



Fiscal Year 2023 Congressional Budget Justification

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MILLENNIUM
CHALLENGE CORPORATION
UNITED STATES OF AMERICA

TABLE OF CONTENTS

Executive Summary	1
Introduction	1
COVID-19	4
Build Back Better World	4
Climate	5
Diversity, Equity, Inclusion and Accessibility	5
Inclusion and Gender	5
Catalyzing Private Investment	6
MCC@20	7
Proposed Legislative Updates	7
Compact Assistance	9
Indonesia	10
Mozambique	10
West Africa Regional Energy Interconnection Program	11
Tunisia	11
Timor-Leste	12
Lesotho	13
Kosovo	13
Malawi	14
Benin-Niger Regional Transport Program	14
Sierra Leone	15
Zambia	15
Belize	15
Compact Development Timelines	16
Compact Development Process Overview	17
Threshold Programs	19
Kenya	20
Kiribati	20
Future Programs	20
Compact Development and Oversight	21
Compact Development Funding	21
Due Diligence	22
Administrative Expenses	23
Human Capital	24
Overseas Operations	24
Information Technology	25
Rent	26

Office of Inspector General.....27

Proposed Legislative Changes29

 Removing the Cap for Compacts With LMICs.....29

 Updating MCC’s Annual Report Requirements.....29

 Allowing Threshold Programs After Compacts.....30

Appendix: Annual Performance Report..... 31

 Compact Amounts at Signing and Key Dates (in millions of \$)* 31

 Implementing and Developing Compact Commitments, Obligations and Plan 32

 Closed Compacts 33

 Threshold Program Amounts at Signing and Key Dates (in millions of \$)*34

 Results of Recently Closed Compacts and Threshold Programs..... 35

 Compact Modifications 38

 Projected Beneficiaries and Income Benefits by Compact39

 Evaluation-Based Economic Rates of Return 40

 Compact Funding by Sector 43

 MCC Results 44

 FY 2022 Corporate Goals50

 Compact, Threshold Program and Eligible Countries.....52

EXECUTIVE SUMMARY

(in millions of \$)	FY 2021 Enacted	FY 2022 Annualized Continuing Resolution	FY 2023 President's Budget
Total Appropriation/Request	912.0	912.0	930.0
Compact Assistance	651.0	651.0	651.0
Threshold Programs	31.0	31.0	31.0
Compact Development & Oversight:	113.5	113.5	113.5
Compact Development Funding (CDF)	30.0	30.0	28.0
Due Diligence	83.5	83.5	85.5
Administrative Expenses	112.0	112.0	130.0
Office of the Inspector General	4.5	4.5	4.5

INTRODUCTION

The Millennium Challenge Corporation (MCC) is requesting \$930 million for fiscal year (FY) 2023 to deliver on its mission to reduce poverty through economic growth. The agency's investments are sustainable and inclusive and promote job-rich growth in partner countries, while helping to create the right conditions for new markets and opportunities for American businesses. With cost-effective projects, a dedicated staff of experts and an evidence-based approach, MCC is a good investment for the American people.

Strong U.S. leadership and foreign assistance are needed now more than ever in the fight against global poverty. The current global context is extremely challenging, with the COVID-19 pandemic, the rise of autocracies, increasing geopolitical tensions and the impact of climate change threatening global economic growth prospects. With a robust portfolio, including a pipeline of important new programs that will be ready for approval by MCC's Board of Directors and commitment of funds with compact signatures in FY 2023, the agency is poised to expand its evidence-based, cost-effective and values-driven model to help meet these challenges. These programs include opportunities across the strategic areas of climate, inclusion and gender, and catalyzing private sector investment, as well as substantial infrastructure investments that are aligned with the Build Back Better World (B3W) initiative. The agency will build on MCC's 18-year track record of working with its partner countries to deliver complex, high-quality infrastructure on time, on budget, and with transparency and accountability.

Since its inception in 2004, MCC has signed \$15 billion in compact and threshold grants across six continents. These high-quality grants—grants that are predictable, multiyear and flexible, and do not add to a country's debt burden—represent a powerful tool for the U.S. Government to incentivize good governance and democratic values at a time when those principles, key to strategic U.S. business opportunities, are increasingly under threat around the world. Often the largest U.S. Government investor in countries where it operates, MCC has used its investments to successfully deliver more than 180 projects in seven key sectors ranging from transportation and energy to agriculture, health, education and community services, including substantial investments in core infrastructure and policy and institutional reforms.

Collectively, these projects are improving the lives of an estimated 215 million people in 28 low income and lower middle income countries.

MCC's operations are guided by its founding principles, which remain as relevant today as at the time of the agency's creation 18 years ago. These principles are centered on a competitive selection process that reflects American values and the conditions for economic growth; a business-like approach with bedrock commitments to data, accountability, cost-benefit analysis and evidence-based decisions; and a laser focus on creating the right circumstances for private investment. To achieve maximum impact and value for money, MCC holds itself and its partners accountable for achieving results. MCC's focus on transparency and accountability for results is consistently recognized. In December 2021, Results for America released the 2021 *Invest in What Works Federal Standard of Excellence Report*, an annual scorecard of how Federal agencies use evidence and data to achieve better results. For the sixth consecutive year, MCC received the highest score of all Federal agencies featured in the report for having built the infrastructure necessary to use data, evidence and evaluation in budget, policy and management decisions.

The FY 2023 budget request builds on MCC's track record of success and, most recently, in FY 2022, the signing of threshold program agreements with the Solomon Islands (\$20 million) and The Gambia (\$25 million), as well as planned signings of compacts with Tunisia (\$499 million), Timor-Leste (\$420 million), Lesotho (\$300 million), Kosovo (\$200 million), Malawi (\$350 million), Benin-Niger Regional Transport (\$450 million) and the Kenya Threshold Program (\$60 million), for aggregate investments of \$2.3 billion.

MCC is requesting \$930 million for FY 2023 to support the following:

- **Compacts.** \$651 million in FY 2023 funds to support (when combined with prior-year funds) the following:
 - Compacts expected to be signed in FY 2023 with Indonesia (\$450 million) and Mozambique (\$300 million).
 - Ongoing and projected compact implementations across eight countries, including Côte d'Ivoire, Mongolia, Morocco, Niger and Senegal, as well as with partner countries facing governance, security, and mis- and disinformation challenges, such as Benin, Burkina Faso, and Nepal.
 - Pre-implementation work across five countries: Kosovo, Lesotho, Malawi, Timor-Leste and Tunisia.
 - Two projected concurrent regional compact programs focused on regional integration and trade: (1) the Benin-Niger Regional Transport Integration Program, projected to be signed at the end of FY 2022, and (2) the West Africa Regional Energy Interconnection Program (\$200 million), to be supported through a concurrent compact with Côte d'Ivoire that is projected to be signed in FY 2023.
- **Threshold Programs.** \$31 million for a country that may be selected by the board in December 2022. In addition, MCC expects to sign the Kiribati Threshold Program in FY 2023, and implemen-

tation of four threshold programs—The Gambia, Kenya, Solomon Islands and Togo—will also be ongoing in FY 2023.

- **Compact Development and Oversight.** \$113.5 million to support ongoing compact development and oversight activities:
 - \$28 million for compact development funding to address country capacity constraints and support partner country teams during critical stages of preliminary program assessment and to facilitate the development and implementation of projects that meet MCC’s investment criteria, including programs for countries newly selected by MCC’s board as eligible for a compact.
 - \$85.5 million to support MCC’s due diligence efforts, which provide the agency with sufficient information, analysis and studies to evaluate or appraise projects at the development stage and to effectively oversee performance and assess the results of projects during and after implementation.
- **Administrative Expenses.** MCC’s budget request also includes \$130 million for FY 2023 administrative expenses, including a significant catch-up adjustment to better reflect the ongoing and rising costs of MCC operations and administration and to realign MCC resources with increasingly pressing demands for management and oversight of approximately \$7 billion in programs at any given time. This amount includes expected salary increases and inflation costs and modest increases in staffing to support agency efforts to strengthen its focus on diversity, equity, inclusion and accessibility (DEIA); climate; cybersecurity; and accelerating compact development. This budget request also provides for rising overseas expenses and demand for more human resources, technical expertise and increased travel to support MCC’s overseas staff.

In particular, administrative funding will support ongoing work in the following areas, which are critical to MCC’s model and impact:

- *Oversight.* Delivering on MCC’s rigorous oversight model, including review of compact and threshold programs to enable adjustment of plans to leverage new opportunities, modify activities, or eliminate programs or activities when deemed appropriate.
- *Competitive Selection and Economic Analysis.* Managing MCC’s competitive selection process, which includes a scorecard of 20 independent, third-party indicators that countries must pass in order to be eligible. These indicators measure a country’s policy performance in the areas of ruling justly, economic freedoms and investing in people. MCC administrative funds will also be used to fund staff and the administration of economic and constraints analyses.
- *Evidence and Monitoring and Evaluation.* Expanding MCC’s evidence-based and rigorous approach to developing projects and assessing their impact, including publishing MCC Evaluation Briefs and Star Reports, which consolidate critical programmatic information throughout the lifecycle of each compact and threshold program in areas such as performance, sustainability and lessons learned. MCC administrative funds will be used to expand its lessons learned and best practices materials.

- *Office of Inspector General.* MCC's budget request includes \$4.5 million to provide funds to the U.S. Agency for International Development Office of Inspector General for conducting audits and other engagements of programs and operations in accordance with various statutory standards and authorities.

COVID-19

The health and economic impacts of the COVID-19 pandemic have been devastating globally. Throughout the pandemic, it has been clear that health and the economy are inextricably linked. MCC's investments have enabled many of its partner countries to better address the impacts of COVID-19, and these investments will be vital to countries' recovery. MCC programs tend to have indirect but critical impacts on its partner country health systems by tackling the underlying systems that are fundamental and complementary to direct health investments. For example, MCC's work in the power sector and in water and sanitation indirectly improve a country's health outcomes.

MCC is exercising the authority granted by Congress to extend existing compacts that have been adversely impacted and delayed by the COVID-19 pandemic. This welcome flexibility provides MCC and its partner countries with the ability to complete critical compact activities and to ensure the sustainability of MCC's investments. Specifically, MCC has extended compacts in five countries: Benin, Côte d'Ivoire, Ghana, Morocco and Niger.

MCC's country-led programs are structured to build capacity and invest in long-term, sustainable development—which helps to establish the conditions that will be necessary to promote economic revitalization and job creation once the COVID-19 pandemic subsides.

BUILD BACK BETTER WORLD

Infrastructure is critical to driving a society's productivity and prosperity. MCC's large, predictable, multiyear grants—which have ranged from \$65 million to \$700 million, with an average of \$350 million for five-year compacts—enable the agency to make comprehensive investments in high-quality, values-driven infrastructure that helps meet the tremendous infrastructure needs of its partner countries without adding to country debt burdens. MCC focuses on both physical and institutional infrastructure, taking an approach that integrates institutional capacity building, policy reform and country ownership with core physical infrastructure investments to deliver sustainable public services for communities and drive economic growth. MCC has an 18-year track record of financing the gamut of infrastructure needs, from the development of master plans and other preparatory/feasibility studies, to financing construction, to developing the human resources needed to manage an asset, to employing innovative blended finance instruments to help draw in the private sector. This approach allows MCC to produce systemic and long-lasting results.

MCC has completed more than 3,000 kilometers of roads, improved the irrigation of more than 200,000 hectares of farmland, and upgraded or built nearly 6,000 kilometers of power transmission and distribution lines. In 2021, building on its track record, MCC elevated three strategic priorities that are relevant to B3W—climate change, inclusion and gender, and catalyzing private investments. The agency also has an

emerging portfolio in the data and digital space. Given this strong track record and approach, MCC is well positioned to contribute to the B3W global infrastructure initiative.

CLIMATE

Investing in climate-smart economic development and sustainable infrastructure is critical to respond to countries' interest in enhancing their resilience to future crises, adapting to the economic fallout from COVID-19, reducing emissions and stimulating growth. MCC has a strong track record of integrating climate change resilience, adaptation and mitigation considerations throughout its investment cycle. Between FY 2015 and FY 2020, MCC devoted \$1.7 billion, or about 42 percent of the agency's program funds, to climate-related activities within economically rigorous compact and threshold programs. These spanned a number of key sectors and included supporting regulatory reforms. Examples include requiring the use of recycled water for industry in Mongolia, investing in climate-resilient agricultural production in Niger, and increasing access to reliable and affordable electricity in Liberia through investment in the rehabilitation of the Mount Coffee Hydropower Plant.

In FY 2023, MCC plans to continue and expand on this important work. For example, the potential program in Mozambique is currently focused on integrated land use management and coastal ecosystem restoration, which involves spatial planning, restoration of mangroves and seagrass areas, and development of scalable partnerships to lay the groundwork for a carbon credit system. Collectively, this work can benefit communities and support ecosystem restoration in areas vulnerable to natural disasters, while also supporting Mozambique's efforts to incorporate nature-based solutions, ecosystem restoration and landscape management into its planning.

Grant funding; close partnerships with government; and work in critical sectors like energy, water, transportation and agriculture have made MCC highly effective at fostering economic growth in the face of a changing climate.

DIVERSITY, EQUITY, INCLUSION AND ACCESSIBILITY

In FY 2023, MCC plans to deepen its commitment to DEIA. The agency established a new Office of Equal Opportunity, Diversity and Inclusion within its Office of the Chief Executive Officer (OCEO), with a chief diversity officer who reports directly to the CEO. Placing the office in the OCEO will allow MCC to further elevate these efforts within the agency, clarify reporting and improve the information flow. The agency also recently launched a new Executive Diversity Council, which is designed to institutionalize and empower employee feedback and input on diversity issues.

INCLUSION AND GENDER

Promoting inclusion and addressing gender inequities are key priorities for MCC and fundamental to the agency's mission. With respect to MCC compact and threshold programs, in FY 2023 MCC will reinforce its data-driven model by enhancing its analytical and diagnostic tools to better assess and ensure that the needs of, and potential impact on, poor people, women, youth and other marginalized groups are incorporated into the assessment, selection, design and implementation of MCC programs. These efforts will

help such groups overcome financial, legal and cultural barriers that prevent them from fully engaging in their countries' economies. This approach will better ensure that MCC programs support growth that is broad-based, reinforcing the sustainability of growth and contributing to regional stability.

MCC has also added gender-specific investment criteria to further advance and institutionalize how the agency prioritizes women's economic empowerment. In addition, MCC is strengthening and expanding its diagnostic tools to better account for inequities—and the ways exclusion can drive constraints to growth—during early program development. This will enhance MCC's ability to develop and implement projects that advance women's economic empowerment, and sets the agency on course to address broader issues of inclusion in program benefits.

CATALYZING PRIVATE INVESTMENT

MCC has been practicing blended finance since its founding, through public-private partnerships (PPPs), grant facilities and investments targeted to catalyze private sector investment. MCC catalyzes private investment through the strategic use of public funds to mobilize private resources in ways that support sustainable, long-term economic development in developing countries. MCC has honed its ability to help its partner countries design, strengthen and harness private financial markets through a range of tools, including capital structure grants, grant facilities, parallel investments, co-investments, PPPs and catalytic investment strategies that increase the impact and sustainability of MCC programs. MCC's blended finance tools also improve investor confidence and help overcome some of the impediments to private sector investment in challenging markets in partner countries. MCC seeks to target its resources where commercial financing is not available for deployment toward development outcomes.

In FY 2023, MCC will deliver on three new blended finance initiatives that it has been preparing in partnership with the U.S. International Development Finance Corporation (DFC), the Small Business Administration (SBA) and Africa50. American Catalyst Facility for Development is a program developed in collaboration with the DFC that is designed to enable coordinated catalytic investments in MCC's portfolio. The program will provide strategic grants aimed at crowding in the private sector and maximizing the overall impact of U.S. Government development efforts, with a particular focus on de-risking potential DFC transitions. In FY 2023, MCC will continue to collaborate with the SBA to create the Innovation Technology Program to strengthen the role of innovation and technology in MCC compacts while promoting more business-centric, market-based solutions. Finally, MCC has been collaborating with Africa50 to launch the Millennium Impact for Infrastructure Accelerator (MIIA) Africa, an independent project preparation facility designed to holistically identify, develop and finance bankable, sustainable infrastructure projects in the power, water, sanitation, health, education and transport sectors, especially those that are harder to prepare and fund. Through this work, MCC seeks to contribute to an expanded and enhanced capacity among U.S. Government agencies to create jobs, expand markets and reduce poverty through economic growth, and to support the effective transition of countries in the developing world from aid to trade and private sector-led economic growth.

MCC@20

The global landscape has changed dramatically since MCC's founding in 2004, with increased global political and economic volatility, vulnerability and competition directly impacting MCC's core mission to reduce poverty through economic growth. To meet this challenge, and with MCC's 20th anniversary in sight, MCC has launched a strategic reflection, MCC@20, to define how the agency can meet the challenges and opportunities of this moment while building on what makes MCC's model distinct and valuable to its partners and the U.S. Government—from competitive selection to country ownership to accountability. MCC has already demonstrated a capacity to deliver tangible economic impact and to expand and deepen the United States' partnership with a wide range of countries. As the agency looks forward, MCC is assessing both where and how it works to identify opportunities to maximize its impact. These efforts have already informed the proposed legislative changes included below and will continue into FY 2023. MCC anticipates further engagement with congressional and other stakeholders as the MCC@20 strategic assessment continues.

PROPOSED LEGISLATIVE UPDATES

MCC is seeking three legislative changes that would increase the agency's impact and better enable it to flexibly fulfill its congressionally mandated mission to reduce poverty through economic growth. The three proposed changes are as follows:

1. **Removing the cap on funding for compacts with lower middle income countries (LMICs).** Current legislation prohibits MCC from allocating more than 25 percent of its annual program appropriation for compacts with LMICs. This cap limits MCC's ability to flexibly support eligible countries and should be removed to enable the agency to rightsize compact programs based on project opportunities and the potential to reduce poverty through growth, irrespective of country income classifications.
2. **Allowing threshold programs after compacts.** MCC threshold programs incentivize candidate countries to demonstrate their commitment to just and democratic governance, economic freedom, and investments in their people. Current legislation prohibits threshold programs with countries that previously had a compact, limiting the countries with which MCC is able to engage, regardless of changes in the countries' policy environment in intervening years. For example, some countries that had a compact subsequently became ineligible for MCC assistance. These countries then began to recover politically, and threshold programs would have been of significant assistance to the recovery of these countries. Removing the limiting language also would allow for MCC to engage with a broader range of countries and build a larger pipeline of potential projects.
3. **Updating MCC's Annual Report requirements** to decrease the reporting burden and allow the agency to better showcase its accomplishments each fiscal year. The proposed language would amend MCC's authorizing statute to make the report due to Congress the third Friday in December each year, rather than March 31 as it is currently, and to assign the function of submitting the report to MCC's CEO, in line with the practice in similar agencies.

Consistent with MCC@20, the agency is also reviewing the ways in which the pool of countries that can be considered candidates for MCC compact assistance affects MCC's impact on poverty reduction

through economic growth. These countries are legislatively defined in relation to a specific income threshold. MCC is examining whether there are additional considerations, and thus legislative requests, that would better reflect the economic contexts and vulnerabilities of the types of countries with which the agency has traditionally worked.

COMPACT ASSISTANCE

Compact Assistance (in millions of \$)

	FY 2021 Enacted	FY 2022 Annualized Continuing Resolution	FY 2023 President's Budget
Total Appropriation/Request	912.0	912.0	930.0
Compact Assistance	651.0	651.0	651.0

MCC's request for new compact assistance funding focuses on two programs: compacts in Indonesia and Mozambique. Both of these programs include impactful climate-related and sustainable infrastructure opportunities that are aligned with the U.S. Government's climate commitments, the B3W initiative, and MCC's partners' objectives. Critically, both of these programs are anticipated to be approved by the MCC Board of Directors and signed in FY 2023. In short, this request represents the essential funding MCC requires to move forward with these compacts and deliver significant impact in line with the agency's mission and strengths as well as the administration's priorities.

In addition, MCC expects to complete and sign an ambitious number of compacts in FY 2022, which will require intense support and oversight from the agency in FY 2023, although no additional compact assistance funds will be needed. Support for this work is outlined in the Compact Development and Oversight section.

These compacts to be signed in FY 2022 and FY 2023 will be funded by a combination of prior-year funds and MCC's FY 2023 request, as noted below:

Compact Pipeline and Updates (in millions of \$)

Country	Prior Years	FY 2022	FY 2023	Total
Indonesia	47		403	450
Mozambique		52	248	300
Regional Energy		200		200
Tunisia	499			499
Timor-Leste	330	90		420
Lesotho	300			300
Kosovo	124	76		200
Regional Transport	300	150		450
Malawi	270	80		350
Sierra Leone				TBD
Belize				TBD
Zambia				TBD
Total	1,870	648	651	3,169

INDONESIA

In December 2018, MCC's Board of Directors selected Indonesia to develop a subsequent compact, following the initial compact that closed in April 2018. During the initial compact period, \$474 million was disbursed to support the modernization of public procurement functions, improvements in health and nutrition, and sustainable energy and natural resource management. For additional information, the Indonesia Compact Star Report is linked [here](#).

For the subsequent compact, the Government of Indonesia convened a panel of experts to work closely with MCC on a constraints analysis, which revealed three primary constraints to Indonesia's economic growth: (1) barriers to export-oriented competitiveness, (2) barriers to the productivity and innovation of non-tradable-sector firms, and (3) costly and underdeveloped financial intermediation.

Following an examination of the root causes of these constraints, the Government of Indonesia and MCC are considering opportunities to improve financial intermediation for sustainable infrastructure and for micro, small and medium-sized enterprises (MSMEs). Projects would particularly target problems related to the limited supply of finance for transport and logistics infrastructure investments, as well as the inability of the infrastructure sector to absorb what finance is available; the limited supply of finance available to MSMEs; and the inability of MSME borrowers to access financial products.

In early July 2021, the Government of Indonesia submitted two project proposals for MCC's assessment to improve access to finance for infrastructure and MSMEs, particularly women-owned MSMEs. Both proposals have a geographical focus in five priority provinces: South Sumatra, Riau, North Sulawesi, Riau Islands and Bali. MCC will review the proposals to determine which components and provinces have synergies with project planning, meet MCC's rigorous investment criteria and are consistent with the government's priorities.

In parallel, MCC has identified opportunities to maximize the impact of the proposed projects' climate-related components, consistent with Indonesia's climate goals and MCC's Climate Strategy. For example, MCC is engaging with the Government of Indonesia on the potential development of a stand-alone project preparation facility that would focus solely on "green infrastructure" in Indonesia to de-risk and increase the bankability of such projects. MCC is also preparing to conduct due diligence on specific demonstration projects that underpin Indonesia's climate ambitions in priority provinces.

MCC expects to conclude compact development and submit a compact to MCC's Board of Directors in FY 2023.

MOZAMBIQUE

In December 2019, MCC's Board of Directors selected Mozambique to develop a subsequent compact. The country's \$506.9 million initial compact, which closed in September 2013, invested in four project areas: water and sanitation, roads, land tenure, and agriculture. For additional information, the Mozambique Compact Closed Compact Report is linked [here](#).

For the subsequent compact, MCC completed a diagnosis of the root causes of the binding constraints to growth in the agriculture and transport sectors and is developing projects focused on three strategic areas: connectivity and rural transport, investment promotion in commercial agriculture, and integrated climate management and coastal development. Mozambique—a country the size of Texas and California combined—depends heavily on agriculture, which is the main source of income for more than 70 percent of the population and provides employment for more than 80 percent of the workforce, including 90 percent of women. These sectors offer significant opportunities to invest in Mozambique, including developing industrial, climate-smart agriculture; addressing infrastructure gaps connecting farmers to markets; and implementing policy and institutional reforms to improve the business-enabling environment and ensure sustainability of investments. With more than 70 percent of Mozambique’s poor people living in rural areas and surviving on subsistence agriculture, a compact with Mozambique—a country severely affected by climate change—will be uniquely positioned to unlock constraints to economic growth and spur private sector investment.

There is abundant opportunity in Mozambique to invest in climate resilience activities consistent with the objectives of the proposed program and the identified binding constraints to growth. For example, the potential program is currently focused on integrated land use management and coastal ecosystem restoration, which involves spatial planning, restoration of mangroves and seagrass areas, and development of scalable partnerships to lay the groundwork for a carbon credit system. Collectively, this work can benefit communities and support ecosystem restoration in areas vulnerable to natural disasters, while also helping the government to incorporate expansion of nature-based solutions, ecosystem restoration and landscape management into its planning.

MCC expects to conclude compact development and submit a compact to MCC’s Board of Directors for approval in FY 2023.

WEST AFRICA REGIONAL ENERGY INTERCONNECTION PROGRAM

MCC is assessing a regional energy integration program with enhanced ties to Côte d’Ivoire and the greater West African region. MCC has been working with the West African Power Pool (WAPP) since MCC and WAPP signed a cooperative agreement in May 2021, and work has commenced on a feasibility study for a transmission line that would connect vital portions of WAPP’s master plan for the regional power pool. This study will also help MCC and WAPP determine the extent to which there could be broader benefits to the region and the potential for greater support for policy and institutional reforms and strengthened regulatory efforts. As a part of this process, MCC continues to explore alignment with the Government of Côte d’Ivoire’s goal to become a net exporter of power in West Africa.

MCC expects to conclude program development and submit the concurrent compact to MCC’s Board of Directors in FY 2023.

TUNISIA

The proposed Tunisia Compact features two projects focused on addressing Tunisia’s constraints to growth. The Transport and Trade Project, which will make it easier and less expensive for businesses to

engage in trade in Tunisia, includes investments to improve management and expand infrastructure at the Port of Rades, Tunisia's principal port. It will also simplify and digitalize procedures and regulations in the transport and trade sectors. The Water Project aims to improve the sustainable use of scarce groundwater resources while moving the country toward increased water sustainability. The compact features new partnerships using the new American Catalyst Facility for Development mechanism, an MCC–DFC collaboration to catalyze greater private sector investment, as well as collaboration with the SBA to introduce new water-efficient technologies to farmers in Tunisia. The compact program also integrates gender and social inclusion by improving market access for women-owned enterprises.

MCC's board unanimously approved the Tunisia Compact in June 2021, but MCC put signature of the compact on hold following the president of Tunisia's dismissal of the prime minister and freezing of parliamentary activities on July 25, 2021. MCC continues to consult with its board and stakeholders on the political situation in the country.

TIMOR-LESTE

MCC's Board of Directors selected Timor-Leste for a compact in December 2017. Based on subsequent analysis, the Government of Timor-Leste and MCC have decided to pursue investments addressing Timor-Leste's human-capital binding constraint to economic growth through two projects focused on improving the health and skills of the Timorese population.

The Water, Sanitation and Drainage Project aims to improve the health of people in Timor-Leste by reducing the presence of disease-causing pathogens in piped and stored drinking water and groundwater sources. The project seeks to reduce the disease burden through the construction of the country's first central wastewater system, related drainage network improvements, and a plant to produce the disinfectant needed to treat the water supply across the capital city of Dili and four municipalities. In parallel with compact development, and in response to MCC's recommendations, the government has already taken significant steps to reform the sector, including through the establishment of the country's first water utility and regulator, which began operations in 2021.

The Teaching and Leading the Next Generation of Timorese (TALENT) Project seeks to advance student learning outcomes in numeracy, literacy and soft skills by improving the training of secondary school teachers and school leadership, thereby increasing opportunities for students to succeed in the workforce and tertiary education. The TALENT Project will establish a Center of Excellence as the first formal pre-service teacher training and certification institution in Timor-Leste, provide upskilling for all existing teachers, and seek to increase the number of women in secondary school teaching and leadership positions through a specific Women's Economic Empowerment component.

MCC expects to conclude compact development and submit a compact for MCC Board of Directors approval in FY 2022.

LESOTHO

In December 2017, MCC's Board of Directors selected Lesotho to continue the development of a compact following a two-year hiatus in which the Board of Directors monitored the country's response to a series of governance and political stability concerns. MCC's \$362.5 million initial compact in Lesotho, which closed in September 2013, improved the country's water supply, increased access to essential health services and removed barriers to private sector investment. For additional information, the Lesotho Compact Closed Compact Report is linked [here](#).

For the subsequent compact, the MCC team and its local counterparts identified that ineffective policy planning, coordination, and execution is preventing the Government of Lesotho from delivering public goods and services that are essential for private sector growth. MCC is developing a compact that will address this binding constraint to growth through three projects: in health, irrigated horticulture and business environment strengthening. The compact also includes an investment through the new American Catalyst Facility for Development mechanism, an MCC–DFC collaboration.

The Health Project aims to strengthen the delivery of primary health care services, improve the efficiency of government expenditures, and address the unique needs of gender-based violence treatment and referral services. The Irrigated Horticulture Project aims to catalyze private sector investment in horticulture through investments in irrigation infrastructure and regulatory reform while creating transparent and sustainable access to land and water. The Business Environment Project aims to develop a sustainable and inclusive business ecosystem and pipeline that includes creating a participatory decision-making process for the provision of critical services by the government to the private sector. To ensure inclusive growth, the projects include targeted strategies to empower women and youth.

MCC plans to submit the compact to MCC's Board of Directors for approval in FY 2022.

KOSOVO

In December 2018, MCC's Board of Directors selected Kosovo to develop a compact while the country continued to implement an ongoing threshold program. MCC and the Government of Kosovo 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 due to the country's old and unreliable generation infrastructure, and excess demand for electricity due to inefficient building stock and a lack of alternatives to grid electricity.

Following high-level engagements between MCC and the new Government of Kosovo in 2021, and in consultation with other donors and stakeholders, MCC and the government agreed to develop a program focused on electricity network stability, energy storage and gender-sensitive workforce development to accelerate Kosovo's transition toward a more sustainable, reliable and affordable energy future.

MCC expects to complete compact development and achieve compact signature by the end of FY 2022.

MALAWI

In December 2018, the MCC Board of Directors selected Malawi for a subsequent compact, following the closure of the initial compact in September 2018. The \$350.7 million initial compact laid the foundation for major improvements in the performance of the country's power sector and raised the potential for private sector participation. For additional information, the Malawi Compact Star Report is linked [here](#).

For the subsequent compact, MCC and its Malawian counterparts are developing a program aimed at increasing land efficiency as a critical production input for economic growth and increasing competitiveness in the agriculture and transport sectors. The Land Project activities under consideration include strengthening estate sector management by renewing estate leaseholds or reallocating them for higher-value use and achieving more productive use of land through better-funded land administration in rural and urban environments. The Inclusive Agriculture and Transport Projects aim to increase the profits of smallholder farmers, women, MSMEs and larger agribusinesses through a more diverse and inclusive commercial agriculture sector and a more competitive transport sector.

The compact will integrate climate resiliency in its investments by supporting sustainability in the agriculture and transport sectors and considering climate in geographic selection. MCC is also exploring the use of blended finance tools to catalyze private investment and de-risk inclusive agribusinesses. Compact investments will be designed to foster inclusivity by incorporating input from women and smallholders into reforms and potential financing.

MCC plans to submit the compact to MCC's Board of Directors for approval in FY 2022.

BENIN-NIGER REGIONAL TRANSPORT PROGRAM

MCC is developing a potential program that would rehabilitate road segments along the existing transport corridor between Cotonou in Benin and Niamey in Niger, one of the most heavily traveled corridors in West Africa, while addressing institutional and market constraints that raise transportation costs. This potential investment would have a clear link to the MCC investment at the Port of Cotonou through Benin's initial compact, as well as the current MCC compact in Niger, which is focused on agriculture and roads. The governments of Benin and Niger have pledged to commit staffing resources to work with MCC in further developing this potential investment.

MCC is focused on two potential road segments—Bohicon-Dassa in Benin, and Dosso-Niamey in Niger. In addition, MCC is assessing critical institutional reforms. Key design elements under consideration include the expansion of road segments within Benin, improvements to traffic junctions, truck parking/rest areas, toll stations and improvements to protect pedestrians. In both Benin and Niger, proposed work includes improvements to existing lanes to meet minimum technical requirements. MCC is also exploring the possibility of improving coordination along the corridor through the institution of a governing highway authority between the two countries. MCC is analyzing the gender and social inclusion opportunities along the road segments, including expanding economic opportunities for women and youth.

MCC is targeting completing development in FY 2022.

SIERRA LEONE

MCC's Board of Directors selected Sierra Leone as eligible for compact development in December 2020. The Government of Sierra Leone has been an engaged partner in the development of a compact, working closely with MCC to develop projects in the power sector, including prioritizing opportunities for power investments that will improve food security. MCC and its counterparts in Sierra Leone are now developing projects in four strategic areas: infrastructure investments to improve equitable power access and reliability; strengthening institutional governance and capacity in the power sector; supporting increased supply of lower-cost and lower-carbon electricity; and promoting the productive use of electricity, including in the agricultural economy. Ongoing analysis indicates significant potential opportunities to address the power constraint with climate-sensitive and gender-inclusive investments, as well as to partner directly with other U.S. Government agencies (DFC, U.S. Trade and Development Agency) and donors (World Bank; U.K. Foreign, Commonwealth & Development Office; European Union; Japan International Cooperation Agency) active in Sierra Leone to catalyze private sector investment.

MCC aims to submit a compact to MCC's Board of Directors for approval at the end of FY 2023.

ZAMBIA

In December 2021, the MCC Board of Directors selected Zambia as eligible to develop a subsequent compact, following the closure of the initial \$354.8 million compact in November 2018. The initial compact invested in major urban water infrastructure improvements in the capitol city of Lusaka, as well as in the institutional strengthening of the Lusaka City Council and the Lusaka Water and Sewage Company. For additional information, the Zambia Compact Star Report is linked [here](#). MCC is investigating the binding constraints to Zambia's inclusive economic growth and their root causes in FY 2022 as a basis for a compact program.

BELIZE

In December 2021, MCC's Board of Directors selected Belize as newly eligible to develop a compact. The board's decision reflects MCC's recognition of the Government of Belize's clear commitment to good governance, investing in its people and economic freedom, as evidenced by Belize's FY 2022 MCC scorecard. In partnership with the Government of Belize, MCC has begun the process of assessing the constraints to Belize's economic growth; this assessment will be followed by an analysis of the root causes of the identified constraints.

COMPACT DEVELOPMENT TIMELINES

Country	FY 2022				FY 2023				FY 2024			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Tunisia			Implementation Start-Up					EIF	Implementation			
Timor-Leste	Project Development		Sign	Implementation Start-Up					EIF	Implementation		
Lesotho II	Project Development		Sign	Implementation Start-Up					EIF	Implementation		
Kosovo	Project Development			Sign	Implementation Start-Up					EIF	Implementation	
Malawi II	Project Development			Sign	Implementation Start-Up					EIF	Implementation	
Regional Transport: Benin & Niger	Project Development			Sign	Implementation Start-Up					EIF	Imp.	
Indonesia II	Project Development			Sign	Implementation Start-Up					EIF	Imp.	
Mozambique II	Project Development					Sign	Implementation Start-Up					
Sierra Leone	Project Development						Sign	Implementation Start-Up				
West Africa Regional Energy	Project Development					Sign	Implementation Start-Up					
Belize	Project Development									Sign		
Zambia	Project Development											Sign

2018-017-2043-06

COMPACT DEVELOPMENT PROCESS OVERVIEW

1 Preliminary Analysis	2 Problem Diagnosis	3 Project Definition	4 Project Development	5 Negotiation
Identify Constraints to Growth	Select Problem Outline Approach	Agree on Specific Projects	Develop, Refine Projects	Agree on Final Terms
<ul style="list-style-type: none"> Analyze potential constraints to inclusive economic growth using diagnostic tools Incorporate social, environmental, gender and private sector issues Initiate public consultations 	<ul style="list-style-type: none"> Identify underlying causes of binding constraints Lay out initial logic for projects Outline scope and structure for “solution pathway” 	<ul style="list-style-type: none"> Jointly determine potential investments Build strong logic for proposed program Make preliminary assessments of economic and poverty impacts 	<ul style="list-style-type: none"> Launch feasibility, environmental and other studies Clarify beneficiary profile, economic impacts and cost-effectiveness Refine scope, as necessary Define implementation structures 	<ul style="list-style-type: none"> Confirm activities and budget based on due diligence results Set final targets for program results Negotiate program terms and conditions

2013-017-1246-06

THRESHOLD PROGRAMS

Threshold Programs (in millions of \$)

	FY 2021 Enacted	FY 2022 Annualized Continuing Resolution	FY 2023 President's Budget
Total Appropriation/Request	912.0	912.0	930.0
Threshold Programs	31.0	31.0	31.0

For FY 2023, MCC is requesting \$31 million for threshold program assistance for new countries to be selected by MCC's Board of Directors in December 2022. MCC recently signed threshold program agreements with The Gambia and Solomon Islands, which will begin implementation in FY 2022. MCC is currently developing threshold programs in Kenya and Kiribati.

MCC's threshold programs are a powerful tool to support policy and institutional reforms that address binding constraints to economic growth and advance MCC's core mission. By focusing on policy reforms and strengthening institutions in critical sectors, threshold programs complement the MCC effect created by the scorecard and allow partner countries to demonstrate, and MCC to assess, the opportunity for an impactful and cost-effective partnership. Because MCC uses the same rigorous, evidence-based approach in threshold programs as it does in compacts, these programs are designed to maximize potential systemic impact and lay the foundation for larger investments. While countries selected for threshold program assistance are not guaranteed compact eligibility, successful engagement in the development and implementation of a threshold program can yield significant advantages for a potential future compact. In the event that a country does not become compact eligible, a threshold program can help create the conditions for additional investment from the private sector or by other donors.

In light of this successful track record, in FY 2022 MCC is exploring opportunities to expand the scope and impact of threshold programs in the context of the agency's ongoing strategic discussions around MCC@20 and as part of its larger assessment of how to innovate, scale, accelerate and expand its impact. As an immediate first step in that process, MCC is requesting that Congress remove the existing limitation on developing threshold programs with countries that have completed an MCC compact. This change would allow MCC to use the threshold program strategically to partner with promising candidate countries that are on a positive policy trajectory and that previously engaged with MCC through a compact but are not currently compact eligible. This flexibility could be particularly relevant for promising candidate countries recovering from political or policy upheaval, countries whose economies have had significant backsliding as a result of the COVID-19 pandemic, or former compact partners recommitting to improved scorecard performance. Finally, this legislative change would also open opportunities for continued engagement in a country in a concrete, narrow, relevant and high-impact area. See the Proposed Legislative Changes section for more information.

In FY23, MCC is focused on further development of the following threshold programs.

KENYA

MCC's Board of Directors selected Kenya as eligible to develop a second threshold program in December 2019. MCC and the Government of Kenya have designed a program to address the lack of connectivity in Nairobi as a binding constraint to economic growth. MCC expects to submit the program for board approval in March 2022 and sign a grant agreement in FY 2022.

KIRIBATI

The Pacific Islands country of Kiribati was selected for a potential threshold program in December 2020. MCC is coordinating closely with the government and other stakeholders to prioritize and narrow project concepts. MCC expects to complete development and bring the program to the board for approval by the end of the 2022 calendar year.

FUTURE PROGRAMS

The funding request for FY 2023 will support threshold programs with countries that may be selected by MCC's Board of Directors in December 2022. The average size of threshold programs is about \$31 million, and the requested funding would allow MCC to begin development of threshold programs with new countries should promising candidates emerge in the annual selection process. Note that MCC's Board of Directors' selections for additional threshold programs or the transition of existing threshold programs under development to compact assistance may lead to future shifting of funds to or from this budget line item.

COMPACT DEVELOPMENT AND OVERSIGHT

Compact Development and Oversight: CDF and Due Diligence (in millions of \$)

	FY 2021 Enacted	FY 2022 Annualized Continuing Resolution	FY 2023 President's Budget
Total Appropriation/Request	912.0	912.0	930.0
Compact Development & Oversight:	113.5	113.5	113.5
Compact Development Funding (CDF)	30.0	30.0	28.0
Due Diligence	83.5	83.5	85.5

Compact development and oversight is comprised of both compact development funding (CDF), as authorized under section 609(g) of the Millennium Challenge Act, and due diligence funding. These funds support pre-compact planning and assessment, oversight activities during development and implementation, and post-compact evaluations. These activities are critical to the success of MCC programs and ensure that the agency, its partner countries and the development community are able to take advantage of the learning opportunities inherent in MCC programs.

In particular, these funds ensure that MCC-funded infrastructure is designed and built to high technical and engineering standards and with transparency, inclusive community engagement and good sector governance. This includes making sure that environmental, social and gender considerations are embedded within each project and that health and safety measures and community engagement and ownership are standard practice for every investment. This approach is in line with the values-driven approach outlined in the B3W initiative and provides an important demonstration effect that can help shift the discourse on infrastructure financing from quantity to quality, sustainability and transparency.

MCC's request includes \$113.5 million for CDF and due diligence in FY 2023. Specifically, \$28 million for CDF and \$85.5 million for due diligence functions is requested. At this level, MCC would support core program development, oversight, and monitoring and evaluation functions, while also directing resources to support the administration's priorities, including the assessment and design of impactful climate resilience opportunities across the compact and threshold program portfolio. These funds would also enable MCC to supplement technical resources for implementation of the agency's new elevated priorities. Finally, these funds would support MCC's strategic priority to assess opportunities to shorten compact development timelines without sacrificing quality. This would allow MCC to be more responsive to partner countries as well as reduce its unobligated balances by delivering programs sooner.

COMPACT DEVELOPMENT FUNDING

CDF allows MCC to award contracts or grants to eligible countries for the purposes of facilitating the development or implementation of a compact, as noted in section 609(g) of MCC's authorizing statute. Laying the groundwork for compact programs helps MCC improve the quality of its compact programs and the ability of its partner countries to implement compacts successfully. Such groundwork includes critical project design and feasibility studies, environmental impact assessments, engineering and geotechnical

designs, economic baseline surveys, technical assessments of financial management and procurement capabilities, and other specialized analyses that help partner countries fully prepare projects that can be implemented within the fixed five-year time frame, within budget and to MCC's high technical standards, and can achieve substantial results for compact programs. This rigorous project preparation lays the foundation for successful compacts and impact delivery and is a hallmark of MCC's—and, more broadly, the U.S. Government's—approach to infrastructure development.

DUE DILIGENCE

MCC uses due diligence funds at every stage of the compact and threshold program lifecycle. Due diligence funds allow MCC to obtain information that is necessary to evaluate, assess and appraise proposed projects during compact and threshold development, to effectively oversee and monitor projects during implementation, and to evaluate the results after closeout. These funds are used to procure the technical expertise required throughout the compact and threshold lifecycles, and they allow MCC to right size its staffing requirements based on the size and diversity of its portfolio. Due diligence funds are also used after compact closure to conduct independent impact evaluations. These evaluations include rigorous statistical methods to measure changes in beneficiary incomes related to MCC activities, highlight valuable lessons on how MCC can improve, and provide critical information about program successes.

MCC is currently developing a new online data and analysis repository, the MCC Evidence Platform, to publicly house all of its studies, evaluations and underlying data. The Evidence Platform will offer first-of-its-kind data accessibility and usability for researchers, from students to experienced professionals, allowing them to use the data and documentation provided to reproduce and build upon MCC's evidence base to drive development effectiveness for, and beyond, MCC. The MCC Evidence Platform will encourage the use of MCC's data, documentation and analysis as global public goods to support mutual accountability for the agency and its partner countries, and to encourage learning from measured results.

Finally, due diligence funds fund the data and technical expertise needed for calculating economic rates of return for compact projects. Through pre-compact economic modeling of expected economic rates of return, MCC identifies projects that are most likely to generate long-term economic benefits—specifically, increased income for program beneficiaries. This data is used to refine program design for optimal, sustainable results. Economic modeling performed after compact closeout helps to assess the cost effectiveness of the agency's programs.

ADMINISTRATIVE EXPENSES

Administrative Expenses (in millions of \$)

	FY 2021 Enacted	FY 2022 Annualized Continuing Resolution	FY 2023 President's Budget
Total Appropriation/Request	912.0	912.0	930.0
Total Administrative Expenses	112.0	112.0	130.0
Human Capital	67.5	69.5	72.0
Training	1.2	1.2	1.4
Overseas Operations	11.3	10.0	14.4
Contracted Services	9.1	7.4	12.5
Information Technology	15.0	14.0	16.4
Rent, Leasehold & Improvements	6.9	6.9	7.2
Travel	1.0	3.0	6.0
Other Administrative Expenses	-	-	0.1

Administrative expenses cover a host of critical mission-support functions across MCC's portfolio and mission. Functions covered in this budget include administration, operations and financial management; program oversight and technical expertise; performance management and economic analysis; in-country civic engagement and communications; monitoring of country eligibility and selection; monitoring, evaluation and evidence reporting; domestic and international security; overseas administrative and contract support; information technology (IT) and cybersecurity; risk assessments, management and audit compliance; and travel, facilities management and rent.

MCC requests \$130 million for administrative expenses to fully fund these necessary administrative functions in support of agency baseline operations and to deliver on MCC's planned program development and implementation milestones; enhance and support climate and B3W programming; begin new investments in cybersecurity; foster an environment and a workforce that is more diverse, equitable and inclusive; and oversee more than \$7 billion in taxpayer dollars.

The FY 2023 administrative expense request adjusts for years of absorbing inflationary increases from prior-year balances and fully reflects MCC's current administrative needs. This request would allow MCC to execute the total amount of programming under management, accelerate compact development to obligate funding sooner, and achieve greater impacts on climate resilience and inclusive economic growth. Given the nature of MCC's funding and programming cycles, in any given year MCC's limited staff manages billions of dollars of compact and threshold program grants in various stages of development, implementation or post-implementation evaluation—well in excess of MCC's annual appropriation. MCC has also steadily increased its focus on policy and institutional reform to achieve systems-level impact—risky work, as the world's democracies are facing great challenges. MCC requires additional human capital resources and greater coordination with other development partners in order to operate in a world with greater uncertainty and risks such as COVID-19 and political instability. In addition to better reflecting the true cost of MCC's increasingly complex work, this budget would also include modest increases to

more fully support administration priorities such as climate and B3W, to implement its equity action plan, and to take steps toward combatting cybersecurity risks.

HUMAN CAPITAL

Investing in people is at the cornerstone of MCC's mission and work. Human capital funding supports the agency personnel who enable MCC to successfully carry out its mission to reduce poverty through economic growth. MCC must continue to attract, retain and reward a talented and high-performing workforce with the specialized skills needed to carry out the mission.

The request includes \$72 million toward human capital expenses, just 1 percent of the total funds under management in MCC's \$7 billion program portfolio in FY 2023. These expenses include administrative, management, oversight and technical support functions, and would maintain MCC's pay-for-performance framework, which incorporates pay raises based on performance metrics against established criteria for each position. Similar to the General Schedule pay scale, which is assumed to increase by 4.6% in FY 2023, MCC also includes modest increases to the established pay bands. Both adjustments are in line with standard inflationary increases for full-time equivalent (FTE) civil servants.

The request would enable MCC to fund increased overseas staff to support compacts and threshold programs signing or implementing in FY 2023. It also would allow MCC to support implementation of MCC's climate and B3W strategy across this portfolio. As part of MCC's strategic work on MCC@20, the agency is examining its human capital model, and this budget would begin to address some needs related to promoting DEIA and accelerating compact development to obligate funds and achieve impacts earlier.

OVERSEAS OPERATIONS

In FY 2023, MCC requests \$14.4 million to support overseas administrative operations, including local-engaged staff salaries and benefits and resident country management team costs, including rent, residential allowances, relocation expenses, travel, shipping, office and residential furniture, IT equipment, and official vehicles. MCC also contributes its cost share of the International Cooperative Administrative Support Services (ICASS) and Capital Security Cost Sharing Program administered by the Department of State. Although MCC continuously reviews the costs related to overseas operations in order to maximize the use of funding while providing adequate support toward a small overseas presence (typically two FTEs per country), MCC has seen disproportionate growth in these costs in the past few years, and the costs are expected to increase again in FY 2023. The cost increases stem partly from the size of MCC's portfolio, particularly with the extension of five compacts, but also the increased cost of the ICASS platform itself. MCC has included an increase of \$1.6 million above the FY 2022 budget request for this line item.

MCC anticipates the need for enhanced security in support of MCC's portfolio of countries, particularly for the agency to successfully invest and build its partnerships in West Africa. To help manage security challenges, MCC is introducing a new regional security specialist position in the Sahel region to provide comprehensive security and is adding in-country staff at the local organizations implementing the countries' MCC compacts to assist with security analysis, coordination, planning, training and assessments.

INFORMATION TECHNOLOGY

MCC's request includes \$16.4 million in FY 2023 for IT resources. These funds would support core ongoing IT functions and services as well as enable MCC to deliver enhanced IT tools and solutions in support of MCC's mission; bolster cybersecurity; and assist with implementation of MCC's strategic priorities, notably MCC's Climate Strategy and efforts to reduce the compact development timelines.

In addition to protecting the agency's assets from cyberthreats, IT has played an integral role in allowing MCC staff to continue to support the agency mission amid the pandemic, even while in-office presence and travel have been curtailed. IT has also supported investment in agency-wide initiatives such as process automation, communication and cloud-based collaboration tools, internal data and analytical tools, and ongoing improvements in reporting grant disbursements to MCC's partner countries. MCC continues to upgrade its infrastructure and systems through incremental deployments and uses a multiyear approach to address its technology backlog. Demand for digital services remains high, and these services play a central role in supporting MCC's mission-focused systems. The increased funding requested would further ensure that efficiency and effectiveness of service delivery can be accomplished through secure, reliable applications and systems without stagnation in technology relevancy.

MCC controls equipment support costs by maintaining standardization across the enterprise. MCC has increased the use of shared services and FedRAMP-based solutions for supporting commodity-based IT requirements. IT plays an increasingly important role in supporting MCC's mission through mobile access, online collaboration and virtual training. Cybersecurity threats are constantly evolving, and overall risk remains high. MCC continues to enhance its monitoring and behavior analytics capabilities and is integrating them with its Security Operations Center. MCC participates in annual Federal Information Security Modernization Act audits conducted by the USAID Office of Inspector General (OIG) and reports to Congress and the Office of Management and Budget (OMB) on the findings and recommendations. MCC is also evaluating additional improvements to its systems consistent with the implementation of zero-trust principles and in alignment with executive orders and guidance from OMB and the Cybersecurity and Infrastructure Security Agency (CISA). MCC remains committed to developing capabilities with the Department of Homeland Security Continuous Diagnostics and Mitigation Program and has joined and is participating in CISA's Vulnerability Disclosure Program.

MCC has designated a chief data officer, in accordance with requirements under the Foundations for Evidence-Based Policymaking Act (2019), and will continue investing in leveraging data as a strategic asset and participating in open data and transparency initiatives. MCC is migrating historical and current records to a cloud-based repository that will have controls compliant with National Archives and Records Administration policies and guidance. The agency completed its migration to Enterprise Infrastructure Services in March 2021.

RENT

The FY 2023 budget request includes \$7.2 million for rent, which reflects the contracted percentage increase within the occupancy agreement for office space at MCC's headquarters. MCC will continue to evaluate the use of its headquarters space, proactively using space planning technology for seat man-

agement and conference and meeting space requirements, in the effort to maintain a relatively small footprint.

OFFICE OF INSPECTOR GENERAL**Office of Inspector General (in millions of \$)**

	FY 2021 Enacted	FY 2022 Annualized Continuing Resolution	FY 2023 President's Budget
Total Appropriation/Request	912.0	912.0	930.0
Office of Inspector General	4.5	4.5	4.5

The estimates for the funding level of the OIG in this submission are based on the level currently included in the FY 2022 President's Budget Request and the amount authorized in the Millennium Challenge Act of 2003, as amended, for this purpose. MCC and the USAID OIG establish an interagency agreement annually in support of the OIG's oversight of MCC's program.

PROPOSED LEGISLATIVE CHANGES

As part of MCC's strategic goals and plans for MCC@20, the agency is both exercising the authority granted by Congress to extend existing compacts delayed by COVID-19 and examining a potential suite of legislative changes that would expand MCC's impact and better enable the agency to fulfill its congressionally mandated mission to reduce poverty through economic growth.

MCC is exercising the authority granted by Congress to extend existing compacts that have been adversely impacted and delayed by the COVID-19 pandemic. This welcome flexibility provides MCC and its partner countries with the ability to complete critical compact activities and to ensure the sustainability of MCC's investments. Specifically, MCC has extended compacts in five countries (Benin, Côte d'Ivoire, Ghana, Morocco and Niger), with COVID-related funding increases of \$51.8 million in total. These extensions are detailed in the Compact Modifications annex.

MCC is seeking three legislative updates to more flexibly meet the growing challenges of delivering on its mission. Specifically, MCC proposes removing the 25 percent funding cap on LMICs, updating MCC's Annual Report requirements and allowing threshold programs after compacts. These changes would enable MCC to achieve greater reductions in poverty as its candidate pool of countries evolves.

REMOVING THE CAP FOR COMPACTS WITH LMICs

The Millennium Challenge Act of 2003, as amended, prohibits MCC from allocating more than 25 percent of its annual program appropriation for compacts with LMICs. This cap limits MCC's ability to flexibly support eligible countries and should be removed to enable MCC to right size compact programs based on project opportunities and potential to reduce poverty through growth, irrespective of country income classifications.

The text of the proposed change is as follows:

IN GENERAL. —Section 606 of the Millennium Challenge Act of 2003 (22 USC 7705) (the Act) is amended—

1. by striking the current subsection (b)(3).

UPDATING MCC'S ANNUAL REPORT REQUIREMENTS

MCC is seeking to change the Millennium Challenge Act of 2003, as amended, to make MCC's Annual Report due to Congress the third Friday in December each year, rather than March 31 as it is currently, and to delegate the function of submitting the report to Congress to MCC's CEO. The proposed change would decrease the reporting burden and allow MCC to showcase the agency's accomplishments of the past fiscal year sooner and more effectively.

The text of the proposed change is as follows:

IN GENERAL. —Section 613 of the Millennium Challenge Act of 2003 (22 USC 7712) (the Act) is amended—

1. by striking the current subsection (a);
2. by inserting within subsection (a) the following:

(a) Report. No later than the third Friday in December of each year, the Chief Executive Officer shall submit to Congress a report on the assistance provided under section 605 of this title during the prior fiscal year.

ALLOWING THRESHOLD PROGRAMS AFTER COMPACTS

MCC threshold programs incentivize candidate countries to demonstrate their commitment to just and democratic governance, economic freedom, and investments in their people. Congress has prohibited threshold programs with countries that previously had a compact, limiting the countries with which MCC is able to engage, regardless of changes in the countries' policy environment in intervening years. In countries in which there has been significant political or governance changes since MCC's previous compact, threshold program assistance may be more appropriate than no engagement. Removing this restriction would allow MCC to engage with a broader range of countries and build a larger pipeline of potential projects.

With the change to remove this limitation incorporated, the proposed text of the MCC appropriations provision for FY 2023 is as follows:

For necessary expenses to carry out the provisions of the Millennium Challenge Act of 2003 (22 U.S.C. 7701 et seq.) (MCA), [930,000,000] to remain available until expended: Provided, That of the funds appropriated under this heading, up to [130,000,000] may be available for administrative expenses of the Millennium Challenge Corporation: Provided further, That section 605(e) of the MCA shall apply to funds appropriated under this heading: Provided further, That funds appropriated under this heading may be made available for a Millennium Challenge Compact entered into pursuant to section 609 of the MCA only if such Compact obligates, or contains a commitment to obligate subject to the availability of funds and the mutual agreement of the parties to the Compact to proceed, the entire amount of the United States Government funding anticipated for the duration of the Compact: Provided further, That of the funds appropriated under this heading, not to exceed \$100,000 may be available for representation and entertainment expenses, of which not to exceed \$5,000 may be available for entertainment expenses.

Consistent with MCC@20, the agency is also reviewing the ways in which the pool of countries that can be considered candidates for MCC compact assistance affects MCC's impact on poverty reduction through economic growth. These countries are legislatively defined in relation to a specific income threshold. MCC is examining whether there are additional considerations, and thus legislative requests, that would better reflect the economic contexts and vulnerabilities of the types of countries with which the agency has traditionally worked.

APPENDIX: ANNUAL PERFORMANCE REPORT

COMPACT AMOUNTS AT SIGNING AND KEY DATES (IN MILLIONS OF \$)*

Partner Country	Compact Amount	Signed	Entry Into Force	Compact End Date
Madagascar	\$109.8	04/18/2005	07/27/2005	08/31/2009
Honduras	\$215.0	06/14/2005	09/30/2005	09/30/2010
Cabo Verde	\$110.1	07/05/2005	10/18/2005	10/18/2010
Nicaragua	\$175.0	07/15/2005	05/26/2006	05/26/2011
Georgia	\$395.3	09/12/2005	04/07/2006	04/07/2011
Benin	\$307.3	02/22/2006	10/06/2006	10/06/2011
Vanuatu	\$65.7	03/02/2006	04/28/2006	04/28/2011
Armenia	\$235.7	03/27/2006	09/29/2006	09/29/2011
Ghana	\$547.0	08/01/2006	02/16/2007	02/16/2012
Mali	\$460.8	11/13/2006	09/18/2007	08/24/2012
El Salvador	\$460.9	11/29/2006	09/20/2007	09/20/2012
Mozambique	\$506.9	07/13/2007	09/22/2008	09/22/2013
Lesotho	\$362.6	07/23/2007	09/17/2008	09/17/2013
Morocco	\$697.5	08/31/2007	09/15/2008	09/15/2013
Mongolia	\$284.9	10/22/2007	09/17/2008	09/17/2013
Tanzania	\$698.1	02/17/2008	09/17/2008	09/17/2013
Burkina Faso	\$480.9	07/14/2008	07/31/2009	07/31/2014
Namibia	\$304.5	07/28/2008	09/16/2009	09/16/2014
Senegal	\$540.0	09/16/2009	09/23/2010	09/23/2015
Moldova	\$262.0	01/22/2010	09/01/2010	09/01/2015
Philippines	\$433.9	09/23/2010	05/25/2011	05/25/2016
Jordan	\$275.1	10/25/2010	12/13/2011	12/13/2016
Cabo Verde	\$66.2	02/10/2012	11/30/2012	11/30/2017
Indonesia	\$600.0	11/19/2011	04/02/2013	04/02/2018
Malawi	\$350.7	04/07/2011	09/20/2013	09/20/2018
Zambia	\$354.8	05/10/2012	11/15/2013	11/15/2018
Georgia	\$140.0	07/26/2013	07/01/2014	07/01/2019
El Salvador	\$277.0	09/30/2014	09/09/2015	09/09/2020
Liberia	\$256.7	10/02/2015	01/20/2016	1/20/2021
Ghana	\$498.2	08/05/2014	09/06/2016	
Benin	\$375.0	09/09/2015	06/22/2017	
Morocco	\$450.0	11/30/2015	06/30/2017	
Niger	\$437.0	07/29/2016	01/26/2018	

Partner Country	Compact Amount	Signed	Entry Into Force	Compact End Date
Côte d'Ivoire	\$524.7	11/07/2017	08/05/2019	
Mongolia	\$350.0	07/27/2018	03/31/21	
Senegal	\$550.0	12/10/2018	09/09/21	
Nepal	\$500.0	09/14/2017		
Burkina Faso	\$450.0	08/13/2020		

* Please note that the values are the signed compact amounts and do not reflect lower actual expenditures due to early terminations or compact funds not being fully spent, or increased amounts due to extensions in FY 2021 and FY 2022. The table on the following page reflects the net obligations/commitments associated with each compact.

IMPLEMENTING AND DEVELOPING COMPACT COMMITMENTS, OBLIGATIONS AND PLAN

Commitments and Obligations as of March 2022

Commitments and Obligations (in millions of \$)

Country Program	Fiscal Year of Appropriation												Total
	2012 & Prior	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Ghana	25	277	15	-	-	-	-	-	-	-	-	-	316
Benin	16	207	-	168	-	-	-	-	-	-	-	-	391
Morocco	114	1	169	166	-	-	-	-	11	-	-	-	461
Niger	58	10	-	-	379	-	-	-	6	-	-	-	443
Nepal	108	9	-	69	107	129	77	-	-	-	-	-	500
Côte d'Ivoire	53	-	272	10	26	167	-	-	-	-	-	-	537
Mongolia	100	-	-	1	-	95	154	-	-	-	-	-	350
Senegal	21	-	1	-	-	-	447	81	-	-	-	-	550
Burkina Faso	17	-	85	-	-	-	-	309	39	-	-	-	450
Committed & Obligated	511	504	541	414	512	391	678	390	390	-	-	-	3,997

Plan (in millions of \$)

Country Program	Fiscal Year of Appropriation												Total
	2012 & Prior	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Tunisia	124	-	-	-	135	-	-	68	138	34	-	-	499
Lesotho	-	-	145	-	-	-	-	113	43	-	-	-	300
Timor-Leste	-	-	-	-	-	-	-	-	330	-	90	-	420
Malawi	-	-	-	-	-	-	-	-	27	243	80	-	350
Kosovo	-	-	-	-	-	-	-	50	-	74	76	-	200

Country Program	Fiscal Year of Appropriation												Total
	2012 & Prior	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Regional Transport	-	-	-	-	-	-	-	-	-	300	150	-	450
Regional Energy	-	-	-	-	-	-	-	-	-	-	200	-	200
Indonesia	-	-	-	-	-	-	-	-	47	-	-	403	450
Mozambique	-	-	-	-	-	-	-	-	-	-	52	248	300
Sierra Leone	-	-	-	-	-	-	-	-	-	-	-	-	-
Planned	124	-	145	-	135	-	-	230	585	651	648	651	3,169

CLOSED COMPACTS

Closed Compacts as of First Quarter FY 2022 (in millions of \$)

Country Program	Fiscal Year of Appropriation												Total
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	
Armenia	-	177	-	-	-	-	-	-	-	-	-	-	177
Benin	-	302	-	-	-	-	-	-	-	-	-	-	302
Burkina Faso	-	-	-	-	475	-	-	-	-	-	-	-	475
Cabo Verde	109	-	-	-	-	-	-	-	-	-	-	-	109
Cabo Verde II	-	-	-	-	-	-	-	-	66	-	-	-	66
El Salvador	-	-	362	88	-	-	-	-	-	-	-	-	450
El Salvador II	-	-	-	-	8	-	-	-	105	158	-	-	271
Georgia	290	24	-	17	56	-	-	-	-	-	-	-	387
Georgia II	-	-	-	-	-	-	-	-	139	-	-	-	139
Ghana	-	536	-	-	-	-	-	-	-	-	-	-	536
Honduras	204	-	-	-	-	-	-	-	-	-	-	-	204
Indonesia	-	49	-	-	-	-	-	425	-	-	-	-	474
Jordan	-	-	-	-	-	55	218	-	-	-	-	-	273
Lesotho	-	-	-	358	-	-	-	-	-	-	-	-	358
Liberia	-	-	-	-	-	-	-	-	-	-	-	238	238
Madagascar	86	-	-	-	-	-	-	-	-	-	-	-	86
Malawi	-	-	-	-	-	-	208	137	-	-	-	-	345
Mali	-	-	434	-	-	-	-	-	-	-	-	-	434
Moldova	90	16	8	1	9	86	49	-	-	-	-	-	259
Mongolia	-	-	-	269	-	-	-	-	-	-	-	-	269
Morocco	-	72	578	-	-	-	-	-	-	-	-	-	650
Mozambique	-	-	-	448	-	-	-	-	-	-	-	-	448
Namibia	-	-	-	219	76	-	-	-	-	-	-	-	296
Nicaragua	113	-	-	-	-	-	-	-	-	-	-	-	113
Philippines	-	-	-	-	-	-	385	-	-	-	-	-	385
Senegal	-	-	-	-	-	433	-	-	-	-	-	-	433
Tanzania	-	-	-	-	695	-	-	-	-	-	-	-	695
Vanuatu	-	65	-	-	-	-	-	-	-	-	-	-	65
Zambia	-	-	-	-	-	-	-	-	332	-	-	-	332
Closed Compacts	891	1,242	1,383	1,400	1,318	574	860	561	642	158	-	238	9,266

THRESHOLD PROGRAM AMOUNTS AT SIGNING AND KEY DATES (IN MILLIONS OF \$)*

Country	Threshold Program Amount	Signed	Completion Date
Burkina Faso	\$12.9	07/22/2005	09/30/2008
Malawi	\$20.9	09/29/2005	09/30/2008
Albania	\$13.9	04/03/2006	11/15/2008
Tanzania	\$11.2	05/03/2006	12/30/2008
Paraguay	\$34.6	05/08/2006	08/31/2009
Zambia	\$22.7	05/22/2006	02/28/2009
Philippines	\$20.7	07/26/2006	05/29/2009
Jordan	\$25.0	10/17/2006	08/29/2009
Indonesia	\$55.0	11/17/2006	12/31/2010
Ukraine	\$45.0	12/04/2006	12/31/2009
Moldova	\$24.7	12/15/2006	02/28/2010
Kenya	\$12.7	03/23/2007	12/31/2010
Uganda	\$10.4	03/29/2007	12/31/2009
Guyana	\$6.7	08/23/2007	02/23/2010
São Tomé and Príncipe	\$8.7	11/09/2007	04/15/2011
Kyrgyz Republic	\$16.0	03/14/2008	06/30/2010
Niger	\$23.1	03/17/2008	12/31/2015
Peru	\$35.6	06/09/2008	09/30/2012
Rwanda	\$24.7	09/24/2008	12/31/2011
Albania	\$15.7	09/29/2008	07/31/2011
Paraguay	\$30.3	04/13/2009	07/31/2012
Liberia	\$15.1	07/06/2010	12/15/2013
Timor-Leste	\$10.5	09/22/2010	03/31/2014
Honduras	\$15.7	08/28/2013	05/31/2019
Sierra Leone	\$44.4	11/17/2015	03/31/2021
Guatemala	\$28.0	04/08/2015	10/31/2021
Kosovo	\$49.0	09/12/2017	
Togo	\$35.0	02/14/2019	
The Gambia	\$25.0	11/16/2021	
Solomon Islands	\$20.0	01/22/2022	

* Please note that the values are the signed threshold program amounts and do not reflect lower actual expenditures due to early terminations or threshold program funds not being fully spent.

RESULTS OF RECENTLY CLOSED COMPACTS AND THRESHOLD PROGRAMS

Guatemala Threshold Program

Overview

On October 31, 2021, MCC concluded the Guatemala Threshold Program, with 93.4 percent of the \$28 million budget disbursed. The program's Education Project (\$19.3 million) and Resource Mobilization Project (\$5.8 million) aimed to improve opportunities for Guatemalan youth and increase government tax revenues.

The objective of the Education Project was to support efforts undertaken by the Government of Guatemala to implement institutional reforms aimed at improving the quality of secondary education. To advance that objective, the Education Project supported three activities:

1. Improving the Quality of Education in Support of Student Success
2. Developing Technical and Vocational Education and Training (TVET)
3. Strengthening Institutional and Planning Capacity

Through the technical assistance provided in the Improving the Quality of Education in Support of Student Success Activity, 363 parent organizations were trained to strengthen their role and involvement in school activities, 417 school governments were organized, and 110 educational networks were developed to improve the transition from sixth grade to lower secondary school.

To develop and institutionalize new tools and strategies for job training to better align education offerings with labor market demand, the Developing TVET Activity supported the Government of Guatemala in passing two ministerial resolutions that institutionalized job training models.

The objective of the Strengthening Institutional and Planning Capacity Activity was to strengthen the institutional capacity of the Education Ministry to optimize planning and budget estimates for the equitable provision of quality lower secondary education. The activity created and installed a technological program to manage the competitive recruitment and selection process for hiring lower secondary teachers, a system for payroll auditing, and the National Database and Teacher Professional Development Tracking System.

The Resource Mobilization Project objectives were (1) to support government reforms to increase the availability of resources by improving the efficiency of tax and customs administration and (2) to strengthen the capacity of the government to finance infrastructure via PPPs in order to increase public funding allocated for social investment, especially education. The project supported two activities:

1. Improving Tax and Customs Administration
2. Public-Private Partnerships Capacity Strengthening

To strengthen compliance and enforcement control programs, the Improving Tax and Customs Administration Activity developed an application to manage catalogs of the minimum characteristics that must be selected in a declaration for certain segments of goods that are considered sensitive or risky. The program also designed and supported the implementation of a new Value Database tool, launched in June 2018, with two main components: (1) a query tool for consulting historical declared values with indicators to demonstrate the risk of undervaluation and (2) a tool for personnel specialized in sensitive merchandise segments (price analysts), who analyze the behavior of prices, with the aim of offering better indicators in the Value Database. MCC also supported a number of improvements to the model's data mining, legal compliance and randomized selection methodology to improve customs risk management performance.

The Public-Private Partnerships Capacity Strengthening Activity supported the launch of a bid for a \$75 million PPP project to improve, finance, operate and maintain 44 kilometers of the CA-9 Highway between Puerto Quetzal and Escuintla in 2017. In addition to supporting specific public projects during the compact, the PPP activity also focused on strengthening Guatemala's capacity to continue these activities after the end of the threshold program. To this end, MCC funding (1) helped improve Guatemala's PPP procedures to enable the government to better prepare PPP projects in the future, (2) provided training to government officials on best practices for developing and managing PPPs, and (3) developed a pipeline of PPP projects for the government and donor organizations to bring to market in the future.

This threshold program experienced significant delays due to the COVID-19 pandemic and was heavily impacted by its effects. While several projects were delayed, the government demonstrated tremendous ownership of the program and commitment to its outcomes by extending and adjusting several projects to adapt to the situation. This commitment was rewarded by the completion of nearly the full scope of the program by its closure in December 2021.

Policy Reforms

To maximize the success and sustainability of the Guatemala Threshold Program, MCC partnered with the Government of Guatemala to implement several reforms.

Education Project

To strengthen the links between industry demand and the technical and vocational skills supplied by the educational system, the minister of education formalized the offering of six new vocational programs. The six new technical degree programs began in January 2019 at 13 educational centers in six departments.

Resource Mobilization Project

To ensure the longevity of MCC investments, the government passed a reform that grants Guatemala's tax administration entity access to bank records for audits with a court order. Additionally, Guatemala's tax administration entity has successfully created and staffed a 70-person unit for internal affairs investigations.

*Preliminary Outputs**Education Project*

- 17,384 students graduated from MCC-supported education activities
- 103,632 students participated in MCC-supported education activities
- 2,851 instructors were trained
- 219 teachers enrolled in TVET
- 110 school networks were established
- 363 action plans for parent councils were established
- 2,098 teachers and principals enrolled in secondary school teacher degree programs
- 2,345 teachers and principals participated in learning and practice communities
- 13,239 school visits were made by management advisors
- 20,536 school visits were made by pedagogical advisors
- 3 legal, financial and policy reforms were adopted
- 7 systems were developed for institutional strengthening at the Ministry of Education

Resource Mobilization Project

- 788 people were trained in PPP management
- 1 PPP contract supported by MCC was sent to the Congress for its approval
- An internal affairs unit was established on August 4, 2016
- A reasonable doubt system was implemented
- A system for the technical analysis of goods was implemented
- A minimum description system was implemented
- A value database was implemented

Preliminary and Expected Outcomes

Guatemalan youth are better prepared to be successful in the labor market.

Improved efficiency in the tax and customs administration and strengthened capacity to finance infrastructure via PPPs increases the availability of resources and preserves limited public funding for social spending priorities such as education.

Evaluations

The independent impact evaluation for the Education Project, covering the Improving the Quality of Education in Support of Student Success and Strengthening Institutional and Planning Capacity Activities, seeks to measure the effects of the project on students, teachers and schools. MCC contracted Mathematica to conduct the evaluation in September 2016 and approved the evaluation design in April 2018. Mathematica produced a Baseline Report in July 2019, which detailed the situation of the education sector in Guatemala before the investment. The evaluation will compare project areas to control areas to assess the impact of the program. Final data collection will occur in late 2022, with a Final Evaluation Report to follow in 2023. Materials related to the evaluation are posted publicly here: [MCC's Evaluation Catalog](#).

COMPACT MODIFICATIONS

MCC employs a risk-based approach to the management of its portfolio and uses a number of mechanisms to manage projects that face potential major modifications, including the following:

- Quarterly portfolio reviews of all compacts, with a focus on high-risk projects and activities
- Early identification of high-risk projects
- Close collaboration with partner countries to develop plans to prevent, mitigate and manage project restructuring
- Approval of modifications at the appropriate level

MCC also conducts due diligence on programs in advance of compact signing to increase the reliability of technical, cost and other estimates. During compact development, MCC makes project design modifications to mitigate potential completion risk, currency fluctuations and the potential for construction cost overruns.

The following compacts have used the authority provided by Congress in early 2021 to extend the duration of the compact period as a result of COVID-19 delays:

- **Ghana** – MCC's board approved the extension of the Ghana II Compact by nine months, to June 6, 2022, and allocated an additional \$7,651,395 in MCC funding to cover program administration and related oversight costs associated with extending the compact's term.
- **Morocco** – MCC's board approved the extension of the Morocco II Compact by nine months, to March 31, 2023, and allocated an additional \$10,500,000 in funding to cover program administration and related oversight costs associated with extending the compact's term.
- **Benin** – MCC's board approved an extension of the Benin II Compact end date until June 22, 2023. MCC will provide an additional \$16,000,000 to fund administrative and oversight functions during the 12-month extension.
- **Niger** – MCC's board approved the extension of the Niger Compact by 12 months, to January 26, 2024, and allocated an additional \$5,600,000 in funding to cover program administration and related oversight costs associated with extending the compact's term.

- **Côte d'Ivoire** – MCC's board approved the extension of the Côte d'Ivoire Compact by 12 months, to August 5, 2025, and allocated an additional \$12,000,000 in funding to cover program administration and related oversight costs associated with extending the compact's term.

PROJECTED BENEFICIARIES AND INCOME BENEFITS BY COMPACT

Under MCC's results framework, beneficiaries are defined as individuals and all members of their households who will experience an income gain as a result of MCC's projects. MCC considers that the entire household will benefit from the income gain, and counts are multiplied by the average household size in the area or country. The beneficiary standard makes a distinction between individuals participating in a project and individuals expected to increase their income as a result of the project. Before signing a compact, MCC estimates the expected long-term income gains through a rigorous cost-benefit analysis. MCC may reassess and modify its beneficiary estimates and/or the present value of benefits when project designs change during implementation.

Compact¹	Estimated Number of Beneficiaries²	Estimated Net Benefits Over the Life of the Project (Present Value)³
Armenia	428,000	\$150,400,000
Benin	14,059,000	\$140,400,000
Benin II	1,969,000	\$24,800,000
Burkina Faso	1,181,000	(\$123,300,000)
Cabo Verde	385,000	\$84,600,000
Cabo Verde II	604,000	\$72,000,000
Côte d'Ivoire	11,300,000	\$493,100,000
El Salvador	706,000	\$262,100,000
El Salvador II	6,446,000	N/A
Georgia	143,000	\$166,000,000
Georgia II	1,770,000	\$18,200,000
Ghana	1,217,000	\$520,400,000
Honduras	1,705,000	\$252,500,000
Indonesia	1,700,000	\$5,500,000
Jordan	3,000,000	\$89,300,000
Lesotho	1,041,000	\$75,500,000
Liberia	528,000	\$8,000,000
Madagascar	480,000	\$46,800,000
Malawi	983,000	\$234,100,000
Mali	2,837,000	\$136,300,000
Moldova	414,000	(\$66,700,000)
Mongolia	2,058,000	\$54,500,000
Mongolia II	2,430,000	N/A
Morocco	1,695,000	\$610,200,000
Morocco II	828,000	N/A

Compact¹	Estimated Number of Beneficiaries²	Estimated Net Benefits Over the Life of the Project (Present Value)³
Mozambique	2,685,000	\$120,900,000
Namibia	1,063,000	\$133,800,000
Nicaragua	119,000	\$11,500,000
Niger	3,888,000	\$238,700,000
Philippines	125,822,000	\$159,700,000
Senegal	1,550,000	\$110,600,000
Senegal II	12,800,000	N/A
Tanzania	5,425,000	\$775,400,000
Vanuatu	39,000	N/A
Zambia	1,200,000	\$62,200,000
Total for All Compacts	214,498,000	\$4,867,500,000

Notes:

1. The table includes estimates for compacts that have entered into force and have economic rates of return (ERRs) from which income benefit calculations can be drawn. The Ghana II Compact's ERRs have undergone revision and have not yet been published.
2. These estimates do not include the projected beneficiaries of projects or activities that have been terminated or suspended by MCC (Armenia, Honduras, Madagascar, Mongolia and Nicaragua). In the case of Madagascar, the estimates account for the compact's early termination.
3. The present value (PV) of benefits is the sum of all projected benefits accruing over the life of the project, typically 20 years, evaluated at a 10 percent discount rate. Estimates are reported in millions of U.S. dollars in the year that the ERR analysis was completed. Because the PV of benefits uses a discount rate, these figures cannot be compared directly to the undiscounted financial costs of MCC compacts but must be compared to the PV of costs instead.
4. Benin II entries are unavailable for one project, an off-grid clean energy facility. Indonesia entries are currently available for only one of three projects. Liberia entries are currently available only for one project, an energy project.

EVALUATION-BASED ECONOMIC RATES OF RETURN

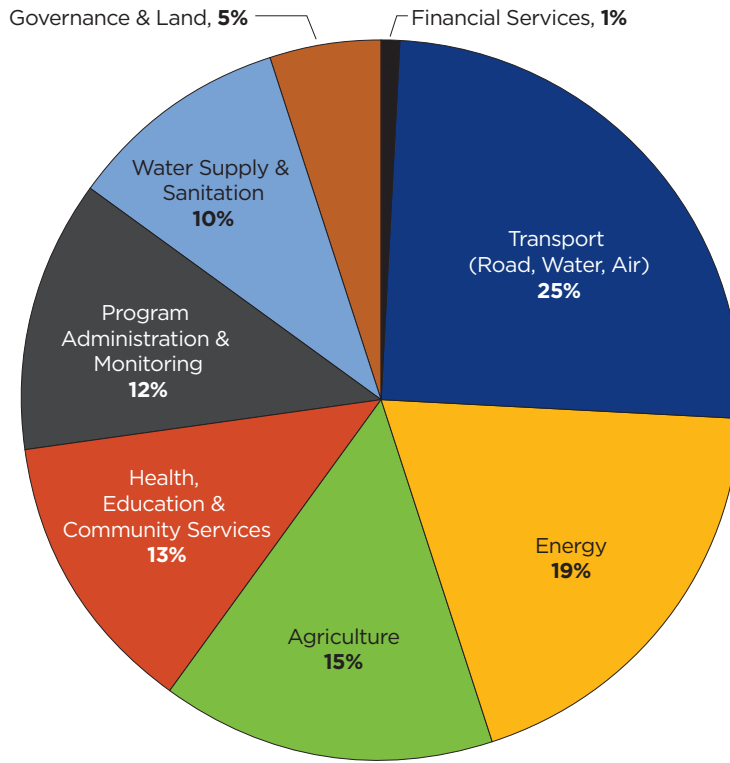
All MCC projects are independently evaluated, and these independent evaluations increasingly allow MCC to generate estimates of economic rates of return (ERRs) based on evaluations. Independently calculated ERRs complement the closeout ERRs that MCC calculates at the end of each compact. Because independent evaluations occur two to five years after compact closure, evaluation-based ERRs offer an updated assessment of a project's costs and benefits post-compact. These ERRs still rely in part on forecasted benefits, given the 20-year time span over which MCC investments are assessed. Nonetheless, independent evaluation-based ERRs complete the accountability loop in a way that is rare among donors. MCC

expects to have completed 35 evaluation-based ERRs by the end of FY 2022. Five examples are included in the table below.

Country	Project	Year Final Evaluation Report Published	Original ERR	Independent Evaluation-Based ERR	Explanation
Indonesia	Green Prosperity: On-Grid Renewable Energy Grant Portfolio	2019	Between 27% and 30% over 20 years	Between 13% and 42% over 20 years	The original ERR for the three biogas grants was an average of 27%, while the average ERR for the hydro grant was 30%. The independent evaluation of the three biogas grants found ERRs of 42%, 30% and 37%, while the ERR for the hydro grant was estimated at 13%. The main driver of the lower ERR for the hydro grant was a policy shift that reduced the amount of power that could be purchased from the grantees.
Ghana	Community Services - WASH	2017	20.5% over 20 years	6.6% over 20 years	The updated model used for the evaluation-based cost-benefit analysis (CBA) was refined to include more up-to-date estimates of disease reduction, time savings, deterioration rates, inflation, population growth and spillover effects. The model was also modified to assume that some benefits affect only water collectors, rather than the whole population. This, in turn, lowered the overall calculated ERR.

Country	Project	Year Final Evaluation Report Published	Original ERR	Independent Evaluation-Based ERR	Explanation
Ghana	Community Services - Education	2015	12.1% over 35 years	Between 9.1% and 11% over 20 years	The updated CBA model used adjusted assumptions around incorporating the costs of preventive maintenance at schools, as well as external factors that adversely affect school facilities (such as break-ins). These adjustments resulted in a lower overall ERR.
Philippines	KALAHI-CIDSS Community Development Grants	2018	12.6% over 20 years	3% over 20 years	While program investments in roads, water and education produced large gains, these gains were offset by very large losses in rice productivity. If these rice losses are excluded, the project's ERR rises to 28%.
Mozambique	Farmer Income Support	2016	25.1% over 20 years	16.8% over 20 years	The evaluation-based ERR was lower than originally forecast due to higher observed disease prevalence rates and lower seedling survival rates in treatment areas relative to comparison areas than originally expected.

COMPACT FUNDING BY SECTOR















As of First Quarter FY 2022











MCC RESULTS

Implementation Results by Sector

MCC develops tailored monitoring and evaluation plans for each program and country, together with its in-country partners. Within these country-specific plans, MCC uses common indicators to standardize measurement and reporting in key investment sectors. See below for a subset of common indicators that summarize implementation achievements across all programs in MCC’s key investment sectors as of December 2021.

Sector	Common Indicator	Cumulative Achievement	Active and Closed Programs Tracked
Agriculture and Irrigation	 Farmers trained	407,139	Armenia, Burkina Faso, Cabo Verde I, El Salvador I, Ghana I, Honduras, Indonesia, Madagascar, Mali, Moldova, Morocco I, Mozambique, Namibia, Nicaragua, Niger
	 Farmers who have applied improved practices as a result of training	126,837	Armenia, Burkina Faso, Cabo Verde I, El Salvador I, Ghana I, Honduras, Madagascar, Mali, Moldova, Nicaragua, Niger
	 Enterprises that have applied improved techniques	1,016	Armenia, Burkina Faso, El Salvador I, Ghana I, Madagascar, Moldova, Morocco I
	 Hectares under improved irrigation	203,963	Burkina Faso, Cabo Verde I, Ghana I, Honduras, Mali, Moldova, Morocco I, Senegal I

Sector	Common Indicator	Cumulative Achievement	Active and Closed Programs Tracked
Education	 Educational facilities constructed or rehabilitated	844	Burkina Faso, El Salvador I, El Salvador II, Georgia II, Ghana I, Mongolia I, Namibia
	 Instructors trained	10,621	Burkina Faso, El Salvador I, El Salvador II, Georgia II, Mongolia I, Morocco I
	 Students participating in MCC-supported education activities	291,165	Burkina Faso, Côte d'Ivoire, El Salvador I, El Salvador II, Georgia II, Ghana I, Mongolia I, Morocco I, Namibia
	 Graduates from MCC-supported education activities	62,938	Burkina Faso, El Salvador I, Georgia II, Mongolia I, Morocco I, Namibia
Land	 Legal and regulatory reforms adopted	135	Burkina Faso, Cabo Verde II, Ghana I, Lesotho, Madagascar, Mongolia I, Morocco II, Namibia
	 Land administration offices established or upgraded	399	Burkina Faso, Cabo Verde II, Ghana I, Lesotho, Madagascar, Mali, Mongolia I, Mozambique
	 Land rights formalized	320,722	Burkina Faso, Cabo Verde II, Lesotho, Mongolia I, Mozambique, Namibia, Senegal I
	 Parcels corrected or incorporated in land system	357,900	Burkina Faso, Cabo Verde II, Ghana I, Lesotho, Mongolia I, Mozambique, Namibia, Niger, Senegal I

Sector	Common Indicator	Cumulative Achievement	Active and Closed Programs Tracked
Energy	 Megawatts of generation capacity added	113	Indonesia, Liberia, Malawi
	 Megavolt amps of substation capacity added	1,703	Ghana II, Liberia, Malawi
	 Kilometers of electricity lines upgraded or built	5,986	El Salvador I, Ghana I, Ghana II, Indonesia, Liberia, Malawi, Tanzania
	 Customer connections added	44,507	El Salvador I, Indonesia
Transportation	 Kilometers of roads completed	3,035	Armenia, Burkina Faso, Cabo Verde I, El Salvador I, Georgia I, Ghana I, Honduras, Mali, Moldova, Mongolia I, Mozambique, Nicaragua, Philippines, Tanzania, Vanuatu
	 Temporary jobs created in road construction	52,472	Burkina Faso, El Salvador II, Ghana I, Moldova, Mozambique, Senegal I, Tanzania
Water, Sanitation and Hygiene	 Individuals trained in social and behavior change	73,116	Cabo Verde II, El Salvador I, Ghana I, Indonesia, Mozambique, Zambia
	 Sanitation facilities constructed	32,831	Cabo Verde II, Indonesia, Lesotho, Mozambique
	 Kilometers of water pipelines constructed or replaced	1,661	Cabo Verde II, Jordan, Lesotho, Sierra Leone Threshold Program, Zambia
	 Millions of liters per day of water production capacity added	258	Jordan, Liberia, Tanzania

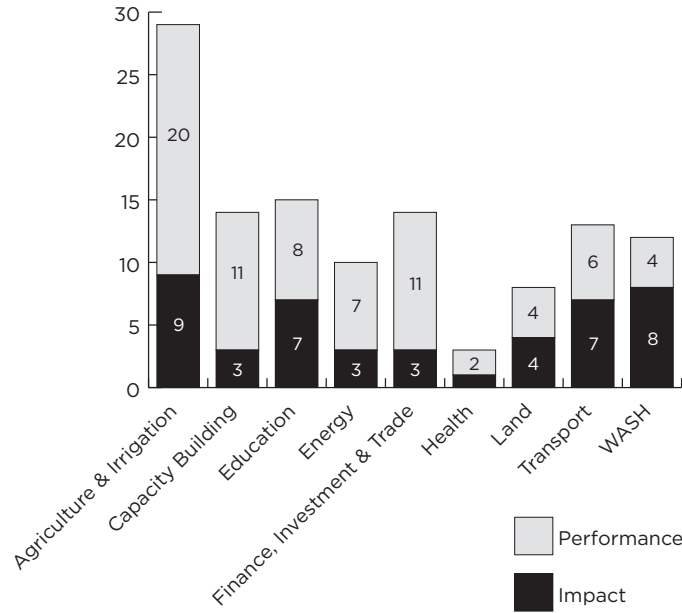
* 2005-present

Independent Evaluations

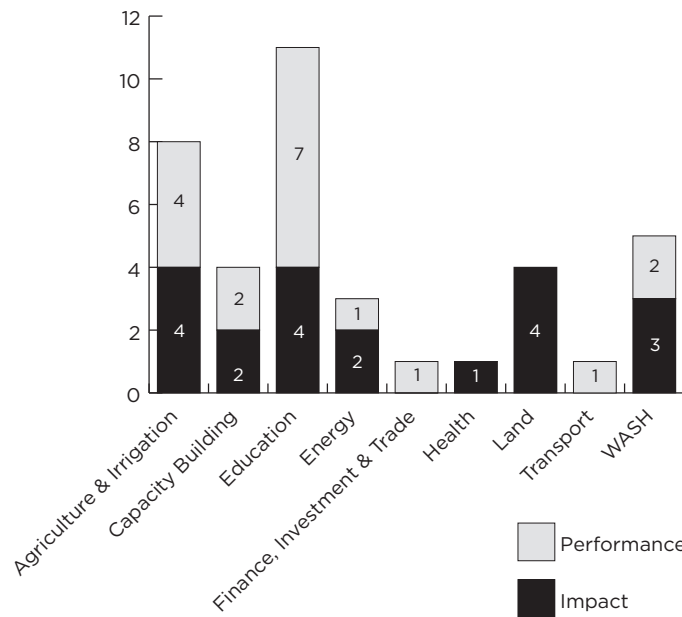
MCC commissions independent evaluations, conducted by third-party evaluators, for every project it funds. These evaluations hold MCC and its partner countries accountable for the achievement of intended results and produce evidence and learning to inform future programming. The evaluations investigate the quality of project implementation, the achievement of the project objectives and other targeted outcomes, and the cost-effectiveness of the project.

The graphs below present the number of interim and final independent evaluation reports that MCC has published, by sector, as of December 2021. Impact evaluations estimate changes in outcomes that are attributable to MCC investments. Performance evaluations estimate the contribution of MCC investments to changes in outcomes.

Final Evaluation Reports Published by Sector



Interim Evaluation Reports Published by Sector



The following table lists the eight interim and final independent evaluation reports published by MCC in 2021 and links to the Evaluation Briefs, which summarize the evaluation’s key results and learning in a user-friendly format.

Evaluation Report	Evaluation Stage	Key Finding	Date Published
Senegal Roads Rehabilitation Project Final Evaluation Report	Final	Reduced travel times have not yet led to reduced transport costs for users	December 9, 2021

Evaluation Report	Evaluation Stage	Key Finding	Date Published
<u>Zambia Municipal Utility Operations Monitoring Sub-Activity Final Evaluation Report</u>	Final	Regular water quality monitoring highlights the need for improved treatment	December 6, 2021
<u>Senegal Irrigation and Water Resources Management Project Final Evaluation Report</u>	Final	Land under cultivation and horticulture have grown but not to expected levels	September 1, 2021
<u>Mongolia Peri-Urban Land Leasing Activity Final Evaluation Report</u>	Final	Exclusive-use land rights, wells and training have led to improved rangeland management	April 10, 2021
<u>Burkina Faso Agricultural Development Project Final Evaluation Report</u>	Final	Agricultural incomes have improved but economic benefits have fallen short of expectations	April 7, 2021
<u>Malawi Infrastructure Development Project Final Evaluation Report</u>	Final	The national grid has been modernized, but challenges with reliable power supply continue	March 1, 2021
<u>Liberia Roads Project Interim Evaluation Report</u>	Interim	Strengthened capacities and ring-fenced funding are required for road maintenance	October 22, 2021
<u>Mongolia Property Rights Project Interim Evaluation Report</u>	Interim	Land registration has increased in program and non-program areas	January 30, 2021

FY 2022 CORPORATE GOALS

MCC established five specific goals for FY 2022 that informed annual department and division goal setting (as well as individual performance plans):

1. Design, deliver and evaluate high-quality compact, threshold and regional programs

Identify, track and achieve key milestones in a timely manner with partner countries to develop, implement and evaluate compact, threshold and regional programs on schedule.

2. Accelerate the drive to achieve quality economic growth that is sustainable, inclusive and private sector–led

- Address climate change: Consistent with MCC’s Climate Strategy, further incorporate climate change risks and opportunities into the identification, design, assessment, implementation and evaluation of MCC programs and projects.
- Integrate inclusion and gender: Identify, design and implement opportunities to expand structurally excluded groups’ ability to access, participate in and/or derive benefits from MCC programs and projects, as defined in MCC’s Inclusion and Gender Strategy.
- Catalyze private investment: Identify, design and implement opportunities to crowd in private investment in and around MCC programs and projects to maximize scale and impact, including through U.S. Government agencies such as DFC, USAID and the State Department.

3. Enhance MCC’s and accountable entities’ agility and responsiveness to countries’ development needs and boost operational efficiencies and effectiveness in programs

- Shorten compact development timelines: Identify, design and implement solutions to significantly shorten compact development timelines (from selection to signing and from signing to entry into force) while maintaining MCC’s quality project design with clear metrics to evaluate risks, success and impact.
- Enhance, streamline and modernize MCC’s operations to increase impact and resilience and better manage risk.
- Promote innovation and learning around program implementation for MCC.
- Strengthen local implementing organizations’ ownership of programs and accountability for implementation and results.

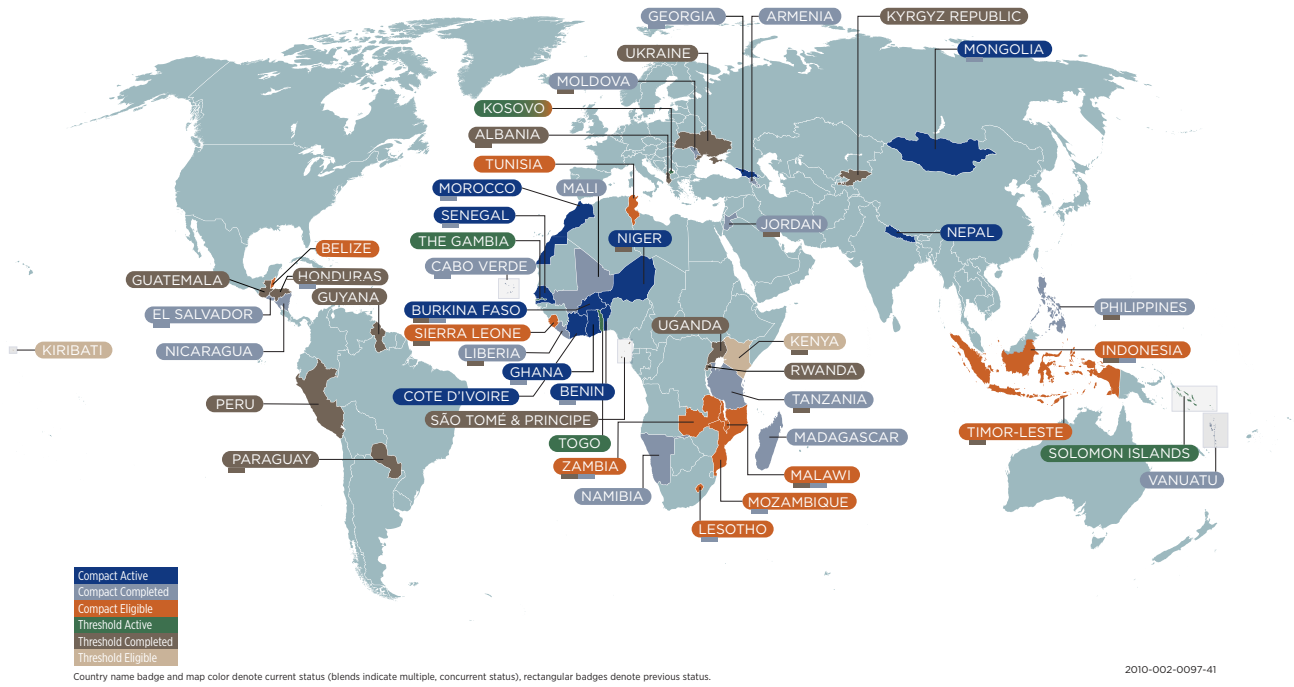
4. Refine MCC’s human capital and resource capabilities and foster a diverse, equitable, inclusive culture

More effectively recruit, deploy and retain resources to realize MCC’s mission and achieve program objectives, including the ability to scale and resource MCC programs and projects in light of their evolving scope and impact.

5. Prepare for MCC@20 to deliver high impact

The aforementioned Corporate Goals will help lay the foundation for a relevant and high-impact MCC@20. In addition, specific work is required on where MCC can have the most impact in pursuing its mandate, how to strengthen agency positioning and partnerships and any necessary enhancements to its model for the future.

COMPACT, THRESHOLD PROGRAM AND ELIGIBLE COUNTRIES



Reducing Poverty Through Growth

