

FY 2013



MILLENNIUM
CHALLENGE CORPORATION

UNITED STATES OF AMERICA

**CONGRESSIONAL
BUDGET JUSTIFICATION
FISCAL YEAR 2013**

The Millennium Challenge Corporation

Congressional Budget Justification

FY 2013

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Executive Summary

(in \$ millions)	FY 2011 Appropriated	FY 2012 Appropriated	FY 2013 Request
Compacts	674.2	700.2	678.2
Threshold	36	0	15
Due Diligence/Compact Development (609g)	88	88	95
Administrative Expenses	95	105	105
Inspector General/Audits	5	5	5
Total Appropriations/Request	898.2	898.2	898.2

The President has requested \$898,200,000 to fund the Millennium Challenge Corporation (MCC) in Fiscal Year 2013. This figure represents level-funding for MCC from the amount provided by Congress in FY 2012.

MCC anticipates using FY 2013, and in some cases prior year appropriations, to fund compacts with Ghana, Benin and El Salvador, as well as threshold programs with Honduras and Nepal.

MCC has advanced its mission, to reduce poverty through investments promoting economic growth in developing countries with sound policy environments, by signing large-scale grant agreements, or a “Millennium Challenge Compact,” with 24 countries, totaling approximately \$8.9 billion. MCC has also signed 23 Threshold Programs, smaller grants focused on policy reform, with countries that do not qualify for compact funding.

MCC is built on the bipartisan consensus that essential elements for aid effectiveness include a focus on: economic growth as a pathway from poverty to self-sufficiency; competitive selection based on policy performance; country-owned solutions and implementation; and results, transparency, and accountability.

MCC’s investments are designed to unlock key constraints to economic growth in a select group of poor but well-governed countries in order to provide poor households with opportunities to increase their incomes. MCC investments also support key policy reforms in order to stimulate business-friendly environments that benefit private-sector led growth.

MCC is highly selective in its choice of partner countries. In order to be selected as eligible for MCC funding, candidate countries must demonstrate a commitment to just and democratic

governance, economic freedom, and investments in their people as measured by performance on a set of twenty third-party indicators.¹

Once a country is selected as eligible to work with MCC, it is responsible for identifying key constraints to economic growth, conducting extensive consultations across the business community and civil society, and developing project proposals that will lead to economic growth and poverty reduction. MCC's partner countries are primarily responsible for the execution of program funding and the achievement of results during implementation. Local ownership of the development process engenders responsibility, accountability, and leadership on the part of MCC's partner countries and builds local capacity to manage large, complex programs.

MCC's unique approach to development includes committing multi-year funding upfront. This financing approach provided by Congress in MCC's authorizing legislation increases the predictability of aid, providing a powerful incentive for countries to undertake tough policy reforms and making it possible to finance essential infrastructure.

To ensure U.S. taxpayers receive the best return on their investment, MCC requires strict financial accountability and adherence to transparent procurement practices. MCC also requires the specification of measurable results to ensure that assistance is used responsibly and effectively. To that end, prior to compact signing, MCC works with partner countries to complete benefit-cost analyses by developing economic rate of return (ERR) estimates for all compact projects and develops detailed monitoring and evaluation (M&E) plans.

MCC's fiduciary responsibility to U.S. taxpayers also includes ending partnerships when the conditions for success no longer exist. MCC monitors countries' commitment to MCC selection criteria throughout compact development and implementation. If there is a pattern of actions inconsistent with the principles of just and democratic governance, economic freedom, and investments in people, MCC may suspend or terminate compact funding, either partially or wholly.

MCC's approach to foreign assistance is showing results and changing the way the U.S. government practices the principles of effective and sustainable development. Supplemental information on MCC's compacts in implementation and MCC's Threshold Program is available in Appendix A. Appendix B, the Annual Performance Report, provides additional details on MCC's impact, results, partnerships, and strategic planning.

¹ More information on MCC's selection process can be found at <https://www.mcc.gov/documents/reports/report-2011001066201-fy12-selection-criteria.pdf>.

Results Framework

MCC has demonstrated that reporting results is an invaluable tool for managing projects to improve development outcomes. The level and quality of MCC's results reporting is an example of MCC staying true to our commitment to transparency and accountability.

MCC's "continuum of results" consists of tracking, measuring and publicly communicating results along the entire lifecycle of a compact, from inputs, to outputs, to policy reforms, and ultimately to measurable outcomes for beneficiaries. MCC's continuum of results also includes post-compact independent evaluations to help us improve accountability, determine if observed outcomes are attributable to MCC's investments and to learn whether programs were designed correctly. This method also ensures that MCC's ultimate goal, to increase the incomes of beneficiaries, is being met. Because MCC's continuum of results is built on transparency and critical learning, it becomes a tool for assessing what works and does not work in development and what can be improved for the future.

In 2011, MCC compacts in Georgia, Vanuatu, Nicaragua, Armenia, and Benin completed their five year term. A more detailed description of MCC's results in these and other, previously closed-out compacts can be found in Appendix A and at mcc.gov.

Compact Programs in Development

Request (in \$ millions)	FY 2011 Appropriated	FY 2012 Appropriated	FY 2013 Request
Total MCC	898.2	898.2	898.2
Compact Programs	674.2	700.2	678.2

Six new MCC compact programs are anticipated in FY 2012 and FY 2013. During FY 2012, MCC expects to sign compacts with Cape Verde and Zambia, and during FY 2013, MCC expects to present new compacts with Georgia, Ghana, Benin, and El Salvador for Board approval.

Compact Country Pipeline (in \$ millions)		
Country Partner	FY 2012 Funds	FY 2013 Requested
Ghana II	-	300
El Salvador II	109	168
Benin II	40	210
Zambia	355	-
Georgia II	130	-
Cape Verde II	66	-
Total	700	678

MCC's partnerships with these countries will advance U.S. interests in West Africa, Central America and the Caucasus by providing targeted assistance to reduce poverty through economic growth. The table below provides select summary statistics for each country. Together these countries account for nearly 60 million people, over half of whom subsist on less than two dollars per day. The countries have been selected as MCC partners because their sound policy environment provides a solid foundation for growth and development. MCC's prospective partners for second compacts have also been selected on the basis of strong performance implementing their first compacts.

Profile of Current Compact Eligible Countries							
Country	Population	GNI per capita	Population <\$2/day	Population <\$2/day	Human Development Index	Adult Literacy	Infant Mortality
	(millions) CIA World Factbook	(US\$) World Bank	(percent) WDI	(millions) WDI	UNDP	(% age 15 & above) UNDP	(per 1,000 live births) CIA World Factbook
Benin	9.3	780	75	6.9	167	42	62
Cape Verde	0.5	3,270	40	0.2	133	84	28
El Salvador	6.1	3,380	15	0.9	105	84	20
Georgia	4.6	2,690	32	1.4	75	100	16
Ghana	24.3	1,230	54	13.1	135	65	50
Zambia	13.5	1,070	82	11	164	71	67

Status of FY 2013 Compact Countries

For FY 2013, the President's request would enable MCC to fund compacts with Ghana, El Salvador and Benin. MCC requests \$678.2 million of the total FY 2013 request for compact programs, divided among compacts for Ghana, (\$300 million), El Salvador (\$168 million) and Benin (\$210 million). Compacts with El Salvador and Benin would be funded over two fiscal years (FY 2012 and FY 2013).

MCC's estimated budget requirements for these compacts are based on several factors, including total population, population living below national poverty lines, absorptive capacity, policy performance on MCC's indicators, and performance in previous compact implementation. Final compact amounts will be based on funding availability and on the scope of agreed upon projects.

Ghana

Selection: Ghana was selected as eligible to pursue a compact proposal in January 2011. Ghana consistently performs well on MCC's indicator criteria and is generally viewed as one of Africa's most stable policy performers, as evidenced in part by its inclusion as a pilot country for the President's Partnerships for Growth initiative. On the FY 2012 MCC Scorecards, Ghana performs in the top 5 percent of all low-income countries on every single Ruling Justly indicator, including control of corruption, government effectiveness and democratic rights. Ghana's

selection offers an opportunity to advance U.S. interests by addressing problems in the power sector that are a brake on economic growth in one of Africa's most important regional anchors.

Results of First Compact: In August 2006, MCC signed a \$547 million five-year compact with Ghana aimed at modernizing Ghana's agricultural sector to promote economic growth. Over five years, a strong Ghanaian-led MCA unit managed implementation of the compact and delivered results that include follow-on private investment. Compact-financed infrastructure and improved institutional capacity will help lay a strong foundation for future private sector investment in Ghana.

- The Agriculture Project focused on commercial agriculture for smallholder farmers. As of December 2011, the compact trained over 66,000 farmers, supported over 52,000 hectares of land under production, and installed ten cooling facilities to improve the quality and quantity of market-bound produce.
- The Transportation Project was designed to link rural communities to markets and reduce transportation costs. This has included upgrading the N1 Highway, a major transport artery in Accra, and 110 kilometers of rural feeder roads.
- The Rural Development Project supports basic community services for rural farm communities, such as access to drinking water, school infrastructure, electricity and financial services. To date, 197 water points have been constructed; nearly 37,000 students now attend class in 235 new or rehabilitated schools; and over 127 rural banks with 547 branches now provide rural communities access to the national payment system, thereby facilitating financial interactions by reducing the clearing time for payments.

Compact Development Status: An economic constraints analysis was finalized in November 2011 and identified access to power, credit and land tenure as important constraints to economic growth in Ghana. The Government of Ghana has identified access to power as the focus area for the development of the subsequent compact and submitted a preliminary concept note in December. Project proposals will be developed during FY 2012 that are expected to have a strong policy reform dimension and potential for follow on private investment in a sector critical to regional and global stability. During the project appraisal phase, MCC will coordinate with other USG agencies, NGOs and the business community. The compact is expected to be submitted to MCC's Board for approval during FY 2013.

El Salvador

Selection: MCC's Board of Directors selected El Salvador in December 2011 as eligible to begin the development of a compact proposal. El Salvador consistently performs well on both governance and economic indicators, and easily passes the new MCC Scorecard. El Salvador's policy track record has included significant reforms that are favorable to investment and economic growth. Due to strong policy performance, El Salvador was selected for inclusion in the President's Partnership for Growth initiative. Throughout the development and

implementation of its first compact, El Salvador has demonstrated capacity and commitment to take the necessary actions to reduce poverty and stimulate economic growth.

Results of First Compact: El Salvador's \$461 million compact program is managed by a strong country-led MCA unit that at the mid-point of compact implementation directly assumed responsibility over all procurements, resulting in faster project implementation. Below is an overview of the results to date by project sector:

- The Connectivity Project includes the design, construction and rehabilitation of one of El Salvador's national transport arteries. The first section of the Northern Transnational Highway has been inaugurated and upon completion, the road is expected to halve transport time across northern El Salvador and reduce vehicle operating costs by 24 percent.
- The Human Development Project is working to strengthen human capital by providing formal and non-formal education, increase access to potable water and sanitation, expand electricity coverage, and improve community infrastructure. To date, the project has provided over 16,000 households access to electrical services, improved water and sanitation services for over 3,000 households, and improved educational opportunities for over 22,000 students through scholarships, educational facility construction, and teacher training.
- The Productive Development Project aims to increase production and employment in northern El Salvador through technical assistance to farmers, small businesses, and financial institutions; increase capital investment in commercial projects; and extend credit guarantees. The project has stimulated nearly \$48 million in investment, trained over 17,000 farmers in improved techniques, and assisted nearly 240 businesses.

Compact Development Status: Through a joint bilateral effort under the Partnership for Growth initiative, a constraints analysis was completed in September, 2011. The analysis identified crime and security and low productivity of Salvadoran firms as binding constraints to economic growth in El Salvador. The Government of El Salvador has established a compact development team and timeline for submitting project concept notes to MCC for consideration in March 2012.

Benin

Selection: Benin was selected as eligible to develop an MCC compact proposal in December 2011. Benin is one of the poorest countries in the world, with roughly three quarters of its population of 9.3 million people subsisting on less than two dollars per day. Despite the country's widespread poverty, Benin is recognized within West Africa for its stable, democratic system, and maintains relatively strong policy performance, as evidenced by its passing of the new scorecard criteria, including all six ruling justly indicators. By the conclusion of its first compact, Benin completed construction of all planned infrastructure and undertook an ambitious and complex series of policy reforms. Major policy reforms included letting a major port concession, modernizing the system for managing civil and criminal cases and for certifying

property rights, and improvements in the country's microfinance regulatory system. Notably, policy reforms in microcredit regulation have led to improvements in the *Access to Credit* indicator in the new scorecard.

Results of First Compact: Benin's \$307.3 million compact, which concluded in October 2011, aimed at increasing investment and private sector activity through the implementation of four projects that have produced tangible results and impacted the lives of the people of Benin.

- The Access to Markets Project improved the Port of Cotonou's security (allowing it to retain its US Coastguard certification), nearly doubled its capacity, enhanced intra-port transport, and carried out cost-reduction measures—all of which helped create a more modern facility equipped to transparently handle the movement of a greater volume of goods. Merchandise flowing through the port has already increased from 4 million metric tons in 2004 to 7 million metric tons in 2010, exceeding the port's previous capacity.
- As part of the Access to Land Project, the compact created 294 village landholding plans, which provide secure tenure for 75,000 rural landholders and their families and allows them to make additional investments in their land. A parallel urban land project did not meet its targets because of delays in program implementation and complexities of the titling approach being used in urban Benin. The project produced 13,000 urban parcel files and since the compact closed, the Government has issued over 2,000 urban land titles and laid out an ambitious schedule for achieving thousands more by June. Despite the Government's sustained commitment to issuing these titles, the project has highlighted the need to reassess and refine the urban titling process to accelerate production beyond the current rate of up to 500 per month in order for Benin to reach its long-term urban titling objectives. Benin also adopted modern land administration technologies and improved procedures for its land management agency. In July 2010, the Government of Benin adopted a Declaration of National Policy on Landholding and the Domain, which directs all government agencies to pursue the same policies and approaches to reform in their programming and budgeting, thereby ensuring consistency and predictability across the government, and consolidating reforms supported by the compact.
- The Access to Financial Services Project strengthened supervision of microfinance institutions and established a grant-making "Challenge Facility" to match microfinance loans—steps that have helped microfinance institutions in Benin improve their stability. The project provided training, equipment, and support for officials with the Ministry of Finance's Microfinance Supervision Unit, leading to an increase in the number of annual audits from 27 to nearly 200, and a reduction in the average time to process a license for microfinance institution from 90 to 40 days during the compact period. Benin's National Microfinance Policy, adopted in November 2007, formalized the government's commitment to supporting access to financial services by enhancing the professional status of the Monetary Financial Institution (MFI) sector and improving its integration into the national financial sector. The policy establishes a National Microfinance

Committee to set national microfinance policy and supports the unit responsible for conducting MFI inspections and sanctions.

- The Access to Justice Project made improvements to Benin's legal and judicial environment, which prior to the MCC compact was characterized by insufficiently qualified personnel, untimely court decisions, corruption, lackluster enforcement of court decisions, and outdated laws and codes. As a result of the compact, four courts of first instance and one appellate court were built, bringing justice closer to Beninese citizens by decreasing the average travel distance to the nearest court and expediting the delivery of justice. Surveys show popular confidence in the judicial system has risen from 25 percent in 2006 to 70 percent after the compact.

Compact Development Status: MCC officials visited Benin in January 2012 to discuss next steps for compact development and establish a timeline moving forward. The Government of Benin has established a core team of distinguished local economists and experts to develop the compact and work on the analysis of Constraints to Economic Growth is underway.

Update on FY 2012 Compact Countries

MCC expects that funds appropriated for FY 2012 will enable MCC to sign compacts with Cape Verde, Zambia, and Georgia. MCC is working with teams from these countries on project preparation studies, environmental assessments and implementation preparations. The proposed investments cover a wide range of activities designed to stimulate growth and reduce poverty, as summarized below.

Cape Verde

Selection: MCC's Board selected Cape Verde as eligible to develop a compact proposal in December 2009. MCC's indicator institutions and a variety of issue experts consider Cape Verde a model for the African region in each of the categories of Ruling Justly, Investing in People, and Economic Freedom. MCC's recognition of this success sends an important signal to other countries in the region. Further, MCC's experience with Cape Verde revealed a reform-minded democracy committed to transparency and interested in improving government effectiveness. The partnership with MCC created new incentives for Cape Verde to continue policy reforms at the national level to improve its performance on the scorecard indicators, as well as new opportunities to pursue policy reforms at the sector level as part of its investment program.

Results of First Compact: MCC's first \$110 million compact with Cape Verde was completed in October 2010. Improvements to the port of Praia, to the country's road systems, and agricultural practices are expected to benefit 385,000 Cape Verdeans and increase incomes by over \$149 million over the next 20 years. The Government of Cape Verde established an active board of directors and a civil society stakeholder committee whose guidance during compact implementation led to significant policy and institutional reforms that amplified the benefits of the compact's infrastructure investments, an example of the benefits of strong country ownership in the management of USG resources. For instance, in 2007, it took 52 days to start a business in Cape Verde. By 2010, Cape Verde had reduced both the cost and time to start a business to an hour.

Compact Development Status: MCC's Board of Directors approved a \$66.2 million compact with Cape Verde in December 2011. The compact focuses on reforming the water, sanitation, and land management sectors to address critical constraints to economic growth. A Water, Sanitation and Hygiene Project will reform national water policies and regulatory frameworks, strengthen local utilities, and improve the quality of water and sanitation infrastructure. The Land Management for Investment Project will improve the policies and institutions governing land in Cape Verde, implement a land information system, and clarify parcel rights and boundaries in areas with high investment potential. The compact is expected to be signed in February 2012.

Zambia

Selection: Zambia was selected by MCC's Board as compact eligible in December 2008, and has performed well on the indicator criteria since then. On the FY 2012 scorecards, Zambia passes the Control of Corruption and Democratic Rights hurdles, as well as 17 out of 20 indicators. Significantly, over the course of 2011, Zambia witnessed a peaceful electoral transfer of power between opposing political parties. The smooth transition from former President Banda to President Sata in September 2011 was broadly viewed as a further consolidation of Zambia's democratic gains over that past decade.

Compact Development Status: The Lusaka Water Project aims to support a number of interventions that may include: the expansion of a water supply network and rehabilitation of the existing network; the extension of sewer network and provision of sanitation facilities; the burying of hand-dug shallow and contaminated wells in the project areas; drainage improvements and expansion; and conducting community based health and hygiene education activities.

This intervention will address a significant constraint to economic growth. Zambia's capital Lusaka has over 35 peri-urban areas, of which 25 lack access to clean water supply and sanitation. Many of Lusaka's residents have no access to safe water and live in crowded and unsanitary conditions that expose them to disease. About 850,000 people (60 percent of the urban population) in Lusaka's peri-urban areas depend on shallow wells for their supply of water, and are therefore at risk of contracting cholera and other water borne diseases. Due to poor drainage, most parts of Lusaka are subjected to frequent flooding during the rainy season, which negatively affects the health and productivity of the residents. The floods also cause pit latrines to overflow, thereby causing an environmental and health hazard. Poor drainage also contributes to high cases of malaria through stagnant and dirty pools of water which become breeding ponds for mosquitoes.

Georgia

Selection: The Board selected Georgia as compact eligible in January 2011. Georgia performs extremely well on the MCC scorecard and is recognized globally as one of the best investment climate reformers. Despite a relatively recent move to the lower-middle income category, Georgia maintains scores in the top 95% on a majority of the Economic Freedom Indicators. Throughout compact implementation, the MCA unit demonstrated sound management capacity in tackling serious challenges, including a conflict with neighboring Russia and an economy hit hard by the global recession.

Results of First Compact: MCC's \$395.3 million compact with Georgia was completed in August 2011. The compact focused on addressing two main barriers to economic growth: lack of reliable infrastructure and the slow development of businesses, particularly agribusiness. The Government of Georgia has been a committed partner, and the compact investments have delivered tangible results, as follows:

- The Samtskhe-Javakheti Road Rehabilitation Project, the signature project of the compact, converted 220 km of a local road into a key national and regional route, linking the capital Tbilisi with an under-served agricultural corridor in the country's southwest as well as Armenia, and for the first time, Turkey. This rehabilitation reduced travel time from more than eight hours to less than three hours, resulting in an estimated savings in costs to vehicle operators of more than \$13 million in 2011. Based on an end-of-compact review, the Economic Rate of Return of this investment is projected to be 15.5%.
- Through the Gas Pipeline Rehabilitation Activity the rehabilitation of 22 sites of the main gas pipeline in Georgia has improved regional and municipal service delivery providing increased energy reliability and security throughout the country.
- The Enterprise Development Project created more than 3,400 jobs, with an accompanying wage increase of almost \$1.7 million. Investments increased firm income by more than \$3.8 million through an agribusiness development program that included equity and loan investments and small grants across the value chain, including projects aimed at modernizing dairy production, cold storage facilities, fruit drying equipment, greenhouses, nurseries, nut processing equipment, high-quality potato seeds, and fruit and vegetable processing equipment.

Impact evaluations measuring the compact's contribution to the reduction of poverty are underway.

Compact Development Status: After being selected as eligible for a second compact in January 2011, Georgia mobilized quickly and dedicated resources to conduct and finalize a constraints analysis by July 2011 that identified human capital and rural infrastructure as binding constraints to future growth. The Georgian government submitted a proposal in December 2011 to improve human capital through improved science and math education in primary and secondary schools, teacher training, technical and vocational training and university partnerships in science and technology. As part of the proposal development process, MCC and Georgian technical teams conducted extensive consultations in Georgia and with over 30 universities in the US in September 2011 to inform Georgia's objectives and proposed approach to improving higher education in science, technology and engineering.

To enhance the impact of MCC's assistance and ensure sustainability of investments, the Georgians are examining how MCC funds can leverage private investment through public-private partnerships. During the project appraisal phase, MCC will emphasize not only technical and environmental feasibility, but also the institutional capacity of the implementing organizations and the need to build upon and if necessary expand education sector policy reforms to reinforce sustainability. The appraisal phase began in early FY 2012, and MCC anticipates that it will present a compact for Board consideration by the end of 2012.

MCC's Strategy for Subsequent Compacts

Selectivity is a defining characteristic of MCC's model of aid effectiveness. MCC works only with countries that perform well in areas that foster economic growth and reduce poverty, and says "no" to those that do not. In practice, MCC's commitment to selectivity means that, in a given fiscal year, at least two thirds of the countries in its candidate pool will not meet the indicator criteria – and the countries that do pass, with some exceptions, will tend to be those that have passed in previous years.

As a result, as MCC's first-generation compacts close out, the greatest opportunity for impact in many cases will be in countries that are currently, or have already been, MCC partners. In expressly authorizing MCC "to enter into one or more subsequent Compacts" in the Millennium Challenge Act of 2003, as amended, Congress envisioned that a commitment to selectivity could, by definition, mean continued engagement with a select group of well-performing countries.

Yet MCC's engagement with partner countries is by no means open-ended. MCC carefully considers the appropriate nature and duration of each country partnership based on the country's policy and implementation performance, as well as the opportunities to have an impact on growth and poverty reduction. This includes consideration of the potential sustainability of MCC's investments, and on the country's ability to attract and leverage public and private resources in support of development. These targeted, selective engagements are critical to ending the cycle of aid dependency, ensuring sustainability, and promoting country ownership.

MCC's use of subsequent compacts is focused on helping countries solidify a sustainable economic growth path that attracts private investment and allows countries to move away from dependence on aid. Plainly stated, the agency does not intend to have ongoing long-term commitments with countries. Subsequent compacts, however, will play a pivotal role in MCC's ability to reduce poverty and promote sustainable economic growth, and provide opportunities for both MCC and its partner countries to explore innovative approaches, including strategic partnerships with the private and non-governmental sectors.

MCC's Board is particularly selective when determining eligibility for follow-on partnerships. In addition to good policy performance, countries must show meaningful progress toward achieving first compact results before being considered for a subsequent compact. Of the ten countries that will conclude first compacts by the end of 2012 (Armenia, Benin, Cape Verde, El Salvador, Ghana, Georgia, Honduras, Mali, Nicaragua and Vanuatu), MCC's Board has selected five as eligible for subsequent compacts – Cape Verde in FY 2010, Georgia and Ghana in FY 2011, and Benin and El Salvador in FY 2011.

For the poorest countries, even the ones with the right policies in place, it takes decades of sustained growth to lift citizens out of poverty. For low-income countries like Tanzania or

Ghana that have annual per capita incomes of \$500 and \$700 respectively, economists estimate it could take over 40 years to graduate out of the lower-middle income category even if they sustain annual per capita growth of four percent. This does not mean, however, that MCC engagement should last decades. On the contrary, MCC's role is to help countries change their growth path away from aid dependence and toward greater reliance on private sector investment and internally-generated revenue.

While a single compact alone cannot address all binding constraints to a country's growth, or transform an entire economy, a subsequent compact in a country that continues to perform well may present some of the best opportunities for MCC and partner countries to achieve sustainable economic growth and poverty reduction. By engaging in subsequent compacts, yet being selective in choosing partners, MCC will keep incentives strong for countries to maintain good policy and implementation performance and use the experience gained in each country to make more effective, innovative investments going forward.

The design of subsequent compacts reflects MCC's expectation of an evolution in the nature of its relationship with these countries. In addition to requiring significant country resources in compact development and implementation (no less than 15 percent of the total value of the compact), there is an emphasis on seeking compact partnerships with the private sector, other donors, and civil society; an increased emphasis on integrating social and gender analysis into compact processes; explicit application of lessons learned in first compact implementation; and a continued high standard for sustainability of outcomes from MCC-funded investments.

Threshold Programs

Request (in \$ millions)	FY 2011 Appropriated	FY 2012 Appropriated	FY 2013 Request
Total MCC	898.2	898.2	898.2
Threshold Program¹	36.0	0.0	15.0

¹ FY 2011 potential Thresholds are with Tunisia (\$30M), and Niger (\$6M); MCC did not request any funding for Thresholds in FY 2012.

MCC requests \$15 million for one or two potential new threshold programs in FY 2013.

Background

MCC's threshold program has invested in 23 programs in 21 countries around the world, with a total of roughly \$500 million in programming. 18 programs have been completed. Programs are currently active in Liberia, Timor Leste, Paraguay and Peru. The Niger program, which was suspended and then reinstated, is being developed. Additionally, MCC is developing threshold programs with newly eligible partners in Nepal, Honduras and Tunisia.

The New Threshold Program

An internal review, coupled with several program evaluations, prompted revision of MCC's threshold program. The main goal of MCC's new threshold program is to assist countries to become compact eligible through implementation of key policy and institutional reforms that are aimed at reducing constraints to economic growth. MCC's revised threshold program creates greater continuity between threshold reforms and MCC's economic growth focus in compacts, and strengthens program diagnostic work to drive program design. It will seek to improve program implementation, monitoring and evaluation, and country ownership. It may also create an environment conducive to successful compact investments by affording countries the opportunity to "front-load" longer-duration reforms that ultimately enhance compact success, should the country become compact-eligible.

Countries selected for threshold programs must show commitment to carry out reforms. MCC believes that the prospect of a compact program will create incentives for countries to implement the targeted reforms effectively and expeditiously and provide important information about commitment to reform for a compact eligibility decision. Countries' eligibility for a compact program will depend both on performance on the MCC selection indicators, and implementation performance under MCC's threshold program.

New threshold programs will be developed through a structured and disciplined diagnostic and design process, incorporating MCC's compact development approaches. They will begin with

rigorous analyses of the constraints to economic growth and the policies/institutions which reinforce those constraints to growth. New programs will focus on increased country ownership and will utilize a more consultative process that will actively engage both governmental and nongovernmental stakeholders alike, and attempt to link the proposed program activities with expected program outcomes. They will include robust monitoring and evaluation systems to measure impact.

MCC's primary partner in future threshold programs will be the prospective partner country. In order for the new programs to be effective and sustainable, program development must be done in close partnership with country counterparts. MCC will play a lead role in program development and partner with other U.S. Government agencies as appropriate in the program development process. Implementation partners will be selected based on country context and the content of programs.

The New Countries

MCC's Board of Directors selected one new country as eligible to develop a threshold program in FY 2011 (Tunisia) and, in the first quarter of FY 2012, selected two other countries as eligible for threshold programs: Honduras and Nepal. Given the reinstatement of Niger, a total of four new threshold programs are currently in development in FY 2012.

- A threshold program in Tunisia will lay a stronger foundation for sustained, job-generating economic growth in a country that has already begun to make headway in establishing democracy following its January 2011 revolution.
- A threshold program in Niger will reinforce education reforms begun under the initial threshold program, suspended in the wake of a 2009 coup and later reinstated following a resumption of democratic governance in 2011, and address key policy constraints to economic growth and poverty reduction, potentially positioning Niger for future compact eligibility.
- A threshold program in Honduras, which successfully implemented a Compact (2005-2010) but has not met the eligibility criteria to qualify for a second compact, will address policy barriers to compact eligibility and economic growth. The program can potentially consolidate the gains in public financial management and fiscal transparency yielded by an MCC policy improvement process (PIP) with Honduras in 2011. A threshold program in Honduras is intended to improve its competitiveness for a second compact.
- Lastly, a threshold program in Nepal, which has recently seen a breakthrough in its democratization and peace processes, will address underlying policy barriers to economic growth in a poor country with chronically low growth.

Existing MCC funds can be used to develop these four threshold programs during FY 2012, but additional funds requested herein will be required for costs of implementation of new programs starting in FY 2013.

Compact Development and Oversight: 609(g) and Due Diligence Request

Request (in \$ millions)	FY 2011 Appropriated	FY 2012 Appropriated	FY 2013 Request
Total MCC	898.2	898.2	898.2
Total for compact development	88	88	95
609(g)	22	22	27
Due Diligence	66	66	68

For FY 2013, MCC requests \$68 million for due diligence and \$27 million for 609(g) assistance. MCC's commitment to country ownership means helping partner countries gain the capacity to implement programs themselves while ensuring sustainability and ensuring MCC's high standards are maintained. To this end, MCC has focused on increasing the level and intensity of engagement during compact development and more fully preparing for implementation prior to signing, often using funds available under section 609(g) of MCC's authorizing statute. This approach reduces overall investment risk and enhances the effectiveness of MCC's work with poor countries that have capacity constraints.

During FY 2012 and FY 2013, MCC expects to provide compact development assistance through 609(g) funding to Georgia, Ghana, El Salvador, and Benin. This assistance will be used for feasibility studies, environmental and social impact assessments, and detailed engineering designs on approved project concepts; together, these help MCC determine the final suitability and scope of investments, costs, implementation risks, and mitigation measures. This front-end investment contributes to speedier and more predictable disbursements, and earlier realization of benefits.

In order to fully realize the benefits of this increased compact development investment, 609(g) assistance for countries under the compact development process, beginning with Moldova and Senegal, has increased, with the expectation of a corresponding decrease in the amount of compact development activities funded in the compact itself. For these countries, the amounts of specific 609(g) assistance has ranged from \$11 - \$15 million each.

Due diligence funds will be needed to ensure that proposed compacts meet technical, economic, fiscal, procurement, environmental, legal, and other standards. These funds also support compact development, oversight activities during compact implementation and independent impact evaluations for both compact and threshold agreements. In FY 2013, MCC is requesting \$68 million, reflecting the pace of new program development and the need for

stepped-up evaluation of compacts nearing completion. To date, seven countries have reached completion² (Honduras, Cape Verde, Georgia, Vanuatu, Nicaragua, Armenia, and Benin) and an additional eight will reach completion during FY 2012 and FY 2013 (Ghana, Mali, El Salvador, Morocco, Lesotho, Mongolia, Tanzania, and Mozambique). For all of these compacts, due diligence funds will support independent impact evaluations, contributing to MCC's lessons learned.

² Madagascar is not included as the Compact was terminated early as the result of a military coup.

Administrative Budget Request

Request (in \$ millions)	FY 2011 Enacted	FY 2012 Enacted	FY 2013 Request
Total MCC	898.2	898.2	898.2
Total Admin Budget	95.0	105.0	105.0
Salaries & Benefits	53.2	53.3	53.5
Training	.6	0.9	1.0
Contracted Services ¹	8.8	9.7	9.5
Rent, Leasehold & Improvements ²	5.1	7.5	7.4
Information Technology ³	7.8	9.0	8.3
Overseas Operations ⁴	13.9	19.3	20.0
Travel	5.5	5.3	5.3

¹ Approximately \$1 million of the Contracted Services for FY 2011 was paid in advance at the end of FY 2010 (not included).

² Approximately \$2.4 million of the Rent for FY 2011 was paid in advance at the end of FY 2010 (not included).

³ Approximately \$2 million of the IT (CSC) costs for FY 2011 were paid in advance at the end of FY 2010 (not included).

⁴ Approximately \$2 million of the Overseas ICASS costs for FY 2011 were paid at the end of FY 2010 (not included).

For FY 2013, MCC has requested an administrative budget of \$105.0 million, flat with the FY 2012 enacted level. MCC is continually working to control administrative costs by maintaining a high-performing staff, and by continually working to improve efficiency and effectiveness.

For FY 2013, MCC will need funding to support 21 new and existing compacts, as well as the close-out of five compacts during FY 2013. In addition, the requested level is needed to help MCC meet increasing demands on staff, including the addition of new threshold programs, strengthening the focus on policy reform in partner countries, and expanding partnerships with the private sector. It also will help address additional administrative demands that arise from MCC's key role in implementing the Presidential Policy Directive on Global Development, where MCC continues to provide leadership in the incorporation of country selectivity, constraints analysis, fiscal transparency, and monitoring and evaluation standards into development assistance across the U.S. Government.

Focus on Controlling Costs While Monitoring Oversight

Salary and Benefits

This request includes \$53.5 million for salaries and benefits in FY 2013, nearly level with the FY 2012 amount. The request represents the resources needed to maintain an average Full-Time Equivalent employee (FTE) level of 245 (82 percent) for Washington-based staff and 37 FTE overseas. As of the end of FY 2011, MCC had filled 82 percent of its OMB-authorized level of 300 FTE in Washington, DC. Over the past several years, MCC's decreased staffing levels at headquarters have increased workload on agency staff. MCC has sought to improve staff productivity through strategic investments, such as supervisory skills training and the revamp and launch of an improved performance management system, along with implementation of individual development plans for all employees and a leadership development program in FY 2012, among other work-force developmental efforts.

Given the budget constraints that will continue in FY 2013 and subject to agency attrition, MCC will target an average FTE level of 282 agency-wide. MCC also has frozen its salary tables for calendar years 2011 and 2012 for all federal employees, in accordance with Presidential guidance. MCC has not issued across-the-board adjustments to rates of basic pay and will award merit increases based solely on individual performance. The one-half percent pay increase proposed by the President for federal employees in FY 2013 does not apply to MCC employees, who will only receive an increase if merited by performance; however, MCC may adjust its pay scales at that time if the rest of the government does.

The majority of MCC's administrative expenses directly support compact operations:

- Over 50 percent of the FY 2013 administrative expense request is for salaries and benefits. Another 25 percent represent overseas operations and travel.
- Of MCC's authorized level of 300 staff in Washington, over 65 percent work directly in compact operations.
- Nearly 40 percent of MCC staff are working in technical areas, helping to ensure that MCC's programs are well designed, responsibly implemented, and objectively evaluated, including (from FY 2011 data):
 - o 25 economists and monitoring and evaluation experts;
 - o 23 engineers and staff evaluating overseas infrastructure design and analysis;
 - o 26 technical staff in agriculture, land rights, financial sector development, health and education and gender assessment;
 - o 23 professionals in environment and social assessment; and
 - o 24 team members overseeing compact finance and procurement activities.

Travel

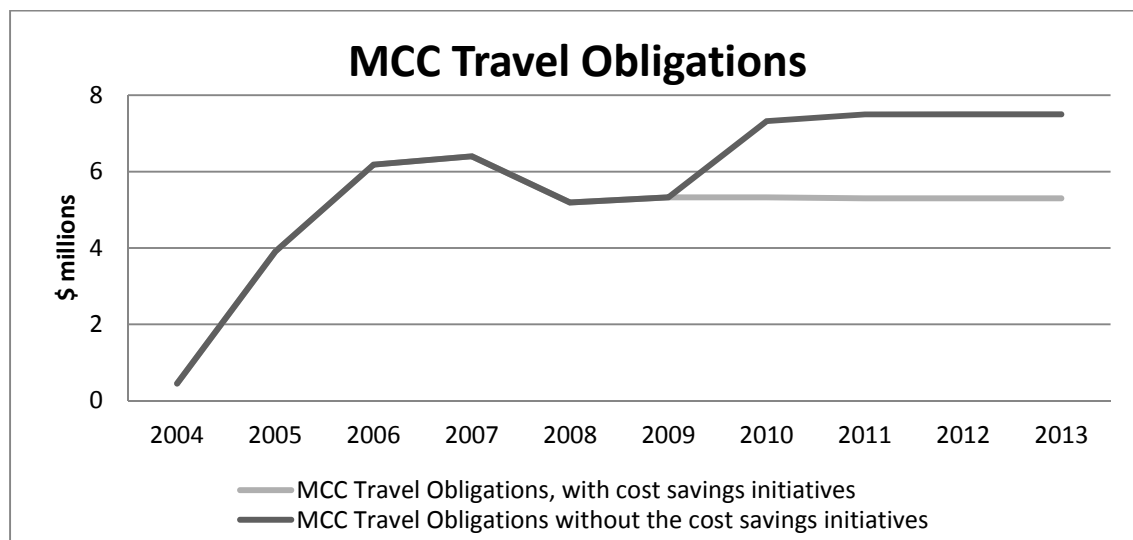
While MCC's travel obligations have remained flat since 2008, several factors place increasing demands on MCC travel costs:

- In recent years, MCC experienced an average increase in airfare prices of 7.8 percent which we expect to increase during FY 2012 and FY 2013.
- In comparison to the MCC compact portfolio from previous years, the countries with whom MCC expects to work in FY 2012 and 2013 are located in regions that command a higher ticket price or per diem increase.
- With the increased level of disbursements projected in FY 2012 and beyond, MCC staff will perform more frequent site visits to countries where implementation is needed to ensure adequate compact oversight. Additional oversight will be required to oversee the close-out of compacts and continue to monitor programmatic impacts.

MCC has controlled travel costs despite a growing portfolio of international agreements by:

- Combining trips in the same geographic regions when possible.
- Reducing the number of MCC staff required on mission related trips.
- Reducing conference related travel.
- Increasing the use of video teleconferencing, where practical.
- Eliminating much travel outside of coach class.
- Using corporate frequent flyer miles.

We will also evaluate the use of restricted and non-refundable fares to identify additional travel savings in FY 2012 and FY 2013.



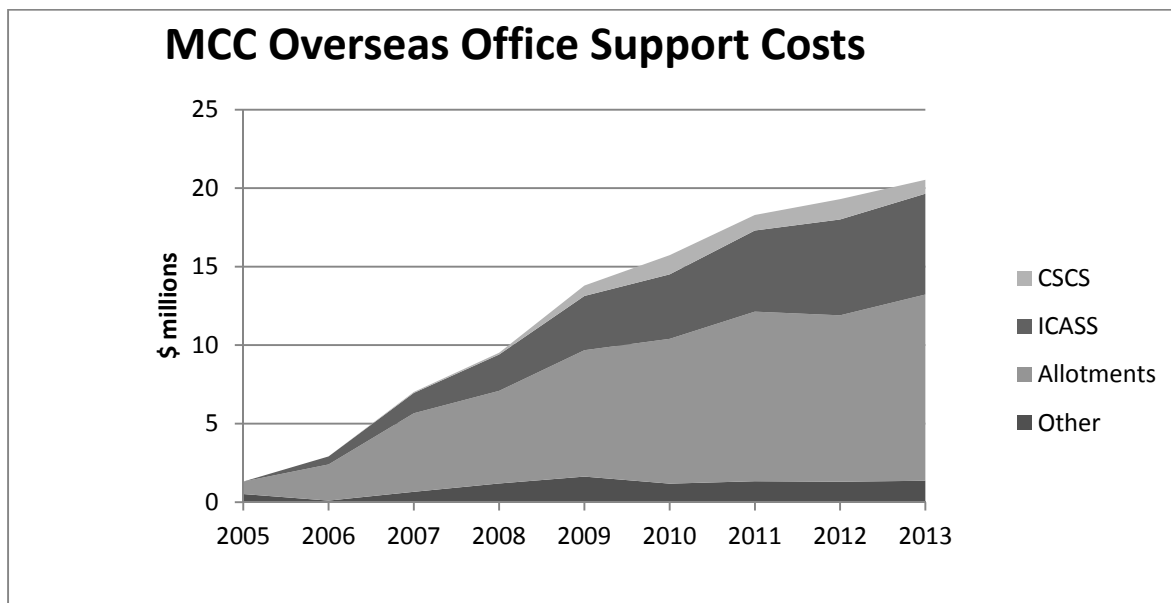
MCC has already achieved significant savings by adopting a more stringent requirement on business class travel than US government standards. This policy saved MCC more than \$2 million in FY 2010 and the associated savings already have been incorporated into MCC's budget assumptions for FY 2012 and FY 2013.

Focus on Primary Cost Drivers

While MCC has focused on controlling costs, two components continue to put upward pressure on MCC's administrative expense budget: overseas operating costs and information technology.

Overseas Support Costs

MCC is requesting \$20.0 million for Overseas Operations in FY 2013, a 4 percent increase over the FY 2012 level. MCC's overseas support costs have increased over 60 percent since FY 2007, and are estimated to increase by almost \$1 million in FY 2013. One of the significant factors for this increase, is the anticipated salary increase for Locally Engaged Staff (LES) once the existing wage freeze is lifted. This will impact both the country allotments as well as International Cooperative Administrative Support Services (ICASS) costs. While MCC maintains a very small footprint of only two direct hire staff in each compact country, the costs of maintaining this staff have increased at a rapid rate. The key components of these increases are costs associated with ICASS; Capital Security Cost Share (CSCS); and overseas operational costs, i.e. house leases, local salaries, educational allowances, and travel (collectively referred to as country allotments).



ICASS costs continue to be especially significant in posts where there are fewer agencies to share overall costs.

As a result of these and other inflexible costs of supporting MCC staff overseas, the average total cost to maintain an MCC employee who is housed at the U.S. embassy is approximately \$500,000 per year. Such costs include office space, support services, pay differentials and cost of living adjustments, educational allowances, home leave, medical evacuations, housing, information technology support, relocation, storage of household effects, and security.

MCC continues to work with the State Department on a regular basis to ensure the levels of reimbursement provided for ICASS and CSCS are in line with MCC's overseas footprint.

Information Technology

Despite a reduction for FY 2013, IT costs continue to remain a significant administrative cost for MCC. The budget request includes \$8.3 million for information technology in FY 2013, an almost 8 percent reduction over the FY 2012 appropriated level of \$9.0 million. This will support important IT initiatives that will help MCC improve efficiency and effectiveness as well as maintain compliance with federal guidelines, including:

- MIDAS (MCC Integrated Data Analysis System) – MIDAS is MCC's centralized data warehouse and authoritative source for program reporting. The FY 2013 request includes funding for continued development of the system to include potential support for:
 - o Threshold data
 - o Geospatial reporting capabilities
 - o Selection database functionality (potentially other existing Access database functionality)
 - o Program Dashboard reporting
 - o Transparency initiatives reporting
 - o Congressional Budget Justification
 - o Semi/Annual Congressional Reports
 - o ForeignAssistance.gov Integration
 - o Impact Evaluation Data
 - o Fact Sheets (reports that include selection data, narrative, compact data, etc.)
- ECM (Enterprise Content Management) – MCC's Enterprise Content Management System was launched in FY 2012. The FY 2013 request includes funding to support the ongoing operations and maintenance of the system and continued development to support business process automation and knowledge management.

- Architecture and Program Management Support – The FY 2013 budget request funds Enterprise Architecture (EA) and Program Management support for the IT Division. Planned EA activities for FY 2013 include the ongoing management of MCC's data standards. Additional activities for FY 2013 include Budget Formulation, Capital Planning and Investment Control (CPIC), Strategic Planning, and Program Management and Performance support.
- General systems support – MCC's IT environment is based on a cloud first policy and relies heavily on outsourced support for ongoing operations and maintenance. The contract for core support services runs through October of 2013. The requested funding level for FY 2013 provides ongoing support and operations of MCC's core infrastructure and includes anticipated costs to transition the core services contract.
- Telecommunications – The telecommunications services for MCC were transitioned to an outsourced solution in FY 2011. The FY 2013 budget request ensures ongoing maintenance, hosting, and support of the system.
- IT Compliance Security and Oversight – The FY 2013 budget request will support the ongoing operations and maintenance of key security controls for MCC systems and ensure compliance with federal mandates to include the ongoing operations and maintenance of MCC's security monitoring systems and the trusted internet connection.
- MCC Privacy Program – MCC's Privacy Program was developed and implemented in FY 2011. The FY 2013 request covers the ongoing operation and maintenance of the program to ensure continued compliance with federal mandates.
- Other Operating Expenses – The budget request also includes funding for other operating expenses anticipated in FY 2013. This category includes hardware maintenance, general IT supplies, and software licenses.

MCC has worked to control information technology costs by investing in core capital planning and investment practices, defining clear portfolio management procedures and implementing strong program management practices to ensure that current and future initiatives are tied to corporate goals, and maximizing the use of outsourced and cloud services.

Other Administrative Costs

Training

The budget request includes \$1 million for training and staff development programs in FY 2013, an 11 percent increase from the FY 2012 appropriated level of \$900 thousand. In FY 2013, the majority of the training budget will be used to sustain key skills programs, including language skills, project management, and management/leadership training. MCC is also adding new initiatives (some started in FY 2011) for frontline supervisor skills training, individual

development plans, competency skills-gap analysis, and steady workforce development program evaluation (as required by Executive Order 11348).

Contracted Services

The budget request includes \$9.5 million for contracted services, a 2 percent reduction from the FY 2012 appropriated level. Most of MCC's financial management, payroll, and travel services are provided for MCC by the National Business Center, one of the U.S. Government's "Centers of Excellence." MCC has also partially or fully competitively sourced other administrative requirements, including contracting, human resources and information technology, and has used inter-agency agreements (IAAs) to provide other key services, such as an IAA with the Department of State for security. In order to control costs, MCC has implemented the following:

Contracts and Grants

In FY 2010, MCC realized savings of approximately \$100,000 by re-competing existing contracts for administrative services. These savings have already been incorporated into MCC's budget assumptions for FY 2011 and FY 2012, and continue into FY 2013. MCC has pursued outsourcing of administrative services, such as financial management and information technology, wherever possible in order to focus its limited staff resources on its core mission of poverty reduction. At the same time, MCC has looked for more efficient outsourcing options, and eliminated non-essential contracted services.

Office Supplies and Printing

MCC receives at least a 10 percent discount on printing and office supplies. While mandated to use the Government Printing Office (GPO) for our printing requirements, MCC has cut costs on business cards and stationery accounts with Term Contracts. Term Contracts allow GPO to contract with one printer to provide services at a discount rate. MCC is also saving a minimum of 10 percent off the GSA schedule by contracting with OfficeMax for supplies.

Rent, Leasehold and Improvements

The budget request includes \$7.4 million for rent in FY 2012, 1 percent less than the FY 2012 appropriated level due to reduced operational costs. MCC lease costs are below the equivalent cost per square foot that new commercial clients are paying in similar buildings.

MCC's headquarters staff is located in two buildings in Washington, DC under two separate lease agreements. These leases both expire in 2015 with renewal notice periods which begin in 2013. In order to pro-actively weigh options well in advance of these deadlines, MCC initiated a comprehensive space utilization analysis in 2011. The primary objectives of this exercise are to gain an understanding of options which maximize space efficiency and, if possible, achieve cost savings while maintaining organizational effectiveness.

Promoting Efficient Spending

In response to the Presidential Executive Order (EO) entitled, “Promoting Efficient Spending” issued on November 9, 2011, MCC submitted a plan to OMB for achieving up to \$570 thousand in efficiencies across various administrative categories, including: travel, printing, advisory contracts, supplies, employee IT devices, fleet vehicle costs, and promotional items. The levels requested in this budget already incorporate those savings.

Inspector General Request

Request (in \$ millions)	FY 2011 Appropriated	FY 2012 Appropriated	FY 2013 Request
Total MCC	898.2	898.2	898.2
Total Inspector General Budget	5.0	5.0	5.0

The following information is required to be reported to Congress under the 2008 amendments to the Inspector General Act.

The USAID OIG/MCC FY 2013 Budget Request sent to MCC is \$5 million. The President's Budget requests the same amount. This request includes \$47,000 to satisfy OIG/MCC training requirements.

For FY 2011, the OIG conducted 43 audits of which 27 were financial audits and 16 were performance audits. The OIG is planning to conduct 41 audits for FY 2012 and will determine the number of audits for FY 2013 at a later date.

Critical Legislative Changes

MCC will continue to work with Congress to amend certain provisions in the Millennium Challenge Act of 2003 to capitalize on lessons learned since MCC's creation and maximize the impact of MCC's programs. The President's FY 2013 budget request is linked to the following proposed legislative changes: 1) making permanent reforms enacted for FY 2012 to strengthen and stabilize MCC's candidate country pool; 2) providing authority to extend MCC's five-year compact period in very select cases for up to one year; and 3) allowing MCC's non-governmental Board members to remain on the Board until their reappointment or their successor has been confirmed.

Stabilizing the Candidate Country Pool

In December 2011, Congress passed MCC's proposed legislative changes to strengthen and stabilize its candidate pool, but limited the duration of the reforms to FY 2012. MCC is seeking to make those changes permanent. Sudden shifts in income category, due in part to changes in global inflation and exchange rates, pose serious policy and structural issues for MCC. Each year, countries abruptly shift from one income category to another with no transition period. These and other economic trends mean that a substantial number of compact-eligible countries are now in the lower-middle income country (LMIC) category. This impacts whether they are eligible for MCC assistance at all due to the limited availability of funding for LMICs.

These legislative changes, which establish the poorest 75 countries as the low-income country (LIC) category and allow countries to gradually transition between the LIC and LMIC categories, ensure that the agency can continue to work with high-performing countries. Making these changes permanent will ensure MCC can continue to work with the best governed poor countries, and avoid the significant instability that would be caused by reverting back to the pre-2012 status quo.

Extending Compacts for Up to One Year in Exceptional Circumstances

MCC's experience shows that providing a limited ability to extend a compact for up to one year under well-defined, justified circumstances is consistent with good development practice and the effective stewardship of U.S. taxpayer funds. MCC believes that having this authority, which would be exercised by the Board only in exceptional circumstances and well after implementation has started, would enhance the impact and sustainability of our investments. The ability to grant limited, short-term extensions to MCC's 5-year compact term under select circumstances would be very useful in completing civil works and other programs that experience unforeseeable delays.

To give an example from our compact portfolio, after a significant re-scoping of the Mongolia compact in January 2010, the North-South Corridor Road project was initiated 2 years into implementation, thus allowing a three year period for implementation. MCA-Mongolia and LIG, a South Korean firm, signed a 36-month, \$43,866,000 contract in May 2010 for the construction of 176 km of paved road from Choir to Sainshand. In March 2011, just prior to construction

kick-off for the season, LIG notified MCA-Mongolia that it had entered into receivership in South Korea. After detailed review and consultations with MCC, MCA-Mongolia terminated the contract with LIG in June 2011. MCA-Mongolia retained the three major local sub-contractors of LIG to continue earthworks and limited structural work in an attempt to salvage the remaining construction season. Contract negotiations are currently occurring regarding the re-procurement of the Choir-Sainshand activity. An extension of the compact would enable the North-South Corridor Road project to be completed with certainty, as right now the only completion constraint faced is time.

Allowing Board Members to Hold Over for Up to One Year

MCC's Board of Directors consists of nine members, five from the United States Government and four non-governmental members, with at least one non-governmental member required for a quorum. To promote continuity and ensure the presence of a quorum, MCC is seeking a legislative change to allow non-governmental members to remain on the Board for one year or until, in the case of members serving their first terms, they have been confirmed for a second term, or their successor has been confirmed. This approach is widely used by other United States Government boards and its need was highlighted in December 2010 when MCC's Board could not achieve a quorum to select compact eligible countries for FY 2011 because the terms of its non-governmental Board members had expired before a new member had been confirmed.

**Appendix A –
Current Program Status, Preliminary Results and
Policy Initiatives**

Summary of Compact Program Results

(As of September 30, 2011, unless noted)

The result that MCC is most interested in – and being able to attribute to its support – is increased incomes among beneficiaries. MCC's focus is sustainable growth, so most of its investments take several years to implement and gradually generate new income over many years. Yet, even before incomes begin to rise, MCC countries show tangible results along a continuum from inputs to impact. MCC tracks interim indicators such as number of farmers trained or miles of road constructed because these are the drivers of the income gains its investments aim to achieve.

MCC's investments are designed to reduce poverty through growth

- \$8.9 billion in compact funding
- 53 percent of MCC compact funds support investments in Africa

Projected Impacts

- 170,586,000 people expected to benefit from MCC programs
- \$12 billion increase in income for beneficiaries expected over the life of current MCC investments

Interim Results

MCC tracks the drivers of income gains as programs move from inputs to impact

Agriculture and Irrigation

- 196,111 farmers trained
- 3,074 enterprises assisted
- 146,170 hectares under production
- \$74 million in agricultural and rural loans

Transportation

- 5,119 kilometers of roads under design
- 2,717 kilometers of roads under works contracts
- 1,163 kilometers of roads completed

Property Rights and Land

- 56 legal and regulatory reforms adopted
- 18,600 stakeholders trained
- 2,462,508 rural hectares mapped
- 353,293 rural hectares formalized
- 25,837 urban parcels formalized

Water and Sanitation

- \$38 million in feasibility and/or detailed design contracts signed
- \$142 million in construction contracts signed
- 5,185 persons trained in hygiene and sanitary best practices
- 300 water points constructed

Education

- 451 educational facilities constructed, rehabilitated and/or equipped through MCC-supported activities
- 2,603 instructors trained or certified through MCC-supported activities
- 155,513 students participating in MCC-supported educational activities
- 31,400 additional female students enrolled in MCC-supported educational activities

Armenia MCC and the Government of Armenia identified improvements in the agriculture sector as critical to increasing economic growth and reducing poverty in the country. The compact program included one of Armenia's largest ever irrigation infrastructure refurbishments, accompanied by strategic assistance to the nation's farmers, agribusinesses and water supply institutions, and investments in rural road construction and maintenance. The \$177 million compact was signed in September 29, 2006 and finished on September 29, 2011. Due to concerns about the status of democratic governance in Armenia, MCC's Board of Directors partially terminated funding for road construction and rehabilitation under the compact. This effectively reduced the original \$235.7 million compact to approximately \$177 million.	
Policy Reforms	• Changes in the water code include legislative amendments to applied taxes, management of irrigation systems and legal status of Water User Associations, all of which are designed to improve the efficiency of the irrigation sector and improve operation and maintenance of MCC-financed irrigation assets. • The Rural Roads Project stimulated the implementation of the Road Lifeline Network concept, utilized as justification to formally mandate provision of operation and maintenance services to over 2,700 kilometers of roads and was key in facilitating farm-to-market linkages.
Outputs	• The compact trained over 45,600 farmers (32% women) on improved on-farm water management and over 35,000 (34% women) farmers on high-value agriculture practices through classroom and on-site practical sessions. • Over \$8.5 million was provided to financial institutions to provide loans to 760 farmers (10% women) who had been trained by the program and who then made investments in capital improvements such as greenhouses and freezing facilities (67%) and orchards/vineyards (16%). • Post-harvest, processing and marketing assistance was provided to 227 enterprises and farmer groups. Part of this assistance resulted in the creation of 22 collection centers all over Armenia. • All 44 Water User Associations (WUAs) located across Armenia received improved water management tools and technical assistance to develop and implement Management Improvement Plans. • Over 780 km of canals were rehabilitated in 5 gravity-fed irrigation systems, 6 main canals, tertiary canals in over 80 communities, and 13 drainage systems in the Ararat Valley. MCC has also invested \$40 million in upgrading and rehabilitating 17 pumping stations to improve the reliability of the irrigation water supply. • Prior to the hold on funding, MCC rehabilitated 24.4 kilometers of road out of the 332 kilometers originally planned. MCC completed feasibility and design studies for more than 570 kilometers.
Preliminary Outcomes	• By the end of the compact, over 16,800 farmers (20% women) adopted new, on-farm water management techniques. Eighty percent of the 227 enterprises assisted were using at least one improvement learned through the assistance such as improved production inputs or better identifying marketing opportunities. • Due to the technical training WUAs received, they can better manage water supply and demand, improve collection of water fees and dues, and enhance water user involvement in the WUA management. Armenia's efforts, supported by MCC, have helped to raise collection of fees from only 51% in 2008 to 69% in 2010, which is expected to result in the WUA's ability to cover 60% of their costs with revenue in 2011. • On the 24 kilometers that MCC completed due to the operational hold, the improvements resulted in a 78% reduction in road roughness and an increase of 15% in average daily traffic from approximately 640 to 740 vehicles.

Expected Impacts and Evaluation Plans	• As a result of the Irrigated Agriculture Project, it is expected that improved water supply to about 47,000 hectares (approximately 37% of all land under irrigation) and increased farmer know-how from training will incentivize farmers to move away from low-value crops such as wheat to high-value crops such as apricots or tomatoes. The land under these higher-value crops is expected to increase by 21%. This is expected to raise farmers' annual agricultural income by 150% from a baseline of only \$310. • Over 20 years, the irrigation infrastructure improvements will result in about 9,000 hectares of newly irrigated land (an increase of 7% in irrigated land), more reliable water supply for approximately 38,000 hectares of currently irrigated agricultural land, and improved drainage for about 10,000 hectares. In all, the MCC-financed investments will benefit approximately 37% of all land under irrigation³. • Improved road conditions are expected to generate a savings in transportation costs of \$9.2 million and a decrease in travel time, valued at \$0.8 million. • Though MCC can point to real change in Armenia now, MCC's stringent standards for measuring and reporting results require independent evaluations to verify the immediate and long-term impact of our partnership. These evaluations, expected by Spring 2014, will measure the gains in agricultural productivity and income attributable to MCC investments. • Over the next 20 years, MCC's investment is expected to benefit more than 427,000 people and increase incomes by about \$300 million.
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Benin Benin's economy is narrowly dependent on agriculture and regional trade through the Port of Cotonou. A poor investment climate and lack of dynamic private sector activity impeded sustainable economic growth and poverty reduction. The compact sought to address problems related to land insecurity, lack of access to capital, an inefficient judicial system, and an increasingly uncompetitive Port of Cotonou, which all exacerbated the negative economic environment. The \$307 million compact entered into force on October 6, 2006 and finished on October 6, 2011.	
Policy Reforms	• Land reform: Passage of the <i>Rural Land holding law</i> in October 2007 provided the basis for delivering property rights to rural households while respecting the existing regimes of custom, civil law property, and the state and communal "domain", providing a culturally appropriate, and country owned, solution to property rights. • The 2007 National Microfinance Policy complements the Access to Financial Services project by articulating the government's commitment to ensuring financial services are accessible to low-income households and micro enterprises, enhancing the professional status of this sector and improving its integration into the financial sector. • The Code of Civil, Commercial Administrative and Social and Accounting Procedure was promulgated in February 2011. This reform will modernize the procedural rules of courts, speed case processing and enhance efficiency in the Justice sector. The code will go into effect February 28, 2012. • MCA Benin supported the passing of the 2009 decree that restructured the Business Registration Center and regulated formalities required for business registration and operation in 2010 to improve efficiencies for registering a business. • The government has taken numerous steps at the port of Cotonou to reduce corruption and receive certification of an International Ship and Port Facility Security Code (ISPS).

³ Total land under irrigation under WUAs in 2007 was 126,819 hectares, WUA Admin Survey

Outputs	• Construction of a new two-berth south wharf for the Port of Cotonou will more than double the port's container capacity. • Other improvements to the port include installation of a 200 meter jetty, which will reduce annual dredging costs, provision of an industrial tugboat, road and rail extensions, strengthened electrical capacity and distribution, and enhanced communication, security and safety systems to increase port efficiency. • To improve rural land security, 294 communities have established rural landholding plans that provide legal, written records of property rights for approximately 75,000 households, protecting their ability to hold agricultural fields and seek mortgage credit. • More than 30,000 urban parcels were surveyed for their eventual registration with land titles. • Four new courts of first instance, one court of appeals, and a legal information center were constructed to make justice more accessible to the public. 100 judges and 98 clerks were trained in banking law, securities, credit litigation and economic and financial crime. Technical support was provided to the Center for Arbitration, Mediation and Conciliation as well as to the Business Registration Center. • 65 groups and consortiums were selected to receive innovation and capacity-building grants, ranging from \$25,000 to \$500,000 through a Challenge Facility. Support was also provided to the Ministry of Finance's Microfinance Supervision unit, allowing the number of inspections to increase from 27 in 2005 to almost 200 in 2010. A microfinance credit bureau was also created. • More than 18,000 businesses registered their companies during the compact period, compared to close to 2,000 in 2005.
Preliminary Outcomes	• 38 percent of household survey respondents, an increase from a baseline of 29 percent, perceive increased land security in the urban and rural areas of the country targeted by the project. • Microfinance Institutions (MFIs) participating in the Challenge Facility increased operational efficiency from 85 percent to 95 percent (so that they now cover 95% of their costs), even while the operational self-sufficiency of MFIs at the national level has fallen from 103 percent to 83 percent. • The percentage of local private firms reporting confidence in the justice system has increased from 35% to 70%. • The number of days to register a business at the registration center was cut in half, from ten days to five days. • Volume of merchandise flowing through the port has already increased from four million metric tons in 2004 to seven million in 2010, far exceeding the port's previous capacity. The number of theft cases reported at the port annually has fallen from 40 to 21, making it more attractive, safer, and reliable.
Expected Impacts and Evaluation Plans	• Project evaluations began in November 2011 and will continue through 2015 to measure gains in income attributable to MCC investments. • MCC's investments in Benin are expected to benefit the entire population over the next 20 years.

Cape Verde Low-income households engaged in subsistence farming have limited opportunities to adopt new practices to raise incomes, MCC and MCA-Cape Verde sought to increase agricultural productivity, build vital infrastructure and develop a robust private sector to transform agriculture into a productive, competitive business sector. The \$110.1 million compact entered into force on October 17, 2005 and finished in October 17, 2010.	
Policy Reforms	• Decree Lifting Embargo: Cape Verde issued a national decree lifting 20-year embargo on agricultural exports from the island of Santo Antão put in place because of a millipede infestation, contingent upon the construction/operation of the MCC-funded post-harvest inspection center. This now gives Santo Antão farmers an outlet for income-generating trade. • Road Maintenance Fund: In response to the compact, the government established a Road Maintenance Fund that is financed by a levy on road users for maximum sustainability of the road improvements. • Citizens' House (<i>Casa do Cidadão</i>): The Citizens' House electronic system improves access to government services and the MCC Compact contributed to this e-government service through a Cape Verdean agency by investing in equipment, software and technical assistance valued at more than \$3 million. In 2007, it took 52 days to start a business in Cape Verde. By 2010, Cape Verde had reduced both the cost and time to start a business to an hour; • Microfinance Legislation: As a condition precedent to providing technical assistance to micro-finance institutions, Cape Verde enacted a micro-finance law that, among other improvements, authorized MFI collection of savings.
Outputs	• To increase agricultural productivity in targeted rural watershed areas, 28 reservoirs (100 percent of the target) have been completed, 549 farmers have been trained in new technologies and four participating microfinance institutions have issued \$617,000 in rural agricultural loans to 209 farmers or agribusinesses. • Three rural roads, totaling 40.6 kilometers, have been upgraded from cobblestone to asphalt pavement connecting coastal and inland villages with larger population centers and markets. In addition, all four bridges have been completed, reducing the average annual number of days riverbeds were impassable from eight to zero during the heavy rainy seasons and contributing to the overall improvement of Cape Verde's rural transport network. • The Port of Praia's efficiency increased with the completion of the first phase of work, including the construction of a cargo village and access road and the rehabilitation of quay 2. • To increase financial intermediation and competition in the government securities market and develop the private sector, MCA-Cape Verde provided eight microfinance institutions with technical assistance, building capacity through training on best practices in accounting, credit appraisal, delivery, collection, human resources management, and marketing. Cape Verde also is launching the first private credit bureau.
Preliminary Outcomes	• Reduced road roughness because of rehabilitated roads is expected to result in shorter travel time, increased mobility, reduced operating costs and improved access to employment opportunities, markets, educational and health care facilities, and other social services. The improved benefits stream will be measured as part of an initial ex-post <i>Economic Rate of Return Analysis</i> on road investments as well as an impact evaluation. • As farmers increase their agricultural productivity, they will also increase their household income from farm profits and wages. A rigorous post-compact impact evaluation will confirm the impact on household income.
Impact Evaluation	• Project evaluations are expected beginning in November 2011 through June 2014 and will measure the gains in income attributable to MCC investments. • MCC's investment in Cape Verde is expected to benefit nearly 385,000 Cape Verdeans and increase incomes by over \$149 million over the next 20 years.

Georgia During compact development, lack of reliable infrastructure and slow business development, particularly agribusinesses, were identified as main barriers to economic growth. MCC's compact with Georgia sought to address these barriers by repairing roads, water supply systems and the country's main natural gas pipeline, and investing in the development of agribusinesses and other private enterprises to create opportunities for growth. The \$395 million compact was signed in September 2005 and was completed in April 2011.	
Policy Reforms	• Increasing road maintenance funding: To sustain the impact of MCC's road rehabilitation investments, Georgia increased its own road maintenance budget from \$33.6 million in 2006 to \$56 million in 2010. • MCC and the Government of Georgia agreed to a set of institutional strengthening measures designed to increase the impact and sustainability of the pipeline rehabilitation. These measures included a requirement that the Georgian Oil and Gas Corporation (GOGC) reduce technical losses to fewer than two percent and improve its tariff collection rate to over 95 percent annually. By achieving these reforms, GOGC improved its financial sustainability and reduced leakage that produces emissions of methane, a powerful greenhouse gas.
Outputs	• The <i>Samtskhe-Javakheti Road Rehabilitation Project</i> repaired 220 kilometers of road, improved access to markets in Tbilisi, provided a key regional transport corridor and border crossings with Turkey and Armenia and reduced travel time from more than eight hours to less than three. This represents significant savings in vehicle operating costs for local farmers and citizens, estimated at \$13 million in 2011. • The regional infrastructure development activity improved water supply systems in five communities and sewage systems in three communities, resulting in access to drinking water for approximately 70,000 people and eliminating the need to purchase, haul, store, or pump drinking water to homes. • The rehabilitation of 22 sites of the country's main gas pipeline has improved regional and municipal service delivery, providing increased energy reliability and security throughout Georgia. • The <i>Agribusiness Development Activity</i> provided grants to improve the economic performance of 290 agribusinesses and farm production projects, resulting in the creation of 3,211 jobs as of December 2011 (post-compact). Businesses have already reported an increase in wages of over \$4.3 million. In addition, the <i>Georgia Regional Development Fund</i>, a ten-year investment fund now in its fifth year, invested in small and medium-sized enterprises primarily in the agribusiness and tourism sectors, realizing gross revenue increases of \$16.8 million for companies in the portfolio.
Preliminary Outcomes	• Preliminary outcome data from post-compact surveys undertaken under the impact evaluations will be available by Q1 FY 2013.
Expected Impacts and Evaluation Plans	• Though MCC can point to real change in Georgia now, MCC's stringent standards for measuring and reporting results require independent evaluations to verify the immediate and long-term net impact of our partnership attributable to the MCC intervention. These evaluations, which will be completed in June 2013, will measure the gains in income attributable to MCC investments. Post-compact follow-up data collection is planned for March 2012.

Honduras MCC and MCA-Honduras identified low agricultural productivity and high transportation costs as key barriers to economic growth and poverty reduction. The program, therefore, sought to improve small farmer productivity and investment in transportation. The \$205 million compact was signed in September 29, 2005 and finished in September 29, 2010.	
Policy Reforms	• Increasing access to credit through a moveable property registry: Through the newly-enacted Secured Transaction Law and establishment of a movable property registry system enabling credit seekers to use an entirely new category of moveable, non-real estate property—such as shop inventory, future crops, tractors, supply contracts, and sewing machines—as collateral. • Enabling responsible resettlement: The Honduran government passed a special decree fully authorizing MCA-Honduras to carry out a comprehensive resettlement program that provided affected parties with timely and fair market-value compensation beyond current legislative allowances, managed resettlement activities effectively, cleared the right of way, and started and completed road construction more quickly than other projects investing in the same highway and facing similar resettlement needs. • Ensuring road sustainability: Both a weight control system and a road maintenance fund are necessary for sustainability. Although MCC terminated assistance for the weight control system, the Honduran government and other donors are stepping in to construct and operate the system designed by MCC. Also, at MCC’s request, Honduras progressively increased its road maintenance budget from less than \$40 million in 2005 to \$64 million in 2010.
Outputs	• More than 7,000 farmers received technical training in better crop management, irrigation techniques, business skills, marketing, and post-harvest handling. • More than 10,000 loans have been extended to 5,800 farmers, agribusinesses and other producers, giving them the means to buy equipment, seeds and tools to help them expand their production and increase their profits. • A total of 611 kilometers of roads have been rehabilitated, including sections of the <i>CA-5 Highway</i> as well as rural and secondary roads, reducing transportation costs and time to national, regional and global markets.
Preliminary Outcomes	• Of the farmers trained, 6,029 increased their production of high-value horticultural crops to earn \$2,000 or more per hectare, demonstrating their effective adoption of the new techniques. • Farmers have reported that with more income, they are improving their farms and homes, purchasing vehicles to transport their produce to market and investing in the education of their children.
Impact Evaluation	• Though MCC can point to real change in Honduras now, MCC’s stringent standards for measuring and reporting results require independent evaluations to verify the immediate and long-term impact of our partnership. These evaluations, which are expected by September 2011, will measure the gains in income attributable to MCC investments. • Over the next 20 years, MCC’s investment in Honduras is expected to benefit more than 1.7 million Hondurans and increase incomes by about \$240 million.

Nicaragua MCC and MCA-Nicaragua identified a regional development strategy for MCC to fund insecure property rights, under-developed infrastructure, and low value agricultural production. The program sought to increase investment through strengthening property rights in the Department of Leon, reduce transportation costs, and increase profits and wages for farms and rural business. The \$113.5 million compact was signed on the 14th of July 2005 and concluded on the 26th of May 2011. In July 2009, MCC terminated funding under the compact in response to a pattern of actions by the Government of Nicaragua inconsistent with MCC's eligibility criteria. Funding was terminated for all activities in the Property Regularization Project and for activities in the Transportation Project which were not already under contract. Due to that partial termination, MCC reduced the amount of funding to Nicaragua from \$175 million to \$113.5 million.	
Policy Reforms	• Ensuring road sustainability: In 2005 before the compact, the Government of Nicaragua had an annual road maintenance budget of approximately \$2.4 million to maintain an average of 500 km of roads. MCC reinforced prior work by the Word Bank and the Inter-American Development Bank to secure policy changes that provide a permanent source of funding for roads maintenance as part of MCC's roads investment. Now Nicaragua is maintaining over 3,000 kilometers of roads annually, with over \$31 million allocated to road maintenance. The Government was able to finance this policy change through a fuel tax. • Registry Law: As part of the Property Regularization Project, MCC supported passage of the Public Registry General Law as a necessary legal framework to launch the operation of the Integrated Cadaster and Registry System (SIICAR), allowing for electronic registration of real estate, reducing processing time and cost. This newly passed law will allow for the implementation of the SIICAR, created by the World Bank funded Land Administration Project (PRODEP).
Outputs	• More than 9,000 farmers received financial and technical assistance, inclusive of small-scale infrastructure, technology transfer (drip irrigation, good agricultural practices, utilization of improved varieties, improved livestock management) capacity building for producers' cooperatives, and marketing support. • A total of 74 kilometers of roads have been rehabilitated, including a section of the northern section of the Pan American Highway and two secondary roads, promoting greater regional trade, reducing transportation costs and time to national, regional and global markets, and benefitting more than 97,000 people living within five kilometers of those roads. • Crops assisted through Nicaragua's <i>Rural Business Development Project</i> are being exported to regional markets and the United States, making use of MCC-funded transportation corridors and taking advantage of the Dominican Republic-Central America-United States Free Trade Agreement • Prior to termination, the Property Regularization Projected titled 2,449 urban and 396 rural parcels.
Preliminary Outcomes	• Preliminary data shows that eight private international companies have invested a total of \$35.9 million in León and Chinandega, including U.S. companies Algaoil, Futuro Forestal and Maya Pack. Hortifruti/Wal-Mart, Parmalat, DelCampo, and CentroLac are buying products, including milk, plantains, cassava, and rice, from farmers trained through the MCC compact.
Expected Impacts and Evaluation Plans	• Though MCC can point to real change in Nicaragua now, MCC's stringent standards for measuring and reporting results require independent evaluations to verify the immediate and long-term impact of our partnership. These evaluations, which are expected by June 2012, will measure the gains in income attributable to MCC investments. • Over the next 20 years, MCC's investment is expected to benefit an estimated 120,000 Nicaraguans and increase incomes by about \$83.5 million.

Vanuatu In Vanuatu, and South Pacific country consisting of over 83 islands, transportation was identified as a critical constraint to economic growth. MCC worked with MCA-Vanuatu to address this constraint by rehabilitating road infrastructure on Vanuatu's two largest and most populated islands, and strengthening the Government of Vanuatu's capacity to maintain its roads. The \$66 million compact was signed in March 2006 and concluded in April 2011.	
Policy Reforms	- To help ensure the roads' sustainability, Vanuatu set up a new maintenance fund of \$5 million in 2006, which increased to \$5.5 million in 2011. These funds are in addition to the Public Works Department's ongoing road maintenance funds. The Public Works Department entrusted local communities to organize teams, including women's organizations and youth groups, to regularly clear vegetation and sight lines. Those involved are compensated for their work, generating additional income for the community, as well as ownership, pride and respect for the roads. The Public Works Department committed \$1.6 million for community-based routine maintenance contracts, which will benefit nearly 6,000 households. Vanuatu used MCC's eligibility criteria to promote policy reform in several key areas, including: increasing resources for child immunizations; providing free basic education (years 1-8); establishing a utility regulatory authority to protect consumer prices and maintain quality and reliability of regulated services; implementing a long-term land reform program; and establishing a law reform commission and human rights commission. Additional reforms focused on trade promotion and foreign direct investment, including efforts to streamline processes in the areas of business startup, regulatory quality, trade policy, state-owned enterprises, and deregulation of monopolies.
Outputs	149.7 kilometers of Vanuatu's roads have been rehabilitated—92.5 kilometers of the Efate Ring Road and 57.2 kilometers of the Santo East Coast Road—bolstering economic development by decreasing the cost of vehicle repairs and maintenance, creating more local income opportunities in villages, promoting investment in tourism, and providing better access to markets, health and education services.
Preliminary Outcomes	- Preliminary reductions in average travel time range from 50 to 75 percent on Efate and Santo Islands, respectively. The number of days weather closed the Efate Ring Road dropped from nine days in 2006 to zero in 2011. According to traffic counts from July 2011, the Efate Ring Road and the Santo East Coast Road exceeded targets in increased daily traffic by 311 percent and 154 percent, respectively, directly benefitting an estimated 28,268 people and 622 formal and informal roadside businesses. New markets opened along the Efate Ring Road in association with local villages and women's groups. Villagers are planting more cash crops because it is easier to transport their goods to market. Several new tourist and hospitality businesses have already opened along the roads.
Expected Impacts and Evaluation Plans	An assessment indicates that the incremental value added to the economy is on average about \$200 per road beneficiary. This is the equivalent of approximately 7% of per capita income in 2010. Income and household expenditure surveys are scheduled for late 2012, and data from these surveys will be analyzed to discern with statistical rigor the impacts of the infrastructure development upon rural incomes. Follow-up monitoring of the operating condition of the infrastructure should also provide information for assessing the likely persistence of those effects.

Compact Portfolio

Country Partner	Africa	Europe, Asia, and Pacific	Middle East	Latin America	Signing	Entry Into Force	Closed Dates
Madagascar ^{1,2}	109.8				04/18/05	07/27/05	08/31/09
Cape Verde	110.0				07/04/05	10/17/05	10/17/10
Benin	307.3				02/22/06	10/06/06	10/6/2011
Ghana	547.0				08/01/06	02/16/07	
Mali	460.8				11/13/06	09/17/07	
Mozambique	506.9				07/13/07	09/22/08	
Lesotho	362.6				07/23/07	09/17/08	
Morocco	697.5				08/31/07	09/15/08	
Tanzania	698.1				02/17/08	09/17/08	
Burkina Faso	480.9				07/14/08	07/31/09	
Namibia	304.5				07/28/08	09/16/09	
Senegal	540.0				09/16/09	09/23/10	
Georgia ³		395.3			09/12/05	04/07/06	4/7/2011
Armenia		235.7			03/27/06	09/29/06	9/29/2011
Mongolia		284.9			10/22/07	09/17/08	
Moldova		262.0			01/22/10	09/01/10	
Vanuatu		65.7			03/02/06	04/28/06	4/28/2011
Philippines		434.0			09/23/10	5/25/2011	
Jordan			275.1		10/25/10	12/13/2011	
Honduras ¹				215.0	06/13/05	09/29/05	9/29/2010
Nicaragua ¹				175.0	07/14/05	05/26/06	5/26/2011
El Salvador				460.9	11/29/06	09/20/07	
Malawi ⁴	350.7				04/07/11		
Indonesia		600.0			11/19/11		
Cape Verde	66.2				2/10/2012		
Total	5,542.3	2,277.6	275.1	850.9			

¹Due to a pattern of actions inconsistent with MCC policy, the Madagascar, Honduras and Nicaragua compacts were reduced from their original amounts listed above, to \$88 million for Madagascar, \$205 million for Honduras and \$113.5 million for Nicaragua.

²Madagascar was scheduled to close July 27, 2010, but it was terminated early on August 31, 2009 due to patterns of action inconsistent with MCC policy.

³In November 2008, MCC and the Government of Georgia signed an amendment to the Compact which provided an additional \$100 million in compact funding to expand existing activities under the compact.

⁴In July 2011 MCC placed an operational hold on the Malawi Compact due to political violence; MCC continues to monitor the situation.

Long-Term Program Impacts

At present, MCC funds are projected to benefit 170,586,000 people and lead to approximately \$12.06 billion in increased income. For most projects, MCC expects estimated income gains will be realized within a 20 year horizon after the compact enters into force. The table below shows the number of expected beneficiaries by country.

Under MCC's results framework, beneficiaries are defined as an individual and all members of his or her household, who will experience an income gain as a result of MCC interventions. We consider that the entire household will benefit from the income gain and counts are multiplied by the average household size in the area or country. This beneficiary standard makes a distinction between individuals participating in a project and individuals expected to increase their income as a result of the project. Before signing a compact, MCC estimates the expected long-term income gains through a rigorous benefit-cost analysis. MCC may reassess and modify its beneficiary estimates and/or the present value of benefits when the project designs change during implementation.

Long-Term Program Impacts (Cont.)

Compact	Estimated Number of Beneficiaries	Estimated Long Term Income Gain Over the Life of the Project (Present Value of Benefits) ¹	Benefit/Cost Ratio ²
Armenia	426,000	\$295,500,000	1.7
Benin	8,792,000	\$409,600,000	1.8
Burkina Faso	1,181,000	\$186,900,000	0.6
Cape Verde	385,000	\$149,500,000	1.8
El Salvador	795,000	\$366,700,000	1.0
Georgia	143,000	\$301,300,000	1.0
Ghana	1,217,000	\$690,300,000	1.7
Honduras	1,705,000	\$237,300,000	1.5
Jordan	3,657,000	\$800,300,000	4.1
Lesotho	1,041,000	\$376,00048,000	1.5
Madagascar	480,000	\$123,200,000	1.7
Malawi	5,900,000	\$2,300,000,000	9.6
Mali	2,837,000	\$457,100,000	1.3
Moldova	427,000	\$259,900,000	1.5
Mongolia	2,058,000	\$336,500,000	1.8
Morocco	845, 000	\$860,400,000	1.7
Mozambique	4,565,000	\$632,700,000	1.7
Namibia	1,063,000	\$240,500,000	1.1
Nicaragua	120,000	\$83,500,000	0.9
Philippines	125,822,000	\$675,900,000	2.3
Senegal	1,662,000	\$862,900,000	2.2
Tanzania	5,425,000	\$1,335,800,000	2.6
Vanuatu	39,000	\$73,800,000	1.4
Total for All Compacts³	170,586,000	\$12,055,600,000	2.0

¹ The Present Value (PV) of Benefits is the sum of all projected benefits accruing over the life of the project, typically 20 years, evaluated at a 10% discount rate. Estimates are reported in millions of US\$ in the year that the ERR analysis was completed. Because the PV of benefits uses a discount rate, these figures cannot be compared directly to the undiscounted financial costs of MCC compacts, but must be compared to the PV of costs instead.

² The benefit/cost ratio is calculated by dividing the PV of benefits by the PV of costs. The PV of costs is the sum of all project compact costs evaluated at a 10% discount rate.

³ These estimates do not include the projected beneficiaries of projects or activities that have been terminated or suspended by MCC (Madagascar, Honduras, Nicaragua, and Armenia). In the case of Madagascar, the estimates account for that compact's early termination. Column totals may not equal the sum of the individual rows due to rounding.

MCC Threshold Portfolio

MCC Threshold Countries (in \$ millions)					Signing Dates							
	Africa	Eurasia	Latin America	Middle East	2005	2006	2007	2008	2009	2010	2011	Completion Date
Burkina Faso	12.9				Jul 22							9/30/2008
Malawi	20.9				Sep 23							9/30/2008
Tanzania	11.2					May 03						12/30/2008
Zambia	22.7					May 22						2/28/2009
Kenya	12.7						Mar 23					12/31/2010
Uganda	10.4						Mar 29					12/31/2009
Sao Tome & Principe	7.4						Nov 09					4/15/2011
Niger	23.1							Mar 17 ¹				Est. 2014 ²
Rwanda	24.7							Sep 24				12/31/2011
Liberia	15.1									Jul 6		9/30/2013
Albania		13.9				Apr 03						11/15/2008
Ukraine		45.0				Dec 04						12/31/2009
Moldova		24.7				Dec 14						2/28/2010
Kyrgyz Republic		16.0						Mar 14				6/30/2010
Albania II		15.7						Sep 29				7/31/2011
The Philippines		20.7				Jul 26						5/29/2009
Indonesia		55.0				Nov 17						12/31/2010
Timor-Leste		10.5								Sep 22		10/31/2013
Paraguay			34.6			May 8						8/31/2009
Paraguay II			30.3						Apr 13			10/31/2011
Guyana			6.7				Aug 23					2/23/2010
Peru			35.6					Jun 09				7/31/2011
Jordan				25.0		Oct 17						8/29/2009
Total	161.1	201.5	107.2	25.0	2	9	4	5	1	2	0	

¹ The program was suspended in December 2009 and reinstated in June 2011

² Subject to Board Approval

Compact Program Restructuring, Re-allocations And Other Revisions

MCC has introduced and reinforced a number of mechanisms for managing projects that face potential restructuring including:

- Quarterly portfolio reviews of all compacts focused on high-risk projects and activities;
- Early identification of high risk projects;
- Partner country collaboration in the development of restructuring plans; and
- Approval of restructuring plans at the appropriate MCC level.

MCC has also refined its compact development process to ensure that adequate due diligence is conducted on programs in advance of compact signing to increase the reliability of technical, cost and other estimates and structure programs to mitigate potential completion risk, currency fluctuations, and increasing construction costs.

Summary of Restructurings and Re-Allocations in FY 2011

Country	Project/Activity	Cause	Solution Implemented
Mali	Alatona Irrigation Project	Higher than expected costs and revised estimates on the economic rates of return of MCC's investment have resulted in a re-scoping of the 81-km Niono-Goma Coura Road.	To achieve a portion of the intended project benefits (i.e. improve access to markets for Alatona farmers), MCC will improve sections of the road, and the Government of Mali is contributing funds to cover part or all of the funding gap.
Morocco	Artisan and Fez Medina & Fruit Tree Productivity Projects	MCA-Morocco requested restructuring the Artisan and Fez Medina Project and reallocating funds to the Fruit Tree Productivity Project.	MCC approved a reallocation of funding to the Fruit Tree Productivity Project to create a new Catalyst Fund to award grants for the establishment of farmer-owned agricultural processing and marketing businesses.
Mozambique	Roads Project Water Supply and Sanitation Projects	Estimated construction budget from final engineering design was in excess of allocated construction budget due to increased commodity prices and inadequate cost contingencies.	Reallocation of funds to invest in two roads (Namialo-Rio Lurio and Nampula-Rio Ligonha) instead of four, for a new total of 250 km, instead of 491 km. Reallocation of funds for the Water Supply and Sanitation project resulted in the investment of two, instead of five, water supply activities and two, instead of six, sanitation activities.

Summary of Project Holds, Suspensions, and Terminations in FY 2011

Country	Description
Malawi	MCC placed an operational hold on the Malawi Compact In July 2011 due to concerns regarding political violence; MCC is monitoring the situation and assessing next steps.

MCC's Model and the President's Global Development Policy

The President's Global Development Policy recognizes and elevates principles that are fundamental to MCC's model, including a focus on broad-based economic growth and democratic governance, selectivity of partners and programs, country ownership, and driving decision-making through analysis of impact. MCC is advancing the President's policy by:

- **Focusing on broad-based economic growth and democratic governance:** MCC's entire portfolio of over \$8.9 billion, over \$5 billion of which is invested in democratic sub-Saharan African countries, directly supports this aim. These investments are projected to benefit over 170 million people and lead to approximately \$12 billion in increased income.
- **Promoting country ownership:** MCC's partner governments, in close consultation with civil society, the private sector and citizens, take the lead in setting priorities for MCC investments, have responsibility for implementing MCC-funded compacts, undertake tough policy reforms that support the impact and sustainability of investments, and are accountable to their citizens for achievement of results. MCC's partner countries have prioritized areas such as agriculture and rural development and infrastructure, including agriculture, roads, power, water and sanitation systems, and ports.
- **Selectivity across countries and sectors:** MCC uses data-driven tools to focus its efforts in *countries* where conditions for growth are present and in *investments* with the greatest potential to increase incomes.
 - Through its indicator-based selection process, MCC partners only with countries with a proven and sustained commitment to fostering economic growth and poverty reduction.
 - MCC and its partner countries use rigorous economic analysis to set development, identify cost effective investments, and obtain a return on the investment through increased incomes for beneficiaries.
- **Analyzing impact:** MCC tracks, measures and publicly communicates results along the entire lifecycle of each country-determined project it funds, from inputs, to outputs, to policy reforms, and ultimately to measurable outcomes for beneficiaries. This includes conducting independent, rigorous impact evaluations on a higher portion of projects than any other donor, and a commitment to always publish evaluation results. This approach is a cornerstone of MCC's commitment to accountability and aid effectiveness and informs institutional learning and best practice.

MCC is strengthening its model in the context of the President's Global Development Policy

Since the release of the President's Global Development Policy in September 2010, MCC has taken important steps to:

- **Strengthen incentives for policies that matter for inclusive development:** In 2011 MCC undertook a thorough review and revision of its signature country selection system. MCC continues to be the only donor agency to base the selection of its country partners so heavily - and so transparently – on publically available and broadly respected third party data. With the revised system, MCC is strengthening incentives for candidate countries to pursue policies that make them stronger partners and more accountable to their citizens:
 - **Freedom of information:** As freedom of information has emerged as a priority policy area globally, MCC has drawn on newly-available data to update its selection system to draw countries' attention to this important area.
 - **Democratic rights:** MCC has introduced a formal democratic rights hurdle to its selection system. For the first time, the US Government has an assistance program that explicitly requires countries to have a minimum level of political rights or individual civil liberties as assessed by an independent third party.
 - **Equal economic rights across gender.** By including this new indicator, MCC has sent a strong signal about the importance of gender equality for economic growth and poverty reduction, created more opportunities for the USG to dialogue with governments about gender equality, and for domestic rights groups to hold governments accountable for equal rights.
- **Advance the President's emphasis on policy performance and reform as critical underpinnings of sustainable development:** MCC has long prioritized policy performance in selecting country partners, and promoted policy reform alongside compact investments to increase their impact and sustainability. Since the release of the Global Development Policy, MCC has further strengthened its:
 - **Focus on policies for growth in MCC's Threshold Program:** MCC redesigned its Threshold Program to better assist countries to become eligible for the MCC compact program by addressing policy barriers to compact eligibility and economic growth.
 - **Support for policy reforms for impact and sustainability in compacts:** Many of the MCC compacts recently signed or under development have significant policy and institutional reform components.
 - The MCC compact with the Philippines includes a major project to reduce tax evasion and tax-related corruption. The recently-signed MCC compact with Indonesia includes a major project to modernize public procurement

and reduce fraud, waste and abuse, allowing the government to better fulfill this fundamental function of good governance. In Cape Verde, the recently-approved MCC compact focuses on policy and institutional reforms to increase the sustainability of water and sanitation management, and improve land administration.

- **Promote open and transparent learning:** In 2011 MCC launched *Principles into Practice*, a working paper series designed to capture frank lessons about what it takes to operationalize principles at the heart of both MCC's model and the President's Global Development Policy, including country ownership and a focus on results. The lessons, drawn from across MCC's compact portfolio, will help MCC strengthen its own model and practice, and serve as a platform for learning and exchange across USG agencies and within the broader development community.
- **Leverage the private sector and non-governmental organizations:** A core principle of MCC is that the private sector and non-governmental solutions to development challenges are essential for successful and sustainable economic growth. Accordingly, MCC has, since its inception, pursued strategies for including corporate, philanthropic, and non-governmental partners in project activities in roles ranging from co-financing to partnerships in project design and delivery, parallel and follow-up investment, and procurement.
 - In Namibia, the MCC compact allows for grants to communities to invest in tourism lodges in partnership with a private sector developer. This form of investment reduces the risks for the private sector, increases the return from the joint venture to the community if the project is successful, and is an example of when development goals and profit motives can be complementary.

More recently, MCC has invested in and supported private sector activity through mechanisms such as co-investment, credit facilities, training and technical assistance, policy reform relating to the investment climate, public-private partnerships, sponsored trade and investment events, and web-based partnership solicitation instruments.

- In the new compact with Indonesia, MCC is providing both commercial and grant funding for private sector-sponsored and community-sponsored renewable energy projects. In its recently-approved second compact, the Government of Cape Verde and MCC specifically structured investments in water and sanitation to incentivize reforms that are essential for attracting private sector investment, including through greater financial sustainability and transparency in the sector.

MCC is coordinating across the USG

MCC has a long tradition of partnering with USAID, the Department of State and other agencies in the planning and implementation of compact and threshold programs. MCC has responded to the Global Development Policy's call for more targeted and purposeful coordination across USG agencies in three key areas:

- **Partnerships for Growth (PFG):** PFG is a partnership between the United States and a select group of countries (Ghana, El Salvador, the Philippines and Tanzania) to accelerate and sustain broad-based economic growth by putting into practice the principles of the Presidential Policy on Global Development, including bringing the coordinated strengths of many USG agencies to bear on common goals in PFG countries. MCC's model, operational approach and technical expertise have been building blocks for PFG. MCC has guided inter-agency discussion on evidence-based decision-making both in terms of selecting country partners and planning country engagement. MCC's independent, transparent eligibility criteria were the starting point for selecting PFG partner countries and constraints analysis the diagnostic tool MCC uses with partner countries to identify key constraints to economic growth is the foundation for identifying priorities and developing growth-oriented strategies with partner countries. The tool's focus on the policy and institutional environment has enhanced the USG's ability to identify important reforms in partner countries. This engagement has led to a better functioning interagency process that is narrowing and deepening USG engagement with partner countries.
 - MCC is developing second compacts with Ghana and El Salvador. The constraints analyses conducted for PFG are also informing the second compact development process in both countries. MCC expects that PFG will allow partner governments the opportunity to leverage a broad range of USG tools, including support for catalytic policy change and institutional reform, diplomatic engagement, mobilizing private investments, and other 'non-assistance' policy tools to complement MCC's compact investments.
 - MCC's current compacts with Tanzania and the Philippines both target sectors identified as priorities through the PFG constraints analyses. This allows PFG to build on and leverage existing MCC investments and policy and institutional reform efforts, and allows MCC experience to directly contribute to PFG success in these countries.
- **Transparency:** MCC is committed to transparency because making information public is a cornerstone of accountability and of supporting country ownership. With a mandate for transparency since its inception, MCC makes public its selection indicators and countries' annual performance on them, and for all compact programs MCC publishes five-year budgets, cost-benefit analyses, projected outcomes, financial and program monitoring data, and results of independent impact evaluations once programs are complete. This approach was recognized in the 2011 Publish What You Fund

Transparency Index, in which MCC scores first among US agencies, and seventh out of 58 donor countries and agencies globally. MCC is on the leading edge of the USG Foreign Assistance Dashboard, as the first agency beyond USAID and the Department of State to add data, and the first agency to publish obligation and expenditure data. This positions MCC well to comply with USG commitments under the International Aid Transparency Initiative (IATI). MCC has also made an institutional commitment to match its being at the cutting-edge in making data *available* with improvements to make the data that MCC publishes even more *accessible*

- **Food Security:** MCC's partner countries' priorities have shaped MCC's portfolio, leading to nearly half of MCC's portfolio - almost \$4 billion –being dedicated to agriculture, rural development, irrigation, rural roads and other key areas essential for poverty reduction and food security. From this foundation, MCC participates actively in Feed the Future (FTF), the President's food security initiative. MCC participates in the development of FTF country plans to identify where new FTF programs can complement and leverage existing MCC investments, and where MCC investments can contribute to FTF success. MCC's approach to measuring results has deeply influenced the FTF results framework and MCC is working with USAID and the Department of State to establish common indicators for reporting FTF accomplishments across the USG.
 - In Mali, the MCC compact has supported the construction of irrigation systems to serve approximately 5,000 hectares, and new institutional structures in which water users play a central role in operating and maintaining the physical infrastructure and providing irrigation services to agricultural producers. Through coordination between MCC and USAID, the Mali FTF multi-year strategy includes plans for USAID to enhance sustainability of MCC investments through institutional strengthening of communes, and building capacity among water user associations and farmer organizations.

Appendix B – Annual Performance Report

Annual Performance Report

Purpose

For FY 2011, the Millennium Challenge Corporation (MCC) has chosen to use an alternative to the Performance and Accountability Report (PAR) and produce a separate agency financial report (AFR) and an annual performance report (APR). This APR is prepared in compliance with the Government Performance and Results Act and GPRA Modernization Act requirements as outlined in OMB Circular A-11, section 230.

This report summarizes MCC's progress towards achieving the goals in its strategic plan and performance budget and provides its strategic goals along with annual goals for fiscal year 2012. MCC's Agency Financial Report for Fiscal Year 2011 can be accessed at www.mcc.gov.

Compact Programs Results Framework

MCC begins tracking a compact's performance when it enters into force and continues tracking high-level outcomes and impacts throughout the compact term to concretely assess how compact activities have affected poverty and economic growth.

MCC is committed to the principles of performance measurement mandated under the *Government Performance and Results Act of 1993 (GPRA)* as well as the *GPRA Modernization Act* and applies this focus to results for compact programming. MCC monitors progress toward compact results on a regular basis using performance indicators that are specific to a Monitoring and Evaluation (M&E) Plan developed for each compact. M&E Plans specify indicators at all programmatic levels so that progress toward final outcome results can be tracked throughout compact implementation.

MCC's results framework also establishes a rigorous method for program performance, by measuring the attribution of MCC's programs towards results and the significance of those results. MCC is committed to conducting independent impact and performance evaluations of its programs as an integral part of its focus on results. In order to fulfill MCC's commitment to tracking results all the way through high-level impacts on poverty and economic growth, monitoring and evaluation is integrated into all phases of compact operations – from compact development, through implementation, to the measurement of impact.

MCC is investing resources in program evaluations that meet the highest standards of rigor, and the information that is generated will be used as MCC, other donors, and our country partners make decisions about future investments.

MCC has established itself as a leader within the foreign assistance community in its evaluation practices and is actively engaging others to use similarly rigorous approaches through venues such as the multi-lateral Network of Networks on Impact Evaluation (NONIE) and the International Initiative for Impact Evaluation (3ie). MCC's approach to evaluation is a critical part of its evidence-based approach to enhancing aid effectiveness, and goes beyond that used by other foreign assistance agencies in a number of important ways:

- Independence: MCC projects are evaluated by highly credible external evaluators;
- Scope: MCC advances the objectives of accountability and learning by selecting from a wide range of evaluation approaches. MCC balances the expected accountability and learning approaches with evaluation costs to determine what type of evaluation is appropriate. Impact evaluations are performed when their cost are warranted by the expected result.
- Rigor: MCC projects are being evaluated in terms of attainment of expected results as well as impact on local incomes. Roughly half of MCC activities have integrated experimental or quasi-experimental designs. Most of the remaining activities will be evaluated using pre-post comparisons, supplemented by pre-investment benefit-costs analyses; and
- Transparency: MCC documents on its public website its evaluation strategy, and how that is reflected in each country's evaluation portfolio, as well as all reports and data generated through its independent evaluations. Although MCC reserves the right to comment on initial drafts, the independent evaluators have final decision on where they publish their results and what they publish.

Not all of MCC's investments will demonstrate their full impacts by the end of a compact, but as opportunities to learn are identified, MCC will return to partner countries and conduct follow-up surveys to measure longer-term impact. MCC also knows that not all activities will generate the impacts that were originally projected, but as an innovative agency working in frequently unstable environments, MCC has made a commitment to learn from its experience by documenting the actual results and using this information in its future economic analyses and investment decisions.

Threshold Programs

MCC's Threshold Program assists countries in improving their performance in policy areas related to compact eligibility. Threshold partners are countries that do not meet the criteria for compact eligibility, but may be viable compact candidates in the near future and who are committed to reform. MCC's authorizing legislation allows the use of up to ten percent of appropriated funding for the Threshold Program. The FY 2012 Appropriations Bill reduced the total MCC may allocate to the Threshold Program from 10 percent of appropriated funds to a maximum of five percent.

Performance Summary by Strategic Goal

In accordance with the Government Performance and Reporting Act (GPRA), the Board approved MCC's Strategic Plan on November 8, 2005, covering FY 2006 to FY 2011. The plan defined four strategic goals for MCC:

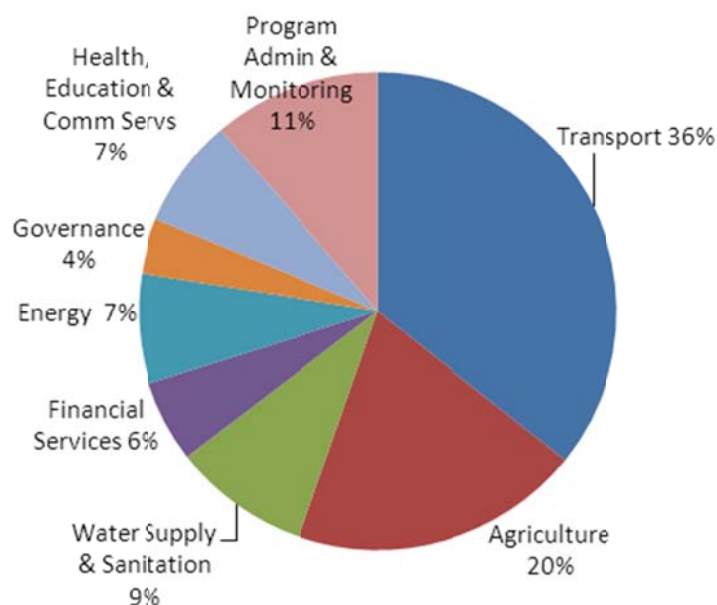
1. Achieve sustainable, development
2. Support development of a sound policy environment for economic growth and poverty reduction in the developing world
3. Advance international development assistance practice by continually improving MCC's operational effectiveness
4. Build MCC's capabilities to achieve its primary strategic goals

Strategic Goal 1:

Achieve sustainable development

As of September 30, 2011, and reflected in the table below, with few exceptions, MCC exceeded all of its FY 2011 targets across all core sectors for its current compacts.

Compact Investments by Sector

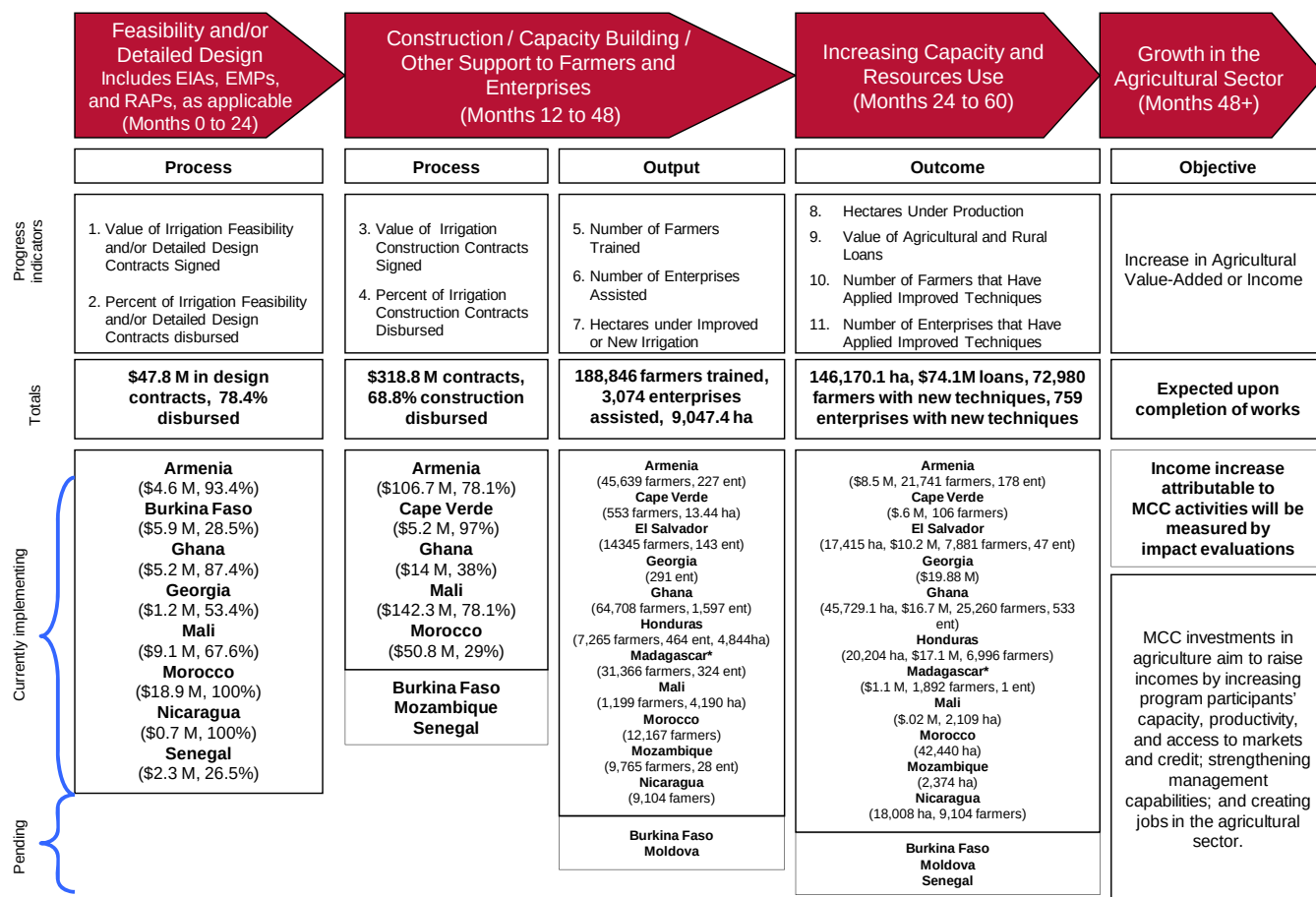


FY 2011 Performance Across Core Sectors

Sector	Countries Tracked	Indicator	Cumulative Target in FY2011 (+/- 10 percent)	Actual	Performance on FY2011 Targets	Results
	MCC	Core Sector Commitments (in \$ millions)	\$995.7			
	MCC	Core Sector Disbursements (in \$ millions)	\$800.0			
Roads	Armenia, Burkina Faso, Cape Verde, El Salvador, Georgia, Ghana, Honduras, Mali, Mongolia, Mozambique, Nicaragua, Tanzania, Vanuatu	Value of signed contracts for road works (in \$ millions)	\$1,561.0	\$1,553.7	99.5%	Met
		Kilometers of roads under works contracts	3,168.6	2,717.3	85.8%	Not met
		Kilometers of roads completed	1,069.9	1,162.9	108.7%	Met
Agriculture & Irrigation	Armenia, Cape Verde, El Salvador, Georgia, Ghana, Honduras, Madagascar, Mali, Morocco, Mozambique, Nicaragua	Hectares under new or improved irrigation	83,439.7	9,047.4	10.8%	Not met
		Number of farmers trained	196,536.0	196,111.0	99.8%	Met
		Value of agricultural and rural loans (in \$ millions)	\$51.3	\$74.1	144.5%	Met
		Hectares under production	131,357.8	146,170.1	111.3%	Met
Water and Sanitation	El Salvador, Georgia, Ghana, Lesotho, Tanzania	Value of signed contracts for water and sanitation works (in \$ millions)	\$234.0	\$141.8	60.6%	Not met
Education	Burkina Faso, El Salvador, Ghana, Mongolia, Morocco, Namibia	Value of signed contracts for construction and/or equipping of educational facilities (in \$ millions)	\$84.3	\$89.6	106.2%	Met
		Number students participating	193,176.0	155,513.0	80.5%	Not met
		Facilities completed	706.0	451.0	63.9%	Not met
Land	Benin, Burkina Faso, Ghana, Lesotho, Madagascar, Mali, Mongolia, Mozambique, Nicaragua	Stakeholders trained	25,760.0	18,600.0	72.2%	Not met
		Urban parcels mapped	116,965.0	71,578.0	61.2%	Not met
		Rural hectares formalized	419,724.0	353,293.0	84.2%	Not met

Why Invest in Agriculture and Irrigation? MCC investments in agriculture and irrigation aim at increasing income and reducing poverty. This is done by providing technical assistance and training and increasing access to agricultural inputs, including water and credit, thereby expanding technical and physical capacity and improving resource use in the agriculture and agribusiness sectors. In turn, this is expected to lead to greater productivity and farm revenues. MCC interventions in agriculture often include irrigation activities, sometimes on a large scale. Agriculture activities also complement other MCA compact activities, such as the rehabilitation of rural roads and land tenure reform, tracked separately.

Tracking Results in Agriculture and Irrigation



All program data are as of September 2011. Data are preliminary and subject to adjustment. *These values represent a decline from values previously recorded due to the final reconciliation of performance data following termination of the Madagascar compact.

Why Invest in Roads? MCC investments in roads are part of a variety of MCA compact projects. In **transportation** projects, roads rehabilitation and construction primarily aim to lower transport costs by reducing travel time and vehicle operating costs; improve access to public basic services such as health and education, particularly for the rural poor; and facilitate national, international and regional trade. In **agriculture** projects, roads primarily aim to link producers to markets for their goods and to inputs for their production year round. In some cases, roads are a part of **irrigation** projects to provide access to, from, and within irrigated areas.

Tracking Results in Roads

Feasibility and/or Detailed Design Includes Environmental Impact Assessments, Environmental Management Plans, and Resettlement Action Plans, as applicable (12 to 36 months) Procurement for Construction Contractors (6 to 9 months) Construction (1 to 3 years) Expected Outcomes (up to 15 years)						
Indicator Type	Process	Process	Process	Process	Process	Outcome
Progress Indicators	Value of signed contracts for feasibility, design, supervision, and program mgmt contracts	% disbursed for contracted studies km of roads under design	Value of signed contracts for road works	Kilometers (km) of roads under works contracts	% of contracted roads works disbursed	Kilometers (km) of roads completed IRI: International Roughness Index (IRI)
Totals	\$109.8 million in studies contracted	64.3% of contracted studies disbursed, 5,118.9 km of roads under design	\$1,553.7 million in works contracted	2,717.3 km of roads under works contracts	58.1% of contracted roads works disbursed	1,162.9 km of roads completed IRI
Currently implementing	Armenia (\$3.1 M) Burkina Faso (\$8.3 M) Cape Verde* (\$3.5 M) El Salvador* (\$16.9 M) Georgia (\$12.0 M) Ghana (\$5.5 M) Honduras (\$9.5 M) Mongolia (\$6.1 M) Mozambique (\$13.4 M) Nicaragua (\$6.9 M) Senegal (2.4 M) Tanzania (\$16.9 M) Vanuatu (\$5.3 M)	Armenia (90%, 892 km) Burkina Faso (13%, 536 km) Cape Verde (90.2%, 63.4 km) El Salvador (73.4%, 196.1 km) Georgia (99%, 220.2 km) Ghana (100%, 775.8 km) Honduras (75.4%, 671.8 km) Moldova (93 km) Mozambique (26.4%, 20.9 km) Nicaragua (30%, 253 km) Nicaragua (100%, 376 km) Senegal (23%, 406 km) Tanzania* (49%, 465 km) Vanuatu (100%, 149.7 km)	Armenia*** (\$4.7 M) Cape Verde (\$24 M) El Salvador (\$220.5 M) Georgia (\$197.3 M) Ghana (\$211.8 M) Honduras (\$184.5 M) Mali (\$42.9 M) Mongolia (\$24.1 M) Mozambique (130.6 M) Nicaragua (\$56.5 M) Tanzania (\$402.1 M) Vanuatu* (\$54.7 M)	Armenia*** (24.5 km) Cape Verde (40.6 km) El Salvador (196.1 km) Georgia (220.2 km) Ghana (446 km) Honduras (671.8 km) Mongolia (176.4 km) Mozambique (253 km) Nicaragua (74 km) Tanzania (465 km) Vanuatu (149.7 km)	Armenia (100%) Cape Verde (100%) El Salvador (60.6%) Georgia (100%) Ghana (67.8%) Honduras (69.6%) Mongolia (32%) Mozambique (9.5%) Nicaragua (100%) Tanzania (22.5%) Vanuatu (96.6%)	Armenia (24.5 km) Cape Verde (40.6 km) El Salvador (43.8 km) Georgia (220.2 km) Honduras (610.1 km) Nicaragua (74 km) Vanuatu (149.7 km)
	Burkina Faso Ghana Mali Moldova Mozambique Senegal Tanzania	Burkina Faso Moldova Senegal	Burkina Faso Moldova Senegal	Burkina Faso Moldova Senegal	Burkina Faso Ghana Mali Moldova Mozambique Senegal Tanzania	Armenia (3.5 IRI) Cape Verde (2.0 IRI) Georgia (1.5 IRI) Nicaragua (2.3 IRI) Vanuatu (3.0 IRI)

All program data are as of September 2011. Data are preliminary and subject to adjustment. *Additional studies associated with compacts have been funded by the governments in El Salvador and Tanzania, and by another donor in Cape Verde. **Design-Build contract, where the value of design work is included in the value of the works contract. Contract amount listed in first column is a supervision contract only.***Due to the operational hold on the roads project in the Armenia and Honduras compacts, MCC will no longer be funding additional works contracts that were previously reported. **Design numbers for Ghana have decreased due to a rescoping of the roads project

Why Invest in Property Rights and Land Policy? MCC's Property Rights and Land Policy investments are designed to contribute to poverty reduction and economic growth by establishing secure and efficient access to land and property rights. Property Rights and Land Policy investments support legal and regulatory reforms, clarification and formalization of land and property rights, capacity building of national and local institutions, and land-related outreach and education are aimed at reducing transaction costs, increasing tenure security and improving access to land. This, in turn, will result in increased transactions and investment in land and property and higher land productivity and value.

Tracking Property Rights and Land Results

* These activities may be implemented in this order but often overlap and extend throughout the compact period.

					Regulatory, Legal and Other Work	Public Outreach	Institutional Upgrading and Capacity Building	Clarification and Formalization of Land Rights	Expected Outcomes (up to 20 years)
Indicator Type					Output	Output	Output	Output	Outcome
Progress Indicators					Preparatory Studies Completed; Legal and Regulatory Reforms Adopted	Stakeholders Reached	Buildings Built or Rehabilitated; Equipment Purchased; Stakeholders Trained	Rural Hectares (ha) mapped/formalized; Urban Parcels mapped/formalized	Effective Property Rights System
Totals					65 studies completed; 56 legal and regulatory reforms adopted	201,334 stakeholders reached	138 buildings built/rehabilitated; \$16.6 M in equipment purchased; 18,600 stakeholders trained	2,462,507.5 rural hectares mapped; 353,293 rural hectares formalized; 71,578 urban parcels mapped; 25,837 urban parcels formalized	
Currently Implementing					Benin (16 studies, 0 reforms) Burkina Faso (7 studies, 40 reforms) Ghana (5 studies, 2 reforms) Lesotho (1 study, 3 reforms) Madagascar (8 studies, 4 reforms) Mali (0 studies, 2 reforms) Mongolia (8 studies, 4 reforms) Mozambique (16 studies, 1 reform) Nicaragua (4 studies, 0 reforms)	Benin (53,697 stakeholders) Burkina Faso (41,840 stakeholders) Ghana (4,796 stakeholders) Lesotho (5,235 stakeholders) Mongolia (26,666 stakeholders) Mozambique (75 stakeholders) Nicaragua (69,035 stakeholders)	Benin (\$5.5 M, 60 trained) Burkina Faso (\$2.2 M, 682 trained) Ghana (1 bldg, \$5 M, 427 trained) Lesotho (\$1 M, 675 trained) Mali (1 bldg, \$1 M) Madagascar (115 bldgs \$4.8 M, 12,216 trained)* Mongolia (2 bldgs, \$8 M, 2,716 trained) Mozambique (11 bldgs, \$9 M, 214 trained) Nicaragua (8 bldgs, \$1.7 M, 1,610 trained)	Benin (117,021 rural ha formalized) Burkina Faso (36,403 rural ha formalized) Ghana (3,807.5 rural ha mapped, 261.7 rural ha formalized) Lesotho (4,305 urban parcels mapped and formalized) Madagascar* (30,047 rural ha mapped and formalized) Mali (4,309 rural ha mapped) Mozambique (19,083 urban parcels formalized) Mongolia (2,393,455 rural ha mapped, 67,273 urban parcels mapped, 166,272 rural ha formalized) Nicaragua (30,889 rural ha mapped, 3,288 rural ha formalized, 2,449 urban parcels formalized)	Reduced Transaction Costs Increased Tenure Security Improved Allocation of Land Increased Transactions and Investment in Land and Property Increased Land Productivity and Value
Pending Implementation					Senegal	Namibia Senegal	Senegal	Namibia Senegal	

All program data are as of September 2011. Data are preliminary and subject to adjustment. *These values represent a decline from values previously recorded due to the final reconciliation of performance data following termination of the Madagascar compact.

Why invest in Water and Sanitation? MCC's non-agricultural water and sanitation investments are for human consumption and sanitation needs as well as business and industrial uses. These investments take two major forms. Networked investments normally focus on urban and peri-urban service delivery while non-networked investments normally focus on rural access. Desired outcomes include improved service access, capacity, and efficiency, which are designed to lead to higher productivity in order to stimulate greater economic growth and reduced poverty.

Tracking Results in Water and Sanitation*

Indicator Type	Feasibility and/or Detailed Design Includes EIAs, EMPs, and RAPs, as applicable (Months 6 to 24)	Construction / Persons Reached (Months 12 to 48)		Expected Outcomes (Months 24 to 60)	Expected Objectives (Months 48+)
	Process	Process	Output	Outcome	Objective
Progress Indicators	1. Value of Feasibility and/or Detailed Design Contracts Signed; 2. Percent of Contracted Feasibility and/or Design Studies Disbursed	3. Value of Construction Contracts Signed; 4. Percent of Contracted Construction Works Disbursed	5. Persons Trained in Hygiene and Sanitary Best Practices; 6. Water Points Constructed; 7. Sanitation Systems Constructed	8. Volume of Water Produced; 9. Access to Improved Water Supply; 10. Access to Improved Sanitation.	11. Water Consumption (Domestic/Commercial); 12. Incidence of Water-borne Diseases
	Totals \$38.1 M in design contracts, 44.2% disbursed	Totals \$141.8 M in construction contracts, 79.5% disbursed	Totals 5,185 persons, 300 water points	Totals 1,448 households with improved water supply, 1,376 households with improved sanitation	
Currently implementing	El Salvador (\$5.9 M, 69%) Georgia (\$2.7 M, 100%) Ghana (\$1.6 M, 85%) Tanzania (\$8.9 M, 48%) Mozambique (\$21.4 M, 32%)	El Salvador (9.2 M, 58.3%) Georgia (\$54.3 M, 94%) Ghana (\$14.6 M, 60%) Lesotho (\$16.1 M, 30%) Tanzania (\$47.6 M, 20%)	Mozambique (3,840 persons, 150 water points) Ghana (87 persons, 150 water points) El Salvador (1,258 persons)	El Salvador (1,448 hh water, 1,376 hh sanitation)	El Salvador () Lesotho () Tanzania () Mozambique () Ghana ()
	Pending Implementation	Mozambique	Georgia Lesotho Tanzania	Ghana Lesotho Tanzania Mozambique	

*Indicators in this Results Framework may be added or removed as MCC's investments in WS evolve over time. All program data as of September 2011. Data are preliminary and subject to adjustment.

Why Invest in Education? Investments in human capital through education and training are widely recognized as critical for improving productivity and economic growth and reducing unemployment and poverty. A well-educated citizenry also contributes to a country's freedom and stability, and the skills and learning of its workforce is a nation's most enduring and competitive asset.

Tracking Results in Education

Indicator Type	Construction & Institutional Strengthening (Months 0-36)	Improved access, quality, and relevance (Months 12-48)	Expected outcomes (Months 12-60)	Expected objectives [±] (Months 48+)
	Process	Output	Outcome	Objective
Progress Indicators	1. Value of signed contracts (\$US) for MCC-supported educational facility construction / rehabilitation and/or equipping 2. Percent of contracted construction / rehabilitation / and/or equipping works for educational facilities disbursed 3. Legal, financial, and / or policy reforms adopted	4. Educational facilities constructed / rehabilitated and / or equipped through MCC-supported activities 5. Number of instructors trained or certified through MCC-supported activities	6. Number of students (any educational level) participating in MCC-supported education activities. 7. Additional primary / secondary / tertiary school female students enrolled in MCC-supported educational facilities	8. Primary / secondary / tertiary / vocational school graduates in MCC-supported educational facilities 9. Employed graduates of MCC-supported training programs
	\$89.6 M in signed construction contracts, 51.7% disbursed	451 facilities, 2,603 instructors	155,513 students participating, 31,400 additional female students	2,761 graduates of MCC-supported educational facilities
Totals	Burkina Faso (\$22.5 M, 67%) El Salvador (\$10.2 M, 99.7%) Ghana (\$18.7 M, 79%) Mongolia (\$12.5 M, 9%) Morocco (\$.2 M) Namibia (\$25.5 M, 20.4%)	Burkina Faso (285 facilities, 557 instructors) El Salvador (22 facilities, 515 instructors) Ghana (143 facilities) Mongolia (1 facility, 272 instructors) Morocco (1,259 instructors)	Burkina Faso (31,335 students, 4,983 additional females) El Salvador (21,104 students, 1,644 additional females) Ghana (36,986 students, 651 additional females) Morocco (41,528 students, 24,122 additional females) Namibia (24,560 students)	Burkina Faso (1487 graduates) El Salvador (1274 graduates) Mongolia () Morocco () Namibia () Ghana ()
	Namibia	Mongolia		

*All program data as of September 2011. Data are preliminary and subject to adjustment. Indicators in this Results Framework may be added, removed , or modified as MCC's investments in education evolve

*All program data as of September 2011. Data are preliminary and subject to adjustment. Indicators in this Results Framework may be added, removed , or modified as MCC's investments in education evolve over time.

[‡] All MCC education programs have as their long-term end goal an increase in individual or household income and a corresponding decrease in poverty.

Threshold Results in Brief

Since 2005, MCC has partnered with 21 countries on 23 threshold programs, 18 of which have concluded; 4 are ongoing and 4 are in development. A brief summary of results from programs completed since January 1, 2010 are included below.

Albania's second threshold program provided \$15.7 million in assistance and built upon the significant successes of its first threshold program to institutionalize key reforms in public administration and support anticorruption activities. The Albanian government established an e-procurement system that won a UN Public Service Award in 2010, and now handles all procurements over \$4000 in value. The system has cut procurement costs and increased competition. Albania's Threshold Program also created an e-filing system for paying taxes, used by two-thirds of all taxpayers, which has increased revenues while drastically reducing opportunities for corruption. The program also created a single-window national licensing system used by most Albanian professionals and businesses, functioning joint investigative units in six cities that now investigate and prosecute dozens of corruption cases each year, and a national planning registry used to manage building permit applications with greater transparency. MCC also supported civic watchdogs groups and business associations, which have advocated for the threshold program reforms, and monitored the Government's implementation of the reforms.

Guyana's Threshold Program focused on improving fiscal policy, increasing fiduciary oversight, and streamlining business registration. The program supported the reorganization and reengineering of the Guyana Revenue Authority by increasing staff capacity, redesigning business processes, and creatively utilizing information technology. As a result of these and other government efforts, the amount of outstanding tax arrears was reduced from \$8.6 billion to \$1.2 billion. In addition, the program helped reduce the time to register a business from 46 days to 30 days by reducing the number of required documents and creating streamlined operations.

A recent, independent evaluation of **Indonesia's** Threshold Program finds that the program (which concluded in December 2010) "contributed to increased transparency in the court system and the public procurement of goods and services." Reduced corruption in the court system is evidenced by a doubling in disciplinary actions against judges and other senior court personnel for ethical infractions, a threefold increase in complaints received and investigated, increased compliance with wealth reporting requirements by court personnel, and the publication of court decisions. Several of these outcomes are the result of new regulations that received technical assistance from MCC, for example a Supreme Court regulation linking promotion to compliance with wealth reporting and new regulations on handling complaints that call for publication of disciplinary actions. In public procurement, achievements include lower transaction costs for vendors to bid on public contracts and reduced opportunities for collusion between bidders and tender committee members,

although the frequency of bribes post-award, which represents a larger cost to firms, does not appear affected.”

Kenya’s Threshold Program focused on reducing corruption in public procurement and in the health care sector. With threshold program assistance, the Public Procurement Oversight Authority (PPOA) increased the number of procuring entities that report large procurements to the PPOA, from 16 in 2007 to over 128 in 2009, and completed 10 procurement audits of the highest spending GOK entities, all of which are published on their website.

In 2011, **Paraguay’s** second threshold program rolled out a new, integrated logistic system for medicines and supplies to ensure that all Paraguayans have access to essential medicines. The “Automated Information and Inventory Control System” is a sophisticated logistics application that allows health officials to track medicines through the country’s supply chain of warehouses, hospitals and clinics, preventing temporary shortages and waste. This system also helps officials provide the right drugs in the quantities needed, while avoiding the purchase of unnecessary drugs and controlling their improper storage and use. The system is already being used by most public clinics and hospitals throughout Paraguay. The Government of Paraguay estimates that this new system will save approximately U.S. \$6.2 million each year by maximizing the distribution of medicines and avoiding preventable losses. Threshold Program support for this activity will conclude in April 2012, after which the Paraguayan Ministry of Health will maintain and continue the system using budgetary and management provisions it has made.

Peru’s Threshold Program rolled out an integrated vaccine supply chain and information management system that has dramatically increased immunization coverage is increasing in the regions targeted by the threshold program. A recent USAID survey among health posts in the eight targeted regions show that vaccination rates increased by 13 percent for measles and 8.8 percent for DPT3 (three doses of diphtheria-pertussis-tetanus). At the Program’s heart are two innovations: (1) a medicine inventory control system used by both central and local governments to maintain adequate supplies of vaccines and other essential medicines, and (2) mobile health units, trained and equipped by the threshold program, which trek across Peru’s rugged terrain to reach rural communities and deliver basic health services, including immunizations. These mobile brigades serve over 660,000 residents of Peru’s highlands and jungle regions, working to promote better sanitation (latrines, solid waste disposal) and also to ensure that children and mothers are registered with proper identification. The Government of Peru allocated \$8 million in 2011 to finance immunizations, and support the activities of the mobile brigades, ensuring the continuity of the health reforms begun under the threshold program.

Rwanda’s Threshold Program focused on strengthening the judicial sector, supporting civic participation and promoting civil rights and civil liberties. It supported the enactment of important legislative reforms, built the capacity of the Institute for Legal Practice and Development to provide training and continuing education for legal professionals including

judges, lawyers and court officials. The program strengthened civic participation by providing training, technical support and grants to local and national civil society organizations. It also promoted civil rights and civil liberties through training for journalists to facilitate press freedom and provided technical assistance to the Rwanda National Police (RNP) to strengthen internal police controls and improve the RNP's responsiveness and accountability to the public.

Sao Tome and Principe's (STP) Threshold Program worked to increase tax and customs revenue, and improve the business environment. Treasury Office of Technical Assistance (OTA) advisors provided training and equipment to increase the efficiency of STP's Department of Taxation and Customs which received a state of the art automated ASYCUDA systems. The overall tax revenue increased by 34.58 percent, far surpassing the threshold program's 15 percent goal. This was achieved through improving fiscal services, revising fiscal legislation, and improving the registration, collection, and auditing process. On February 1, 2011, STP began using ASYCUDA in its customs operations. As a result, customs revenue increased continuously when compared to the corresponding months in 2010 *i.e.* March 2011: 55 percent, April 2011: 136 percent, May 2011: 44 percent and June 2011: 232 percent

Strategic Goal 2:

Support development of a sound policy environment for economic growth and poverty reduction in the developing world

Championing Policy Reforms

Because effective project design and sustainable development demand sound policies, MCC partners with countries that practice good governance, respect the rule of law, protect civil liberties, fight corruption, invest in health and education, and promote economic freedoms, as assessed through 20 independently-verified, publicly-available indicators. This approach motivates partner countries not only to adopt policy reforms, including at the sector level, but also to create conditions that attract private sector-led economic growth and investment. Policy performance remains the primary focus of our country selection process, and we continue to make the implementation of investment-related policy reforms a key component of our strategy to ensure that our investments have full and sustained impact.

Policy Performance as MCC Criteria

MCC recognizes that countries themselves must create the conditions for development to take hold. Both research and experience suggest that sound political, social and economic policies can promote broad-based economic growth and the effective use of development assistance. That is why MCC works only with poor countries that have a track record of ruling justly, promoting economic freedom and investing in people as measured by their performance on a

set of transparent, third-party indicators. By selecting country partners that perform well in these areas and by leveraging continued country policy reform to support growth, good governance and an enabling environment for trade and investment, MCC creates an incentive for partner countries to improve in the areas that matter most for poverty reduction and economic growth. Through a performance-based approach to development, MCC motivates policy reforms essential for sustainable development even before making a single investment of American resources.

Sectoral Reforms

MCC incentivized major sectoral reforms as part of compacts with various partner countries. These reforms help ensure the sustainability of our investments.

- In the **Cape Verde** Compact, MCC supported the transparency-enhancing “e-procurement” system and reforms to incorporate microfinance institutions into the formal banking sector, expanding access to credit for borrowers and enabling them to build credit histories that can be shared across financial institutions.
- For the irrigation project in the **Armenia** Compact, MCC supported improved management and technical capacity of the 44 water user associations, whose principal function is to collect water user fees and operate and maintain the irrigation infrastructure. Enhanced capacity within these associations will improve irrigation service for all water user association members, even those not receiving training or improved infrastructure under the compact.
- In **Georgia**, MCC worked with the Georgian Oil and Gas Corporation (GOGC) for the energy rehabilitation project. GOGC, a young domestic institution at the time, was tapped to design and manage all pipeline repairs under the Georgia Compact. GOGC is now responsible for the operation and long-term sustainability of the MCC investment. MCC supported operational and financial improvements at GOGC before and during construction, and other donors are now relying on GOGC to implement their programs.
- MCC supported **Moldova’s** decision to revise a road fund law, which is having a pronounced impact. The budget for road maintenance increased by 35 percent in fiscal year 2011, compared with 2010. With the Government of Moldova’s continued commitment, the road maintenance fund is likely to reach a sustainable funding level in 2014.
- In **Nicaragua** and **Honduras**, MCC supported more robust monitoring and enforcement of axle weight limits to ensure that overweight trucks, a major cause of damage to road surfaces, would be controlled.

- In fiscal year 2011, MCC adopted a policy on road safety and implemented enhanced road safety measures in **Vanuatu, Nicaragua, Honduras, Moldova,** and the **Philippines**. MCC's efforts to improve road safety continues to raise standards in partner countries and draw attention to road traffic accidents, one of the top ten causes of death worldwide.
- In the **Philippines**, persistent fiscal deficits due to weak revenue generation constitute a binding constraint to growth, rooted in inefficient tax policy and administration. The *Revenue Administration Reform Project* under the Philippines Compact will re-engineer tax policies and practices, implement the electronic tax information system and strengthen the anti-graft investigation unit. Expected project outcomes include increased effectiveness in tax collections that leads, over time, to increased tax revenues for the government. This project reinforces the Philippines' commitment to sound policies and good governance and builds on the work originally implemented under the country's threshold program.
- **Benin's** adoption of the *Declaration of Policy for Landholding and the Domain*, developed with MCC's support, puts in place a unified structure of law in which all three of Benin's legal land regimes—custom, civil and domain—will be retained as sources of landholding rights. This unified and synthesized land tenure system will provide citizens with more secure land rights and improve the investment climate in rural and urban areas.

Strategic Goal 3:

Advance international development assistance practice by continually improving MCC's operational effectiveness

Proposed Legislative Changes to Maximize Results

During FY2011, the Administration requested legislative changes to MCC's authorization statute. Portions were passed by the Senate Foreign Relations Committee and the Senate Appropriations Committee and included in the final FY2011 Omnibus Appropriations Bill. Both bills included language addressing compact term extension, concurrent compacts and graduation/selection issues. Concurrent compact authority would allow MCC to sign overlapping compacts in one country within the provided time and compact funding limitations. The legislation also included a comprehensive treatment of country graduation and selection that accommodates changes in the composition of the MCC candidate pool. MCC continues to work with Congress toward adopting these legislative changes.

U.S. Foreign Assistance: Partnering on Shared Objectives

As the United States reforms how it engages with the developing world, it is emphasizing broad-based economic growth, country ownership, results, mutual accountability and governance, transparency, and gender integration. These principles are central to the Obama Administration's new *U.S. Global Development Policy*, and are reflected in presidential initiatives such as *Feed the Future* (FTF) and the *Global Health Initiative* (GHI), the U.S. strategy on the *Millennium Development Goals*, the Administration's global commitments in the context of G8 and G20 summits, and a number of legislative initiatives. These same principles have been fundamental to MCC's model since its inception in 2004. MCC has eight years of experience translating these principles into practice.

For example, collaboration on FTF built upon two areas where MCC is particularly strong: a rigorous focus on results and a practical approach to gender integration during program design, implementation and monitoring. MCC helped FTF develop its results framework and program impact. Also, MCC agriculture experts reviewed FTF country plans to provide guidance based on MCC's experience in supporting country-led plans for comprehensive food security investments. Our experience implementing the MCC gender policy informed the development of both FTF's and GHI's approach to gender integration.

The Administration's Global Development Policy recognizes that growth is the foundation for reducing poverty and attracting investment to create jobs and economic opportunity in countries. MCC is at the center of the U.S. Government's commitment to long-term investments in global economic growth. President Obama regularly emphasizes that development is ultimately in the hands of countries themselves and that accountable and effective governance is a necessary ingredient. This is a core MCC principle, and MCC works with poor countries that have a proven track record of ruling justly, promoting economic freedom and investing in the needs of their people. Moreover, MCC's approach to the transparency of financial and program information in development assistance serves as a model for the Administration's efforts toward greater government-wide transparency.

Partnering with Countries

Country ownership is a key principle of President Obama's *Global Development Policy*. Country ownership is also a core tenet of the aid effectiveness agenda promoted through the *Paris Declaration* and *Accra Agenda for Action*. The starting point for MCC's approach to country ownership is the belief that development programs will be more effective if they are part of a country's own development strategy. MCC expects partner countries to identify the principle constraints to investment, growth and poverty reduction, to consult broadly with key stakeholders to better understand those constraints and to prioritize investments to address them. In this sense, ownership extends beyond governments. These consultations result in programs that have broad public support, ensuring their resiliency in the face of political upheaval, including changes in government leadership and ideology.

Ownership extends through the project development phase into implementation, where MCC partner countries take the lead in all aspects of program management, including establishing and staffing an accountable entity, procuring goods, services and civil works and providing oversight for all investments. Partner countries establish accountable entities—often referred to as MCAs—which are responsible for program implementation; these entities are staffed by country nationals and are accountable to a board of directors or similar governing body that includes representatives from civil society and the private sector. Typically, partners also establish stakeholder advisory committees designed to represent the interests of project beneficiary groups and ensure regular communication with key project stakeholders. MCC partners also take the lead in managing environmental and social safeguards associated with their investments and in tracking results.

Country ownership is vital to the sustainability of compact investments. Countries are more likely to make difficult policy reforms for programs that are aligned with national priorities, strongly supported by the public and implemented by recipients. They are also more likely to sustain these investments, for example, through diligent operations and maintenance.

Examples of country-driven consultations to develop MCC compacts include:

- **Indonesia**, for example, appointed the deputy minister of its National Planning Agency to guide the country's compact development process. The government embraced MCC's challenge to organize an inclusive and representative process, taking into account Indonesia's great diversity and the wide-ranging perspectives of the private sector, government and civil society. A steering committee made up of high-ranking Indonesian officials, private sector leaders and civil society leaders coordinated the MCC compact development process, supported by three technical teams. These teams produced a document describing constraints to economic growth that should be considered for MCC investment. Using this document, Indonesian authorities managed an in-depth, first-of-its-kind consultative process in several regions to formulate initial project concept proposals. Nongovernmental organizations, foundations and local governments from across the country submitted more than 400 proposals, which the steering committee distilled into 13 project concept papers. These were presented to MCC in June 2010, which led to the development of compact investments in three thematic areas: green prosperity to support low-carbon strategies for economic growth, access to basic services to address chronic malnutrition and governance focused on procurement modernization.
- **Jordan** created an advisory council of international, royal and local NGOs to advise on the strategy and execution of the country's consultative process. The council helped to recruit participants for regional meetings that took place in each of Jordan's 12 governorates. Following these broad consultations, several private business leaders and NGOs participated in a smaller, multidisciplinary, results-focused project design workshop to provide detailed insights on key problems in the water sector. This workshop actually

determined the conceptual design for the projects that Jordan proposed as part of its initial concept paper, which later became the basis for the compact.

- After conducting broad-based consultations in **Zambia** on constraints to economic growth, Zambia's core team held in-depth consultations within the framework of the Sector Advisory Groups (SAGs). SAGs include representatives of civil society groups, the private sector and cooperating partners. The SAGs, which the Government of Zambia initially set up to assist in developing the Poverty Reduction Strategy Paper and the Fifth National Development Plan, proved helpful in eliciting feedback on the initial constraints analysis findings for the MCC compact.

Partnering with Other U.S. Government Agencies

MCC's significant grants, commitment to country ownership and capacity-building stand out within the U.S. Government's foreign assistance toolkit. Taking a whole-of-government approach, MCC projects are unlocking opportunities that other U.S. Government agencies are leveraging. Examples during FY 2010 of complementary U.S. Government's efforts include:

- The Obama Administration's *Presidential Policy Directive on Global Development* embodies a set of principles and practices at the core of MCC's model. It puts accountability at the center, focusing on good governance among partner countries, a commitment to country-led plans and high standards of managing for results and transparency. As these principles are being adopted across the government, MCC is lending significant expertise to administration development assistance priorities. Together with the **Department of State** and the **U.S. Agency for International Development**, MCC participated in designing the overall PFG (Partnership for Growth) framework and helped manage the selection of El Salvador, Ghana, Philippines, and Tanzania as the first set of PFG countries. MCC has also led PFG's constraints to growth analysis and, in the case of El Salvador, co-chaired the working group that developed the program action plan with that country's government, signed in November 2011. MCC is presently working intensely with the team to develop the monitoring and evaluation plan for PFG in El Salvador, a plan which will be a model for other PFG countries. MCC's technical expertise also helped guide the gender integration approaches for both Feed the Future and the Global Health Initiative. MCC principles, especially around country ownership, helped inform Feed the Future's approach focused on global hunger and food security. In addition, MCC partners with the **U.S. Agency for International Development**, the **U.S. Department of the Treasury**, and the **U.S. Department of Justice** on several current MCC threshold programs.
- MCC's Policy Improvement Process (PIP) is a structured mechanism through which we deepen dialogue with partner countries, raise concerns and promote reforms related to our eligibility criteria. The PIP frequently requires leveraging expertise and involvement from other **U.S. Government agencies and donors**, and MCC is devoting more resources to this coordination. For example, the PIP dialogue in El Salvador focuses on investing in

the health and education of Salvadorans to increase the country's prospects of becoming eligible for a second MCC compact, which could eventually become a key element of the **inter-agency Partnership for Growth initiative** to remove binding constraints to growth.

- MCC and the **Peace Corps** expanded their efforts to share respective strengths, knowledge and resources in support of country-led development by engaging Peace Corps volunteers in compact implementation. Peace Corps volunteers worked with MCA-Armenia, for example, to inform the Armenian people of the benefits of their MCC compact, particularly from the opening of a tertiary canal and two pumping stations and the expansion of credit to rural areas.

Partnering with the Broader Development Community

MCC deepened partnerships with international donors, non-governmental organizations and philanthropic foundations during FY 2011. Looking ahead, MCC intends to forge additional partnerships with the broader international development community, including more non-traditional actors like social entrepreneurs and social responsibility firms.

- Working with inter-agency partners and with other donors, MCC made significant contributions to the results agenda at the Fourth High Level Forum in Busan, Korea. MCC articulated a vision of results existing along a “continuum” – from strong policy frameworks to capable institutions to program inputs, outputs and outcomes -- and was a strong voice for the idea that healthy measurement and evaluation systems need to track results along this whole chain. MCC was also able to ensure that the results building block document acknowledged the critical feedback role played by learning and evaluation in improved program design and implementation.
- MCA-Mongolia partnered with the **Building Energy Efficiency Project (BEEP) of the United Nations Development Program (UNDP)** and **XacBank** to reduce air pollution by providing financial incentives that make it easier for residents to move from traditional ger or yurt dwellings into more energy-efficient homes. MCA-Mongolia conducts a product review process on a variety of home designs, determines which of those to approve for financial incentives and provides funding for the incentives. UNDP/BEEP develops building codes, standards and energy-efficient home designs, pre-qualifies builders, oversees construction, conducts energy audits, and establishes a first loss facility with XacBank to provide mortgages to lower income consumers. MCA-Mongolia also contracted with XacBank and **KhanBank** for the distribution of energy-efficient and lower-emissions products, approved as a result of the product review process. MCA-Mongolia provides public awareness, social marketing and funding for the incentives. XacBank and KhanBank establish distribution channels in ger districts, provide financial intermediation between MCA-Mongolia and product producers and monitor delivery and installation in homes. They also offer loans to participating producers and consumers.

- In Lesotho, we are working on the Metolong Dam outside Maseru with a consortium of **Middle East donors**, including the **Kuwait Fund for Arab Economic Development**, the **Arab Fund for Economic Development in Africa**, the **OPEC Fund for International Development**, the **Abu Dhabi Fund for Development**, and the **Saudi Fund for Development**, which have provided \$51 million to cover the shortfall for the Metolong Dam wall and primary pipeline to Maseru and the reservoir. MCC is funding a water treatment and a bulk water conveyance system for the Metolong Dam. The Metolong Authority signed the contracts for the dam wall and the primary pipeline/reservoir in August 2011, and the contractor for the MCC-funded water treatment works is already mobilized.
- In the Philippines, the Kalahi-CIDSS project expands and builds upon an earlier **World Bank** program to improve community-level infrastructure and social services for millions of poor Filipinos and strengthen the capacity of local communities to lift themselves out of poverty. The project empowers communities to participate fully in development activities, address the needs they have identified and manage assets in a sustainable way. As part of institutional strengthening, MCC partnered with the World Bank on a study to assist the Philippines in classifying factors that make projects more or less prone to failure and identify potential solutions for additional oversight to mitigate implementation risks.

Partnering with the Private Sector

During FY 2011, MCC worked to leverage additional resources from the private sector. These resources enhance sustainability, increase efficiency, boost scalability, build capacity, and share or mitigate risk in partner countries worldwide. Private sector firms benefit from business-friendly policy environments in MCC partner countries and the financing we bring to projects that enhance or underlie commercial, trade and investment opportunities. Significant procurements resulting from MCC-funded compacts also present real opportunities for private sector firms. By increasing MCC partner countries' awareness of the benefits of partnering with the private sector, and providing them with the tools and information they need to forge those partnerships, we will sustain economic growth once MCC funding ends.

The following examples illustrate how private sector engagement contributes to successful compacts:

- So far, American companies continue to be the top recipients of all MCC-funded contracts, amounting to more than \$616 million.
- After a competitive bidding process, Symbion Power of Washington, D.C. and Pike Electric of Mount Airy, North Carolina won more than \$100 million in contracts to build more than 20 power sub-stations and install about 1,000 miles of power lines in Tanzania, bringing electricity to more than 330 communities previously without power. Symbion and Pike also are implementing a unique training program for construction

workers. They sent senior Tanzanian workers to Northwest Lineman College in Idaho for a “train-the-trainer” program on electrical systems, accident prevention and construction methods. Symbion and Pike are working with the college to establish a similar program in Tanzania to train 200 Tanzanians on constructing transmission lines. In addition, one of these American companies is now expanding its business in Africa. Symbion purchased a 120-megawatt power plant in Tanzania, one of the first private power producers in the country. Since then, Symbion has been contracted by the Tanzanian government to deliver another 200 megawatts. Recognizing Symbion as a strong partner, the Tanzanian government is discussing bringing additional power generation on-line as well. This would greatly increase Tanzania’s total current generation capacity and enhance Symbion’s investment in Tanzania beyond its initial MCC contract.

- El Salvador has attracted private sector financing and investment to complement funding from its MCC compact for rural electrification. A \$33 million public-private partnership with a Virginia-based corporation will support 1,300 kilometers of rural electrification lines, benefiting an estimated 20,000 poor families who are currently without power.

Strategic Goal 4:

Build Operational Capabilities to Achieve its Primary Goals

Open Government Initiative

Even before the Office of Management and Budget issued an *Open Government Directive* on December 8, 2009, MCC has been—and remains—at the forefront of promoting transparency, participation and collaboration in all aspects of our work to reduce poverty through economic growth. These are essential aspects of MCC’s organizational strength and effectiveness. Through its website, regular public events, press interactions, and participation in the activities and initiatives of the Obama Administration and the development community, MCC provides continuously updated data on MCC decision-making, program management and policy assessment.

U.S. taxpayers and key stakeholders deserve to know how funds provided by the United States Congress are used at MCC. They also deserve the opportunity to provide feedback on how MCC can perform more effectively. To maximize transparency and learning in a constrained economic environment, MCC is fully utilizing the vast capacity and reach of online information-sharing. Visitors to MCC’s public website can access spreadsheets that show economic rates of return calculations, performance indicator tracking tables and impact evaluation summaries for MCC-funded projects. Data on beneficiary analyses are also available. All signed compacts, information on program-related procurement opportunities, and reports and notices provided to Congress are posted to the MCC website. MCC invites feedback, comments and questions on this data and these reports via our website as part of our ongoing discourse with the public.

In addition, MCC has embraced new technologies and social media, including web chats, Facebook, Twitter, You Tube, and Vimeo.

Committed to transparency and openness, MCC -- with support from partner countries -- plans to post to our website up to 50 new survey datasets related to program impact evaluations over the next two years. A number of these datasets will include pre-, mid- and post-project survey data that will be used to assess the impacts of compacts that will be completed in these two years. Over half of these new survey datasets will be baseline datasets, reflecting conditions prior to compact investments in a number of countries.

MCC's transparency was recognized in the 2011 Publish What You Fund Transparency Index, in which MCC scores first among US agencies, and seventh out of 58 donor countries and agencies globally. MCC is on the leading edge of the USG Foreign Assistance Dashboard, as the first agency beyond USAID and the Department of State to add data, and the first agency to publish obligation and expenditure data. This positions MCC well to comply with USG commitments under the International Aid Transparency Initiative (IATI).

Visit www.mcc.gov to download and read MCC's *Open Government Plan*. An updated plan will be available in April of 2012.

Performance Goals – FY 2012

As a result of MCC's strategic planning process, MCC has developed the strategic goals, corporate (annual) goals, and measures set out below as the basis for MCC's management of and accountability for its activities in FY 2012.

The agency's Strategic Plan defines MCC's mission as *reducing poverty by supporting sustainable economic growth in developing countries that create and maintain sound policy environments*. The goals below update the original Strategic Plan in accordance with the GPRA Modernization Act, and provide six strategic goals for MCC starting in FY 2012:

1. GOAL 1: Achieve demonstrable results that lead to sustainable economic growth and poverty reduction in partner countries.
2. GOAL 2: Support development of a sound policy environment for economic growth and poverty reduction in partner countries.
3. GOAL 3: Continually enhance MCC's ability to achieve poverty reduction through economic growth.
4. GOAL 4: Advance international development assistance and active engagement with USG and global counter-parties.
5. GOAL 5: Manage relationships with key stakeholders to build broad-based support and achieve strategic objectives.
6. GOAL 6: Improve MCC's organization effectiveness in order to ensure MCC's ability to deliver results and to achieve its primary strategic goals.

Strategic Goal 1 – Achieve demonstrable results that lead to sustainable economic growth and poverty reduction in partner countries.

Corporate Goals FY 2012:

- Compact and threshold programs deliver significant measurable performance based outcomes to partner country populations.
- Compacts close out successfully.
- MCC implements efficient and effective compact development and implementation processes.
- MCC implements efficient and effective Threshold development, implementation, close-out and evaluation processes.
- MCC has the tools to identify and manage risk across the agency.

- Continuum of valid, credible results expanded to more accurately and comprehensively capture the range of development impacts of MCC compacts.

Sample Measures:

- Common indicator targets achieved in designated sectors: irrigation, agriculture, roads, land, water and sanitation, health and education.
- Close-out plans developed and in place at least 6 months prior to close-out (even if subject to later amendment).
- Delivery dates and/or time frames set in accordance with compact development guidelines for: (i) MCA establishment, (ii) constraints analysis, (iii) consultations, (iv) concept papers, (v) 609(g) agreements.
- Investment Memos incorporate enhanced risk and investment analysis.
- Investment Memos document consideration of private sector opportunities, innovative program content, and alternative financing and structuring arrangements.
- Constraints analysis carried out within 3 months of country selection.
- Economic models developed with full engagement by sector and country counterparts.

Strategic Goal 2 – Support development of a sound policy environment for economic growth and poverty reduction in partner countries.

Corporate Goals FY 2012:

- Selection system based on policy performance for compacts and threshold programs is revised to reflect agency experience and to optimize effectiveness.
- Macro level (eligibility indicator focused) policy reform focus results on policy improvement in candidate, threshold, development and compact implementation and development countries.
- Sector level policy reform is effectively incorporated in project design.
- MCC's commitment to and role in promoting policy reform is communicated effectively to stakeholders and public.

Selected Measures:

- New selection system approved by Board and accepted by stakeholders.
- Policy performance on selected interventions at macro indicator level demonstrably improves.
- Policy improvement plans (PIPs) are implemented in targeted/selective manner in 1-3 countries calibrated to level of PIP engagement.
- Country monitoring requirements are met and increased coordination with compact teams).
- Policy reform is incorporated into new compact projects where appropriate.

Strategic Goal 3 – Continually enhance MCC's ability to achieve poverty reduction through economic growth.

Corporate Goals FY 2012:

- MCC is able to leverage its resources, improve functionality, and enhance sustainability of projects through new product development, investment partnerships, flexible use of funding, and innovative approaches to achieving its mission.
- Gender and social assessment are integrated fully into project design and tracking process.
- Environment and Health and Safety assessments are fully integrated into project design and tracking process.
- Improved procurement, contracting, and contract management processes result in increased value-for-money, greater cost-effectiveness, fewer delays in implementation, and fewer contracting issues.
- Effective knowledge sharing and management process in place to promote best practices on all MCC activities.
- Effective strategic planning process in place to support long term and annual corporate goals.

Selected Measures:

- Mechanisms developed to identify and evaluate partnerships, and potentially innovative projects addressing important issues.
- Consideration of private and non-governmental sector engagement beyond procurement is documented for all compacts.
- Investment Opportunity Assessments are carried out for all new compacts in development, starting with Ghana and Georgia.
- Trade and investment promotion activities for MCAs (including but not limited to value chain investment) are developed and implemented.
- Strategy in place for early and effective consideration of potential for broad USG coordination and cooperation on country programs.
- Procurement outreach strategy in place no later than Q2 FY12.
- All new MCAs and selected implementing MCAs receive contract management training.
- Incidence of contract management issues is reduced as a result of contract management training provided to MCAs.
- Creation of internal website and introduction of communication tools (e.g., IT platform) promoting knowledge sharing across agency.
- Strategy in place for knowledge sharing within MCC, between MCC and MCAs, among MCAs, and with development community.

Strategic Goal 4 – Advance international development assistance and active engagement with USG and global counter-parties.

Corporate Goals FY 2012:

- MCC is recognized in USG and global development circles as a leading innovator and rigorous evaluator in development assistance.

Selected Measures:

- MCC is key USG participant in Busan HLDF.
- MCC and MCC publications (e.g., Policy into Practice papers) cited extensively and positively in development literature.
- Evaluation design methodologies and timeline for publication of results available on MCC website for 80% of activities in compacts completed in FY10 and Q1 FY11.
- MCC hosts roundtables and workshops with USG and others to demonstrate leadership in policy and practice.
- "Putting Principle Into Practice" covered by press and development blogs.
- CAs in threshold programs based on PFG model of inter-agency collaboration in at least one threshold program.

Strategic Goal 5 – Manage relationships with key stakeholders to build broad-based support and achieve strategic objectives.

Corporate Goals FY 2012:

- MCC status as unique development assistance agency receives broad support among key stakeholders, including Congress.
- MCC is recognized as a key player in major USG development initiatives and important bilateral relationships.

Selected Measures:

- MCC's budget requirements are effectively communicated to Congress, OMB and other stakeholders.
- MCC completes leadership of interagency and partner country teams on constraints analysis for all 4 PFG countries.
- Core MCC principles and practices supporting evidence-based decision-making (e.g., M&E policies, constraints analysis, impact evaluation) are made part of USG development initiatives on the basis of demonstrable MCC leadership.
- MCC engages to support important bilateral and regional relationships, within the scope of MCC's model.

Strategic Goal 6 – Improve MCC's organizational effectiveness in order to ensure MCC's ability to deliver results and to achieve its primary strategic goals.

Corporate Goals FY 2012:

- MCC organizational structure and staffing processes support MCC's business strategy and evolving priorities.
- Staff productivity and effectiveness is increased through recognition and incentivization.
- Programs are in place to enhance organizational effectiveness through workforce competency development and work-life balance.
- MCC has effective financial and administrative management platform for achievement of strategic objectives.
- All required programs and initiatives for USG entities applicable to MCC are fulfilled.
- Financial management, contracting, human resource management, IT and travel operations support agency initiatives and operations effectively and efficiently.
- Enterprise Architecture and Information Systems effectively meet MCC's strategic business requirements.

Selected Measures:

- OPM 80 day hiring guideline achieved.
- IT-based collaboration area for MCC corporate knowledge developed by Q4 FY12.
- Competency development model, including competency/skill assessment tool, developed and implemented by Q2 FY12.
- Supervisory skills training, enhanced as necessary in response to course evaluations, initiated by Q2 FY12 for all management staff.
- MCC FY12 EVS Action Plan communicated to staff by Q2 FY12, with ongoing efforts communicated throughout FY12, including matrix management supports/changes.
- FY12 Employee Viewpoint Survey conducted, results analyzed, and action plan developed and implemented with periodic communications on progress.
- All agreed FY11 and FY12 FISMA, privacy audit and OPM audit findings closed by agreed due dates.
- Integrated budget tracking reports to monitor budget execution, unobligated balances, and program/country spending plans in place by Q2 FY12.
- Potential travel cost, space utilization, and purchase card savings compatible with operational requirements assessed by end Q2 FY12.
- Reduction in spending for select professional and management support services and information technology services contracts by 15% achieved by Q4 FY12.
- Outsourced cloud and services opportunities leveraged.



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