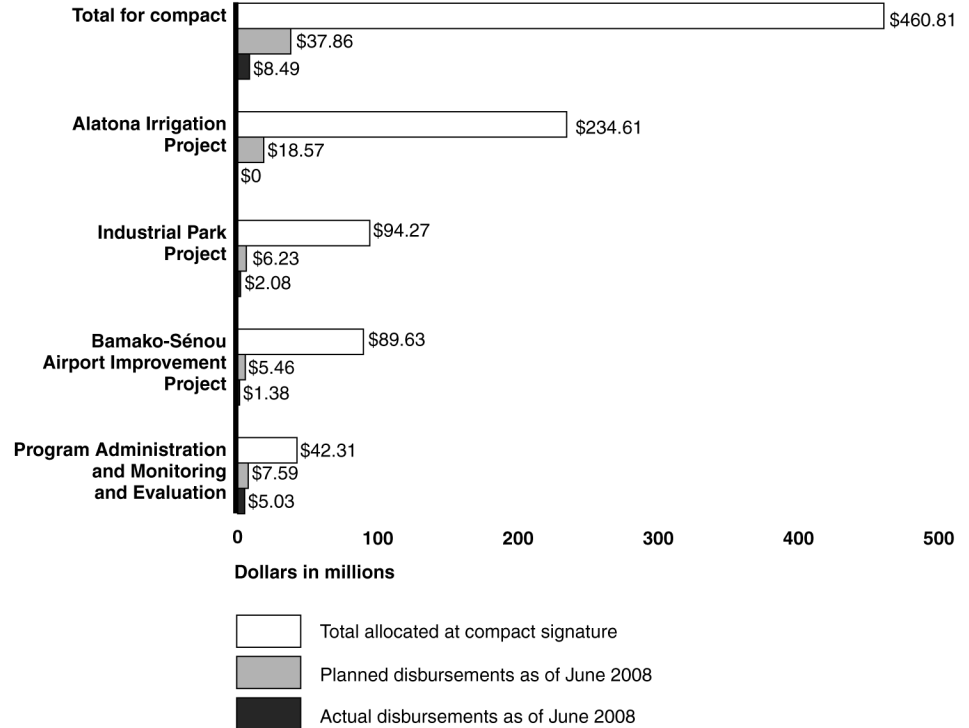
As of June 2008, 16 percent of the Mali compact's 5-year period had elapsed and MCC had disbursed \$8.49 million (1.84 percent) of compact funds, compared with the \$37.86 million (8.22 percent) it had originally planned to disburse as of that date. In the first quarter of fiscal year 2008, MCC and the country revised the projected disbursement total to \$15.35 million by June 2008.

As of June 2008, the country had committed \$24.12 million, or 5.23 percent of compact funds. Commitments include signed contracts and the forecasted value of recurring expenses outside of a contract.

MCC has reported that Mali's compact is being restructured owing to rising construction costs and currency fluctuations. According to MCC, the compact has been amended to remove the Industrial Park Project. As of June 30, 2008, MCC had disbursed \$2.08 million for this cancelled project.

Compact Status

Funds Provided for Mali Compact



Source: GAO analysis of Millennium Challenge Corporation data.

Notes: Planned disbursements are based on MCC's projections at compact signature and assume that compact funds are disbursed evenly throughout the compact implementation year.

Actual disbursements by project may not add up to the figure presented for total compact disbursements because disbursements reported as "pending subsequent report" are reflected in the compact total but not in project totals. In general, "pending subsequent report" amounts represent disbursements that will be allocated to individual projects in subsequent quarters.



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Nicaragua Compact Fact Sheet

Country Characteristics

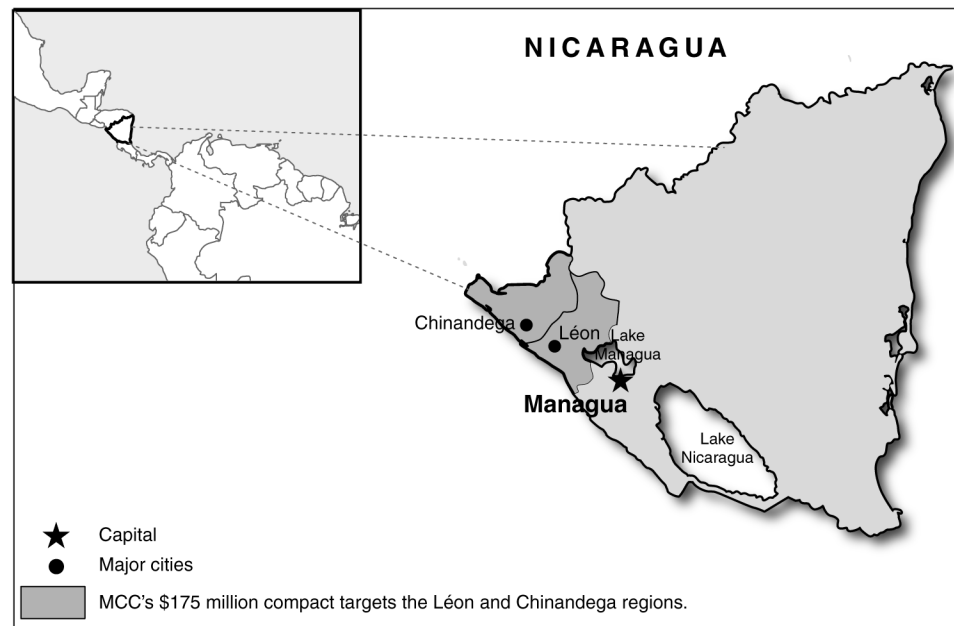
Located in Central America, Nicaragua has a population of about 5.8 million. Nicaragua had a gross national income (GNI) of \$980 per capita in 2006. Forty-six percent of Nicaragua's population lives below the poverty line. Its economy, which is based primarily on industry and services, has grown at an average of 3.2 percent since 2001. In 2004, Nicaragua received \$4.5 billion in debt reduction through the Heavily Indebted Poor Countries initiative in which multilateral organizations and governments reduce poor countries' debts. Nicaragua has also expanded export opportunities through the U.S.-Central America Free Trade Agreement, which took effect in April 2006.

Compact Timeline

During compact development, MCC evaluates the country's proposal and, if MCC approves it, MCC negotiates and may sign a compact with the country. After compact signature, the country must complete MCC's entry into force requirements, such as procurement and disbursement agreements, in order for compact implementation to begin. MCC's statute limits compact implementation to 5 years.

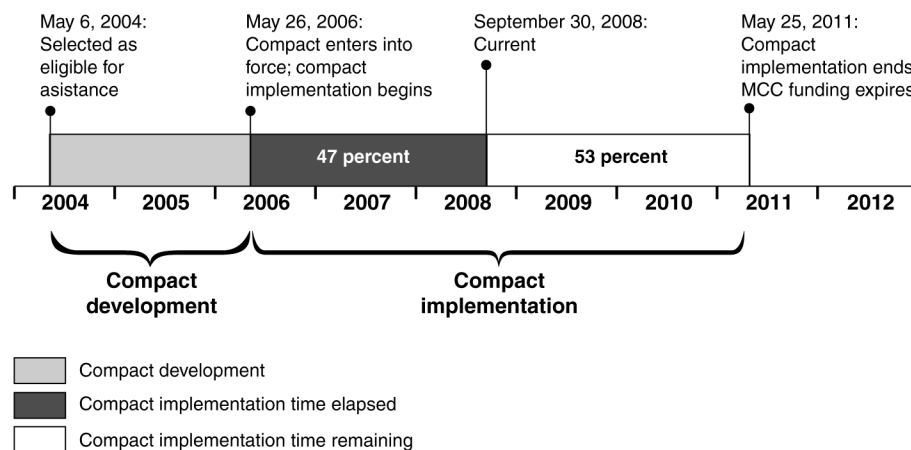
Nicaragua was 1 of 16 countries that MCC selected as eligible in its first eligibility round. As of September 30, 2008, 47 percent of the compact's 5-year period had elapsed.

Map



Sources: GAO; Millennium Challenge Corporation and Map Resources (map).

Key Events for Nicaragua Compact



Source: GAO analysis of Millennium Challenge Corporation data.

Nicaragua

MCC Candidate Criteria

Each fiscal year, MCC uses per capita incomes to identify two pools of candidate countries, low-income countries and lower-middle-income countries, based on World Bank lending thresholds. In addition, candidate countries must not be statutorily barred from receiving U.S. assistance. By law, MCC can use a maximum of 25 percent of compact assistance for any given year for new compacts with lower-middle-income countries.

Nicaragua has been a low-income candidate country every year since MCC began operations in 2004.

MCC Eligibility Criteria

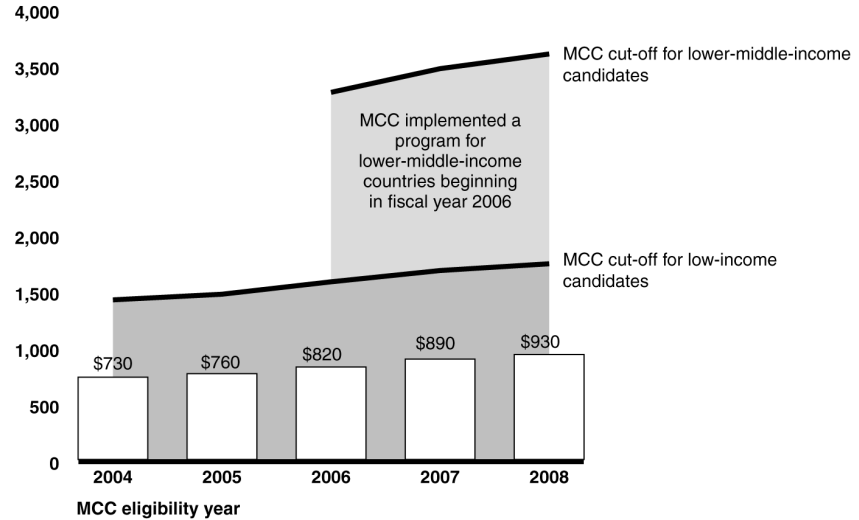
Each fiscal year, MCC's Board uses quantitative indicators to assess a candidate country's policy performance. MCC compares the country's performance on each indicator to that of other candidates. To pass an indicator, a country must score better than at least half of the other candidates (above the median) in its income group. To meet MCC's eligibility criteria, a country must pass the indicator for control of corruption and at least half of the indicators in each of three categories. However, the Board may select a country as eligible even if it does not meet the criteria, and has done so in the past—mostly for countries previously selected as eligible. If the policy performance of a country implementing a compact declines, the Board can suspend or terminate the compact; however, it has not yet done so for any country.

Nicaragua has passed MCC's eligibility indicators and MCC has selected the country as eligible for compact assistance every year since 2004.

MCC Selection Criteria

Nicaragua GNI Per Capita

Nominal GNI per capita (in U.S. dollars)



Source: GNI per capita data are from the April 2008 version of the World Bank World Development Indicators.

Notes: The April 2008 data may include Bank updates that occurred after MCC candidate selection. Because of a two-year data lag, MCC used, for example, 2006 data in its 2008 eligibility round.

Nicaragua's Performance on MCC Eligibility Indicators

Indicator category	MCC eligibility year	2004	2005	2006	2007	2008
		MCC income group				
		Low	Low	Low	Low	Low
Ruling Justly	Political Rights	✓	✓	✓	✓	✓
	Civil Liberties	✓	✓	✓	✓	✓
	Voice and Accountability	✓	✓	✓	✓	✓
	Government Effectiveness	X	X	✓	✓	X
	Rule of Law	✓	✓	✓	✓	✓
	Control of Corruption	✓	✓	✓	✓	✓
Investing in People	Girls' Primary Education Completion	✓	✓	✓	✓	✓
	Primary Education Expenditures	X	X	X	X	X
	Health Expenditures	✓	✓	✓	✓	✓
	Immunization Rates	✓	✓	✓	✓	✓
	Natural Resource Management (2008)					✓
Encouraging Economic Freedom	Country Credit Rating (2004-2005)	X	✓			
	Days to Start a Business (2004-2007)	✓	✓	✓	✓	
	Cost of Starting a Business (2006-2007)			X	X	
	Business Start-up (2008)					X
	Inflation	✓	✓	✓	✓	✓
	Fiscal Policy	X	X	X	✓	✓
	Trade Policy	✓	✓	✓	✓	✓
	Regulatory Quality	✓	✓	✓	✓	✓
	Land Rights and Access (2008)					X
		Indicator assessment result	Passed	Passed	Passed	Passed
	MCC eligibility determination	Eligible	Eligible	Eligible	Eligible	Eligible

✓ Passed (scored above the median)

X Failed (scored at the median or below)

Not used to evaluate performance

Source: GAO analysis of Millennium Challenge Corporation data.

Note: For the 2004 eligibility round, MCC used Primary Education Completion instead of Girls' Primary Education Completion.

Nicaragua

Compact Characteristics

At compact signature, the 5-year, \$175 million Nicaragua compact aimed to build productive capacity in León and Chinandega, two regions in the northwest that lie along a major highway linking Nicaragua to Honduras and El Salvador. Approximately 800,000 people live in these two regions, where 70 percent of the rural population is poor.

These data are provided as context for understanding MCC's expectations of compact benefits at compact signature. Previous GAO work has identified several problems with the methodology used to determine compact projects' expected benefits (see [GAO-08-730](#) and [GAO-07-909](#)). GAO has not independently verified the reliability of MCC's benefit projections for this compact.

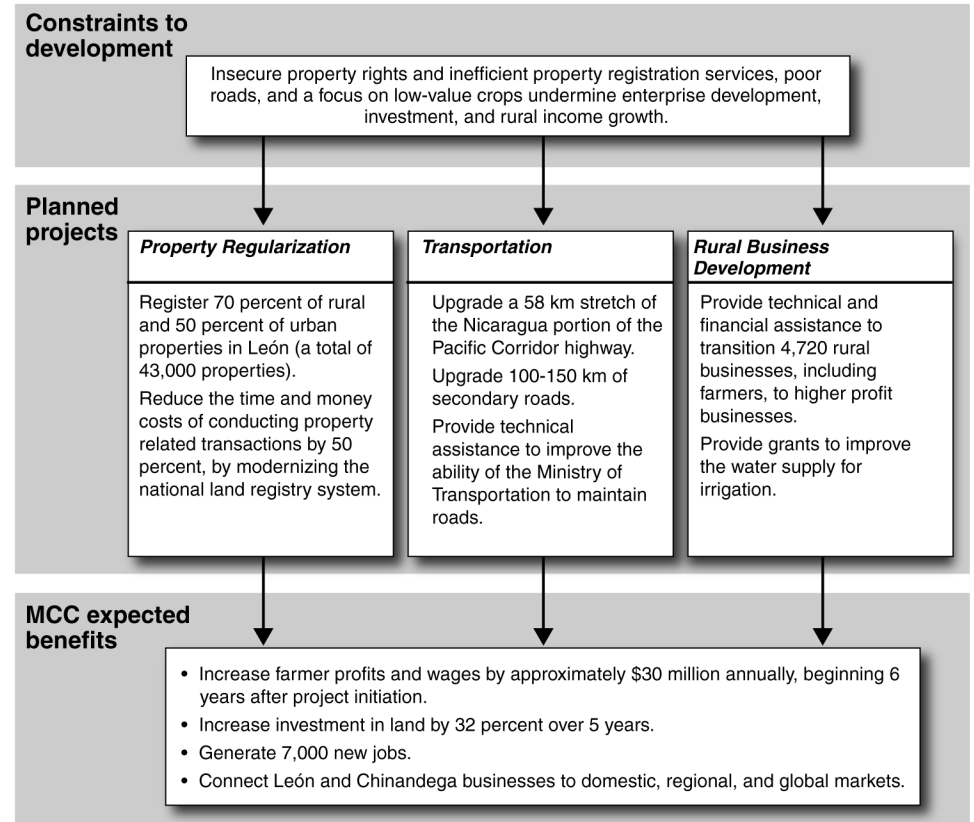
Compact Project Funding

Although the total amount of compact funding is fixed, MCC and the country may reallocate funds among projects during compact implementation as more detailed information about costs becomes available.

In January 2008, MCC approved changes to Nicaragua's compact funding allocations in order to fund the rehabilitation of an additional 18 km of primary roads that were not included in the original compact. At compact signature, MCC allocated \$92.8 million for the Transportation Project; \$33.7 million for the Rural Business and Development Project; \$26.5 million for the Property Regularization Project; and \$22.1 million for program administration and monitoring and evaluation.

Compact Summary

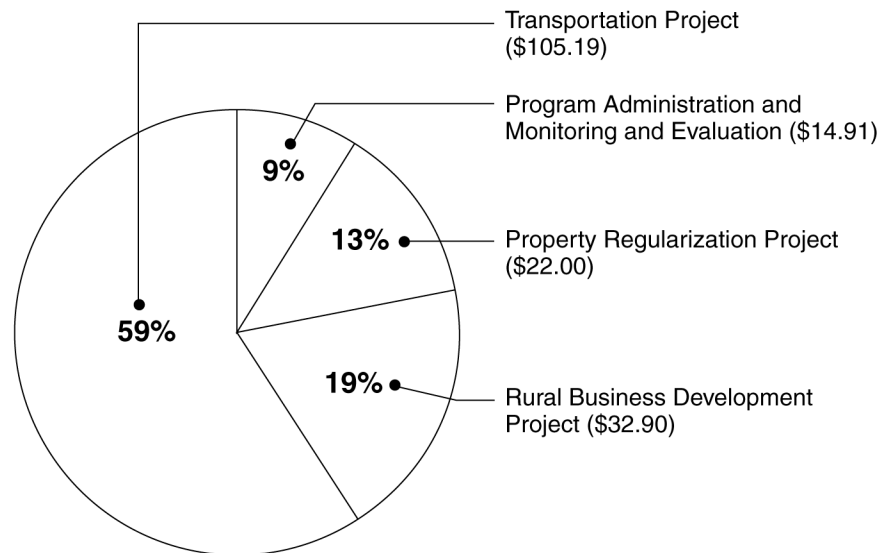
Structure of Nicaragua Compact at Signature



Source: GAO analysis of Millennium Challenge Corporation data.

Nicaragua Compact Funding as of June 2008

Dollars in millions



Source: GAO analysis of Millennium Challenge Corporation data.

Nicaragua

Compact Implementation

At compact signature, MCC develops a preliminary disbursement plan for the compact. MCC disburses funds as the country begins implementing projects. According to MCC, any funds not disbursed within 120 days after the compact ends would return to MCC for reprogramming.

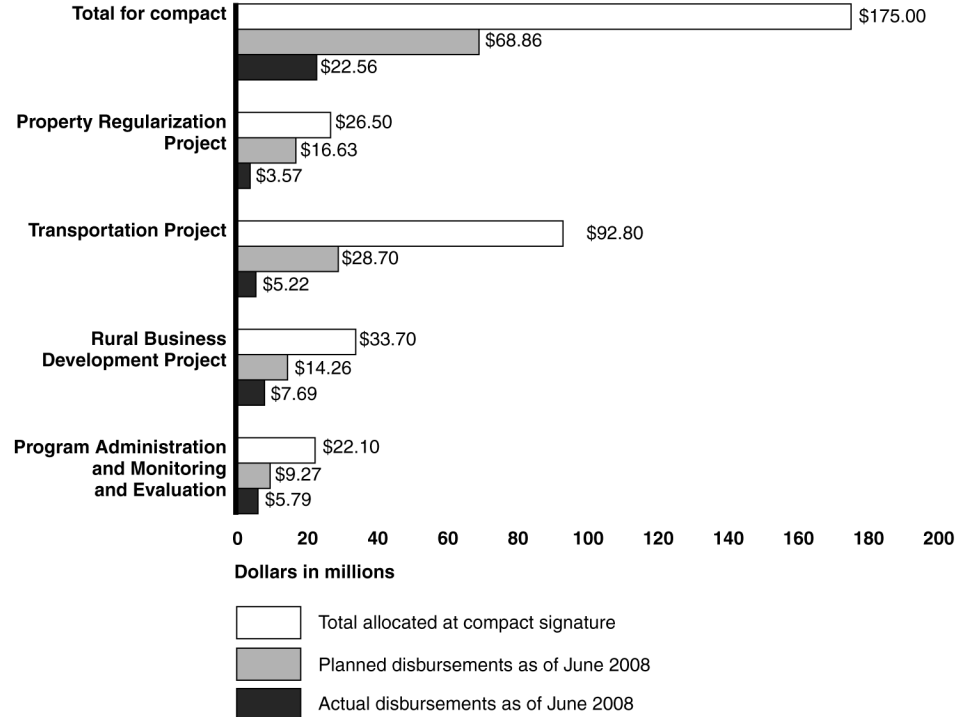
As of June 2008, 42 percent of the Nicaragua compact's 5-year period had elapsed and MCC had disbursed \$22.56 million (12.89 percent) of compact funds, compared with the \$68.86 million (39.35 percent) it had originally planned to disburse as of that date. In the first quarter of fiscal year 2008, MCC and the country revised the projected disbursement total to \$28.45 million by June 2008.

As of June 2008, the country had committed \$29.23 million, or 16.70 percent of compact funds. Commitments include signed contracts and the forecasted value of recurring expenses outside of a contract.

In commenting on this fact sheet, MCC reported that it had re-scoped the Transportation Project to upgrade 80 kilometers of secondary roads, rather than the 100-150 kilometers planned at compact signature.

Compact Status

Funds Provided for Nicaragua Compact



Source: GAO analysis of Millennium Challenge Corporation data.

Notes: Planned disbursements are based on MCC's projections at compact signature and assume that compact funds are disbursed evenly throughout the compact implementation year.

Actual disbursements by project may not add up to the figure presented for total compact disbursements because disbursements reported as "pending subsequent report" are reflected in the compact total but not in project totals. In general, "pending subsequent report" amounts represent disbursements that will be allocated to individual projects in subsequent quarters.



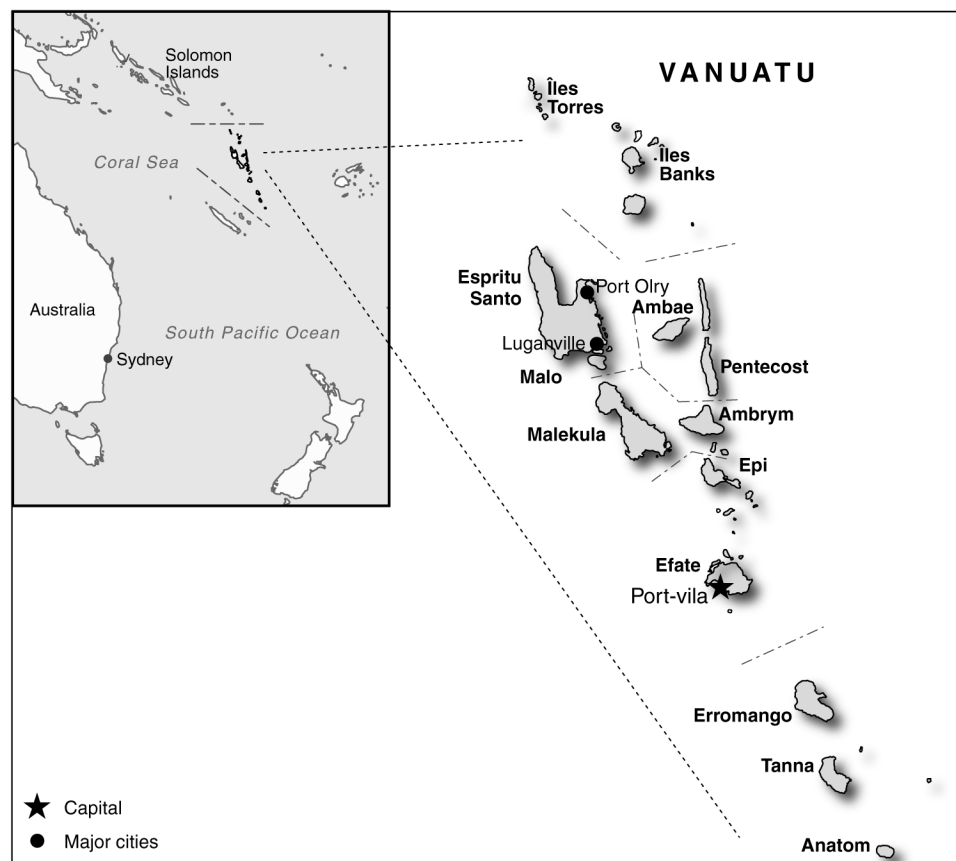
MILLENNIUM CHALLENGE CORPORATION

Vanuatu Compact Fact Sheet

Country Characteristics

Located in the South Pacific about 1,300 miles northeast of Sydney, Australia, Vanuatu consists of 83 islands and has a population of about 215,000. Vanuatu had a gross national income (GNI) of \$1,690 per capita in 2006. An estimated 40 percent of Vanuatu's population has incomes below \$1 per day. Its economy is primarily based on agriculture and tourism, which contribute about 15 percent and 19 percent, respectively, to the gross domestic product (GDP). The country's real economic growth averaged 2 percent over the past decade, but rose to an estimated 5 percent in 2007. According to the Asian Development Bank, tourism is one of Vanuatu's most promising sectors in terms of potential for earning foreign exchange and creating employment.

Map



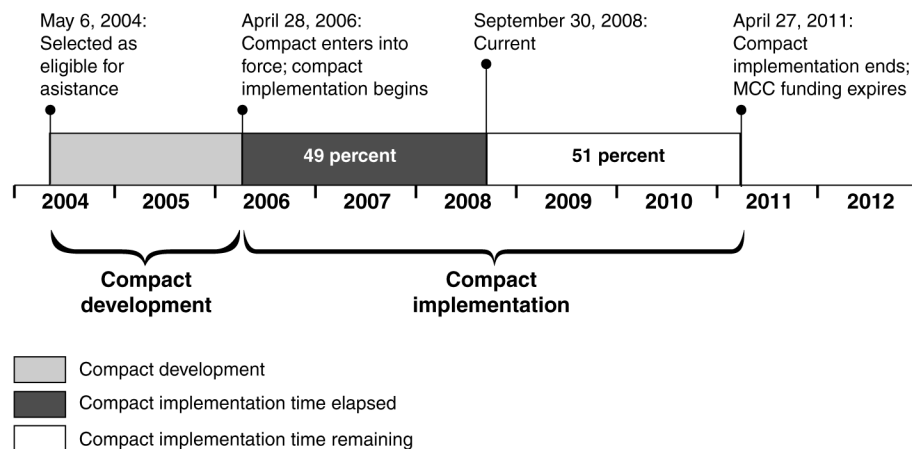
Sources: GAO; Millennium Challenge Corporation and Map Resources (map).

Compact Timeline

During compact development, MCC evaluates the country's proposal and, if MCC approves it, MCC negotiates and may sign a compact with the country. After compact signature, the country must complete MCC's entry into force requirements, such as procurement and disbursement agreements, in order for compact implementation to begin. MCC's statute limits compact implementation to 5 years.

Vanuatu was 1 of 16 countries that MCC selected as eligible in its first eligibility round. As of September 30, 2008, 49 percent of the compact's 5-year period had elapsed.

Key Events for Vanuatu Compact



Source: GAO analysis of Millennium Challenge Corporation data.

Vanuatu

MCC Candidate Criteria

Each fiscal year, MCC uses per capita incomes to identify two pools of candidate countries, low-income countries and lower-middle-income countries, based on World Bank lending thresholds. In addition, candidate countries must not be statutorily barred from receiving U.S. assistance. By law, MCC can use a maximum of 25 percent of compact assistance for any given year for new compacts with lower-middle-income countries.

Vanuatu has been a low-income candidate country every year since MCC began operations in 2004. Vanuatu's gross national income per capita has approached lower-middle-income status in recent years.

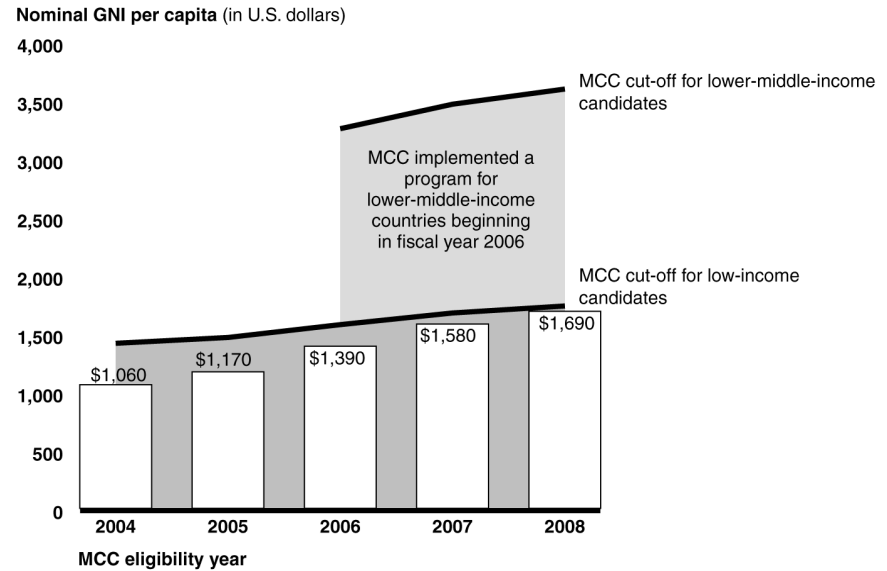
MCC Eligibility Criteria

Each fiscal year, MCC's Board uses quantitative indicators to assess a candidate country's policy performance. MCC compares the country's performance on each indicator to that of other candidates. To pass an indicator, a country must score better than at least half of the other candidates (above the median) in its income group. To meet MCC's eligibility criteria, a country must pass the indicator for control of corruption and at least half of the indicators in each of three categories. However, the Board may select a country as eligible even if it does not meet the criteria, and has done so in the past—mostly for countries previously selected as eligible. If the policy performance of a country implementing a compact declines, the Board can suspend or terminate the compact; however, it has not yet done so for any country.

Vanuatu has passed MCC indicator criteria and been selected as eligible for compact assistance every year since 2004.

MCC Selection Criteria

Vanuatu GNI Per Capita



Source: GNI per capita data are from the April 2008 version of the World Bank World Development Indicators. Notes: The April 2008 data may include Bank updates that occurred after MCC candidate selection. Because of a two-year data lag, MCC used, for example, 2006 data in its 2008 eligibility round.

Vanuatu's Performance on MCC Eligibility Indicators

Indicator category	MCC eligibility year	2004	2005	2006	2007	2008
	MCC income group	Low	Low	Low	Low	Low
Ruling Justly	Political Rights	✓	✓	✓	✓	✓
	Civil Liberties	✓	✓	✓	✓	✓
	Voice and Accountability	✓	✓	✓	✓	✓
	Government Effectiveness	✓	✓	✓	✓	✓
	Rule of Law	✓	✓	✓	✓	✓
	Control of Corruption	✓	✓	✓	✓	✓
Investing in People	Girls' Primary Education Completion	✓	✓	✓	✓	✓
	Primary Education Expenditures	✓	✓	✓	✓	✓
	Health Expenditures	✓	✓	✓	✓	✓
	Immunization Rates	X	X	X	X	✓
	Natural Resource Management (2008)					X
Encouraging Economic Freedom	Country Credit Rating (2004-2005)	✓	✓			
	Days to Start a Business (2004-2007)	✓	✓	✓	✓	
	Cost of Starting a Business (2006-2007)			✓	✓	
	Business Start-up (2008)					✓
	Inflation	✓	✓	✓	✓	✓
	Fiscal Policy	✓	✓	✓	✓	✓
	Trade Policy	X	X	X	X	X
	Regulatory Quality	X	X	✓	✓	✓
	Land Rights and Access (2008)					X
Indicator assessment result		Passed	Passed	Passed	Passed	Passed
MCC eligibility determination		Eligible	Eligible	Eligible	Eligible	Eligible

✓ Passed (scored above the median) X Failed (scored at the median or below) [Hatched] Not used to evaluate performance

Source: GAO analysis of Millennium Challenge Corporation data. Note: For the 2004 eligibility round, MCC used Primary Education Completion instead of Girls' Primary Education Completion.

Vanuatu

Compact Characteristics

At compact signature, the 5-year, \$65.7 million Vanuatu compact aimed to benefit poor, rural agricultural producers and providers of tourism-related goods and services by reducing transportation costs and improving the reliability of access to transportation services. At signature, the compact focused primarily on infrastructure projects on 8 of Vanuatu's 83 islands.

In July 2007, GAO reported that MCC had overstated the expected benefits of its Vanuatu compact; GAO also identified additional risks that could affect compact results (GAO-07-909). The graphic to the right shows MCC's expectations of compact benefits at compact signature.

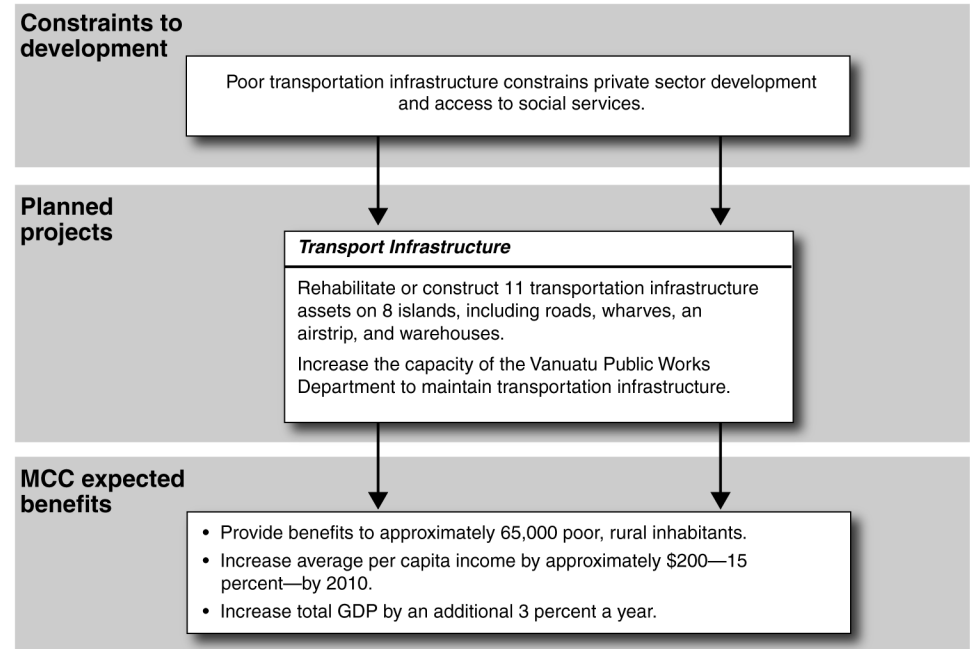
Compact Project Funding

Although the total amount of compact funding is fixed, MCC and the country may reallocate funds among projects during compact implementation as more detailed information about costs becomes available.

MCC has approved slight changes to Vanuatu's compact funding allocations since compact signature in March 2006. At signature, the \$65.7 million Vanuatu compact included \$60.7 million in project funds and \$5.0 million for program administration and monitoring and evaluation activities.

Compact Summary

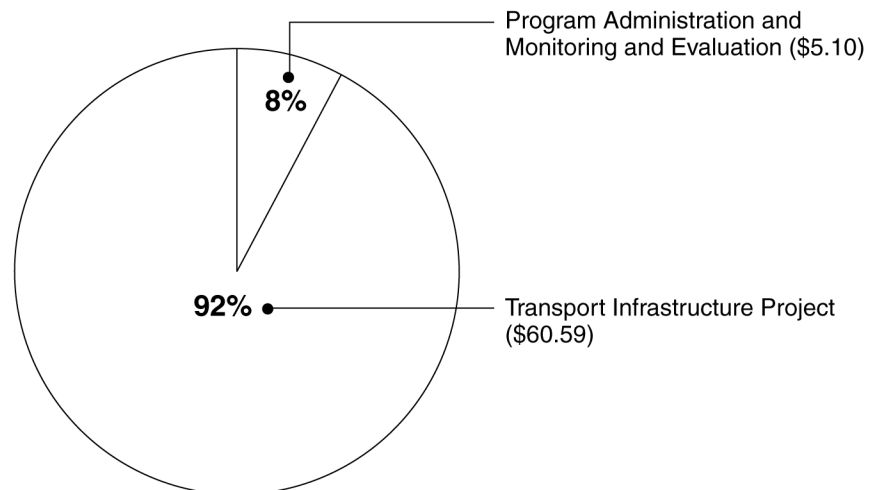
Structure of Vanuatu Compact at Signature



Source: GAO analysis of Millennium Challenge Corporation data.

Vanuatu Compact Funding as of June 2008

Dollars in millions



Source: GAO analysis of Millennium Challenge Corporation data.

Vanuatu

Compact Implementation

At compact signature, MCC develops a preliminary disbursement plan for the compact. MCC disburses funds as the country begins implementing projects. According to MCC, any funds not disbursed within 120 days after the compact ends would return to MCC for reprogramming.

As of June 2008, 43 percent of the Vanuatu compact's 5-year period had elapsed and MCC had disbursed \$14.66 million (22.32 percent) of compact funds, compared with the \$40.05 million (60.97) it had originally planned to disburse as of that date. In the first quarter of fiscal year 2008, MCC and the country revised the projected disbursement total to \$6.38 million by June 2008.

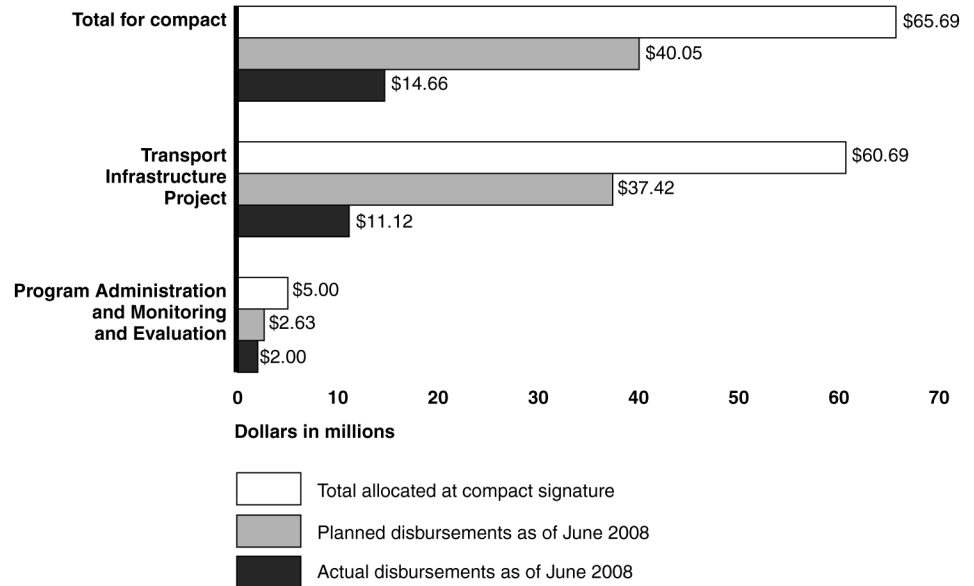
As of June 2008, the country had committed \$57.09 million, or 86.91 percent of compact funds. Commitments include signed contracts and the forecasted value of recurring expenses outside of a contract.

Due to escalating global construction costs and currency fluctuations, MCC restructured the Vanuatu compact to fund up to 70 percent of the planned road rehabilitations, with a focus on the Efate and Santo islands. According to MCC, it has supported the government of Vanuatu in its efforts to secure funding from other donors for the remaining projects.

Due to the restructuring, MCC reports that it has revised its estimate of compact benefits. MCC originally estimated that the compact would benefit 65,000 residents of Vanuatu; it now reports that it will benefit 51,239. MCC originally estimated that the compact would increase average per capita incomes by about \$200 by 2010. MCC now expects an increase of approximately \$150 by 2010.

Compact Status

Funds Provided for Vanuatu Compact



Source: GAO analysis of Millennium Challenge Corporation data.

Notes: Planned disbursements are based on MCC's projections at compact signature and assume that compact funds are disbursed evenly throughout the compact implementation year.

Actual disbursements by project may not add up to the figure presented for total compact disbursements because disbursements reported as "pending subsequent report" are reflected in the compact total but not in project totals. In general, "pending subsequent report" amounts represent disbursements that will be allocated to individual projects in subsequent quarters.

Enclosure I: Comments from the Millennium Challenge Corporation

GAO comments supplementing those in the report text appear at the end of this enclosure.



September 22, 2008

Mr. David B. Gootnick
Director, International Affairs and Trade
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Gootnick:

Thank you for the opportunity to provide comments on the GAO report entitled "Millennium Challenge Corporation: Summary Fact Sheets for 11 Compacts Entered into Force." MCC appreciates GAO's summaries of its compacts to reduce global poverty through the promotion of sustainable economic growth, and would like to add some key points about the structure, context, and ongoing evolution of MCC compacts.

Country Ownership and Compact Disbursements

MCC works in partnership with eligible countries, which are responsible for identifying the greatest barriers to their own development; for developing their own priorities for a compact, with input from the public, as well as civil, political, and private sector actors; and for implementing compact programs once they have been approved. A compact program requires high-level engagement and leadership by the partner government, as well as civil society and other domestic stakeholders to ensure the effectiveness and sustainability of the MCC investment. **MCC provides ongoing guidance and oversight, but compact countries are ultimately responsible for project development and implementation, including the pace of commitments and disbursements. In keeping with the country ownership model, compact countries' accountable entities (often referred to as MCAs), and not the MCC, sign contracts and thereby commit compact funds.**

MCC recognizes that actual compact disbursements have been behind the original projected disbursements included in the first 11 compacts' multi-year financial plans. As GAO's recent analysis has noted, it took longer than initially projected to create accountable entities and establish the necessary capabilities to begin full implementation. These structures are essential to performing MCC's fiduciary responsibilities and ensuring results and accountability for compact funds. MCC now begins these processes earlier and invests more effort in the compact development process. These efforts will lengthen the compact development timeline as compared with the original 11 compacts, but they should yield more predictable disbursement rates for subsequent compacts and help continue to ensure U.S. taxpayer funds are well spent.

A compact multi-year financial plan is a preliminary budget based upon the due diligence work done by MCC in the compact development process. As additional information becomes

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See comment 1.

available regarding project cost and timelines leading up to entry into force (EIF) and beyond, MCAs revise their disbursement projections. These revisions update the compact multi-year financial plans and better reflect the on-the-ground reality in our existing countries. MCAs are currently undergoing an annual planning exercise that includes developing financial projections for FY 2009 and subsequent fiscal years. MCC's report to Congress during the first quarter of FY 2009 will include these revised projections.

See comment 2.

Cost Re-estimates, Project Designs, and Expected Benefits

In December 2007 MCC first identified six countries (Armenia, Cape Verde, Georgia, Honduras, Mali, and Vanuatu) facing cost increases resulting from the global construction boom, increasing input costs, currency fluctuations, and additional information gathered through ongoing technical studies. MCC and MCAs in these six countries have successfully restructured and re-scoped projects, re-packaged procurements, signed key contracts, and sought parallel financing where appropriate. MCC has also aggressively monitored programs to address cost increases in additional countries.

MCC project designs may evolve or be refined during implementation for a variety of reasons. Consequently, projections of expected benefits and beneficiaries may also change. MCC periodically reviews its compacts' benefits and beneficiaries. MCC provides updated estimates in publicly available documents such as monitoring and evaluation plans (M&E Plans) as they are available.

MCC Selection Criteria and Policy Improvement Plans

MCC has previously provided GAO with text to reflect more accurately the parameters of the compact eligibility decision-making process of MCC's Board of Directors as well as clarifications on past decisions. This important process and clarifications are summarized below.

Eligibility for a compact is based predominantly, but not solely, on a country meeting MCC's eligibility criteria. The Millennium Challenge Act of 2003 (the Act) outlines three factors that the Board considers in making eligibility decisions:

1. the extent to which the country meets the eligibility criteria;
2. the opportunity to reduce poverty and generate economic growth in a country; and
3. funds available for the fiscal year.

In considering performance on the eligibility criteria, the Act allows the Board discretion to take into account other quantitative and qualitative information to determine whether a country performed satisfactorily in relation to its peers in a given category. The Board may consider whether any adjustments should be made for data gaps, lags, trends, or other weaknesses in particular indicators.

The fact sheets note that MCC has selected 17 countries that did not meet the selection criteria, but in 14 of these cases, the country did meet the criteria in the year it was selected. These 14 countries had already signed and begun implementing, or in some cases were developing, their

See comment 3.

compacts. While MCC is not legally required to determine a country as eligible annually after it has a compact, MCC continues to monitor performance of partner countries and has a suspension policy in place, which allows the suspension of a country that engages in a pattern of actions inconsistent with the criteria or where a significant policy reversal occurs.

There are only three cases in which a country was initially selected when it did not meet the performance criteria (Georgia, Mozambique, and Bolivia). In these three cases, the eligibility criteria later reflected important improvements that had occurred at the time of the initial eligibility decision but which were not reflected in the data at that time. **In all three cases, the countries subsequently passed the criteria when updated data reflecting the improved policy performance became available.**

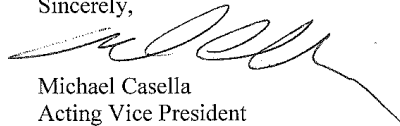
Regarding the other 14 countries with compacts, a country not meeting the policy performance criteria in a given year does not necessarily indicate that a significant decline in performance or policy reversal has taken place. Not meeting the policy performance criteria can reflect a variety of causes that do not rise to the level of suspension, including:

- changes to the selection criteria such as the inclusion of new indicators (e.g. the addition of the Natural Resources Management Indicator for FY08);
- changes in scores that are not statistically significant;
- graduation of countries to a higher income category where the country is competing in a higher performing category;
- minor performance declines; and
- revisions to the data by the indicator institutions.

If compact partners do not meet the policy performance criteria, but a significant policy reversal has not occurred, MCC asks the country to develop and implement a “policy improvement plan” to improve performance on the criteria. This has served as both an operational tool for our partner countries and a monitoring tool for MCC.

MCC has, however, suspended two countries: the compact eligibility of The Gambia and the threshold eligibility of Yemen.

Sincerely,



Michael Casella
Acting Vice President
Administration and Finance
Millennium Challenge Corporation

The following are GAO's comments on the Millennium Challenge Corporation letter dated September 22, 2008.

GAO Comments

1. MCC notes that compact countries are ultimately responsible for project development and implementation, including the pace of commitments and disbursements, and that compact country entities sign contracts and therefore commit funds. In response to this and MCC's technical comments, we revised the draft fact sheets' references to MCC commitments where it was more appropriate to refer to compact country commitments. However, we retained our presentation of MCC's disbursement of funds, because the fact sheets summarize data from MCC's quarterly disbursement reports, which show disbursements provided by MCC for the recipient countries.
2. MCC states that its country counterparts revise their disbursement projections as additional information becomes available and that the countries are currently undergoing an annual planning exercise to update these projections. MCC also notes that its report to Congress in the first quarter of fiscal year 2009 will include these revised projections. We incorporated into the fact sheets the revised disbursement projections that MCC provided in its technical comments. However, we retained a presentation of MCC's disbursement plan at compact signature, as a baseline for MCC's revised projections.
3. Commenting on the draft fact sheets' statement that the MCC Board has selected 17 countries that did not meet the selection criteria, MCC notes that 14 of these countries had met the criteria in previous years. We modified the text to reflect that most eligible countries that did not meet selection criteria had previously been determined eligible by the Board.

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