

JANUARY 2010

BEFORE

AFTER



Look inside to see how MCC and MCA-Nicaragua are paving the way to prosperity.

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## A Renewed Commitment to Innovation

The Millennium Challenge Corporation marks its sixth anniversary this month with milestones that signal a new focus on thinking more creatively about ways to win the fight against global poverty.

**New leadership:** President Obama's nomination and the U.S. Senate's unanimous confirmation of Daniel Yohannes as MCC's CEO bring a new perspective to achieving MCC's mission. In addition to his long and successful career as a banker and his subsequent work as a private investor specializing in real estate, financial institutions, and the renewable energy sector, Mr. Yohannes is a noted community volunteer and philanthropist. Sworn in by Secretary of State Hillary Rodham Clinton on December 8, 2009, Mr. Yohannes has said that his vision for MCC's future is, "grounded in greater innovation, closer engagement with the private sector, stronger partnerships both within and outside

government, and an intensified focus on delivering tangible results."

**The first "second compact":** In December 2009, at his first MCC Board of Directors meeting, Mr. Yohannes and his fellow Board members, including Secretary of State Hillary Clinton, selected **Cape Verde** as eligible for a second compact grant to continue reducing poverty through economic growth. A second compact is not automatic, and countries must meet a higher eligibility hurdle to achieve it. Cape Verde's selection as eligible for a second compact is a testament to the country's strong policy performance and the unfolding results of its current \$110 million compact. It also shows MCC's commitment to entering into deeper levels of partnership with those countries taking on the hard work of helping themselves.

**Creative project development:** Many MCC partner countries are choosing to pursue more innovative ap-

proaches or projects to reducing poverty. **Moldova's** \$262 million compact, the first compact that will be signed in 2010, involves a joint MCC-USAID irrigated agriculture project that will help Moldovan producers transition to higher-value crops through technical assistance and market development support. **Mongolia** is pursuing unique projects in the energy and environmental sectors. A portion of Mongolia's compact will fund, in coordination with other donors, the introduction of alternative energy and energy efficient products. The activities are intended to combat the terrible air quality, which has disproportionate consequences for Mongolia's poor, and effects economic development.

Innovating through new leadership and new ways of partnering with countries is creating a solid foundation to intensify MCC's commitment to sustainable poverty reduction through economic growth.



## Q&A with MCA-Mongolia COO Otgonbat Barkhuu

*Mr. Otgonbat Barkhuu is the Chief Operating Officer of Millennium Challenge Account – Mongolia. MCC staff recently talked with him about the Mongolia compact's new MCC-funded activities.*

**Q: At the last MCC Board of Director's meeting, an amendment was approved to support new compact-related activities. What are these new activities?**

A: MCC's Board approved the allocation of approximately \$127 million for two new projects under the Mongolia Compact: the North-South Road and the Energy and Environment Projects. The importance of the road sector within the North-South corridor has been increasingly recognized. Thus, the Government of Mongolia requested completion of the 176.4 km Choir-Sainshand road section, as well as upgrading of the Ulaanbaatar-Nalaikh road section, and rehabilitation of the current Bayanzurkh Bridge and construction of a new bridge. This project also includes a technical assistance component. Together these components will provide an important increase in the capacity of the road network infrastructure along the critical north-south economic corridor of Mongolia, facilitating greater trade and economic development.

The Energy and Environment Project (EEP) is focused on a critical issue for many Mongolians: air quality. During the long and harsh winters in Ulaanbaatar, the air quality is significantly deteriorated due to pollution. The objective of the EEP is to reduce urban air pollution in Ulaanbaatar by increasing the adoption of energy efficient products and homes in the ger districts, and supporting the development of renewable energy.

**Q: How is the alternative energy project expected to reduce poverty and how will the environment be impacted?**

A: Nearly half of the total population



*Mr. Otgonbat Barkhuu talks with Z. Tuvshinbileg, a resident of a ger community, about the benefits of registering her land. (Photo by P.Baika/MCA-Mongolia)*

of Mongolia is concentrated in the capital city, Ulaanbaatar. The population of Ulaanbaatar has rapidly increased in recent years due to poor rural economic conditions. Most of the families moving from rural areas are poor and moving into a ger area, which is a mostly lower income household population. According to World Bank reports, these households are burning raw coal in inefficient stoves to heat their homes in harsh winter times and they are spending over half of their income for fuel consumption. This heating system causes severe air pollution, and Ulaanbaatar is one of the most polluted cities in the world. The main objective of EEP is to increase the adoption of energy efficient products and homes in ger area by consumer subsidies and public awareness campaigns. With the increased production of energy efficient products small medium enterprises will grow. In addition, unemployment is expected to decrease. An expected, 457,000 people will benefit from fuel cost savings and 23,000 people will benefit from improved health outcomes resulting from reduced air pollution by 2020.

The Energy and Environment Project will also support a development of re-

newable energy in Mongolia by subsidy to the Mongolian government to smooth the difference between the consumer price of power and the higher cost of power from the wind farm, the first commercial wind-powered electricity generation facility in Mongolia which will provide power to Ulaanbaatar's electricity network. The electricity generated by the wind farm is expected to displace an equivalent amount of power generated from coal power plants, thereby curbing greenhouse gas emissions, local air pollution and respiratory disease. To support renewable energy sustainability, the project will provide technical assistance for the establishment of the Renewable Energy Fund in Mongolia. Ultimately, the Energy and Environment Project is the largest-scale project in Mongolia to reduce air pollution of Ulaanbaatar in the near future.

**Q: How are you collaborating with other donors in the region?**

A: MCA-Mongolia projects are being implemented in collaboration with other donors in the region such as World Bank, Asian Development Bank and the United Nations Development Programme in a way that our projects are a continuation of their efforts rather duplication of other donor works. This case is quite evident in the situation of our newly started project, Energy and Environment. MCA-Mongolia is implementing the Energy and Environment Project in collaboration with not only the City Municipality and the Ministry of Energy, but also with donor organizations such as ADB who had done an extensive research and work on the improvement of air pollution in Ulaanbaatar. The project is designed in a way that it requires collaboration from all stakeholders involved and without donor coordination, it would be impossible to implement this project successfully.



# A Peace Corps Volunteer Redefines Service in Lesotho, Teams up with MCC



Peace Corps volunteer Phil Youngren at a water facility site visit surrounded by Basotho children. Phil is the first U.S. Peace Corps volunteer worldwide to be assigned to an MCA unit.

BY Brian Baltimore, Deputy Resident Country Director, Lesotho

The U.S. Peace Corps and MCC are breaking new ground in the Kingdom of Lesotho. In November 2009, the Peace Corps assigned volunteer Phil Youngren to work with the Millennium Challenge Account-Lesotho (MCA-Lesotho), the entity charged with implementing the country's five year, \$362.6 million MCC compact. Phil is the first Peace Corps volunteer worldwide to be assigned to an MCA unit.

Phil's duties matter for two key reasons. First, this partnership is an excellent example of U.S. government collaboration in international assistance efforts and an outgrowth of the memorandum of understanding signed between the Peace Corps and MCC on January 12, 2009. Second, the MCA-Lesotho/MCC/U.S. Peace Corps-Lesotho partnership has created an important platform for expanding the roles of volunteers and the range of their contribution to the country. Peace Corps volunteers in Lesotho have traditionally worked in rural, grass-roots assignments outside of Maseru, providing capacity building and direct support to community groups. Phil is currently co-managing the MCC-funded Rural Water Supply and Sanitation Proj-

ect, which will reduce sanitation-related health problems through the construction of 250 rural water projects and more than 10,000 ventilation-improved pit latrines in rural areas throughout Lesotho.

"Working with MCA-Lesotho's Water Infrastructure team is really the best of both worlds," Phil says. "I'm using my professional training as an engineer on community based infrastructure projects while also serving as a Peace Corps Volunteer. It's great to be part of a team improving rural water and sanitation conditions"

As a Peace Corps volunteer, Phil offers a U.S. perspective on project management, engineering, and business process analysis. Phil has already become an integral part of MCA-Lesotho and his work with the team is proof of the potential impact close collaboration between MCC and the Peace Corps can have on development projects in other countries around the world. In the words of MCA-Lesotho CEO Sophia Mohapi, "We are very pleased to be working with the U.S. Peace Corps in Lesotho. Volunteers bring a wide range of skills and perspectives that positively influence the important work of the compact. In a short time, Phil has become part of our team and part of the MCA-Lesotho family."



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## Threshold Program: Building a Foundation

By the end of 2009, MCC wrapped up four “threshold” programs, valued at nearly \$137 million. Threshold programs are awarded to countries who demonstrate a commitment to reform. Program results in **Jordan**, **Paraguay**, the **Philippines**, and **Zambia** demonstrate significant improvements in partner government practices to increase transparency, efficiency, and investments in people. These programs illustrate that U.S. taxpayer funds can be used most effectively through the successful cooperation and coordination of U.S. Government agencies.



*Pictured above is DETAVE, the anti-contraband unit in charge of combating drug trafficking, patrolling the Rio Paraguay. MCC support helped elite customs enforcement units in Paraguay seize over \$6 million worth of contraband goods in less than one year of operation.*

**Jordan's** \$25 million MCC threshold program supported reforms to broaden public participation in the political and electoral process, increase government transparency and accountability, and enhance the business climate. As part of this program, Jordan reinstated municipal-level elections and established the first quota for women's participation in the Jordanian government, requiring that at least 20 percent of the elected seats be held by women. A Women's Knowledge Network was established to empower and strengthen the ability of female municipal council members to perform effectively. Workshops and training were conducted and three-year strategic plans were developed to improve planning capacity.

In **Paraguay**, the \$34.6 million threshold program focused on fighting impu-

nity and confronting informality in the economic sector by improving the capacity of the judicial system, increasing government efficiency, and strengthening its internal controls and disciplinary capabilities. This comprehensive program worked with over 20 government agencies, including the Supreme Court, the Comptroller General, the Public Ministry, the Ministry of Interior, and Customs. With training, improved procedures, and an electronic tax payment system, the Paraguay tax authority suspended more than 150 tax evading firms and reduced the value-added tax short-

fall from 66 percent to 51 percent. An anti-contraband unit was established to improve border control and helped seized goods valued at over \$6.5 million.

The \$20.7 million threshold program for the **Philippines** helped reduce opportunities for corruption and improve revenue administration by strengthening the monitoring and investigative functions of the Ombudsman and Department of Finance.

The \$22.7 million MCC threshold program with **Zambia** enhanced the business environment by creating Patents and Companies Registration offices – responsible for processing business registrations – outside of Lusaka, which reduced the burden on businesses based outside of Lusaka. These reforms contributed to a reduction in the number of days to start a business from 35 to 18.

## MCC Responds to Open Government Initiative

As a part of the Obama Administration's new Open Government Initiative, MCC is posting household survey data from its impact evaluations on its public website. These online data sets will give researchers the opportunity to review and replicate the results of MCC's evaluators and conduct further analyses.

The following datasets have been posted:

In **Armenia**, the MCC program's goal is to reduce rural poverty through better economic performance in the agricultural sector by improving irrigation infrastructure and training farmers. To evaluate the impact of the farmer training on on-farm water management and high value agriculture, MCC and its evaluation partners developed the Farming Practices Survey. The baseline survey sampled approximately 5,000 farming households in 350 communities across Armenia.

In **Burkina Faso**, Mathematica Policy Research and the University of Ouagadougou conducted household and school surveys as part of MCC's evaluation of the Burkina Faso Threshold Program, which sought to increase educational attainment through the construction of schools and complementary interventions. The surveys were conducted in 291 villages, of which 132 were participant villages and 159 comparison villages.

In **Tanzania**, MCC aims to reduce travel times and provide access to basic social services by rehabilitating a portfolio of major roads on the mainland and selected rural roads on Pemba Island. The evaluation will examine the project's household- and community-level effects on local standards of living along the roads. For the evaluation of major roads on the mainland, 3,000 households in 200 communities were surveyed in 2009. For the Pemba rural roads evaluation, 570 households in the treatment group and 630 households in the comparison group were surveyed.

BEFORE *and* AFTER:

## Improving Lives in Nicaragua



BEFORE: MCC takes Environmental and Social Assessment standards into account in all construction projects. For instance, MCA-Nicaragua resettled 40 families and businesses who were located along the two roads under construction in the department of Chinandega. MCA-Nicaragua ensured that families living along the road were compensated with housing, business kiosks, trading modules, or cash, according to the eligibility criteria of the resettlement policy.

AFTER: "During the rainy season, I used to cover my head with a tent because my house was flooded. I was distressed because my house was about to collapse," recalled Martha Ceferina Cruz Moncada. She was living along one of the roads and benefited from a house constructed with MCC funds.

The 29.4 kilometer road between Somotillo and Cinco Pinos has been paved and is close to completion. This upgraded road has improved alignment, wider travel lanes, adequate shoulders to accommodate the movement of non-motorized transportation, as well as safer intersections and sidewalks for pedestrians in the Somotillo urban area. Major drainage and bridges structures have also been fully upgraded along the road.



## MCC Board Holds Annual Selection Meeting

In December 2009, MCC's Board of Directors held its quarterly meeting, the first since the confirmation of MCC's CEO, Daniel Yohannes. The Board reviewed the progress of its partnerships with countries to reduce poverty, and agreed to select **Cape Verde** as eligible to develop a proposal for a second compact grant.

The selection meeting was the first that MCC's Board considered countries for possible eligibility for second compacts. Eligibility for a second compact is not automatic. For those countries selected, a second compact will allow for deeper investment in poverty reduction and economic growth, which is consistent with MCC's mission. Countries must meet a higher hurdle to achieve second compact eligibility because MCC takes into account not only a country's policy performance as measured by MCC's indicators, but also effectiveness

of implementation on its first compact as well as results achieved to date.

The Board also made special note of the positive performance of **Albania** and **Georgia** as MCC partners. MCC signed a second threshold program with Albania last October—worth over \$15.7 million—to support anti-corruption activities. Albania has made significant progress as an economic reformer and now passes MCC's indicator criteria as a lower middle income country. Likewise, Georgia has been a consistent economic reformer and has made great strides to reduce poverty through its \$393.5 million compact. Georgia has 18 months remaining in the term of its compact and may be considered by the Board for a second compact at a later date.

The Board agreed that **Jordan**, **Malawi**, the **Philippines**, **Indonesia**, and **Zambia** are eligible to continue the compact development process. The Board

was briefed on Moldova's \$262 million MCC Compact, currently scheduled for signing in January 2010. Since its inception in 2004, MCC has approved assistance totaling over \$7 billion with 20 partner countries.

Leading the way for energy innovation and development, the Board voted to restructure **Mongolia's** \$284.9 million MCC compact by approving approximately \$47.2 million for energy and environment projects. These projects focused on promoting alternative energy and energy efficient products, thereby helping Mongolians reduce the impact of low quality fuels on both personal health government expenditure. The compact restructuring includes \$79.7 million for construction of approximately 174 kilometers of a major highway and a bridge to accommodate traffic into Mongolia's capital city.





## MCC Targets Poverty in Moldova

On January 22, 2010, MCC signed a five-year, \$262 million economic development compact with Moldova. The compact focuses on the reconstruction of irrigation systems, access to agricultural finance, and road rehabilitation. Currently, the country's agriculture currently suffers from low productivity, contributing to high rates of rural poverty. In addition, the deteriorated quality of Moldova's roads has been cited as a constraint to economic growth, as it raises the costs of internal and external production and trade.

With support from Moldova's MCC Compact, funding will increase agricultural incomes of 32,000 households by stimulating the production and improved marketing of high value fruit and vegetables. The project primarily targets farming communities located along the two major rivers, the Prut to the west and the Nistru to the east; it will also benefit areas of the country already able

to access irrigation water and produce high value agriculture. Funding will repair up to 11 large irrigation systems servicing 15,500 hectares, providing water for high value fruits and vegetables as well as higher yielding grain production. Technical assistance and capacity building will support the establishment of water user organizations able to manage and operate the rehabilitated irrigation systems; the legal transfer of responsibilities for operations and maintenance of repaired irrigation systems to water user organizations; improve water resource management by the government; and ensure the legal and institutional framework needed for irrigation sector sustainability and further private and donor investment.

Financing facilities and technical assistance will support high value agriculture-related investments by farmers and entrepreneurs. As part of an activity undertaken by MCC and the United States

Agency for International Development, technical assistance will help improve market access and support the shift to high value agriculture at the production and post-harvest level.

The road rehabilitation project, which will benefit approximately 78,000 households, includes repairs to a section of an arterial highway between the Moldovan capital, Chisinau, to the Ukrainian border and beyond to Kyiv, the Ukrainian capital. The section to be rehabilitated comprises 93 kilometers of the M2 and R7 roads between Sarateni to a juncture north of the city of Soroca. This highway is a link between the two countries for private, passenger, and commercial travel, and a significant link for internal commerce and trade. The project will reduce the time and cost to transport goods and services and reduce losses to the national economy resulting from deteriorated road conditions.

### *Moldova and MCC Development Agreement*

Prime Minister Vladimir Filat gives remarks at the signing of the MCC Compact with the Republic of Moldova on January 22, 2010. Secretary of State Hillary Rodham Clinton presided at the ceremony with MCC's new Chief Executive Officer Daniel Yohannes.





## DONOR COORDINATION

## A Partnership for Literacy in Morocco

According to the 2008-2009 Annual Report on Literacy and Non-Formal Education, nearly 40 percent of citizens aged 15 years and older in Morocco cannot read or write. In March 2009, the Agency of Partnership for Progress (APP), the entity implementing Morocco's \$697.5 MCC compact, expanded the scope of the compact's functional literacy activity to tackle this challenge. The functional literacy activity promotes economic growth by strengthening the basic Arabic literacy capacity and professional skills of approximately 69,000 illiterate men, women, and youth in the three primary sectors benefiting from Morocco's compact: agriculture, traditional artisanship, and small-scale fisheries. This multi-sector cooperative effort to boost functional literacy will equip beneficiaries with practical literacy skills that will help provide Morocco with the human resources necessary to generate economic growth.

Unlike traditional literacy programs, the APP-led curriculum goes beyond teaching basic reading, writing, and arithmetic; it will also provide lessons on health, entrepreneurship, and professional skills. The Rabat office of the United Nations Edu-



*Moroccan women will benefit from the MCC-funded functional literacy activity which will strengthen the basic Arabic literacy capacity and professional skills of approximately 69,000 illiterate men, women, and youth.*

cational, Scientific and Cultural Organization (UNESCO), in collaboration with Morocco's Ministry of National Education's Literacy Department, will design the new functional literacy manuals and teachers' guides. This cooperative approach will generate a curriculum that balances best practices and lessons learned from existing literacy programs in Morocco with the innovative approaches currently at the forefront of international literacy efforts. The first literacy classes will be held at agricultural and fisheries vocational training centers and taught by literacy trainers working in sector-specific programs, and local civil society organizations. Throughout the first 18-month training cycle, UNESCO will tailor the curriculum to

meet beneficiaries' needs. In the program's later stages, when the emphasis shifts from basic literacy to functional employability skills, local experts from the respective sectors will present. This approach will teach practical skills, empower beneficiaries to pursue new economic opportunities, and fuel the growth that will drive the success of Morocco's compact.

## RESULTS *in brief*

### AGRICULTURE

**102,181** FARMERS TRAINED

**\$38.2** MILLION IN AGRICULTURE AND RURAL LOANS

**15,571** HECTARES UNDER PRODUCTION

### ROADS

**1,200** KILOMETERS OF ROADS UNDER CONTRACTS

**50%** OF CONTRACTED ROAD WORKS DISBURSED

**80.4** KILOMETERS OF ROADS COMPLETED

### AGRICULTURE

**102,181** FARMERS TRAINED

**\$38.2** MILLION IN AGRICULTURE AND RURAL LOANS

**15,571** HECTARES UNDER PRODUCTION

**2,454** URBAN PARCELS FORMALIZED

### IRRIGATION

**\$133.2 M** IN IRRIGATION WORKS CONTRACTED

**32%** OF CONTRACTED IRRIGATION SYSTEM WORKS DISBURSED

As of September 2009

## CEO SPOTLIGHT:

# Expanding Opportunities for the World's Poor

BY Daniel W. Yohannes  
Chief Executive Officer

Born and raised in Ethiopia, I know firsthand the difficulties faced by families in the poorest countries worldwide who are striving for a better life. Recognizing their struggle, I accepted President Obama's invitation to lead the Millennium Challenge Corporation in its work to expand opportunities for the world's poor. To effectively fulfill its mission, MCC must be innovative and pursue new ways to think about development.

MCC's funding model invests in countries committed to sound policies, results, accountability, and transparency.

MCC's model also creates a unique space to creatively incubate and innovate fresh solutions. I am challenging the extremely talented professionals at MCC headquarters and in partner countries worldwide to infuse innovation into how MCC programs are fighting poverty.

This means we need to explore additional ways of capturing results along the lifecycle of each program and of effectively deepening partnerships with civil society. We must pursue further ways to involve the private sector in promoting economic growth and must be willing to take even more responsible risks that will yield the highest return in the fight against global poverty. And, we

must intensify our conversations with stakeholders, including Members of Congress, on MCC's pursuit of these goals and of ways that MCC can be more innovative.

If we are serious about expanding opportunities for the world's poor, we must be serious about embracing innovation in development. This is what will define MCC moving forward, and this is how we will make a sustainable difference in the lives of the poor.

*Mr. Yohannes was unanimously confirmed by the U.S. Senate on November 20, 2009, and assumed his duties at MCC on December 1, 2009.*



## WINDOW to the FIELD:

### Vince Ruddy in El Salvador

2009 was a banner year for the El Salvador-MCC partnership. We had the opportunity to show Secretary of State Hillary Rodham Clinton and other U.S. Government representatives just how MCC's \$461 million grant is reducing poverty and stimulating economic growth here in El Salvador. As the Secretary met with Salvadorans benefitting directly from MCC projects — from students to farmers to families finally receiving electricity in their homes in the country's Northern Zone — we see evidence of the U.S. commitment to the region, and of the effective role MCC's smart assistance continues to play in changing the lives of the poor.

On December 11, 2009, one thousand students were selected to receive scholarships for the 2010 school year. The scholarships support students who attend technical schools, helping pay

for books, uniforms, room and board, and transportation. The schools are designed to keep teenagers in school when their families can't afford to do so on their own. This is especially important for students in the Northern Zone since the average level of schooling is only 3.7 years, which is 2 years lower than the rest of El Salvador. MCC is also renovating 20 middle technical schools, training instructors, and providing approximately 3,600 scholarships to deserving students, with the hopes they will get jobs in agronomy, tourism, and information technology — all areas crucial to the development of the country's Northern Zone.

In these challenging economic times MCC understands that we can do more by working with partners who share our vision for economic growth and prosperity for the world's poor.



*MCC Resident Country Director Vince Ruddy hands out scholarships to students living in the Northern Zone. The scholarships will help students purchase books and uniforms, and will help cover transportation costs.*



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