



Fiscal Year 2024 Congressional Budget Justification

March 2023



MILLENNIUM
CHALLENGE CORPORATION
UNITED STATES OF AMERICA

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EXECUTIVE SUMMARY

(in millions of \$)	FY2022 Enacted	FY2023 Enacted	FY24 Request
Total Appropriation/Request	912.0	930.0	1073.0
Total Compact Assistance	647.5	651.0	760.0
Threshold Programs	31.0	31.0	51.0
Compact Development/ Oversight	114.0	113.5	114.5
<i>Compact Development Funding</i>	30.0	28.0	24.0
<i>Due Diligence</i>	84.0	85.5	90.5
Administrative Expenses	115.0	130.0	143.0
Office of the Inspector General	4.5	4.5	4.5

OVERVIEW

The Millennium Challenge Corporation (MCC) is requesting \$1,073 million in discretionary funding for fiscal year (FY) 2024 to deliver on its mission to reduce poverty through sustainable, inclusive, economic growth in partner countries, while helping to create new markets for trade and investment, jobs, and opportunities for American businesses. In addition, the President's FY 2024 budget includes—as part of a broader proposal to out-compete China globally—a \$2 billion mandatory funding request for an International Infrastructure Fund, from which MCC will access at least \$200 million for infrastructure. MCC's grant financing for high-quality, sustainable infrastructure stands in contrast to predatory financing from other sources.

The global development landscape has changed dramatically in the past decade as geopolitical strife has threatened democracy, led to increases in poverty, and further constrained economic growth. As MCC approaches its 20th anniversary, its model is as critical today as it was when the agency was created in 2004. MCC is at the forefront in supporting country partners to meet these challenges through sustainable investments that promote economic growth and improve the lives and livelihoods of the most vulnerable. As a result of MCC's model, its grant assistance is a key economic contributor to the way the United States combats growing geopolitical and social challenges facing democracies worldwide.

In 2020 and 2021, MCC and its partner countries faced a host of challenges including the unprecedented COVID-19 pandemic which set back decades of development progress. In 2022, MCC achieved major milestones across its portfolio, including compact signings with Timor-Leste (\$420 million), Lesotho (\$300 million), Kosovo (\$202 million), and Malawi (\$350 million). MCC also signed threshold program agreements with the Solomon Islands (\$20 million) and The Gambia (\$25 million), as well as MCC's first concurrent regional compacts with Benin and Niger (totaling \$504 million) in December during the U.S.-Africa Leaders Summit. These aggregate investments amounted to over \$1.8 billion just this past year which are expected to improve the lives of more than 13 million people by strengthening energy security, connecting goods to markets, improving health and education outcomes, increasing rural incomes and fighting food insecurity, better managing natural resources, facilitating well-functioning power sectors, and driving regional integration.

The current global context is extremely challenging and strong U.S. leadership and foreign assistance is needed now more than ever in the fight against global poverty. When MCC was established nearly two decades ago, the agency budget matched its ambitious mandate to incentivize reform, democratic governance, promote economic growth, and fight poverty. For the past decade, MCC's budgets have remained largely flat while development challenges have grown. MCC is balancing a surge in portfolio signings and funding commitments, along with increased security, supply-chain, and inflationary costs. With these rising costs combined with \$615 million in rescissions over the last two years, this has significantly reduced MCC's available balances going into FY 2024, requiring MCC to rely heavily on future funding to deliver on its compacts and meet commitments to partner countries. As a result, MCC's ability to provide predictability and certainty to partners at key moments when program size and scope are being determined has reduced and is hampering MCC's ability to further incentivize change ("MCC effect"). MCC requires funding increases and budget predictability to achieve more strategic and lasting impacts on the economic development and public policies of our partner countries.

With a robust portfolio, including a pipeline of strategic new programs that will be ready for approval by MCC's Board of Directors in FY 2024, the agency is poised to expand its evidence-based, cost-effective, and values-driven model to help meet these challenges. These programs include opportunities to catalyze private sector investment, as well as substantial infrastructure investments that build on MCC's track record of delivering complex, quality infrastructure on time, on budget, and with transparency and high standards.

Through 74 compact and threshold grants since its inception, MCC has invested more than \$15 billion in 46 countries across five continents. These high-quality, predictable grants—which are multi-year and flexible and do not add to a country's debt burden—represent a powerful tool for the U.S. government (USG) to incentivize good governance and democratic values. MCC is often the largest USG investor in countries where it operates, with compact grants that have successfully delivered projects in key sectors ranging from transportation and infrastructure to energy, agriculture, health, education, and community services. These substantial investments in core infrastructure and policy and institutional reforms are key interventions that are improving the lives of nearly 270 million people.

The FY 2024 budget request supports the following activities:

- **Program Development.** MCC is currently developing compact programs with Belize, Sierra Leone, The Gambia, Togo, Zambia, two regional programs with Cote d'Ivoire and Senegal, and a threshold program in Mauritania. Additionally, FY 2024 funds would cover initial development costs of new compact and threshold program selections to be made by MCC's Board of Directors in 2023.
- **Oversight.** MCC maintains a rigorous oversight model across 26 programs, including compact and threshold program reviews, portfolio management, activity modifications, and the elimination of programs or activities when deemed appropriate.
- **Selection and Economic Analysis.** MCC administers a competitive selection process, where countries must first pass MCC's scorecard of 20 independent, third-party indicators that measure a country's policy performance in the areas of ruling justly, economic freedom, and investing in peo-

ple. MCC administrative funds will fund staff and the administration of economic and constraints analyses.

- **Evidence, Monitoring and Evaluation.** MCC has an evidence-based approach to developing projects and assessing impacts, including publishing MCC Evaluation Briefs and Star Reports, and consistently earns top rankings for the agency’s commitment to transparency and evidence. These reports consolidate critical programmatic information throughout the lifecycle of each compact and threshold program to draw on the lessons learned in areas such as performance, sustainability, and other best practices.
- **Compact Acceleration.** MCC aims to accelerate and streamline compact and threshold development processes to leverage efficiencies, reduce timelines, and maintain quality.

LEGISLATIVE CHANGES

MCC is seeking three legislative changes that would expand MCC’s impact and better enable it to fulfill its congressionally mandated mission of reducing poverty through economic growth. The three proposed changes include:

1. **The MCC Eligibility Act.** Many countries that MCC cannot currently consider face increasing challenges to their economic growth that threaten to jeopardize years of poverty reduction: the war in Ukraine, the COVID-19 pandemic, rising migration, food insecurity, rising debt burdens, and increased natural disasters—the challenges facing countries on their development paths have widened and deepened. This legislation would redefine MCC’s candidate pool to include countries below the International Bank for Reconstruction and Development (IBRD) graduation threshold, while retaining the core of MCC’s successful model.
2. **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 limitation should be removed to enable MCC to right-size compact programs based on opportunities and the potential to reduce poverty through growth, irrespective of country income classifications.
3. **Updating MCC’s Annual Report requirements** to decrease the reporting burden and communicate the agency’s accomplishments of the past fiscal year. The proposed language would amend MCC’s authorizing statute to make the agency’s report due to Congress in December of each year rather than on March 31st of the following year.
4. Additional details have been provided in a later section within this document.

PARTNERSHIP FOR GLOBAL INFRASTRUCTURE AND INVESTMENT (PGII)

MCC has nearly 20 years of experience providing a comprehensive suite of development investments in high-quality, critical infrastructure projects that meet the tremendous infrastructure needs of partner countries without adding to country debt burdens. MCC’s large, multi-year grants—which have ranged from \$66 million up to \$700 million in size over five years—enable the agency to drive policy and institutional reforms to promote sustainability while also pursuing core physical infrastructure investments that

catalyze economic growth. MCC leverages key policy and institutional reforms to broaden the impact of investments while also creating an enabling environment for private sector investment.

Given the size of MCC's infrastructure portfolio, and proven experience managing large infrastructure projects, MCC is well positioned to continue contributing to PGII. MCC's experience financing 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, has allowed MCC to produce systemic and long-lasting results.

Within MCC's existing portfolio, there are several programs that align closely with PGII including: MCC's \$350 million compact with Mongolia, \$300 million compact with Lesotho, and \$202 million compact with Kosovo. MCC is developing several programs that cross PGII's thematic pillars, including programs in Mozambique, Sierra Leone, and Zambia. MCC is very proud to have its projects showcased by the White House as flagships of PGII including, most recently, MCC's planned \$649 million compact with Indonesia, which was approved by MCC's Board of Directors and is expected to be signed in April 2023.

Although MCC is a small proportion of USG foreign assistance spending, MCC is one of the most visible USG investments in the countries where we work, with an economic growth mission that is well-aligned with PGII's thematic pillars. Through newly signed compacts in FY 2024, MCC expects to invest \$350 million directly in support of PGII pillars. Because sustainable infrastructure investment has long been one of MCC's core strengths, PGII flagship projects are likely to continue to be identified in MCC programs.

Program examples include:

- Indonesia—MCC's \$649 million compact with Indonesia (expected to be signed in April 2023) will support PGII initiatives through the development of high-quality, climate-conscious transportation infrastructure in five provinces. In addition, it will mobilize international capital in support of Indonesia's development goals, in part by building the capacity of Indonesia's financial markets; and increase access to finance for Indonesia's women-owned businesses and micro, small, and medium sized enterprises.
- Lesotho—MCC's \$300 million compact with Lesotho places a strong emphasis on improving government effectiveness, planning, and execution through three projects that are well aligned with PGII priority sectors, including climate. The compact's Market-Driven Irrigated Horticulture Project will make a catalytic investment to help Lesotho realize the competitive potential of its horticulture sector. It places a strong focus on climate adaptation and resilience by replacing rain-fed agriculture with irrigated agriculture and working within communities to address land degradation that threatens Lesotho's water supply. The project will create opportunities for women and youth both as landowners and agricultural workers. MCC also seeks to leverage private finance to reduce food loss and waste. All three projects included in the compact include elements of enhancing digital data collection, utilization, and analysis to drive decision-making.
- Mongolia—MCC's \$350 million compact with Mongolia supports economic growth by addressing the water shortage in Mongolia's capital, Ulaanbaatar. During compact development, analysis of

climate change impacts clearly showed that changes in summer temperatures, evaporation rates, and snowfall were expected to decrease the flows in the Tuul River. Because ground water and surface water modeling indicated that the combination of additional upstream withdrawals and the impacts of climate change would result in unacceptable impacts to Tuul River flows, MCC worked with the Mongolian Government to design a groundbreaking system to ensure the sustainability of the water supply system while also increasing the water supply to the city by 80 percent, including the first use of reverse osmosis technology in the country. Program impacts will be catalyzed by avoiding upstream withdrawals through adding new downstream groundwater wells, constructing an associated advanced water purification plant, building a new wastewater recycling plant, and supporting critical legal, regulatory, and institutional reforms.

- Solomon Islands—MCC’s \$20 million dollar threshold program with Solomon Islands includes a Forest Value Enhancement Project that aims to improve management of natural resources in the forest sector. The project aims to reduce negative environmental impacts, increase and more equitably share the community and national revenues from forestry production, and achieve a more balanced regulatory and enforcement framework between logging and non-logging uses of forests.
- Timor-Leste—MCC’s \$420 million compact with Timor-Leste seeks to improve the health and skills of people in Timor-Leste by reducing the disease burden caused by contaminated water sources and increase access to clean water by introducing the country’s first centralized sanitation and wastewater treatment system, improve related drainage, and supply clean drinking water for the capital city of Dili and four nearby municipalities.

CLIMATE

Climate-resilient and otherwise sustainable investments have been a core MCC competency for years. MCC has invested \$1.5 billion in climate-finance activities from fiscal year 2015 through 2020 and expects to fund approximately \$1 billion in additional climate finance activities between 2021–2024.

MCC supports a just and equitable transition approach for partner countries to meet their Nationally Determined Contributions to the Paris Agreement and climate ambitions. MCC is committed to pursuing innovative, blended finance models to rapidly scale solutions for development. At COP-27, MCC and USAID launched Climate Finance +, a collaborative government approach to strategically use public financing to unlock billions in private investments for green bonds and climate-friendly infrastructure. Through Climate Finance +, MCC and USAID are collaborating to improve the capacity and enabling conditions in low and lower-middle income partner countries to accelerate the use of innovative finance mechanisms. MCC will work with partner countries in relevant compacts under development—specifically Indonesia, Mozambique and Zambia—to explore opportunities to leverage greater levels of financing for green infrastructure by providing technical assistance required to enable strategic use of green bonds and other blended finance tools.

MCC’s investments in partner countries integrate climate considerations and best practices into program design and implementation. MCC investments in critical sectors like energy, water, transportation, and agriculture are part of a holistic approach to addressing the climate challenges facing some of the world’s most vulnerable communities, financing adaptation efforts, and promoting low carbon economic de-

velopment. With more than \$4 billion in total anticipated investments between 2021-2025, MCC is well positioned to make a significant impact on climate change.

Examples of MCC's work on climate include:

- **Mozambique**—MCC's \$500million compact with Mozambique will include a coastal climate resilience program. As one of the most vulnerable countries in the world to climate change, this investment will 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.
- **Niger**—MCC's \$443 million compact with Niger focuses on agriculture and includes investments in irrigated agriculture and a project that aims to strengthen rural communities' resilience against climate change. The program includes promotion of sustainable land management for agriculture lands, natural resource management, and a community climate resiliency grant program.
- **Kosovo**—MCC's \$202 million compact with Kosovo seeks to transform Kosovo's energy sector to be more sustainable, inclusive, reliable and affordable. The compact includes an Energy Storage project and a Just and Equitable Transition Acceleration project. In addition, the compact seeks to promote additional private-sector investments in Kosovo's energy sector through the American Catalyst Facility for Development (ACFD) project to be conducted in collaboration with the U.S. International Development Finance Corporation.
- **The Gambia**—MCC's \$25 million threshold program with The Gambia aims to support institutional and policy reforms in the energy sector that are geared toward a transition to lower-carbon forms of energy, The Gambia's efforts to meet its conditional emissions goals in the Nationally Determined Contributions and leverage blended finance tools to mobilize private capital into climate-smart activities.
- **Nepal**—MCC's \$500 million compact with Nepal includes investments in electricity transmission that will increase the availability and reliability of electricity—including from renewable hydropower sources— for both domestic consumption and export.

INCLUSION AND GENDER

With the launch of the new [Inclusion and Gender Strategy](#), MCC renews and deepens its commitment to integrating inclusion and gender measures into MCC-funded programs so that previously excluded groups have more access to the benefits of MCC's investments. MCC is working to increase the number of its investments that are designed to address exclusion in various sectors and have a core focus on inclusion in their program logic and intended impact.

MCC's FY 2024 budget request will allow the agency to advance its work on inclusion and gender and enable the agency to:

- **Strengthen the integration of inclusion and gender in its analytical tools.** MCC will more systematically analyze how structurally excluded groups are affected by the diagnosed binding

constraints to growth, and how they are affected by—and how their exclusion affects—the underlying root causes of the constraints, using quantitative and qualitative evidence. These enhanced tools will be deployed in programs under development in FY 2024, including Belize, The Gambia, Mauritania, Regional (Senegal), Togo, and Zambia.

- **Fully integrate inclusion and gender into all stages of program development and implementation.** MCC will identify and integrate specific measures to increase access, economic opportunity, and sustained results for structurally excluded groups, looking for opportunities in all sectors, including infrastructure. In the Lesotho Health and Horticulture Compact, inclusion and gender are integrated into health systems, agriculture, entrepreneurship, and finance. In the new Kosovo Compact, MCC is supporting gender-focused vocational education and training, while providing incentives to companies to increase women's employment in the energy sector.
- **Support policy and institutional reforms to enhance the inclusion and gender impacts of MCC investments.** MCC will identify policy, legal, administrative, and regulatory constraints to equity, equality and inclusion, and support partner countries to dismantle systemic barriers, including customary, social norms and informal institutions that limit the ability of women and excluded groups to be equal economic actors and would inhibit equitable participation in MCC funded programs. The Lesotho Health and Horticulture Compact is conditioned on four legal reforms that will strengthen women's legal rights by addressing gender-based violence, allowing women to inherit and own land, and improving labor rights (including for agricultural workers).
- **Catalyze private capital for investments that promote inclusion and gender to help achieve MCC project objectives.** MCC will leverage, de-risk, and increase commercially oriented funding for increased inclusion and gender in programs through the use of blended finance tools. For example, in the Indonesia Compact (expected to be enter-into-force in FY 2024), MCC's program will increase access to finance for micro-, small-, and medium-enterprises, especially for women, which will provide significant new funding and address policy barriers.
- **Increase the role, voice, inputs and agency of local actors and civil society, including those that represent poor people, women and youth in program development and implementation.** MCC will continue to engage with inter-agency partners such as the Gender Policy Council to advance inclusion and gender. In FY 2024, MCC will engage with its country partners to diversify stakeholder participation in program development and implementation.

DIVERSITY, EQUITY, INCLUSION, AND ACCESSIBILITY (DEIA)

In 2021, MCC hired the agency's first Chief Diversity Officer who has been making strides to further engrain DEIA into MCC's operations. In May 2022, MCC publicly released its [DEIA Strategic Plan](#). The plan outlines an integrated approach to advancing DEIA by embedding it into the agency's mission, human capital strategy, corporate goals, and workstreams. The agency also recently launched a new DEIA council, which gathers and empowers employee feedback and input on diversity issues, and implements the strategic priorities outlined in the strategic plan.

In FY 2024, MCC will continue to deepen its commitment to DEIA with tangible and measurable actions that drive results. With an increasingly diverse workforce, MCC must be intentional about cultivating,

nurturing, and sustaining an inclusive workplace culture where differences are leveraged to produce innovative solutions that meet the needs of our employees, global partners, and the international development community. As MCC strives to attract, recruit, develop, advance, and retain diverse talent, we will need to allocate resources toward those efforts across the employee life cycle. This will require implementation of technologies and solutions that enable an evidence-based approach to decision making to which we apply new DEIA frameworks, standards, and performance metrics. We will also develop and implement a DEIA competency framework and performance elements to ensure accountability for advancing DEIA.

COMPACT ASSISTANCE

	FY 2022	FY 2023	FY 2024
(in millions of \$)	Enacted	Enacted	Request
Total Appropriation/Request	912.0	930.0	1,073.0
Total Compact Assistance	647.5	651.0	760.0

In FY 2024, MCC requests \$760 million to support compact assistance for Sierra Leone, Côte d'Ivoire Regional Energy, and Belize, which will be past their critical project definition phases and into completing development during FY 2024.

MCC anticipates eleven compacts undergoing implementation, with another five signed or presented to MCC's Board, and ready to be signed by the end of FY 2024. This includes the Indonesia compact which will sign shortly and enter into force next fiscal year and the Mozambique compact projected to sign later this fiscal year. Looking ahead, MCC currently has eight unsigned compacts in different phases of development, including the Tunisia compact currently paused. FY 2024 funding will establish budgets for three of the seven as yet unfunded programs, leaving four compacts undergoing compact development to be funded, including Zambia, Togo, The Gambia, and Senegal regional program. Throughout the compact development processes, MCC and country partner resources are being invested prior to compact assistance funding being received.

The following chart provides the pipeline of all compacts not yet signed:

Developing Compacts	Compact Funding (\$ millions)				FY 2022				FY 2023				FY 2024				FY 2025			
	FY 2024	FY 2023	Prior Years	Total	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Indonesia	-	\$20	\$629	\$649	Project Development				Negotiation		Sign	Implementation Start-Up		EIF	Implementation					
Mozambique	-	\$291	\$209	\$500	Project Definition		Project Development			Neg.		Sign	Implementation Start-Up				EIF	Implementation		
Sierra Leone	\$450	-	-	\$450	Prob. Diag.	Project Definition			Project Development		Neg.	Sign	Implementation Start-Up				EIF	Imp.		
Côte d'Ivoire Regional Energy	\$200	-	\$100	\$300	Project Definition				Project Development		Neg.	Sign	Implementation Start-Up							
Belize	\$110	-	-	\$110	Sel.	Problem Diagnosis			Project Definition		Project Development		Neg.		Sign	Implementation Start-Up				
Tunisia*	-	\$340	\$159	\$499	Pause															
Zambia	To Be Funded				Sel.	Prelim. Analysis		Problem Diagnosis			Project Definition		Project Development		Neg.	Sign	Implementation Start-Up			
Togo					Sel.	Prelim. Ana.		Prob. Diag.			Project Definition		Project Development		Neg.	Sign	Implementation Start-Up			
The Gambia					Sel.	Prelim. Ana.		Problem Diagnosis			Project Definition			Project Development		Neg.				
Senegal Regional					Sel.	Prelim. Analysis		Problem Diagnosis			Project Definition			Project Development						

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▲ Compact Development Funding (CDF) Grant Agreement with partner country signed

Sel.: Selection of eligible partner country to develop compact by MCC's Board of Directors

Sign: Signing of Compact Grant Agreement with partner country

EIF: Entry into Force of Compact and beginning of compact implementation

** Tunisia compact signing was paused in July 2021 due to concerns about democratic governance. MCC's Board reviews the status regularly, and existing funds continue to be planned and held under the Tunisia compact at the time of this submission. Given the duration of this pause, MCC recognizes that fresh diligence or scoping would be required to proceed with the compact and as a result, MCC anticipates other compacts in development may reach a readiness stage before Tunisia. This may lead MCC to reprogram such funding to other compacts that are ready sooner in the coming fiscal years, including Sierra Leone, Zambia, and Togo.*

		Preliminary Analysis	Problem Diagnosis	Project Definition	Project Development	Negotiations	Signing
Effort	Country Partner	National Coordinator named, compact development team established to analyze constraints to economic growth, opportunities for private investment, and poverty reduction, while undertaking broad consultations with key stakeholders.	Compact development team expands and analyzes root causes of binding constraints and develops initial project ideas to address constraints. Concept notes exchanged and formally submitted to MCC.	Definition and scoping of specific projects and activities, including program logic, identification of intended beneficiaries and conducts initial consultations with stakeholders on project design. Project conceptual proposals submitted to MCC.	Pre-Feasibility or Feasibility studies conducted with environmental and other studies related to proposed projects, including measurement of expected economic impact and identification of risk and mitigation measures. Commencement of establishing structures needed in implementation.	Country partner negotiates legal, financial, technical terms of program, signs agreement, including any conditions precedent to be incorporated, and begins creation of a dedicated accountable entity responsible for compact implementation.	
	MCC	Country team assignments established, compact development and cost reimbursement guidance provided to country partner, assistance provided to analyze constraints to growth and initiate broad public consultations, incorporating social, environmental, gender, and private sector issues.	Review and approve concept notes and concept projects for further development, including identifying underlying causes of binding constraints, selected problems to address, and concepts and scope for interventions.	Conducts due diligence, including initial project assessments of economic and poverty impact, and reviews and approves project proposals for full development and appraisal.	Assists conducting feasibility and design studies and environment and social impact assessments to determine final scope, cost, timeline, risks, and conditions of the compact; oversees management of procurements; conducts thorough project appraisals; and approves final decisions on projects.	MCC notifies Congress of intent to negotiate, negotiates legal, financial, and technical terms of program, obtains approval by MCC's Board of Directors, and signs agreement, including any conditions precedents to be incorporated.	
MCC Funding		<p>CDF: initiated to facilitate and to support compact development team and the hiring of key positions by the partner government.</p> <p>Due diligence: assists with the evaluation of constraints and root cause analysis.</p> <p>Compact Assistance: Not yet determined.</p>	<p>CDF: continues to be used to support compact development team during this phase.</p> <p>Due diligence: assists with determining potential investments, including social, environmental, infrastructure assessments, and root cause and political economy analysis.</p> <p>Compact Assistance: Not yet determined.</p>	<p>CDF: key procurement and finance positions on-boarded and funding for necessary project proposal studies for development of projects selected.</p> <p>Due diligence: assists with the evaluation of proposed projects.</p> <p>Compact Assistance: funding levels required to properly scope and agree on specific projects for investment.</p>	<p>CDF: supports assessments necessary for the development of the projects and activities to be included in the compact.</p> <p>Due diligence: assists with reviewing feasibility studies, appraising designs and calculating economic rates of return.</p> <p>Compact Assistance: allocated based on scoping of projects and activities.</p>	<p>Compact Assistance: finalized during final negotiations, defining compact terms and allocations. Upon compact signing, obligation and commitment established</p>	

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INDONESIA

On the sidelines of the G20 in Bali in November, President Biden announced that MCC and the Indonesian government had successfully negotiated a compact to improve the financing of infrastructure, particularly transport and logistics infrastructure, and increase access to finance for micro-, small and medium enterprises. The \$649 million Indonesia Infrastructure and Finance Compact was approved by the MCC Board at its December meeting and the MCA-Indonesia II Board of Directors appointed later that month. MCA-Indonesia II is intending to hold its first board meeting, hire its first round of staff, and sign initial contracts before the end of March 2023, with compact signing planned soon thereafter. Following compact signature and a major effort to finalize MCA-Indonesia II establishment, the Government of Indonesia and MCC will continue project refinement and feasibility study work in support of an ambitious timeline for entry-into-force, planned for early Q2 FY 2024.

Results from Indonesia's 2011 Compact

MCC's initial compact in Indonesia closed in April 2018. During the five-year term of the compact program, the GOI government of Indonesia disbursed \$474 million to support modernization of public procurement functions, improvements in health and nutrition, and sustainable energy and resource management. The nutrition project trained over 17,500 providers on prenatal health services; distributed medical supplies; and conducted over 4,200 community sanitation behavior change meetings across 64 districts to combat low birth weight, childhood stunting, and childhood malnourishment. The procurement modernization project trained over 1,000 procurement professionals (24% percent of whom are women) to apply modern procurement and management skills in the national and local governments in ways that will increase procurement quality and achieve substantial savings. The energy project established a market-responsive grants financing facility that supported 66 projects for renewable energy, peatland restoration, sustainable agriculture, and improved natural resource management. The project also trained over 127,000 farmers (including over 43,000 women) in climate-smart agriculture, natural resource management, social forestry, and renewable energy. The implementation of the compact program reinforced community ownership and innovation through flexible, scalable approaches that allowed for emerging opportunities. The Indonesia Compact Star Report is linked [here](#).

MOZAMBIQUE

MCC and the Government of Mozambique are finalizing the designs of three projects that will address the constraints to economic growth of (1) poor agricultural policy, legal and regulatory framework, and (2) 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 and 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. The 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 aims to submit the Compact to its Board in June 2023.

Results from Mozambique's 2008 Compact

MCC's first compact in Mozambique closed in September 2013, with final disbursements of \$448 million. The compact increased the country's economic growth and reduce poverty by investing in four project areas: 1) water and sanitation, 2) roads, 3) land tenure, and 4) agriculture. Under the compact, project teams constructed more than 614 rural water points, upgraded and expanded two municipal drainage systems, and upgraded and expanded two urban water supply systems. The compact also funded the construction of 253 kilometers of improved roads, the mapping of nearly 8.8 million rural hectares of land, and the formalization of nearly 150,000 urban land titles. Furthermore, the compact supported the training of 15,000 farmers in pest and disease surveillance and control and planted 780,000 disease-resistant seedlings. MCC anticipates the compact to benefit over 2,600,000 Mozambicans over 20 years. The Mozambique Compact Closed Compact Report is linked [here](#).

SIERRA LEONE

MCC and the Government of Sierra Leone are developing a compact to address 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 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 will support the government's efforts to plan and coordinate energy sector investments, ensuring the sustainability of MCC projects and activities. MCC expects to be in final negotiations in the summer of 2023 and aims to submit the compact to MCC's Board of Directors for approval in the fall of 2023.

CÔTE D'IVOIRE REGIONAL ENERGY

MCC is developing a concurrent compact program for regional integration with Côte d'Ivoire, in partnership with entities of the Economic Community of West African States (ECOWAS), including the West African Power Pool, the future Information and Coordination Center, and the ECOWAS Regional Electricity Regulatory Authority. MCC is currently assessing potential projects and exploring investments in power sector reform, infrastructure, and capacity building in Côte d'Ivoire to solidify its role as an anchor power exporter to the West African region.

MCC plans to make an investment decision on the Côte d'Ivoire Regional Energy program, with Côte d'Ivoire as an anchor power exporter, by September 2023; negotiate a compact in December 2023; and seek MCC Board approval in March 2024.

BELIZE

In December 2021, MCC's Board of Directors selected Belize as eligible to develop a compact. The Government of Belize quickly appointed a national coordinator and hired a strong team of local counterparts who have worked closely with MCC to conduct the constraints analysis and root cause analysis. Based on these assessments, MCC and its counterparts in Belize are working closely to develop projects in the education and electricity sectors. The education project will focus on increasing the availability of post-primary graduates with the knowledge, skills, and values relevant to current and anticipated labor market demands. The electricity project will focus on decreasing the wholesale cost of electricity and ensuring that these cost savings are passed on to consumers in retail tariffs. MCC and the Government of Belize are now preparing for the launch of several studies to further develop the proposed projects. MCC has successfully piloted several compact development acceleration changes in the Belize process and is thus targeting Board approval and compact signing by September 2024.

TUNISIA

While MCC's Tunisia program development is currently paused, the proposed Tunisia compact features two projects focused on addressing Tunisia's constraints to growth. The Transport and Trade Project has been 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. It would also simplify and digitize trade procedures and regulations in the transport and trade sectors. The Water Project has been designed to improve sustainable use of scarce groundwater resources, while moving the country toward improved water sustainability. The compact program also integrates gender and social inclusion by improving market access for women-owned enterprises.

MCC's Board 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. Development of the proposed MCC compact remains paused due to concerns about democratic governance, but MCC would welcome the opportunity to advance the compact once the Government of Tunisia has taken steps to align with MCC's eligibility criteria. Should the Government take such steps and were MCC to resume compact development, MCC anticipates the need for significant work to address developments over the past 18 months that are likely to have affected the original compact design, including global inflation and supply chain disruptions.

MCC's Board reviews the status regularly, and existing funds continue to be planned and held under the Tunisia compact at the time of this submission. Given the nature and duration of the pause and the need for diligence or scoping work described above, MCC anticipates other country compacts in development may reach a readiness stage before Tunisia. This may lead the agency to reprogram such funding to other compacts that are ready sooner in the coming fiscal years, including Sierra Leone, Zambia, and Togo.

ZAMBIA

In December 2021, MCC's Board of Directors selected Zambia as eligible to develop a new compact, following free and fair national elections in August 2021 and successful closure of the prior compact in November 2018. MCC and the Government of Zambia identified the binding constraints to growth of

agriculture inputs and policies, poor roads and transport, and low access and reliability of power, and are now exploring strategic interventions in the areas of transportation and logistics, agricultural policy reform, and access to finance. MCC will soon be entering the critical project definition phase which requires budget clarity and will submit the compact to MCC's Board of Directors for approval in September 2024, with compact signing expected in the first quarter of FY 2025.

Results from Zambia's 2018 Compact

MCC's previous compact in Zambia closed in November 2018, with final disbursements of \$332 million. The compact focused on urban water, sanitation, and drainage infrastructure and strengthening the Zambian government's capacity to effectively manage the water and sanitation sector in the capital city of Lusaka. MCC and the Zambian government rehabilitated a water treatment plant along the Kafue River—which, at the time, provided 40 percent of Lusaka's clean water—and built nearly 150 miles of water and sewage main pipelines. The compact funded the upgrade and expansion of key sewage treatment ponds, supporting an estimated 156,000 residents—which is roughly eight times more than its previous capacity for 18,000. The compact is expected to benefit 1.2 million people over 20 years. Given the positive impact from a hybrid solar-powered water system supported by the compact, the Lusaka Water and Sewage Company installed two small solar pumping water systems in 2021 and plans to install additional systems, expanding access to a reliable source of water to homes and businesses in additional communities. The Zambia Star Report is linked [here](#).

TOGO

MCC's Board selected Togo as eligible to develop a compact at its December 2022 meeting. MCC is currently working with the Government of Togo to identify the binding constraints to economic growth that can be addressed through a compact program. Togo is part of a pilot approach to further fast track the compact development process, building on compact development acceleration efforts over the past two years. With the current threshold program focused on digital and information communication and technology, the compact development team is including an exploration of synergies in this sector while conducting the constraints analysis.

THE GAMBIA

MCC's Board selected The Gambia as eligible to develop a compact at its December 2022 meeting. The Government named a national coordinator in January 2023 and allocated funding to support the stand-up of its team. MCC is currently working with the Government of The Gambia to identify the binding constraints to economic growth that can be addressed through a compact program.

SENEGAL REGIONAL

Senegal was selected by the MCC Board of Directors as eligible to develop a concurrent regional compact in December 2022. MCC is currently working with the Government of Senegal to identify the constraints to regional integration, collaboration, and trade that can be addressed through a compact program.

THRESHOLD PROGRAMS

Threshold Programs

	FY 2022	FY 2023	FY 2024
(in millions of \$)	Enacted	Enacted	Request
Total Appropriation/Request	905.0	930.0	1,073.0
Threshold Programs	31.0	31.0	51.0

MCC is requesting \$51 million for threshold program assistance in FY 2024 to provide for new country selections to be made in December 2023. This is an increase from previous years that would allow up to two threshold selections, in light of Congressional action in the FY 2023 appropriations bill to remove the legal restriction on MCC’s ability to pursue threshold programs with countries that have previously received a compact. This authority allows MCC to assist and incentivize countries that are demonstrating a strengthened commitment to democratic governance and expands the number of countries MCC can consider for threshold programs.

MCC’s threshold program has proven to be an effective tool to incentivize improved performance on MCC’s eligibility criteria in MCC candidate countries and to support positive policy and institutional reforms to address binding constraints to economic growth in selected partner countries. The MCC Board of Director’s selection of additional threshold programs or the transition of existing threshold programs under development to compact assistance may lead to future shifting of funds to/from this budget line item.

BACKGROUND

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 MCC’s eligibility criteria, including 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.

IMPLEMENTING THRESHOLD PROGRAMS

MCC currently has three implementing threshold programs – The Gambia, Solomon Islands, and Togo. The \$25 million Gambia threshold program is supporting efforts to achieve universal energy access by 2025, by reducing the frequency and duration of outages by improving the governance and operational management of the national electricity utility. MCC’s \$20 million threshold program in the Solomon

Islands will promote sustainable economic development by strengthening the government’s capacity to manage inclusive tourism projects and potentially lead to entrepreneurship opportunities for women, as well as provide communities with economically viable alternatives to logging. The \$35 million Togo threshold program is designed to improve citizens’ access to high quality and affordable Information and Communications Technology (ICT) services—both mobile phone services and Internet—by encouraging private sector investment, developing an independent regulatory regime, expanding service to underserved areas, and increasing the use of ICT among women and small businesses. This threshold program will also seek to expand access to formalized land through the recognition and protection of legitimate land rights in five pilot areas across the country and to develop a regulatory framework to implement the proposed new land code.

NEW AND DEVELOPING THRESHOLD PROGRAMS

Kenya

In March 2022, the MCC Board of Directors approved a \$60 million threshold program with Kenya. The program will seek to improve urban connectivity in Nairobi and includes projects to support integrated transport planning, non-motorized transport, land use policy, and blended finance for the bus rapid transit system. To support greater inclusivity in the Nairobi transport system, the program will seek to substantially improve the mobility and safety of pedestrians, who represent both the largest and the poorest segment of Nairobi’s commuters, and to create safer and more visible transportation choices for women in an environment of pervasive sexual harassment. MCC expects to sign a grant agreement in FY 2023.

Kiribati

The Pacific Islands country of Kiribati was selected to develop a threshold program in December 2020. MCC is working with the Government of Kiribati to develop a program that would improve the ability of the government to provide its citizens access to inclusive and decent work opportunities. MCC expects to complete design of the program and submit it to its Board for consideration in June 2023.

Mauritania

The MCC Board selected Mauritania to develop a threshold program in December 2022. MCC is working with the government to identify the country’s constraints to growth to determine the focus of the program.

Future Programs

The funding request for FY 2024 will support programs with countries that may be selected by MCC’s Board in December 2023. The average program size for threshold programs is approximately \$31 million, and the requested funding will support up to two threshold programs with new countries should promising candidates emerge in the annual selection process.

COMPACT DEVELOPMENT & OVERSIGHT: COMPACT DEVELOPMENT FUNDING AND DUE DILIGENCE

Compact Development Funding and Due Diligence Oversight

	FY 2022	FY 2023	FY 2024
(in millions of \$)	Enacted	Enacted	Request
Total Appropriation/Request	912.0	930.0	1,073.0
Compact Development/Oversight	114.0	113.5	114.5
Compact Development Funding	30.0	28.0	24.0
Due Diligence	84.0	85.5	90.5

Compact development and oversight comprise both Compact Development Funding (CDF) as authorized under Section 609(g) of the Millennium Challenge Act of 2003, as amended, and due diligence funding. These funds support pre-implementation planning and assessment, oversight activities during implementation, and post-compact evaluations - activities critical to the success of MCC programs and which ensure that the agency, our partner countries, and the development community may take advantage of the learning opportunities inherent in MCC programs. These funds are deployed early in and throughout compact development, as both MCC and partner countries ramp up their efforts together and support the growing investment and partnership between both countries, even prior to signing a compact.

For FY 2024, MCC requests \$114.5 million for compact development and oversight, including \$24 million for compact development funding and \$90.5 million for due diligence to support monitoring, programmatic oversight, and data collection and evaluation.

COMPACT DEVELOPMENT FUNDING

Compact Development Funding allows MCC to award contracts or grants for 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 project design studies, feasibility studies, environmental impact assessments, engineering and geotechnical designs, economic baseline surveys, technical assessments of financial management and procurement capabilities, and other specialized analyses, along with support for key staff within the compact development team, to help partner countries fully prepare projects that can be implemented within the fixed five-year timeframe, within budget, and achieve substantial results for compact programs.

The FY 2024 Compact Development Funding will support programs to be selected in FY 2024. As part of its ongoing efforts to accelerate compact development timelines, MCC has revised its allocation of compact development funding to provide the funds earlier in the compact development process.

DUE DILIGENCE

MCC utilizes 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 close-out. These funds are utilized to procure the technical expertise required throughout the compact and threshold lifecycles and allow MCC to right-size its staffing requirements based on the relative size and diversity of its portfolio.

Due diligence funds are utilized after compact closure in order to conduct independent evaluations that use rigorous statistical methods to measure the impact of MCC activities. In addition to offering valuable lessons on how MCC can improve, rigorous evaluations provide critical information about program successes and ensure that our development projects have the intended impact on the people they are meant to serve. Each of these independent evaluations is fully available to the public on the recently launched [*MCC Evidence Platform*](#), a new interactive web-platform designed to encourage the use of MCC's data and analysis.

Due diligence funds also support 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 chooses which projects are most likely to generate benefits, specifically, increased income for program beneficiaries, and serves to refine program design to optimize results. Economic modeling done after compact closure helps to assess the cost effectiveness of the agency's programs.

ADMINISTRATIVE EXPENSES

FY24 CBJ Budget Request Administrative Expenses

	FY 2022	FY 2023	FY 2024
(in millions of \$)	Enacted	Enacted	Request
Total Appropriation/Request	912.0	930.0	1,073.0
Total Administrative Expenses	115.0	130.0	143.0
Human Capital	69.5	72.0	77.0
Training	1.2	1.4	1.6
Overseas Operations	11.5	14.4	15.4
Contracted Services	8.9	12.5	15.2
Information Technology	14.0	16.4	18.0
Rent, Leasehold & Improvements	6.9	7.2	8.5
Travel	3.0	6.0	7.2
Other Administrative Expenses	-	0.1	0.1

MCC is requesting \$143 million in administrative expenses in FY 2024 for critical mission support functions such as financial management and oversight, domestic and international security, human resource and overseas administrative support, contracts and grants acquisition, travel support, information technology and cybersecurity, risk management, internal controls, audit compliance, and facilities management and rent.

With an increase of \$13 million over the FY 2023 President's Budget, MCC will be able to carry out necessary preparations in support of a pipeline of newly selected countries and to effectively oversee 26 programs valued at over \$6.1 billion in development and implementation throughout FY 2024, especially those continuing to be impacted by COVID, supply chain issues and broader economic trends. The request also funds critical pieces of digital advancement and maintenance, including an enhanced cyber security posture as required under the Administration's zero trust cybersecurity policy. Lastly, this request helps offset annual increases and inflationary increases for payroll, contracted services, and overseas operations. Following several years of travel and overseas work being stifled by the pandemic, MCC achieved a historic high point in its program development, signing 6 programs in 2022. As those programs, coupled with 3 other programs, reach the point of implementation in FY 2024, MCC requires the necessary administrative expenses to support the travel, contracted support and overseas operational budgets.

HUMAN CAPITAL

The administrative expenses budget covers MCC's workforce, enabling the agency to successfully carry out MCC's mission to reduce poverty through economic growth. It is critical that the agency continues to recruit, retain, and reward the talented and high-performing workforce with specialized skills needed to carry out the mission.

The FY 2024 budget request includes \$77 million toward human capital expenses, including maintaining MCC's merit pay, and pay-for-performance framework which incorporates pay raises based on performance metrics against established criteria at each pay band level for positions. Much like the General

Schedule pay scale, MCC also includes moderate increases to the established pay bands. These adjustments are in line with standard federal inflationary increases for full-time equivalent (FTE) civil servants. For FY 2024, MCC anticipates adding new overseas positions in support of the projected program portfolio, including seven new compacts entering into force during FY 2024, and the annualized costs for FTE of positions onboarded in FY 2023. Additional support positions are required to provide sufficient audit, legal and financial oversight, technical and project management, and programmatic and strategic direction, particularly aligned with projects that promote inclusive growth, adopt climate adaptation, resilience, and mitigation measures, and deliver sustainable infrastructure.

As part of MCC's strategic work on MCC@20, during FY 2023 MCC began a comprehensive human capital strategy (HCS) development project with the goal of implementing a plan to ensure the corporation is appropriately staffed to achieve its mission, strategic priorities, and operations support. Through the HCS, including an examination of its human capital model, MCC will identify core, leadership, and role-based technical competencies, determine the workforce necessary to achieve the mission and strategic priorities, and build a strategy to address differences between current workforce composition and staff competencies as well as forecasting the workforce or competency needs. The completion of the HCS and implementation plan is expected in FY 2024.

OVERSEAS OPERATIONS

MCC requests \$15.4 million to continue supporting overseas administrative operations, including locally 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. With FY 2022 signings with six new countries and six more anticipated in FY 2023, we anticipate a large increase in MCC's share of the International Cooperative Administrative Support Services (ICASS) and Capital Security Cost Sharing (CSCS) expenses continuing into FY 2024 when compared to prior years. With a larger country portfolio, MCC will have a larger overseas staff presence to directly support within this budget. This request also helps offset the global inflationary increases that are stretching the base budgets too thin. Although MCC continuously reviews the costs related to overseas operations to maximize the use of funding while providing adequate support toward our relatively small overseas presence (typically only two FTE per country), we continue to see an upward trajectory in year over year ICASS and CSCS costs and anticipate potential necessity for enhanced security in support of MCC's portfolio of countries.

INFORMATION TECHNOLOGY (IT)

MCC is planning \$18 million for information technology (IT) support within the in-guide request for FY 2024.

IT has an integral role in supporting agency-wide initiatives, including providing process automation, delivering services for the publication of program data, enhancing analytical services, delivering communication and cloud-based collaboration tools, and providing ongoing improvements for reporting grant disbursements for MCC's country partners. MCC continues to upgrade infrastructure and systems through incremental deployments and uses a multi-year approach to address its technology backlog.

Demand for digital services remains high, playing a central role in supporting MCC's mission-focused systems and the increased funding requested would further ensure that efficiency and effectiveness can be delivered through secure, reliable applications and systems without stagnation in technology relevancy. Improving our IT systems and services can also support MCC's hybrid work environment and help ensure that MCC staff are able to use their time more efficiently. During FY 2024, MCC is planning for a hardware refresh for its entire user population and a potential network infrastructure refresh.

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 mobility, on-line collaboration, and virtual training. Cybersecurity threats keep 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 Management Act audits conducted by the USAID Office of Inspector General, and reports to Congress and OMB on the findings and recommendations. MCC continues to implement capabilities in partnership with the Department of Homeland Security Continuous Diagnostic Monitoring Program and publishes its cybersecurity metrics through the government-wide dashboard. Throughout FY 2023 and continuing into FY 2024, MCC will focus on implementing modernizations to its technology infrastructure consistent with the zero-trust principles outlined in Executive Order 14028 on Improving the Nation's Cybersecurity and subsequent guidance on zero-trust from the Cybersecurity & Infrastructure Security Agency, and OMB memo M-22-09. In addition to modernizing policies and the IT architecture toward zero trust principles, MCC's focus for FY 2023 through FY 2024 will include security enhancements to its software supply chain and software development practices by incorporating the practices outlined in OMB M-22-18.

MCC continues to demonstrate its commitment to open data and will continue investing in leveraging data as a strategic asset and participating in open data and transparency initiatives. In July of 2022, MCC was recognized by the Aid Transparency Index as the highest performing US agency, and the highest performing bilateral agency worldwide. Additionally, MCC continues to add data and analysis to the MCC Evidence Platform that encourages the use of MCC's evidence as global public goods to support mutual accountability for the agency and its country partners, and to encourage learning from measured results.

RENT

The FY 2024 budget request reflects our continuing rent costs for office space at MCC's headquarters, with inflationary increases built into our lease agreement with our landlord. MCC's existing lease agreement is due to expire in December 2024 (Q1 of FY 2025) and the agency has begun to explore options of either remaining in the existing space by extending or renegotiating the lease or pursuing new office space and the associated costs. Accordingly, MCC administrative expenses in the FY 2024 budget may also need to either cover some additional expenses associated with the ending lease, e.g. costs associated with either upgrading the existing facility or restoring it to its original condition, and/or moving and fitting out a new facility. In all scenarios, MCC will continue to evaluate the most efficient use of its headquarters space, proactively using space planning technology for seat management as well as conference and meeting space requirements, maintaining a relatively small footprint.

OFFICE OF INSPECTOR GENERAL

Office of the Inspector General

	FY 2022	FY 2023	FY 2024
(in millions of \$)	Enacted	Enacted	Request
Total Appropriation/Request	912.0	930.0	1,073.0
Office of the Inspector General	4.5	4.5	4.5

The estimates for the funding level of the Office of Inspector General (OIG) in this submission are based on previously requested levels and the not-to-exceed amount authorized in the Millennium Challenge Act of 2003, as amended, for this purpose. MCC and USAID OIG establish an interagency agreement on an annual basis in support of oversight of MCC's programs.

PROPOSED LEGISLATIVE CHANGES

As part of MCC’s strategic goals and plans for MCC@20, the agency is examining potential legislative changes that would increase MCC’s impact and better enable MCC to fulfill its congressionally mandated mission to reduce poverty through economic growth.

MCC is seeking three proposed legislative changes, which are the redefinition of MCC’s candidate country pool, the removal of the 25 percent funding cap on lower-middle income countries (LMICs), and updates to MCC’s Annual Report requirements.

THE MCC ELIGIBILITY ACT

The Millennium Challenge Act of 2003, as amended, currently defines MCC’s candidate country pool in a way that prevents MCC from considering numerous middle-income countries that face substantial threats to their economic development paths and ability to reduce poverty. MCC’s candidate country pool should be redefined via legislation to allow MCC to apply its selection model to countries below the IBRD graduation threshold and increase MCC’s capacity to reduce poverty through economic growth in vulnerable countries.

Text of proposed change is as follows:

SEC. 1. MODIFICATIONS OF REQUIREMENTS TO BECOME A CANDIDATE COUNTRY.

Section 606 of the Millennium Challenge Act of 2003 (22 U.S.C. 7705) is amended to read as follows:

“SEC. 606. CANDIDATE COUNTRIES.

“(a) IN GENERAL. – A country shall be a candidate country for purposes of eligibility for receiving assistance under section 605 if –

“(1) the per capita income of the country is equal to or less than the gross national income per capita of those countries below the International Bank for Reconstruction and Development (IBRD) graduation threshold as defined by the World Bank for the fiscal year; and

“(2) subject to subsection (b), the country is not ineligible to receive United States economic assistance under part I of the Foreign Assistance Act of 1961 by reason of the application of any provision of the Foreign Assistance Act of 1961 or any other provision of law.

“(b) RULE OF CONSTRUCTION. – For the purposes of determining whether a country is eligible for receiving assistance under section 605 pursuant to subsection (a)(2), the exercise by the President, the Secretary of State, or any other officer or employee of the United States of any waiver or suspension of any provision of law referred to in such paragraph, and notification to the appropri-

ate congressional committees in accordance with such provision of law, shall be construed as satisfying the requirements of such subsection.

“(c) IDENTIFICATION BY THE BOARD. – The Board shall identify whether a country is a candidate country for purposes of this section.”

SEC. 2. CONFORMING AMENDMENTS.

(a) AMENDMENT TO MILLENNIUM CHALLENGE COMPACT AUTHORITY. – Section 609(b)(2) of the Millennium Challenge Act of 2003 (22 U.S.C. 7708(b)(2)) is amended –

(1) by striking the heading and inserting “COUNTRY CONTRIBUTIONS”; and

(2) by striking “with respect to a lower middle-income country described in section 606(b).”

(b) AMENDMENT TO REPORT IDENTIFYING CANDIDATE COUNTRIES. – Section 608(a)(1) of the Millennium Challenge Act of 2003 (22 U.S.C. 7707(a)(1)) is amended by striking “section 606(a)(1) (B)” and inserting “section 606(a)(2).”

(c) AMENDMENT TO AUTHORIZATION TO PROVIDE ASSISTANCE FOR CANDIDATE COUNTRIES. – Section 616(b)(1) of the Millennium Challenge Act of 2003 (22 U.S.C. 7715(b)(1)) is amended by striking “subsection (a) or (b) of section 606” and inserting “section 606(a).”

SEC. 3. MODIFICATION TO FACTORS IN DETERMINING ELIGIBILITY.

Section 607(c)(2) of the Millennium Challenge Act of 2003 (22 U.S.C. 7706(c)(2)) is amended in the matter preceding subparagraph (A) by striking “consider” and inserting “prioritize need and impact by considering”.

FUNDING FOR COMPACTS WITH LMIC COUNTRIES

The Millennium Challenge Act of 2003, as amended, prohibits MCC from allocating more than 25 percent of its annual program appropriation for compacts with lower middle-income countries (LMICs). This 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.

Text of proposed change is as follows:

IN GENERAL. – Section 606 of the Millennium Challenge Act of 2003 (22 U.S.C. 7705) (the Act) is amended –

- I. by striking the current subsection (b)(3).

APPLICABILITY. – The amendments made by this section apply with respect to Compacts entered into between the United States and an eligible country under the Millennium Challenge Act of 2003 before, on, or after the date of the enactment of this amendment.

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 31st as it is currently, and to delegate the function of submitting the report to Congress to MCC's Chief Executive Officer. The proposed change would decrease the reporting burden and allow MCC to better showcase the agency's accomplishments of the past fiscal year.

Text of proposed change is as follows:

IN GENERAL. – Section 613 of the Millennium Challenge Act of 2003 (22 U.S.C. 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.”

APPLICABILITY. – The amendments made by this section apply with respect to Compacts entered into between the United States and an eligible country under the Millennium Challenge Act of 2003 before, on, or after the date of the enactment of this amendment.

APPENDIX: ANNUAL PERFORMANCE REPORT

COMPACT AMOUNTS AT SIGNING AND KEY DATES*

Partner Country	Compact Amount (in millions)	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
Ghana	\$315.9	08/05/2014	09/06/2016	06/06/2022
Benin	\$391.0	09/09/2015	06/22/2017	
Liberia	\$256.7	10/02/2015	01/20/2016	01/20/2021
Morocco	\$460.5	11/30/2015	06/30/2017	
Niger	\$442.6	07/29/2016	01/26/2018	
Côte d'Ivoire	\$536.7	11/07/2017	08/05/2019	
Mongolia	\$350.0	07/27/2018	03/31/2021	
Senegal	\$550.0	12/10/2018	09/09/2021	

Partner Country	Compact Amount (in millions)	Signed	Entry Into Force	Compact End Date
Nepal	\$500.0	09/14/2017		
Lesotho	\$300.0	05/12/2022		
Kosovo	\$202.0	07/15/2022		
Timor-Leste	\$420.0	07/18/2022		
Malawi	\$350.0	09/28/2022		
Regional Transport Benin	\$202.0	12/14/2022		
Regional Transport Niger	\$302.0	12/14/2022		

* The values above are the signed compact amounts, except for the compacts that were extended in 2020-2021, which reflect the revised amounts. They do not reflect lower actual expenditures due to early terminations or funds not being fully spent.

COMPACT COMMITMENTS, OBLIGATIONS, AND PLAN BY FISCAL YEAR OF APPROPRIATION

As of First Quarter FY 2023 (\$ in millions)

Country Program	Fiscal Year of Appropriation											
	2012 & Prior	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Morocco	114	1	169	166					11			461
Benin	16	207		168								391
Niger	58				379				6			443
Cote d'Ivoire	53	9	272	10	26	167						537
Mongolia	100			1		95	154					350
Senegal	21		1				447	81				550
Nepal	108	10	-	69	107	129	77					500
Lesotho			145					113	43			300
Timor-Leste									330		90	420
Kosovo								50		76	76	202
Malawi									27	243	80	350
Regional Transport Benin											202	202
Regional Transport Niger										300	2	302
Committed & Obligated	469	227	586	414	512	391	678	244	416	619	450	5,007

Country Program	Fiscal Year of Appropriation													
	2012 & Prior	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
Tunisia								115	44			340		499
Indonesia	127		3		135			113	136	35	81	20		649
Mozambique								92			117	291		500

Country Program	Fiscal Year of Appropriation													
	2012 & Prior	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
Regional Energy Cote d'Ivoire			2				2	55	42				200	300
Sierra Leone													450	450
Belize													110	110
Zambia														-
Togo														-
The Gambia														-
Regional Senegal														-
Planned	127	-	5	-	135	-	2	375	222	35	197	651	760	2,508

CLOSED COMPACTS BY FISCAL YEAR OF APPROPRIATION

As of First Quarter FY 2023 (\$ in millions)

Country Program	Fiscal Year of Appropriation																	
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Armenia		177																177
Benin		302																302
Burkina Faso					475													475
Burkina Faso II																2	3	5
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
Ghana II			24							273	14							311
Honduras	204																	204
Indonesia		49						425										474
Jordan						55	218											273
Lesotho				358														358
Liberia												238						238
Madagascar	86																	86
Malawi								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

Country Program	Fiscal Year of Appropriation																	
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Nicaragua	113																	113
Philippines							385											385
Senegal						433												433
Tanzania					695													695
Vanuatu		65																65
Zambia									332									332
Total Closed Compacts	891	1,242	1,407	1,400	1,318	574	860	561	642	430	14	238	-	-	-	2	3	9,583

THRESHOLD PROGRAM AMOUNTS AT SIGNING AND KEY DATES*

Partner Country	Threshold Program Amount (in millions)	Signed	End 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 & 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
Guatemala	\$28.0	04/08/2015	10/31/2021
Sierra Leone	\$44.4	11/17/2015	03/31/2021
Kosovo	\$49.0	09/12/2017	09/30/2022
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 above are the signed threshold program amounts and do not reflect lower actual expenditures due to early terminations or funds for a threshold program not being fully spent.

RESULTS OF RECENTLY-CLOSED COMPACTS AND THRESHOLD PROGRAMS

Ghana Compact Program

MCC marked the end of the Ghana Power Compact on June 6, 2022, with final disbursements of \$311 million. The compact focused on strengthening the operation of the Electricity Company of Ghana (ECG) to address key challenges in the distribution of power and to support economic growth. The total estimated beneficiaries are 7.8 million over 20 years.

The compact comprised interrelated projects to help improve the quality and reliability of electricity, increase access to electricity among micro and small enterprises, and reduce energy costs. Technical assistance to ECG included installing a Geographic Information System (GIS) based distribution management system, grid digitization, and customer census to record and store basic data. Under the compact, ECG institutionalized gender responsiveness to support gender auditing, developed a gender policy, and increased its institutional capacity to implement its gender policy and enhance the capacity of female employee associations.

The compact supported activities to reduce electricity demand and increase energy efficiency that included the development of new energy efficiency standards that were approved by the Ghanaian Parliament; the construction and installation of a new Air Conditioner and Refrigerator Test Laboratory, the first of its kind in West Africa, that aims to curtail the country's importation of low-quality¹⁴,000 new, energy efficient LED streetlights; and, the retrofitting of government buildings with high energy efficiency appliances.

The compact supported construction of two bulk substations with feeders to existing primary substations serving over 600,000 utility customers, and two primary substations, the largest in the country, with interconnecting sub-transmission links and medium voltage offloading circuits serving over 800,000 utility customers. These were expected to ease overloading, help reduce technical losses and avoid extended power outages. In addition, infrastructure improvements were made to the distribution network by installing new distribution transformers and new conductors to improve the current-carrying capacity in communities and 10 markets.

Efforts to reduce commercial losses at ECG included the creation of service connection standards and normalization of existing services, strengthening the loss control program and installation of automated meter readers in the ECG target regions as well as installation of metering at critical nodes of the distribution system to provide ECG the ability to identify and monitor where technical and commercial losses are occurring.

Preliminary Results (as of Compact End Date)

Electricity Company of Ghana Financial and Operational Turnaround Project:

- 1,160 kilometers of distribution lines upgraded or built, exceeding the target of 717 kilometers
- 1,350 MVA of distribution substation capacity added, exceeding the target of 1,323 MVA

- 2 bulk supply points established, meeting the target
- 29.5 kilometers of interconnecting sub-transmission lines (33kV) added, exceeding the target of 27 kilometers
- 39.28 kilometers of medium voltage offloading lines (11kV and/or 33kV) added, exceeding the target of 22.45 kilometers
- GIS-based distribution management system in place on March 30, 2022
- 756 females participated in STEM Internship and Mentoring Program, exceeding the target of 600

Energy Efficiency and Demand Side Management Project:

- \$6,046,576 of \$30,000,000 targeted energy savings achieved from upgraded streetlights
- \$1,650,699 of \$6,000,000 targeted energy savings achieved from “race to retrofit”
- 20 products with standards developed and legislative instruments drafted, meeting the target
- 0 products (out of 20 targeted products) with legislative instruments on standards passed in Parliament
- 1 appliance test labs established, meeting the target
- 89 teachers trained on energy efficiency and conservation curriculum, exceeding the target of 84
- 9,416 out of 9,575 targeted students reached through energy efficiency and conservation curriculum

Regulatory Strengthening and Capacity Building Project:

- Capacity needs assessment completed August 23, 2017
- Tariff Plan adopted September 5, 2017

Evaluations

Electricity of Ghana (ECG) Financial and Operational Turnaround Project:

MCC’s [Ghana Power Compact](#) funded the \$220 million Electricity Company of Ghana Financial and Operational Turnaround Project to improve the quality and reliability of electricity through reduced outages and cost-effective service delivery by ECG, reduce aggregate technical, commercial and collections losses, and ensure ECG can serve as a creditworthy and credible offtaker under power purchase agreements. The project supported a Private Sector Partnership and provided infrastructure investments and a number of activities focused on management systems. These activities supported the theory that introducing a private sector concessionaire and technical assistance would lead to improved management of the utility and improved power quality in Ghana.

MCC commissioned an independent performance evaluation of the project, using pre-post methodology. An evaluation design report and baseline report are available [here](#). Final evaluation results will be available in 2025.

Line Bifurcation (Part of the Technical Loss Reduction Activity):

MCC's [Ghana Power Compact](#) funded the \$220 million Electricity Company of Ghana (ECG) Financial and Operational Turnaround Project to improve the quality and reliability of electricity through reduced outages and cost-effective service delivery by ECG. The Technical Loss Reduction Activity includes investments in low voltage line bifurcation and network improvements in Accra, Ghana to reduce low voltage circuit lengths and ensure length does not impact quality of service or exceed a technical loss threshold.

MCC commissioned an independent impact evaluation of the Line Bifurcation intervention within the project, using a difference-in-differences with matching methodology. An evaluation design report and baseline report are available [here](#). Final evaluation results will be available in 2024.

Regulatory Strengthening Project:

MCC's [Ghana Power Compact](#) funded the \$2.8 million Regulatory Strengthening and Capacity Building Project to ensure the sustainability of compact investments by supporting electricity sector regulatory reform, particularly tariff reform. The project provided tariff studies, technical assistance, and capacity building for Ghana's electricity sector regulators. These activities supported the theory that an improved regulatory environment would lead to improved electricity quality and sector financial health, ensuring the sustainability of the power sector.

MCC commissioned an independent performance evaluation of the Regulatory Strengthening Project, using pre-post methodology. An evaluation design report and final evaluation report are available [here](#); key evaluation findings include:

Regulatory Capacity Building

- The project successfully completed a sector capacity scan and delivered training activities to 89 regulatory personnel.
- Limited and sometimes inaccurate data, along with competing stakeholder interests, hampered the regulator's ability to set tariffs. However, the regulator's primary challenge is to maintain independence in the face of political pressure.

Tariff Reform Challenges

- Stakeholders are pessimistic that the regulator will prioritize cost-recovery and cost-reflective tariffs in the foreseeable future, given political pressures.

Tariff Structure and Rates

- The project delivered high-quality tariff studies and a tariff model.
- Leadership at the regulator did not actively engage with the study activities and recommendations, likely because of political pressures.
- The regulator has not changed the tariff structure or rates in accordance with the tariff plan funded by the compact.

- Recent tariff adjustments have not moved toward cost-reflective tariffs, and the average tariff is not sufficient to cover utility operating costs.

Energy Efficiency and Demand-Side Management Project:

MCC's [Ghana Power Compact](#) funded the \$22 million dollar Energy Efficiency and Demand-side Management Project aimed to achieve greater energy efficiency and minimize power waste. The project funded the development of energy standards and labels, energy auditing, public information, and constructed energy-efficient streetlights in Accra East and West. These activities supported the [theory](#) that energy savings would reduce peak load on the electricity network.

MCC commissioned an independent performance evaluation of the Energy Efficiency and Demand-side Management Project, using pre-post methodology. An evaluation design report and baseline report are available [here](#). Final evaluation results will be available in 2025.

KOSOVO THRESHOLD PROGRAM

MCC's \$49 million Kosovo Threshold Program, which closed in 2022, sought to address two key constraints to Kosovo's economic growth: an unreliable supply of electricity; and real and perceived weakness in rule of law, government accountability, and transparency. MCC's investments were designed to strengthen the power sector by fostering a market-driven approach to lowering energy costs for households and businesses, encouraging energy efficiency, and developing new sources of electricity generation. The program also supported the Government of Kosovo's efforts to improve decision-making and accountability by increasing the accessibility and use of judicial, environmental, and labor force data.

MCC in partnership with Kosovo designed the SEEK program (Subsidies for Energy Efficiency in Kosovo), which incentivized people across the country to reduce household energy consumption and lower energy costs by subsidizing the cost of retrofitting houses and apartment buildings with energy efficiency measures, such as improving thermal insulation of walls and roofs and installing energy-efficient water heaters and furnaces. As a result, approximately 1,700 families in different municipalities across the country saved on their monthly energy bills by retrofitting their homes and apartment buildings to achieve greater energy efficiency. This pilot was an effective proof of concept for how families can be more comfortable in their homes during the wintertime, while also reducing their energy consumption. The government now has data that they can use for the scaling of similar investments going forward.

Additionally, the program worked with the Municipality of Pristina and Termokos, the utility, to install metering systems for 10,500 Termokos customers in support of the process to convert from area-based billing to consumption-based billing. This change gave residents control over their own energy bills, incentivizing them to only use what they need. The savings from household behavior change can be used to further expand the district heating system to new customers.

The Women in Energy Program took a holistic approach to address the barriers preventing women from engaging more fully in their nation's economy. The Women in Energy Entrepreneurs (WEE) activity engaged academic institutions, the private sector, and local governments to promote greater opportunities

for employment of women in Kosovo’s energy sector. WEE supported over 400 women entrepreneurs to invest in energy efficiency machinery, equipment, renewable energy technology, and building-related energy saving measures. Investments supporting women entrepreneurs have encouraged them to grow and expand their businesses locally and internationally. The Women in Energy Program also established a pipeline for future generations of women leaders in science, technology, engineering, art and math (STEAM) by giving 200 young women internships in the energy sector as well as awarding fully funded scholarships to study in STEAM related fields in the United States. The partnership between MCC and Kosovo also resulted in awareness campaigns designed to encourage women’s economic participation in the energy sector that reached more than 20,000 people in the span of eight days in 2022.

Finally, the MCC-Kosovo partnership has increased the amount of available data to promote government transparency, accountability, and data-driven decision making at all levels of government. DigData Kosovo—a program focused on four open data initiatives in the areas of energy, employment, air quality, and judicial data—crowdsourced solutions on how open data can better inform government policies. Through open data competitions, the Government of Kosovo welcomed collaboration among the public, civil society, the media, academia, think tanks, the private sector, and civil servants to promote data-driven government policies that align with the needs of the public.

Preliminary Results (as of Threshold End Date)

Reliable Energy Landscape Project:

- 26 apartment buildings retrofitted, exceeding the target of 25
- 962 out of 2,600 targeted households investing in energy efficiency
- 3,200 walk-through energy audits conducted, exceeding the target of 2,002
- \$8,391,486 of incentives deployed to households, exceeding the target of \$8,000,000
- Cost-effective energy efficiency model and best practices identified iteratively in September 2022 and transferred to the Government of Kosovo to inform design of future energy efficiency schemes
- 283 qualified installers, auditors and contractors from private firms, and public institutions trained, exceeding the target of 250
- 383 women entrepreneurs invested in Energy Efficiency, exceeding the target of 150
- 237 women received scholarships and internships to join the energy sector workforce, exceeding the target of 228
- 112 women employed through RELP, exceeding the target of 100
- 10,500 of 17,500 efficient district heating metering systems installed in households
- 26 trained staff from municipal utility (Termokos) and national regulatory (Energy Regulatory Office) agencies, exceeding the target of 10

- 90 out of 100 targeted renewable energy and energy efficiency projects are considered “bankable” and ready to apply for commercial loans
- 2 out of 8 targeted commercial banks offered technical assistance regarding renewable energy market standards and project finance preparation
- 11 Kosovo Credit Guarantee Fund staff or supporting consultants trained on renewable energy market standards and project finance preparation, exceeding the target of 7

Transparent and Accountable Governance Project:

- Online platform for individual case tracking and statistical data generated launched October 19, 2022
- 28 out of 120 targeted Kosovo Judicial Council, Kosovo Prosecutorial Council, and Ministry of Justice officials trained through the Public Access to Judicial Information activity
- 40,850 out of 50,000 targeted citizens interested and/or informed regarding air quality health impacts
- 13 air quality monitoring stations functional and communicating data automatically, meeting the target
- 13 out of 20 targeted partnerships formed between Government of Kosovo, civil society organizations, and the private sector
- \$1,130,943 of Open Data Challenge grants awarded, exceeding the target of \$834,878
- 4 datasets prepared by Millennium Foundation of Kosovo for Kosovo Open Data Challenge

Evaluations

Transparent and Accountable Governance Project:

MCC’s Kosovo Threshold Program funded the \$7.2 million Transparent and Accountable Governance Project to support the Government of Kosovo’s efforts to improve decision-making and accountability by increasing the accessibility and use of judicial, environmental, and labor force data. The project supported the implementation of a case management information system to make judicial information publicly available, improvements to the collection and reporting of environmental data to the public and open data innovation competition. These activities supported the theory that public access to data will lead to more productive partnerships between government and civil society.

MCC commissioned an independent performance evaluation of the Transparent and Accountable Governance Project using contribution analysis and political economy analysis methodologies. An evaluation design report and baseline report are available [here](#). Final evaluation results will be available in June 2024.

Reliable Energy Landscape Project:

MCC's Kosovo Threshold Program funded the \$35.5 million Reliable Energy Landscape Project to reduce the gap between energy supply and demand in Kosovo. The project provided incentives to encourage household energy efficiency and facilitate the switch to non-electric sources of heating through a pilot activity. The project also supported private-sector participation in the power sector and created opportunities for women to participate in the energy sector through both employment and entrepreneurship. The program was designed to strengthen the power sector by fostering a market-driven approach to lowering energy costs for households and businesses, encouraging energy efficiency, and developing new sources of electricity generation.

MCC commissioned an independent mixed-methods impact evaluation of the Reliable Energy Landscape Project, using interrupted time series and pre-post methodologies. An evaluation design report and baseline report are available [here](#). Final evaluation results will be available in December 2024.

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.

Program	Project/Activity	Programmatic Change	Description
Niger	Irrigation and Market Access Project/Irrigation Perimeter Development Activity, Roads for Market Access Activity, Policy Reform Activity, Climate Resilient Communities Project/Climate Resilient Agriculture Activity	\$14,511,927.05 million was reallocated within the Irrigation and Market Access Project, \$9,444,976.47 million was reallocated within the Climate Resilient Communities Project, \$534,420.00 was re-allocated out of the Monitoring and Evaluation budget to the Program Administration budget, and \$4,070,618.00 was reallocated within the Program Administration budget.	The reallocations provide funding for critical works and resettlement contracts that saw delays and cost increases due to COVID-19. They also increase funds for the fertilizer reform to scale up a successful pilot and further engage the private sector. The funds will cover newly vetted costs for constructing livestock markets and small-scale irrigation under the Climate Resilient Agriculture Activity. Finally, the reallocations move excess funds from other Program Administration line items and from the M&E budget to cover the extension of the Procurement Agent contract through the end of the program.

PROJECTED BENEFICIARIES AND INCOME BENEFITS BY COMPACT

Under MCC's results framework, beneficiaries are defined as an individual and all members of his or her household who will experience an income gain as a result of MCC's interventions. 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 benefit-cost analysis. MCC may reassess and modify its beneficiary estimates and/or the present value of benefits when project designs change during implementation.

Compact	Estimated Number of Beneficiaries	Estimated Net Benefits over the Life of the Project (Present Value) ³
Armenia	428,000	\$150,400,000

Compact	Estimated Number of Beneficiaries	Estimated Net Benefits over the Life of the Project (Present Value)³
Benin	14,059,000	\$140,400,000
Benin Power	10,600,000	\$24,800,000
Benin-Niger Regional	1,600,000	\$28,040,000
Burkina Faso	1,181,000	(\$123,300,000)
Cape Verde	385,000	\$84,600,000
Cape Verde II	604,000	\$72,000,000
Cote d'Ivoire	11,300,000	\$493,100,000
El Salvador	706,000	\$262,100,000
El Salvador Investment	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
Ghana Power	7,800,000	(\$31,000,000)
Honduras	1,705,000	\$252,500,000
Indonesia	1,700,000	\$5,500,000
Jordan	3,000,000	\$89,300,000
Kosovo	1,800,000	N/A
Lesotho	1,041,000	\$75,500,000
Lesotho Health and Horticulture	2,500,000	(\$17,404,051)
Liberia	528,000	\$8,000,000
Madagascar	480,000	\$46,800,000
Malawi	983,000	\$234,100,000
Malawi Transport and Land	5,394,000	N/A
Mali	2,837,000	\$136,300,000
Moldova	414,000	(\$66,700,000)
Mongolia	2,058,000	\$54,500,000
Mongolia Water	2,430,000	N/A
Morocco	1,695,000	\$610,200,000
Morocco Employability and Land	1,020,131	\$844,221,542
Mozambique	2,685,000	\$120,900,000
Namibia	1,063,000	\$133,800,000
Nepal	22,659,000	N/A
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

Compact	Estimated Number of Beneficiaries	Estimated Net Benefits over the Life of the Project (Present Value)³
Senegal Power	12,800,000	\$741,503,703
Tanzania	5,425,000	\$775,400,000
Timor-Leste	957,721	\$81,263,971
Vanuatu	14,783	\$83,500,000
Zambia	1,200,000	\$62,200,000
Total for All Compacts	266,007,635	\$6,597,625,165

Notes:

1. The table includes estimates for compacts that have been signed and have economic rates of returns (ERRs) from which income benefit calculations can be drawn. The estimates are calculated using information available at the time of publication and may not capture the full count of beneficiaries and net benefits. As such, these estimates are subject to change as the compact is further developed and/or implemented and new information is available.
2. These estimates do not include the projected beneficiaries of projects or activities that have been terminated or suspended by MCC (Madagascar, Honduras, Nicaragua, Mongolia, Armenia, and Burkina Faso). 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% discount rate. Estimates are reported in millions of US\$ 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.

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 the 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 50 evaluation-based ERRs by the end of FY 2023. Five examples are included in the table below.

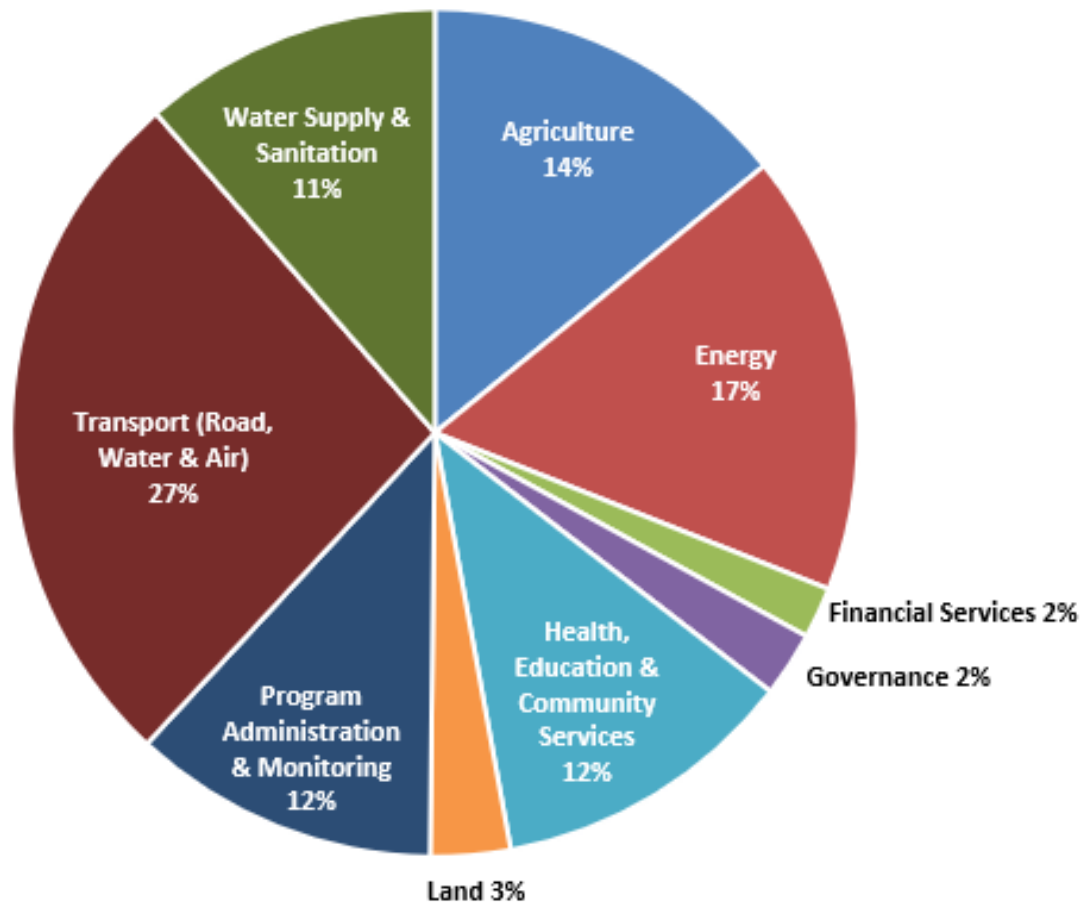
Country	Project	Year Final Evaluation Report Published	Original ERR	Independent Evaluation- Based ERR	Explanation
Indonesia	Green Prosperity: On-Grid Renewable Energy Grant Portfolio	2019	Between 27-30% over 20 years	Between 13-42% over 20 years	The original ERR for the three biogas grants was an average 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.

Country	Project	Year Final Evaluation Report Published	Original ERR	Independent Evaluation-Based ERR	Explanation
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 only affect water collectors, rather than the whole population. This, in turn, lowered the overall calculated ERR.
Ghana	Community Services - Education	2015	12.1% over 35 years	Between 9.1-11% over 20 years	The updated CBA model used adjusted assumptions around incorporating the costs of preventative 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.

Country	Project	Year Final Evaluation Report Published	Original ERR	Independent Evaluation-Based ERR	Explanation
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 ex-post ERR was lower than was originally assumed due to higher observed disease prevalence rates in 2014 between treatment and comparison areas surveyed and a more aggressive disease spread than originally calculated. In addition, the model was updated due to lower-than-expected survival rates of seedlings from 71 percent in year 3 to 60 percent (epidemic) and 43 percent (endemic) in year 5.

COMPACT PORTFOLIO INVESTMENTS BY SECTOR

Cumulative, as of First Quarter FY 2023



MCC RESULTS





Implementation Results by Sector

MCC and its country partners develop and tailor monitoring and evaluation plans for each program and country. Within these country-specific plans, MCC uses common indicators to standardize measurement and reporting within 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 2022.





Agriculture and Irrigation

Common Indicator	Achievements since 2005	Active and Closed Programs Measured
 Farmers trained	426,495	Armenia, Burkina Faso, Cabo Verde I, El Salvador I, Ghana I, Honduras, Indonesia, Madagascar, Mali, Moldova, Morocco I, Morocco II, Mozambique, Namibia, Nicaragua, Niger
 Farmers who have applied improved practices as a result of training	127,112	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





Education

Common Indicator	Achievements since 2005	Active and Closed Programs Measured
 Educational facilities constructed or rehabilitated	873	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	394,840	Burkina Faso, Cote d'Ivoire, El Salvador I, El Salvador II, Georgia II, Ghana I, Guatemala, 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




Energy

Common Indicator	Achievements since 2005	Active and Closed Programs Measured
 Megawatts of generation capacity added	113	Indonesia, Liberia, Malawi
 Megavolt amps of substation capacity added	2,756	Ghana II, Liberia, Malawi, Tanzania
 Kilometers of electricity lines upgraded or built	6,083 (3,780 miles)	El Salvador I, Ghana I, Ghana II, Indonesia, Liberia, Malawi, Tanzania
 Customer connections added by project	44,507	El Salvador I, Indonesia

Land

Common Indicator	Achievements since 2005	Active and Closed Programs Measured
 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	361,634	Burkina Faso, Cabo Verde II, Ghana I, Lesotho, Mongolia I, Morocco II, Mozambique, Namibia, Niger, Senegal I

Transportation

Common Indicator	Achievements since 2005	Active and Closed Programs Measured
 Kilometers of roads under design	4,773 (2,966 miles)	Burkina Faso, Cabo Verde I, Cote d'Ivoire, El Salvador I, El Salvador II, Ghana I, Honduras, Moldova, Mongolia, Mozambique, Nicaragua, Niger, Philippines, Senegal, Tanzania, Vanuatu
 Kilometers of roads under works contracts	4,260 (2,647 miles)	Burkina Faso, Cabo Verde I, El Salvador I, El Salvador II, Georgia I, Ghana I, Honduras, Mali, Moldova, Mongolia, Mozambique, Nicaragua, Niger, Philippines, Senegal, Tanzania, Vanuatu
 Kilometers of roads completed	3,563 (2,214 miles)	Armenia, Burkina Faso, Cabo Verde I, El Salvador I, Georgia I, Ghana I, Honduras, Mali, Moldova, Mongolia I, Mozambique, Nicaragua, Philippines, Senegal, Tanzania, Vanuatu

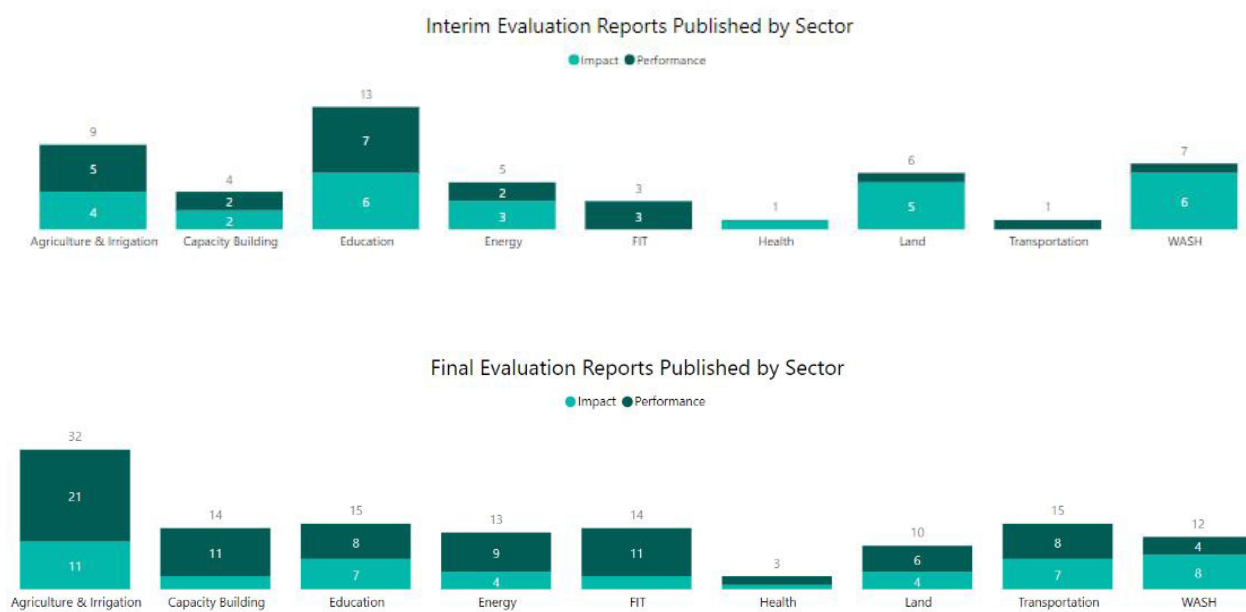
Water, Sanitation, and Hygiene

Common Indicator	Achievements since 2005	Active and Closed Programs Measured
 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 (1,032 miles)	Cabo Verde II, Jordan, Lesotho, Sierra Leone THP, Zambia
 Millions of liters per day of water production capacity added	220	Liberia, Tanzania

Independent Evaluations

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

As of January 2023, MCC has published 46 interim and 128 final independent evaluation reports. The graphs below present the number of interim and final reports that MCC has published, by sector and evaluation type. Impact evaluations estimate changes in outcomes that are attributable to MCC investments. Performance evaluations estimate the contribution of MCC investments to changes in outcomes.



FY 2023 CORPORATE GOALS/PRIORITIES

1. Deliver a clear and impactful MCC@20 vision

Build and deliver a more relevant and higher impact MCC@20.

- Deliver on the MCC@20 vision.
- Tell the MCC Story.
- Align MCC for Success in the Future.

2. Design, Deliver, and Evaluate High-Quality Compacts, Threshold, and Regional Programs

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

- Support the timely achievement of identified key milestones for all programs in development.
- Support the achievement of identified milestones for programs in implementation and close out.
- Reduce compact development timelines (from selection to signing and signing to entry into force).
- Support the completion and dissemination of evaluation results and other learning products.

3. Integrate Policy Priorities to Achieve Quality Economic Growth that is Sustainable, Inclusive, and Private sector-led

- Address Climate Change consistent with MCC's Climate Strategy.
- Integrate Inclusion and Gender as defined in MCC's Inclusion and Gender Strategy.
- Catalyze private investment in and around MCC programs and projects to maximize scale and impact, including through USG agencies such as DFC, USAID, and Department of State.

4. Improve MCC's Operational Efficiencies and Effectiveness, including driving MCC's agility and responsiveness to both HQ and field needs

- In Headquarters and the field, enhance, streamline, and modernize MCC's operations to increase impact and better manage risk.
- Ensure all MCC and MCA staff are informed and continue to follow agency-wide policies and procedures, while reviewing and streamlining them, and leveraging technology when and where possible.
- Support MCC's data-driven culture and provide leadership with feedback that allows for continuous improvement in the quality and speed of strategic decision-making.
- Promote innovation and learning around program implementation and timelines.

- Delegate and strengthen country ownership of programs and accountability for implementation and results.
5. **Refine MCC's Human Capital and Resource Capabilities and Foster a Diverse, Equitable, Inclusive, and Accessible (DEIA) Culture**
- More effectively recruit, deploy, and retain resources to meet MCC's mission and achieve program objectives, including the ability to scale and resource the evolving scope and impact of MCC programs and projects.
 - Implement hybrid modalities that are flexible and facilitate engagement, productivity, and agility while continuing to prioritize the health and safety of staff.
 - Develop and approve a Human Capital Strategic Implementation Plan, including a review and assessment of the Human Capital and Resourcing model.
 - Support the agency and leadership on ensuring resources are adequately managed to uphold MCC's mission in the most efficient manner and align them to assist in meeting MCC's strategic corporate goals.
 - Enhance agency-wide operations to drive corporate effectiveness, efficiency, and compliance.
 - Institutionalize DEIA programs and related activities.

Reducing Poverty Through Growth

