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CEO Daniel Yohannes with Mgeni Juma Mzee, and Ali Hassan Ibrahim, local leaders from Unguja, the main island of Zanzibar in Tanzania. The local leaders are from communities who took part in extensive consultations over the construction of overhead power lines for a new 100 megawatt submarine power cable expected to provide power to over 400,000 people.

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Building Infrastructure, Building Sustainability

Partner countries worldwide recognize that achieving the Millennium Challenge Corporation (MCC) mission of reducing poverty through sustainable economic growth means investing in reliable and sound infrastructure. More than 60 percent of MCC's global portfolio of over \$7 billion in grants is building not only transportation links through improved roads, ports, bridges, and airports, but also water and sanitation systems, irrigation and post-harvest networks to bolster agricultural productivity and food security, and energy facilities, schools, and health clinics.

As countries consult with their citizens to determine their constraints to long-term growth, the majority of MCC partners are opting to invest part of their grants in infrastructure development. Their reasons for doing so are clear and convincing:

Boost trade and commerce locally, regionally, and internationally:

Sound infrastructure allows MCC partner countries to move goods and services to marketplaces more efficiently. It decreases travel times, reduces transport costs, and lowers the cost of doing business, all of which increase competitiveness. Part of MCC's \$698 million compact with Tanzania, for example, is connecting the seaport of Tanga to Horohoro. This highway will reduce transportation costs and boost trade between Tanzania and Kenya by completing the surfaced road corridor from Dar es Salaam to the Kenyan border. This project will spur business development, create new jobs, and become a national and regional asset for economic productivity. Similarly, over half of Cape Verde's \$110 million MCC compact goes toward modernizing the Port of Praia. This port handles half the island nation's cargo, and MCC-funded improvements will substantially increase capacity and efficiency, boosting economic activ-

ity and trade. With infrastructure they can count on, several African countries can also take advantage of the African Growth for Opportunity Act (AGOA) and other trading relationships.

Expand vital community services: Dependable infrastructure allows communities to reach schools and health clinics; this accessibility advances the skills and wellness of the community, which is critical to its productive growth. Investments in energy infrastructure bring basic electricity to rural communities, allowing businesses to operate and school children to study at night. El Salvador is leveraging its MCC grant through a \$35 million public-private partnership with Virginia-based AES Corporation, which contributed \$4 million, to bring electricity to the country's poorest region. El Salvador is also using its MCC grant to install photovoltaic systems in very remote, extremely poor locations,

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providing renewable solar energy to these households. And, investments in water and sanitation infrastructure decrease the spread of water-borne diseases and increase access to clean water. Mozambique is investing some of its MCC grant in water and sanitation systems to expand access to safe drinking water.

Attract private sector investments:

One of the private sector's major impediments to investing in developing countries is a lack of reliable infrastructure. By investing in infrastructure, MCC partners show the private sector that they are open for business. Ghanaian pineapple farmers, for instance, will use MCC-funded post-harvest cold storage facilities and roads, which improve efficiency throughout the entire agricultural value chain, to move their produce to market quicker and fresher. These investments, in turn, have already attracted the attention of international agribusinesses looking to source their European markets with produce from MCC-supported farms. MCC's innovative Agribusiness Development Initiative is encouraging private businesses to invest around MCC-funded sector activities. For example, VegPro, a Kenyan-based exporter, is leasing a 250-hectare farm in Ghana adjacent to an irrigation scheme to be developed with compact funds and plans to export vegetables from MCC-trained Ghanaian farmers to Europe too.

By facilitating trade, enhancing the productivity of communities, and, ultimately, attracting the private sector, solid infrastructure sustains self-sufficient and self-generating economic growth. MCC partner countries understand this reality, and that is why they continue to apply their MCC investments toward bridging the infrastructure gap to achieve sustainable development.

Building Partnerships for Sustainable Development



MCC compact programs can play an important role in attracting additional resources from the private sector and other social investors – resources that enhance sustainability and build beneficiary capacity. Through increasing MCC partner countries' awareness of the benefits of partnerships, and equipping them with the tools and information they need to forge those partnerships, MCC is helping provide the ingredients for economic growth and the ability to sustain that growth once MCC funding ends.

To achieve positive results with the private sector, MCC focuses on three goals that support MCC's mission: (i) leveraging compact funding with private sector financing; (ii) encouraging increased trade and investment through opportunities created by compact investments; and (iii) enhancing the exposure of MCC-funded procurement opportunities to increase the quality and quantity of bidders.

Below are illustrative examples of MCC's efforts to engage the private sector:

★ As part of MCC's "Agribusiness Initiative", the governments of Morocco and Ghana have produced Business Opportunity Memoranda with local farmer organizations that outline trade and investment opportunities in agricultural value chains in each country.

- ★ MCC is helping the Government of Mali launch a private concession for its Bamako-Sénou airport to leverage and sustain MCC's \$179 million compact investment.
- ★ El Salvador attracted \$4 million in equity from AES, a US-based global power developer, for a compact-funded rural electrification project that AES will operate.
- ★ MCC and the Government of Malawi are working with Rural Maintenance, a private developer, to structure three mini electrical grids for renewable energy in rural Malawi.
- ★ In coordination with other U.S. and state government agencies, MCC is raising awareness of investment and procurement opportunities with contractors, including small businesses, in New York City, Washington DC, Norfolk, Dallas, and Chicago, as well as select international capitals. In coming months, MCC plans outreach in Kansas City, Boston, and San Francisco.
- ★ MCC disseminates procurement opportunities in real-time to hundreds of interested firms through its dedicated "Doing Business with MCC" email list.

To learn more or to sign up for the email list,
please visit www.mcc.gov/privatesector
or contact MCC's private sector team at psi@mcc.gov.



Coordinating Progress: Vanuatu, MCC, and the New Zealand Aid Programme

Since its inception, MCC has worked to make international aid more effective and efficient by coordinating ideas and programs with other donors.

In March 2006, MCC signed a \$66 million compact with the Government of Vanuatu targeting the country's poor transportation infrastructure. Because of escalating global construction costs and currency fluctuations, the compact was restructured in 2008 to focus on upgrading two national roads, the Efate Ring Road and the Santo East Coast Road.

Following the restructuring of the compact, MCA-Vanuatu, the local entity implementing the program, still required additional funding sources to complete the roads on both islands. The New Zealand Government, looking for ways to bolster support for infrastructure development under the New Zealand Aid Programme, offered to contribute approximately \$9.5 million toward the road work. As a result, MCA-Vanuatu, MCC, New Zealand, and the Government of Vanuatu leveraged initial preparations and began working in partnership to complete the two roads.



A mother from Malafau village walks along Vanuatu's MCC-funded "Road to Life" on Efate Island. The completed road helped her village build a new Provincial Government of Vanuatu-funded roadside market where the women of Malafau can sell their produce and crafts.

By ensuring reliable year-round access, the upgraded roads are bolstering economic development by decreasing the cost of doing business in rural areas; creating jobs; encouraging investment in agriculture, fishing, and forestry; promoting investment in tourism, especially outside major centers; and improving ac-

cess to health and education for people living near these roads.

In this and all projects, greater donor coordination is essential for achieving more effective assistance. The roads are a shared endeavor, which could not have happened without effective donor coordination.

In Moldova, USAID and MCC Leverage Resources to Reduce Poverty

Carefully coordinated solutions can deliver the best return on investment for American taxpayers. Kathy Farley, Director for Agriculture and Rural Economic Programs, exemplified MCC's commitment to this maxim by leading donor coordination efforts in Moldova with the World Bank and USAID.

Agriculture has long been Moldova's economic foundation. Farming accounts for more than 40 percent of employment and 17 percent of the country's gross domestic product. The objective of the Transition to High Value Agriculture (THVA) Project is to increase agricultural incomes by stimulating the production and improved marketing of high value fruit and vegetables. Kathy's efforts led to a partnership with USAID in the

creation of the Growing High Value Agriculture Sales Activity (GHS) within the THVA Project, leveraging both MCC and USAID resources.

Donor coordination opportunities are investigated in the development phase of all MCC compacts. Both the World Bank and USAID have been active in the agriculture sector in Moldova and the region for many years, and were able to share market and policy assessment information and institutional lessons learned related to irrigation and water management with Kathy and the compact development team throughout the compact development process. According to Kathy, "Successful partnerships begin very early in the development phase and require persistence by all partners

throughout implementation."

USAID and MCC worked together throughout the compact development process to develop a joint project designed to build on USAID's eight years of experience in the agriculture sector and to support MCC's irrigation infrastructure investment that will rehabilitate 11 irrigation systems and impact over 15,000 hectares. The joint GHS Activity, which USAID will administer, will provide the technical assistance and market development support needed to help producers within the targeted irrigation systems transition to HVA fruit and vegetable crops as well as provide improved access to markets for those Moldovan producers already active in the HVA sector.



Interview with Juan Sebastian Chamorro, MCA-Nicaragua Director General

During four years of implementation of the Millennium Challenge Compact with Nicaragua, MCA-Nicaragua has worked to reduce poverty and promote economic growth. Part of this includes efforts to decrease inequities in the productive capacities of men and women in western Nicaragua. With the help of MCA staff, MCA-Nicaragua Director General Juan Sebastian Chamorro made the development and implementation of a gender equality strategy a priority.

How was the gender strategy incorporated into the MCA-Nicaragua program?

This was a very early compact, and the gender strategy was not initially included. In response, during the design of the compact, a women's organization from the region started a campaign asking for the integration of gender analysis within the projects. At first, this relationship was not easy because they did not think we took them seriously. We proved to them it was an integral part of our program and, since then, we have been working in partnership to include women in all projects. MCA-Nicaragua has broken barriers with regards to women's participation. Women also participated in road construction, something that was unprecedented. Gender criteria were integrated into the compact to ensure equitable access by men and women to program benefits. A detailed analysis of the rural business development sectors was conducted to identify gender opportunities. Specific targets were set for incorporating women in rural businesses. The application of gender analysis in our operations revealed that rural women are present in the productive sectors, mostly in processing. Consequently, we took actions to broaden their participation in value-added businesses. By applying this approach, MCA-Nicaragua helped women enter public life with equal conditions and oppor-



MCA-Nicaragua Director General Juan Sebastian Chamorro stands along women working at a banana farm in Tonalá.

tunities as men. Tensions in power relationships decreased by promoting a win-win vision, where the new power gained by women is seen as raising the power of the family, not decreasing that of men.

In the end, integrating women was a great strategic decision, including a Gender Director position in MCA-Nicaragua. Women are good finance administrators and they understand that the program can build their capacity and open opportunities to spark their entrepreneurial spirit.

What were some of the results you saw?

The women producers showed that with opportunities, tools, and productive resources they could be successful. We look at cattle farmer Nubia Baca, transforming her estate into a profitable business, and banana producer Digna Luna, doubling her production levels. Both improved their incomes and invested in their families and in their businesses.

Can you share examples of women producers who have benefited from the Rural Development Program?

Successful producers, such as Ana-

bel Ibarra, a banana exporter from Tonalá; Danelia Rivera, a Cinco Pinos forestry producer; and Nicomedes Toruño, a livestock farmer, are some examples of what has been achieved by the partners we supported through the Rural Business Development Project. To this group, we can add 60 rural women who were employed in the construction of roads and dozens of others who received their property deeds in Leon after waiting for over 15 years. Anabel paid off one of her loans and improved her house. Danelia is attending university. Nicomedes now sells food for livestock. We can see and feel the positive results of the program and also see the improvements in the conditions of people's lives through increases in income and poverty reduction.

We are close to meeting the goal of having 30 percent women participation, the percentage targeted in the gender strategy. As of January 2010, MCA-Nicaragua has strengthened the productive assets and social capital of 17 percent of the agricultural and livestock female producers in western Nicaragua, according to figures from the latest agriculture census (2001). This does not include the impact on the forestry sector.

Did MCA-Nicaragua staff receive training on gender and how successful was this in implementing the policy?

The implementation of the gender strategy also contributed to the overall growth of the technical staff. All MCA-Nicaragua employees, without exception, were trained in gender; with this new information and practice, we have changed our view on women. Today, many recognize them as productive actors who contribute to a better world.

measured results

BY Jack Molyneaux, Director, Impact Evaluation

This article introduces “Measured Results”, a new page in *Milestones* reporting on MCC’s impact evaluations. These evaluations measure the changes in income and well-being attributable to MCC projects. They assess whether projects meet their objectives and help us improve future program selection, design, and cost-effectiveness.

MCC’s commitment to impact evaluations is an integral part of our focus on results. With planned evaluations of impacts covering 77 percent of compact project funding and independent evaluations expected for most of the rest, MCC will write an unprecedented chapter on what works in development. This should challenge other development organizations to benefit from and contribute to our knowledge.

MCC’s rigorous impact evaluations are distinctive for two reasons. First: attribution. Where feasible, we identify a statistically equivalent counterfactual (a control population) representing what would happen without the MCC-funded program. Comparing groups with and without the MCC funded program identifies the MCC-attributable impact. Most of MCC’s planned evaluations identify attribution this way. Second: independent evaluation. We contract internationally respected firms to conduct these evaluations and write unbiased assessments of project impacts.

MCC selects projects and evaluation methods considering

learning potential, our need for sector-specific evidence, and the cost of alternative evaluation methods. Methods are chosen to balance statistical rigor, costs, and the practical constraints posed by project implementation.

So far, we have completed one impact evaluation on a girls’ education activity in Burkina Faso, funded by the MCC Threshold Program. The accompanying table summarizes when to expect future evaluations of compact projects by year and sector.

We hope you will enjoy reading future “Measured Results” articles and welcome your feedback at: impact-eval@mcc.gov.

Projected Number of Impact Evaluations

Sector	2012	2013	2014	2015	2016	Total
Agriculture	5	1	2	1		9
Finance	3	1	1			5
Land	1	1	1	2	2	7
Transportation	5	2	2	1		10
Water & Sanitation		1	1	2		4
Other	1	5	4	3	1	14
Total	15	11	11	9	3	49



Difficult river crossings, even in the dry season (left photo), prompted the government of El Salvador to propose using MCC compact funding to open, improve, or rehabilitate the Northern Transnational Highway, including construction of the Lempa River bridge at Santa Rose de Guachipilin (right photo). MCC’s pre-project evaluations indicated that the project’s expected benefits would warrant the investment. But the project’s final assessment will be MCC’s rigorous impact evaluation of the road’s actual impacts on local incomes.



MCC and Liberia Promote Girls Education

BY Cassandra Butts, MCC Senior Advisor

In July, MCC and the Government of Liberia launched a \$15 million threshold program that will invest in improving the policy environment in the areas of land rights and access, girls' primary education, and trade policy. The signing ceremony was held in Monrovia, Liberia and attended by Liberia's President Ellen Johnson Sirleaf, Rep. Donald Payne, and a bipartisan U.S. congressional delegation led by Rep. David Price and Rep. David Dreier, representing the U.S. House Democracy Partnership.

While all three components of Liberia's threshold program were identified by Liberians as a part of their national development strategy and are designed to improve Liberia's performance in the policy areas measured by MCC eligibility criteria, the girls' primary education program has a particular resonance for me as MCC's point person for the integration of gender equality in the programs we fund. This is a priority that MCC shares with President Johnson Sirleaf as we, and many others, recognize that educating girls is crucial to a country's long-term economic development.

There is no question that the road ahead will be challenging for Liberia, but the country continues to make significant strides in demonstrating a commitment to policy reform and responsible leadership under President Johnson Sirleaf that made our threshold program partnership possible in the first place. We look forward to working with the Government of Liberia and the United States Agency for International Development, the U.S. Government agency that will administer the threshold program, to ensure the delivery of results that will improve the policy environment in the targeted sectors and contribute to the long-term growth and prosperity of the people of Liberia.



"This is yet another indication of the strong ties between the United States Government and the Government of Liberia. This historic agreement highlights MCC's support of Liberia's quest to tackle tough issues like land ownership, girls' education, and trade policies. This will be the first large U.S. Government intervention in the land sector. We are anxious to get started since we know that without resolving land ownership issues, thousand of Liberians cannot feel safe planting or investing on land that is under dispute, and this is one of the major issues affecting Liberians today."

USAID MISSION DIRECTOR PAMELA WHITE

AT THE MCC AND LIBERIA THRESHOLD SIGNING, TUESDAY, JULY 6, 2010.

Q&A with Lorne Craner

We all know democracy is about more than just elections, even if they are often one of the most visible parts. What do you think is the most important thing to understand about good governance?

Elections are an indispensable but insufficient condition for democracy. Particularly in new democracies, citizens find the experience of voting every few years in elections novel and important, but they ultimately judge democracy's quality by the betterment of their lives in between. This betterment is viewed in economic as well as political terms. If their new, "representative government" does not respond to those desires, their impression of democracy starts to diminish. Our concept of democracy must therefore encompass the idea that a government be responsive to its citizens' hopes, not just that democratic elections are held. It is also important to note that good governance without democracy exists only in a very few places in the world; without elections, there is little incentive for autocrats to govern well. For this reason, I think the term "democratic governance" has more meaning than good governance.

Do you think civil liberties and personal rights help foster an entrepreneurial spirit?

Yes, the freedom to think in political terms leads one to consider how to better one's life economically, and enhances the ability to insist that the government remove economic and regulatory obstacles to entrepreneurship. The reverse can also be true: entrepreneurial freedoms also lead to a desire for civil liberties and personal rights. Unfortunately, in some countries, governments work to ensure that their economy is bettered without allowing the political freedom that would otherwise naturally result. Economic and political freedoms advancing at the same time produce the

best results and help ensure stability in a country.

What kind of role can local civic organizations play in helping promote accountability in economic development work?

Local civic organizations play a crucial role in promoting accountability in economic development by helping determine what projects are most desired, by helping ensure the proper implementation of projects, and by insisting that their elected representatives exercise proper oversight.

How does transparency in government help strengthen democracy?

Transparency in government is vital for strengthening democracy because it enables people to see and judge whether their government's actions truly represent them. It is also important in promoting economic growth; a government's economic policies – and the metrics used to judge them – must be transparent for people to decide whether or not their government is doing a good and sustainable job in growing the economy.

How does democracy and good governance enable an environment to promote poverty reduction?

In a democracy, the incentive exists to promote economic betterment. A party that is not governing well – by, for example, reducing poverty – can be turned out in the next election. In an authoritarian country, citizens don't have that option.

Lorne Craner is President of the International Republican Institute and a former MCC Board Member. His reappointment for a second term as an MCC Board member is pending.



“Our concept of democracy must therefore encompass the idea that a government be responsive to its citizens’ hopes, not just that democratic elections are held.”

LORNE CRANER

PRESIDENT, INTERNATIONAL
REPUBLICAN INSTITUTE AND
FORMER MCC BOARD MEMBER

Throughout his career, Mr. Lorne Craner has led the strengthening programs in countries such as Afghanistan, China, Colombia, Pakistan, Indonesia and Iraq. Under his guidance, the International Republican Institute has broadened its work in governance, women's participation, and the use of technology in democracy.

CEO SPOTLIGHT:

Preparing for an Unprecedented Period in MCC's History

BY Daniel W. Yohannes
Chief Executive Officer

In the next 12 to 14 months, seven MCC compacts will come to a close: Armenia, Benin, Cape Verde, Georgia, Honduras, Nicaragua, and Vanuatu. MCC compacts with Cape Verde and Honduras will be the very first to end this Fall. These compact closeouts mark an unprecedented chapter in MCC's history and offer a critical opportunity to assess what worked well and what we need to improve in program design moving forward.

MCC is preparing for these closeouts in various ways. First, we are work-

ing with partner countries to ensure that their programs close systematically. We want to ensure that they are prepared to address multiple priorities: completing projects on time, final disbursements, budgets, records, personnel, and communicating results. Second, we are focusing on country-led post-compact assessments to summarize preliminary data on results achieved and lessons learned. And, third, we will assess impact—the changes in income and well-being attributable to MCC projects—through independent impact evaluations. These will be carried out by MCC and independent evaluators after

compact completion. Applying this tool is a unique and defining feature of MCC in the development community and will increase the field's collective knowledge about aid effectiveness in delivering measurable and sustainable results. The first completed impact evaluations are expected in 2012 and will provide definitive data on the results achieved.

We are excited about this new chapter in MCC's history and look forward to sharing our closeout story with you. Stay tuned to see how the end of our first compacts is actually a new beginning of learning and improving at MCC.



WINDOW to the FIELD:

Mongolia: Working Together to Get Back on Track

BY Burak Inanc, Deputy Resident Country Director

The \$285 million MCC compact with Mongolia entered into force in September of 2008, with projects covering health, property rights, vocational education, and railway sector modernization. In April 2009, Mongolia canceled the Railway Sector Modernization project due to circumstances beyond its control. At \$188 million, this project represented two-thirds of the value of the entire compact, and Mongolia requested MCC's consideration to re-allocate these project funds to expand the remaining projects and add new projects. The Mongolians and MCC invested time and resources in the reallocation process, revealing the true nature of a compact partnership. While the due diligence of reallocation proceeded, the implementation of the remaining projects continued. As the MCC Deputy Resident Country Director for Mongolia, I witnessed firsthand the impressive dedication of my MCC and MCA colleagues during this period both to implement and develop compact projects to proceed on track toward reducing poverty

through growth.

The Mongolian government, working closely with MCA-Mongolia and MCC, decided to re-allocate the rail project funds in the three remaining areas: health, vocational education, and property rights. Expanding each of these projects would maximize benefits.

In addition, the energy and environment project was created to address severe air pollution in the country's capital, generated by large districts of the city

populated by some of the poorest citizens who are not connected to the heating grid and who burn coal to survive Mongolia's harsh winters. The project will help introduce cleaner technologies for these communities as well as support Mongolia's first wind farm. It is an innovative project that builds upon the work of other donors in the sector and is designed to provide a coordinated way to reduce air pollution and promote renewable energy.



MCC RCD Robert Reid, center, visits a local firm that will be involved in maintaining the new MCC-funded North-South Road project.



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