



# 2022 Annual Report

October 1, 2021, to September 30, 2022



MILLENNIUM  
CHALLENGE CORPORATION  
UNITED STATES OF AMERICA



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



## SECTION 1: INTRODUCTION

### A MESSAGE FROM SECRETARY OF STATE ANTONY BLINKEN, CHAIR OF THE MCC BOARD OF DIRECTORS

The Millennium Challenge Corporation (MCC) is an independent U.S. government development agency working to reduce global poverty through economic growth. Created in 2004, MCC provides time-limited grants that pair investments in infrastructure with policy and institutional reforms to countries that meet rigorous standards for good governance, fighting corruption, and respecting democratic rights. Today, MCC continues to deliver on this mission around the world by combining a private sector approach with years of development expertise. MCC emphasizes country-led solutions and requires selected countries to identify their priorities for achieving sustainable economic growth and poverty reduction. This work is a critical part of our broad effort to strengthen partnerships to solve the shared global challenges of food, health, energy and climate, migration, and economic security.

MCC's core principles – selectivity, country ownership, transparency, and a focus on results – ensure MCC invests in countries that are committed to good governance, economic freedom, and investing in their people. MCC follows the data to produce evidence-based investments designed to maximize economic impact to benefit some of the world's poorest populations and maximize the impact of U.S. taxpayer dollars.

The agency's investments are designed to specifically target a country's most binding constraints to economic growth and leverage policy and institutional reform. MCC investments in critical sectors like energy, water, transportation, and agriculture are part of a holistic approach to promote sustainable growth in our partner countries. To date, MCC has invested more than \$14 billion through 42 compacts in 31 countries, benefiting over 215 million people worldwide.

Without question, Russia's war against Ukraine, the resulting food security crisis, and the COVID-19 pandemic have all created unparalleled challenges, but the agency has continued to deliver on its mission through the strong commitment of its workforce and partner countries. Despite these challenges, MCC celebrated many accomplishments in fiscal year 2022 (FY 2022), including completing one compact and two threshold programs, signing two new threshold programs, preparing for implementation with signed compacts in six countries, implementing compacts and threshold programs in seven countries, and developing new compacts and threshold programs in 10 countries.

## A MESSAGE FROM CHIEF EXECUTIVE OFFICER ALICE ALBRIGHT

As I approach the end of my first year as Chief Executive Officer, it has been an honor to lead the Millennium Challenge Corporation (MCC) as we continue our important work with partners to reduce poverty through sustainable and inclusive economic growth. This report captures the progress made across MCC's portfolio throughout Fiscal Year 2022, including new threshold program agreements and compacts in Europe, Africa, and Asia. MCC's innovative model based on the principles of inclusiveness, accountability, transparency, and innovation sets a high standard for effective development assistance and stewardship of taxpayer resources. It also encourages partner countries to drive success and promote shared democratic values.

FY22 was a banner year for MCC. The agency signed threshold program agreements with the Solomon Islands and The Gambia and new compact agreements with Lesotho, Timor-Leste, Kosovo, and Malawi. All told, the agency signed \$1.3 billion in new programs in FY22 which increased to \$1.8 billion with the signing of our first concurrent compact in December with Benin and Niger to advance regional integration and trade in West Africa. The new investments are expected to benefit more than 13 million people. In FY22, MCC also completed the Ghana Power Compact, along with threshold programs in Guatemala and Kosovo.

The \$316 million power compact in Ghana strengthened the country's energy sector through investments that will provide more reliable and affordable electricity to Ghana's businesses and households. The compact aims to create jobs, conserve precious energy resources, and prepare Ghana to address the challenges of a changing global climate. MCC also closed a \$28 million threshold program with Guatemala, which will enhance the quality of secondary education to prepare Guatemalans for the job market and attract private investment to support infrastructure development. In May, the Government of Lesotho and MCC signed a \$300 million Health and Horticulture Compact, which seeks to expand access to quality healthcare, create equitable business development opportunities, empower women, and invest in high-value crop production. Two of the things that excite me the most about this compact are its focus on women's empowerment and the potential for MCC's investments in horticulture to reduce Lesotho's reliance on food imports. Finally, MCC made headway with six compacts and four threshold programs in implementation.

Looking ahead, MCC is continuing to develop an impressive pipeline of potential compacts in Asia and Africa. These compacts include opportunities across the strategic areas of climate, gender and inclusion, catalyzing private sector investment, as well as substantial infrastructure investments that are aligned with the Partnership for Global Infrastructure and Investment (PGII) initiative. We continue to move forward with compacts in Indonesia, Mozambique, Sierra Leone, Belize, and Zambia.

**BOARD OF DIRECTORS: FISCAL YEAR 2022**

The MCC Board of Directors (the “Board”) in FY22 comprised five government officials and four individuals from the private sector who are appointed by the president with the advice and consent of the Senate. The Board meets quarterly.

Antony J. Blinken, Chair	Secretary of State
Janet Yellen, Vice Chair	Secretary of the Treasury
Katherine Tai	U.S. Trade Representative
Samantha Power	Administrator, U.S. Agency for International Development
Alice Albright	MCC Chief Executive Officer
Alexander (Ander) Crenshaw	Former U.S. Representative
George Marcus	Founder and Chairman of Marcus & Millichap Company





## SECTION 2: DRIVING PROGRESS

### MCC PARTNER COUNTRIES THAT COMPLETED COMPACTS IN FY2022

Since its founding, MCC and its partner countries have completed 30 compacts, totaling more than \$9.5 billion in total expenditures (Table 1). Ghana completed its compact with MCC in FY2022.

#### Ghana

MCC and the Government of Ghana formally completed the \$316 million MCC-Ghana Power Compact on June 6, 2022, celebrating a partnership that invested in new power infrastructure and power sector reforms, energy efficiency programs, and expanded opportunities for women in the power sector. The Government of Ghana through the Millennium Development Authority led the construction of four new power substations, including the two largest capacity bulk supply points in the country, expected to benefit up to 4.8 million Ghanaians, and which will provide power to critical medical facilities such as the University of Ghana Medical Center and the Greater Accra Regional Hospital. The Power Compact also installed more than 14,000 energy-efficient LED streetlights and facilitated internship, development, and training opportunities in Ghana's power sector for more than 700 female students in the fields of science, technology, engineering, and math (STEM).

The Electricity Company of Ghana also adopted a new gender policy and action plan, targeting greater female recruitment and employee promotion and has committed to partnering with the U.S. Agency for International Development's (USAID) Engendering Utilities Program to continue making progress on creating a more gender inclusive, diverse energy sector workforce.

In addition to implementing internship and mentoring programs for female STEM students, 30 schools implemented new green-energy curricula to help promote good energy stewardship and energy efficient practices. Finally, the Ghanaian government established the Air Conditioner and Refrigerator Test Laboratory. The laboratory is the first of its kind in West Africa and will carry out tests that ensure air conditioners and refrigerators imported into Ghana meet the country's minimum energy performance standards.

**TABLE 1**  
**Completed MCC Compacts Since 2004, as of September 30, 2022**

<b>Partner Country</b>	<b>Date Compact Signed</b>	<b>Compact Obligations as of September 30, 2022 (in millions of dollars)</b>
Madagascar	April 18, 2005	\$85.6
Honduras	June 14, 2005	\$204.0
Cabo Verde	July 5, 2005	\$108.5
Nicaragua	July 15, 2005	\$112.7
Georgia	September 12, 2005	\$387.2
Benin	February 22, 2006	\$301.8
Vanuatu	March 2, 2006	\$65.4
Armenia	March 27, 2006	\$176.6
Ghana	August 1, 2006	\$536.3
Mali	November 13, 2006	\$434.3
El Salvador	November 29, 2006	\$449.6
Mozambique	July 13, 2007	\$447.9
Lesotho	July 23, 2007	\$358.0
Morocco	August 31, 2007	\$650.1
Mongolia	October 22, 2007	\$269.0
Tanzania	February 17, 2008	\$694.5
Burkina Faso	July 14, 2008	\$474.7
Namibia	July 28, 2008	\$295.7
Senegal	September 16, 2009	\$433.3
Moldova	January 22, 2010	\$259.4
Philippines	September 23, 2010	\$385.1
Jordan	October 25, 2010	\$272.9
Malawi	April 7, 2011	\$344.8
Indonesia	November 19, 2011	\$474.0
Cabo Verde	February 10, 2012	\$65.6
Zambia	May 10, 2012	\$332.1
Georgia	July 26, 2013	\$138.6
Ghana	August 5, 2014	\$315.9
El Salvador	September 30, 2014	\$270.7
Liberia	October 2, 2015	\$237.8
<b>Total</b>		<b>\$9,582.3</b>

## MCC PARTNER COUNTRIES IN COMPACT IMPLEMENTATION

Six countries in MCC's portfolio were in compact implementation as of September 30, 2022. Compact implementation begins upon entry into force of the compact agreement, marking the start of the five-year timeline. Under specific authority granted by the U.S. Congress, five compacts that had entered into force at the beginning of the COVID-19 pandemic were extended beyond their original five-year timeline to mitigate implementation delays caused by the pandemic. Each compact is managed and implemented by an accountable entity, generally known as the Millennium Challenge Account (MCA), established by the partner country government. Key implementation milestones from FY2022 are described below.

### Benin

In Benin, where only a third of the population has access to electricity, MCC and the Government of Benin are implementing a compact to modernize the country's power sector. The compact will fund countrywide projects in electricity distribution infrastructure, attract private sector investment in solar power generation, strengthen the country's national utility through a management services contract, and expand access to electricity in rural areas. In FY2022, the compact funded an independent power producer transaction for 50 megawatts of solar photovoltaic power that reached commercial close with financial close anticipated in FY2023. Energization of nine substations in Cotonou, which account for nearly one-third of national power demand, is underway and major line works including installation of more than 50 miles of new underground cabling and 500 miles of rehabilitated overhead power lines are complete and awaiting energization. Thanks to Benin's off-grid clean energy facility, approximately 140,000 people have electric power for the first time, with tens of thousands more expected to benefit by the compact's end date. Over the next 20 years, MCC expects more than 11 million Beninese to benefit from compact investments. MCC and the Government of Benin amended the compact to extend the compact end date from June 2022 until June 2023 to mitigate implementation delays due to the COVID-19 pandemic.

### Côte d'Ivoire

MCC's compact with the Government of Côte d'Ivoire aims to support the country's drive to diversify its economy through projects in skills development and transportation. The Abidjan Transport Project aims to reduce transport costs and travel times along targeted road segments in and around the port of Abidjan, while improving overall pedestrian and vehicle mobility and safety. In FY2022, designs were completed for the three major roadways and Koumassi flyover, and bids were launched for the road works contracts. The Skills for Employability and Productivity Project intends to increase access to quality secondary education, along with improved governance of the education sector. Through a new public-private partnership model for technical vocational education and training centers under the Skills for Employability and Productivity Project, MCC plans to assist the Government of Côte d'Ivoire in developing the skills needed by the private sector. In FY2022, the government passed a critical vocational education reform law, and four consortia were selected as implementing partners for the technical vocational education and training centers. Due to implementation delays caused by the COVID-19 pandemic, the term of this compact was extended from its original end date of August 2024 to August 2025.

## Morocco

MCC's compact with the Government of Morocco addresses binding constraints to economic growth around two Moroccan government priorities: 1) employability and 2) land productivity. The Education and Training for Employability Project is designed to improve the quality and relevance of secondary education and technical and vocational training. The compact is also assisting in modernizing the labor market observatory, reforming and modernizing the vocational training sector, upgrading student evaluation systems, and testing a results-based financing model for job insertion for marginalized youth and women. The Land Productivity Project aims to increase land productivity in Morocco by enabling land markets to better respond to investor demand and by strengthening the enabling environment for investment. The compact is funding the construction and rehabilitation of 15 technical and vocational training centers in Morocco, with construction completed on 10 of these centers in FY2022. MCA-Morocco also completed the rehabilitation of the first 33 of the 90 secondary schools that are being rehabilitated under the compact, with rehabilitation of the remaining schools underway and expected to be completed by the compact end date. MCA-Morocco is helping the Moroccan government to deliver land ownership rights via a faster and more-inclusive process, with the first 23,000 hectares of irrigated agricultural land titled in FY2022. In addition, MCA-Morocco and the Government of Morocco signed two additional public-private partnership (PPP) agreements for new industrial zones, which represent the first-ever industrial zone according to a PPP model in Morocco. The compact end date is March 2023.

## Niger

MCC's \$442 million Sustainable Water and Agriculture Compact for Niger has completed 91 percent of Niger's largest irrigation perimeter in the state of Konni as of September 2022. MCA-Niger launched procurement processes for the installation of up to 173 wells equipped with solar pumping kits and small-scale water distribution demonstrations across a 640 hectares footprint to promote efficient year-round access to water for high-value agricultural production. The rehabilitation of 190 miles of key market access road segments have reached 85 percent completion. In addition, the new performance-based road maintenance structure is operational and government financing has been secured to cover maintenance costs of these segments for the next three years. In FY2022, the compact funded research on satellite imaging of water tables that discovered five aquifers containing over 600 billion cubic meters of accessible water under central Niger. The use of these aquifers could dramatically improve agricultural irrigation, sanitation, and counter-desertification for millions of Nigeriens. The Government of Niger is currently developing an action plan to utilize these aquifers while sustaining their future viability. Under the Climate Resilient Communities Project, MCA-Niger launched procurements for 17 livestock markets to be rehabilitated across four regions, as well as nine community small-scale irrigation sites in the region of Maradi. The compact end date is January 2024.

## Mongolia

MCC's compact with Mongolia is designed to provide a sustainable supply of water to households and businesses in the capital city of Ulaanbaatar, while supporting the country's economic growth. MCC's investment is expected to provide an 80 percent increase in the long-term supply of water to the capital city by adding new groundwater wells and by constructing a state-of-the-art water purification plant. Additionally, the compact program will introduce new technologies for recycling and reuse of wastewa-

ter. To support these two major components, the compact will also fund critical legal, regulatory, and institutional reforms to enhance the sector's sustainability. In May 2022, MCA-Mongolia signed a critical contract for the construction of the Water Recycling Plant (WRP). A groundbreaking ceremony for the WRP took place in late August, with participation by U.S. State Department Assistant Secretary Daniel Kritenbrink, MCC's Vice President, Cameron Alford, the President of Mongolia, and other key Mongolian ministers and stakeholders. Work is also progressing on other procurements and the Water Sector Sustainability Activity, including compact-supported updates to the government's cost-recovery plan to enhance the sustainability of the water sector in Ulaanbaatar. The compact end date is March 2026.

## Senegal

MCC's compact with Senegal is designed to strengthen the country's power sector by increasing reliability and access to electricity and by helping the Government of Senegal establish a modern and efficient foundation upon which the nation's power system can grow. Investments will focus on energy sector policy, institutional and regulatory reform, upgrading the high-voltage transmission network in and around Dakar, and expanding rural electricity access through distribution network upgrades and enhancements to consumer-side elements. Ensuring consistent and affordable access to energy in Senegal will allow businesses to grow, catalyze private sector investment, increase productivity and employment, and ultimately support the diversification and growth of Senegal's economy. The compact entered into force in September 2021. During the first year of implementation, MCA-Senegal II launched critical procurements for the construction of substations, underground high-voltage transmission lines, and West Africa's first undersea high-voltage transmission cable, all together representing over sixty percent of the compact's budget. MCA-Senegal II is also finalizing detailed designs of the Increasing Access to Electricity in Rural and Peri-Urban Areas Project, and operationalizing legal, policy, and institutional reform commitments made by the Government of Senegal as conditions precedent to the entry into force of the compact. The compact end date is September 2026.

TABLE 2

**Fiscal Year 2022 Compact Obligations and Expenditures (in millions of dollars)**

		Activity in Fiscal Year 2022			
		Section 609 (g) Compact Facilitation Funding		Section 605 Assistance	
Partner Country	Total Compact Amount, including Amendments	Obligations	Expenditures	Obligations	Expenditures
Benin	\$391.0				87.5
Burkina Faso	\$450.0		1.9		
Côte d'Ivoire	\$536.7		8.4	12.0	30.5
Ghana	\$315.9				50.8
Kosovo	\$202.0	21.2			
Lesotho	\$300.0	30.3			
Malawi	\$350.0	21.1			
Mongolia	\$350.0		2.5		29.3
Morocco	\$460.5			10.5	148.3
Nepal	\$500.0		3.9		
Niger	\$442.6			5.6	87.6
Senegal	\$550.0	(15.2)	11.8	15.2	4.9
Timor-Leste	\$420.0	51.0			

TABLE 3

**Signed Compacts That Have Not Entered into Force as of September 30, 2022**

Partner Country	Obligations (in millions of dollars)	Expenditures (in millions of dollars)
<p><b>Nepal</b></p> <p>In September 2017, MCC signed a \$500 million compact with the Government of Nepal—the agency’s first investment in South Asia. The compact aims to increase the availability of electricity, improve road quality, and facilitate power trade between Nepal and India. The \$398.2 million Electricity Transmission Project aims to increase domestic electricity consumption by improving the availability and reliability of electricity in Nepal through the construction of 300 kilometers of high-voltage electric transmission lines—equivalent to one third of Nepal’s transmission network—and three substations, that will increase power for further distribution to customers or to serve as pooling hubs for generators. The Electricity Transmission Project also includes a cross-border transmission line to facilitate the growth of power exchange between Nepal and India to meet the domestic demand for electricity in the short term and to allow electricity exports in the long term. The \$52.3 million Roads Maintenance Project provides funding for roads maintenance, which is expected to reduce transport costs due to decreased vehicle operating costs and reduced travel time. Given the extended pre-EIF period coupled with the current high-cost macro environment, the compact is undergoing a rescoping exercise to fit the overall objectives into the available budget. The compact is in the final stages of the preparatory phase while the government works to meet key conditions before entry into force, targeted for August 2023.</p>	\$40.5	\$18.3
<p><b>Burkina Faso</b></p> <p>MCC’s Board of Directors voted to terminate MCC’s assistance to Burkina Faso and the country’s eligibility for a concurrent regional compact in September 2022. MCC’s Board previously voted to suspend assistance and Burkina Faso’s eligibility in March 2022. The decision was made in response to the January 2022 coup d’état, which is inconsistent with MCC’s statutorily mandated eligibility criteria, and the July 2022 announcement by the transition authorities of a prolonged period before elections. Notification to the interim government and financial closure of the agreement will take place in FY2023.</p>	\$33.4	\$2.5

<p><b>Lesotho</b>  MCC and Lesotho signed a \$300 million compact on May 12, 2022. The compact aims to address the binding constraint of ineffective policy planning, coordination, and execution that prevents the Government of Lesotho from delivering public goods and services that are essential for private sector growth. The compact consists of three projects in health, irrigated horticulture, and business environment strengthening. It also includes an investment through the new American Catalyst Facility for Development mechanism, a collaboration between MCC and the U.S. International Development Finance Corporation (DFC). The Health Systems Strengthening Project aims to strengthen the delivery of primary health care services, improve the efficiency of government expenditures, modernize and make interoperable health data systems, and address the unique needs of gender-based violence treatment and referral services. The Market Driven Irrigated Horticulture Project aims to catalyze private sector investment in horticulture through investments in irrigation infrastructure and policy reform while providing technical support to local communities and creating transparent and sustainable access to land and water. The Business Environment and Technical Assistance Project will work across key productive sectors like agriculture, creative industries, manufacturing, and tourism to support the growth of existing and new firms through establishing an effective communication framework with the government, technical assistance, business development services, and linkages to financing opportunities. To ensure inclusive growth, the projects include targeted strategies to empower women and youth.</p>	<p>\$30.3</p>	<p>\$0</p>
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<p><b>Kosovo</b></p> <p>MCC and Kosovo signed a \$202 million compact on July 15, 2022, followed by a July 27 ceremony on Capitol Hill alongside members of the House Foreign Affairs Committee and leadership from the Government of Kosovo. Kosovo's Parliament unanimously ratified the compact shortly thereafter on July 28. The compact is designed to help accelerate Kosovo's transition to a more sustainable, inclusive, reliable, and affordable energy future via three projects supporting the energy sector. The Energy Storage Project will support battery storage systems designed to enable Kosovo's transmission system and market operator to cost-effectively smooth out imbalances in the electricity grid. The project will also support a public energy storage entity, or an entity created through a public-private partnership with authority to deploy approximately 250 megawatt hours in additional energy storage, and strengthen the regulatory environment governing battery energy storage systems, while supporting renewable energy projects and climate change management. The Just and Equitable Transition Acceleration (JETA) Project will support female participation in energy-related training programs, increasing the number of qualified women in the energy sector with a focus on increased knowledge and incentives among employers to create more inclusive workplaces. The project will create new technical training programs and expand existing ones focused on building the skills required to meet the needs of Kosovo's energy transition, while supporting the sustainability of compact investments. The American Catalyst Facility for Development Project aims to leverage financing from the DFC to support one or more blended finance transitions to catalyze private investment in Kosovo to complement the objectives of the Energy Storage and JETA Projects. Following compact signature and ratification in July 2022, MCC and the Government of Kosovo's Compact Development Team continued progress towards MCA creation and entry into force.</p>	\$21.2	\$0
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<p><b>Timor-Leste</b></p> <p>MCC and the Government of Timor-Leste signed a \$420 million compact on July 19, 2022. The Timor-Leste Compact addresses 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 (WSD) Project seeks to reduce the presence of disease-causing pathogens in piped and stored water and groundwater 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. The WSD Project will also support key policy and institutional reforms to support long-term sustainability of water and sanitation infrastructure as well as social and behavior change efforts to improve household water management and hygiene practices. The Teaching and Leading the Next Generation of Timorese (TALENT) Project seeks to improve student learning outcomes in numeracy, literacy, and soft skills by investing in the training of secondary school teachers and school leadership. The TALENT Project will establish a Center of Excellence (CoE) as the first formal pre-service teacher training and certification institution in Timor-Leste for secondary education. Through the CoE, trainings will be delivered to current and future secondary school teachers and school leaders across the country. The project will also seek to increase the number of women in secondary school teaching and leadership positions through a specific Women’s Economic Empowerment component.</p>	<p>\$51.0</p>	<p>\$0</p>
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<p><b>Malawi</b></p> <p>MCC and the Government of Malawi signed a \$350 million compact on September 28, 2022. MCC and its Malawian counterparts developed 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 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 Agricultural Growth Corridors Project aims to reduce the costs of transport and support commercial agricultural value chains by reducing the costs of doing business for firms and farmers in targeted rural areas. The American Catalyst Facility for Development Project is a joint effort between MCC and DFC to identify opportunities to further invest in Malawi's private sector. The compact will integrate climate resiliency in its investments, as well as foster inclusivity by incorporating women and smallholders into reforms.</p>	\$21.1	\$0
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*Note: For MCC's financial reporting, disbursements are expenditures. Compact funds are fully obligated, and the five-year compact term starts when the compact enters into force.*

## COMPACTS IN DEVELOPMENT AS OF SEPTEMBER 30, 2022

During FY2022, MCC continued to work with nine countries to develop potential compacts and continued developing potential concurrent compacts with several partner countries in West Africa.

### Belize

In December 2021, MCC's Board of Directors selected Belize as newly eligible to develop a compact. The Government of Belize appointed a national coordinator who joined MCC on a series of consultations with government stakeholders, private enterprises, and civil society organizations to identify binding constraints to economic growth in Belize. In March 2022, MCC presented the Government of Belize with five top binding constraints of which the government chose two for further development: low quality of education and high cost of electricity. The Government of Belize, in close coordination with MCC, then analyzed the selected binding constraints' root causes and proposed several concepts for MCC's consideration aimed at addressing the root causes. MCC is currently assessing the proposed concepts and will work with the Government of Belize to jointly develop the viable approaches into projects that will form the basis of the final compact program. MCC expects to submit the compact to MCC's Board of Directors in June 2024.

## 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.

MCC identified five binding constraints to growth, and the Government of Zambia selected three: inadequate agriculture inputs and policies, poor roads and transport, and low access and reliability of power along the agriculture value-chain. MCC is currently working with the government to develop strategic approaches that will address the root causes of these constraints as a basis for a compact program. MCC aims to submit the compact to MCC's Board in 2024.

## Indonesia

The proposed compact will seek to assist the Government of Indonesia in addressing the economic binding constraint of costly and underdeveloped financial intermediation by improving the financing of infrastructure, particularly transport and logistics infrastructure, and increasing access to finance for micro-, small, and medium sized enterprises. The proposed compact will support three projects and has a geographical focus in five priority provinces: South Sumatra, Riau, North Sulawesi, Riau Islands and Bali. The Advancing Transport and Logistics Accessibility Services Project aims to improve transport planning and preparation in the target provinces. The Financial Market Development Project is designed to reach financial close on transactions using structured finance, including participation by institutional investors and with a focus on local currency transactions. The Access to Finance for Women-owned / Micro-, Small and Medium Enterprises (W/MSMEs) Project aims to increase lending by formal financial service providers to MSMEs and W/MSMEs in the target provinces to support their businesses. 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. The proposed program will promote green finance tools and include a project preparation facility that will focus on climate-adaptive and mitigating transport and logistics solutions. MCC funding may also be used to incentivize the wind-down of coal fired power plant operations in anticipation of decommissioning through the Just Energy Transition Partnership. The anticipated budget for the proposed compact is up to \$698 million, which includes MCC funding of approximately \$649 million and a Government of Indonesia contribution of approximately \$49 million. Following the fiscal year 2022 reporting period, MCC concluded compact development and submitted the compact to MCC's Board of Directors in December 2022.

## Sierra Leone

MCC and the Government of Sierra Leone are developing a compact aimed at addressing the country's power constraint, building on work in the energy sector completed under MCC's Sierra Leone threshold program that closed in 2021. Four potential projects are currently under consideration for MCC investment. One project seeks to expand Sierra Leone's electricity transmission grid with new, climate-resilient infrastructure. Another project aims to increase the generation of climate-friendly energy in Sierra Leone, including through potential support for targeted investments in solar and hydro power projects. A third project aims to improve the resilience and stability of Sierra Leone's limited existing distribution network, and potentially expand the network to new customers. This project will also include a focus on increasing the productive use of energy to reduce food insecurity via improved post-harvest processing and storage

of key crops. The fourth project is expected to support the Government of Sierra Leone's efforts to plan and coordinate energy sector investments, ensuring the sustainability of MCC projects and activities. The proposed program advances climate goals by ensuring infrastructure is resilient to climate change and by increasing the availability and use of renewable sources of energy. MCC aims to submit a compact to MCC's Board of Directors for approval at the end of FY2023.

## Tunisia

The Tunisia Compact features two projects focused on addressing Tunisia's constraints to growth. The Transport and Trade Project is designed to make it easier and less expensive for businesses to engage in trade in Tunisia and includes investments to improve management and expand infrastructure at the Port of Rades, Tunisia's principal port. The compact also aims to 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 towards increased water sustainability. The compact features new partnerships using the American Catalyst Facility for Development mechanism, an MCC–DFC collaboration to catalyze greater private sector investment, as well as collaboration with the U.S. Small Business Administration 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 of Directors approved the Tunisia Compact in June 2021, however compact signing is on hold until the Government of Tunisia makes significant progress toward constitutional and democratic governance.

## Mozambique

MCC and the Government of Mozambique are in the process of finalizing the designs of three projects aimed at addressing the constraints to economic growth: a poor agricultural policy, legal, and regulatory framework; poor and climate vulnerable secondary and tertiary road infrastructure; and low freight transport market competitiveness. One project aims to improve road transport by providing climate-smart, sustainable, and cost-effective road transport connectivity along with reforms for a second-generation road fund. Another project includes targeted support for improving the business-enabling environment as well as creating an investment platform to connect commercial aggregators to smallholder farmers under a results-based financing arrangement. A third project plans to leverage both existing partners and climate finance to holistically reverse the decline in coastal fisheries and enhance the benefits to local communities. MCC expects to conclude compact development and submit a compact to MCC's Board of Directors in FY2023.

## Concurrent Regional: Benin-Niger

The proposed concurrent compacts will involve rehabilitating portions of the existing transport corridor between Cotonou in Benin and Niamey in Niger, while addressing some of the institutional and market constraints that raise the financial and time costs of transporting goods along this road. MCC will invest \$202 million in Benin and \$302 million in Niger. These investments will be further supported by \$15.15

million and \$15 million in contributions from Benin and Niger respectively. The two compacts are expected to benefit an estimated 1.6 million people and that projection is expected to grow as designs for the policy and institutional reforms are completed. MCC's Board approved the Benin-Niger regional concurrent compacts in September 2022. Following the fiscal year 2022 reporting period, MCC signed its first regional concurrent compacts in December 2022.

### Concurrent Regional: Côte d'Ivoire

MCC is developing a concurrent compact program for regional integration with Côte d'Ivoire, in partnership with entities of the Economic Community of West Africa States (ECOWAS), including the West African Power Pool (WAPP), the future Information and Coordination Center (ICC) and the ECOWAS Regional Electricity Regulatory Authority (ERERA). The compact is expected to: (i) strengthen market integration between Côte d'Ivoire and the West African energy sector; (ii) reinforce Côte d'Ivoire's interconnected power grid to provide stable and affordable electricity to meet national demand and solidify its role as an anchor power exporter to the West Africa region; (iii) strengthen WAPP, ICC, and ERERA's institutional and operational capacity to monitor and ensure the effectiveness of the purchase, sale, and movement of energy around the West Africa grid; and (iv) build capacity in regional and national energy institutions to ensure environmentally sustainable and socially inclusive operations and service, enabling them to reach gender integration and universal access objectives. MCC aims to make an investment decision by September 2023; negotiate the concurrent compact program for regional integration with Côte d'Ivoire in December 2023; and submit the Côte d'Ivoire concurrent compact to MCC's Board of Directors in the spring of 2024.

## MCC THRESHOLD PROGRAMS: RESULTS THROUGH REFORMS

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

In FY2022, MCC partnered to develop or implement threshold programs with The Gambia, Guatemala, Kenya, Kiribati, Kosovo, Solomon Islands, and Togo.

### The Gambia

Following signature in November 2021 of a \$25 million threshold program focused on energy sector governance and operations, The Gambia completed all requirements to entry into force in June 2022. MCC and the Government of The Gambia have since collaborated to finalize and issue the bidding documents for the main technical assistance contract and have advanced other administrative work to set up the accountable entity in early 2023.

## Guatemala

MCC's threshold program with the Government of Guatemala concluded on October 31, 2021. MCC's investment led to improvements in the quality of secondary education by training over 2,000 secondary teachers and supporting the Ministry of Education to enact and prepare for the implementation of a decree to reform hiring practices, ensuring that teachers have basic competencies in the subjects they will teach. The program also supported the Guatemalan tax authority to install a competent internal affairs group to deter corruption, improve use of data analytics to detect customs tax evasion, and strengthen customs risk management—resulting in fewer inspections while still identifying customs tax evasion.

## Kenya

MCC and the Government of Kenya have completed the development of a \$60 million threshold program that aims to strengthen connectivity in the Nairobi metropolitan area. The program is designed to support integrated transport planning, first and last mile connections to public transport, and urban planning and land use. The MCC Board of Directors approved the program in March 2022 and MCC expects to sign the threshold program agreement in FY2023.

## Kiribati

Kiribati was selected to develop a threshold program in December 2020. MCC is working with the Government of Kiribati to develop a threshold program that improves the Government of Kiribati's ability to facilitate decent and inclusive employment for Kiribati citizens. In September 2022, MCC was able to conduct its first mission to Kiribati since the start of the COVID19 pandemic and aims to present the program to the MCC Board of Directors in FY2023.

## Kosovo

MCC and the Government of Kosovo substantially completed implementation of a \$49 million threshold program. The program fostered a market-driven approach to lowering energy costs for households and businesses, encouraging energy efficiency, and developing new sources of finance for electricity generation. The program also supported the government's efforts to improve decision-making and accountability by increasing the accessibility and use of judicial, environmental, and labor force data.

## Solomon Islands

In January 2022, MCC and the Government of Solomon Islands signed a \$20 million threshold program agreement to facilitate private investment for increased tourism and to generate more reliable and sustainable benefits from the country's forest resources. As of September 2022, the implementing contracts and partnership agreements have been signed and program implementation has begun.

## Togo

The \$35 million MCC threshold program with Togo is focused on addressing critical constraints in the country's land and information and communications technology (ICT) sectors. In 2022, work began on a

project to expand access to formalized land titles. Building on reforms in the ICT sector initiated by the Government of Togo, the program will support improving citizens' access to high-quality and affordable ICT services by encouraging private sector investments, supporting the implementation of a universal service fund, strengthening an independent regulatory body, and creating a digital transformation agency.

**For More**

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

→ Review MCC's [Fiscal Year 2022 Annual Management Report](#) for financial statements and the independent auditor's report.



## SECTION 3: LEVERAGING PARTNERSHIPS

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

MCC and partner country governments partner with the private sector, civil society, foundations, donors, and other U.S. Government agencies to further the impact, innovation, and sustainability of MCC country programs. In FY2022, MCC intensified its efforts to form and leverage partnerships for the development and implementation of compact and threshold programs and to enhance MCC's analytical and diagnostic capabilities. MCC and its MCA counterparts expanded use of co-creation, a participatory design process with the purpose of producing better outcomes by tapping into the ideas, resources, and energy of people and organizations that share a stake in solving a problem. In FY2022, MCC issued its [inaugural Annual Partnerships Report](#) which provides more detail about ways MCC is using partnerships to promote economic growth, reduce poverty, and strengthen institutions.

### Agency-Level Partnerships

Agency-level partnerships are between MCC and one or more partners and afford MCC the opportunity to gain access to knowledge, data, resources, expertise, and visibility that is not easily procured via contracts. Partnerships also increase the sustainability of programs by involving external parties, thereby increasing the funding leveraged via partner co-funding. These partnerships are between MCC and one or more partners to actively share knowledge, technical expertise, and other resources to expand the impact of our programs and achieve mutual objectives. One way that MCC forms agency-level partnerships is via an Annual Program Statement (APS), which facilitates open, fair, and transparent competition of partnership opportunities and fosters collaboration and partnership co-creation among MCC and potential partners. The APS enables MCC and prospective partners to co-create partnerships that make best use of each organization's distinct knowledge, networks, innovations, investments, personnel, and resources. To date, MCC has awarded over 25 partnerships via the APS using cooperative agreements, each of which required cost-sharing. Significant activities related to agency-level partnerships in FY2022 include:

- Initiation of a partnership with Abdul Latif Jameel Poverty Action Lab to establish a shared learning agenda and platform for collaboration that engages multiple stakeholders in Indonesia in the areas of financial inclusion for MSMEs and transportation infrastructure planning and implementation.
- Initiation of a partnership with the International Finance Corporation on the Solomon Islands Threshold Program Accessing Land for Tourism Investment Facilitation Project to unlock the tourism sector's potential to contribute to sustainable and inclusive growth.
- Initiation of a partnership between the Solomon Islands Threshold Program and Tetra Tech to implement the Accessing Land for Tourism Investment Facilitation Project, which seeks to promote new investments in land parcels that show a high potential for attracting tourists to the Solomon Islands.
- Initiation of a partnership with Nakau Programme, Live & Learn Environmental Education, the Natural Resources Development Foundation and Live & Learn Solomon Islands on the Solomon

Islands Threshold Program Forest Value Enhancement Project to provide communities with economically viable alternatives to logging.

### Country-Level Partnerships

Country-level partnerships are led by MCC's partner country government counterparts and enable partnerships to be used to develop and implement projects and activities within compact and threshold programs. In FY2022, MCC launched a Program Partnership Solicitation (PPS) mechanism to enable MCC's country counterparts to competitively form partnerships that are defined by competitive partner selection, co-creation, cost sharing, and joint governance during implementation.

The Government of Mozambique initiated the Integrated Climate Management and Coastal Development Project PPS for the development, implementation, cost sharing, and long-term sustainability of coastal biodiversity and fisheries habitat management interventions. This resulting partnership is expected to increase ecosystem productivity, enhance sustainable livelihoods, mitigate climate change, and continue beyond the compact implementation period until collapsing ecosystems are restored. As part of this partnership formation, MCC and the Government of Mozambique are exploring the establishment of a REDD + program to invest in the restoration and protection of coastal habitats such as mangroves and seagrasses, which have significant carbon sequestration potential, with these landscapes absorbing 5 to 15 times the carbon of tropical rainforests.

### Partnership With USAID and Microsoft for DigiFemmes

In FY2022, MCC initiated the implementation of [DigiFemmes](#) in Côte d'Ivoire. DigiFemmes is a four-year partnership between the USAID Global Women's Economic Empowerment Fund, MCC, and Microsoft. DigiFemmes focuses on empowering women-led small and medium enterprises (W-SMEs) with the data and digital literacy and skills they need to grow their businesses and access opportunities of the accelerating digital economy. DigiFemmes features two participation tracks: 1) DigiFemmes Entrepreneurs is for women who have already founded a W-SME, and 2) DigiFemmes Academy, is for women looking to acquire digital skills as software engineers or to forge an entrepreneurial path. Each track will run once a year for an initial 3-year period and aims to benefit 1,680 participants across five cities in Côte d'Ivoire.

### Power Africa

To fulfill the agency's goal of removing constraints to economic growth, MCC is undertaking major power programs in collaboration with Power Africa, a U.S. Government interagency initiative, to bring affordable electricity to the people of sub-Saharan Africa. MCC investments often pair power infrastructure enhancements with reforms in policies, laws, regulations, and practices of the relevant governmental power sector institutions, to provide the population with more access to reliable and affordable electricity. MCC assists and guides partner countries to identify, develop, and implement the appropriate energy investments, whether in infrastructure or reform, and oversees the technical aspects of the development and implementation of all energy projects funded by MCC. MCC has made energy investments worth nearly \$2.2 billion (not including administrative or monitoring and evaluation related overhead costs). MCC currently oversees energy projects in Benin, The Gambia, and Senegal, which includes collaboration

with regional entities like the West African Power Pool. These projects focus not only on building physical infrastructure, but also on improving the enabling environment to attract private sector investment. Examples include financing a photovoltaic solar power project in Benin with independent power producers and project finance lenders. These projects also focus on creating a more effective, sustainable, and inclusive power sector in Ghana.



## SECTION 4: ADVANCING GLOBAL DEVELOPMENT

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

### DRIVING REFORMS

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

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

### CREATING NEW OPPORTUNITIES FOR ECONOMIC GROWTH

#### Diversity, Equity, Inclusion, and Accessibility (DEIA)

In FY2022, MCC continued to take action to advance racial and gender equity and to promote diversity, equity and inclusion. This included the publication of its DEIA Strategic Plan in accordance with Executive Order 14035 to advance DEIA in the federal workforce. The agency's approach combines immediate and short-term actions to build capacity and promote a culture of inclusion with opportunities in the medium term that come with identifying inclusion and gender as one of the three crosscutting strategic priorities for MCC. MCC's DEIA Strategy cultivates and sustains a global, inclusive culture where our differences are leveraged to produce innovative solutions to meet the needs of our employees, global partners, and the international development community.

MCC's integrated approach to promoting DEIA focuses on:

- Achieving a workforce that is representative of people from diverse backgrounds at all levels of the agency, in all divisions and practice groups;
- Creating a culture that encourages collaboration, learning from differences, flexibility, fairness, and equal opportunity, and where workplace structures, policies, and practices enhance organization effectiveness; and
- Employing a diverse talent in an increasingly changing marketplace to meet the agency's needs effectively and efficiently.

Moving forward, MCC will continue to utilize its DEIA Strategy to cultivate and sustain a global, inclusive culture by developing a new agency-wide inclusion and gender strategy to address the links between gender, inclusion, and the agency's mission of poverty reduction through economic growth. MCC is also working to update its analytical tools to consider intergenerational equity issues and is looking to identify areas where the nature, location, and sources of vulnerability to poverty have evolved in preparation for MCC's 20th anniversary in 2024.

## Climate

MCC recognizes that climate change, poverty, and economic growth are inextricably linked, and that climate change poses the greatest risk to developing countries, whose people, economies, and institutions are less able to adapt to its consequences. Climate-resilient and otherwise sustainable investments have been a core MCC competency for years. MCC is working with partner countries to develop innovative climate-resilient solutions to combat poverty and help build climate-resilient economies that promote sustainable and inclusive growth, enhance resilience to future crises, reduce greenhouse gas emissions, and adapt to new climate realities.

With more than \$4 billion in total anticipated, country-led investments between 2021-2025, MCC is well-positioned to make a significant impact in advancing sustainable, inclusive climate-resilient economic growth in partner countries around the world. In FY2022, the agency focused on implementing its climate change strategy and ensuring that its investments supported climate-related commitments. Specifically, the agency:

- **Strengthened integration of climate adaptation considerations in analytical tools.** In FY2022, MCC continued to refine analytical tools for economic analysis to better reflect climate and environmental considerations. This includes the development of new guidance for environmental externalities (including greenhouse gases) in cost-benefit analysis (CBA). New approaches to CBA were piloted in several different compacts, including for a transportation (roads) analysis in Malawi, an assessment of the health impacts of greenhouse gas emissions in Kosovo, and for ecosystem service valuation in Mozambique.
- **Integrated climate adaptation and related environmental considerations into all stages of program development and implementation.** MCC is working to help partner countries adapt to the negative consequences of climate change. For example, the coastal climate resilience program under development with Mozambique is designed to reduce the country's susceptibility to climate shocks. The program will work with a range of local and international organizations to restore

and protect critical coastal areas which are vital to ensuring food security and protecting natural resources to reduce impacts of flooding. Another example includes MCC's \$350 million compact with Mongolia. In August 2022, MCC and the Government of Mongolia broke ground on the water recycling plant that, once operational, will help alleviate the strain on groundwater aquifers along the Tuul River, which has been exacerbated by climate change, and provide the critical water resources needed to support the everyday wellness and economic growth of Mongolians.

- **Support policy and institutional reforms in adaptation to strengthen the resilience of MCC investments.** MCC continues to be a key partner and reliable donor for our country partners to meet their Nationally Determined Contributions and climate ambitions. In FY2022, MCC signed a \$25 million dollar threshold program with The Gambia to support institutional and policy reforms in the energy sector that are geared towards a transition to low-carbon energy, meeting conditional emissions goals in the Nationally Determined Contributions, and blended finance tools to mobilize private capital into climate-smart activities. Another example includes MCC's \$202 million compact with Kosovo which seeks to transform Kosovo's energy sector to be more sustainable, inclusive, reliable, and affordable. The compact supports the country's long-term energy strategy and energy climate plan and includes policy institutional reform support related to battery storage and renewables, as well as the Just and Equitable Transition Acceleration Project.
- **Leverage blended finance to catalyze private capital for climate activities:** MCC is working with partner countries, other U.S. Government entities, finance institutions, civil society, and other organizations to expand private finance for climate adaptation. MCC, together with USAID, launched Climate Finance +, a collaborative government approach to strategically use public finance to unlock billions in private investment. MCC will work with country partners in Indonesia, Mozambique, and Zambia to explore opportunities to leverage greater levels of financing for green infrastructure by providing technical assistance required to enable use of green bonds or other blended finance tools.
- **Continue to expand and deepen partnerships to further climate objectives:** MCC contributed to interagency and external partnerships on climate adaptation. For example, in FY2022, MCC played a key leadership role in support of the President's Emergency Plan for Adaptation and Resilience (PREPARE), a whole-of-government initiative that serves as the cornerstone of the U.S. Government response to addressing the increasing impacts of the global climate crises to enhance global stability. MCC co-chaired a working group for the infrastructure component of PREPARE together with the United States Trade and Development Agency (USTDA), State and USAID. Additionally, MCC and the University of Massachusetts are partnering to enhance the benefits of MCC's programs by incorporating deep uncertainties into the existing economic analysis process. This modeling will more fully integrate the impact, CBA, and externalities (both positive and negative) of the environment and climate change. The University of Massachusetts is testing this new framework and principles in select MCC partner countries including Lesotho.
- **Integrate adaptation and resilience considerations into MCC's facilities management and internal operations.** The agency is following the framework outlined in the US Climate Resilience Toolkit to assess risks due to heat, flooding, and vector-borne diseases brought about by climate change and to define solutions to reduce the potential impacts to its domestic operations.

To learn more about MCC's role in climate-smart development, visit <https://www.mcc.gov/about/priority/climate>.

## Inclusion and Gender

Advancing inclusion and gender equity and equality is fundamental to MCC's mission to reduce poverty through economic growth. MCC recognizes that growth alone will not meet its poverty reduction mandate if its programs are not inclusive and sustainable. In response to this recognition, MCC has developed a new Inclusion and Gender Strategy that aims to significantly deepen its commitment to inclusion and gender equity and equality to increase the ability of poor people, women, and other marginalized groups to access, participate in or derive benefits from its investments. For this to happen, MCC must routinely and systematically identify and address exclusion at all phases of program development, starting from early analysis. The goal is to significantly increase the amount of MCC investments that are designed to be more inclusive.

The strategy has the following five key objectives:

1. To strengthen the integration of inclusion and gender considerations in its analytical tools;
2. To fully integrate inclusion and gender considerations into all stages of program development and implementation;
3. To support policy and institutional reforms to enhance the inclusion and gender impacts of MCC investments;
4. To catalyze private capital for investments that promote inclusion and gender to help achieve MCC project objectives; and
5. To leverage partnerships to support MCC's inclusion and gender objectives.

In FY2022, MCC continued its efforts to refine its approach to early analysis to include a more systematic look at constraints to inclusive growth in Belize and Zambia. The new process identifies structurally excluded groups and the likelihood that alleviation of specific constraints to economic growth will positively impact those populations. This has allowed for the prioritization of the constraints factoring in inclusion and gender inequalities in these countries.

MCC has committed to refine methods for cost-benefit analysis and beneficiary analysis to more consistently account for benefit streams that emerge from greater inclusion of women, poor people, and other disadvantaged groups. In the Lesotho compact development process, MCC piloted a modified economic rate of return approach to capture the "gender premia" benefits from including more women in the agricultural sector.

MCC is also developing a new Inclusion and Gender Guidance Tool, to guide teams to proactively consider inclusion and gender at every stage of compact development, with the aim to pilot the tool with the newly selected country partners in FY2023.



Some of our more recent country programs, such as those in Indonesia, Senegal, Kosovo, and Lesotho, have already advanced aspects of the new strategy's inclusion and gender objectives, demonstrating what is possible, and paving the way for undertaking these approaches across our portfolio.

Finally, MCC's Board of Directors endorsed a new indicator for MCC's FY2023 scorecard: Employment Opportunity. This new indicator measures disability rights, forced labor, workplace discrimination, and the ability of civil society organizations to start-up. MCC made this change in recognition of the importance of including all segments of the adult population in the workforce and of broadening opportunities for historically marginalized groups. The Employment Opportunity Indicator replaces the Business Start-Up Indicator, which MCC discontinued due to the cancellation of the World Bank's Doing Business Report.

### Catalyzing Private Investment

MCC has integrated blended finance into program design through its inclusion as an institutional criterion for program development. Within the U.S. Government development toolkit, MCC is uniquely positioned to catalyze 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 by harnessing private capital. MCC's blended finance tools also improve investor confidence and help overcome some of the impediments to private sector investment in challenging markets in its partner countries. MCC seeks to target its resources where commercial financing is not available for deployment towards development outcomes. Most lower income countries and lower middle-income countries have below investment grade or no credit rating, making it impossible in many instances to attract foreign direct investment. MCC will continue to leverage its grant capital through blended finance to advance partner countries climate goals and aspirations by attracting strategic capital towards achieving global climate goals.

In FY2022, MCC expanded and deepened its blended finance capacity, portfolio, and leverage by continuing to pursue the following innovative blended finance initiatives:

#### *American Catalyst Facility for Development, in collaboration with DFC*

The BUILD Act charges the DFC with increased coordination and collaboration among U.S. development agencies, including USAID and MCC. MCC and DFC (previously the Overseas Private Investment Corporation) have collaborated in the past, but opportunities were constrained by significant limitations on investment timing and alignment of business models. To overcome these limitations, MCC and DFC developed a new MCC-funded blended finance mechanism, the American Catalyst Facility for Development (ACFD). The ACFD creates a formal platform to optimize MCC-DFC collaboration, leveraging the strengths of both agencies to catalyze and enable DFC investments that would not otherwise be viable, and which are consistent with the objectives and missions of both MCC and DFC. The ACFD enables coordinated catalytic investments by providing strategic grants aimed at crowding-in the private

sector and maximizing the overall impact of U.S. Government development efforts. Funds have been included in the compacts for Malawi, Lesotho, and Kosovo to facilitate the use of the ACFD mechanism. MCC and DFC are also exploring the applicability of ACFD in other MCC country programs currently in development such as Belize and Zambia. As MCC and DFC gain experience in the initial countries, the agencies will assess the results and continue to refine the approach and mechanisms to maximize the impact of the ACFD as new partner countries are added to MCC's portfolio.

### *Millennium Impact Infrastructure Accelerator*

The Millennium Impact Infrastructure Accelerator (MIIA) will be an independent project preparation facility that seeks to mobilize much-needed private capital to the most impactful infrastructure projects in the power, water, sanitation, health, education, and transport sectors. MIIA will attract impact capital by supporting tailored project preparation to develop innovative financing and project structures for bankable infrastructure projects, as well as linking impact investors to bankable deals that meet their impact criteria.

In October 2020, MCC signed a memorandum of understanding with Africa50 to jointly explore development of a regional MIIA for Africa. Because MIIA is envisioned as an independent entity, MCC chose to initially explore and assess the concept in partnership with Africa50, an infrastructure investment platform that contributes to Africa's growth by developing and investing in bankable projects and leveraging public sector capital to mobilize private sector funding, with differentiated financial returns and impact. Africa50's investor base is currently composed of 28 African countries, the African Development Bank, the Central Bank of West African States, and Bank Al-Maghrib. MCC and Africa50 have a defined pipeline of 8 projects for which MCC is currently carrying out due diligence for prefeasibility support.

### *Prosper Africa*

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

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

### *Digital Transformation – MCC's Digital Collaborative for Local Impact*

MCC's Digital Collaboratives for Local Impact (DCLI) builds MCC's digital expertise, working to enable more inclusive, future-ready growth. DCLI works across departments, divisions, and practices to surface digitalization opportunities in MCC investments, contribute to transforming the digital space by making

it work for the underserved, and position MCC at the forefront of locally-led development through data use, digital innovation and civic technology.

DCLI was initially funded through a \$21.8 million interagency partnership with the President's Emergency Plan for AIDS Relief, working on innovative ways to develop the data and digital ecosystem in partner countries. This partnership concluded in 2021; and DCLI has since been advancing MCC's approach to digital development.

The current value of MCC's digital portfolio is about \$100M – and it is expected to grow as digitalization becomes increasingly integral to development objectives and important to the economies of partner countries. In FY2022, DCLI advanced MCC's contributions to digitalization through the following investments:

- Launched the \$5.3 million [DigiFemmes](#) program, funded through a partnership between USAID, Microsoft, and the Government of Côte d'Ivoire to empower existing and new W-SMEs with the data and digital literacy and skills they need to grow their businesses.
- Finalized design of the \$22.5 million Digital Health component of the Lesotho Health Systems Strengthening Project of the \$300 million Lesotho Compact signed in May 2022.
- Assessed the digital and innovation environments in Kenya and Malawi.
- Contributed to the design of the Biden-Harris Administration's Digital Transformation with Africa initiative for launch at the African Leaders' Summit in FY2023.

An essential part of DCLI's work is outreach. In FY2022, DCLI and the MCC Office of Strategic Partnerships met and continue to have ongoing conversations with 40+ private sector companies, foundations, and funding organizations to extend the agency's reach and knowledge.

Reducing Poverty Through Growth

