

Millennium Challenge Corporation

Testimony of Chief Executive Officer Daniel W. Yohannes

Before the U.S. House Appropriations
Subcommittee On State and Foreign Operations

April 14, 2010



MILLENNIUM
CHALLENGE CORPORATION

UNITED STATES OF AMERICA

Thank you, Chairwoman Lowey, Ranking Member Granger, and other members of the Subcommittee, for the opportunity to discuss President Obama's fiscal year 2011 budget request of **\$1.28 billion** for the Millennium Challenge Corporation (MCC).

I appreciate your continuing support for MCC's mission to reduce global poverty, and I welcome working with you to do more. My background is in banking, finance, and investment, and I hope you share my belief that smart aid like the aid MCC provides is one of the best investments the United States can make in the prosperity and security of our country and the world.

One thing that drew me to MCC is that the agency seeks to make the business of aid more business-like, and recognizes that sound investments require up-front risk assessments of both partners and projects. MCC also recognizes that while significant returns on investment are being seen right now, far greater returns will be realized in the future. This is the direct result of MCC's model, which is focused on sustained – and sustainable future impact.

As you know, MCC works to reduce poverty by removing barriers to economic growth. I came to the United States from one of the poorest countries on earth when I was 17, so I understand poverty first hand. I've seen the dehumanizing nature and destabilizing effect of poverty.

I also understand that just pouring aid money into a country is not going to measurably change things. Sustained change must come from the recipient countries themselves. Aid can make a measurable difference when governments have sound economic, social, and governance policies, are committed to transparency and fighting corruption, are accountable to their citizens, and are willing to take on the responsibilities of implementation and monitoring. These are the kinds of partners MCC is looking for.

We have also seen that sustainability requires a different approach to partnership from donors. It requires clarity of purpose for the assistance and the willingness to demonstrate long-term commitment through up-front program funding, in contrast to other aid programs that spend their appropriated funds each year. The flexibility of up-front funding that Congress provided MCC allows predictability of aid, better planning and budgeting by partner countries, and the ability to fund the longer-term projects that are essential for sustained progress on development priorities such as food security. Thank you for your continued support of this critical best practice. Although the policy of up-front funding lowers costs and increases efficiency, this approach also makes it appear that MCC has large, undisbursed balances even though the funds are, in fact, already in use to reduce poverty.

MCC also emphasizes sound investment analysis, results, and transparency throughout compact development and implementation. We analyze the costs and benefits of all proposed projects to ensure that our resources benefit the most people and generate sufficient returns, and we analyze how those benefits will be distributed. This work is posted on MCC's website (www.mcc.gov) for public inspection and comment. We work with partner countries to develop detailed monitoring and evaluation (M&E) plans for compacts, and track the progress of

compact programs against defined benchmarks and outcomes, all of which are also available on MCC's website. Additionally, we have begun to post the detailed results of impact evaluations of MCC programs, starting with Burkina Faso's Threshold Program evaluation. Impact evaluations for compacts will also be posted on MCC's website later this year, beginning with an evaluation of the Madagascar compact.

MCC has been in existence just over six years. Much has been accomplished in that short period of time – establishing a new government agency from scratch, constructing the eligibility indicator system, selecting early partner countries and, of course, designing and implementing compact programs that promote economic growth. But delivering results from these programs is what matters most. Because we base our investments on economic analysis and vibrant monitoring and evaluation systems, we can show results achieved along the way, from policy reforms, to intermediate output results, to the ultimate impact goal of increased income and reduced poverty.

One of my top priorities as CEO is to show how MCC's programs are impacting people's lives. I am committed to achieving MCC's mission of reducing poverty through economic growth, and I have set forth three priorities to advance this mission.

First, being innovative. We must make smart investments that will produce significant returns in the fight against global poverty. This means intensifying our frank conversations with stakeholders, including with Members of this Subcommittee, on what MCC can do to be more innovative in our financing and operations. We must look at what works and what we can improve. For example, we are undertaking a comprehensive review of the Threshold Program. We must be willing to correct operations midcourse to achieve better results and be willing to walk away from investments, and even partners who are not delivering on their promises.

I would like your support for critical legislative changes to improve our efficiency and effectiveness, such as concurrent and—in select cases—longer compacts. Congress created MCC to be inherently innovative, and we must live up to those expectations. We must build on our performance-based, transparent, country-driven model for awarding assistance.

Second, leveraging partnerships. Official development assistance is an increasingly small portion of financial flows to developing countries. Getting the biggest bang for our MCC buck will require more creative partnerships with the private sector, civil society, philanthropic organizations, and NGOs, who share our commitment to development. It will also require an increased emphasis on partnerships with other U.S. government agencies—USAID, OPIC, TDA, USTR—and the multilateral institutions to maximize results.

Third, delivering results and showing impact. We are committed to comprehensive monitoring and evaluation. This is critical. Focusing on program evaluation allows us to gauge what has worked well and what has worked less well. This allows us to ensure that American taxpayer money is spent wisely – and allows us to analyze every MCC

program as an investment. It costs money to do this right. This critical investment in monitoring and evaluation is included in MCC's budget request.

MCC has launched 20 compacts and 21 threshold agreements, committing nearly \$7.5 billion to reduce poverty. MCC estimates that our investments to date will benefit over 45 million people, raising incomes by \$9 billion over the life of investments. This does not count additional, follow-on benefits many countries experience by partnering with MCC.

By the end of FY10, MCC expects the following results across key sectors:

- ★ 500 kilometers of road constructed or rehabilitated and 1,500 kilometers of road works under contract, totaling \$753 million, to improve access to markets and social services.
- ★ 112,000 farmers trained and 50,000 hectares of higher value agricultural land under production with MCC support to increase the incomes of poor farmers and small enterprises.
- ★ 479,000 rural hectares formalized to strengthen property rights and provide beneficiaries with collateral to access credit and expand business opportunities.
- ★ Over 80 educational facilities constructed and renovations begun on 138 health clinics to improve the quality of and access to education and healthcare services.

Five-year investment programs like ours produce outputs similar to those of other institutions. While we can already report on the number of farmers trained, hectares under production, agricultural loans made, irrigation systems under contract, roads built, and land titles issued, this does not go far enough to show how MCC is improving the lives of the poor.

We believe that these outputs do not fully reflect impact, but instead show *preliminary* evidence of impact. While the full impact of MCC programs will not be known for years, we know that MCC investments are changing lives right now. For example, during my recent visit to Ghana I met a farmer named Bismark. After MCC-funded training, he began cultivating a variety of onion that is far more marketable than other crops he had farmed. He and his farmer-based organization were able to yield a profit, open a bank account, and finance irrigation equipment to make the next planting season even more profitable. Stories like Bismark's are indications that we are getting closer to reaching our ultimate objective – impact through sustained increases in the incomes of poor people.

Underlying these three priorities is MCC's ongoing commitment to the full integration of gender equality into all the programs we fund, so that women as well as men can share in the benefits. MCC recognizes that gender inequality is a significant constraint to economic growth and poverty reduction; that is why we ensure that gender issues and the concerns of vulnerable populations are considered in all stages of our work with partner countries. Throughout the selection of eligible countries, the development and design of compact programs, the implementation of projects,

the monitoring of program results, and the evaluation of program impacts, gender plays an important role. An initial internal review of the implementation of MCC's *Gender Policy* has revealed progress in designing gender-inclusive programs that account for gender differences and inequalities, in creating opportunities for learning and capacity-building across sectors, in generating greater awareness of the value of gender integration to program quality and deliverables, and in broadening local interest in dedicating resources and staff to social and gender assessment.

I would like to take this opportunity today to explain how MCC intends to allocate the FY11 budget request, to discuss more fully the results we have seen thus far and what we expect to see in the future, and to outline some major priorities moving forward for strengthening the model and delivering lasting change in the lives of the world's poor.

Compacts in Development for FY11

The President's budget request for FY11 will allow the agency to sign compacts to improve access to markets, democracy-building, and increase development for millions of impoverished people by providing more water, better sanitation, more reliable power, and improved roads; as well as fighting corruption in partner countries.

MCC intends to allocate \$1.071 billion of the \$1.28 billion FY11 budget request for new compacts. This funding would be divided, subject to MCC Board approval, between first compacts for **Indonesia** (estimated at \$700-800 million, which would be funded over two fiscal years with the enactment of concurrent compact authority) and **Zambia** (estimated at \$300-350 million) and a second compact with **Cape Verde** (estimated at \$100 million). Additionally, MCC may use some FY11 funds for the **Malawi** compact currently under development.

Both Zambia and Indonesia have completed analyses of key constraints to growth and poverty reduction, which will inform the choice of sectors for their respective future compacts. In Zambia, where 82 percent of the population lives on less than \$2 per day, the initial constraints analysis identified infrastructure, especially power, road transport, and water supply; investment climate including macroeconomic policies; market failures and market coordination; and human capital, especially skilled labor, as potential areas for investment. As a result of the findings of this study, the Zambian country team is focused on developing compact proposals to achieve more inclusive and broad-based growth that is less reliant on copper production, which is vulnerable to wide price swings on the world market. Zambia completed an MCC threshold program in 2009 that focused primarily on the control of corruption indicator, and in FY10, Zambia succeeded in passing almost all of the MCC policy indicators, including control of corruption.

Indonesia is the fourth most populous country in the world and has more than 100 million people living on less than \$2 per day. MCC's partnership with Indonesia, an archipelago consisting of 15,000 islands, provides an excellent opportunity for innovation and creative programming. MCC has been working with Indonesia since 2006, helping to improve governance, fight corruption, and enhance public health through the MCC threshold program. A core team set up by the Government of Indonesia to develop the compact has overseen an analysis of constraints to

economic growth and poverty reduction. This analysis identified four potential investment areas: (i) education and human capital development, (ii) infrastructure, (iii) governance, especially judicial reform and anticorruption efforts related to the business environment, and (iv) environmental sustainability. Indonesia provides excellent opportunities for MCC to fund innovative projects, including possible support for climate change adaptation investments and emissions reductions.

Indonesia's size and complexity make it a good candidate for concurrent compact authority, which I will discuss later in my testimony, both to support innovation and to ensure that only those projects truly ready for implementation are included in a compact. We are looking to broaden MCC's financing modalities within the Indonesia compact, including the potential of making resources available directly to NGOs and civil society.

Zambia and Indonesia have both commenced public consultations on their initial compact proposals. We have recently received project proposals from Zambia in the areas of roads, hydropower, ecotourism, technical and vocational education, and water supply and sanitation. Indonesia has just completed public consultations in nine regions and is expected to submit project proposals by June 2010. I would also refer you to MCC's FY11 congressional budget justification where you can find more details about the compact development process underway in both countries.

MCC's first "second" compact eligible country

In addition to these new compacts, Cape Verde was selected in December 2009 as the first country eligible to develop a second compact after their current compact closes in October 2010. We have made it clear to all current partner countries that eligibility for a second compact is not automatic. The decision by MCC's Board of Directors to select Cape Verde as eligible for a second compact recognizes their progress on achieving results, successfully implementing their first compact, and their continued performance on MCC's policy indicators.

Because MCC assesses how well a country has implemented its first compact when determining eligibility for a subsequent one, gaining eligibility for a second compact is more difficult than for a candidate's first compact. A country being considered for a second compact must have demonstrated capacity to implement a compact successfully, maintain a strong and effective partnership with MCC, and adhere to MCC's core policies and standards (such as for fiduciary oversight and for social and environmental guidelines). While MCC cannot yet measure final impact for programs still under implementation, MCC closely measures interim progress and outcomes toward compact goals.

MCC does not intend to have open-ended commitments with partner countries. We will assess the appropriate duration and nature of each partnership by assessing sustainability of development outcomes and countries' ability to attract and leverage diversified public and private resources in support of development.

In the absence of concept papers this early in compact development, we have estimated budget requirements for Cape Verde's second compact based on several broad factors, including total population, population living below the national poverty line, absorptive capacity, and performance in compact implementation. Final compact size will be based on the quality and scope of projects submitted as well as available resources.

Administrative Budget Request

The FY11 MCC budget request also includes resources for compact development assistance as well as administrative and audit expenses. The FY11 budget request includes **\$102 million** for 609(g) assistance and due diligence funding to help prepare feasible and effective programs. For our administrative expenses, MCC is requesting **\$102 million**. This would allow us to attract and retain qualified professionals and meet the increasing costs of operating overseas. The remaining **\$5 million** is for audit expenses to ensure transparency and efficiency.

MCC has worked to control administrative costs as we put into place the structural components of an independent agency: a high-performing staff, a financial management system, dependable information technology, and fully competitive procurement and hiring practices. We have shifted from a start-up mode of rapid expansion to a focus on compliance, effectiveness, and efficiency. Most of MCC's administrative expenses directly support compact implementation and development.

MCC's administrative expenses request does not assume any increase in staff or other new administrative initiatives. Two thirds of the requested increase is for overseas expenses, to open additional MCC Resident Country Missions in new compact countries and to cover the annual increase in International Cooperative Administrative Support Service (ICASS) and Capital Security Cost Sharing charges by the State Department. Most of the remaining increase is to cover the federal pay increase outlined in the budget.

As our fixed costs, and in particular overseas support costs have risen, MCC has sought to control our overall administrative costs by instituting salary cost controls, especially in the upper pay bands, as well as significantly limiting travel expenses. MCC has pursued outsourcing of administrative services, such as financial management and information technology, where appropriate as a cost-saving measure, to focus staff resources on our core mission of poverty reduction through growth. At the same time, MCC has looked for more efficient outsourcing options and eliminated non-essential contracted services.

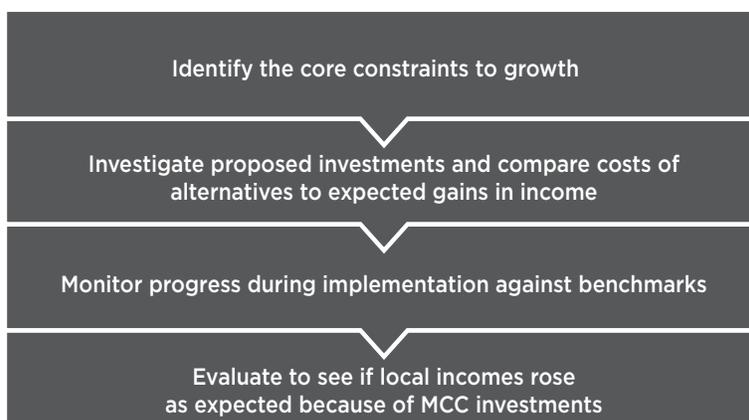
As a result of these cost-cutting measures, our FY11 administrative request is the amount needed to pursue innovation and to deliver the expected results through compacts already in progress. Any significant reduction will force us to consider options, such as deferring the opening of country missions or instituting a hiring freeze for our staff of 300 employees, which will have a deleterious impact on compact implementation and the achievement of our expected program results.

Delivering Results

As we remain focused on why MCC was created - - to help the poor reduce poverty through economic growth - - we also must take advantage of our performance-based, transparent, country-driven model for awarding development assistance to deliver results.

Toward this end, MCC will build its expertise in monitoring and evaluation to measure for results and impact. Focusing on program evaluation allows us to know what has worked well and has worked less well, and it also allows you, and the American taxpayer, to know too. MCC has a track record of transparency that we will also build upon. Our website, www.mcc.gov, provides details of our performance to date and of the evaluations planned for the future.

MCC's Results Framework



Secretary of State Hillary Clinton, MCC's Board Chair, recently said: "*Aid chases need; investment chases opportunity.*" Every MCC program is analyzed as an **investment**. This is how we determine if the projected benefits—that is, higher incomes for MCC program participants—justify the costs. And while MCC looks at overall returns as an important indication of how our programs will strengthen the local economy, we also examine the distribution of benefits to ensure that our investments reach the poor and that both women and men are participating. Our pre-investment analyses enable us to monitor progress during implementation and make needed adjustments to enhance impact. This results framework represents a fundamental innovation that allows us to distinguish success and learn from what does not work as anticipated.

As I mentioned earlier, I just returned from inspecting the progress of our \$547 million compact investment in Ghana that is making agriculture more productive, building schools, and paving roads. The numbers are impressive, but until you see the progress on the ground, it is hard to truly understand how complex, integrated, and successful this compact is.

The Ghanaians identified lack of education as a constraint to their country's economic growth, and MCC is proud to help address this challenge by funding the building of 310 schools. I met some of the boys and girls who now sit in classrooms for their lessons, instead of under trees. We have already seen enrollment increase substantially in the schools already rebuilt or rehabilitated. This project is also an important example of collaboration and coordination with our partners at USAID, who are training teachers for the schools we are building.

In addition to visiting schools, I was able to inspect progress on some of the rural roads our funds are paving, talk to pineapple farmers about how MCC-funded investments in cold storage are helping them export their crops, and meet a number of people who now have full rights and title to their property thanks to the MCC-funded land titling project. All of these elements are critical to successfully driving sustainable economic growth in Ghana through increased agriculture productivity. MCC's five-year program, therefore, works up and down the value chain. It starts with training the small farmer, works with banks to ensure he or she has access to credit, supports cooperative farming, and develops the roads to get products to markets.

I was honored to be part of a group distributing land title certificates to about 30 people, half of them women. MCC is funding new offices and surveys to provide these official land titles to a total of about 5,000 Ghanaians. As the many government ministers in attendance at the land titling ceremony said, these titles are an absolutely critical step in ensuring economic growth. If people have title to their land, they can use that asset to access credit and have the security they need to expand production. I was particularly happy to see so many women obtaining titles in their names.

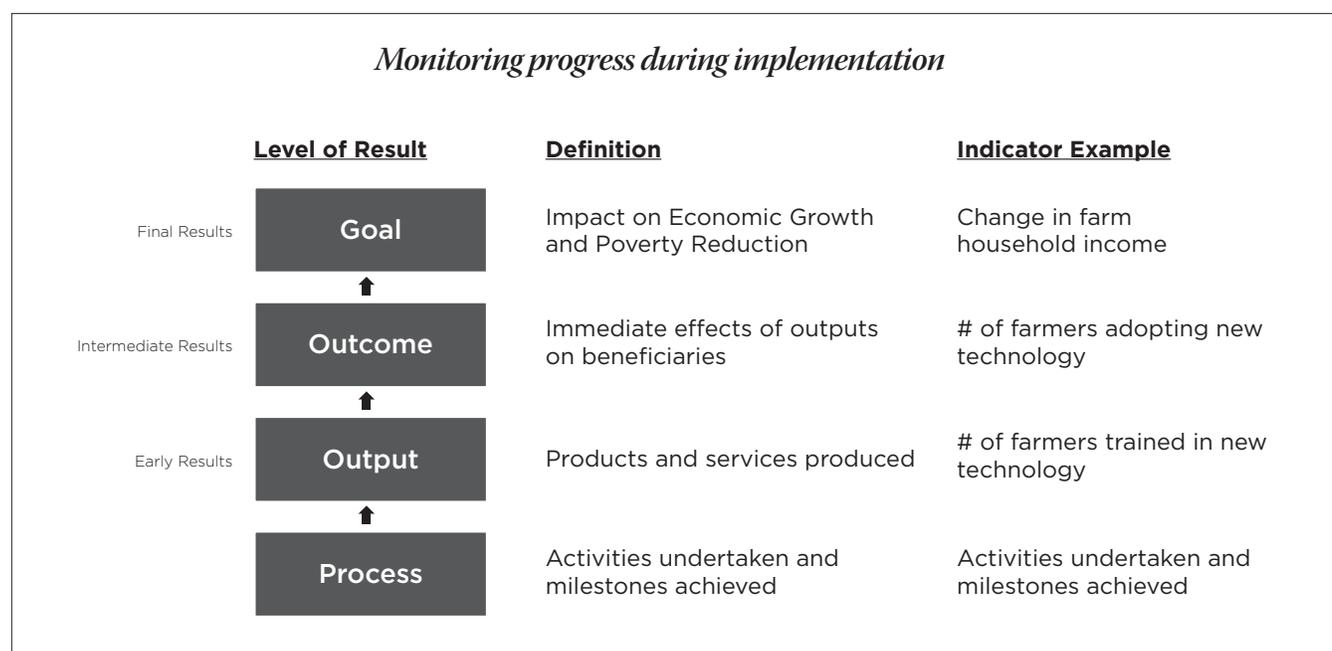
Before we left Ghana, I met with representatives of both the local and international private sector, who are also very excited about Ghana's future and about MCC's role in addressing economic constraints. I met one farmer who told me that after receiving training, credit, and technical assistance from the MCC program, she was able to increase her yield from five bags of rice a season to more than 140 bags. Another farmer, whose income was around \$60 last year, told me that in just the first two months of this year, he earned over \$403 by diversifying his crops and changing what he is growing to line up with international market demand. In Ghana alone, we have literally hundreds of stories of men and women like these, who now "see their farms as businesses and not just as an occupation," as one beneficiary said. While I do not believe every farmer we work with will see results like these, we should be able to measure the incomes and evaluate the programs to know what has been successful and what we need to change to be successful.

Early indicators of success, of course, are just the tip of the iceberg and do not fully reflect impact. The observable increases in local incomes during the five-year compact represent only a small fraction of the total impact expected over the life of our investments, whose benefits are expected to accrue over the next 20 years. We are striving to connect these activities and interim results to projections of overall impact, until our impact evaluations can determine with rigor the long-term impact of our investments. Every one of MCC's compacts will undergo an independent impact evaluation, with the results expected approximately nine to 12 months after its closing. By the end of 2010

alone, we expect completed impact evaluations of the Madagascar compact as well as three threshold programs. All of the impact evaluations will be made public.

Our first evaluation of the threshold program in Burkina Faso in 2009 revealed an increase in both enrollment and test scores because of the MCC-funded threshold program to expand education for girls. As this committee well knows, investing in girls' education is key to achieving long-term economic growth.

As with any investment, we expect to see yields above, at, and below original expectations. In every case, we will be able to apply the lessons learned to future operations. I have included an appendix to my testimony today to share some of the results we have seen so far. I hope to count on your support as we share with you the impact from more of these evaluations in the months and years ahead.



Building on Experience: Implementation Progress

Given our commitment to tracking results, MCC continues to identify and address obstacles to efficient and effective program implementation. Critical requirements to achieve both process and impact outcomes include:

- ★ effective target-setting for effective management,
- ★ reasonable country capacity,
- ★ access to appropriate skill sets within and external to MCC,
- ★ smart project design (especially in mitigating restructuring risk),
- ★ high-performing intermediaries (e.g., procurement and fiscal agents, project managers),

- ★ quality control of contractor performance,
- ★ flexible and responsive procurement planning,
- ★ anticipation and management of financial problems,
- ★ management of completion risk,
- ★ anticipation and management of political change,
- ★ early and decisive intervention for trouble-shooting, and
- ★ early and ongoing social assessments, including gender and environmental assessments.

These issues are being addressed systematically as they emerge, and MCC is taking pro-active steps to incorporate past experiences in order to minimize risks and maximize results.

Legislative changes to intensify impact

We must continue to look at what works and what we can improve to deliver sustainable results. The President's FY11 budget request for MCC is linked to a forthcoming legislative proposal that will include several changes to MCC's current authorities. I would like your support for *concurrent* compacts and, in select cases, *longer* compacts.

Concurrent compact authority would allow MCC to sign separate innovative compacts with a country based on the specific timing requirements of each individual project rather than as part of a multi-project package driven on a single timeline. MCC's budget request for FY11 assumes concurrent compact authority in order to begin elements of a compact with Indonesia in 2011. Concurrent compacts would improve MCC's ability to manage our compact pipeline with greater predictability, serve as an added incentive for ongoing policy reforms in partner countries, and help lessen MCC's unobligated funds.

With concurrent compacts, the agency could move forward with projects that are investment-ready, instead of putting several projects at various stages of readiness into a single compact or delaying compact signing for a promising but less-developed project. As part of a larger, cohesive framework, concurrent compacts will allow for smaller, staggered agreements and more certainty in the budget process; speed implementation; improve project management by allowing countries to focus on managing fewer projects at a time; build management capacity with early projects; ease the current burden of managing large, complex compact programs; and foster innovation by allowing MCC to pursue new approaches and partnerships that could otherwise slow down the compact development process.

Concurrent compacts would also have a positive effect on budget predictability and accountability. A key element of the MCC model is the ability to obligate total program funding at the point of a compact's entry-into-force. This

obligation of the full compact amount at the outset of the compact term is consistent with lessons learned in aid effectiveness. It allows partner countries to plan and manage development strategies and budgets in a sustained way. It also allows MCC to make large investments in long-term infrastructure projects without suffering the cost premiums associated with uncertain project funding. This practice, however, means that MCC often holds un-disbursed balances. Concurrent compact authority would allow MCC to sign smaller compacts, implement them more efficiently, and thereby reach disbursement targets more quickly.

Longer compact authority would give MCC the authority, in certain circumstances approved by MCC's Board of Directors, to partner with countries to extend the duration of our five-year compact period for two additional years. Having definite time-frames for MCC compacts is an important best practice for effective foreign assistance, but in some cases projects cannot be completed within the mandated five-year period, particularly given MCC's emphasis on recipient-led implementation and MCC's high due-diligence standards.

We are also re-looking at our **partner country selection** process to ensure that MCC continues to work with the highest performing poor countries. Each year, many countries abruptly graduate from one income category to another with no transition period, impacting the policy performance standards against which they are measured, the levels of funding that they can receive, and - in some cases - whether they can be candidates for MCC assistance at all. A growing number of countries - including a number of MCC partners - have now been categorized as lower-middle income countries (LMIC). Sixty percent of the current lower middle income country candidates in FY10 were considered low income countries (LIC) at some point since MCC's first selection round in FY04. This fact, combined with the suddenness of transition from LIC to LMIC, poses serious policy and structural dilemmas for MCC.

Because compact eligible countries require multiple fiscal years to develop and then sign a compact, sudden graduation introduces significant instability into the MCC compact development process. In addition, with a substantial and increasing number of compact-eligible countries now LMICs, the funding limit in MCC's current authorizing legislation deeply constrains the resources these countries can access, even though they are generally good policy performers and many have large populations below the poverty line. In addition, if the trend continues and more and more candidates continue to graduate from LIC to LMIC, the LIC candidate pool will continue to shrink further. This will present important challenges to MCC as it seeks to maintain a highly selective approach to identifying poor and well-governed partners because there will be fewer well-governed countries to choose from.

These proposed legislative changes are based on lessons learned since MCC's creation and will provide the needed flexibility to maximize the impact of MCC programs. We must embrace innovation if we want to be on the cutting edge of delivering effective development assistance. MCC will work with members of this Committee, the congressional authorizing committees, and others in Congress to make these important legislative adjustments.

Chairwoman Lowey, Ranking Member Granger, Members of this Subcommittee, I am grateful for your strong continuing support for the MCC. I ask for your support today in funding the President's request of **\$1.28 billion** for the Millennium Challenge Corporation to achieve the impact we all seek in the fight against global poverty. Global poverty is a tremendous challenge; there is, regrettably, more need than resources. MCC can – and will – make wise investments and deliver results with the resources you provide.

I am pleased to answer any questions you may have on the President's FY11 request or MCC in general.

Appendix

MCC's First Six Compacts (as of 12/09)

Country	Total Compact Funds (Mil \$)	Mil. \$ Disbursed (% of total Compact)	Mil. \$ of Contract Commitments (% of total Compact)
Cape Verde	\$110	\$71 (64%)	\$101 (92%)
Georgia	\$395	\$195 (49%)	\$334 (85%)
Honduras ¹	\$215	\$133 (62%)	\$192 (90%)
Madagascar ¹	\$110	\$86 (78%)	\$87 (79%)
Nicaragua ¹	\$114	\$88 (78%)	\$103 (91%)
Vanuatu	\$66	\$47 (71%)	\$64 (97%)
Total	\$1,009	\$618 (67%)	\$881 (87%)

Projected Results: \$740 M in estimated additional income gained by 6.4 M beneficiaries by 2027 (compared to \$642 M in projected present value of costs)

Selected Outputs to date	Selected Outcomes to date
247 km of roads constructed, with additional 74 km to be completed by June 2010	Smoother roads, lower travel costs and time, and increase in daily traffic [data available beginning in 2011]
44,667 farmers trained in improved practices	11,855 farmers applying new practices, harvesting higher value crops or implementing business plans
966 agribusinesses assisted with grants or training	17,001 hectares under production with MCC support
33,355 hectares of rural land formalized	\$27.87 M in agricultural and rural loans
9 irrigation reservoirs constructed	540 farmers connected to community irrigation systems
\$64 M in regional infrastructure grants signed in Georgia	Savings in household expenditures for services [data available in 2011]

Timeline for Compact Evaluations

Country	Compact complete	Final Evaluation Report Expected
Madagascar	August 2009	December 2010
Honduras	September 2010	Oct. 2010 for Rural Development, Sep. 2011 for Transportation
Cape Verde	October 2010	March 2011 for Roads, July 2012 for Agriculture
Georgia	April 2011	Dec. 2011 for RID, Transport & Agribusiness, Apr. 2012 for Energy & GRDF
Vanuatu	April 2011	June 2011
Nicaragua	May 2011	Sep. 2011 for Rural Business, Dec. 2011 for Transportation

¹ Partially or Fully Terminated

Selected Interim Results

Cape Verde

- ★ Irrigation and Watershed Management: Over 100 farmers have received drip irrigation loans. The increased income from the use of surface water catchment infrastructure (reservoirs and control dikes) and drip irrigation is estimated to be \$700,000 by the end of the compact. Twenty-three of 28 reservoirs have already been constructed. The 28 reservoirs are expected to deliver improved irrigation to over 100 hectares for almost 350 farmers.
- ★ Access to Credit: A total \$351,000 of \$450,000 has been disbursed in the form of rural loans through micro-finance institutions to farmers and agribusinesses in the three agricultural project intervention zones with a repayment rate of 92 percent.
- ★ Infrastructure:
 - * The estimated number of roads and bridge project beneficiaries on Santiago and Santo Antão islands is 73,600. The estimated annual savings on transport costs from upgraded roads and bridge improvements at the end of the compact is equivalent to \$2 million.
 - * Four bridges were completed in October 2009. The bridges were functional during 2009's long and heavy rainy season, reducing the average annual number of days key riverbeds were impassable from 8 to zero.
 - * Thirty-six of 40.5 kilometers of three rural roads have been upgraded and now connect coastal and inland villages with larger population centers and markets.
 - * The estimated number of beneficiaries for the port rehabilitation project will be 347,000 with an estimated \$4.1 million increase in income at the end of the compact.

Madagascar

- ★ Land Tenure: Four *Land Tenure Reform and Framework* laws were developed and ratified. Also, 540,835 land rights documents were inventoried, 258,469 restored, and 266,963 titles digitized. A total of 327 new local land offices were created to enable local governments to formalize land rights in their jurisdictions over the long term. These offices delivered nearly 24,000 land certificates to 13,344 recipients, securing 20,828 hectares.
- ★ Finance Reform: Rural savings in the implementation zones increased by \$14 million (from \$15 million to \$29 million), while the value of rural loans increased by \$1 million in the implementation zones.
- ★ Agricultural Business Investment: Six Agricultural Business Centers were opened in six regions. Over 1,890 farmers with two years of training were applying agricultural techniques they had been trained in, while 9,650 farmers with one year of training were employing productivity-improving technical packages. Over

490 farmer cooperatives were created and are registered with the government, and 837 commodity contracts were negotiated.

Honduras

- ★ Farmer Training: In Honduras, 6,200 farmers have been trained and it is reported that more than 3,200 farmers have already begun harvesting high-value crops on approximately 5,900 hectares.
- ★ Transportation: Approximately 600 kilometers of roads are under contract for construction of which 148 kilometers are complete. These roads will provide rural communities with improved access to markets, social services, and main road networks. It is expected that increased access to markets and decreased travel time will increase the incomes of beneficiaries living near the roads, as well as the number of businesses along the roads, generating further income and jobs.

Georgia

- ★ Farmer Grant Programs: Household net income of all farmers participating in the *Agribusiness Development Activity* is reported to have increased by \$1.65 million since the inception of the activity, and farm income of agribusinesses receiving support has increased by \$1.65 million as of the end of FY09. This will directly improve the lives of about 2,100 farmers and their employees.
- ★ Access to Credit: Over \$8 million in agricultural loans have been disbursed to agribusiness enterprises working in poultry production, vegetable canning, hazelnut processing, and fish catching and processing.

Armenia

- ★ Farmer Training: Over 30,000 farmers had received training and technical assistance in better on-farm water management techniques by the end of FY09. As a result of MCC-funded programs, real income from agriculture in rural Armenia is expected to increase by five percent by the end of the compact term.
- ★ Irrigation and Watershed Management: Just over six kilometers of tertiary canals were completed before the 2009 irrigation season. As a result, farmers were able to water their fields more often and grow higher value crops.

Nicaragua

- ★ Farmer Training: To date, a total of 8,829 beneficiaries have received technical assistance and grants. Examples of the most successful agriculture producers include plantain growers who increased the volume of plantains sold by 70 percent, cassava producers who increased the volume of cassava sold by 76 percent, and milk producers who increased the volume of milk sold by 45 percent.

Ghana

- ★ Ghana Farmer Training: Approximately 20,000 farmers are participating in training activities under MCC's compact with the Government of Ghana and nearly 15,000 have completed training with a total of 60,000 farmers expected to be trained by the compact's end. Over 5,000 hectares are already under production as a result of MCC support.

Tracking Results of MCC Investments in Agriculture and Irrigation

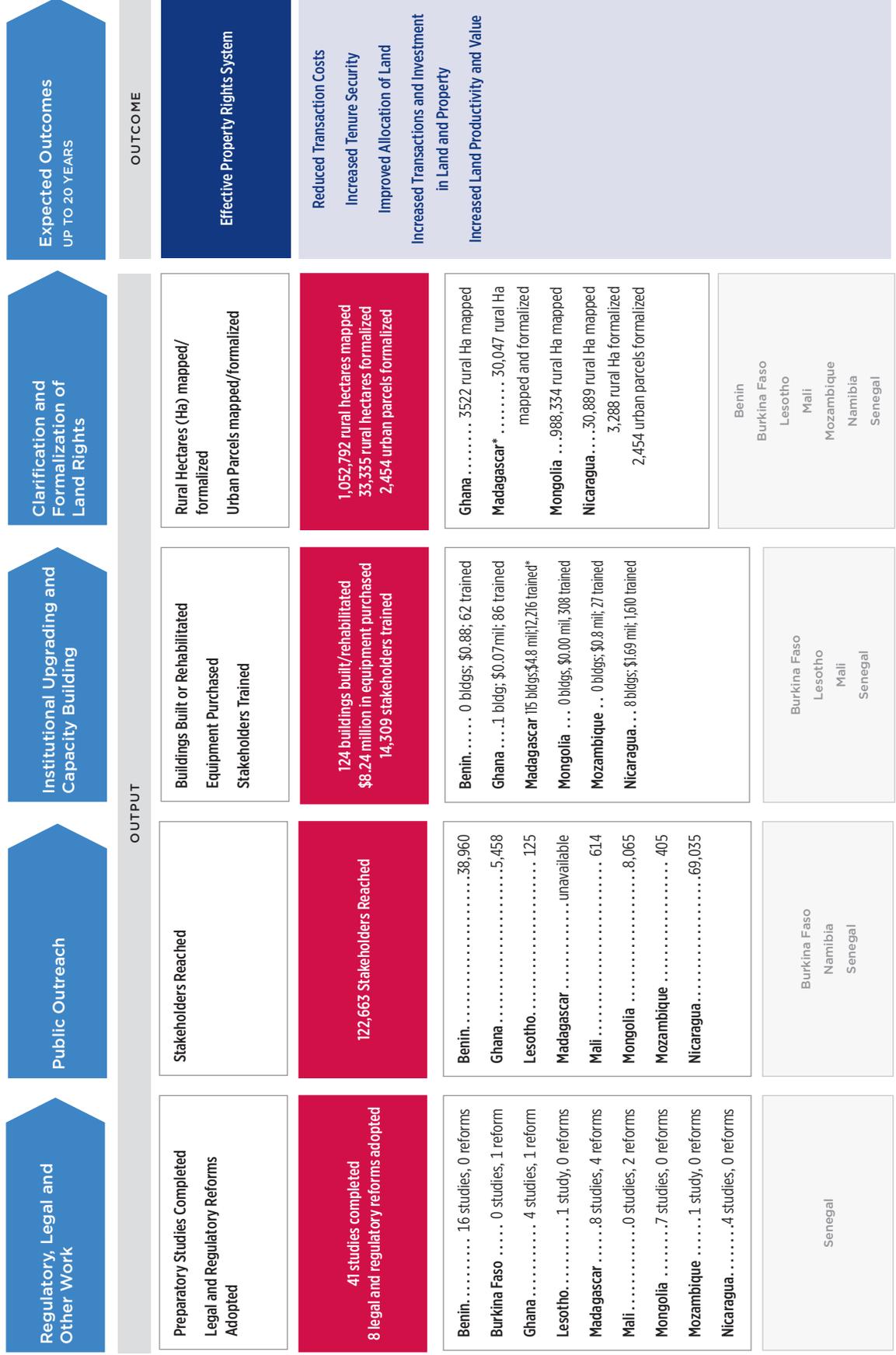
INDICATOR TYPE	PROCESS	CONSTRUCTION/CAPACITY BUILDING/OTHER SUPPORT TO FARMERS AND ENTERPRISES MONTHS 12 TO 48	OUTPUT	OUTPUT	OBJECTIVE
PROGRESS INDICATORS	<ul style="list-style-type: none"> Value of Irrigation Feasibility and/or Detailed Design Contracts Signed Percent of Irrigation Feasibility and/or Detailed Design Contracts disbursed 	<ul style="list-style-type: none"> Value of Irrigation Construction Contracts Signed Percent of Irrigation Construction Contracts Disbursed 	<ul style="list-style-type: none"> Number of Farmers Trained Number of Enterprises Assisted Hectares under Improved or New Irrigation 	<ul style="list-style-type: none"> Hectares Under Production Value of Agricultural and Rural Loans Number of Farmers that Have Applied Improved Techniques Number of Enterprises that Have Applied Improved Techniques 	Growth in the Agricultural Sector MONTHS 48+
TOTALS	\$45.13 M in design contracts 25.44% disbursed	\$146.65M contracts 13.96% construction disbursed	104,866 farmers trained 2,025 enterprises assisted 290.2 ha	31,587 ha \$54.03M loans 18,791 farmers with new techniques 19 enterprises with new techniques	Increase in Agricultural Value-Added or Income
CURRENTLY IMPLEMENTING	<p>Armenia.....\$7.67M, 100%</p> <p>Burkina Faso.....\$0.3M, 78%</p> <p>Cape Verde.....N/A</p> <p>Ghana.....\$7,988 M, 8.92%</p> <p>Georgia.....\$1.16M, 40%</p> <p>Mali.....\$8.4M</p> <p>Morocco.....\$18.9M, 9%</p> <p>Nicaragua.....\$0.7M, 100%</p>	<p>Armenia.....\$56.35M, 11%</p> <p>Cape Verde.....\$5.31M, 83%</p> <p>Mali.....\$80.34M, 11%</p> <p>Morocco.....\$4.65M, 22%</p>	<p>Armenia.....33,519 farmers, 126 ent</p> <p>Cape Verde..400 farm, 31 ent, 75.2ha</p> <p>El Salvador.....4883 farmers, 40 ent</p> <p>Georgia.....246 ent</p> <p>Ghana.....19,667 farmers, 835 ent</p> <p>Honduras..6202 farmer, 423ent, 215ha</p> <p>Madagascar...31,366 farmers, 324 ent</p> <p>Nicaragua.....8829 farmers</p>	<p>Armenia.....\$6.13M</p> <p>Cape Verde.....\$.31M, 44 farmers</p> <p>El Salvador..9616 ha, \$1.89M, 1604 fmrs, 14ent</p> <p>Georgia.....\$15.48M</p> <p>Ghana.....4970 ha, \$18.22M, 4 ent</p> <p>Honduras...7820 ha, \$11M, 6422 fmrs</p> <p>Madagascar*.\$1.08M, 1892 fmrs, 1 ent</p> <p>Nicaragua.....9181ha, 8829 farmers</p>	Income increase attributable to MCC activities will be measured by impact evaluations
PENDING	Burkina Faso	Burkina Faso Mozambique	Burkina Faso Mali	Burkina Faso Mali Morocco Mozambique	MCC investments in agriculture aim to increase incomes by creating jobs in the agriculture sector; increasing farmers' capacity, productivity, and access to markets; improving access to credit; and strengthening agribusiness.

All program data are as of December 31, 2009. Data are preliminary and subject to adjustment. *These values represent a decline from values previously recorded due to the final reconciliation of performance data following termination of the Madagascar compact.

Tracking MCC's Property Rights and Land Property Project Results



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



INDICATOR TYPE	OUTPUT	OUTCOME
PROGRESS INDICATORS	<p>Preparatory Studies Completed Legal and Regulatory Reforms Adopted</p> <p>41 studies completed 8 legal and regulatory reforms adopted</p>	<p>Effective Property Rights System</p>
TOTALS	<p>122,663 Stakeholders Reached</p>	<p>1,052,792 rural hectares mapped 33,335 rural hectares formalized 2,454 urban parcels formalized</p>
CURRENTLY IMPLEMENTING	<p>Benin..... 16 studies, 0 reforms Burkina Faso 0 studies, 1 reform Ghana..... 4 studies, 1 reform Lesotho..... 1 study, 0 reforms Madagascar 8 studies, 4 reforms Mali..... 0 studies, 2 reforms Mongolia 7 studies, 0 reforms Mozambique 1 study, 0 reforms Nicaragua..... 4 studies, 0 reforms</p>	<p>Reduced Transaction Costs Increased Tenure Security Improved Allocation of Land Increased Transactions and Investment in Land and Property Increased Land Productivity and Value</p>
PENDING	<p>Senegal</p>	<p>Rural Hectares (Ha) mapped/formalized Urban Parcels mapped/formalized</p>
	<p>Buildings Built or Rehabilitated Equipment Purchased Stakeholders Trained</p> <p>124 buildings built/rehabilitated \$8.24 million in equipment purchased 14,309 stakeholders trained</p>	<p>Ghana 3522 rural Ha mapped Madagascar* 30,047 rural Ha mapped and formalized Mongolia ... 988,334 rural Ha mapped Nicaragua..... 30,889 rural Ha mapped 3,288 rural Ha formalized 2,454 urban parcels formalized</p>
	<p>Stakeholders Reached</p> <p>122,663 Stakeholders Reached</p>	<p>Benin Burkina Faso Lesotho Mali Mozambique Namibia Senegal</p>
	<p>Buildings Built or Rehabilitated Equipment Purchased Stakeholders Trained</p> <p>Benin..... 0 bldgs; \$0.88; 62 trained Ghana ... 1 bldg; \$0.07mil; 86 trained Madagascar 115 bldgs; \$4.8 mil; 2,216 trained* Mongolia ... 0 bldgs; \$0.00 mil; 308 trained Mozambique . . . 0 bldgs; \$0.8 mil; 27 trained Nicaragua. . . . 8 bldgs; \$1.69 mil; 1,610 trained</p>	<p>Burkina Faso Lesotho Mali Senegal</p>
	<p>Stakeholders Reached</p> <p>Benin..... 38,960 Ghana 5,458 Lesotho..... 125 Madagascar unavailable Mali..... 614 Mongolia 8,065 Mozambique 405 Nicaragua..... 69,035</p>	
	<p>Preparatory Studies Completed Legal and Regulatory Reforms Adopted</p> <p>Senegal</p>	

All program data are as of December 31, 2009. Data are preliminary and subject to adjustment. *These values represent a decline from values previously recorded due to the final reconciliation of performance data following termination of the Madagascar compact.

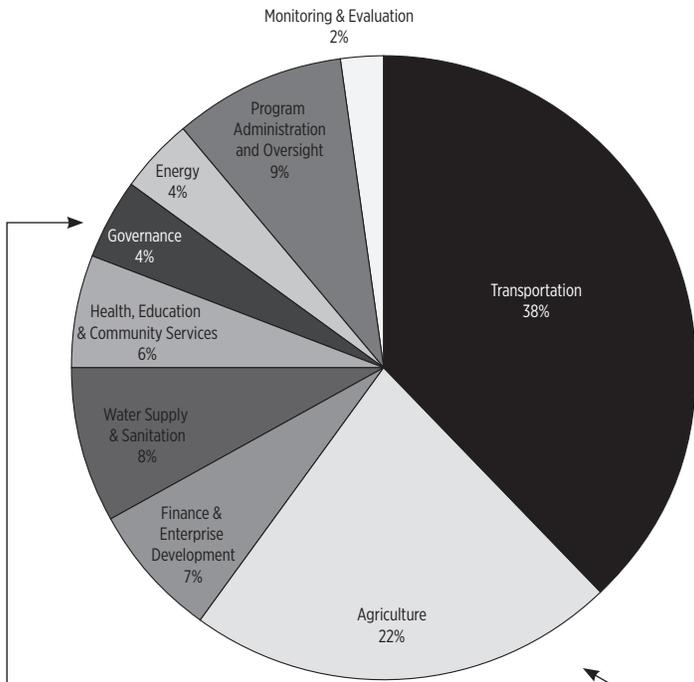
Tracking MCC's Road Project Results

INDICATOR TYPE	Feasibility and/or Detailed Design <small>Includes Environmental Impact Assessments, Environmental Management Plans, and Resettlement Action Plans, as applicable</small> 12 TO 36 MONTHS		Procurement for Construction Contractors 6 TO 9 MONTHS		Construction 1 TO 3 YEARS		Expected Outcomes UP TO 15 YEARS		
	Value of signed contracts for feasibility, design, supervision, and program mgmt contracts	Value of signed contracts for feasibility, design, supervision, and program mgmt contracts	Value of signed contracts for road works	Kilometers (km) of roads under works contracts	% of contracted roads works disbursed	Kilometers (km) of roads completed	OUTPUT	OUTCOME	
PROGRESS INDICATORS									
TOTALS	\$111.98 million in studies contracted	26.2% of contracted studies disbursed; 4094.53 km of roads under design	\$744.76 million in works contracted	1,464.9 km of roads under works contracts	33.42% of contracted roads works disbursed	293.69 km of roads completed	IRI: International Roughness Index (IRI)	Expected upon completion of works	
CURRENTLY IMPLEMENTING	<p>Armenia \$3.1M</p> <p>Burkina Faso ... \$3.8M</p> <p>Cape Verde* ... \$3.4M</p> <p>El Salvador* ... \$10.6M</p> <p>Georgia**** ... \$11.98M</p> <p>Ghana \$17.1M</p> <p>Honduras ... \$6.9M**</p> <p>Mozambique ... \$26.7M</p> <p>Nicaragua \$6.9M</p> <p>Tanzania \$18.5M</p> <p>Vanuatu* \$3.0M</p>	<p>Armenia ... 90% 892km</p> <p>Burkina Faso ... 145km</p> <p>Cape Verde ... 100% 63.4km</p> <p>El Salvador* . 23% 166.5km</p> <p>Georgia . 11.8% 220km</p> <p>Ghana . 33% 713.03km</p> <p>Honduras 44.1% 627km</p> <p>Mozambique . . 416km</p> <p>Nicaragua ... 100% 398.6km</p> <p>Tanzania* ... 4% 363km</p> <p>Vanuatu** .100% 120km</p>	<p>Armenia** \$4.7M</p> <p>Cape Verde \$23.5M</p> <p>El Salvador \$50.2M</p> <p>Georgia \$165.4M</p> <p>Ghana \$170.17M</p> <p>Honduras \$195M</p> <p>Mali \$37.90M</p> <p>Nicaragua \$42.4M</p> <p>Vanuatu** \$56.3M</p>	<p>Armenia** 24.5km</p> <p>Cape Verde 39.3km</p> <p>El Salvador 43.5km</p> <p>Georgia 220km</p> <p>Ghana 235.58km</p> <p>Honduras 627km</p> <p>Mali 81km</p> <p>Nicaragua 74km</p> <p>Vanuatu** 120km</p>	<p>Armenia** 100%</p> <p>Cape Verde 95%</p> <p>El Salvador 23.1%</p> <p>Georgia 29.7%</p> <p>Ghana 11.78%</p> <p>Honduras 27%</p> <p>Mali 29%</p> <p>Nicaragua 98.89%</p> <p>Vanuatu** 65%</p>	<p>Armenia** 24.5km</p> <p>Cape Verde 35.7km</p> <p>Georgia 10km</p> <p>Honduras 148km</p> <p>Mali 23.49km</p> <p>Vanuatu** 52km</p>	<p>Burkina Faso</p> <p>El Salvador</p> <p>Ghana</p> <p>Mozambique</p> <p>Nicaragua + Tanzania</p>	<p>Burkina Faso</p> <p>Mozambique</p> <p>Tanzania</p>	<p>Burkina Faso</p> <p>Mozambique</p> <p>Tanzania</p>
PENDING									

All program data are as of December 31, 2009. Data are preliminary and subject to adjustment. *Additional studies associated with compacts have been funded by the governments in El Salvador and Tanzania, and by operational hold on the roads project in the Armenia and Honduras compacts. MCC will no longer be funding additional works contracts that were previously reported. **Due to a rebidding process for some roads contracts, Georgia has seen a slight decrease in value for roads contracts. *This is a correction of a previous reporting error. **Design numbers for Ghana have decreased due to a rescoping of the roads project. ***This is a correction of a previous reporting error. Road construction is nearly complete and will be reported as such as soon as final actions (signage, etc.) are completed. This is expected prior to compact closure.

MCC Compact Program Results

MCC Compacts by Sector - All Compact Countries
 Millions USD, Total \$6.9 billion
 As of Dec. 31, 2009



Roads

- ★ \$745 million of signed contracts for road works
- ★ 1,465 kilometers of roads under works contracts
- ★ 294 kilometers of roads completed

In transportation projects, roads rehabilitation and construction aim to reduce transport costs, improve access to public transportation and basic services, and facilitate trade. In agriculture projects, roads aim to link producers to markets for their goods, and to inputs for their production. Roads in irrigation projects provide access to, from, and within irrigated areas.

Agriculture and Irrigation

- ★ \$146.65 million of signed contracts for irrigation works
- ★ 104,866 farmers trained
- ★ 31,587 hectares under production with MCC support

MCC investments in agriculture and irrigation aim to increase incomes by creating jobs in the agriculture sector, increasing farmers' capacity, productivity and access to markets; improving access to credit; and strengthening agribusiness. Irrigation includes construction and rehabilitation of irrigation systems and watershed management systems.

Property Rights and Land Policy

- ★ 33,335 rural hectares formalized
- ★ 2,454 urban parcels formalized
- ★ 14,309 stakeholders trained

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

Water and Sanitation

- ★ \$49.09 million in signed contracts for water and sanitation works

MCC investments in human capital through education and training are widely recognized as critical for improving productivity and economic growth and reducing unemployment and poverty. They aim to enhance the skills of the nation's most enduring and competitive asset through school construction, teacher training, legal reforms, and higher female enrollment.

Education

- ★ \$7.22 million in signed contracts for construction and/or equipping of educational facilities
- ★ 57 facilities built

MCC investments in human capital through education and training are widely recognized as critical for improving productivity and economic growth and reducing unemployment and poverty. They aim to enhance the skills of the nation's most enduring and competitive asset through school construction, teacher training, legal reforms, and higher female enrollment.