



MILLENNIUM  
CHALLENGE CORPORATION  
UNITED STATES OF AMERICA

Fact Sheet

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# Environmental Sustainability in MCC Programs

The Millennium Challenge Corporation (MCC) is an innovative and independent U.S. foreign aid agency that is helping lead the fight against global poverty. Created by the U.S. Congress in 2004 with strong bipartisan support, MCC is changing the conversation on how best to deliver smart U.S. foreign aid by focusing on good policies, country ownership and results.

In MCC partner countries, communities rely heavily on their natural environment for sustenance and economic opportunity. The environment provides food, water, fuel, oxygen, and timber; regulates floods, water quality, disease, and climate; and supports the soils that sustain agriculture.

MCC recognizes that the environment and natural resources must be valued and managed well to achieve economic growth and poverty reduction. To be sustainable, development must meet current populations' needs and expand opportunities for future generations.

Recent industrialization trends have contributed to economic growth but bring with them risks of environmental degradation and unsustainable development. For example, deforestation increases risks of flooding, reduces access to clean water and releases gases that contribute to global warming. Climate change can magnify other environmental and social risks, such as food security, water scarcity and access to energy (like charcoal used for cooking). These effects leave the poor particularly vulnerable.

## Policy Performance & Country Selection

To address these environmental challenges, MCC incorporates better management of this “natural wealth” into its model of economic development. MCC's eligibility criteria include measurements of policy performance in natural resource protection and land rights and access. In selecting partner countries, MCC also evaluates access to clean water, child health, ecosystem protection, and regulatory policy. This evaluation of policy performance, published annually in public country scorecards, provides incentive for countries to prioritize effective natural resource management.

For those countries selected as eligible to develop MCC compacts, environmental and social considerations are integral components of project selection, design and implementation. Moreover, MCC requires countries to manage the environmental and social risks of compact-funded activities consistent with international best practices.

MCC's mission is to achieve poverty reduction through economic growth. Often, this can be best achieved through projects that build upon better management of a country's natural wealth. Several examples follow.

**El Salvador.** In El Salvador, the quality and quantity of water is key to human health and productive livelihoods. MCC's \$461 million compact includes a \$17 million investment in water and sanitation projects that promote economic development. The project engages local residents and government officials to secure water supplies through participatory planning of small watersheds and more efficient and sustainable water resource management. The benefits of the program are expected to include reduced cost and time to collect water, reduced incidence of water-borne diseases, lower health care costs, and fewer work days lost to water-borne illnesses.

**Indonesia.** Indonesia is among the world's top emitters of greenhouse gases. The majority of these greenhouse gas emissions result from deforestation and land-use conversion; however, emissions from energy and industrial sources are growing rapidly. The Government of Indonesia is committed to a more sustainable future, with a target of reducing greenhouse gas emissions by 26 percent by 2020 while maintaining seven percent annual economic growth. MCC's \$600 million compact with Indonesia includes a \$332 million project that aligns closely with this commitment. The compact's Green Prosperity Project will provide technical and financial assistance to support rural development that reduces reliance on fossil fuels, improves land management, protects natural resources, and reduces emissions from deforestation.

With MCC support, communities and government will collaborate to improve policies and policy implementation, build capacity in natural resource management and fund sustainable investments. The centerpiece of the project is a facility that will invest in renewable energy and sustainable management of natural resources. These investments are expected to enhance economic growth, reduce poverty, complement efforts to lower greenhouse gas emissions, and create incentives for sustainable development at the local level.

**Mali.** Scarce water supplies and seasonal fluctuations in rainfall amounts have proved a challenge to food security in Mali, disrupting subsistence rain-fed agriculture and contributing to Mali's consistently low ranking in the United Nations' Human Development Index. Recognizing the direct link between poverty and agricultural development, MCC's \$461 million compact included the \$235 million Alatona Irrigation Project that sought to develop more than 5,000 hectares of irrigated production systems. The project took a holistic approach to agricultural development by installing physical irrigation infrastructure; introducing improved agricultural, land tenure and water-management practices; and generating policy and organizational reforms—all to benefit small-scale farmers.

Until this project, most rural Malians lacked official land rights, and their livelihoods were subject to climatic fluctuations and uncertainties. Farmers in project areas now have access to sustainable crop irrigation, are in the process of securing land rights and have significantly increased agricultural productivity and incomes. The project's provision of women's gardens, schools, access to clean water and sanitation, improved

*“Half of the urban population in Africa, Asia, Latin America, and the Caribbean suffers from one or more diseases associated with inadequate water and sanitation.”*

*—UN Millennium Ecosystem Assessment<sup>1</sup>*

<sup>1</sup> United Nations Millennium Ecosystem Assessment, 2005. Ecosystems and Human Well-being: Synthesis. Island Press, Washington, DC. <http://www.maweb.org/en/Synthesis.aspx>

healthcare facilities, and support to community-based management of forests and rangelands will help ensure project benefits are both sustainable and distributed equitably to men, women and children.<sup>2</sup>

**Moldova.** Climate change and increased demand for water spells an uncertain future for water resources in Moldova. Farming accounts for 40 percent of the country's employment, and the sector is heavily dependent on antiquated, Soviet-era irrigation systems. MCC's \$262 million compact includes a project designed to modernize the country's irrigations systems. The project will improve Moldova's management of water resources in three ways. By reforming and modernizing the water law, Moldova will support an integrated approach to water management that considers all uses of water and assigns water accordingly through a transparent allocation system. By better engaging water users, communities and government officials, Moldova will strengthen institutional capacity in participatory planning and water management. By improving water monitoring, Moldova will have the ability to make more informed decisions regarding sustainable and equitable water management.

**Namibia.** MCC's \$304 million compact includes two projects designed to generate income and reduce poverty through improved sustainable use of natural resources. The compact's Agriculture Project includes activities that will improve management of Namibia's rangelands in order to increase land productivity, improve livestock production and bring higher revenues to farmers through livestock commercialization.

The Agriculture Project's Indigenous Natural Products Activity seeks to increase incomes of some of Namibia's poorest households by increasing the harvesting, processing and sale of natural products. The program aims to develop trade agreements that will ensure local residents retain a greater percentage of revenue generated by the sale of these plants. Plant producers include women's organizations and other vulnerable indigenous minority groups.

Namibia is well-known for its rich wildlife resources. The compact's Tourism Project seeks to increase revenues to rural Namibians stemming from wildlife-based tourism by increasing the participation of community wildlife and tourism management organizations, known as conservancies, in tourism enterprises. With MCC support, rural communities receive training and technical assistance in the areas of natural resource management, institutional development, governance, and tourism enterprise management. MCC also supports conservancies in developing benefit distribution plans, with an explicit focus on encouraging conservancies to use revenues for community services or cash dividends disbursed directly to members. Additionally, the Tourism Project will increase the marketing of Namibia as a tourism destination and improve the management and infrastructure of Etosha National Park, Namibia's flagship national park.

#### **For More Information**

Please visit [www.mcc.gov/environment](http://www.mcc.gov/environment).

*“Climate change could have significant geopolitical impacts around the world, contributing to poverty, environmental degradation and the further weakening of fragile governments.”*

*—Department of Defense QDR Report<sup>3</sup>*

<sup>2</sup> In May 2012, the MCC Board of Directors approved termination of the Mali Compact due to an undemocratic change in government.

<sup>3</sup> Department of Defense Quadrennial Defense Review Report, 2010. Washington, DC. [http://www.defense.gov/QDR/images/QDR\\_as\\_of\\_12Feb10\\_1000.pdf](http://www.defense.gov/QDR/images/QDR_as_of_12Feb10_1000.pdf).