



 ADVANCING  
PROSPERITY

THE STORY OF THE MILLENNIUM CHALLENGE CORPORATION | 2004-2012



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MCC's energy investments in central Tanzania are helping students at Hogoro Primary School study not just during the school day but also at night.



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FOREWORD



This farmer displays the produce he grew with help from MCC's compact with Honduras.

One of the most powerful moments as the Millennium Challenge Corporation's chief executive officer has been my trip to Honduras in September 2010.

It was MCC's first compact completion, and our staff was thrilled to reach that milestone. Even more excited were the hundreds of Hondurans who joined us at a celebration in Comayagua. A student marching band played festive music, and residents approached me to talk about the positive impact MCC's investments made on their lives.

It was a remarkable experience—a first in MCC's history and one that still resonates with me today. After Honduras, MCC successfully completed compacts with eight other countries through the end of 2012. Through modernized ports in Cape Verde and Benin, improved agriculture in Georgia and Armenia and new roads in Vanuatu, Ghana and El Salvador, MCC's investments are providing critical infrastructure to fuel economic growth to break the cycle of poverty for millions worldwide.

This first group of compact closeouts also teaches us valuable lessons about how MCC's principles work in practice. As a learning organization, we are constantly looking to improve how we do business and taking on the challenging yet critical work to perform the necessary monitoring and evaluation to honestly, fully and transparently measure the entire "continuum of results" that flow from our investments.



MCC CEO Daniel W. Yohannes at the closeout of the Honduras Compact.

What I have seen so far is incredibly encouraging: farmers who are producing higher yields; households connected to water, sanitation and electricity for the first time; entrepreneurs getting access to the capital they need to start or grow their businesses; and students attending classes in renovated schools that provide healthy learning environments. I have watched countries take on the difficult work of reforming their policies to promote strong democratic governance and adopt unprecedented measures to maintain new infrastructure and improve business conditions. I have observed partners consult with all segments of their

societies—the private sector, civil society, nonprofit actors, women, marginalized groups—in order to design and implement homegrown development solutions. I have seen communities insist on the highest standard of transparency to ensure that governments and donor partners are accountable. I am proud of the fact that MCC is pushing even beyond these achievements as we learn now from the findings of our first independent evaluations, test assumptions and raise a new standard for evidence-based decision-making that is helping to define

the future of development. I believe MCC's legacy will be defined, in large part, by this groundbreaking work to assess the tangible and lasting impact of our investments.

When I came to MCC, I set five priorities for the agency. First, I wanted to deepen the focus on results, including an emphasis on tracking the effect MCC has on beneficiaries throughout the life of a compact and

beyond. Second, I believe MCC should maintain a strong commitment to policy reform, which often can help countries attract the kinds of private-sector investments that fuel and sustain economic growth. Third, I stressed the need for MCC to establish and maintain strong partnerships, including with the private sector and nongovernmental organizations. Fourth, since gender plays a crucial role in development and poverty reduction, I strengthened gender considerations throughout compact design and implementation in real and meaningful ways. Lastly, I reorganized MCC's structure to maximize organizational effectiveness.

In these ways, MCC's model helps ensure U.S. taxpayer dollars are effectively serving U.S. and our partner countries' national interests to see their people become more prosperous and well governed. And when countries do not remain committed to good governance, we are prepared to make the tough decision to terminate our partnership, as we did in Madagascar and Mali.

Through MCC's investments, we are seeing how the generosity of the American people is helping our brothers and sisters across the world build sustainable communities. Across our partner countries, people are finding homegrown solutions to reduce poverty, build capacity to tackle roadblocks to growth and achieve self-sufficiency. This book provides a look at the progress we have made. We hope our partners enjoy seeing these pictures of opportunity and growth as much as we do.



Daniel W. Yohannes  
Chief Executive Officer





MCC helped Honduran farmers grow high-value crops, access credit and more efficiently move their goods to markets.

## MCC'S FOCUS ON RESULTS



Alvaro Baptista Mochangane and Filomena Rafael show off the legal title to their land outside Nampula, Mozambique.

[www.mcc.gov](http://www.mcc.gov)

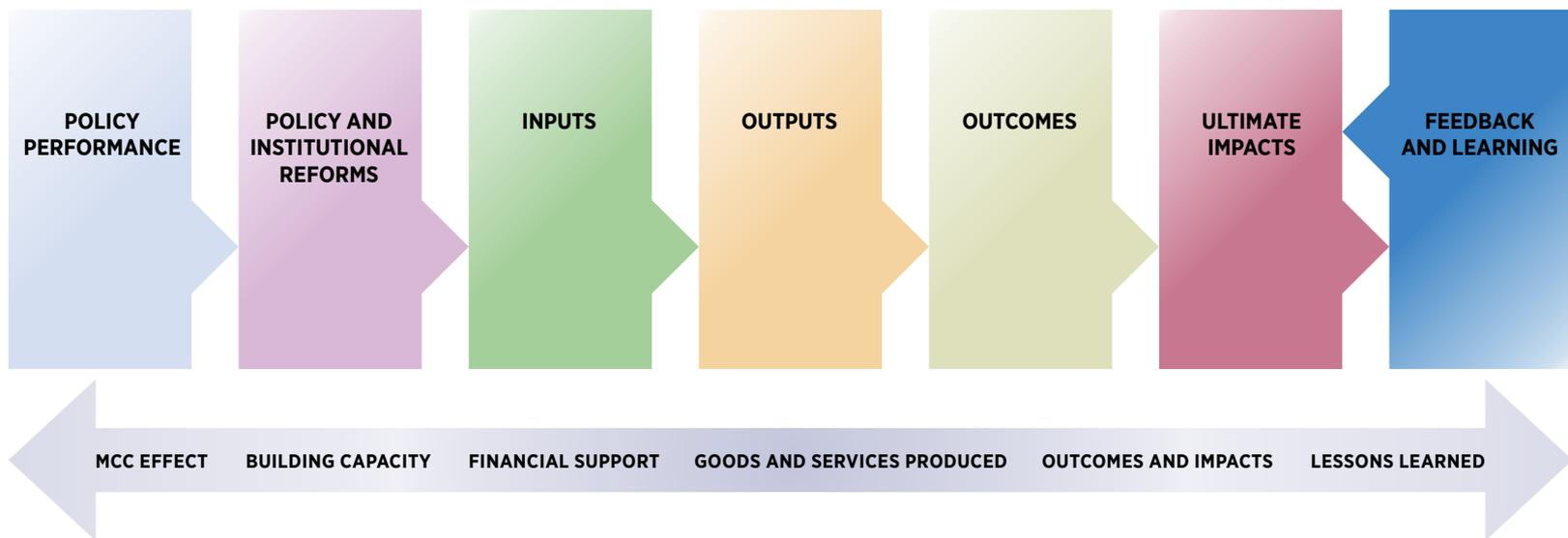
Improved roads in Honduras will help more than 1.3 million people. Upgrades to the country's main port will affect almost all of Benin's 8.8 million people. And improved irrigated agriculture across nine compact countries in Africa, Eastern Europe and Central America will make farming a more reliable livelihood for rural households supporting more than 1.7 million people.

These results—helping people enjoy a better quality of life immediately and well into the future—are at the core of the Millennium Challenge Corporation's approach to foreign assistance. Since its founding in 2004, MCC has changed the conversation about how best to deliver smart U.S. foreign aid by focusing on good policies, country ownership and results.

MCC will ultimately be judged by the results it produces. That is why MCC defines, measures and tracks results along a comprehensive "con-

tinuum of results," from policy reform and project outputs to outcomes and ultimate impacts.

MCC tracks policy reforms associated with its investments, like reforms to ensure that the roads it finances are maintained and that conditions are improved for a new business to formally register or get its products through customs. MCC assesses inputs and outputs that indicate whether projects are on track, like how much money has been invested in a given quarter and the number of farmers trained or the miles of new roads built. MCC also measures interim outcomes as programs reach completion, like increased traffic volume on improved roads—signaling more commerce—or if farmers are growing more high-value crops to sell. And, because the ultimate result MCC is committed to producing and attributing to its program is to create the conditions for increased economic growth that will benefit everyone—including the



## A focus **on results**

*Some of the top lessons MCC has learned putting its “focus on results” principle into practice:*

1. Impact evaluations allow MCC to keep our eyes on the “results” prize and can become a global asset for the development community. However, the best evaluation approach depends on the type of program evaluated, and the type of questions MCC seeks to answer.
2. Robust economic analysis, monitoring and evaluation take resources—but are worth it in terms of improving project design, course correcting and learning what works and what doesn’t.
3. Data quality is the cornerstone of a robust focus on results.
4. MCC is helping to change the evaluation culture in partner countries.
5. Transparency means sharing good and bad results as an important part of accountability and learning.

To read *Principles into Practice: Focus on Results*, visit: [www.mcc.gov/principles-results](http://www.mcc.gov/principles-results).

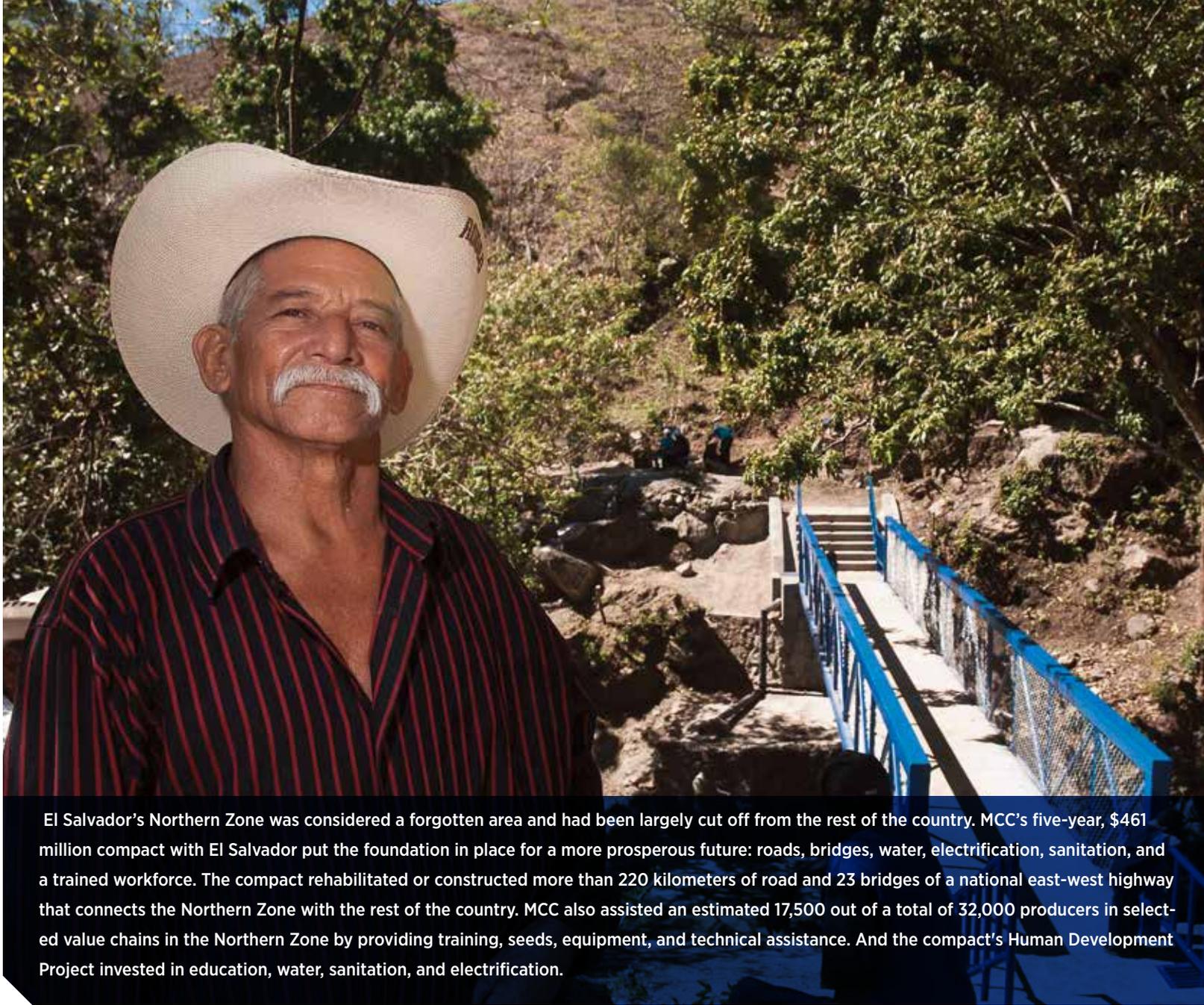
poor—it turns to independent impact evaluations to determine if the income gains it seeks are a direct result of its investments. MCC hires outside firms for these evaluations to determine if investments actually did increase household incomes. Ultimately, MCC looks to measure the lasting effect of its work on the lives of the poor.

MCC’s focus on results is built on a culture of constant transparency and critical learning. MCC’s commitment to transparency means making all results—positive and negative—public. By examining what works and what does not work in past investments, MCC is able to inform better development projects that it and the entire development community can pursue.

By the end of 2012, 11 MCC compacts will have closed or been completed: Madagascar, Honduras, Cape Verde, Georgia, Vanuatu, Nicaragua, Armenia, Benin, Ghana, Mali, and El Salvador. The results from these compacts are encouraging. For example, in El Salvador, dairy

farmers who received MCC-funded training saw their annual farm income increase by more than \$1,800 compared to farmers who did not receive assistance. After MCC helped strengthen the national inspection system, the Government of Cape Verde lifted a 25-year embargo on inter-island agricultural exports from Santo Antão, opening new markets for farmers on that island. And poverty rates in Vanuatu’s rural Efate region, where MCC’s investment improved road transport, have fallen by half.

These are the kinds of results that will have a long-term impact on the lives of the poor in partner countries worldwide. These are the kinds of changes that lift millions out of poverty. These are the real stories of progress captured in the pages to follow.



El Salvador's Northern Zone was considered a forgotten area and had been largely cut off from the rest of the country. MCC's five-year, \$461 million compact with El Salvador put the foundation in place for a more prosperous future: roads, bridges, water, electrification, sanitation, and a trained workforce. The compact rehabilitated or constructed more than 220 kilometers of road and 23 bridges of a national east-west highway that connects the Northern Zone with the rest of the country. MCC also assisted an estimated 17,500 out of a total of 32,000 producers in select value chains in the Northern Zone by providing training, seeds, equipment, and technical assistance. And the compact's Human Development Project invested in education, water, sanitation, and electrification.

# WHEN A NEW VISION MEETS REALITY



MCC is constructing about 3,000 kilometers of power lines in seven districts of Tanzania, helping connect many households to the national grid for the first time. [www.mcc.gov](http://www.mcc.gov)

Few imagined 2002 would be the time when help for the world's poor would take center stage.

The global economy was in a slump. Contributions to foreign assistance were at a historic low. Skeptics in the United States and beyond worried their money was being wasted on bad projects or going to autocratic regimes. And the attacks of September 11 highlighted the link between security and economic prosperity around the world.

It was the right time for new thinking and a new approach.

More than 50 heads of state—along with representatives from the United Nations, the donor community, NGOs, and civil society—met in Mexico to determine a better way to finance development. There was talk of poverty reduction, new partnerships, international trade, country ownership, and linking aid to good governance.

For the U.S. Government, the talk meant creating an agency that would embody a new, practical approach to development. President George W. Bush announced this agency would “promote development from the bottom up, helping citizens find the tools and training and technologies to seize the opportunities of the global economy.”

Less than two years later and with strong bipartisan support, the U.S. Congress established the Millennium Challenge Corporation to fulfill that vision.

From the start, MCC was designed to operate differently: It embraced innovation, held potential partner countries to strict policy standards, relied on country ownership and leadership to design and implement cost-effective

projects, and committed itself to transparency and accountability. It had a singular mission: reduce global poverty through economic growth. A board of directors composed of U.S. Government and private-sector officials drove home the idea that MCC would take a business-like approach to foreign development to provide structure and ensure results.

And even before its creation, MCC attracted a diverse group of supporters united around the common goal of reducing global poverty.

Just days before the Mexico conference, President Bush provided the first hints of this new approach to foreign aid during a speech at the Inter-American Development Bank. He painted a picture that this would be a different kind of partnership. The president spoke at the bank's headquarters in Washington; seated behind him were a rock star, a Catholic priest and the president of the world's largest development agency.

These leaders came from diverse backgrounds: President Bush was a former governor and co-owner of the Texas Rangers. Bono, the Irish lead singer of U2, used his fame to keep the plight of Africa's neediest on the world's conscience. Cardinal Theodore McCarrick was the Catholic archbishop of Washington who spoke seven languages and had a long history of serving the world's most vulnerable. And James Wolfensohn was the president of the World Bank. They also shared a vision that global poverty reduction should be a priority for the United States, and that this new approach would help the country's foreign assistance have a greater impact and produce tangible results.

Eight years later—and \$9.1 billion invested in 25 MCC partner countries—this idealistic vision has given way both to marked improvements for millions of beneficiaries but also critical lessons for dealing with the

## Reform is **Challenging**

*Policy and institutional reform is critical to the success, impact and sustainability of MCC's investments. What operational lessons has MCC learned to be more strategic, purposeful and deliberate in its approach to policy and institutional reform?*

1. Thoroughly understand how policy and institutional issues affect the problems that MCC and partner countries aim to solve, and then determine what reforms to include in a compact partnership and structure programs to maximize impact.
2. Make policy and institutional reform considerations a priority early in compact design and development.
3. Understand the politics of reform, including potential winners and losers, support for reform within and outside of government, engagement by other donors, likely timelines, and potential roadblocks.
4. Build local institutional capacity to support the sustainability of reform.

difficult realities of sustainably and effectively changing the lives of the world's poor.

Changing business as usual

For decades, foreign aid has been a contentious issue. Critics pointed to examples of wasteful projects or aid money that helped support repressive regimes. Proponents provided anecdotes of lives transformed and how foreign aid deepens goodwill toward the United States.

MCC was created to be a different approach, built upon the successes of the past and designed to address many concerns about the status quo of

foreign aid. The agency is selective, focuses on results, ensures accountability of tax dollars, bases decisions on evidence, and is committed to a high level of transparency. It is also small, with a limit of 300 full-time federal employees, many of whom left private sector firms to be a part of MCC's new model.

From the beginning, MCC pledged to work only with poor but well governed countries that demonstrated commitment to ruling justly, economic freedom and investing in their citizens. MCC tracks these commitments by using a range of third-party indicators that measure factors like control of corruption, expenditures on primary education, fiscal policy, and natural resource protection. For developing countries across the world, a partnership with MCC is a source of pride and a coveted stamp of approval, signaling that the country is primed for outside investment.

The high-profile nature of MCC's compacts often provides governments the impetus to reform crucial policies. Observers have dubbed a country's willingness to unilaterally reform policies with the goal of becoming eligible for a compact the "MCC Effect." Efforts by Côte d'Ivoire, Sierra Leone, Senegal, and Niger to assess or eliminate legal restrictions against women's participation in their economies exemplify this effect in action.

After selecting the right partners, MCC delivers foreign aid in a whole new way. MCC and partner countries sign compacts with a strict five-year deadline and work together to address the challenges that most hinder economic growth. The five-year compacts help partner countries plan development strategies around MCC investments. Open bidding on program-related contracts helps ensure that MCC and partner coun-

tries get the best deal on investments while providing U.S. taxpayers the best value for their hard-earned tax dollars. In addition to compacts, MCC also provides assistance through smaller Threshold Program grants to help countries reform policies with the hope of potentially becoming eligible for a compact.

Country ownership is a cornerstone of this new approach. Potential partner countries are required to identify their own priorities for sustainable economic growth and poverty reduction. These governments consult with a wide range of society on these priorities, and then they work closely with MCC officials to help refine project proposals. The country creates a Millennium Challenge Account (MCA) to implement the compact using locally recruited professionals who will contribute to development long after compact completion. MCC establishes a resident mission of one or two full-time U.S. staff in each partner country to help implement the compact; this small footprint ensures that the partner country leads implementation, which helps provide its citizens with valuable experience they can use to build up their own skills to further develop their country.

Another key MCC difference is the focus on results and evidence-based decision making throughout the process, from compact design to implementation and beyond. Proposed projects undergo economic analyses to provide an estimate on how beneficiaries' incomes will improve. Monitoring and evaluation teams track selected indicators across each project and report their findings quarterly. And after a compact closes, MCC hires independent firms to conduct independent evaluations on every major activity it funds—of which 40 percent to date are impact evaluations that establish a counterfactual and use rigorous scientific methods to determine the direct effect of compact

investments. This allows MCC to share data about what works—and doesn't—in international development by carefully analyzing the impacts of its investments.

Transparency and accountability are woven throughout this entire process. Results data is updated quarterly on MCC's website. MCC was created and continues to operate at a time when the American people ask difficult questions about how well their tax dollars are being spent—and this commitment to transparency provides answers to many of those questions, even when the answers reveal challenges or missed targets.

Taken together, these new approaches in an entirely new agency represent the largest shift in U.S. foreign aid practices in decades. Yet some of these lofty ideals were quickly put to the test.



Solar power, Tanzania

## Lessons on **Country Ownership**

*Practicing the principle of country ownership over the past eight years has given MCC insights into what works best.*

1. Country ownership means a partnership based on mutual accountability that benefits from structure and clear expectations.
2. Country ownership requires a balancing act between MCC principles, operational approaches and country priorities.
3. Country ownership goes beyond national governments, both in setting investment priorities in compact development and in implementing compact programs.
4. Country ownership includes capacity building, but not everything has to be about capacity building.
5. Country ownership includes using elements of country systems where feasible, but doesn't mean that countries have to do everything.
6. Country ownership pays off in both tangible and intangible ways, both for results and for leveraging policy reform.

To read *Principles into Practice: Country Ownership*, visit [www.mcc.gov/principles-ownership](http://www.mcc.gov/principles-ownership).

### Encountering challenges

One common thread ran through MCC's early compacts: successfully designing and implementing large-scale projects proved difficult. MCC struggled at times to put its core principles into practice because of limited country capacity and the tension between showing short-term results and planning for long-term impacts. Many supporters also assumed that one compact could transform an entire country within five years.

First, in the face of limited country capacity—but with an unwavering commitment to country ownership—MCC still expected partners to conduct evidence-based analysis upfront, consult extensively with their citizens, engage in project design and planning, and demonstrate a real willingness to making the necessary policy reforms that would enable capital investments to pay dividends and deliver real and sustainable impact. For example, the Government of Nicaragua originally proposed renewable energy and rural electrification projects, but the policy environment around independent regulation, tariff rates and restructuring of the electricity sector remained too uncertain and raised significant concerns about the potential results and sustainability of the projects.

MCC overcame capacity issues in Ghana by providing extensive training to officials at the local level to conduct procurements for community services like water, sanitation, schools, and electricity. MCC also established a capacity-building initiative to train country partners in project management, construction contracting, procurement, accounting, and other core skills needed to ensure effective oversight over U.S. taxpayer funding.

Second, several early partner countries backslid on their commitments to good governance, economic freedom and investments in their citizens during compact design and implementation, sometimes leading to an operational hold or termination of MCC funds. In addition to terminating the Madagascar and Mali compacts, MCC terminated parts of the Honduras and Nicaragua compacts and placed a hold on a project in Armenia, which was kept in place until the end of the compact.

Third, the agency was caught in the tension between looking for early

results versus planning for effective program implementation and long-term growth. With the fanfare that accompanied MCC's launch, stakeholders wanted to see quick results—even though projects can take years to properly design and then implement.

Fourth, many early compacts were overly ambitious in their goals given budget realities. This led to rescopings or reducing the planned scope of MCC's investment in order to stay within the allocated funding envelope.

Despite the early struggles, a pattern began to emerge: MCC was learning lessons and making course corrections—and its investments were helping poor people lift themselves out of poverty.

Embracing a commitment to learning

As MCC evolved from a start-up with big ideas to a maturing organization, it increasingly focused on embracing a culture of change, adopting processes for continuous improvement in how it does business.

Within this culture of learning, MCC made important changes to how it selected countries, designed compacts, implemented projects, integrated gender into project design and implementation, managed risk, monitored fraud and corruption, factored in social and environmental assessments, and assessed results. MCC reaffirmed its commitment to transparency, reorganized to maximize organizational and staff efficiency and published studies about what did and did not work.

MCC modified its country selection criteria in 2011 to include new data related to economic and political governance. MCC introduced indicators to track Internet freedom, access to credit and gender equality,

as well as adding a “hard hurdle” related to political rights and civil liberties that a country must pass to be considered for a compact. MCC also introduced a selection process for countries pursuing subsequent compacts that requires potential partner countries to show meaningful progress toward achieving first compact results before being considered for a second compact.

The agency improved its approach to compact development. The most significant reform was the introduction of a constraints analysis, a process by which MCC's economists identify the root causes that deter households and firms from making investments of their financial resources, time and effort that would significantly increase their incomes. The results of these studies help inform compact projects designed to remove those barriers to investment.



Vocational training, Mongolia

MCC also created guidelines aimed at enhancing and streamlining the development and implementation of compacts to provide for better advance planning, simpler processes and clearer expectations for MCC partner countries. These guidelines promoted compacts with a sharper focus, such as the \$355 million partnership with Zambia focused on a single project: improving water supply, sanitation and drainage infrastructure in Zambia's capital, Lusaka, and a greater emphasis on improving policies that support sectors critical to economic advancement.

In 2012, MCC strengthened its commitment to health, safety and the environment by adopting the International Finance Corporation's performance standards. MCC's integrated approach to environmental and social performance now begins at the earliest stages of project design and continues throughout implementation, involving stakeholders at all levels, from government ministries to local authorities and, most importantly, the farmers, shopkeepers and other people whose livelihoods are affected on the ground.

MCC reinforced its focus on gender issues, sending a clear message: Integrating women in society is not only the right thing to do, but it can also help a country's economy boom. In 2011, it unveiled a revamped country scorecard that measured a government's commitment to promoting gender equality. The indicator examines equality in 10 areas: if men and women have equal opportunity to get a job, register a business, sign a contract, open a bank account, choose where to live, get passports, travel domestically and abroad, pass citizenship on to their children, and become heads of households.

MCC also strengthened the role gender played during compact design and implementation. The creation of guidelines in 2011 provided

explicit operational procedures, requirements and accountability mechanisms to ensure that gender is effectively integrated throughout the compact. For example, staff working on the development of Benin's proposed second compact created a matrix to identify the relationships between growth constraints by sector as well as by gender, other social inequalities and investment opportunities. After a decision to focus on certain sectors is made, further social and gender analysis can go in-depth in these sectors. This analysis can help better understand the nature of the underlying causes of the constraints and the implications of different choices regarding project selection and their effects on potential beneficiaries.

MCC also changed internal policies and organization in order to improve project implementation. Its 2009 policy on preventing, detecting and remediating fraud and corruption provides a number of tools, including a requirement for companies receiving MCC funds to certify they have acceptable commitments and procedures in place to address the potential for fraudulent and corrupt practices in their MCC-funded work. MCAs must now develop anti-fraud and corruption risk assessments and action plans, and MCA staff must undergo fraud and corruption training. The agency also created the Investment and Risk Management division to identify, assess and manage risk during compact development and implementation with the aim of safeguarding taxpayer-funded investments from unnecessary risks. The division also performs reviews of projects worldwide and identifies areas where operations could be improved.

The lessons from MCC's first eight years are not just meant to improve the agency's model and operations; MCC hopes to impact the operations of the development community worldwide. This concerted

Under the leadership of Daniel W. Yohannes, MCC moved from a start-up culture to a mature, business-like approach to delivering development assistance, grounded in results, accountability and transparency. Yohannes, with a 30-year career in the private sector, brought five priorities to his tenure as CEO. This approach sets the foundation for MCC's future success.

<b>A renewed focus on results</b>	MCC strengthened its economic analysis and monitoring of program outcomes to better capture and communicate results, as well as to continually improve operations.	To continue its rigorous focus on results, MCC released its first set of independent impact evaluations. MCC's use of these studies, which rely on scientific methodology to study a potential link between investments and income growth, has established the agency as a leader on accountability and learning within the international development community.
<b>Increased use of new partnerships, including with the private sector</b>	MCC leveraged its work with the work of other organizations, non-traditional partners and agencies. It increased the emphasis placed on private sector participation and on the use of innovative program approaches.	Symbion Power of Washington, D.C., won a contract as part of the Tanzania Compact's Energy Sector Project and has since expanded its investment in East Africa, including the purchase of a 120-megawatt power plant that had been sitting idle for three years. Symbion and Pike Electric of Mount Airy, North Carolina, also sent senior Tanzanian workers to the Northwest Line-man College in Idaho to learn about electrical systems, accident prevention and construction methods—skills they will use to train others in Tanzania.
<b>Emphasis on effective policy reform</b>	MCC recognized that continued policy reforms at the national and sector levels were essential for bolstering the sustainability of its investments. It focused internal resources and leveraged external expertise to support policy improvement in partner countries and to integrate sector policy reform more effectively in project design.	Entrepreneurs in Honduras have greater access to credit because the government enacted a new secured transaction law and established a movable property registry system that allows individuals to use as collateral property they own, such as tractors, sewing machines and shop inventory. The registry began operations in January 2011 and registered almost 3,500 guarantees in its first year. It has served as a model for potential reform in Costa Rica, the Dominican Republic, El Salvador, Guatemala, Panama, Peru, Jamaica, and other Caribbean countries.
<b>Strengthened focus on gender and social assessment</b>	MCC ensured greater emphasis on gender and social assessment, with the knowledge that these issues play a central role in reducing poverty.	MCC increased the number of staff dedicated to gender and social integration. In 2011, MCC updated its Gender Policy and released guidelines to integrate gender into current and future investments. The same year, it began measuring a government's commitment to promoting gender equality during partner country selection. MCC also requires that partners develop a social and gender integration plan. And MCC invests in greater accountability by improving the mechanisms for gender to be part of economic analysis and monitoring and evaluation.
<b>Improving organizational effectiveness</b>	MCC realigned its structure to improve the use of limited resources and strive toward maximum effectiveness.	MCC streamlined the process for the development of compacts and created a more rigorous selection process for countries seeking subsequent compacts. It also adopted a policy on preventing, detecting and resolving fraud and corruption, as well as other policies to ensure maximum effectiveness of taxpayer resources. The agency launched an Investment and Risk Management division for identifying, assessing and managing risk during compact development and implementation and the Finance, Investment and Trade team for implementing the agency's revamped private sector strategy.

## Roadmap to **Stronger Gender Integration**

*Because gender inequality can be a significant constraint to economic growth and poverty reduction, MCC continues to assess lessons learned and best practices for strengthening operational procedures and process to lead to better gender integration in MCC-funded projects.*

1. Gender integration is more than a focus on women.
2. Tackling the relationships among growth, poverty reduction and gender equality in compact development is complex and challenging.
3. Advancing gender equality often requires pushing the policy envelope as well as project design.
4. Systematic and early gender integration is critical in infrastructure projects.
5. Thorough understanding of programmatic results requires gender analysis as an integral rather than an “add-on” feature.

*To read *Principles into Practice: Gender Equality and Poverty Reduction through Growth*, visit [www.mcc.gov/principles-gender](http://www.mcc.gov/principles-gender).*

outreach includes the Principles into Practice series, which takes a hard look at what it takes to make MCC’s core principles operational. The reports focus on a variety of results—positive and negative, intended and unintended—that provide lessons for MCC and the donor community. The series has examined issues such as the focus on results, country ownership, property rights and land policy, irrigated agriculture, and gender integration.

### Producing results

In its first eight years, the agency signed 26 compacts worth \$9.1 billion. It has formed partnerships with countries in Africa, Europe, Asia, the

Americas, and the Pacific. More than a third of MCC’s investments have gone to the transport infrastructure sector, and another 18 percent have gone to agriculture, making MCC one of the leaders in promoting food security and agricultural productivity at a time when investments in agriculture were historically low. The agency signed compacts with the world’s third-most populous country (Indonesia, population: 238 million) and one of the least-populated (Vanuatu, population: 234,000).

As of June 2012, MCC has financed training for more than 200,000 farmers, invested in the education of over 244,000 students, improved nearly 1,600 kilometers of roads, and connected almost 40,000 households to an improved water supply. Other investments have branched into new areas, like the construction of health clinics in Lesotho.

In El Salvador, few roads linked the Northern Zone with the more prosperous south. MCC invested \$461 million in the Northern Zone, helping build roads, provide farmer training, expand access to crop insurance and credit guarantees, build vocational schools, electrify remote towns, and link communities with clean water.

“We now live in a new Northern Zone,” one dairy farmer said. “We are now living in a land of opportunity.”

This kind of broadly shared change is at the heart of the MCC model.

Some results are far less visible but offer the promise of changes in governments, economies and societies. MCC works with its partner countries to reform policies that enhance the impact and sustainability of investments.

These policy reforms can take place before compacts: One requirement

of MCC's funding in Lesotho was a change in the law that placed married women at the same legal status as minors. In 2006, the kingdom passed the Legal Capacity of Married Persons Act, which means women now have equal access to economic resources and expanded opportunities for meaningful participation in the economy.

Reforms can take place during compacts: Entrepreneurs in Honduras have greater access to credit because the government enacted a new secured transaction law and established a movable property registry system that allows individuals to use as collateral property they own, such as tractors, sewing machines and shop inventory. The registry began operations in January 2011 and registered almost 3,500 guarantees in its first year. The registry has served as a model for potential reform in Costa Rica, the Dominican Republic, El Salvador, Guatemala, Panama, Peru, Jamaica, and other Caribbean countries.

Other policy reforms occur during and after implementation: During its first compact, Cape Verde graduated from the low income country category to the more competitive lower middle income group, in which it did not pass enough MCC indicators to be eligible for a new compact. Cape Verde made a dedicated effort to address areas of weak policy performance—including improving immunization rates and business start-up—and by 2010 had improved to be considered eligible for a second compact.

And in one of the most visible cases yet of a compact helping leverage serious policy reform, MCC suspended the \$350 million Malawi Compact after the government's heavy-handed response to nationwide protests in 2011. When President Joyce Banda took office following the death of President Bingu wa Mutharika in April 2012, she immediately began to address the concerns that led MCC to suspend its assistance. By June,

Malawi adopted new laws, new patterns of action, a renewed respect for human rights, and a stronger, more sustainable economic policy. In response, MCC's Board approved the reinstatement of Malawi's compact, demonstrating a compact's power to incentivize policy reforms.

#### Changing the conversation

Standing before a gathering of world leaders, President Barack Obama took center stage at the U.N. General Assembly in 2010 to discuss his administration's approach to helping the world's poor.

Recognizing that "the old ways will not suffice," President Obama announced the U.S. Global Development Policy, the first of its kind by a U.S. administration. It recognized the vital role development plays in American national security and laid out the U.S. Government's strategy for promoting broad-based, sustainable growth around the world. It



Road construction, Mozambique

focused on economic growth, selectivity, country-led planning, transparency, and accountability for results.

The central purpose of development, President Obama said, was to create the conditions where assistance was no longer needed. That meant seeking partners who want to build their own capacity to pursue sustainable development.

“And building in part on the lessons of the Millennium Challenge Corporation, which has helped countries like El Salvador build rural roads and raise the incomes of its people, we will invest in the capacity of countries that are proving their commitment to development,” he said.

By crafting his global development policy on MCC’s principles, President Obama demonstrated that global poverty reduction transcends politics. Through changes of administrations and in Congress, MCC retained strong bipartisan support and helped play an outsized role in the way the U.S. Government and others approach development assistance. In the nascent Partnership for Growth—a partnership between the United States and a select group of high-performing developing countries that works to accelerate and sustain broad-based economic growth—MCC’s evidence-based decision-making, country selection process and technical expertise served as the initiative’s foundation.

MCC also contributed to the results and accountability framework of Feed the Future, the Obama administration’s marquee food security initiative. This involved defining performance indicators to monitor U.S. Government investments in food security and outcomes across countries and agencies. It meant coordinating whole-of-government reporting on global food security performance. It entailed using economic

analysis during strategic planning and project design at USAID’s Bureau for Food Security to emphasize rigorous impact evaluations.

The World Bank’s Program-for-Results specifically mentions MCC too as a defining influence, drawing on such MCC lessons as the link between transparency, accountability and results, as well as differing definitions of results during different times in a project cycle.

In addition, MCC received praise for its commitment to transparency and results. Publish What You Fund hailed MCC for being one of only three agencies to publish obligation and expenditure data on the Foreign Assistance Dashboard. The Organization for Economic Co-operation and Development recognized MCC’s leadership in measuring development results and found that “through the MCC, the US has shown that it can deliver development co-operation that is in line with the principles on effective aid.”

And in 2012, MCC launched its Open Data Catalog, where it posts financial, performance and evaluation data in machine-readable format. By putting the data and evidence that it uses to make decisions and measure results in the hands of the larger community, MCC hopes to foster innovative development practices.

Looking toward the future

MCC has entered a new era. The Threshold Program has a refined focus. In February 2012, MCC signed the agency’s first second compact, a \$66 million agreement with Cape Verde. There remains momentum for deeper collaboration with the private sector. Tough standards for second compacts help ensure the agency works with deserving partners while continuing to provide the incentive for partner countries to further reforms.

It is an era of introspection. As MCC ends its eighth year, it is receiving the first results of its independent impact evaluations, which measure whether its programs helped raise beneficiary income. Some results are good and some are inconclusive, but all offer valuable lessons. Learning from those lessons will help the agency design better programs and better impact evaluations moving forward.

It is an era of influence. MCC is showing that its non-traditional model for delivering development assistance is influencing practices throughout the U.S. Government and beyond. For example, the agency's model and focus on results played a prominent role in the discussions at the 4th High Level Forum on Aid Effectiveness in Busan, South Korea, in 2011.

It is an era of innovation. MCC will continue to learn, evolve and make development assistance more business-like with a distinct commitment to impact, accountability, transparency, and partnership. MCC remains committed to setting a new standard for development effectiveness that will continue to innovate and inspire the way forward in an increasingly interconnected world.

This is good news for the American people, who rightfully demand more from their government as it spends their tax dollars to fight global poverty and promote economic growth at home and abroad. And this is good news for the world's poor, many of whom now will have the opportunity to pull themselves out of poverty and create a more prosperous future.



About one-third of MCC investments are in transportation, the largest of any sector in the agency's portfolio. Road rehabilitation and construction lower transport costs by reducing travel time and vehicle operating costs; improve access to public services like health and education, particularly for the rural poor; and facilitate international and regional trade. With agriculture projects, transportation infrastructure primarily links producers to markets for their goods and to inputs for their production year-round.

## MILESTONES TIMELINE



A family carries bundles of firewood past an MCC-funded road construction site in Mozambique.

[www.mcc.gov](http://www.mcc.gov)

**M**CC's first eight years have been spent signing compacts and threshold programs; developing policies; sharing lessons learned as a practice and thought leader in global development; holding, suspending and terminating programs that consistently failed to meet standards of good governance; marking program completions; and increasingly witnessing the larger development community embrace its principles.

Highlights include:

January 23, **2004** .....Congress establishes the Millennium Challenge Corporation.

**May 5, 2004**..... **Paul V. Applegarth is confirmed as MCC's first CEO.**

April 18, **2005**.....MCC signs a compact with Madagascar.

June 13, 2005.....MCC signs a compact with Honduras.

July 4, 2005 .....MCC signs a compact with Cape Verde.

July 14, 2005.....MCC signs a compact with Nicaragua.

July 22, 2005 .....MCC and USAID launch the first Threshold Program with Burkina Faso.

September 12, 2005....MCC signs a compact with Georgia.

September 23, 2005...MCC and USAID launch a Threshold Program with Malawi.

**November 7, 2005** ..... **Ambassador John J. Danilovich is sworn in as MCC's CEO.**

February 22, **2006** .....MCC signs a compact with Benin.

March 2, 2006 .....MCC signs a compact with Vanuatu.

March 26, 2006.....MCC signs a compact with Armenia.

April 3, 2006.....MCC and USAID launch a Threshold Program with Albania.

May 3, 2006 .....MCC and USAID launch a Threshold Program with Tanzania.

May 8, 2006 .....MCC and USAID launch a Threshold Program with Paraguay.

May 22, 2006.....MCC and USAID launch a Threshold Program with Zambia.

July 26, 2006.....MCC and USAID launch a Threshold Program with the Philippines.

August 1, 2006.....MCC signs a compact with Ghana.

October 17, 2006.....MCC and USAID launch a Threshold Program with Jordan.

November 13, 2006.....MCC signs a compact with Mali.



Road construction, Vanuatu

November 17, 2006 .....MCC and USAID launch a Threshold Program with Indonesia.

November 29, 2006....MCC signs a compact with El Salvador.

December 4, 2006 .....MCC and USAID launch a Threshold Program with Ukraine.

December 15, 2006.....MCC and USAID launch a Threshold Program with Moldova.

March 23, **2007** .....MCC and USAID launch a Threshold Program with Kenya.

March 29, 2007 .....MCC and USAID launch a Threshold Program with Uganda.

July 13, 2007 .....MCC signs a compact with Mozambique.

July 23, 2007 .....MCC signs a compact with Lesotho.

August 23, 2007.....MCC and USAID launch a Threshold Program with Guyana.

August 31, 2007.....MCC signs a compact with Morocco.

October 22, 2007.....President Bush signs a MCC compact with Mongolia.



Gender workshop, Morocco

November 9, 2007 .....MCC and the U.S. Department of Treasury launch a Threshold Program with São Tomé and Príncipe.

February 17, **2008**.....President Bush signs a MCC compact with Tanzania.

March 14, 2008.....MCC and USAID launch a Threshold Program with the Kyrgyz Republic.

March 17, 2008 .....MCC and USAID launch a Threshold Program with Niger.

June 10, 2008 .....MCC and USAID launch a Threshold Program with Peru.

July 14, 2008.....MCC signs a compact with Burkina Faso.

July 28, 2008.....MCC signs a compact with Namibia.

October 15, 2008 .....MCC and USAID launch a Threshold Program with Rwanda.

October 17, 2008.....A MCC Stage II Threshold Program is signed with Albania.

**January 20, 2009 ..... Rodney Bent becomes MCC’s acting CEO.**

March 11, 2009.....MCC’s Board approves the suspension of assistance for certain activities in Nicaragua’s MCC compact. MCC continues its hold on assistance to rehabilitate roads in Armenia based on a pattern of actions inconsistent with MCC’s selection criteria.

April 13, 2009.....A MCC Stage II Threshold Program is signed with Paraguay.

May 8, 2009.....The first independent impact evaluation is completed of Burkina Faso’s Threshold Program.

June 10, 2009 .....MCC's Board approves the partial termination of MCC's compact assistance to Nicaragua for activities previously suspended. MCC decides to not resume funding for further road rehabilitation in Armenia.

**August 1, 2009 ..... Darius Mans becomes MCC's acting CEO.**

August 31, 2009 .....Madagascar's compact is terminated due to an undemocratic change in government.

September 9, 2009.....MCC's Board approves the termination of some compact activities with Honduras due to an undemocratic change in government.

September 16, 2009 ...MCC signs a compact with Senegal.

**December 8, 2009.... Daniel W. Yohannes is sworn in as MCC's CEO.**

January 22, **2010** .....MCC signs a compact with Moldova.

July 7, 2010 .....MCC and USAID launch a Threshold Program with Liberia.

September 23, 2010....MCC signs a compact with the Philippines.

September 29, 2010....MCC marks the completion of Honduras's compact.

October 17, 2010 .....MCC marks the completion of Cape Verde's compact.

October 25, 2010.....MCC signs a compact with Jordan.

January 14, **2011** .....MCC and USAID launch a Threshold Program with Timor-Leste.

April 7, 2011 .....MCC marks the completion of Georgia's compact.

April 7, 2011 .....MCC signs a compact with Malawi.

April 28, 2011 .....MCC marks the completion of Vanuatu's compact.

May 26, 2011 .....MCC marks the completion of Nicaragua's compact.

July 26, 2011.....Malawi's compact is placed on hold due to a pattern of actions inconsistent with MCC's selection criteria.

September 6, 2011 .....MCC marks the completion of Benin's compact.

September 29, 2011.....MCC marks the completion of Armenia's compact.

November 18, 2011 .....MCC signs a compact with Indonesia.

February 10, **2012** .....MCC signs a second compact with Cape Verde.

February 16, 2012 .....MCC marks the completion of Ghana's compact.

May 10, 2012 .....MCC signs a compact with Zambia.

June 21, 2012 .....MCC reinstates Malawi's compact.

August 24, 2012 .....Mali's compact is terminated due to an undemocratic change in government.

September 20, 2012....MCC marks the completion of El Salvador's compact.



Agriculture activity, El Salvador



COMPLETED COMPACT. **HONDURAS**

[www.mcc.gov/honduras](http://www.mcc.gov/honduras)

In 2005, Honduras became the second country to sign a compact with MCC. Low agricultural productivity and high transportation costs were identified as key constraints to economic growth, limiting Honduras' ability to take advantage of its strategic location. The compact was designed to help small-scale farmers become small-scale entrepreneurs through training to improve their productivity, access to new markets and access to credit. It is also expected to reduce transportation costs through improvements in road networks to enhance market access and foster greater market integration.

### At a glance



Compact signed: **June 13, 2005**

Compact entry into force: **September 29, 2005**

Compact end date: **September 29, 2010**

Compact total: **\$205 million**

Estimated number of beneficiaries: **1,704,698**

Estimated rise in household income: **\$238 million**



MCC's compact with Honduras was a true partnership, from design through implementation.



MCC's investments in Honduras are expected to benefit its population for many years to come.

*Note: In September 2009, MCC's Board of Directors approved the partial termination of MCC's assistance under the Honduras Compact, ceasing funding associated with the Weight Control System Activity and a portion of the Farm to Market Roads Activity. The partial termination was in response to actions by the Government of Honduras inconsistent with MCC's eligibility criteria.*

## Policies **Matter**



MCC supported the government to enact a secured transaction law and established a moveable property registry system that allows individuals to use property they own, such as tractors, sewing machines and shop inventory, as collateral in order to increase entrepreneurs' access to credit. This has served as a model for potential reform in Costa Rica, the Dominican Republic, El Salvador, Guatemala, Panama, Peru, Jamaica, and other Caribbean countries.



MCC supported efforts by the Government of Honduras to develop legislation to empower Fondo Vial, the national road maintenance authority, to better address road maintenance issues by becoming the responsible entity for weight control. The Government of Honduras increased its road maintenance budget from \$37 million in 2005 progressively to \$64 million in 2010 and recognized the importance of protecting the investments made in the national road network.

## Transportation Project

The project's rehabilitated roads are expected to benefit more than 1 million people by improving their access to markets, social services and economic opportunities. These roads are expected to lower transportation costs by reducing transportation times and vehicle repair costs, freeing up resources to be productively invested elsewhere in Honduras.



MCC helped improve 49.5 kilometers of the CA-5 highway. The road connects Puerto Cortes, the main port for goods exported from Central America, to San Pedro Sula and Tegucigalpa, the two largest cities in Honduras.

Project cost: **\$121 million**

Estimated number of beneficiaries: **1,347,297**

Estimated rise in household income: **\$185 million**

Kilometers of CA-5 highway improved: **49.5**

Kilometers of secondary roads paved: **65.5**



MCC's work on upgrading the CA-5 highway created 4,000 temporary jobs.

## Rural Development Project

This project trained farmers in high-value horticulture production and commercialization, provided access to credit to farmers and agribusinesses, supported research and initiatives that enhance and accelerate the development of market-based commercial agriculture, and rehabilitated rural roads to provide farmers with improved access to markets. These activities aimed to increase private investment and the adoption of more sophisticated agriculture techniques and marketing practices and were designed to help thousands of small farmers all over the country diversify their crops, increase their yields and expand their access to new customers nationally, regionally and internationally.



The project was designed to help thousands of small farmers all over the country diversify their crops, increase their yields and expand their access to new national, regional and international customers.

Project cost: **\$68 million**

Estimated number of beneficiaries: **357,401**

Estimated rise in household income: **\$53 million**

Farmers who received technical assistance: **7,264**

Number of farmers who adopted improved techniques: **6,996**

Hectares harvesting high-value horticulture crops: **9,287**

Loans disbursed: **10,855 totaling \$12 million**

Kilometers of rural roads rehabilitated: **495**



A grant to the Honduran Institute of Coffee supported the construction and equipping of a high-tech laboratory that is now producing improved hybrid coffee seeds and better yields.

### Success story

José Ordóñez used to grow corn and barely earned enough money to support his wife and children. In 2007, José switched to growing papaya and guavas (crops that sell at higher prices, given greater market demand) because of the new skills and knowledge gained from the compact's Rural Development Project.

Since he lives along a recently improved rural road that connects to an improved secondary road that connects to the CA-5 highway—the vital CA-5 corridor that runs between Tegucigalpa and Puerto Cortés, the principal port in Central America—José reports that he can now transport his papayas and guavas to market more quickly. Because of MCC's investments in improving the roads and José's adoption of improved agricultural practices, he also reports that he has increased his earnings and was able to make improvements to his home and provide his children with greater opportunities.



A section of the improved CA-5 highway is ready.



Improvements to the CA-5 highway allow José Ordóñez to move his crops to market more quickly and bring in more income.

### Partnership in the Field

Working at MCA-Honduras has become an unprecedented experience. Throughout our transport and rural development projects, I have witnessed heavy-duty machinery and hundreds of workers constructing and improving roads in different parts of the country. I also saw 7,000 trained and provided with technical assistance. This is making an important contribution to the national economic growth, and I feel very proud of being part of all this progress for my country.

I am a member of MCA-Honduras' legal staff, which provided a variety of services like processing the importation and exportation of vehicles and equipment, processing environmental licenses, negotiating with land tenants affected and resettled, ensuring contractors have access to banks of materials, and taking care of other legal matters related to the compact.

I feel not only proud and privileged but also blessed to be part of the implementation of such an extraordinary program. MCA-Honduras represents the most credible and extraordinary program in Honduras, with a great reputation among international cooperation agencies, civil society, private companies, media, government, and the population of Honduras. I say proudly: I am very glad to be part of the MCA-Honduras team.

—Alex Moraes, MCA-Honduras legal officer



MCA-Honduras staff Mario Magaña (left) and Alex Moraes provided an array of legal services for the organization.

### Partnership in the Field

When I joined MCC in early 2006, I was thrilled to learn I would have the opportunity to work on the Honduras Compact. I had developed a special affinity for Honduras and the Honduran people during my time there as a Peace Corps volunteer in the late 1990s.

From the start, both the MCC and MCA-Honduras teams were motivated by the belief that the compact would have a positively transformative impact on the lives of many Hondurans. MCA-Honduras never ceased to impress me, particularly as they worked urgently and tirelessly—often in uncertain political environments—to achieve their ambitious plans. One project that I worked closely on involved the relocation of a number of families to make room for the expansion of the main highway. MCA treated each of these families with the upmost respect and ensured that their livelihoods were not only restored, but improved—all without creating delays for the construction of the road.

The legacy that MCA-Honduras leaves behind is the proof that a small group of Honduran government officials can achieve great things in a short amount of time through hard work and a commitment to transparency and delivering high-quality results.

—Jonathan Nash, MCC senior director for environment and social assessment



Jonathan Nash poses with one of the families who was resettled to make way for the expansion of the CA-5 highway.

COMPLETED COMPACT: CAPE VERDE



Cape Verde identified the need for investments in infrastructure, watershed management and private sector development as essential for creating economic opportunity for its people. The compact was designed to raise incomes by reducing transportation costs by rehabilitating roads, bridges and the Port of Praia; increasing agricultural productivity through investments in water management and soil conservation, technology transfer, access to credit, and sustainable microfinance institutions; and developing the private sector by reducing obstacles to investment.

### At a glance

Compact signed: **July 4, 2005**

Compact entry into force: **October 17, 2005**

Compact end date: **October 17, 2010**

Compact total: **\$110 million**

Estimated number of beneficiaries: **384,765**

Estimated rise in household income: **\$149 million**



MCC's investments in Cape Verde are expected to make an impact in the lives of these two business women and thousands of others.

## Policies **Matter**



As a condition of MCC's provision of technical assistance to microfinance institutions, the Government of Cape Verde approved a microfinance law that authorized collection of savings and made other improvements to the sector.



The Citizens' House offers improved and streamlined government services. MCC contributed to this e-government initiative by investing in equipment, software and technical assistance. Company registration can now be completed online in just one day, and the time required to start a business dropped from 52 days in 2007 to 11 days in 2012, according to the International Finance Corporation.

## Infrastructure Project

This project integrated internal markets and reduced transportation costs by improving roads and bridges on the islands of Santiago and Santo Antão and by upgrading the Port of Praia. Improved transportation provides better links to social services, employment opportunities, local markets, ports, and airports.

Project cost: **\$82.6 million**

Estimated number of beneficiaries: **384,465**

Estimated rise in household income: **\$137.6 million**

Kilometers of roads paved on Santiago: **40.6**

Bridges built on Santo Antão: **4**

Import/export firms projected to benefit from port modernization: **712**



The project converted more than 40 kilometers of mountainous roads from earth or cobblestone to asphalt. Four new bridges on Santo Antão ensure reliable, all-weather access to urban markets.

### Watershed Management and Agriculture Support Project

This project was designed to increase agricultural productivity in watershed areas on the islands of Santo Antão, Fogo and São Nicolau. The project helped farmers overcome critical constraints to accessing a growing domestic demand for high-value fruits and vegetables. Project investments focused on increasing the capture, storage and distribution of spring-fed and rain-fed water resources, enabling farmers to irrigate their fields and increase agricultural productivity.

Project cost: **\$12 million**

Farm households expected to benefit: **8,591**

Estimated rise in household income: **\$9.7 million**

Reservoirs constructed: **28**

Farmers trained on producing high-value crops: **553**



The Government of Cape Verde lifted a 25-year embargo on inter-island agricultural exports from Santo Antão. MCA-Cape Verde, through an agreement with the University of Cape Verde, trained 31 phyto- and zoo-sanitary inspectors to reinforce the national inspection system on the islands of Santo Antão, Sal and Boavista. This allowed the lifting of the ban and enabled the farmers of San Antão to expand their livelihoods.

### Private Sector Project

This project supported Cape Verde's long-term strategy of becoming less dependent on remittances and donor aid by developing a competitive, private-sector driven economy. The project included the establishment of the first private credit bureau in Cape Verde (in collaboration with the International Finance Corporation's Private Enterprise Partnership for Africa program) and financial sector reform to increase access to financial services and improve financial intermediation.

Project cost: **\$2.1 million**

Estimated number of beneficiaries: **900**

Microfinance institutions that received technical training: **8**

Microfinance institutions classified as operationally self-sufficient: **5 of 5**



The project helped increase the availability of credit to rural communities for capital investments in a more productive agricultural sector.

### Success story

Maria Celina Pina Horta, a single mother of six, worked as a sand harvester to support her family. Through the support of ASDIS, a microfinance institution that received MCC funding, Maria Celina obtained her first loan and began growing and selling agricultural produce. She eventually doubled her income, built a house and continued to diversify her crops. Maria Celina always repaid her microloans on time, and she believes the access to finance allowed her to realize her dreams. Maria Celina's good business acumen and support from ASDIS led her to expand her small business and start selling her products to other islands. As a result, she owns cows, pigs and chickens, and she pays for her eldest son's schooling in Portugal. Maria Celina now earns \$647 each month—almost 10 times the income she earned collecting and selling sand.



Maria Celina Pina Horta

ASDIS, a microfinance institution that works with low-income populations involved in the agriculture sector, was one of five microfinance institutions to participate in the MCC-funded technical assistance training and credit line expansion program.

### Partnership in the Field

There is a difference between MCC and other donors. During preparation of the second compact, we held many consultations with stakeholders from the private sector, civil society and government departments to inform the constraints analysis, the concept papers and other studies—all this before we even prepared the project design. We had a lot of consultations, and a wide range of partners gave their inputs in preparation for the projects. This is the difference between MCC and other donors—consultation allowed us to select the right projects for the compact.

Anyone can see the results the first compact has made. All international donors are interested in results. But for MCC, since the beginning, the compact is aimed toward impact. I'm sure the compact will make huge impacts on Cape Verde.

—Luis Silva, MCA-Cape Verde project manager



Luis Silva describes the construction taking place to modernize the Port of Praia.

## Partnership in the Field

I started as program assistant at MCC's resident country mission in Cape Verde in 2006, when the first compact's implementation had just started. I feel privileged because I was able to accompany the implementation phase, the closeout work, the second compact development phase, and currently the mobilization period for the second compact. All of these compact phases are challenging, exciting and bring a lot of knowledge and opportunities to improve not only at project and program level but also at the MCC process level. I later moved into a position as a program analyst, in which I am more involved with documentation revisions and more exposed to technical and cross-cutting aspects of our work.

There were remarkable infrastructure results in the first compact: For me, the Port of Praia and the roads and bridges of Santo Antão Island had important impact in people's lives. Before the bridges were constructed, people could not cross to go to schools, hospitals and other places during the rainy season. The agriculture project brought a new approach to our traditional farming. They adopted new work approaches and are open to modern techniques to increase and improve their productivity. Results go well beyond infrastructure!

Capacity building and country ownership principles are a reality in Cape Verde.

—Sónia Schofield, MCC program analyst



Sónia Schofield, seated center, worked with her colleagues from MCC and MCA-Cape Verde to impact the lives of her fellow Cape Verdeans.

COMPLETED COMPACT: **GEORGIA**



[www.mcc.gov/georgia](http://www.mcc.gov/georgia)

**G**eorgia's compact addressed two main barriers to economic growth: lack of reliable infrastructure and slow business development, particularly agribusiness. The Government of Georgia and MCC agreed that lifting these barriers through a program of investments focused on the regions outside the capital, Tbilisi, would help unlock the entire country's economic growth potential. The compact projects focused on rehabilitating regional infrastructure and enterprise development to improve the lives of the poor by improving access to jobs, markets and basic services, as well as providing capital for enterprise development.



The rehabilitation of 217 kilometers of road reduced travel time from more than eight hours to less than three hours, resulting in an estimated cost savings to vehicle operators of more than \$13.7 million in 2011. The road also improves the link between Georgia and Armenia and opens a new route to Turkey, creating a key corridor for international trade and investment.

*Note: In November 2008, MCC and the Government of Georgia signed an amendment to the compact, which provided an additional \$100 million to the initial funding level of \$295 million to expand existing activities under the compact.*

### At a glance

Compact signed: **September 12, 2005**

Compact entry into force: **April 7, 2006**

Compact end date: **April 7, 2011**

Compact total: **\$395 million**

Estimated number of beneficiaries: **143,000**

Estimated rise in household income: **\$277 million**



The Enterprise Development Project helped build farm service centers, one-stop agricultural shops that sell fertilizers, seeds, tools, veterinary preparations, and disinfectants. The centers also provide training on the use of modern agricultural technologies.

## Policies **Matter**



As a condition precedent for the Samtskhe-Javakheti Road Activity, the Government of Georgia increased its annual road maintenance appropriations from \$33.6 million in 2006 to more than \$56 million in 2010.



As a condition precedent for the Energy Rehabilitation Activity, the Government of Georgia focused on the financial performance of the Georgian Oil and Gas Corporation and ensured that the company would achieve a collections rate of 95 percent. The government also ensured GOGC would reduce technical losses from its pipeline infrastructure from more than 5 percent of throughput in 2006 to less than 2 percent by 2009.

## Regional Infrastructure Rehabilitation Project

This project rehabilitated key regional infrastructure by improving transportation for regional trade, increasing the reliability of the energy supply and improving municipal services.



Project cost: **\$314 million**

Estimated number of beneficiaries: **125,000**

Estimated rise in household income: **\$216 million**

Kilometers of roads rehabilitated: **217**

People who received improved water services: **67,865**

Sections of key gas pipeline rehabilitated: **22**



The Center for Global Development, a Washington think tank, singled out country ownership as one of the defining features of the Georgia Compact. MCC's work with the Georgian Oil and Gas Corporation to repair the main natural gas pipeline exemplifies country-led development.

### Enterprise Development Project

This project increased profitable investments in small- and medium-sized enterprises and improved the economic performance of agribusinesses. The project provided matching grants and technical assistance to a wide range of agribusinesses. It also provided medium-term risk capital and technical assistance to small- and medium-sized enterprises outside the capital through the Georgia Regional Development Fund (GRDF), an independently managed investment fund.



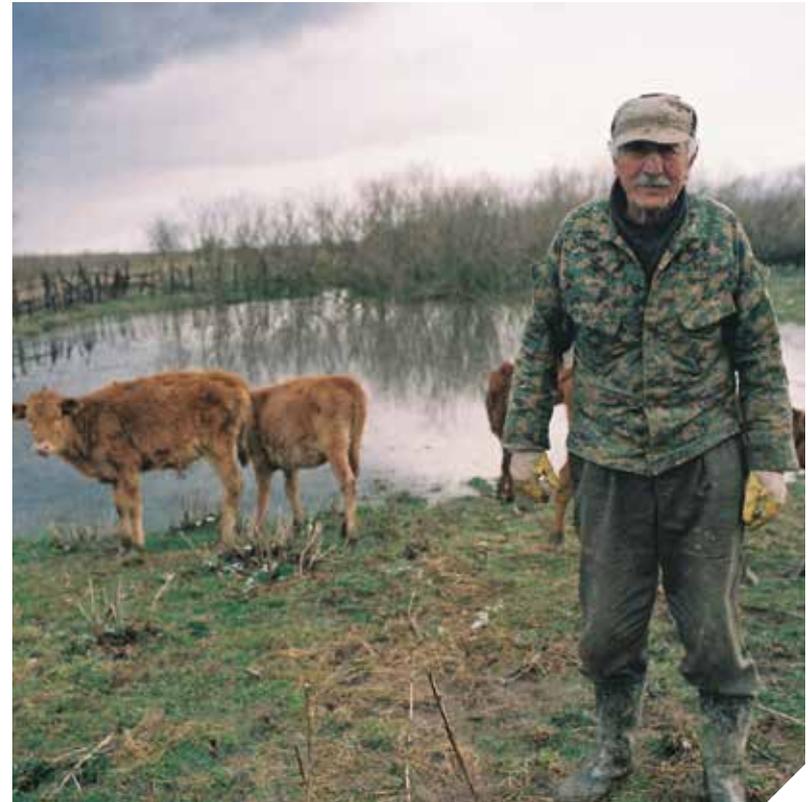
Project cost: **\$52 million**

Estimated number of beneficiaries: **17,000**

Estimated rise in household income: **\$14 million**

Increase in gross revenues of GRDF portfolio companies: **\$16.8 million**

Agribusiness grants awarded: **296**



The project's Agribusiness Development Activity awarded grants to small farmers, farm service centers that serve local communities and value-adding enterprises focused on collection, storage, distribution, processing, and packaging. It helped create more than 3,200 jobs and improved the economic performance of 290 agribusiness and farm production projects. Businesses involved in the activity reported a wage increase of almost \$3.2 million.

### Success story

The Millennium Challenge Georgia Fund held the official opening of the Milk Processing Enterprise in Tibaani in November 2008. The Kakheti Livestock Growers Association, founded in 2003 by a group of 45 local farmers, owns the enterprise. Prior to MCC's investments, it operated four milk-collection centers and a laboratory with modern equipment.

A grant through the Agribusiness Development Activity allowed the enterprise to expand into dairy processing. The enterprise now processes and sells four kinds of cheese and serves more than 100 farmers in the Kakheti region. Fifteen jobs were created because of the grant.



The Kakheti Livestock Growers Association now sells Imeruli, Georgian, Sulguni, and Gouda cheeses.



Nino Siprashvili, director of the Kakheti Livestock Growers Association, has seen her organization expand into new markets and create jobs because of MCC's investments.

### Partnership in the Field

It will not be an exaggeration to say MCC means one big step forward to boost economic growth in Georgia. I truly believe this new mechanism of smart aid for countries in transition, in combination with country ownership, will make fundamental changes in people's lives and will prove to be the most effective and sustainable investment in the long-term economic development of Georgia. I am proud to be part of this significant, meaningful, achievable, results-oriented, and tangible program and am looking forward to seeing the compact goals accomplished.

George Abdushelishvili, Millennium Challenge  
Georgia Fund chief executive officer



George Abdushelishvili (right) believes MCC's compact will make real changes in the lives of Georgians.

### Partnership in the Field

I am really inspired by the way MCC makes its investments: countries lead and we support. I joined MCC during the fifth year of the Georgia Compact, and I was not quite sure what this support would look like on the ground—or what was in store for me as deputy resident country director.

It was quickly apparent that the support is partnership—one that spans the globe from Washington to Tbilisi. Joining the team near the end, I had an outsider's eye to witness the tireless commitment from both our headquarters and Millennium Challenge Georgia Fund (MCG) staff to make sure that MCC's investments would succeed. Many of MCG's consultants and implementing entities also put in extraordinary efforts to make the most of MCC's investments. It is difficult to truly convey the ways that dedication, passion and sacrifice were expressed.

Driving back from the project sites at night, we would see silhouettes of fortresses and monasteries dotting the mountainsides on our ride home. We would drive by this breathtaking past having just had the opportunity to partner with Georgia and Georgians to build an important bit of their future. I feel grateful to have been a part of it.

—Jennifer Lappin, MCC deputy resident country director



Jennifer Lappin relied on a strong partnership with counterparts in Washington, Tbilisi and elsewhere to successfully implement the Georgia Compact.



**A**griculture and tourism are central to Vanuatu's growth. Underdeveloped, sub-standard and poorly maintained transportation infrastructure was identified as a critical constraint to economic activity and private sector investment in the agriculture and tourism sectors. The compact sought to reduce poverty and stimulate economic growth by reducing transportation costs and improving access to transportation, markets and social services through the upgrading and sealing of the country's two most important national roads, the Efate Ring Road (92.5 kilometers) and the Santo East Coast Road (57.2 kilometers). The compact also included initiatives to strengthen the operation and maintenance of Vanuatu's transport infrastructure network.

### At a glance

Compact signed: **March 2, 2006**

Compact entry into force: **April 28, 2006**

Compact end date: **April 28, 2011**

Compact investment: **\$66 million**

Estimated number of beneficiaries: **39,203**

Estimated rise in household income: **\$73.8 million**



The poverty rate in rural areas of Efate has decreased from 37.7 percent to 19.1 percent, and poverty along the east coast of Santo dropped from 14.6 percent to 5.2 percent, according to government surveys conducted between 2006 and 2010.

*Note: The compact was formally restructured in early 2008 because of escalating global construction costs, currency fluctuations and other considerations. The construction and tar sealing of the two most important national roads, the Efate Ring Road (92.5 kilometers) and the Santo East Coast Road (57.2 kilometers), became the focus of the restructured compact in order to reduce transportation costs and improve access to markets and social services for the island populations. The New Zealand Aid Programme also provided critical supplemental funding for the completion of the road works.*

## Policies **Matter**



The Government of Vanuatu used MCC's eligibility criteria to guide policy reform. In 2010, it made a substantial increase in efforts and resources directed toward immunizing children against polio, measles, tetanus, tuberculosis, and whooping cough; it implemented a policy of free basic education; it established the Utility Regulatory Authority to protect consumers and implement a long-term land reform program; and it created the Law Reform Commission and Human Rights Commission.



Vanuatu committed \$5 million to its road maintenance fund 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. As a result of training and capacity building, a more systematic approach toward road maintenance planning was introduced in the Public Works Department.

## Transport Infrastructure Project

The project rehabilitated national roads on two islands, helping poor, rural agricultural producers and providers of tourist-related goods and services through reduced transportation costs and improved access to transportation services. The project also helped strengthen institutions and reform national policies to ensure the sustainable operation and maintenance of Vanuatu's transport infrastructure network.

Project cost: **\$60 million**

Estimated number of beneficiaries: **39,203**

Estimated rise in household income: **\$73.8 million**

Kilometers of roads rehabilitated: **149.7**

Reduced average travel time on Santo Island: **75 percent**

Value of plant and maintenance equipment procured by MCA-Vanuatu for the Public Works Department: **\$1 million**



Because of improvements to roads, the average travel time has been reduced by 50 percent on Efate Island and 75 percent on Santo Island. The number of days per year that the Efate Ring Road is impassable has dropped from nine in 2006 to zero in 2011. The new roads have withstood earthquakes, cyclones and heavy rains, important tests given the frequency of natural disasters.

## Success story

Earnest Kalkoa has operated his small World War II museum for more than 10 years but struggled to maintain his business. Between the museum's rural location and poor road conditions, efforts to increase revenue have been difficult. In 2010, Earnest's dream to expand his business and increase his revenue came true after the Efate Ring Road, which passes by his museum, was rehabilitated.

Other business owners like Earnest report that improved road conditions have led to an expansion in guided bus tours for travelers, boosting revenues for both tour operators and businesses. With improved access to commercial centers, resort owners use the improved roads to stock their hotels and restaurants. A recent tourism survey in Vanuatu underscores the importance of the sector to the economy and reveals very promising trends: The number of visitors arriving by air increased by 9 percent each year from 2007 to 2010, and the number of cruise-ship passengers increased 13 percent annually during the same timeframe. Direct value added to local incomes derived from tourism expenditures increased by 24 percent from 2007 to 2010.

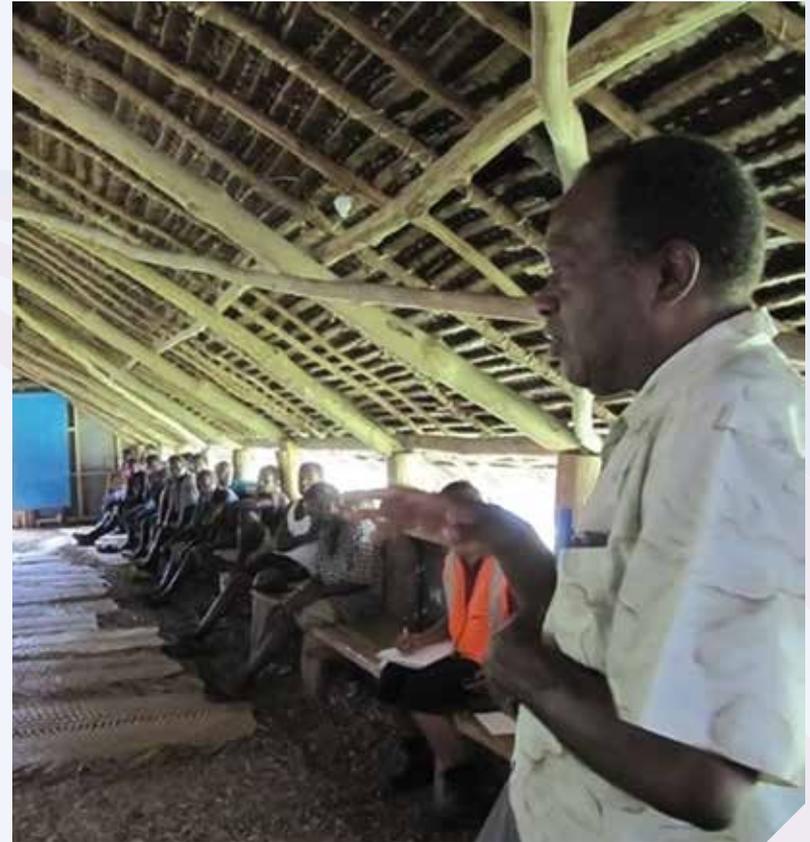


Earnest Kalkoa greets visitors to his World War II museum.

### Partnership in the Field

These roads will open access for the majority of our people to improve their quality of life and move from subsistence farming and a cashless existence to economic growth. The compact is the biggest single development program ever managed by the people of Vanuatu. The enthusiasm, smiles and tears of joy are everywhere. There have been many celebrations and a lot of singing, dancing and speeches, as is our custom. I have seen rural chiefs and elders break down in tears as they see their road completed. The roads have already saved the lives of mothers and babies as they have a smooth and safer trip to the hospital.

—Johnson Wabaiat, MCA-Vanuatu program director



MCA-Vanuatu program director Johnson Wabaiat speaks with stakeholders during a meeting in Epau.

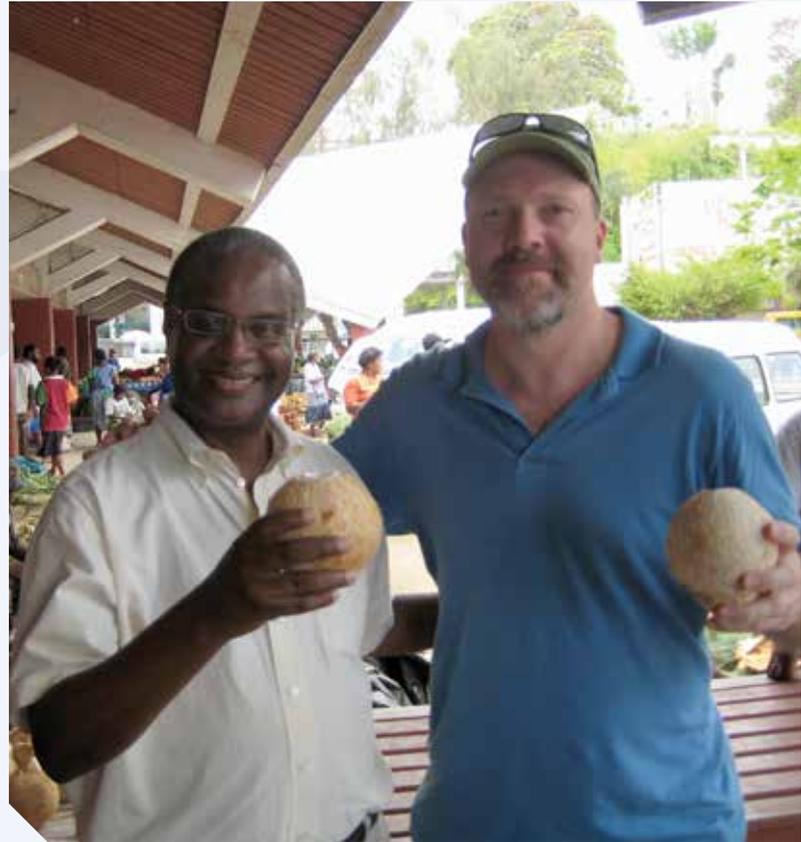
### Partnership in the Field

Three things come to mind when I reflect on the Vanuatu Compact: great collaboration among implementation partners, real-time creativity on the ground in problem-solving and enhancing value, and a drive to achieve optimal bang for MCC's buck.

I have been working in the engineering and construction industry for over three decades and witnessed the completion of many projects around the world. The road projects in Vanuatu not only were completed ahead of schedule but under budget, with high-quality workmanship. There were no contractual disputes or claims—a rarity in the industry.

Smooth collaboration and constructive partnership opened up opportunities for creativity. Various management, engineering and construction problems were solved within the project budget throughout the compact implementation period. Opportunities for inexpensive measures to improve road safety were identified, reducing the potential for accidents significantly. With funding from the New Zealand Aid Programme, bridges were strengthened—something not programmed in the compact—to add years to the service life of the road and enable it to withstand major recurrent floods.

—Yohannes Abebe, MCC director of infrastructure



Yohannes Abebe (left) and Tom Schell, MCC senior director of environmental and social assessment, take a break from work to share a coconut.

COMPLETED COMPACT: NICARAGUA



[www.mcc.gov/nicaragua](http://www.mcc.gov/nicaragua)

ADVANCING PROSPERITY

**A**fter consultations with a diverse set of government and civil society stakeholders, Nicaragua identified a regional development strategy for MCC to improve insecure property rights, underdeveloped infrastructure and low-value agricultural production. The compact focused on creating an engine for economic growth in the country's northwest region, a poor region with significant growth potential because of its fertile land and connection to markets in Honduras and El Salvador.

### At a glance



Compact signed: **July 14, 2005**

Compact entry into force: **May 26, 2006**

Compact end date: **May 26, 2011**

Compact investment: **\$113.5 million**

Estimated number of beneficiaries: **119,870**

Estimated rise in household income: **\$83.5 million**



Rural farmers and artisans were among the beneficiaries of the Rural Business Development Project, which provided business-development services as well as technical and financial assistance.

*Note: Conditions leading up to, during and following municipal elections of November 2008 were inconsistent with MCC's eligibility criteria. In June 2009, the MCC Board approved the termination of a portion of the compact, reducing compact funding from \$175 million to \$113.5 million. Funding was terminated for activities in the Transportation Project that were not already under contract, including upgrading a major stretch of the Pacific Corridor highway. MCC also terminated the Property Regularization Project; prior to termination, MCC invested \$7.2 million in this project, out of a projected \$26.4 million.*

## Policies **Matter**



Prior to 2005, the Nicaraguan government maintained an average of 500 kilometers of roads, with an annual maintenance budget of about \$2.4 million. During compact negotiations, MCC insisted that the Government of Nicaragua establish a permanent source of funds for road maintenance. In 2005, the Nicaraguan National Assembly approved funding for a road maintenance fund that increases annually. The Nicaraguan government is now maintaining more than 3,000 kilometers of roads annually, with more than \$31 million allocated to road maintenance.



MCC supported passage of the Public Registry General Law as a necessary legal framework to launch the operation of the Integrated Cadastre and Registry System, which allowed for electronic registration of real estate and helped reduce processing time and cost.

## Transportation Project

The Transportation Project aimed to reduce transportation costs between Nicaraguan production centers and national, regional and global markets. MCC invested \$58 million to rehabilitate 74 kilometers of one primary and two secondary road sections, connecting Nicaragua to the rest of Central America and providing a key link to greater regional trade.

Project cost: **\$58 million**

Estimated number of beneficiaries: **97,110**

Estimated rise in household income: **\$32.4 million**

Kilometers of rehabilitated roads: **74**

Kilometers of roads Government of Nicaragua maintains annually: **3,000**

Increase in average daily traffic on Somotillo-Cinco Pinos road: **140 percent**



Traffic along the León-Poneloya-Las Peñitas road (left column) has increased by 33 percent because of the MCC-funded improvements. Improvements to the Somotillo-Cinco Pinos road helped revitalize the area's economy, with products reaching domestic and international markets more quickly.

### Rural Business Development Project

The Rural Business Development Project aimed to increase the value and productivity of farms and rural businesses in León and Chinandega through the provision of business development services, technical assistance and financial assistance to farmers and rural business owners working in agriculture, livestock, tourism, artisan production, and forestry.

Project cost: **\$33 million**

Estimated number of beneficiaries: **45,520**

Estimated rise in household income: **\$51.1 million**

Farmers who adopted improved technologies: **9,104**

New hectares with high-value crops: **18,037**

Hectares of new forests planted: **7,163**



Prior to the compact, there was only one milk collection center in western Nicaragua. Now, there are 12 new milk collection centers equipped with cooling tanks and labs to test milk quality.

### Property Regularization Project

Missing, outdated and conflicting property records have been a problem that date back to the civil wars in Nicaragua, deterring national and foreign investment. MCC provided support to set up a registry system, reducing costs and time in property transactions.

Project cost: **\$7.2 million**

Estimated number of beneficiaries: **3,951**

Urban parcels registered: **2,449**

Rural parcels registered: **396**

New protected-area management plans: **3**



In spring 2010, the World Bank approved \$10 million of financing to leverage MCC assets and continue with property regularization in León.

### Success story

Many Nicaraguan farm families use an abundance of wood from surrounding forests as fuel for cooking. This puts a significant strain on the natural resources of the area; by investing in the establishment of 185 biodigestors, MCA-Nicaragua helped cattle farmers reduce their impact on the environment and save time and money.

Biodigestors are waste-management solutions that convert organic waste into a nutrient-rich liquid fertilizer and bio-gas. This allows farms to take advantage of organic waste, especially cattle manure, for the production of renewable forms of energy. Biodigestors trap methane from manure, making it available for cooking and, in certain instances, for electricity generation. This not only gives rural families a green alternative for cooking fuel for their homes, but also reduces the emission of harmful greenhouse gases from their farms.

Because of MCC's investments, Gladys Francisca Baldizón from León now has a biodigestor on her farm, where she cooks meals for 12 people every day. Her daily wood use dropped from ten sticks a day to four.



Gladys Francisca Baldizón cooks with renewable energy.



The compact also introduced environmentally-friendly methods of creating handicrafts.

### Partnership in the Field

After two years of the design of the proposal and negotiations with MCC and five years of compact implementation, I have to say that having worked hand-in-hand with MCC has been the greatest experience of my professional life. I was able to see thousands of families change their livelihoods. We began changing their vision of the future, from poverty and underdevelopment to hope and entrepreneurship. Through the projects we invested in them to reach new possibilities in the form of markets for their products, and better access to social services through new paved roads. We contributed to their well-being in a sustainable way, and we were able to see how these families used their increased earnings to educate their children or purchase goods that were impossible to acquire in the past.

One of the greatest things about my Nicaraguan team working for the Nicaraguan people was the sense of pride we shared about doing our job. In the future, every time we will visit these communities or travel along those roads ourselves, we will tell our children that we contributed to their construction, thanks to the American people.

—Juan Sebastian Chamorro, MCA-Nicaragua general director



Juan Sebastian Chamorro believes the benefits of the compact will resonate with future generations.

### Partnership in the Field

My immersion into the MCC program in Nicaragua began in 2008, after much work and energy had been poured into the development of road projects for the country. I was new at MCC at the time, and the full evidence of this investment was not really apparent for me until a couple years later.

In the country's northwest region, three road projects began to slowly take shape as resources were put into place. Dirt was churned, bitumen was delivered and signage finally went up. While many rave about the impact of these projects in the connection of domestic and international markets—and we should—I often think about the sense of collaboration, sacrifice and commitment many individuals demonstrated while delivering these projects.

Among these individuals, I will always remember Don César, as he was fondly known. A seasoned engineer and fully committed to the program, he was instrumental in leading the road infrastructure team at MCA-Nicaragua and delivering the road projects. Because of individuals like him, and others, tourists, merchants and residents now have comfortable road access to the El Guasaule border crossing into Honduras, North Pacific beaches of Poneloya and Las Penitas and a fishing village near the Juan Venado Wildlife Reserve, as well as unrestricted access between the towns of Somotillo and Cinco Pinos.

—Rodney Chow, MCC infrastructure senior program officer



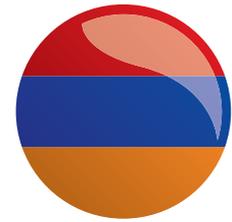
Rodney Chow and his partners in Nicaragua helped build roads and connect communities.

COMPLETED COMPACT: **ARMENIA**



**M**CC's compact with Armenia, which sought to strengthen the agricultural sector, included one of the country's largest irrigation infrastructure projects to date. The partnership also included assistance to the nation's farmers, agribusinesses and water supply institutions, as well as investments in rural road construction and maintenance. The increase in productivity of farm households through improved water supply, higher yields, higher value crops, and a more competitive agricultural sector should catalyze economic growth, improve food security and reduce poverty in Armenia for decades to come.

### At a glance



Compact signed: **March 26, 2006**

Compact entry into force: **September 29, 2006**

Compact end date: **September 29, 2011**

Compact investment: **\$177 million**

Estimated number of beneficiaries: **427,600**

Estimated rise in household income: **\$300 million**



Improved irrigation gives Armenian farmers the comfort that water will be supplied regularly, allowing them to better plan their planting and harvest seasons and ultimately providing more financial stability.



The compact represented the single largest grant investment in the country's irrigation infrastructure in the past 30 years.

*Note: As a result of the June 2009 meeting of MCC's Board of Directors, MCC did not resume funding for the Rural Roads Rehabilitation Project. This hold on funding was a result of actions by the Government of Armenia that were inconsistent with MCC principles promoting democratic governance.*

## Policies **Matter**



MCC encouraged Government of Armenia efforts to reform its water code, including 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 the operation and maintenance of MCC-financed irrigation assets.



The Rural Roads Rehabilitation Project stimulated the implementation of the Road Lifeline Network concept, which the Government of Armenia utilized as justification to formally mandate the provision of operation and maintenance services for more than 2,700 kilometers of roads. Prior to MCC involvement, none of these roads were eligible for Government of Armenia operation and maintenance expenditures.

## Irrigated Agriculture Project

MCC funded the repair and upgrade of vital irrigation infrastructure across Armenia to provide the rural population with a more reliable supply of water, increase available farmland and reduce the cost of operating irrigation systems. The project improved 780 kilometers of canals, providing access to reliable irrigation for more than 420,000 farmers—40 percent of the rural population. As farmers gain confidence in water reliability and choose to invest in cultivating more profitable crops, yields and productivity will increase, compared to before the investment. The project also included assistance to the nation's farmers, agribusinesses and water supply institutions through training, technical assistance and a farmer credit component.



MCC encouraged farmers to shift from low-value to high-value crops and expects income from agriculture in rural areas to increase because of the compact.

Project cost: **\$154 million**

Estimated number of beneficiaries: **421,400**

Estimated rise in household income: **\$290 million**

Farmers trained in on-farm water management: **45,639**

Loans disbursed: **\$8.5 million to more than 760 farmers**

Water-user associations trained: **44**



Water-user associations received technical assistance, including the use of Geographic Information System software. Thanks in part to the MCC-funded technical training, water-user associations can better manage Armenia's irrigation systems. Efforts by the Government of Armenia, supported by MCC, helped raise the collection of water fees from 50 percent of users in 2008 to 69 percent in 2010. This increase is expected to result in water-user associations' ability to cover 60 percent of costs with user revenue in 2011, up from 37 percent in 2007.

## Rural Roads Rehabilitation Project

The project aimed to ensure that every rural community in Armenia has essential road access to markets, social services and the main road and interstate network. In addition, the compact program was designed to fund a technical audit of ongoing maintenance contracts and a strategic road maintenance plan.

Project cost: **\$8.4 million**

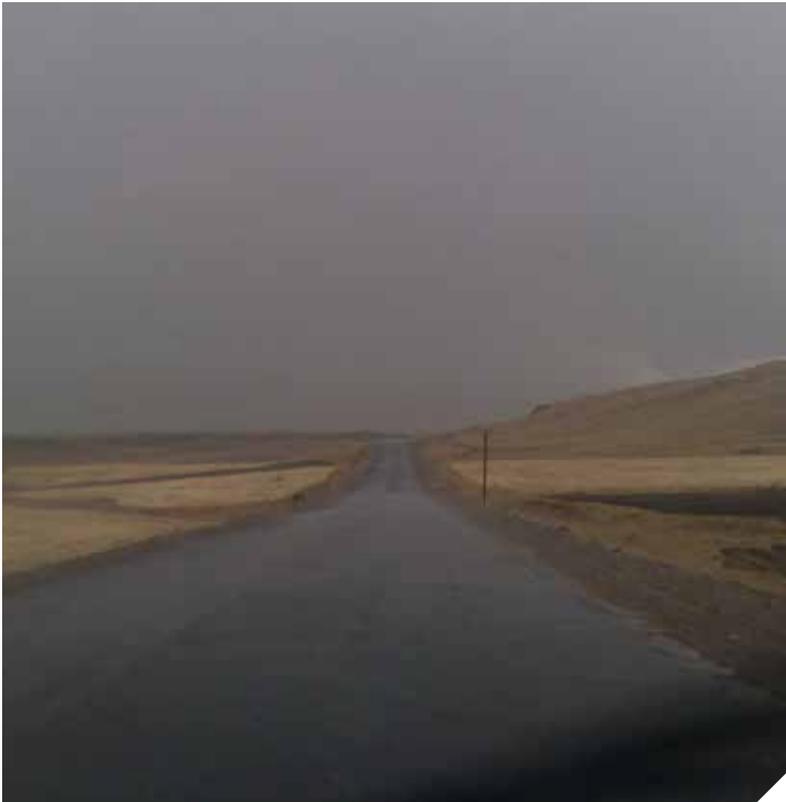
Estimated number of beneficiaries: **6,216**

Estimated rise in household income: **\$10 million**

Kilometers of roads rehabilitated: **24.5**

Improvement in road roughness: **78 percent**

Increase in average daily traffic: **15 percent**



Improved road conditions have contributed to a significant decrease in travel time. Vehicular activity on the road increased following the improvements, and public and private transportation options are more readily available.

### Success story

Margarita Grigoryan is a subsistence farmer with a small parcel of land in the rural town of Khoronk. Like many Armenian farmers, Margarita and her family have lived on her agricultural income of approximately \$1,000 per year for the past 15 years.

Margarita and her neighbors' three-kilometer canal, rehabilitated through the MCC compact, allows her to plan her growing season more effectively: When she submits her water request with her water-user association, she has confidence that her farm will receive an appropriate amount of water on a predictable schedule.

Today, Margarita is making close to \$8,000 per year from her new irrigated fields and an additional \$2,000 from her new greenhouse. Margarita's income increases have made it possible for her to provide for her family and to continue to reinvest in and grow her business.



Margarita and her neighbors' three-kilometer canal is just a small segment of approximately 220 kilometers of tertiary canal rehabilitated under the MCC compact.



Margarita Grigoryan has seen her annual income increase eightfold, thanks to MCC's investments in Armenia.

## Partnership in the Field

This has been worth its title: the *Millennium Challenge Account*. The five-year compact has been challenging, not just for me as CEO, but for all the parties involved. In the beginning, during the first days of the compact, we started off as a fairly small team compared to the size and scale of the investments to be made. Gradually, we gathered one by one the implementing entities, design consultants and, eventually, the contractors to implement the work. There is no doubt that the most memorable part of my time as CEO is the team that works on this program. It is an excellent team—if you would look at the staff list it never changed dramatically. The constancy of key people staying shows how much value was attached to the team and teamwork. We started with 20, now we are 40. That is most memorable.

I also have some really positive feelings about the good things we did for individual people within the country—farmers, groups of farmers, water users. There were some memorable visits to farmers' houses or land plots, with increased income, positive feelings, tangible results, and better knowledge.

—Ara Hovsepyan, MCA-Armenia chief executive officer



Ara Hovsepyan (right) discusses MCA's investments with Armenian President Serzh Sargsyan, center, and U.S. Ambassador Marie L. Yovanovitch.

## Partnership in the Field

When people ask me to describe what we have accomplished in Armenia, I sometimes simplify by saying we have created a partnership that is not just helping to invest in irrigation infrastructure, but actually helping farmers and government systems maintain and grow Armenia's agriculture sector in the long run.

In Armenia, agriculture is essential for the national economy and particularly critical for food security and for the alleviation of poverty in rural areas. More than a third of the country's population lives in rural areas and depends on agriculture. But Armenia is an arid country, and little can be grown without the help of manmade irrigation systems, which are rapidly deteriorating. This is one reason why MCC's investment in irrigation infrastructure will have a significant impact on reducing poverty in the country.

For MCC's investments to last, there needs to be a complementary investment in farmers' knowledge and the institutional management of the irrigation system. With an eye on sustainability, MCC invested in activities that will increase farmer productivity, increase their incomes and allow them to contribute through water-user fees to the long-term maintenance of the irrigation infrastructure.

In my five years living and working in Armenia, I sincerely believe the compact has created an example of how good development assistance builds successfully on strong partnerships and mutual understanding of how to make lasting investments. And as I leave the country, I am most impressed with the fact that even though the program has reached its formal end, the Government of Armenia continues to actively study the impact and effectiveness of the compact so as to build on its successes



Alex Russin (right) helped oversee the largest grant investment in the country's irrigation sector in three decades.

and further ensure the value of the single largest grant investment in the country's irrigation infrastructure in the last 30 years.

—Alex Russin, MCC resident country director

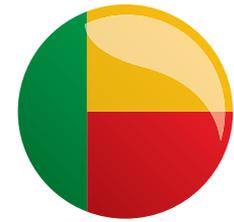
COMPLETED COMPACT: **BENIN**



**T**he Benin Compact sought to improve access to markets by eliminating constraints hindering the flow of goods through the Port of Cotonou; expand access to financial services through grants for micro-, small- and medium-sized enterprises and through other activities to strengthen the microfinance sector; improve the legal and administrative instruments of land tenure to increase security and allow more citizens to have access to land; and provide access to the justice system by strengthening and streamlining the existing judicial system through training, procedural improvements and construction of new courthouses.

### At a glance

Compact signed: **February 22, 2006**  
Compact entry into force: **September 6, 2006**  
Compact end date: **September 6, 2011**  
Compact investment: **\$307 million**  
Estimated number of beneficiaries: **8,792,000**  
Estimated rise in household income: **\$409 million**



The Port of Cotonou is a key trading hub for neighboring countries, including Niger, Mali, Nigeria, and Burkina Faso, and is the driver of economic growth in Benin. MCC invested \$188 million to improve the port. The volume of merchandise flowing through the port increased from 4 million metric tons in 2004 to 7 million metric tons in 2010, exceeding its previous capacity.

## Policies **Matter**



Benin's National Microfinance Policy, adopted in November 2007, formalizes the government's commitment to supporting access to financial services by enhancing the professional status of the microfinance 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 microfinance institution inspections and sanctions.



The Government of Benin adopted the Declaration of National Policy on Landholding and the Domain, which consolidated the elements of the nation's rural and urban land reform, including those assisted by the compact. The declaration directs all government agencies to pursue the same policies and reform approaches in their programming and budgeting, ensuring consistency and predictability. It also recognizes the equal treatment and protection of customary law in rural areas and civil property law in urban areas in all administration and transactions. Under the compact, 294 rural communities established rural landholding plans that provide legal, written records of land rights for about 68,700 landholders.

### Access to Markets Project

The project improved the Port of Cotonou's security, expanded its capacity, enhanced intraport traffic flow, and invested in cost-reduction measures—all of which helped create a more modern facility prepared for increased movement of goods.

Project cost: **\$188 million**

Estimated number of beneficiaries: **8,792,000**

Meters of extension of sand-stopping jetty: **300**

Amount saved in annual dredging and maintenance costs: **\$2.1 million**

Meters of new container ship wharf capacity: **550**

Average customs clearance time: **3 days, down from 4 days in 2006**



The extended sand-stopping jetty ensures that sand does not enter the port entrance channel and reduces maintenance costs, estimated to save the port more than \$2.1 million annually.

### Access to Land Project

The project was designed to expand the use of more secure land tenure instruments and assist in building effective and transparent land governance institutions. Only 1 percent of urban households hold a proprietorship title to land; most rural landholders hold unwritten customary rights in land, and disputes are widespread.

Project cost: **\$31 million**

Estimated number of beneficiaries: **261,000**

Urban land parcels surveyed: **31,000**

Rural communities that established rural landholding plans: **294**

Regional offices of the state land registry opened: **3**



Advanced technology—like a Continuously Operating Reference Station that collects and records Global Positioning System data for surveying and mapping—helps strengthen land rights.

### Access to Justice Project

The project aimed to reform Benin's legal and judicial environment, which prior to the compact suffered from insufficiently qualified personnel, untimely court decisions, corruption, difficulties enforcing decisions, and outdated laws and codes regulating economic and social life. The alternative dispute resolution intended to complement the traditional court system was not being utilized, and the time and procedures required to register a business were lengthy and complicated.

Project cost: **\$19.4 million**

Estimated number of beneficiaries: **2,237,000**

Judges trained: **100**

Courthouses built: **5**

New enterprises registered during compact's life: **19,000**



MCC's compact created a legal information center (shown here) and built four courts of first instance and one appellate court to reduce processing time, save money and promote the development of modern business activity and investments.

### Access to Financial Services Project

The project improved the ability of micro-, small- and medium-sized enterprises (MSMEs) to respond to economic opportunities and improve MSMEs' access to financial services. It strengthened supervision of microfinance institutions (MFIs) and established the grant-making Challenge Facility to support projects strengthening MSMEs and MFIs—steps that have helped the microfinance sector improve financial stability and increase operational self-sufficiency.

Project cost: **\$15.5 million**

Estimated number of beneficiaries: **981,000**

MSMEs and MFIs receiving a Challenge Facility grant: **65**

Operational self-sufficiency of participating MFIs: **95 percent**

Average time for processing an MFI license application: **42 days, down from 90 in 2006.**



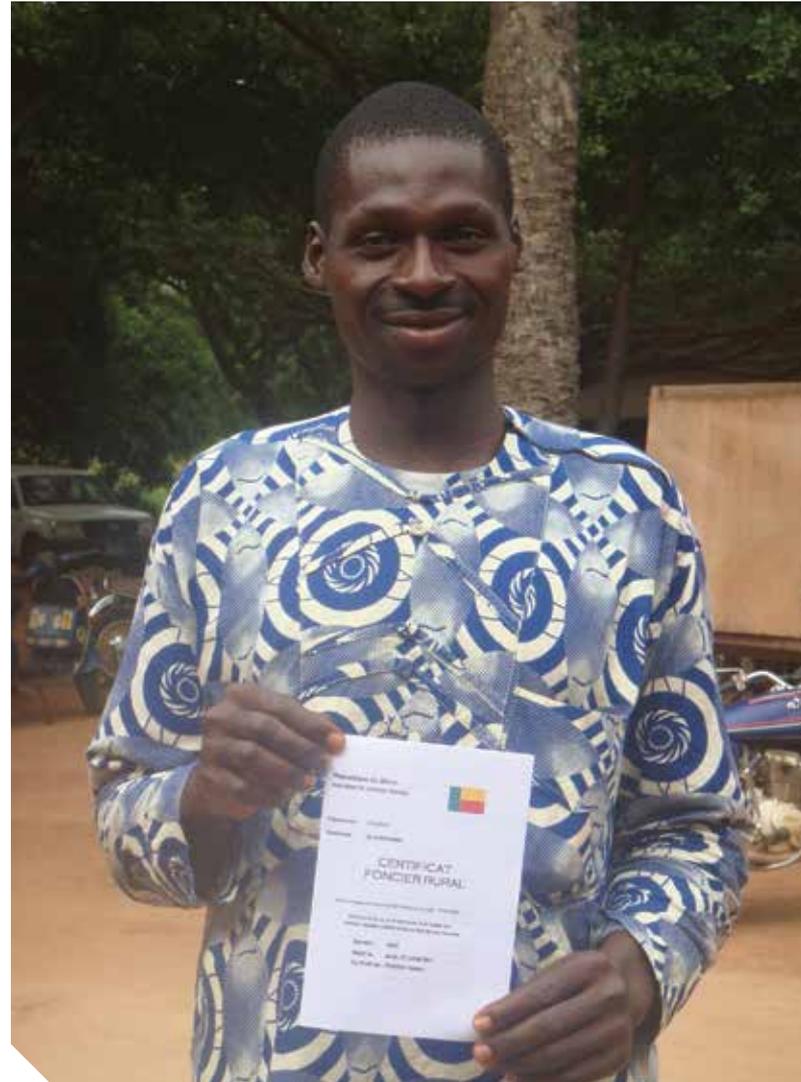
Challenge Facility grants ranged from \$25,000 to \$500,000. This consortium of rabbit farmers used their grant to expand their facilities.

### Success story

Like most rural landholders in Benin, Nestor Hassou had no formal property title. Situations like his can lead to major land disputes, which comprise 70 percent of all of Benin's court cases. MCC worked with Nestor and people in 294 communities to establish rural landholding plans that provide legal, written records of rights. These plans will strengthen property rights for about 70,000 rural landholders. Improvements in land security will encourage landholders like Nestor to invest in their land and use it as collateral to access credit.



Beninese land registry agencies now use computer technology for registry operations. Because of MCC's investment, Benin now has some of the most sophisticated geodetic and surveying technology in Africa.



For the first time, Nestor Hassou can proudly display his rural land certificate.

### Partnership in the Field

Although I had interacted with donors before, working with MCC was different—exciting, demanding and full of challenges, especially having to base projects on solid economic analysis. We had to quickly learn and follow a participative process involving civil society, produce reliable statistics and operate in a climate of disbelief and lack of confidence in our own national capacity to implement such a program.

I understood from the beginning that MCC was offering Benin an unprecedented opportunity to demonstrate the talents and capacity of the Beninese people and to undertake major infrastructure projects which had never been dreamed of before. In addition, MCC urged Benin to take on audacious and ambitious reforms that no other donor agency had ever proposed.

After five years of implementation, the majority of the original objectives have been achieved. I was filled with a sense of joy, satisfaction and pride to have been part of the modernization of the Port of Cotonou and putting into place port and custom reforms. The experience MCC afforded me is priceless. There is no university education equal to what I learned about development, managing and monitoring large construction projects, working with international experts, consultants and contractors, managing teams and risk, and succeeding in spite of setbacks.

With the will to succeed, belief in the results and respect for rules and procedures that operate in a climate of transparency and good governance, MCC has proven to the world that country ownership in Benin produces results.

—Gabriel Degbegni, MCA-Benin Access to Markets project director



Gabriel Degbegni believes the success of the Benin Compact sends a message to the world.

### Partnership in the Field

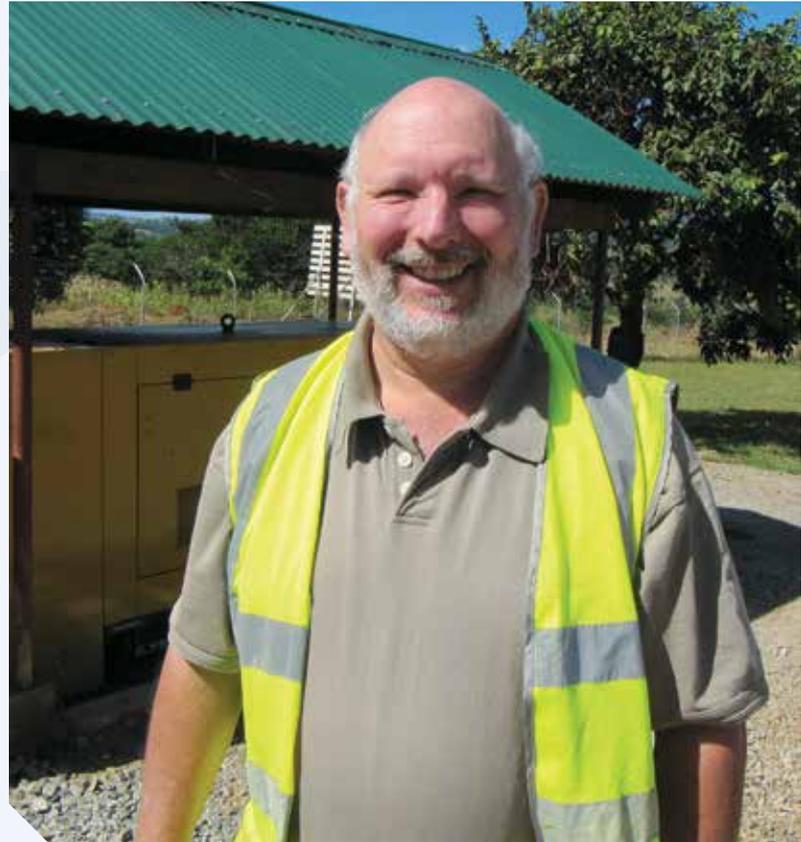
I was very excited when I joined MCC in the spring of 2005 because I saw an opportunity to apply the financial and institutional knowledge I had acquired over 25 years in the private sector to helping the lives of the world's poor in a new and creative way. I was assigned to evaluate the compact infrastructure investment proposal from Benin. I quickly reviewed the information provided, developed an acquisition plan to hire the specialized consultants needed and dove head-first into the realm of the Port of Cotonou.

After thoroughly assessing the proposed physical investments in the Benin request, it became clear to us that the institutional and operational issues were greater impediments to meeting the rising demands on Benin's largest business. We took time to work with the MCA-Benin and port staff to develop institutional technical assistance to complement the new wharf, roads, rail, security, and other physical improvements proposed by the port's management.

While we did not achieve as many visible successes with these institutional changes, we did see significant benefits to the port, such as dramatically reduced container ship waiting times and improved financial operations. Reforms to the customs department proved to be the most challenging, but we moved forward in modernizing customs organization and providing needed information technology to track goods transiting Benin.

I will never forget the cooperation and creativity shown by my counterparts at MCA-Benin and the port in making this compact a success.

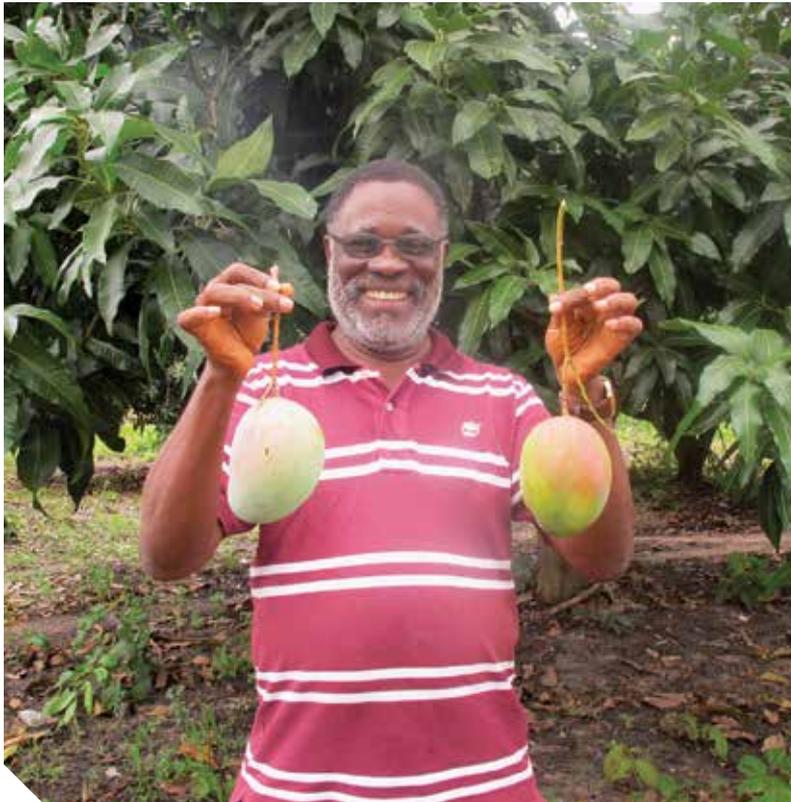
—Jonathan Saiger, MCC senior director of infrastructure



Jonathan Saiger believes reforms associated with modernizing the Port of Cotonou provided significant benefits to Benin.



**G**hana's compact sought to raise farmer incomes through private sector-led agribusiness development. It consists of three types of strategic investments to transform and modernize the agricultural sector in order to promote economic growth through projects to strengthen production, more efficiently move goods to market and improve farm communities and farmers' livelihoods and living conditions.



The Ghana Compact was designed to benefit farmers by helping them boost their yields and more efficiently move their products to markets.

### At a glance



Compact signed: **August 1, 2006**  
Compact entry into force: **February 16, 2007**  
Compact end date: **February 16, 2012**  
Compact total: **\$547 million**  
Estimated number of beneficiaries: **1,217,000**  
Estimated rise in household income: **\$690 million**



MCC helped expand access to potable water in rural areas in northern Ghana, one of the last places afflicted by Guinea worm disease, by constructing new water points, promoting awareness of water-borne disease and training water and sanitation officers.

## Policies Matter



Ghana's parliament passed landmark legislation on seeds, plant protection and fertilizer in June 2010, providing access to improved seed varieties, certified fertilizer and pest-free plant material. These developments are key for Ghana's food security and agricultural productivity.



Through the Government of Ghana's multi-year Land Administration Project, five public land sector agencies were restructured into a single agency under the direction of one chief executive officer. Building upon this restructuring, the compact strengthened the new Ghana Lands Commission at the national level by providing technical, legal, administrative, and managerial training to 400 agency staff as well as providing modern surveying equipment to conduct field work. The compact also funded three new regional land administration offices that were equipped and staffed to provide local landowners with direct access to land administration services. The compact reduced the time for landowners to travel to Accra to conduct land-related business and put responsibility and accountability for the provision of land services directly in the regions. Compact funding also resulted in the development of a methodology for the systematic surveying, formalization and registration of rural land rights.

## Agriculture Project

This project sought to enhance returns from staple food and horticulture crops produced by poor smallholder farmers and to improve delivery of business and technical services to support the expansion of commercial agriculture.



The compact provided training to improve farmers' agronomic skills and business capacity. This is intended to enable farmers to shift their focus from subsistence farming to commercial agriculture and maximize their sales.

Project cost: **\$196 million**

Estimated number of beneficiaries: **878,000**

Estimated rise in household income: **\$294 million**

Farmers trained: **66,930**

Hectares under production: **58,568**

Feeder roads rehabilitated: **357 kilometers**



During the compact period, Ghanaian producers exported an additional 15,162 metric tons of pineapples and 5,825 metric tons of mangoes.

### Rural Development Project

This project provided community services, including education, water, sanitation, and electrification to rural agricultural facilities. It also was intended to enhance the capacity of local governments and communities to deliver the related services, ensure maintenance and support sustainability.

Project cost: **\$76 million**

Estimated number of beneficiaries: **356,000**

Estimated rise in household income: **\$75 million**

Water points constructed: **392**

Households with access to improved water supply: **27,407**

Students enrolled in schools affected by the activity: **41,109**



MCC built or rehabilitated 250 school blocks, aiming to improve access to education for children living in rural communities.

### Transportation Project

Poor quality roads and transportation linkages inhibit sustainable economic growth by limiting expansion of agricultural opportunities and restricting access to domestic and international agricultural markets. This project aimed to facilitate growth, promote access to social services and support expansion of Ghana's export-directed horticulture base.

Project cost: **\$225 million**

Estimated number of beneficiaries: **314,000**

Estimated rise in household income: **\$321 million**

Length of N1 highway paved: **14 kilometers**

Length of trunk roads improved: **75 kilometers**



Following improvements to the N1 highway, travel time at peak hours was reduced from one hour prior to the compact to 19 minutes over the 14-kilometer stretch, allowing Ghanaians to more easily travel to their jobs and access social services. As a symbol of gratitude to the United States, the highway was renamed the George Walker Bush Motorway.

### Success story

The Nyohini Women's Group, a farmer-based organization of 50 female rice processors in Tamale, received MCC-funded training—and their product is helping feed the world's hungriest people.

The group received nine weeks of training on methods to develop their businesses and increase crop production as part of the commercial training activity, which addressed several constraints faced by small-holder farmers and agribusinesses like poor production, outdated post-harvest techniques and limited business and management skills.

Before the training, Ayesha Otibo, the chairwoman of the Nyohini

Women's Group, did not produce the quality of rice required to integrate into the value chain and compete in larger markets. Ayesha and her colleagues can now grow better rice, accurately track their profits and losses and successfully negotiate better prices with suppliers and service providers. The group is selling its product to the World Food Programme, the United Nations' food aid organization, which purchases 100-kilogram bags of rice from the women at prices higher than they would receive in local markets.

The women, many of whom are widows, credit the MCC-funded training for their newfound income, empowering them to pay for their children's school fees and household electricity bills.



The Nyohini Women's Group boosted their rice yields and sold their crops to the United Nations World Food Programme.

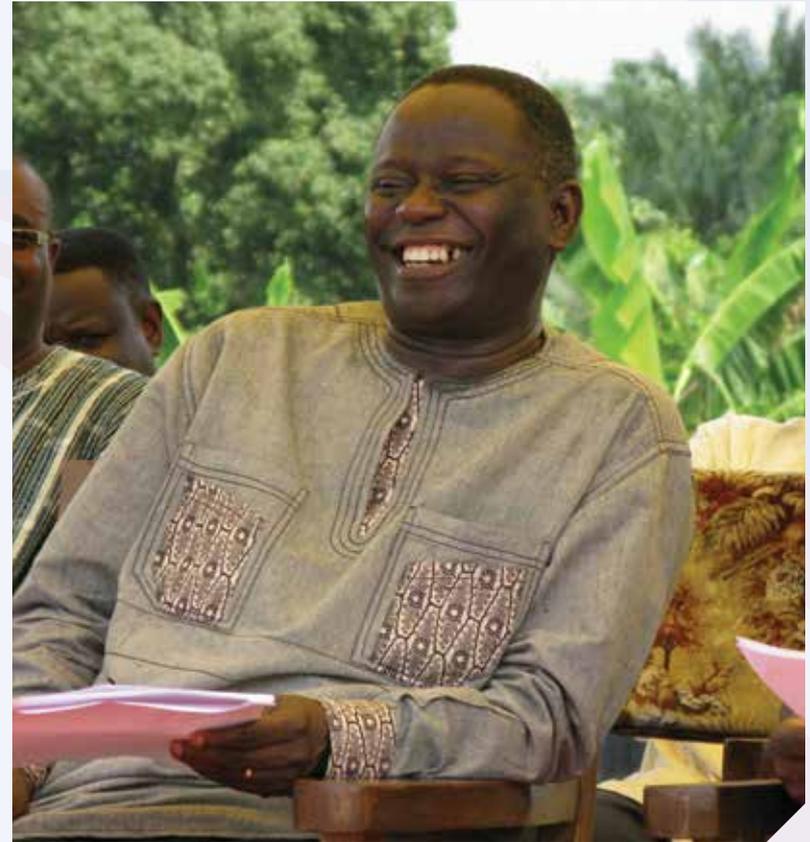
### Partnership in the Field

Prior to the MCC compact, Ghanaians were awakened to the fact that there would be an investment by U.S. taxpayers of \$547 million into our country. Through the compact, we demonstrated what can be done. We showed that Ghanaians can use the U.S. money effectively to show-case results for Ghana. We enjoyed good collaboration between the Millennium Development Authority (MiDA) and MCC colleagues. We proved that development projects could be implemented in an apolitical manner, in a way that benefits all Ghanaians.

Rural communities really benefitted from the compact. The way we interacted with the district assemblies and beneficiary communities gave them a voice. Through district assemblies and regional ministers, communities told us when implementation was not going well and we responded. MiDA was accountable to the beneficiaries.

This level of accountability is why the MCC approach should become the benchmark in Ghana.

—Martin Eson-Benjamin, Millennium  
Development Authority chief executive officer



Martin Eson-Benjamin worked to ensure that MiDA remained accountable to beneficiaries.

### Partnership in the Field

One of MCC's guiding principles is country ownership, which recognizes that development investments are more effective and sustainable when they reflect countries' own priorities and strengthen governments' accountability to their citizens. My travels and work on the Ghana Compact constantly reminded me of this principle. I was reminded by the cab driver who spoke glowingly about the MCC-funded highway in Accra without knowing that I was affiliated with the project. I was reminded by news clips of local leaders speaking about the MCA as a model for future development programs in Ghana. I was reminded by our local partners who worked long hours to implement the projects and measure their results. I was reminded and humbled by the school-children who thanked me and MCC for rehabilitating their school. These experiences demonstrated the depth of country ownership in Ghana.

While the people I met were excited about individual projects, many more were excited by the concept of the compact and what it symbolized. To the cab driver, it symbolized a strong partnership with the United States. To the local leaders, it showcased a development program designed and led by Ghanaians. To our local partners, it represented transparency and accountability for results. To the children, it represented a brighter future. Each owned the compact in his or her own way, and I hope this ownership contributes to continued economic development in Ghana.

—Tim Breitbarth, MCC senior program officer



Throughout his travels in Ghana, Tim Breitbarth (right) listened to praise about the compact.

COMPLETED COMPACT: **EL SALVADOR**



[www.mcc.gov/elsalvador](http://www.mcc.gov/elsalvador)

ADVANCING PROSPERITY

**T**he El Salvador Compact sought to reduce poverty in the country's Northern Zone by improving human and physical capital and increasing production and employment. The compact also seeks to reduce travel costs and time in El Salvador and throughout Central America.



MCC helped connect more than 6,300 Northern Zone households to potable water systems.

### At a glance

Compact signed: **November 29, 2006**

Compact entry into force: **September 20, 2007**

Compact end: **September 20, 2012**

Compact total: **\$460.9 million**

Estimated number of beneficiaries: **706,335**

Estimated rise in household income: **\$570 million**



MCC funded the construction of the Technological Institute in Chalatenango, a state-of-the-art technical and vocational facility.

## Policies **Matter**



El Salvador is the second-most deforested country in the Western Hemisphere. As part of the Productive Development Project, the Government of El Salvador developed a sustainable forestry policy.



Prior to compact signing, the Government of El Salvador undertook significant reforms to the rules, regulations and cost factors required to formally create a new business.

## Connectivity Project

The project aimed to reduce travel cost and time within the Northern Zone by designing, constructing and rehabilitating a two-lane paved road that serves as a national transport artery and augments El Salvador's international transportation connectivity.

Project cost: **\$279.8 million**

Estimated beneficiaries: **533,667**

Estimated rise in household income: **\$377 million**

Anticipated length of roads paved as a result of the compact: **223 kilometers**

Bridges built: **23**



The project is expected to reduce travel time between Guatemala and Honduras from 12 hours to six hours. Thousands of people who live along the Northern Transnational Highway received training on road safety.

### Human Development Project

The project sought to increase the human and physical capital of Northern Zone residents to take advantage of employment and business opportunities by providing formal and non-formal education, improved access to potable water systems and basic sanitation services, electricity coverage, and improved community infrastructure.

Project cost: **\$84.4 million**

Estimated beneficiaries: **243,395**

Estimated rise in household income: **\$105 million**

Households connected to electricity supply: **27,942**

Households connected to potable water: **6,324**

High schools rehabilitated: **20**



MCC helped build almost 280 kilometers of pipes—equivalent to the length of El Salvador—to connect beneficiaries with clean water.

### Productive Development Project

The project increased production and employment in the Northern Zone through technical assistance to farmers and small businesses; capital investment in commercial projects; credit guarantees for micro-, small- and medium-sized enterprises; and technical assistance to financial institutions.

Project cost: **\$64.3 million**

Estimated beneficiaries: **47,600**

Estimated rise in household income: **\$88 million**

Improved land under production: **23,566 hectares**

Agricultural producers who received assistance: **17,467**

Partial guarantees to micro-, small- and medium-sized businesses: **5,310**



MCC helped more than half of the Northern Zone's agricultural producers through the provision of seeds, equipment, training, and technical assistance.

### Success story

For years, residents of El Salvador's Northern Zone waited for electrical connections for their homes. To work and read at night, they burned gas lamps that spewed harmful smoke and caused respiratory diseases. Children could study for fewer hours.

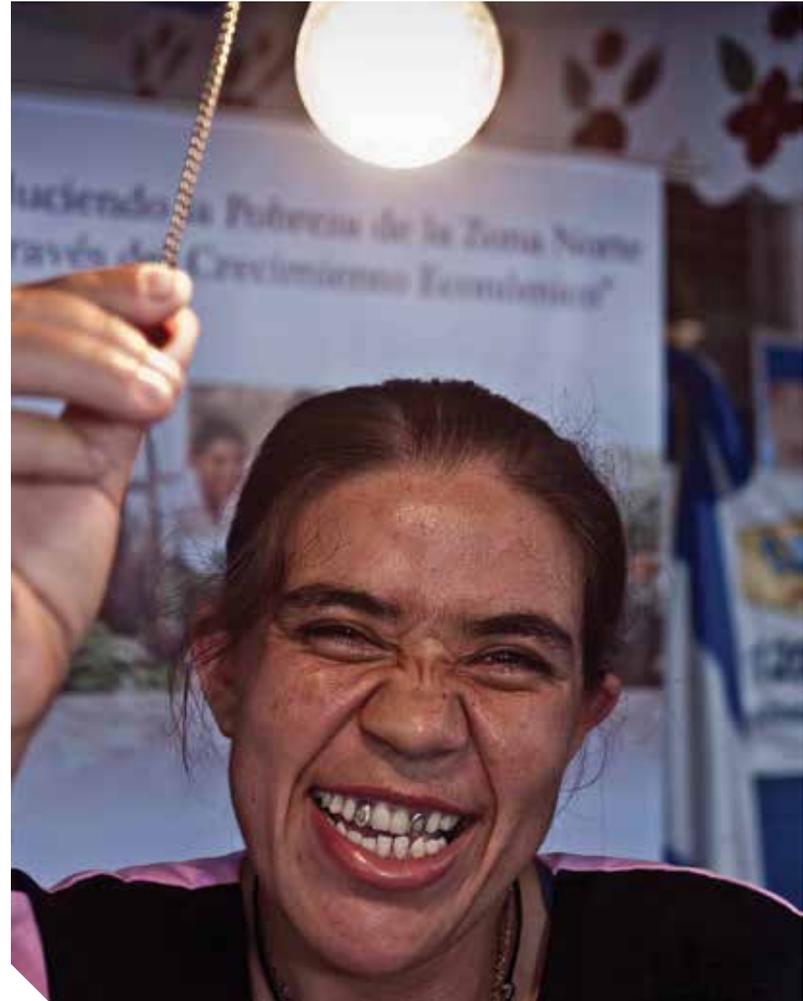
Because of the El Salvador Compact and an agreement with the private sector, tens of thousands of households have been connected to the national power grid or to solar-powered systems.

FOMILENIO, the organization implementing the compact, attracted private-sector financing in 2009 with Virginia-based AES Corporation for construction and operation of electricity distribution networks. The public-private partnership built 1,300 kilometers of power lines, as well as connections and extensions throughout the Northern Zone.

Through the agreement, MCC and the Government of El Salvador funded up to 85 percent of the electrification project. AES El Salvador funded the remainder—and helped change the lives of thousands of poor Salvadorans.

"I never lost hope of having electricity," beneficiary Maria Guevara Marcos Aguilar said. "I am very grateful, because now I can weave the reeds at night."

About 28,000 families now have electricity in their homes, and because of those connections and additional ones made by other organizations, the percentage of households in the Northern Zone with electricity connections rose from 78 percent in 2007 to 90 percent in 2012.



"What we have learned and what we are implementing," said José Transito Romero, who received basic electrical skills training, "is for the benefit of the community."

### Partnership in the Field

FOMILENIO has reached its final year, and I can say with great satisfaction that the results of this great compact are impacting the lives of many Salvadorans living in the Northern Zone. The Northern Transnational Highway is no longer a distant dream but is a road that begins to form an essential part of the development of the population in this important region.

During the past five years, I was surprised to experience what a well-designed plan is able to achieve in meeting the agendas of various people, institutions and communities to reduce the poverty of the region. The commitment of mayors and communities to accept projects and their willingness to do things differently under the principles of sustainability, producers eager to learn new techniques to improve crops and motivated to boost income, and employees and contractors exceeding their obligations to fulfill goals are just a few examples of this happy story.

The big challenge we now have is to ensure sustainable development and accept that poverty will not end with the compact. We must now work to make sure El Salvador's most vulnerable have opportunities to live a better life.

—José Angel Quirós, FOMILENIO executive director



José Angel Quirós, back row, visits with beneficiaries of the Productive Development Project.

### Partnership in the Field

When El Salvador was announced as eligible for a MCC compact in November 2005, I jumped at the chance to work on its compact development team. The initial collaboration with the Salvadorans was exciting and fast-paced—we worked together to develop the compact in less than one year.

Surprisingly, the intensity of the effort put in by the Salvadorans and my MCC colleagues never really slowed down over the five years of implementation. The compact was a complicated program involving investments in more than five different sectors, but the extra effort was made to make sure that all of the moving parts came together in the end.

We already know that all of the hard work has paid off—more children are attending school, water systems were built on time and farmers were trained in improved technologies—but the evaluation of the impact of those investments on economic growth and people’s well-being is ongoing.

In El Salvador, the end of the compact is just the end of one phase and the beginning of another, since our dedication to working together to measure impacts does not end when the program ends.

—Rebecca Goldsmith, MCC director  
for monitoring and evaluation



Rebecca Goldsmith (third from left) visits with a group of handicraft producers.

## MADAGASCAR



**M**CC and Madagascar signed a \$110 million compact in 2005 to increase land security, modernize the financial sector and spur investment in farms and other rural businesses. In May 2009, MCC's Board of Directors authorized the orderly termination of the compact with Madagascar because of the military coup and undemocratic transfer of power that occurred in March 2009. The compact was formally terminated by MCC on August 31, 2009. At the time of termination, a number of activities had already been completed or were

well underway; therefore, the compact still produced significant results: restoration of 95,000 disintegrating land rights documents in regional offices, the issuance of 38,121 land certificates, construction of 29 land office buildings, strengthening the national inter-bank payment system at the Central Bank, increasing the population's access to savings products, establishing a network of over 350 farmer leaders, and providing technical assistance training to about 35,000 farmers and 324 small businesses, farmers associations and cooperatives.

## Partnership in the Field

Who better to take care of the land than those who live, work and depend on it for their very existence? The answer to this fundamental question is what impressed me most about how the compact was designed and implemented. The Government of Madagascar, MCC, farmers, and private sector operators worked together to identify key constraints to growth (such as poor land tenure policy, limited improved production and processing technologies and lack of access to credit) and developed a compact that responded to these constraints in a well-integrated manner.

Integrating specific compact projects (land tenure, agricultural business investment promotion and finance) provided farmers with the opportunity to secure their land, acquire business and technical skills and access low-cost financial tools. This improved their living conditions through increased agricultural productivity while simultaneously helping them manage their natural resources in a sustainable and environmentally-friendly way.

To these farmers, the stewards of their land, an integrated approach was not political rhetoric or a means to financial support. It was simply the way they live their lives—day to day. They are proving that they can produce food in an environmentally-sound manner without over reliance on chemical fertilizers, pesticides, herbicides, or petroleum-based energy. They are doing it by following the land's lead in managing their farms and finding ways to produce food and fibers that are both economically-sound and ecologically-sustainable. They are living evidence that farming as if nature matters is a viable economic growth alternative.



Glenn Lines witnessed the changes the Madagascar Compact made in the lives of the country's farmers.

Development is never easy. Each and every decision needs to be carefully considered and implemented, balancing environmental concerns and the well-being of farm families. This is where the MCC compact helped most. It helped families help themselves by providing them with the tools to make environmentally-sound, economically-viable decisions that protected their natural resource base and that reduced poverty with the adoption of sustainable agricultural techniques.

—Glenn Lines, MCC resident country director

## MALI



[www.mcc.gov/mali](http://www.mcc.gov/mali)

**M**CC and Mali signed a \$460 million compact in 2006 to create economic growth through investments in the Bamako Sénou Airport and an irrigation perimeter in the Alatona zone. MCC terminated the compact August 24, 2012, following the undemocratic change of government in the country. Despite the termination,

the compact produced a number of results: It extended and improved the airport's runway, brought new irrigation to 4,942.4 hectares, distributed 2,929 land titles, improved 81 kilometers of rural roads, and made investments in improved financial and social services.

## Partnership in the Field

Earlier this year Aburu Sangare, a project beneficiary in our agriculture program, sent us a lengthy, very moving and well-written essay on the project. He spoke of a transformed region where people have enough to eat, livelihoods are improving and the communities are filled with “contentment and happiness and joy and calm and peace and laughter.”

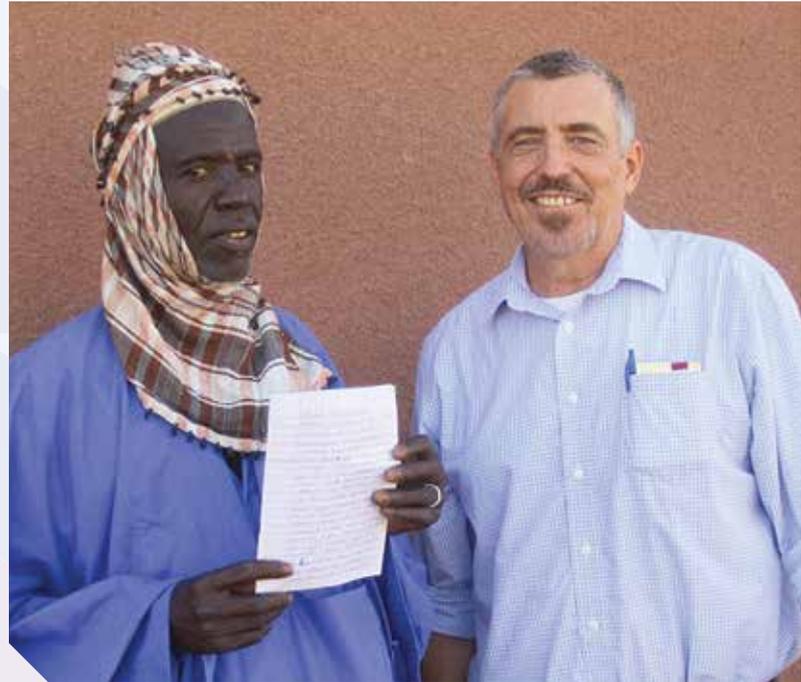
More recently he sent us another letter.

“In the Alatona rice fields there is great happiness,” he wrote. “People’s hearts are joyful. They have gotten something wonderfully good. Everyone you see has a smile on his or her face and is laughing. What brought this about? It’s farming the dry-season rice, which produced a great harvest. Some people threshed 67 sacks, some threshed 75 sacks, some threshed 97, some 58. Overall, we’ll just say that what they have gotten is wonderfully good.

“The women of Alatona say that they are the ones that MCA-Mali came to help. They say this because they have gotten many good things and they have seen great improvement. In past years, they were suffering the most. But now they thank God and they thank MCA-Mali.

“I have heard them saying these things on the streets and in meetings. We always had to leave home and go into the towns, all day long we would ask people ‘Is there any work?’ But now we see that they themselves are coming asking us for work.

“So with all that can be said about MCA-Mali, we’ll just say, ‘Wow, the people full of kindness and smiles—those are Americans.’”



Aburu Sangare (left) delivered a letter of gratitude to Jon Anderson.

The last time I was in Alatona, I asked to meet Aburu. He is a middle-aged man and dressed traditionally. He had just started with his one hectare of double-cropped land. We asked how he did. For his one hectare, he got 67 bags of paddy—about \$3,000 worth of crops. I asked him if he was satisfied.

He looked at me and said, “That is a question that does not need to be asked.”

—Jon Anderson, MCC resident country director

## EVOLUTION OF MCC'S THRESHOLD PROGRAM

In July 2005, MCC approved its first Threshold Program grant in the amount of \$13 million to Burkina Faso to improve girls' primary education completion rates. Since then, 20 other countries have implemented 22 additional Threshold Programs, totaling nearly \$495 million, to improve their policy performance.

Three-quarters of Threshold Program funding has been dedicated to **anti-corruption** and **rule of law** reforms.

THRESHOLD PROGRAMS	
<b>Africa</b>	Burkina Faso*, Kenya, Liberia, Malawi*, Niger, Rwanda, São Tomé and Príncipe, Tanzania*, Uganda, Zambia*
<b>Asia</b>	Indonesia*, Kyrgyz Republic, Philippines*, Timor-Leste
<b>Eastern Europe and the Middle East</b>	Albania I, Albania II, Jordan*, Moldova*, Ukraine
<b>The Americas</b>	Guyana, Paraguay I, Paraguay II, Peru
<i>*In addition to completing a Threshold Program, this country also signed a compact.</i>	

Reflecting lessons learned from independent program evaluations and an extensive internal review, the Threshold Program was redesigned to employ a targeted policy focus and program design that is based on deeper diagnostic, feasibility and cost-effectiveness analyses. It requires increased country ownership and participation. To develop a program, the process now includes an analysis to identify the binding constraints

to economic growth as well as deeper, sector-specific analyses. These analyses are performed jointly by partner country economists and MCC and are tailored for each country's policy environment and resource capacity. Four countries—Tunisia, Honduras, Niger, and Nepal—are currently participating in MCC's redesigned Threshold Program.

### Threshold Program **Success**

The World Customs Organization praised Paraguay's second Threshold Program for the implementation of a single-window system for imports, which has strengthened the capacity of Paraguayan customs to combat evasion and corruption while reducing the cost and time required to process import permits. In 2011, Paraguay's Threshold Program also rolled out a new, integrated logistics system for medicines and supplies, allowing officials to track medicines throughout the country's supply chain of warehouses, hospitals and clinics. The efficiency of the new system saves about \$6.2 million per year and prevents shortages, waste and fraud. Paraguay's Ministry of Health is using its own budget and management resources to maintain the system to ensure its sustainability.

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*As of November 5, 2012*

## NOTES

### Data Notes

Statistics cited in this book come from projections compiled by MCC. The number of beneficiaries and the expected impact on their income are projections of the compact's impact over 20 years.

Due to different closing dates for each compact, all data for Madagascar, Honduras, Cape Verde, Georgia, Nicaragua, Armenia, and Benin is current as of February 2012.

All data for Ghana, Mali and El Salvador is current as of September 2012.

Data for Vanuatu is current as of April 2011.

### Photography Notes

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### Publication Notes

#### Publication Production Team:

Scott Fontaine and Linda Smioldo Herda, *Writing*

Andrew S. Ladson, *Art Direction and Graphic Design*

Nasserie Carew, *Production Management*

Department of Congressional and Public Affairs



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