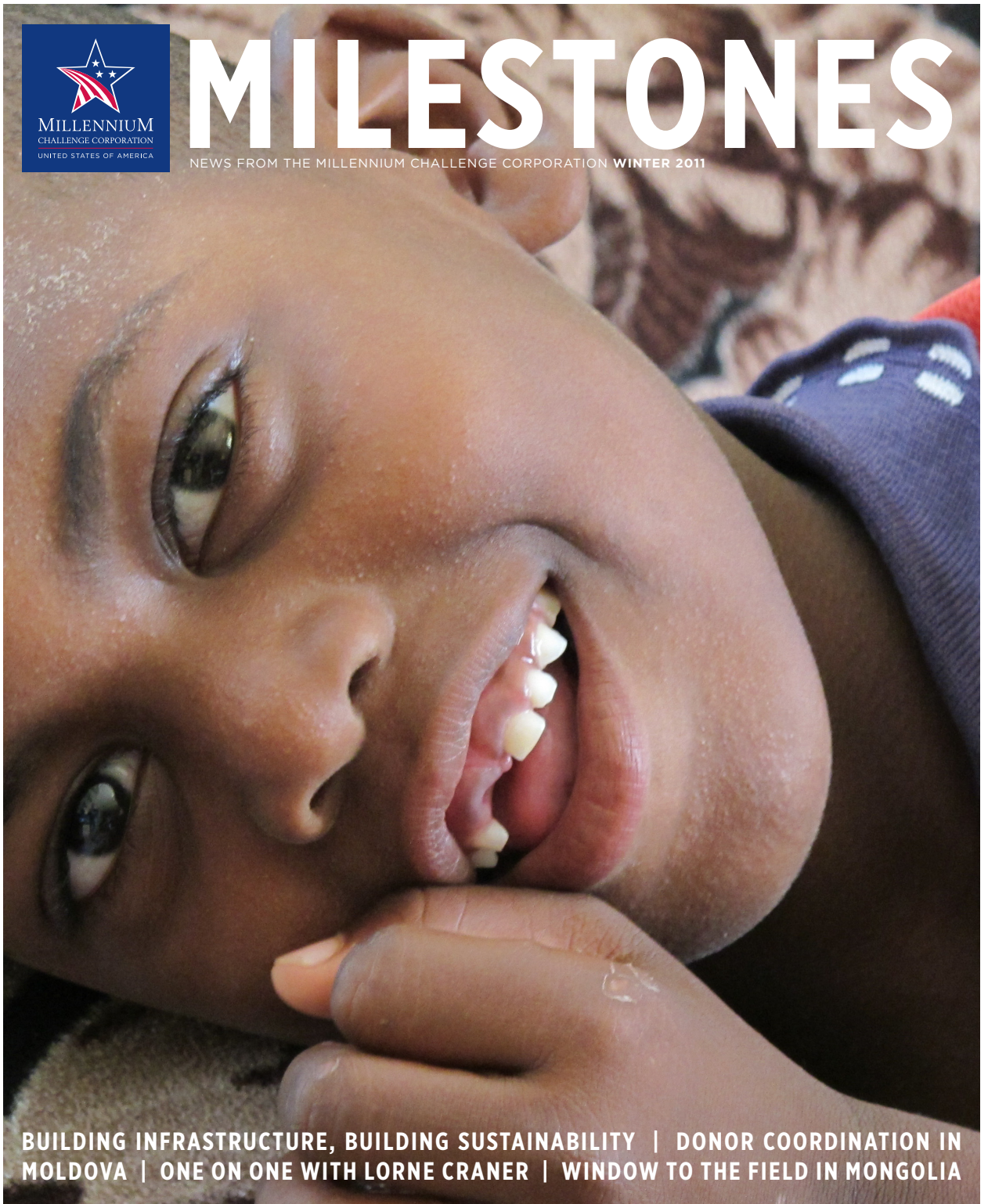




MILLENNIUM  
CHALLENGE CORPORATION  
UNITED STATES OF AMERICA

# MILESTONES

NEWS FROM THE MILLENNIUM CHALLENGE CORPORATION WINTER 2011



**BUILDING INFRASTRUCTURE, BUILDING SUSTAINABILITY | DONOR COORDINATION IN MOLDOVA | ONE ON ONE WITH LORNE CRANER | WINDOW TO THE FIELD IN MONGOLIA**

## Preparing for an Unprecedented Period in MCC's History

### CEO'S WELCOME

The Millennium Challenge Corporation is entering a new chapter of its history: its first compacts are beginning to successfully conclude. In September and October, I had the opportunity to attend compact closeout events in Honduras and Cape Verde. I was very moved by the joy and gratitude expressed by people who have benefitted from MCC-funded programs, and by the progress that they have made. Azucena Urquia of Cantoral, Honduras told me she never imagined she would learn how to plow a field, become a successful farmer, and eventually sell her goods to big grocery stores. She is proud of her accomplishments and her community. Celso Duarte, a farmer in Cape Verde, received training to use a new watershed management system that helps him and his fellow farmers diversify their crops to produce greater incomes. Witnessing firsthand the effect of the MCC-MCA partnerships is inspiring and continues to fuel the work we do.

In 2011, five more MCC Compacts will come to a close: Armenia, Benin, Georgia, Nicaragua, and Vanuatu. These closeouts offer a critical opportunity to assess what worked and what did not work in the design and imple-

mentation of MCC's early programs. Behind the scenes, compact closeouts require extensive preparation. First, MCC works with partner countries to ensure that programs are closed systematically so that countries are prepared to address multiple challenges, including completing projects on time, making final disbursements, winding down program activities, and communicating results. Second, country-led post-compact assessments are prepared to summarize preliminary data on results achieved and lessons learned. Finally, MCC and independent evaluators carry out detailed program impact evaluations that include measurements of changes in peoples' income and well-being. These impact evaluations are a unique and defining feature of MCC; it is our hope that they will serve to increase knowledge in the development community about the delivery of measurable and sustainable results.

I am excited about this new chapter in MCC's history and look forward to sharing compact program results with you. Stay tuned to see why compact completion is a new beginning at MCC, not only for the agency, but for the millions of people whose lives we are helping to improve.



Top: Daniel Yohannes pictured with dancers in Comayagua, celebrating the MCC Honduras Compact closeout.

Bottom left: with Azucena Urquia of Honduras, bottom right: with Celso Duarte of Cape Verde.



# EVALUATING RESULTS: CAPE VERDE AND HONDURAS

## MEASURED RESULTS

### MCC's commitment to impact evaluations is an integral part of its focus on results

MCC calls for independent impact evaluations to assess over half of its compact investments. These evaluations will help to write a new chapter on what works in development. The most useful evaluations can tell what kinds of activities best promote development. To find out what works, MCC compares the incomes of its project's beneficiaries with those of the best possible "counterfactual": that is, we estimate what those incomes would be without the MCC investment. Identically selected but randomly excluded control groups provide the ideal estimates of the counterfactual. However, field conditions often make randomization impractical, so MCC looks for the best alternate measures of impact. MCC's Cape Verde and Honduras Compacts, which recently closed out, show how evaluations are customized to produce the best possible feedback on results under conditions in the field.

#### Cape Verde

MCC's Watershed Management and Agriculture Support (WMAS) Project in Cape Verde invested in increasing water resources. Additional water helps farmers irrigate their fields, increase productivity, and switch to high-value crops. At the outset, MCC could not identify an ideal comparison group to establish a counterfactual. In its place, several agricultural surveys were collected in both project and non-project areas. These surveys collected information about crops, area, production, methods, total revenues, and total costs. The independent evaluator contracted by MCC is now considering two alternative methods of measuring impact. The data will tell whether an appropriate control group can be identified; if so, that group will serve as the counterfactual. If not, the evaluator will construct alternate estimates of project impacts. For example, since rapid adoption of irrigation and associated farming



methods would be clear results of the WMAS Project, a plausible counterfactual is to forecast what these farmers' incomes would have been without access to the new irrigation. Using this approach, the evaluator may compare actual incomes to the forecasted estimates of non-project incomes to understand the likely effect of the WMAS Project on farmer incomes. Stay tuned for details about the design, implementation, and results of the WMAS evaluation as they become available.

## Honduras

MCC's impact evaluation of the Honduras farmer training program is an example of a study comparing a treatment and control group to assess the activity's performance against a counterfactual. More than 7,000 Honduran farmers were trained to adopt high-value horticulture, pest-control, and post-harvest techniques. A subset of those farmers lives and works in randomly-selected communities. Incomes of farmers in this subset will be compared to incomes of farmers in comparable control communities. The study will assess how

participation in the MCC-funded farmer training program affected farmers' incomes.

The demanding nature of development work in the field required adjustments to this evaluation. First, the farmers in the control group were selected based on criteria established early in the project; the criteria for selecting farmers to participate in training, however, evolved over the life of the project. As a result, the two groups will differ more than originally planned. Second, fewer farmers than expected were recruited for training, so the sample is smaller than planned. MCC and the evaluator agreed that the evaluation should continue, but with two major adjustments: Additional statistical controls will be used to minimize the effect of the selection criteria, and a supplemental evaluation will use a larger sample of less strictly-chosen treatment and control farmers. These methods are not ideal, but they are our best opportunity to measure the results under field conditions and to learn of the program's potential for replication. Results of the evaluation are expected in 2011.

**BY**  
**JACK**  
**MOLYNEAUX**  
DIRECTOR  
OF IMPACT  
EVALUATIONS

Before and After:  
Sonaguera-El Coco  
Secondary Road

MCC funds improved 107 kilometers of the CA-5 North Highway, over 60 kilometers of secondary roads and close to 500 kilometers of rural roads throughout Honduras.



IN BRIEF

BY  
CASSANDRA  
BUTTS  
SENIOR  
ADVISOR

MCA-Morocco held workshops last summer to educate employees about MCC's Gender Policy.

# Gender Integration in Practice

Under the leadership of CEO Daniel Yohannes, MCC made gender one of five agency priorities in 2010. The result has been a renewed agency-wide focus on the implementation of our groundbreaking gender policy. We began the year by announcing MCC's first ever gender integration award to recognize MCC staff who have distinguished themselves in their work supporting gender integration. We were pleased to recognize Jonathan Nash, senior director for Environment and Social Assessment, and Brian Baltimore, Deputy Resident Country Director for Lesotho, as the recipients of the award. Jonathan has been at the forefront in incorporating the gender policy into his work in Honduras, Mozambique, El Salvador, and Tanzania, and has demonstrated a commitment to gender as essential to project success. Brian has been a strong supporter of the gender equality project in the Lesotho Compact and helped facilitate the process in which the Government of Lesotho ensured that relevant laws were harmonized with the intent of gender equality embodied in the Legal Capacity of

Married Person's Act of 2006. Brian further demonstrated his commitment to gender by donating his monetary award of \$2,500 to small business development for women in Lesotho.

While MCC can be proud to date in what has been accomplished, we also recognize that more can be done to integrate gender into the design of our development programs. To that end, we took the essential step of creating the operational guidance in implementing the MCC Gender Policy through the creation of the Gender Integration Milestones and Operating Procedures. It will be accompanied by additional guidance for compact development and for current partner countries to fully "mainstream" gender into the operational procedures at MCC and within the institutions implementing compact projects.

In 2011 we look forward to another year at MCC filled with accomplishments in furthering our goal of promoting gender equality as a development objective in supporting poverty reduction.

## In Moldova, MCC and USAID Leverage Resources to Reduce Poverty

Carefully coordinated solutions can deliver the best return on investment for American taxpayers. Katherine Farley, Senior Director for Agriculture and Land, exemplified MCC's commitment to this maxim by leading donor coordination efforts in Moldova with USAID and the World Bank.

Agriculture has long been Moldova's economic foundation. Farming accounts for more than 40 percent of employment and 17 percent of the country's gross domestic product. The objective of the Transition to High-Value Agriculture Project (THVA) is to increase agricultural incomes by stimulating the production and improved marketing of high-value fruit and vegetables. Katherine's efforts led to a partnership with USAID in the creation of the Growing High-Value Agriculture Sales Activity within the THVA Project, leveraging both MCC and USAID resources.

Donor coordination opportunities are investigated in the development phase of all MCC compacts. Both the World Bank and USAID have been active in the agriculture sector in Moldova and the region for many years, and were able to share market and policy

assessment information and institutional lessons learned related to irrigation and water management with Katherine and the compact development team throughout the compact development process. According to Katherine, "Successful partnerships begin very early in the development phase, and require persistence by all partners throughout implementation."

MCC and USAID teams worked together throughout the compact development process to develop the Growing High-Value Agriculture Sales (GHS) Activity. The joint project is designed to build on USAID's eight years of experience in the agricultural sector and support MCC's irrigation infrastructure investment that will rehabilitate 11 irrigation systems and impact over 15,000 hectares.

The joint GHS Activity, which USAID will administer, will provide the technical assistance and market development support needed to help producers within the targeted irrigation systems transition to high-value fruit and vegetable crops, as well as provide improved access to markets for Moldovan producers already active in the high-value agriculture sector.



DONOR  
COORDINATION



FEATURED  
STORY

# The Road to Economic Growth in Georgia





On a sunny mid-November day, Georgia President Mikhail Saakashvili, First Lady Sandra Roelofs and U.S. Ambassador John Bass took an official test drive of the newly rehabilitated Samtskhe-Javakheti Road. The \$203 million Georgia Compact road rehabilitation initiative improves a major transport network—220 kilometers— connecting the capital city of Tbilisi to southern Georgia and to border crossings with Armenia and Turkey.

At the road opening ceremony, President Saakashvili reflected upon the road's significance for the county. "[Back in 2004] the first thing I recalled was that we needed a road that would connect Tbilisi and Akhalkalaki, Tbilisi and Turkey with each other. I think I was not mistaken. It had a big economic importance... this is really a historical day and a historical road. Most of our citizens have never passed to this direction."

The Samtskhe-Javakheti region is known for its dairy products and famed potatoes from the black soils of the high mountain plateaus. Ethnic Armenians comprise the majority of the population. Though the region is quite close to the capital with a large potential for trading and tourism, travel along the main road was painfully slow.

As part of Georgia's Monitoring and Evaluation plan, several outcome indicators were selected to characterize the conditions of the road and to set outcome engineering targets for Millennium Challenge Georgia Fund's (MCG) construction contrac-

tors. Travel time along the project's 220 kilometers was measured at eight hours and 13 minutes before the rehabilitation works had commenced. Another indicator MCC used to characterize the road's baseline conditions was the International Roughness Index (IRI). To calculate the IRI, a laser is mounted

on a special vehicle and then driven over the road: The number of times the laser jumps per kilometer driven is an indicator of the road's roughness. New highways have been measured with an IRI of 2; maintained unpaved roads could have IRIs between 5 and 10. Before repair works started on the Samtskhe-Javakheti road, Kochs engineering calculated the Samtskhe-Javakheti IRI at 16.6, making driving very difficult. Yet numbers do not fully capture the experience of riding this road.

"When I accepted an invitation to take up the reins as team leader of the technical and contractual advisors to MCG, to travel the road even in good weather was a soul-destroying process. In winter, the potholes were so deep that water seeped under the driver's door of our Nissan Patrol," reflected Harry Jones, the team leader of WYG International Ltd., the road's project management consultants.

**BY**  
**JIM**  
**MCNICHOLAS**  
RESIDENT  
COUNTRY  
DIRECTOR,  
GEORGIA



**Left:** With ADA co-financing, Santa Dairy purchased modern milk storage, pasteurization, and cheese production equipment as well as a refrigerator unit for producing butter and gouda and sulguni cheeses. Here workers are separating the curds from the whey.

**Below:** School children gather to celebrate the inauguration of the Samskhe-Javakheti Road Rehabilitation at Paravani Lake, November 15, 2010.



## FEATURED STORY

As Georgia puts the minor finishing touches on the road before the snow falls, the project is on track to meet its travel time target of two hours and 45 minutes and its IRI target of 2.5 by the compact's end. As the Center for Global Development's October Monitoring Field Report noted, "Many

portions of the previous road are still visible, parallel to the new road, and the difference is stark. A muddy path has been transformed to a seven-layer, two-meter-thick road that should last more than 20 years."

What was once a pothole-ridden obstacle to travel and trade is now a new transport corridor to tourism and business development. "When I started this business, the poor condition of the road—even having no road in some parts—was a huge problem for us. I am so glad this has been done now. Sometimes I even don't believe it!" said Darejan Kanteladze, owner of local Santa Dairy. Darejan is not only a beneficiary of the newly rehabilitated Samskhe-Javakheti road, but also a grantee in MCG's Agribusiness Development Activity.

The Agribusiness Development component was designed to help jumpstart Georgia's lagging agricultural sector through leveraged co-financing. After 15 years of sector decline, MCG's implementing partner for this compact component, CNFA, faced challenges. "In a healthy agricultural economy, the value of processed food as a share of the total output should be many times greater than that of primary agricultural production," said CNFA Director Patrick Norrell. "In Georgia, the situation is sharply the opposite, with primary agricultural production valued seven times greater than processing. On the one hand, this points to serious under-capitalization, technological obsolescence, and distortions in the labor market. On the other hand, these figures illustrate great potential hidden in Georgia's agriculture sector."

Over four and a half years, the Agribusiness Development project has sought opportunities where Georgian entrepreneurs co-finance expansion of their agribusinesses. The program has co-financed 58 value adds and value chain businesses such as dairies, hazelnut processors, and cold storage facilities.

With the objective of strengthening all components of the agricultural sector, MCG also co-financed 182 primary producers and 43 businesses projects that provide services to farmers all over Georgia. In 2008, Santa Dairy applied for a \$125,000

“The improvement of lives of common people was the main goal of the road project. Thus, I will not be mistaken if I say that in coming years we’ll see new businesses opening in the region, find the region’s agricultural products on the shelves of supermarkets in the capital and in other cities, and, perhaps most importantly, local and foreign tourists hiking and enjoying the picturesque views of the Samtskhe-Javakheti highlands.”

—MCG CEO GEORGE ABDUSHELISHVILI

matching grant from MCG to expand the dairy business into Gouda and Georgia’s Sulguni cheese production. The dairy was situated on the high plateau of Tsalka, with the major road barely passable in either direction. Maka Kanteladze, who oversees distribution, marketing and general administration issues at the dairy, commented on how business operations have changed since MCG’s road has neared completion. “Before there was no proper road access to the capital. We had to think of the approximate volume of sales in advance, deliver the goods to the capital and keep them in storage facility—meaning additional costs. With the road repaired, it has all changed. It now takes just 45 minutes of travel instead of three to four hours to get from Tsalka to Tbilisi. We can deliver goods immediately after the order is placed, eventually increasing our sales and turnover.”

At the close of the Agribusiness Development Activity on November 20, 2010, \$16 million had been awarded for co-financing Georgian agribusinesses projects in all regions of Georgia. As of September 30, 2010, MCG’s monitoring efforts have shown that over 2,600 jobs have been created as a result of these investments, and as more of the program’s co-financed agribusiness projects come online and adjust to their new operations, the number of jobs created is expected to grow. While engineering-based monitoring and evaluation outcome indicators are easily and immediately observable for the road project, the economic

indicators of success will take longer to materialize. It is too early to see how Georgia’s economy embraces links to a new border crossing with Turkey, access to Samtskhe-Javakheti’s famed agricultural lands, and a smoother, shorter ride to Georgia’s 12th century cave city in Vardizia.

MCG CEO George Abdushelishvili is quite confident that the road impact results will not disappoint. “The improvement of lives of common people was the main goal of the road project. Thus, I will not be mistaken if I say that in coming years we’ll see new businesses opening in the region, find the region’s agricultural products on the shelves of supermarkets in the capital and in other cities, and, perhaps most importantly, local and foreign tourists hiking and enjoying the picturesque views of the Samtskhe-Javakheti highlands.”

MCC is currently conducting a long-term impact evaluation, to be completed in 2013, that examines how the Samtskhe-Javakheti Road Rehabilitation project has fostered economic development and poverty alleviation in Georgia.

## FEATURED STORY

This photo was entered in a student competition that MCA-Mongolia organized as part of the International Energy Efficiency Exhibition in December, documenting the impact of air pollution.

## Promoting Innovative Solutions for Clean Air



WINDOW  
TO THE  
FIELD  
  
BY  
COURTENAY  
ENGELKE

Wintertime air pollution in Ulaanbaatar, Mongolia is among the worst in the world. In Ulaanbaatar, the coldest capital city in the world, coal-fired heating and cooking stoves in traditional “ger” (or circular felt) dwellings emit a toxic brew of pollution. While Mongolia is becoming an increasingly

attractive investment and tourist destination, businesspeople and tourists generally steer clear of the capital city during winter months, in part because of the pervasive air pollution. Unfortunately, the over 600,000 residents living in Ulaanbaatar’s “ger districts” don’t have that option. MCA-Mongolia’s Energy and Environment Project (EEP) aims to reduce air pollution by providing financial incentives to encourage residents to become more energy efficient and use lower-emission heating devices and stoves.

In December, the EEP launched an Affordable Energy Efficiency Home Design Contest to spur innovation in modern housing. The EEP also hosted an International Energy Efficiency Exhibition to introduce energy-efficient products to consumers. This exhibition, the second held since the project’s inception, included nearly 50 domestic and international suppliers from the United States, Korea, and Turkey, among other nations.

The event also served to increase the pipeline of innovative and appropriate products that are being considered for financial support by the EEP.

The EEP Project Director, the Ministry of Mineral Resources and Energy, and the City Government’s Air Quality Office opened the exhibition with impassioned remarks about the importance of clean energy to the health and well-being of city residents. A group of popular Mongolian rock singers then performed an original “clean air” song, penned for the occasion, to fervent applause. Suppliers enthusiastically exhibited energy-efficient home products, energy-efficient building materials, ger home insulation, electric heaters, liquefied petroleum gas heaters, pellet heaters, and air filtration systems to consumers who were eager to listen and learn. Compelling photos documenting the impact of air pollution from a student competition were on display, and awards were announced for the photos and a related essay contest. Perhaps most inspiring, however, was the strength of the public and private-sector collaboration to find affordable solutions to this serious public health problem. The wide variety of products and ideas on display was encouraging—the prospects for sustainable market-based solutions appear to be growing by the day. The Energy and Environment Project has added some of the products showcased in the exhibition to its analytical pipeline, and some of the producers have now organized to advocate for energy efficiency. At the same time, MCC is working hard to support MCA-Mongolia in its efforts—and we can’t seem to stop humming that Mongolian “clean air” song.