

# 2020 Annual Report

## Economic Growth through Innovation, Reform, and Accountability

March 31, 2021



MILLENNIUM  
CHALLENGE CORPORATION  
UNITED STATES OF AMERICA



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## Abstract

Since its creation in 2004, MCC has transformed lives and created opportunities in its partner countries by focusing on one mission: reducing poverty through economic growth. By taking a country-led, results-driven approach to foreign assistance, MCC empowers the poor and catalyzes private investment for public good, creating a more secure world with more opportunities for economic growth at home and abroad.

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## Introduction

The U.S. Congress created the Millennium Challenge Corporation in 2004 to take a different approach to U.S. development—one with a singular focus of reducing poverty through economic growth. Sixteen years later, MCC continues to deliver on this mission around the world by combining a private-sector approach with years of development expertise. MCC's unique model follows the data to produce evidence-based investments designed to maximize economic impact to benefit some of the world's poorest populations.

Through a strong commitment to transparency, accountability, and country ownership, MCC's programs build capacity, ensure sustainability, and maximize the use of U.S. taxpayer dollars. These principles are foundational to MCC's work and continue to shape compact and threshold programs in over two dozen countries around the globe. To date, MCC has signed 38 compacts with 29 countries, worth more than \$13.5 billion, benefitting nearly 190 million people worldwide. The agency's investments are designed to specifically target a country's most significant constraints to economic growth and aim to boost economies by providing critical infrastructure and leveraging policy and institutional reform.

Without question, the COVID-19 pandemic has created unparalleled challenges—but the agency has continued to deliver on its mission through the strong commitment of its workforce and country partners. MCC implemented a robust response to the COVID-19 pandemic both at headquarters and overseas, and the senior leadership team continues actively to address the broad range of issues resulting from the pandemic to ensure the appropriate short- and long-term planning is in place for the agency. Despite these challenges, MCC celebrated many accomplishments in fiscal year 2020.

## Women's Economic Empowerment

MCC continued to advance women's economic empowerment, to prioritize the critical role of women in driving economic success and stability in nations around the world. Women's economic empowerment has always been a component of MCC's programs, and the consolidated and coordinated U.S. Government efforts around this important work in recent years have resulted in unparalleled impact. In fiscal year 2020, MCC worked with the Government of Morocco to codify and implement legal changes securing land rights for women across Morocco. MCC also committed to incorporating these critical elements further into our program design by adopting a new institutional investment criterion for women's economic empowerment—a first for the agency.

## Fiscal Year 2020 Program Milestones and Achievements

During fiscal year 2020, the MCC Board of Directors selected Mozambique as eligible for a compact program and Kenya as eligible for a threshold program. MCC also continued to make progress on the development of our first concurrent regional compact with Benin and Niger—pursuant to a new authority granted under the AGOA and MCA Modernization Act to promote regional economic integration. The agency also celebrated key program milestones this year, including the signing of a \$450 million compact with Burkina Faso and the closeout of the El Salvador Compact.

Looking ahead, MCC remains resolute in its commitment to deliver on its mission while prioritizing the health and safety of staff and country counterparts as the agency continues its work to produce sustainable, cost-effective investments on the American people's behalf.

## Board of Directors: Fiscal Year 2020

The MCC Board of Directors (the "Board") comprises five government officials and four individuals from the private sector that the President appoints with the advice and consent of the Senate. The Board meets quarterly.

- Mike Pompeo, Chair – *Secretary of State*
- Steven T. Mnuchin, Vice Chair – *Secretary of the Treasury*
- Robert E. Lighthizer – *U.S. Trade Representative*
- Mark A. Green – *Administrator, U.S. Agency for International Development*
- Sean Cairncross – *MCC Chief Executive Officer*
- Alexander (Ander) Crenshaw – *Former U.S. Representative*
- Mike Johanns – *Former U.S. Senator and Secretary of Agriculture*
- George Marcus – *Founder and Chairman of Marcus & Millichap Company*
- Susan McCue – *President of Message Global LLC*

## Driving Progress

### MCC Partner Countries that Completed Compacts in Fiscal Year 2020

Since its founding, MCC and its partner countries have completed 28 compacts, totaling more than \$9 billion in total expenditures (Table 1). One country completed its MCC compact in fiscal year 2020.

#### El Salvador

MCC and El Salvador signed a second compact in September 2014 to provide up to \$277 million in assistance for regulatory reforms, education, and logistical infrastructure, with the goal of promoting economic growth and private investment in the country through three projects. The first project sought to relieve transportation bottlenecks that led to high conveyance and logistics costs for regional trade, namely congestion at the most trafficked segment of El Salvador's key coastal corridor and long wait times at a major border crossing with Honduras. The second project helped Salvadorans better meet the demands of a global economy by improving the quality of education and reforming technical and vocational training to match the supply of skills to labor market demands. The third project focused on developing an investment climate to catalyze more profitable business operations for firms in tradable sectors and increased partnerships with the private sector to provide key public services. El Salvador committed to contribute up to \$88.2 million in addition to MCC's funding, for a combined total budget of \$365.2 million. The compact closed in September 2020. While COVID-19 heavily impacted implementation and closeout, the compact's achievements included the launch of the country's first two public-private partnerships; the construction or upgrading of 36 education centers nationwide; and the training of over 4,500 school teachers and administrators, among others.

### IMPACT BEYOND THE COMPACT: Building Partner Country Capacity

MCC funds more than infrastructure—it builds partner country capacity and expertise through its partnerships. MCC's commitment to country ownership means that countries are equal partners in developing compacts and taking the lead in compact implementation. By developing and employing local experts, MCC empowers citizens and builds self-sufficiency. This approach promotes the sustainability of MCC projects and extends the benefits of MCC's work beyond the five-year term of its compacts.

In **Liberia**, MCC funded technical assistance and training to accompany its infrastructure and institutional projects. At the rehabilitated Mt. Coffee Hydropower Plant and the newly renovated Liberia Electricity Corporation customer service center, MCC trained staff to provide improved operations, maintenance, and customer service. MCC also supported the establishment of, operational and regulatory framework for, and training for Commissioners of the new Liberia Electricity Regulatory Commission. In addition, MCC provided technical assistance to build the operations and maintenance capacity of staff of the public water utility responsible for maintaining the raw water pipeline that, when completed, will deliver improvements to Monrovia's drinking water supply. MCC also supported the capacity building of



the Ministry of Public Works to make data-driven decisions for road maintenance and the utilization of a powerful, cloud-based road asset management system.

In **Ghana**, MCC supported institutional capacity strengthening of the Electricity Company of Ghana (ECG) to create a more enabling and safe work environment for women. To this end, the compact funded the development of ECG's Gender and Social Inclusion Policy and Action Plan targeted to increase overall women employment, including in decision-making positions. The compact, in partnership with educational institutions, power utilities, energy-sector institutions, and local organizations, such as the Ghana Women in Engineering Association, provided internship and mentoring opportunities to 232 female science, technology, engineering, and math students and trainees in universities and technical training institutes. MCC partnered with local and donor agencies such as USAID's Engendering Utilities and West African Energy Program to plan a second Women in Energy Conference. The conference will facilitate the sharing of experiences and lessons learned toward promoting women's employment and decision-making in the power sector at both national and sub- regional levels. Discussions are underway to explore the possibility for USAID to support continued strengthening of ECG's institutional capacity post-compact.

In **Morocco**, MCC is working with the Ministry of Education to build both national and local capacity to improve public secondary education to provide Moroccan youth with the skills needed to obtain high-quality jobs. The compact is piloting a participatory process involving parents, teachers, students, and school administrators, to enable school communities to develop and implement School Improvement Plans that meet their school's specific needs. The Ministry of Education is supplementing compact funds with a discretionary budget for each school. This program is being piloted in 90 schools across three regions of the country and is building capacity of the central Ministry of Education in areas such as teacher training, school operations and maintenance, and data-driven decision-making through improved technology. MCC is also helping to transform Morocco's agricultural sector by building capacity of government partners to transfer ownership of collective lands to individual farmers, many of whom have been working the same parcels for generations. This program is formalizing their rights to the land in an inclusive and equitable manner that recognizes the rights of both women and men with links to the land. By combining this legal reform with functional and legal literacy trainings, access to credit and other support, MCC is building the capacity of these farmers to increase their family incomes. Drawing on the success of MCC's pilot program of approximately 66,000 hectares, the Moroccan government has already announced its intention to scale up to an additional 1 million hectares of collective land, transforming the lives of tens of thousands of Moroccan families.

In **El Salvador**, MCC worked with the Ministry of Education, Science, and Technology to provide professional development training – including on improving gender equity in the education system — for over 4,500 teachers, principals, and education specialists in performance monitoring and school management and leadership. The program strengthened the ministry's technical capacities in education evaluation and its use of national data to improve student learning achievement. The compact also provided comprehensive training in public-private partnerships (PPP) to leaders of key government institutions involved in developing and implementing PPPs. These trainings were consistent with international standards based on the Certified Public-Private Professional Program, a program the World Bank and other multilateral development banks jointly developed.

TABLE 1: Completed MCC Compacts since 2004, as of September 30, 2020

<b>Partner Country</b>	<b>Date Compact Signed</b>	<b>Compact Obligations as of September 30, 2020 (in millions of dollars)</b>
Madagascar	April 18, 2005	\$85.6
Honduras	June 14, 2005	\$204.0
Cabo Verde	July 5, 2005	\$108.5
Nicaragua	July 15, 2005	\$112.7
Georgia	September 12, 2005	\$387.2
Benin	February 22, 2006	\$301.8
Vanuatu	March 2, 2006	\$65.4
Armenia	March 27, 2006	\$176.6
Ghana	August 1, 2006	\$536.3
Mali	November 13, 2006	\$434.3
El Salvador	November 29, 2006	\$449.6
Mozambique	July 13, 2007	\$447.9
Lesotho	July 23, 2007	\$358.0
Morocco	August 31, 2007	\$650.0
Mongolia	October 22, 2007	\$269.0
Tanzania	February 17, 2008	\$694.5
Burkina Faso	July 14, 2008	\$474.7
Namibia	July 28, 2008	\$295.7
Senegal	September 16, 2009	\$433.3
Moldova	January 22, 2010	\$259.4
Philippines	September 23, 2010	\$385.1
Jordan	October 25, 2010	\$272.9
Malawi	April 7, 2011	\$344.8
Indonesia	November 19, 2011	\$474.0
Cabo Verde II	February 10, 2012	\$65.6
Zambia	May 10, 2012	\$332.1
Georgia II	July 26, 2013	\$138.6

Partner Country	Date Compact Signed	Compact Obligations as of September 30, 2020 (in millions of dollars)
El Salvador II	September 30, 2014	\$277.0

## MCC Partner Countries in Compact Implementation

Six countries in MCC's portfolio were in compact implementation as of September 30, 2020. Compact implementation begins upon entry-into-force, marking the start of the five-year timeline. The partner country government establishes an accountable entity, generally known as the Millennium Challenge Account (MCA), to manage and implement the compact. Key implementation milestones from fiscal year 2020 are described below.

### Benin

In Benin, where only a third of the population has access to electricity, MCC and the Beninese government are implementing a second compact to fund countrywide projects in electricity distribution infrastructure, attract private-sector investment in solar power generation, strengthen the country's national utility through a management services contract, and expand access to electricity in rural areas. The Beninese government decided to move forward with a tariff increase of five percent, in support of the compact's most difficult reform, while paying the national power utility a subsidy for certain customers excluded from this increase. In 2020 MCC approved increases in the budgets of the Electricity Distribution Project by \$32.0 million (for a total cumulative increase of \$146 million since the 2015 compact signing) and the Off-Grid Clean Energy Facility Activity by \$1.6 million. These changes allowed the accountable entity, MCA-Benin, to sign its largest works contract to date. Benin's electricity regulator approved five more rural electrification projects that will support off-grid electric power for homes, small-businesses, and public infrastructure with a combination of funding from MCC and the private sector. MCA-Benin signed off-grid electrification co-financing agreements that are expected to leverage \$46.3 million in private investment with \$31.5 million of compact funding. The compact closes in June 2022.

### Côte d'Ivoire

The compact aims to support the country's drive to diversify its economy through projects in skills development and transportation. The Abidjan Transport Project will reduce transport costs and improve efficiencies for businesses by rehabilitating roads in and around the port of Abidjan, while building the Ivorian government's improved capacity to manage and maintain the road network. The Skills for Employability and Productivity Project will increase access to secondary education, support teacher training, improve access to the education system for girls and women, construct approximately 750 classrooms and two new teacher training colleges, and improve data systems. Under this project, in addition to the Gender Unit that the Ministry of Education launched in 2019, the government also adopted a national gender policy for Côte d'Ivoire's educational system. Through a new public-private partnership model for technical vocational education and training, the compact will advance development of skills the private sector needs. In June 2020, MCA-Côte d'Ivoire safely conducted community mobilization activities outside of Abidjan, which are critical to identify and select the first group of villages

that will receive new secondary schools under the compact. The Ivorian government also signed a decree creating an inter-ministerial teacher training committee, which will strategically advance critical education-sector reforms the compact supports. Despite pandemic risks and political transitions in the Ivorian government, MCA-Côte d'Ivoire was able to organize the committee's first inaugural meeting in September 2020, which is a prior condition in the Skills for Employability and Productivity Project. In addition, MCA-Côte d'Ivoire finalized the conceptual designs of road transportation systems to reduce congestion on four major roads in Abidjan and has begun the preliminary designs of the road systems. MCA-Côte d'Ivoire also made significant progress in providing capacity building trainings that will allow the Ivorian government improve maintenance of its road network. The scheduled trainings are due to be completed in early 2021. The compact closes in August 2024.

## Ghana

The compact aims to create a self-sustaining power sector that will meet the current and future needs of households and businesses, spur investment, and help reduce poverty across the country. As a result of the Ghanaian government's decision in October 2019 to terminate the private concession of its southern power utility, it no longer met the reform condition for \$190 million of the original \$498 million in compact funding. As a result, MCC's Board de-obligated that funding. Despite this setback to the compact's reform efforts, MCC is drawing upon the remaining \$308 million to implement the remaining activities in the power sector. These activities focus on strengthening the infrastructure and management of Ghana's southern distribution network, largely in and around the capital city of Accra, to reduce technical losses and improve the quality and reliability of electricity. Activities include the construction of two bulk supply points, two primary substations and interconnecting circuits; the expansion and extension of low-voltage power lines; the electrification of markets and economic enclaves; the improvement of street lighting; and the implementation of power sector information technology, regulatory strengthening, and energy efficiency programs. The compact closes in September 2021.

## Liberia

The compact aims to combine infrastructure financing with policy and institutional reforms to modernize the country's power sector and strengthen its road maintenance systems. The Energy Project includes funding for the rehabilitation of the Mt. Coffee Hydropower Plant. Completed at the end of 2017, Mt. Coffee—the compact's largest component—now generates up to 88 megawatts of power, effectively doubling Liberia's generation capacity. Complementary interventions support the electricity utility in becoming operationally, technically, and financially viable, including a management services contract, rehabilitation of the customer service center, and development of a training program for technicians. Other energy sector interventions include the rehabilitation of a raw water pipeline that runs from the hydropower plant site to a water treatment plant and support for the creation of an independent energy sector regulator. Fiscal year 2020 saw significant progress in the rehabilitation and modernization of the Liberia Electricity Corporation's (LEC) customer service center and construction of the \$18 million raw water pipeline. MCC and MCA-Liberia are also facilitating discussions with other donors to fund the LEC Management Services Contract after compact closure in January 2021.

## Morocco

MCC's second compact with Morocco addresses binding constraints to economic growth around two Moroccan government priorities: employability and land productivity. The Education and Training for Employability Project is designed to improve the quality and relevance of secondary education and technical and vocational training. The compact is also assisting in modernizing the labor market observation system, reforming and modernizing the vocational training sector, upgrading student evaluation systems, and testing a results-based financing job insertion model for marginalized youth and women. The Land Productivity Project will help improve access to land and boost individual and business confidence to make long-term land investments by modernizing and improving laws and streamlining time-consuming land access and planning procedures. MCC worked closely with the Government of Morocco on the December 2019 adoption and implementation of legal reforms to land rights that aim to boost women's economic empowerment. Over the past fiscal year, MCA-Morocco and the Ministry of Industry also launched a public-private partnership call for partners for three compact-supported industrial zones in the Casablanca-Settat region and MCA-Morocco signed nine grant agreements under the Fund for Sustainable Industrial Zones. Morocco is the first MCC partner country formally to pilot a results-based financing mechanism through the Results Based Financing Jobs Fund, for which eight grants have been signed. Despite the pandemic, training and job placement programs began in 2020 for youth and women. The compact closes in June 2022.

## Niger

The compact aims to increase rural incomes by addressing access to water for productive uses as well as physical and regulatory barriers to markets and trade. The Irrigation and Market Access Project and the Climate-Resilient Communities Project are modernizing irrigation systems to improve agricultural productivity, with a focus on diversifying production and increasing yields; upgrading road networks to facilitate market access, sales, and profits of agricultural products; and reforming policies to enable expansion of private sector services and assistance in the agricultural sector and sustain precious ground water resources. In December 2019, MCC approved a new concept for promotion and installation of small-scale irrigation in the Sia perimeters of the southern Dosso region, which replaced the original large-scale irrigation design. In March 2020, the Nigerien government satisfied the prior condition for roads maintenance reform that allowed MCA-Niger to advance roads construction works contracts valued at over \$100 million in compact funds. The compact also facilitated significant progress on the Nigerien government's fertilizer sector reform agenda, including expansion of commercial importation, distribution of fertilizer products, and demonstration of transparency and traceability of a fertilizer subsidy program using e-vouchers for the most vulnerable farm households. The compact closes in January 2023.

TABLE 2: Fiscal Year 2020 Compact Obligations and Expenditures (in millions of dollars)

	Activity in Fiscal Year 2020	
	Section 609(g) Compact Facilitation Funding	Section 605 Assistance

Partner Country	Total Compact Amount at Signing	Obligations	Expenditures	Obligations	Expenditures
Benin II	\$375.0	(0.5)	0.4	0.5	42.8
Burkina Faso II	\$450.0	33.4	-	-	-
Côte d'Ivoire	\$524.7	-	13.9	-	1.7
El Salvador II	\$277.0	-	-	-	115.1
Georgia II	\$140.0	-	-	(1.4)	2.0
Ghana II	\$498.2	-	-	(190.0)	80.6
Liberia	\$256.7	-	-	-	31.7
Malawi	\$350.7	-	-	(1.9)	(1.9)
Mongolia II	\$350.0	-	13.1	-	-
Morocco II	\$450.0	(9.3)	-	9.3	36.4
Nepal	\$500.0	-	0.5	-	-
Niger	\$437.0	-	-	-	37.3
Senegal II	\$550.0	-	3.0	-	-

TABLE 3: Signed Compacts That Had Not Entered into Force as of September 30, 2020

Partner Country	Obligations (in millions of dollars)	Expenditures (in millions of dollars)
<b>Mongolia</b>  In July 2018, MCC and the Government of Mongolia signed the \$350 million Mongolia Water Compact designed to prevent an imminent water shortage in Ulaanbaatar and support the country's economic growth. MCC's assistance is expected to provide up to an 80 percent increase in the long-term supply of water to the capital city by adding new groundwater wells, constructing a state-of-the-art	\$28.1	\$15.6

Partner Country	Obligations (in millions of dollars)	Expenditures (in millions of dollars)
<p>water purification plant, introducing new technologies for the recycling and reuse of wastewater, and supporting critical legal, regulatory, and institutional reforms to enhance the sector's sustainability. The Mongolian government has agreed to provide up to \$111.8 million of additional funding to support the compact, among the largest contributions by a partner country. MCC and the Mongolian government are currently finalizing preparations to begin implementation in March 2021, such as securing approval of the final designs and procurement strategies for the compact's major infrastructure projects and formalizing plans to ensure their long-term financial and environmental sustainability.</p>		
<p><b>Nepal</b></p> <p>In September 2017, MCC signed a \$500 million compact with the Government of Nepal—the agency's first compact in South Asia. The compact aims to increase the availability of electricity, maintain road quality, and facilitate power trade between Nepal and India. The \$389.2 million Electricity Transmission Project aims to increase domestic electricity consumption by improving the availability and reliability of electricity in Nepal through the construction of 300 kilometers of</p>	\$40.5	\$9.5

Partner Country	Obligations (in millions of dollars)	Expenditures (in millions of dollars)
<p>high-voltage electric transmission lines, equivalent to one- third of Nepal's transmission network, and three substations, which will increase power for further distribution to customers or serve as pooling hubs for generators. The Electricity Transmission Project also includes a cross-border transmission line to facilitate the growth of power exchange between Nepal and India to meet domestic demand in the short-term and allow electricity exports in the long term. The \$52.3 million Roads Maintenance Project is expected to fund maintenance of up to 305 kilometers of roads, leading to a reduction in transport costs due to decreased vehicle operating costs and reduced travel time. The compact remains in the preparatory phase while the Nepalese government works to meet key entry-into- force conditions. The Nepalese government also committed an additional \$130 million to the compact, for combined total funding of \$630 million.</p>		
<p><b>Senegal</b></p> <p>The compact is designed to strengthen the power sector by increasing reliability and access to electricity. It aims to help the Government of Senegal establish a modern and efficient foundation upon which the</p>	\$37.8	\$3.4



Partner Country	Obligations (in millions of dollars)	Expenditures (in millions of dollars)
<p>nation's power system can grow. Compact projects will focus on energy sector policy, institutional and regulatory reform, upgrade of the high-voltage transmission network in and around Dakar, and expansion of rural electricity access through distribution network upgrades and enhancements to consumer-side elements. Ensuring consistent and affordable access to energy in Senegal will allow businesses to grow, catalyze private sector investment, increase productivity and employment, and ultimately support diversification and growth of Senegal's economy. The compact is expected to enter into force in 2021.</p>		
<p><b>Burkina Faso</b></p> <p>The second compact with Burkina Faso aims to modernize the power sector by addressing the high cost, poor quality, and lack of access to electricity. The Strengthening Electricity Sector Effectiveness Project will reduce the cost of service and improve the performance of all sectors by strengthening electricity sector laws, regulations, and institutions as well as improving the capacity of key sector actors. The Cost-Effective and Reliable Electricity Supply Project is expected to address the quality of electricity and its high cost. The project will reduce load shedding and non-distributed energy as well as</p>	\$33.4	\$0

Partner Country	Obligations (in millions of dollars)	Expenditures (in millions of dollars)
<p>reduce generation costs while increasing the total supply of cheaper solar energy and reducing the proportion of costly thermal energy in the country's energy mix. It will do so by constructing an electricity control center, updating the dispatch center, supplying synchronous reserve batteries, and providing technical assistance and transaction advisory support for a new independent power producer transaction. The Grid Development and Access Project is expected to address the low quality of electricity through the construction, rehabilitation, and extension of transmission and distribution lines in the country's two largest cities, Ouagadougou and Bobo- Dioulasso. This second compact was signed on August 13, 2020. MCC and the Government of Burkina Faso have made significant progress toward establishing the MCA that will be responsible for compact implementation, securing the services of independent fiscal and procurement agents, preparing for key project procurements, and meeting entry-into-force conditions. The compact is expected to enter into force in 2022.</p>		

*Note: For MCC's financial reporting, disbursements are expenditures. Compact funds are fully obligated, and the five-year compact term starts when the compact enters into force.*

## Compacts in Development as of September 30, 2020

During fiscal year 2020, MCC continued to work with eight countries to develop potential compacts and continued developing potential concurrent compacts with several partner countries in West Africa.

### Indonesia

In December 2018, MCC's Board selected Indonesia as eligible to develop a second compact. The selection reflected the strong partnership MCC and Indonesia built during the first compact, their commitment to ensuring that compact's sustainability, and the progress the country has made on its policy performance. In 2019, the Government of Indonesia and MCC jointly completed an analysis that identified costly and underdeveloped financial intermediation as a binding constraint to medium and long-term economic growth. The analysis also identified gender inequities and the lack of transport and logistics infrastructure as additional factors with negative impacts on economic growth. The Indonesian government and MCC are now developing a program in the priority provinces of North Sulawesi, South Sumatra, and Riau that would focus on access to finance for infrastructure, particularly transport and logistics infrastructure, and access to finance for micro, small, and medium-sized enterprises, particularly those owned by women. MCC anticipates receiving the Indonesian government's full project proposals for consideration in spring 2021.

### Kosovo

In September 2017, MCC and the Government of Kosovo signed a \$49 million threshold program that addresses the country's unreliable supply of electricity and real and perceived weakness in rule of law, government accountability, and transparency. In December 2018, MCC's Board selected Kosovo to develop a compact program in parallel to the ongoing threshold program. MCC and the Kosovo government updated the constraints analysis initially conducted during the development of the country's threshold program and identified two additional binding constraints to Kosovo's economic growth: unpredictable energy supply deficits due to the country's old and unreliable generation infrastructure and excess demand for electricity reflecting insufficient investment in energy efficiency. In August 2020, MCC and the Kosovo government completed prefeasibility studies to assess three proposed projects: the development of Kosovo's natural gas sector, the creation of energy reserves for power system balancing, and the improvement of electricity distribution. After careful review of the study results, the Kosovo government requested to move forward with gas sector development and energy reserves creation, with a medium-sized baseload generation component. These two projects are expected to form the basis for a compact proposal for MCC's consideration in summer 2021.

### Lesotho

MCC is developing a compact with Lesotho that will address the constraint to growth of ineffective government policy planning, coordination, and execution. MCC is studying two potential projects: one that would improve capital investment and crowd-in the private sector in irrigated horticulture and another that would strengthen Lesotho's health systems. These potential projects aim to support inclusive and equitable private sector growth by enabling the Government of Lesotho to deliver key public goods

and services efficiently, as sought by private investors. In order for MCC to present the compact to its Board for consideration, Lesotho must improve its current ranking as a Tier 3 country on the State Department's annual Trafficking in Persons Report. Should that happen, MCC expects to present the compact to the Board in mid-2021.

## Malawi

In December 2018, MCC's Board selected Malawi to develop a second compact. The Board's decision recognized Malawi's successful implementation of its first compact (completed in 2018), improved scorecard policy performance, and commitment to further sector reform. MCC is working with its Malawian counterparts to develop two potential projects: an Increased Land Productivity Project to increase land efficiency as a critical production input for economic growth and an Accelerated Growth Corridors Project to increase competitiveness in the agriculture and transport sectors. MCC expects to submit the compact to the Board in mid-2022.

## Sri Lanka

MCC's Board selected Sri Lanka for a threshold program in December 2015 and for a compact in December 2016. Following a compact development process that evidenced strong country ownership, MCC and the then-Government of Sri Lanka negotiated a \$480 million compact in October 2018 that includes two projects: the Transport Project to upgrade more than 300 kilometers of urban and interprovincial roads, introduce traffic management technologies, and improve bus transportation; and the Land Project, to increase the amount of publicly available land rights information, strengthen land rights and tenure security, and improve the regulatory environment so investors can more easily acquire land. MCC's Board and the Sri Lankan Cabinet of Ministers approved the proposed compact in April and October 2019, respectively, amidst an aggressive opposition-led disinformation campaign falsely depicting the compact as a U.S. Government ploy to subvert Sri Lankan sovereignty, permanently acquire Sri Lankan land, and construct a U.S. military base within the country. Following his election in November 2019, President Gotabaya Rajapaksa appointed a four-person committee to review the draft compact agreement. The Sri Lankan government disregarded requests from the U.S. Government to provide clarifications during the review process, and, in June 2020, published the committee's report replete with falsehoods and misinformation. The Sri Lankan government's posture was inconsistent with the strong demonstrations of country ownership MCC requires from its partner countries and an indication of its unwillingness to be an adequate partner to MCC. MCC's Board has since voted to discontinue the proposed compact with Sri Lanka.

## Timor-Leste

In 2013, MCC completed a \$10 million threshold program in Timor-Leste that strengthened anti-corruption institutions and improved access to immunizations by building a more effective community health system. MCC's Board initially selected Timor-Leste to develop a second threshold program in December 2016. Recognizing the Government of Timor-Leste's continued commitment to good governance and investing in its people and economic freedom as well as its steady performance on the MCC scorecard, the Board decided in December 2017 to select Timor-Leste as eligible to develop a

compact. MCC is currently working with the Timorese government to assess the viability of two potential projects for a compact: a water, sanitation, and drainage infrastructure project to reduce the disease burden caused by contaminated water in the capital city of Dili and two municipalities and an education project to train every secondary school teacher and school leader to better equip students with the skills needed to succeed in the job market. MCC is targeting late 2021 for completion of compact development.

## Tunisia

MCC is developing two projects in the transport, trade, and water sectors. The proposed Transport and Trade Project will reduce the time and cost to businesses of engaging in transport and trade in Tunisia and particularly in its largest and most economically strategic port, the Port of Rades. The proposed Water Demand Management and Productivity Project aims to achieve efficient and sustainable use of scarce groundwater resources in the interior regions of Tunisia. Both projects include activities designed to expand women's economic opportunities. MCC expects to submit the compact to the Board in mid-2021.

## Mozambique

After completing the constraints analysis at the end of FY2020, MCC is now exploring and identifying the root causes of two constraints to economic growth in Mozambique. This root cause analysis is part of the second phase of compact development – problem diagnosis – that which examines the “why” of the identified constraints. The constraints analysis concluded with the identification of the following binding constraints to economic growth and poverty alleviation:

- poor agricultural policy, legal, and regulatory framework—and implementation of the existing framework—that inhibits the equitable and efficient functioning of input markets (e.g. fertilizer, improved seed, equipment), vertical coordination of value-chains, and input and output market (e.g. crop/product, livestock) competitiveness, and
- poor—and climate vulnerable—secondary and tertiary road infrastructure and low freight transport market competitiveness, which inhibit input (e.g. fertilizer, equipment, seeds) and output (i.e. finished product) market development and access to basic public services.

MCC expects to submit the compact to the Board in 2023.

### *Regional Compact: Benin-Niger (in development)*

This potential program will involve rehabilitating portions of the existing transport corridor between Cotonou in Benin and Niamey in Niger, while addressing some of the institutional and market constraints that raise the financial and time costs of transporting goods along this road. This corridor is one of the most heavily traveled north-south corridors in West Africa and improving it has the potential to benefit both countries. In particular, the Benin-Niger border crossing is one of the busiest crossings between any coastal and landlocked country in the region, with an average of approximately 1,000 vehicles per day. This potential regional program would have a clear link to Benin's first compact involving the Port of Cotonou as well as to the current compact program in Niger focused on agriculture and roads. MCC expects to submit proposed compacts to MCC's Board in late 2021.

*Regional Compact: Burkina Faso-Côte d'Ivoire (in development)*

MCC will undertake a feasibility study for a potential new high-voltage transmission line from Ferkessedougou in Côte d'Ivoire to Bobo-Dioulasso and continuing to Ouagadougou in Burkina Faso. This line would potentially allow for more power trade between Burkina Faso and Côte d'Ivoire as well as greater control and stability of the interconnected network. MCC intends to engage the West African Power Pool to manage the procurement and performance of the study. MCC has targeted the end of 2020 to finalize the terms of reference for the feasibility study, with a target of presenting proposed compacts to MCC's Board in mid-2022.

## Sector Results at a Glance: By the Numbers and Key Policy Reforms

*Numbers are cumulative since MCC's founding in 2004 and current as of September 30, 2020*

Once the Board selects a country as eligible to develop a compact or threshold program, MCC works with partner country officials to conduct a rigorous joint analysis to identify their most binding constraints to economic growth. This analysis helps MCC to focus its programs on the greatest impediments to private investment and poverty reduction, in areas such as access to credit, governance, electricity, transportation, and education. MCC provides technical expertise and guidance to partner countries throughout the life cycle of compacts: from concept development and project identification to feasibility studies, designs, and implementation. MCC's expert advice and support throughout project development and implementation helps ensure the specific needs of the country are met. Below are highlights of MCC's sector programs that have emerged from this analysis.

### Power

#### 3,397 miles of electricity lines completed

One of the major obstacles to economic growth is often an inadequate, unreliable, and unaffordable supply of energy. In fiscal year 2020, MCC, together with its partner countries, continued to develop compact programs in Burkina Faso, Nepal, Senegal, and Kosovo and implement energy projects in Benin, Ghana, Kosovo (threshold program), and Liberia. Projects include electricity infrastructure (such as generation facilities and transmission and distribution networks), institutional strengthening and capacity building for utilities and regulators, and reforming practices and restructuring power markets. In Liberia, a management services contractor has worked to improve the performance of Liberia's power utility while the compact prepares for closeout in January 2021. In Ghana, large-scale construction works have continued despite challenges of the COVID-19 global pandemic, while in Benin upgrades to the distribution system and national dispatch center are underway along with the final negotiations for the country's first solar power plant with an independent power producer. In Nepal, design, permitting, environmental and social assessments, and arrangements for cross-border power trade with India have progressed, albeit slowly due to the pandemic. Senegal is preparing for the implementation of a compact focused on strengthening the transmission network around the capital city, Dakar; reinforcing and extending the distribution system in rural areas; and reforming the power sector. In August 2020, Burkina

Faso signed a compact focused on upgrading its power transmission lines, improving power distribution in the capital city, Ouagadougou, improving network dispatch and control, and reforming the electricity sector. Kosovo is continuing to develop gas-to-power projects with the goal of signing a compact in 2021. Threshold programs that focus on power sector reform in Sierra Leone and energy efficiency in Kosovo are also currently in implementation, with Sierra Leone preparing for closeout in March 2021 and Kosovo continuing through September 2022.

## Transportation

### 1,886 miles of road completed

Since 2004, MCC has funded over \$3.4 billion in transportation infrastructure projects. In fiscal year 2020, MCC, in collaboration with MCC partner countries, continued to develop programs in Indonesia, Nepal, Malawi, Sri Lanka, and Tunisia and implement projects in Côte d'Ivoire, Niger, El Salvador, Morocco, and Liberia. In El Salvador, under the Coastal Highway Expansion Activity, upgrading and widening of approximately 83% of 27 km of El Salvador's key coastal corridor was completed, along with design-build tender documents for the improvement and modernization of two major border facilities with Honduras and Guatemala. Completion of the coastal corridor will help relieve congestion in the most heavily trafficked coastal segment of El Salvador. In Niger, the Nigerien government awarded a construction contract to upgrade 51 miles of a key section of the primary national road, RN7. It also launched a procurement to upgrade 116 miles of the national road, RN35, along with select rural roads, in May 2020. MCC continues to make progress on the Benin-Niger Regional Integration Transport Program, including a feasibility-level study from data that local stakeholders in Benin and Niger provided. In Liberia, the government completed implementation of technical assistance and policy reform activities to ensure the country has a long-term, sustainable road maintenance program. In Nepal, MCC has launched a pilot program, building capacity to develop new road maintenance construction techniques that will inform the design of future periodic maintenance works on up to 305 kilometers of roads. MCA-Côte d'Ivoire, is engaging in designs and environmental and social studies for the rehabilitation and upgrade of four major urban corridors in the metropolitan area of Abidjan. In Tunisia, the Transport and Trade Project aims to reduce the time and costs to businesses of engaging in transport and trade in the country, particularly in Tunisia's largest and most economically strategic port, the Port of Rades. Under the Transport and Trade Project, MCC and the Tunisian government are undertaking a feasibility study and preliminary environmental and social assessment to support capacity increases and operational reforms at the Port of Rades. In addition, MCC continues to engage with partner countries in Malawi and Indonesia to develop second compacts, which are likely to include large transportation infrastructure components.

## Water and Sanitation

### 12,386 people trained in hygiene and sanitary best practices

### 1,191 water points constructed

Access to clean water and adequate sanitation is fundamental to improving the livelihoods and well-being of the world's poor. As part of MCC's commitment to reduce poverty worldwide, the agency has financed \$2.2 billion in clean water, sanitation, and natural resource improvement projects in partner countries in

Africa, Asia, Europe, and Latin America since 2004. MCC is working with partner countries to develop programs in the water and sanitation sector in Timor-Leste, Tunisia, and Lesotho while continuing to implement programs in Mongolia, Sierra Leone, Niger, and Morocco. In Timor-Leste, MCC is seeking to reduce disease burden through activities in water supply, sanitation, and drainage while also strengthening the legal, regulatory, and institutional framework in the country. MCC's early engagement with the country on policy and institutional reform led to the Government of Timor-Leste passing legislation to establish an independent national water utility and an independent water regulator, both of which will be operationalized by January 1, 2021. In Tunisia, MCC is pursuing options to achieve efficient and sustainable use of scarce groundwater resources in the interior regions of Tunisia, while in Lesotho MCC has launched feasibility studies related to the development of irrigated horticulture and integrated water resource management. In Mongolia, MCC's \$350 million compact is designed to provide a sustainable supply of water that will stem the impact of an impending water crisis and sustain private sector-led economic growth in the capital city, Ulaanbaatar. The compact's Water Supply Project will support the construction of new groundwater wells and a state-of-the-art plant for purifying drinking water, the construction of a wastewater recycling plant for industrial reuse, and the development and implementation of policy, legal, regulatory, and institutional reforms to enhance the long-term sustainability of Ulaanbaatar's water supply. These programs will increase the supply of water to Ulaanbaatar by more than 80 percent. Under the Sierra Leone Threshold Program, MCC has committed \$16 million toward a Water Sector Reform Project that aims to improve access to reliable and safe water, sanitation, and hygiene (WASH) services, utility management and efficiency, and WASH practices at the household level. Increased access to safe drinking water, food, and sanitation services is critical to improving children's nutritional status and preventing environmental enteropathy, which has been associated with growth failure in children.

## Agriculture and Irrigation

**405,482 farmers trained**

**504,004 acres under improved irrigation**

In July 2016, MCC signed a \$437 million compact with Niger focused on strengthening the agricultural sector. Under the compact's Irrigation and Market Access Project, MCC has supported the Nigerien government's initiative to improve irrigation and road access in the regions of Dosso and Tahoua. This work includes the rehabilitation of the irrigation system at Konni and the introduction of small-scale irrigation solutions in the Sia area of Dosso. As part of the project, MCC supports farmers and their associations to increase access to markets and post-harvest services while rehabilitating roads critical to market access. The compact also assists the implementation of the Nigerien government's Fertilizer Sector Reform Plan, which opens up the market for private agrodealers to supply high-quality fertilizer while also realigning subsidy programs to ensure the neediest are able to access inputs to increase their agricultural productivity. Additional projects focused on sustainable development in the sector include support of the national water management plan as well as development of management plans for strengthening property and land rights and building statistical capacity within the Ministry of Agriculture. These activities will increase the production of market-oriented, irrigated agricultural production while building institutional capacity for the sustainable use and maintenance of irrigation and market infrastructure.



## Land

### **320,722 household, commercial, and legal entities granted protected land rights**

MCC works with partner countries to improve land governance and administration, strengthen property rights, and stimulate private sector investment for more productive land use. In Morocco, the compact's \$168.8 million Land Productivity Project aims to enable land markets to better respond to investor demand and to strengthen the enabling environment for investment. The Project is testing a more sustainable, market-driven model of industrial zone public-private partnerships in the Casablanca region; piloting an improved process for providing farmers and their families with individual titles to land they have been farming for generations—an initiative covering approximately 66,000 hectares; and developing a national land governance strategy to address obstacles to greater investment and productivity, including improving women's access to land. In connection with the compact, MCC worked with the Government of Morocco to adopt legislation in fiscal year 2020 to strengthen women's rights to own and inherit collective land. The Togo Threshold Program, signed in February 2019, includes an \$8 million Land Reform to Accelerate Agricultural Productivity (LRAP) Project. The LRAP Project will support the establishment of a regulatory framework to implement the new land code and will field-test cost-effective procedures and technologies for land formalization to provide Togolese farmers with the security necessary to make long-term investments in their land.

## Education

### **844 education facilities constructed or rehabilitated 10,670 instructors trained 291,144 students participating in MCC-supported education activities**

MCC works with partner countries to help students gain the knowledge and skills the private sector needs. In Georgia, the compact supported the development of 38 university programs in technical and vocational education and training (TVET) and the opening of an internationally accredited bachelor's degree program in science, technology, engineering, and math (STEM) disciplines. By the end of the compact, MCC had trained approximately 15,000 secondary STEM and English teachers in the country in student-centered learning, classroom management, and subject-specific pedagogy. MCA-Georgia distributed TVET grants totaling approximately \$12 million and provided technical assistance and public relations activities that substantially reformed the TVET system—and public perception of it—in Georgia. In El Salvador, the recently completed compact focused on reforming the national education system by improving the secondary education curriculum, aligning the country's TVET system with workforce skills in 36 education centers addressing agriculture, manufacturing, and service industries, and providing continuous professional development for teachers of grades 7 to 12. Each center received new or significantly refurbished facilities as well as new equipment and furnishings intended to improve the quality and capacity of education and training services. In Morocco, MCC initiated implementation of community-led school improvement plans for 90 pilot secondary schools, comprising basic infrastructure repairs, teacher and administrator training, equipment upgrades, and partnerships with non-governmental organizations to improve students' soft skills and encourage female participation in STEM fields. Under the \$100 million grant facility, MCC signed grants for construction and technical assistance for 15 TVET centers to promote private sector-driven vocational training, with accompanying support to

policy reforms to strengthen this new TVET model, including support for grantees to develop Gender Action Plans and broader reform efforts aimed at making training more accessible to women. MCC also supported technical assistance and systems upgrades that are helping the Government of Morocco improve its research, collection, and analysis of data in student assessment, labor markets, and employability. In Côte d'Ivoire, MCA-Côte d'Ivoire is working toward supporting new secondary schools, improved teacher training, and demand-driven TVET centers, with an emphasis on increasing access to education among women and other marginalized groups. MCA-Côte d'Ivoire completed selection of the first tranche of 20 communities in two regions, San Pedro and Gbeke, where it will construct secondary schools. MCA-Côte d'Ivoire also completed the development of a national gender policy in education and an action plan that outlines activities to promote gender equality in education. The resulting improved access and quality education will bridge the gender gap of skilled graduates needed for the Ivoirian workforce. In the Guatemala Threshold Program, education activities include the training of over 1500 secondary teachers and principals—with reported participation rates of approximately 80 percent despite having to move to online training in response to the COVID-19 crisis—and the selection of 13 pilot schools for the TVET strengthening program. The program is also supporting the Ministry of Education to develop new tools and strategies to advance the country's TVET system by designing and implementing new curricula that better meet labor market demand.

## Health

**1,564 health providers trained on growth monitoring**

**6,724 service providers trained on community-led total sanitation triggering**

**17,531 service providers trained on infant and young child feeding**

MCC's work with partner countries in electricity and agriculture sectors have health-related benefits. In the Kosovo Threshold Program, MCC is providing \$4.3 million toward improving data and public health communication to promote behaviors that reduce the negative health impacts of air pollution. The Water Sector Reform Project in Sierra Leone is improving coordination, commercial practices, and capacity of the sector to improve clean, safe, and reliable distribution of water in Freetown. In Ghana, MCC is funding power infrastructure and institutional capacity to improve power supply reliability to the benefit of key hospitals, clinics, and teaching institutions. Within the Niger Compact, the Irrigation and Market Access Program includes literacy campaigns that have nutrition and sanitation as key curricula items. MCC is also a leader of the U.S. Government Global Nutrition Coordination Plan secretariat and a member of the technical working group that facilitates a stronger whole-of-government approach to global nutrition.

## A Results-Based Approach

MCC uses a country-driven, results-based approach in its global programs, ensuring that each compact generates cost-effective impact. MCC is committed to applying its experience, expertise, and flexibility to address evolving challenges in order to achieve economic growth. This means focusing on the following areas:

## Gender and Social Inclusion

Gender and social inclusion are essential to achieving MCC's mission to reduce poverty through economic growth, and MCC integrates inclusion into every phase of its programs. Catalyzing and supporting institutional reforms ensures that the impacts of MCC's programs extend well beyond the life of a compact. MCC's Gender Policy, first adopted in 2006, requires that gender inequalities be addressed during country selection, in the development and design of programs, and throughout program implementation and impact evaluations. In 2020, MCC adopted an additional investment criterion on women's economic empowerment that further reinforces the importance of supporting women's ability to access workforce and entrepreneurial opportunities. MCC supports women entrepreneurs in Kosovo and Benin by creating opportunities to establish or strengthen their businesses in the energy sector. MCC provides workforce opportunities that allow women to compete for better-paying jobs in nontraditional sectors, such as in energy in Ghana and Kosovo and in construction in El Salvador and Morocco. The Benin and Ghana compacts include policy and process changes within the electrical utilities to increase recruitment, retention, and promotion of women in the energy sector. In parallel with MCC's programs in education and skills development, MCC works on improving girls' access to education and completion rates. In El Salvador, MCC supported the development of the Ministry of Education, Science, and Technology's Gender Policy and Gender Unit, designed to improve gender equality in the country's educational system. In partnership with San Diego State University (SDSU), MCC designed the Georgia II Compact's STEM Higher Education Project, to increase women's participation in STEM degree programs. Specific outreach to and recruitment of women resulted in significant female enrollment in the program. Of the 530 students enrolled in the SDSU program, over 36 percent were women, which is a higher proportion of women than in most U.S.-based science and engineering bachelor's degree programs.

## Environment, Health, and Safety

MCC recognizes that economic growth must be environmentally and socially sustainable. MCC works with its partner countries to integrate principles of environmental and social sustainability into the design and implementation of MCC-funded programs. The MCC Environmental Guidelines set forth a process for the review of environmental and social impacts to ensure that MCC-funded projects are environmentally sound, are designed to operate in compliance with applicable regulatory requirements, and are not likely to cause significant environmental, health, or safety hazards. MCC adheres to the International Finance Corporation's Performance Standards on Environmental and Social Sustainability ("Performance Standards") as part of its approach to risk management, promoting sound environmental and social performance and improving how MCC puts the Environmental Guidelines into practice at an operational level. The Performance Standards include requirements for identifying and managing environmental and social risks and impacts and identifying opportunities to enhance benefits at the project level.

In Liberia, MCC identified early-on the importance and value of including a new water intake and pipeline from Mt. Coffee to the White Plains Water Treatment Plant as a complementary activity to the Mount Coffee Hydropower Rehabilitation Project. The inclusion of this activity helped ensure that the hydropower project does not harm Monrovia's primary water supply, provides the opportunity for long-

term expansion, and saves the Government of Liberia almost \$1 million in costs each year since it no longer has to pay to pump water from the Paul River. In Morocco, under the Industrial Land Activity, MCC is piloting a market-driven, public-private partnership approach to developing industrial land zones for private sector investment. Outside of the targeted industrial development zone at Had Soualem, MCC identified an illegal dumpsite that presented a significant health hazard and risk to the program. Through MCC's oversight model for environmental management, MCC was successful at leveraging \$4 million from the Government of Morocco, resulting in the construction of a new landfill that complies with Morocco's laws and regulations for waste management. In Solomon Islands, MCC identified natural resource management as a major binding constraint. In response, MCC worked in partnership with the Government of Solomon Islands to develop a program that seeks to provide communities with economically viable alternatives to extractive forest management. In Sierra Leone, the threshold program is supporting the development and passage of a National Resettlement Policy, whereby the Government of Sierra Leone is adopting resettlement standards consistent with MCC's Environmental Guidelines for all public and privately funded investments moving forward. In fiscal year 2020, MCC worked with private sector partners to establish stronger tools and approaches to integrating climate considerations and ecosystem services into program design.

## MCC Threshold Programs: Results Through Reforms

MCC's threshold program assists promising candidate countries to become eligible for a compact by offering them the opportunity to demonstrate their commitment to democratic governance, economic freedom, and investments in their people. By advancing policy reforms and strengthening institutions to address the most binding constraints to economic growth, threshold programs help MCC assess the opportunity for an impactful and cost-effective partnership before committing to a larger compact. MCC uses the same rigorous, evidence-based approach in threshold programs as it does in compacts, leading to high-quality programs that maximize potential systemic impact and lay the foundation for a higher level of assistance.

In fiscal year 2020, MCC partnered to develop or implement threshold programs with Ethiopia, The Gambia, Guatemala, Kenya, Kosovo, Sierra Leone, Solomon Islands, and Togo.

### Ethiopia

In 2020, MCC worked closely with the Government of Ethiopia to develop a \$53 million threshold program focused on addressing the country's uncompetitive trade and export policies. Since updating MCC's Board on the proposed Trade Enhancement Project in June 2020, the MCC country team has continued to conduct due diligence on the business and regulatory environment and further develop project activities.

### The Gambia

MCC's Board selected The Gambia as eligible to develop a threshold program in December 2017. Program development continued into 2019 with a focus on the unreliable and inadequate supply of electricity within the country. The Gambia became ineligible to receive assistance in fiscal year 2020 due to its

designation as a Tier 3 country on the U.S. Department of State's annual Trafficking in Persons (TIP) Report. Following an upgrade to the Tier 2 Watch List in the June 2020 TIP Report, MCC has restarted program development with the goal of bringing a final program to the Board in 2021.

## Guatemala

MCC and the Government of Guatemala are partnering to complete implementation of a \$28 million threshold program to improve the quality of secondary education, mobilize financial resources through reforms in customs and tax administration, and structure public-private partnerships for infrastructure. In response to the COVID-19 pandemic, the program developed alternative means of teacher training and 1,517 secondary school teachers and principals were able to complete the four-semester course. The program also completed activities to support a new teacher hiring process that would require teachers to pass a basic competency test in the subject they would teach. Implementation of the hiring process is pending a government decree. The program is funding the U.S. Department of the Treasury's Office of Technical Assistance and a team of 10 local consultants to help the Guatemalan customs and tax authority to automate customs processes and improve data management and risk modeling.

## Kenya

Selected in December 2019, Kenya is eligible for a second threshold program. Following the MCC Chief Executive Officer's initial visit to Nairobi in January 2020, MCC conducted an assessment of the economic, private sector, and gender and social inclusion context despite challenges related to the evolving COVID-19 pandemic, including restrictions on travel. Program development will continue to explore constraints to economic growth presented by limited urban connectivity, the crowding out of private sector financing, and other issues.

## Kosovo

MCC and the Government of Kosovo continue to implement a \$49 million threshold program that entered into force in 2017. The program aims to foster a market-driven approach to lowering energy costs for households and businesses, encouraging energy efficiency and developing new sources of electricity generation. The program also supports the Kosovo government's efforts to improve decision-making and accountability by increasing the accessibility and use of judicial, environmental, and labor force data. Despite delays due to COVID-19, the two largest activities to pilot incentives for energy efficiency and metering are poised to begin small works in early 2021. Women scholarship recipients studying energy-related fields began their second year of studies in the United States. Small works to improve air quality data collection were completed in 2020 and an app and web portal providing air quality data and health information is now online.

## Solomon Islands

MCC's Board selected Solomon Islands as eligible to develop a threshold program in December 2018. Despite COVID-19 challenges, MCC engaged with the Government of Solomon Islands to develop a \$23 million program. The program consists of two projects to address land access and investment facilitation

issues that have prevented Solomon Islands from realizing its potential in tourism and to help the country generate more reliable and sustainable benefits from its forest resources.

## Sierra Leone

MCC and the Government of Sierra Leone signed a \$44.4 million threshold program grant agreement in November 2015 to improve access to clean water and reliable electricity. In 2020, the MCA completed an innovative results-based financing activity that provided performance incentives to utilities in the electricity and water sectors. Additionally, the program started the installation of new pipes, meters, and water kiosks to improve water delivery in a pilot area of Freetown. Completion of the program is scheduled for March 2021.

## Togo

The \$35 million MCC threshold program with Togo is focused on addressing critical constraints in the country's information and communications technology (ICT) and land sectors. The program will support the Government of Togo to improve citizens' access to high-quality and affordable ICT services by encouraging private sector investments, supporting the implementation of a universal service fund, and strengthening an independent regulatory body. In the land sector, the program will expand access to formalized land titles through the recognition and protection of legitimate land rights, to accelerate agricultural productivity.

### For More

✉ [Visit www.mcc.gov](http://www.mcc.gov) for the latest progress on each MCC partner country, including financial data, results, and donor coordination efforts.

✉ [Review MCC's Fiscal Year 2020 Agency Financial Report](#) for financial statements and the independent auditor's report.

## Leveraging Partnerships

MCC has broadened and deepened its partnerships with partner country governments, public donors, the private sector, and other U.S. Government agencies to further its impact, scale, and innovation as well as the sustainability of its programs.

### Partnership Annual Program Statement

MCC utilizes its Partnership Annual Program Statement (APS) to facilitate open, fair, and transparent competition of partnering opportunities and to foster proactive collaboration and partnership co-creation among MCC and potential partners. The APS enables MCC and prospective partners to co-create partnerships that make best use of each organization's distinct knowledge, networks, innovations, investments, personnel, and resources. To date, MCC has awarded over 20 partnerships via the APS using cooperative agreements, each of which had a required cost-share component. These partnerships have strengthened MCC's due diligence of compact and threshold programs. MCC has 15 APS partnerships currently in implementation. Significant activities related to APS partnerships in fiscal year 2020 include:

- The initiation of a partnership with the University of Massachusetts to enhance benefits of MCC's programs by better incorporating deep uncertainties in economic analysis, particularly in the realms of environment and climate change. The partnership draws on the latest insights from academia and development practice to provide guidance on conducting cost-benefit analyses in the context of limited information and uncertain costs and benefits, while remaining mindful of MCC's project timelines.
- The initiation of a partnership with Tulane University's Commitment to Equity Institute to enable distributional analyses of the welfare impacts of proposed activities early in the MCC compact design and negotiation processes, to develop practical methods for quantifying the current impact on inequality and poverty of public investments in infrastructure, and to develop fiscal incidence analyses and toolkits for MCC and partner country governments to use.
- The initiation of a partnership with the United Nations Capital Development Fund to assess digital finance as a driver for improving last mile access to electricity and electrical equipment in the Senegal Compact. This partnership will inform and raise awareness of financial inclusion strategies that enable electricity use and financial products and services best suited to the needs of women and youth in rural Senegal.
- The completion of Phase 1 of a partnership with The Brookings Institution on urban economic analysis. The partnership produced a working paper that outlines a framework for analyzing constraints to growth at the city level by incorporating agglomeration economics with more established growth diagnostic techniques. Phase 2 of the partnership that will pilot the framework in MCC partner countries has now begun. Learning from the pilot will help both to refine the working paper as well as potentially inform MCC program designs.
- The completion of a partnership with The Brookings Institution in which Brookings provided [recommendations](#) to MCC on how gender inequalities can be integrated in the application of the [HRV model](#) during the constraints analysis process in *Constraints That Bind (or Don't): Integrating Gender into Economic Constraints Analysis*, published April 2020. Brookings also conducted a meta-analysis of recent evaluations of programs that support women's entrepreneurship. In September 2020, they released a report on ["What Works for Women Micro-Entrepreneurs."](#) which

concluded that training alone, without mentoring or other support, was not as effective.

- The completion of a partnership with Harvard University to expand Growth Diagnostics methods and techniques, which form the basis of MCC's Constraints to Growth Analysis. The partnerships improved the theoretical foundations and practical guidance for conducting growth diagnostics in the areas of human capital, finance, and private sector market failures.
- The completion of a partnership with Bechtel in Côte d'Ivoire that focused on developing a national infrastructure master plan. This partnership enabled MCC to deepen its understanding of the relevance of infrastructure master planning approaches to MCC's model, to assess how national infrastructure master planning could impact MCC's ability to catalyze private sector engagement in its program, to understand the opportunities for leveraging master plans for blended finance, and to increase MCC staff understanding of infrastructure master planning methodologies.

## Program Partnership Solicitation

MCC is developing new partnering mechanisms that will further increase opportunities for partnerships within compact and threshold programs. MCC piloted an inaugural mechanism, termed the Program Partnership Solicitation (PPS), in Morocco and Lesotho in fiscal year 2020.

- MCA-Morocco made the first partnership award via the PPS in 2020 as part of the Workforce Development Activity under the Morocco II Compact. MCA-Morocco partnered with the Massachusetts Institute of Technology's Jameel Poverty Action Lab and Harvard Kennedy School's Evidence for Policy Design, along with a constellation of national collaborators, to advance the use of evidence in policy making for employment in Morocco. The partnership is expected to unlock insights to maximize the effectiveness of government policy to support the creation of jobs, including for youth, whose unemployment rate is double that of the general population.
- MCA-Morocco is also using the PPS in the Workforce Development Activity to form a partnership with a public or private university and a private sector actor experienced in Artificial Intelligence, big data, and statistical analysis to develop a digital platform for the labor market. This interactive platform is envisaged to improve job placement services by providing users with different types of information relating to the labor market (real-time data and information, trends, information on supply and demand, skills, training, etc.). MCA-Morocco expects to sign the partnership in March 2021.
- The Lesotho Millennium Development Agency (the MCA in Lesotho) and the Lesotho Pension Fund are using the PPS to catalyze a first-of-its-kind Lesotho Impact Investment Fund (LIIF) and associated Technical Assistance Facility (TAF). The MCA expects the LIIF and TAF to increase investment and loans for Lesotho's key strategic sectors including agriculture and high-value horticulture, creative industries, tourism, and manufacturing, as well as MSMEs and women-owned or youth-owned businesses.

## Partnership with USAID for Women's Business Data Lab and e-Community in Côte d'Ivoire

The Women's Global Development and Prosperity Fund, which USAID implements, selected MCC to receive an award of \$4 million in FY20 resources to establish a Women's Business Data Lab and e-Community in Côte d'Ivoire. The lab will offer female entrepreneurs and women-led businesses a center



to build their digital and data skills, network, and collaborate with other female entrepreneurs and business leaders. To complement in-person training and convening available at the lab, MCC and private sector partners will also support a virtual network of digitally enabled female entrepreneurs within the country.

## Partnership with Women in Science (WiSci)

MCC is helping to empower the next generation of female leaders by bringing the Women in Science (WiSci) program to MCC partner countries. WiSci is a public-private partnership designed to motivate young women to pursue careers in science, technology, engineering, arts, and mathematics (STEAM) career fields. Through experiential learning, cross-cultural peer interaction, industry connections, and learning from accomplished scientists and technologists, WiSci seeks to empower young women with knowledge, leadership, and technical skills needed during times of rapid technological development. Through a partnership with the U.S. Department of State and close collaboration with the United Nations Foundation's Girl Up program and other curriculum partners such as NASA, Caterpillar, AI4All, Astrobotic, Georgia Tech, and MIT, MCC and MCA-Morocco helped to bring virtual workshops and discussions to participants from Morocco, Côte d'Ivoire and the United States in summer 2020. The WiSci Morocco online programming demonstrated the impact of the WiSci partnership and program model to MCC compacts and threshold programs, and MCC is working with WiSci partners to launch additional WiSci camps in other MCC partner countries.

## Power Africa

To fulfill the agency's goal of removing constraints to economic growth, MCC is undertaking major power programs in sub-Saharan Africa in collaboration with Power Africa, a U.S. Government interagency initiative, to bring affordable electricity to the people of sub-Saharan Africa. To date, MCC has completed approximately \$350 million worth of power projects in Malawi and, together with other partner countries, is continuing to implement an additional \$2 billion worth of power projects that will improve the quality and reliability of electricity in Benin, Burkina Faso, Ghana, Liberia, Senegal, and Sierra Leone. These projects focus not only on building physical infrastructure but also on improving the enabling environment to attract private sector investment. Examples include financing a photovoltaic solar power project in Benin with independent power producers and project finance lenders and improving the financial position and operations of the utility in Burkina Faso.

## Data for Development Capacity Building

[The Data Collaboratives for Local Impact](#) (DCLI) program, under a \$21.8 million interagency agreement funded by the President's Emergency Plan for AIDS Relief (PEPFAR) and implemented by MCC, empowers individuals and communities to use data to improve lives through better decisions, investments, resource allocation, and transparency. DCLI engages locally and inclusively to promote policies and practices that balance data availability and privacy; establishes centers to build data skills, civic technology, and collaboration; and leverages resources, innovation, and partnerships to develop more substantial outcomes for partner countries. The program works across sectors to improve health, control the HIV epidemic, empower women and youth, and contribute to economic growth.

DCLI's first investment established the Tanzania Data Lab (dLab), which focuses on the proliferation of data use by building the data skills of individuals and communities. To date, the dLab has increased Tanzania's local supply of data expertise by training over 2,000 individuals and nearly 3,000 organizations. In 2018, the dLab and the University of Dar es Salaam launched a Master's in Data Science program, the first of its kind in East Africa. It has produced 30 local data scientists including nine DCLI-funded PEPFAR Scholars, of whom four are women. Graduates have been employed by private sector organizations like Vodacom Tanzania and implementation partners like [Management and Development for Health](#) (MDH) and the [Benjamin Mkapa Foundation](#). The dLab's efforts at the subnational level in the Kyela district led the Tanzanian Bureau of Statistics to approve citizen-generated data as a valid source of statistical information, despite previous restrictive data policies. Since its founding, the dLab has built a reputation as a center of excellence in promoting innovation and data literacy.

In mid-2018, DCLI expanded to Côte d'Ivoire to grow the availability of data skills and to build capacity in the data ecosystem. In collaboration with the Ministry of Development and Planning, DCLI launched an [open data readiness assessment and action plan](#) to coordinate activities in data policies, openness, and capacity building. One hundred thirty-five young Ivorian fellows completed data science training, and the Ivorian government placed them within national and regional ministries and organizations to augment their use of data. DCLI partnered with [Des Chiffres et des Jeunes](#) to develop a scalable [data inventory platform](#) that includes 545 registered data sets from nearly 300 organizations that were trained on the value of data and data protection, re-use of existing data sets and to avoid collecting already-available data. Through 2020, DCLI worked to improve data use at 23 PEPFAR-priority health facilities, embedding data fellows and developing technical solutions that the Ivorian Ministry of Health can scale to other locations.

The DCLI program has highlighted the opportunity to empower women economically by providing them the data skills to participate in the growing global digital economy and changing global workforce. The program has managed to exceed gender parity in program participation (59 percent in Tanzania and 45 percent in Côte d'Ivoire). DCLI's collaboration with the Stanford [Women in Data Science](#) is being extended in Tanzania to adolescent girls and young women aspiring to become data scientists, pairing them virtually with high school counterparts in Silicon Valley.

Overall, an [independent assessment](#) concluded that the DCLI program increased the data skills of individuals and organizations, improved data use for service delivery and resource allocation at subnational levels, and fostered improved data use among nongovernmental organizations, local governments, and entrepreneurs.

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## Efforts to Advance Global Development

MCC actively engages with the private sector throughout the development and implementation of its threshold programs and compacts to spur economic growth in partner countries. By holding its partner countries accountable to high standards of good governance and by capitalizing on private investment and expertise, MCC is delivering development results and creating new opportunities for U.S. firms in frontier markets.

### Driving Reforms

MCC's strict standards for countries to receive aid have created an incentive for countries to make reforms before MCC expends even a dollar of assistance, a phenomenon called the "MCC Effect." A country understands that becoming eligible for an MCC compact means more than just grant funding—it is a signal to the world that the country is on a positive track. It also inspires a sense of pride, sending a message that the United States believes it has the political, social, and economic potential for long-term progress. MCC's selection criteria encourage countries to reform policies, strengthen institutions, and improve data quality in order to boost their performance in the areas of economic freedom, ruling justly, and investing in their people, as measured by the MCC scorecard.

MCC programs seek to address barriers to growth and sustain significantly increased levels of income for beneficiaries long after compact programs end. To achieve this goal, a compact is implemented in tandem with a broader development strategy. During the compact development process, MCC and the partner country examine conditions surrounding the proposed compact and develop a plan for policy reform that will maximize the compact's impact and sustainability. The partner government must succeed in making crucial policy changes before MCC releases funding and continue with others to improve the operating and policy environment during implementation. These policy reforms ultimately support the conditions necessary for continued growth and investments.

## Creating New Opportunities for Economic Growth

### Women's Economic Empowerment

Strengthening economic opportunities for women is fundamental to MCC's mission to reduce poverty through economic growth. As part of its data-driven model, MCC consistently works with partner countries to unlock the economic potential of women and overcome financial, legal, and cultural barriers that prevent women from fully engaging in their countries' economies.

Since its inception, MCC has mandated the integration of gender into its country programs. Gender analysis and a rigorous evidence base inform all aspects of MCC's work, from selecting country partners to identifying gender-responsive economic growth constraints to supporting partner governments to enact legal and policy changes to create an enabling environment for women. MCC's country scorecard, which MCC's Board uses to determine eligibility for funding, includes an indicator for gender in the economy. The indicator criteria signal to countries that the laws that prevent women from equally engaging in the

economy matter and will influence eligibility for MCC funding. In addition, each MCC compact and threshold program requires a Social and Gender Integration Plan, which provides a comprehensive roadmap for social inclusion and gender integration throughout program implementation. MCC supports activities to expand income-generating activities and employment opportunities for women, to increase women's access to land, education, and skills development, and to enable women-owned businesses to take advantage of new market opportunities. Through its compact and threshold programs, which include significant assistance for policy and institutional reform as well as infrastructure, MCC boosts the U.S. Government's ability to change the landscape of women's economic empowerment around the world.

MCC committed to further incorporating women's economic empowerment into its program design by adopting a new institutional investment criterion for this critical element—a first for the agency. MCC's work reinforces the U.S. Government's work to support women's workforce training and skills development, entrepreneurship and access to capital, and overall enabling environment of laws, regulations, and policies that impact women's participation in the economy. MCC supports this ambitious integrated approach to align the experience, commitment, and expertise of the U.S. Government's international development agencies to advance women's economic progress around the world.

## **Prosper Africa**

Prosper Africa is a U.S. Government initiative that unlocks opportunities to do business in Africa—benefiting companies, investors, and workers in Africa and the United States. Prosper Africa brings together the resources of more than 15 U.S. Government agencies to connect U.S. and African businesses with new buyers, suppliers, and investment opportunities, making it easier for companies to access U.S. Government trade and investment support services.

Catalyzing private investment for development has been fundamental to MCC's work since its founding, and MCC's support of economic growth in Africa delivers mutual benefits to the United States and our partners on the continent. Each U.S. Government agency provides a unique contribution to Prosper Africa, and MCC's compacts are effective in promoting long-term growth through infrastructure investments and a focus on improving the business climate.

## **Blended Finance**

MCC has practiced blended finance since its founding. Whether leveraging public-private partnerships in projects like the Benin Port and the Jordan wastewater treatment facility; designing and managing leverage grant facilities to bring additional private sector funding to programs, such as in the Green Prosperity Project in Indonesia; or catalyzing private sector investment around our programs, such as in Ghana, Malawi, and El Salvador, leveraging private sector investment to further MCC's mission has been at the heart of what MCC does.

Private sector investment is essential for sustainable poverty-reducing economic growth. The United Nations estimates that the annual financing gap to achieve the Sustainable Development Goals by 2030 currently sits at \$2.5 trillion. While Official Development Assistance continues to play a key role, closing this gap will require development agencies to help unlock and direct finance from other sources.

Recognizing shifts in the global development landscape and the opportunity to scale up impact, in 2020 MCC expanded and deepened blended finance capacity, portfolio, and leverage through new strategies and better tools, including:

**Development of a new institutional investment criterion:** To better support the integration of blended finance tools in MCC's grant programs, the agency recently adopted a new institutional investment criterion to encourage MCC's country teams to identify, evaluate, and pursue opportunities for blended finance at the earliest stages of the compact development process. The addition of this criterion ensures that country teams consider opportunities for blended finance at all stages of compact development.

**Innovation Technology Program:** MCC has furthered collaborations with the U.S. Small Business Administration (SBA) to offer future compact and threshold programs the opportunity to bring proven U.S. technologies to MCC partner countries through a newly established Innovation and Technology Program (ITP). Through the ITP, MCC is working with SBA and other U.S. federal agencies participating in the Small Business Innovation Research (SBIR)/Small Business Technology Transfer (STTR) programs to identify, pilot, and scale innovative technologies to address country-specific needs in MCC compacts.

**Millennium Impact for Infrastructure Accelerator:** In fiscal year 2020, MCC initiated a collaboration with Africa50 to create the Millennium Impact for Infrastructure Accelerator (MIIA), with the goal of attracting impact capital by developing bankable infrastructure deals with measurable social and economic impacts. MIIA seeks to mobilize much-needed private capital to the most impactful infrastructure projects in the power, water, sanitation, health, education, and transport sectors. MIIA aims to attract impact capital by supporting project preparation and innovative financing structures for bankable infrastructure projects and linking impact investors to bankable deals that meet their impact criteria.

**Collaboration with the U.S. International Development Finance Corporation:** MCC and the U.S. International Development Finance Corporation (DFC) have been working to increase interagency coordination in U.S. foreign development as commissioned by the Better Utilization of Investments Leading to Development (BUILD) Act of 2018. As part of this effort, MCC and DFC have explored opportunities to more systematically incorporate opportunities for collaboration into MCC's programs from the early stages of the development process and through new blended finance tools. MCC and DFC have developed a new blended finance mechanism, the American Catalyst Facility for Development (ACFD). The ACFD aims to leverage the strengths of both agencies and to enable coordinated catalytic investments in MCC's portfolio by providing strategic grants aimed at crowding-in the private sector and maximizing the overall impact of U.S. Government development efforts.

## Legislation to Address COVID-19 Impacts

MCC's programs experienced significant delays due to COVID-19. These delays have been particularly acute in Ghana, Benin, Morocco, Niger, and Cote d'Ivoire, which have compacts in implementation in 2020 and are subject to MCC's five-year statutory time limit for assistance.

MCC worked closely with Congress, with support from the White House, OMB, and interagency partners,

for legislative authorization to extend for up to one-year compacts in implementation that the pandemic affected. This request does not require new compact assistance funding or resources. The extension would increase MCC's time limit for compacts in effect as of January 29, 2020, to ensure the sustainability of U.S. investments abroad and to maximize the impact of U.S. taxpayer dollars through the agency's programs in key partner countries.

MCC will continue to advocate for its passage in Fiscal Year 2021.



## Reducing Poverty Through Growth

