



G A O

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United States Government Accountability Office
Washington, DC 20548

July 14, 2010

Congressional Committees

Subject: *Millennium Challenge Corporation: Summary Fact Sheets for 17 Compacts*

The Millennium Challenge Corporation (MCC), now in its seventh year of operations, is to provide aid to developing countries that have demonstrated a commitment to ruling justly, encouraging economic freedom, and investing in people. MCC provides assistance to eligible countries through multiyear compact agreements to fund specific programs targeted at reducing poverty and stimulating economic growth. MCC has received appropriations for fiscal years 2004 through 2010 totaling about \$9.5 billion and has set aside about \$8.1 billion of this amount for compact assistance. As of June 2010, MCC had signed compacts with 20 countries totaling approximately \$7.1 billion; of the 20 compacts, 18 compacts had entered into force, obligating a total of approximately \$6.3 billion. The President has requested approximately \$1.3 billion in additional funds for MCC for fiscal year 2011, of which MCC plans to use about \$1.1 billion for compact assistance to countries currently eligible for compacts.

Enclosed are fact sheets for 17 of the MCC compacts that had entered into force as of December 2009.¹ The fact sheets summarize each country's

- general country characteristics and location,
- timeline of key compact events as of June 2010,
- per capita income relative to MCC income criteria,
- performance on MCC's eligibility indicators,
- compact characteristics and structure,
- compact funding and project allocations as of December 2009, and
- planned and actual compact fund disbursements through December 2009.²

¹We have not included a fact sheet on the Madagascar compact because, as the result of an undemocratic transfer of power in Madagascar in March 2009, MCC formally terminated the compact effective August 31, 2009.

²The data within the fact sheets reflect the most recent information available on compact modifications and take into account MCC's ongoing planning and disbursement processes. As a result, key compact events are reported as of the end of the third quarter of fiscal year 2010 (June 2010); compact project allocations are reported as of the end of the first quarter of fiscal year 2010 (December 2009); planned actual compact fund disbursements are reported through the end of the first quarter of fiscal year 2010 (December 2009).

Scope and Methodology

We compiled and summarized data from a number of sources to develop these fact sheets, including our previous reporting on MCC, as follows:

- To provide a general overview of each country's characteristics, we used information from the World Bank and from the Central Intelligence Agency World Fact Books.
- To develop timelines of key compact events, we analyzed MCC data from its fiscal year 2009 financial report and our previous reporting.
- To depict countries' income categorization, we compared World Bank data on per capita gross national incomes (GNI) with MCC's income eligibility thresholds published in its annual candidate country reports.
- To summarize country performance on MCC eligibility indicators, we used data from MCC's annual candidate country scorecards and eligible country reports.
- To summarize each compact's characteristics and structure, we reviewed and analyzed MCC's compacts, compact summaries, and monitoring and evaluation plans at compact signature, and the fiscal year 2011 Congressional Budget Justification. These summaries reflect the compact structure as of December 2009 and expected beneficiaries recalculated as of fiscal year 2009. Expected results are reported as of compact signature, however MCC continues to modify expected results as projects evolve and as new data becomes available.
- To analyze compact allocations, disbursements, and commitments, we compiled public information from MCC's quarterly reports on compact obligations, disbursements, and commitments published in the *Federal Register* and from MCC's quarterly country status reports.³ The planned disbursements we report are based on MCC's financial plan projections at compact signature and as of December 2009 and on the assumption that compact funds are disbursed evenly throughout the compact term and implementation year. One country, Mongolia, had a major reallocation of funds that MCC approved at the end of 2009; however, the reallocations were not implemented until January 2010. Although the implementation date for these reallocations was outside our scope, we have included information on the reallocations using MCC's most current financial plan.

To clarify and confirm our understanding of this information, we met with MCC officials.

We determined that World Bank gross national income per capita data were sufficiently reliable to depict countries' income categorization as compared to MCC's eligibility cutoffs.

³MCC compact funds are committed up front when compacts are signed with the partner country and obligated after a compact enters into force. MCC defines allocations as compact funds assigned to a specific compact project, which may be reallocated among projects during compact implementation. Disbursements are payments from MCC compact funds, usually directly to a vendor. These funds are authorized for expenditure on a quarterly basis for costs associated with program implementation. The agency defines contract commitments as the forecasted value of any contract (or recurring expense outside of a contract such as salaries or utilities), and on the project level, these forecasts are often listed as "commitments."

We further determined that MCC financial data were sufficiently reliable for our purposes based on our review of U.S. Agency for International Development Inspector General Audits of MCC's internal controls and financial statements. We did not independently assess the reliability of MCC's projections of all countries' compact results in this review and have noted this accordingly on each fact sheet.⁴ We conducted our work from January 2010 to July 2010 in accordance with sections of GAO's Quality Assurance Framework relevant to our objectives. This framework requires that we plan and perform the engagement to obtain sufficient and appropriate evidence to meet our stated objectives and discuss any limitation in our work. We believe that the information and data obtained, and the analysis conducted, provide a reasonable basis for any findings and conclusions.

Agency Comments and Our Evaluation

We provided a draft of the fact sheets to MCC for review. MCC provided written comments about the draft, which we have reproduced in enclosure I. Regarding the rate of funds disbursement, MCC stated that the pace is, in some cases, slower than projected when the compacts were signed. MCC notes that the disbursement lags can be attributed to a number of factors, which MCC and the partner countries are addressing. Regarding projected compact beneficiaries and results, MCC noted that, as a part of its monitoring and evaluation, MCC periodically reviews and revises compacts' results and beneficiaries in light of evolving project designs or additional data.

We also received and incorporated as appropriate a number of technical comments from MCC.

We are sending copies of this report to interested congressional committees. We will also make copies available to others on request. In addition, the report will be available at no charge on GAO's [Web site at http://www.gao.gov](http://www.gao.gov). If you or your staff have any questions or wish to discuss this material further, please contact me at (202) 512-3149 or gootnickd@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Emil Friberg, Jr. (Assistant Director), Miriam Carroll Fenton, and Suneeti Shah Vakharia made significant contributions to this report. Jena Sinkfield, Etana Finkler, Ernie Jackson, Reid Lowe, and Amanda Miller provided technical assistance.



David B. Gootnick
Director, International Affairs and Trade

⁴Previous GAO work examined the methodology used by MCC to determine compact projects' results. See GAO, *Millennium Challenge Corporation: Vanuatu Compact Overstates Projected Program Impact*, [GAO-07-909](#) (Washington, D.C.: July 11, 2007) and *Millennium Challenge Corporation: Independent Reviews and Consistent Approaches Will Strengthen Projections of Program Impact*, [GAO-08-730](#) (Washington D.C.: June 17, 2008).

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Enclosure I: Comments from the Millennium Challenge Corporation



June 28, 2010

Mr. David B. Gootnick
Director, International Affairs and Trade
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Gootnick:

Thank you for the opportunity to provide comments on the GAO report entitled "Millennium Challenge Corporation: **Summary Fact Sheets for 17 Compacts Entered into Force.**" MCC appreciates GAO's summaries of our compacts that reduce global poverty through the promotion of sustainable economic growth, and wishes to clarify certain points regarding the pace of our disbursements as well as the dynamic nature of our project evaluation process.

Compact Disbursement Rates

MCC acknowledges that the pace of its disbursements, in some cases, is slower than projected by the general financial plans developed when individual compacts were signed. These lags are attributed to a number of factors being addressed by MCC and our partner countries.

First, as a result of more project feasibility work being conducted during the compact development process, MCC has greater certainty on project costs and is therefore able to develop more complete financial plans at the time of compact signing. Second, implementing units, known as MCAs, are now established and mobilized earlier, allowing procurements to begin sooner after compact signature, which in turn allows for earlier disbursements. Third, during implementation, MCC requires MCAs to update their detailed financial plans on a quarterly basis. This process provides MCC with revised quarterly projections for the remainder of the compact term; these projections form the basis of our annual corporate disbursement and commitment targets. MCC makes these targets public and reviews them with various stakeholders.

These changes have significantly improved MCC's disbursement performance against the corporate targets over the past two years without compromising its oversight model. Increases in the pace of MCC's disbursements has resulted in an increase in the on-the-ground work completed which has allowed MCC to begin showing the related output and outcome results of its investments.

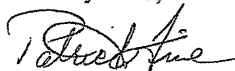
Dynamic Evaluation of Expected Beneficiaries & Results

As noted in the GAO report, MCC undertook a major effort in December 2009 to ensure that consistent definitions of beneficiaries are used across compacts. This has resulted in updates to a number of the project beneficiary estimates.

MCC periodically reviews compacts' benefits and beneficiaries. MCC project designs may evolve or be refined during program implementation, and additional data impacting assumptions in the economic model may become available. Consequently, projections of expected benefits and beneficiaries may also change. MCC provides updated estimates in publicly available documents such as monitoring and evaluation plans as they are available.

We have greatly appreciated working with the GAO in the development of these documents. If you have any questions, please do not hesitate to contact me.

Sincerely Yours,



Patrick C. Fine
Department of Compact Implementation

Related GAO Products

Millennium Challenge Corporation: MCC Has Addressed a Number of Implementation Challenges, but Needs to Improve Financial Controls and Infrastructure Planning. [GAO-10-52](#). Washington, D.C.: November 6, 2009.

Millennium Challenge Corporation: Summary Fact Sheets for 11 Compacts Entered into Force. [GAO-08-1145R](#). Washington, D.C.: September 26, 2008.

Millennium Challenge Corporation: Independent Reviews and Consistent Approaches Will Strengthen Projections of Program Impact. [GAO-08-730](#). Washington, D.C.: June 17, 2008.

Millennium Challenge Corporation: Analysis of Compact Development and Future Obligations and Current Disbursements of Compact Assistance. [GAO-08-577R](#). Washington, D.C.: April 11, 2008.

Management Letter: Recommendations for Improvements to MCC's Internal Controls and Policies on Premium Class Air Travel. [GAO-08-468R](#). Washington, D.C.: February 29, 2008.

Millennium Challenge Corporation: Projected Impact of Vanuatu Compact Is Overstated. [GAO-07-1122T](#). Washington, D.C.: July 26, 2007.

Millennium Challenge Corporation: Vanuatu Compact Overstates Projected Program Impact. [GAO-07-909](#). Washington, D.C.: July 11, 2007.

Millennium Challenge Corporation: Progress and Challenges with Compacts in Africa. [GAO-07-1049T](#). Washington, D.C.: June 28, 2007.

Millennium Challenge Corporation: Compact Implementation Structures Are Being Established; Framework for Measuring Results Needs Improvement. [GAO-06-805](#). Washington, D.C.: July 28, 2006.

Analysis of Future Millennium Challenge Corporation Obligations. [GAO-06-466R](#). Washington, D.C.: February 21, 2006.

Millennium Challenge Corporation: Progress Made on Key Challenges in First Year of Operations. [GAO-05-625T](#). Washington, D.C.: April 27, 2005.

Millennium Challenge Corporation: Progress Made on Key Challenges in First Year of Operations. [GAO-05-455T](#). Washington, D.C.: April 26, 2005.

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MILLENNIUM CHALLENGE CORPORATION

Armenia Compact Fact Sheet

Country Characteristics

Located in the Caucasus region of Asia, Armenia has a population of about 3.1 million. It is a lower-middle-income country. Its economy is based primarily on services and industry, which respectively constitute 48 and 34 percent of its gross domestic product (GDP). Agriculture constitutes 19 percent of GDP but employs about 46 percent of the labor force. After the breakup of the Soviet Union in 1991, Armenia implemented some economic reforms, but geographic isolation, a narrow export base, and monopolies in important business sectors made it vulnerable to the deterioration in the global economy. After several years of high economic growth, Armenia faced an economic recession, with GDP declining by at least 15 percent in 2009. Its economy is further challenged by high transportation costs. The country is landlocked, and its borders with Azerbaijan and Turkey have been closed since the early 1990s.

Map of Armenia



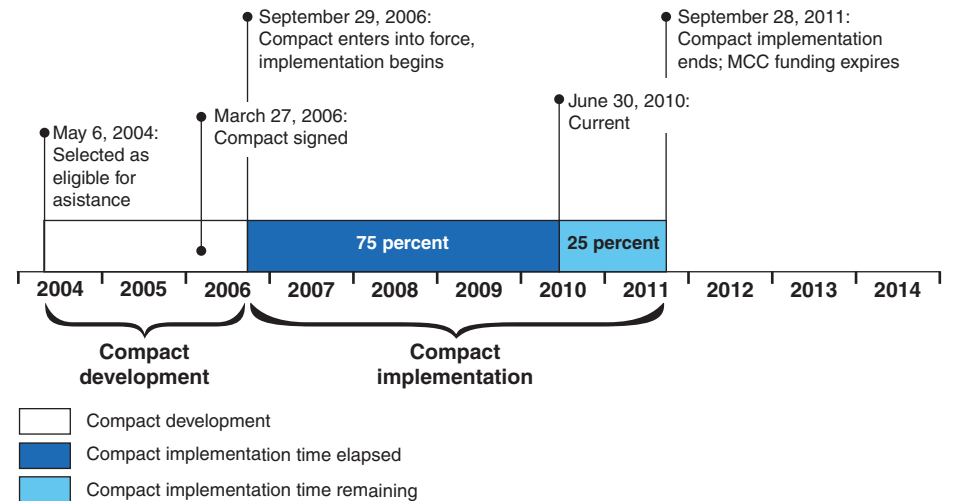
Source: Map Resources (map).

Compact Timeline

During compact development, MCC and an eligible country negotiate project proposals and the compact's terms. After the compact is signed, the country finalizes administrative requirements, such as procurement and disbursement agreements. When the compact enters into force, MCC obligates funds and compact implementation begins. MCC's statute limits compact implementation to 5 years.

Armenia was 1 of 16 countries that MCC selected as eligible in its first eligibility round. As of June 30, 2010, 75 percent of the compact's 5-year period had elapsed.

Key Events for Armenia Compact



Source: GAO analysis of Millennium Challenge Corporation data.

Armenia

MCC Candidate Criteria

Each fiscal year, MCC uses per capita gross national income (GNI) data to identify two pools of candidate countries—low-income and lower-middle-income—based on World Bank lending thresholds. Also, a candidate country must not be statutorily barred from receiving U.S. assistance. By law, MCC can use up to 25 percent of compact assistance each year for new compacts with lower-middle-income countries.

Armenia was classified as a low-income country from 2004 through 2007. In 2008, Armenia’s rising GNI per capita lifted it to lower-middle-income status.

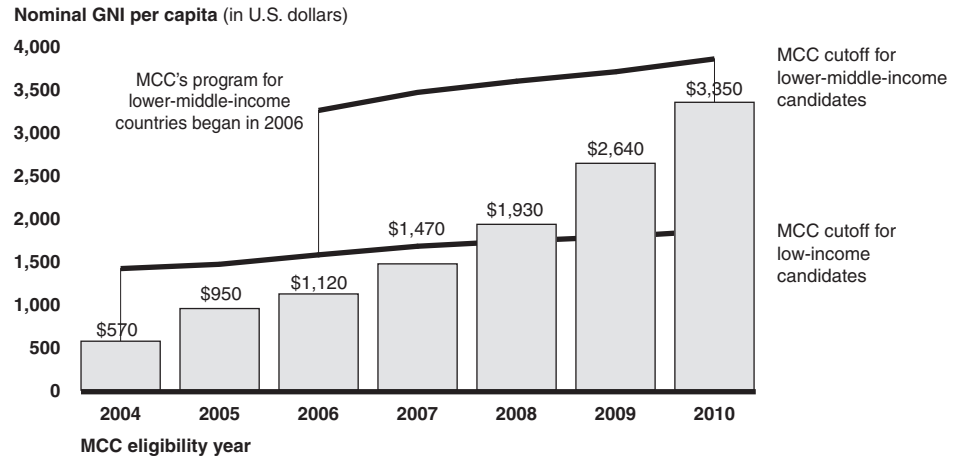
MCC Eligibility Criteria

MCC’s board uses quantitative indicators to assess a candidate’s policy performance. To meet MCC’s criteria, a country must pass the control of corruption indicator and at least half of the indicators in each of three categories. To pass an indicator, a country must score above the median in its income group. However, the board may select a country as eligible even if it does not meet the criteria. Once MCC has signed a compact with a country, MCC continues to work with it—even if it fails the criteria—as long as its actions are not inconsistent with the criteria. If a country’s policy performance declines, the board can suspend or terminate the compact.

Armenia met MCC’s eligibility criteria each year from 2004 through 2007 as a low-income country. In 2008, it rose to lower-middle-income status and each year since then has failed to meet the criteria for that group.

MCC Selection Criteria

Armenia GNI Per Capita



Source: GAO analysis of World Bank World Development Indicators and MCC income cutoffs.

Armenia’s Performance on MCC Eligibility Indicators

Indicator category	MCC eligibility year	2004	2005	2006	2007	2008	2009	2010
	MCC income group	Low	Low	Low	Low	Lower-middle	Lower-middle	Lower-middle
Ruling Justly	Political Rights	X	✓	X	X	X	X	X
	Civil Liberties	X	✓	✓	X	X	X	X
	Voice and Accountability	✓	✓	✓	✓	X	X	X
	Government Effectiveness	✓	✓	✓	✓	✓	✓	✓
	Rule of Law	✓	✓	✓	✓	X	X	X
	Control of Corruption	✓	✓	✓	✓	X	X	X
Investing in People	Girls’ Primary Education Completion ^a	✓	✓	✓	✓	X	✓	✓
	Primary Education Expenditures	X	X	X	✓	✓	✓	✓
	Health Expenditures	X	X	X	X	X	X	X
	Immunization Rates	✓	✓	✓	✓	X	X	X
	Natural Resource Management (2008-2010)					✓	✓	✓
Economic Freedom	Country Credit Rating (2004-2005)	✓	✓					
	Days to Start a Business (2004-2007)	✓	✓	✓	✓			
	Cost of Starting a Business (2006-2007)			✓	✓			
	Business Start-up (2008-2010)					✓	✓	✓
	Inflation	✓	✓	✓	✓	✓	✓	✓
	Fiscal Policy	✓	✓	✓	✓	X	X	X
	Trade Policy	✓	✓	✓	✓	✓	✓	✓
	Regulatory Quality	✓	✓	✓	✓	✓	✓	✓
	Land Rights and Access (2008-2010)					✓	✓	✓
Indicator performance results		Passed	Passed	Passed	Passed	Failed	Failed	Failed
MCC eligibility determination		Eligible	Eligible	Eligible	Eligible	Eligible	NA ^b	NA ^b

✓ Passed (scored above the median) X Failed (scored at the median or below) □ NA for that year

Source: GAO analysis of Millennium Challenge Corporation data.

^aIn 2004, the indicator was “Primary Education Completion.”

^bIn 2009, MCC stopped making an eligibility determination for countries with existing compacts.

Armenia

Compact Characteristics

MCC and the partner country determine the compact structure before the compact is signed. However, the structure of some compacts has been altered during implementation.

At signature, Armenia's compact focused on reducing rural poverty by increasing the agricultural sector's economic performance. At that time, more than 1 million Armenians (35 percent of the population) were dependent on semisubsistence agriculture. In June 2009, MCC put a hold on funding for the Rural Road Rehabilitation Project because of concerns about the status of democratic governance in Armenia. MCC will not resume funding for any future road construction under the compact. MCC also rescopeed the Irrigated Agriculture Project.

Expected Results

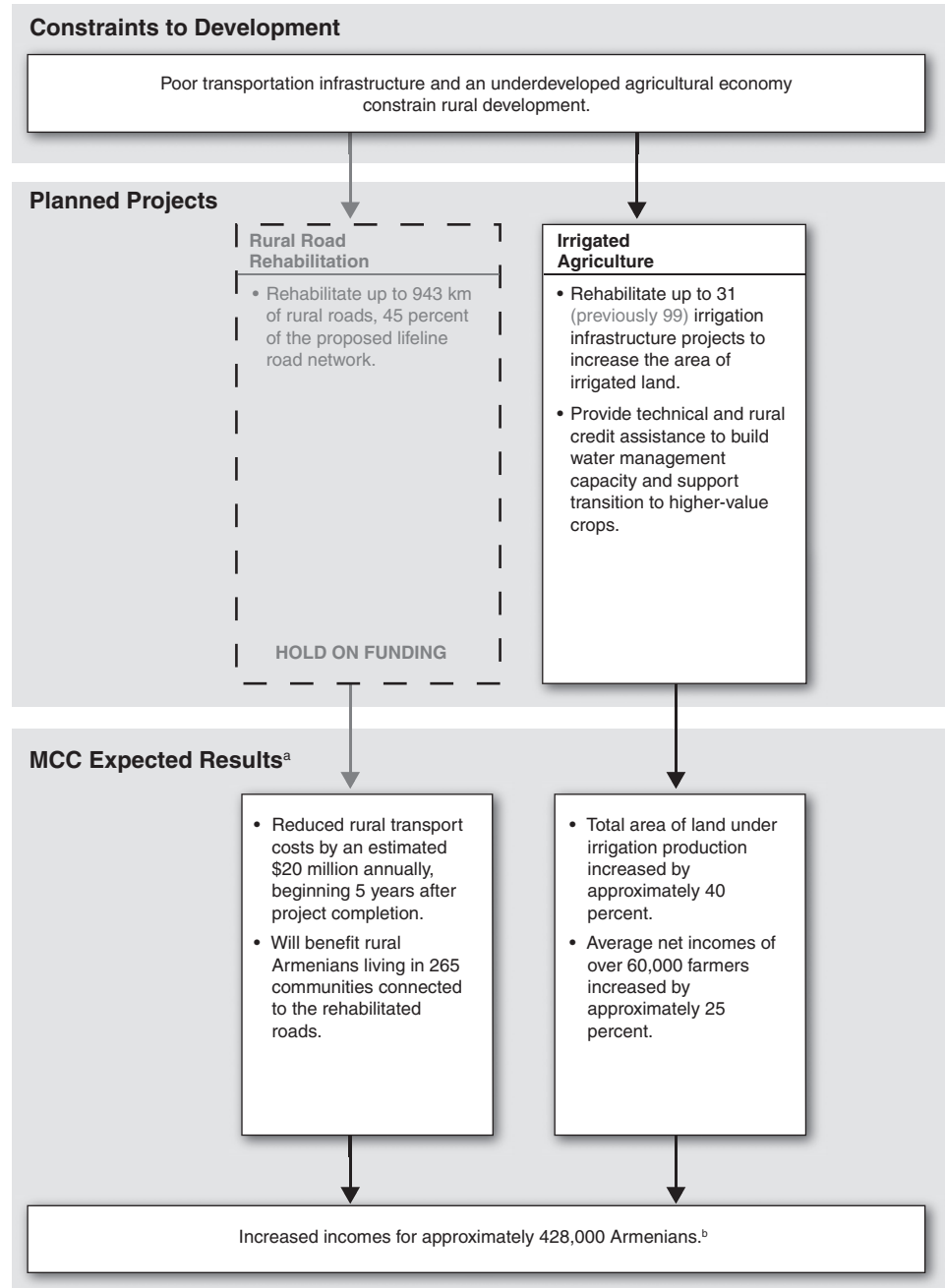
This graphic presents MCC's expectations of selected compact results at compact signature and at the end of fiscal year 2009.

The Armenia compact is one of five compacts for which GAO has independently verified the reliability of MCC's result projections. In June 2008, GAO reported that MCC made analytic errors in its original projections of the Armenia compact's impact. Correcting these errors reduces MCC's expected impact on income in rural areas and on poverty (GAO-08-730).

MCC has modified the Armenia compact but only partially recalculated the expected results.

Compact Summary

Structure of Armenia Compact, as of December 2009



Source: GAO analysis of Millennium Challenge Corporation data.

^aMCC expected results are reported as of compact signature, except the number of beneficiaries with increased incomes. The hold on funding for the Rural Road Rehabilitation Project may affect results.

^bIn fiscal year 2009, MCC recalculated the number of expected beneficiaries using a standardized methodology. At compact signature, MCC reported the compact would benefit approximately 750,000 people.

Armenia

Compact Project Funding

MCC and the country may reallocate funds among projects during implementation. In some cases, MCC has also changed the overall compact obligation.

At signature (March 2006), MCC obligated \$235.6 million for the Armenia compact. As of December 2009, the overall obligation amount had not changed, however, nearly \$7 million had been reallocated from Program Administration and Monitoring and Evaluation funds to the Irrigated Agriculture Project. In addition, because MCC put a hold on funding for the Rural Road Rehabilitation Project, approximately \$59.0 million of compact funds will not be disbursed or reallocated.

Compact Disbursements

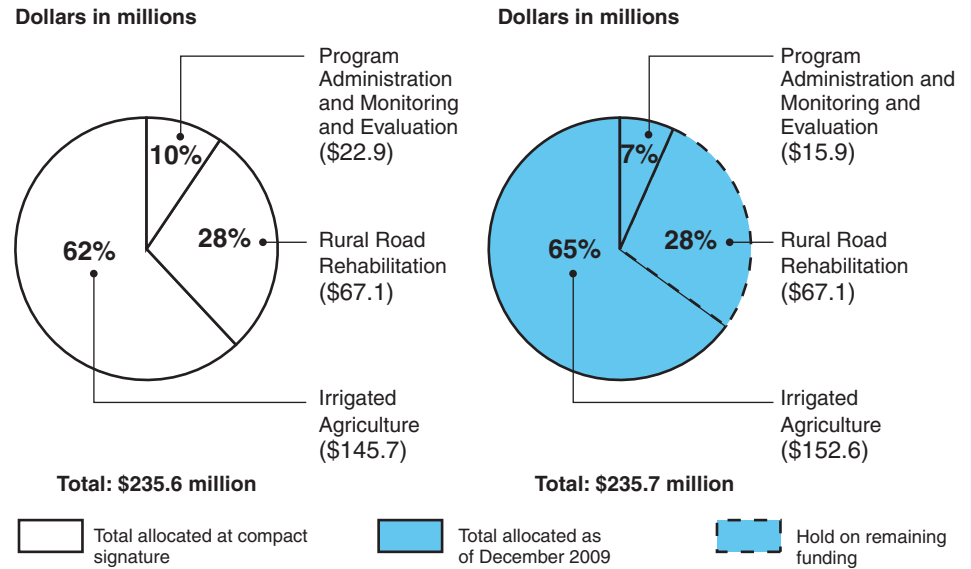
At compact signature, MCC develops a disbursement plan for the compact. MCC disburses funds as the country begins implementing projects. According to MCC, any funds not disbursed within 120 days after the compact ends would return to MCC for reprogramming.

As of December 2009, MCC had disbursed \$54.0 million (approximately 23 percent) of compact funds, compared with the \$153.4 million (approximately 65 percent) that it had planned to disburse as of that date.

Although it is not shown in the graphic, in addition to the above disbursements, \$80.8 million has been committed under the compact for pending expenses as of December 2009.

Compact Funding

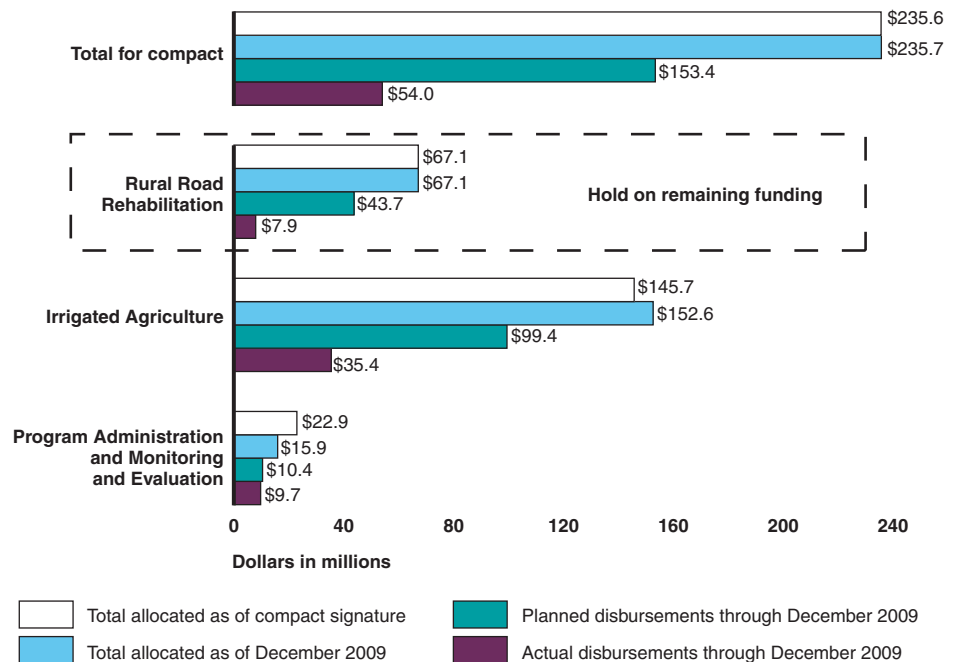
Armenia Compact Project Allocations



Source: GAO analysis of Millennium Challenge Corporation data.

Note: The difference in total compact funds allocated at compact signature and as of December 2009 is due to rounding.

Armenia Compact Planned and Actual Disbursements



Source: GAO analysis of Millennium Challenge Corporation data.

Notes: We base planned disbursements on MCC's projections for the fiscal quarter ending December 2009. We assume that funds are disbursed evenly throughout each year. Actual disbursements by project may not add up to total disbursements because some disbursements are pending allocation to projects and are reflected in the total but not in the projects.



MILLENNIUM CHALLENGE CORPORATION

Benin Compact Fact Sheet

Country Characteristics

Located in coastal West Africa, Benin has a population of approximately 8.7 million. It is a low-income country. Its economy is based on services, which constitute 52 percent of its gross domestic product; industry and agriculture constitute another 15 and 33 percent, respectively. The economy has experienced some positive growth in the last few years, with the real economic growth rate averaging 4.2 percent from 2007 through 2009. However, the global economic slowdown has negatively affected Benin's growth. The current government, which entered office in 2006, has emphasized efforts to fight corruption and accelerate Benin's economic growth.

Map of Benin



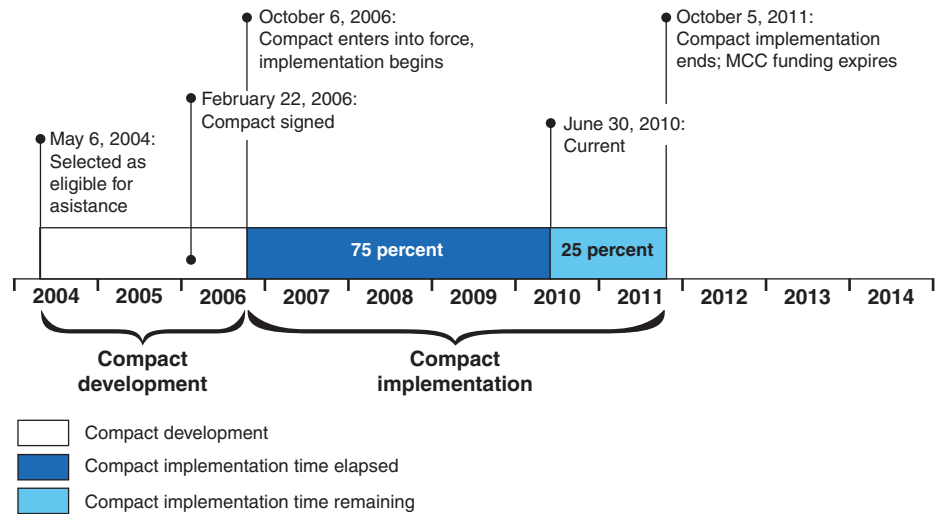
Source: Map Resources (map).

Compact Timeline

During compact development, MCC and an eligible country negotiate project proposals and the compact's terms. After the compact is signed, the country finalizes administrative requirements, such as procurement and disbursement agreements. When the compact enters into force, MCC obligates funds and compact implementation begins. MCC's statute limits compact implementation to 5 years.

Benin was 1 of 16 countries that MCC selected as eligible in its first eligibility round. As of June 30, 2010, 75 percent of the compact's 5-year period had elapsed.

Key Events for Benin Compact



Source: GAO analysis of Millennium Challenge Corporation data.

Benin

Compact Characteristics

MCC and the partner country determine the compact structure before the compact is signed. However, the structure of some compacts has been altered during implementation.

At signature, Benin's compact aimed to improve core physical and institutional infrastructure and increase private sector activity and investment. At that time, one-third of Benin residents lived in poverty; 1 percent of Benin households held a formal title to land, with a majority of the rural population relying on oral customary land rights; and only a small fraction of the population owned a bank account.

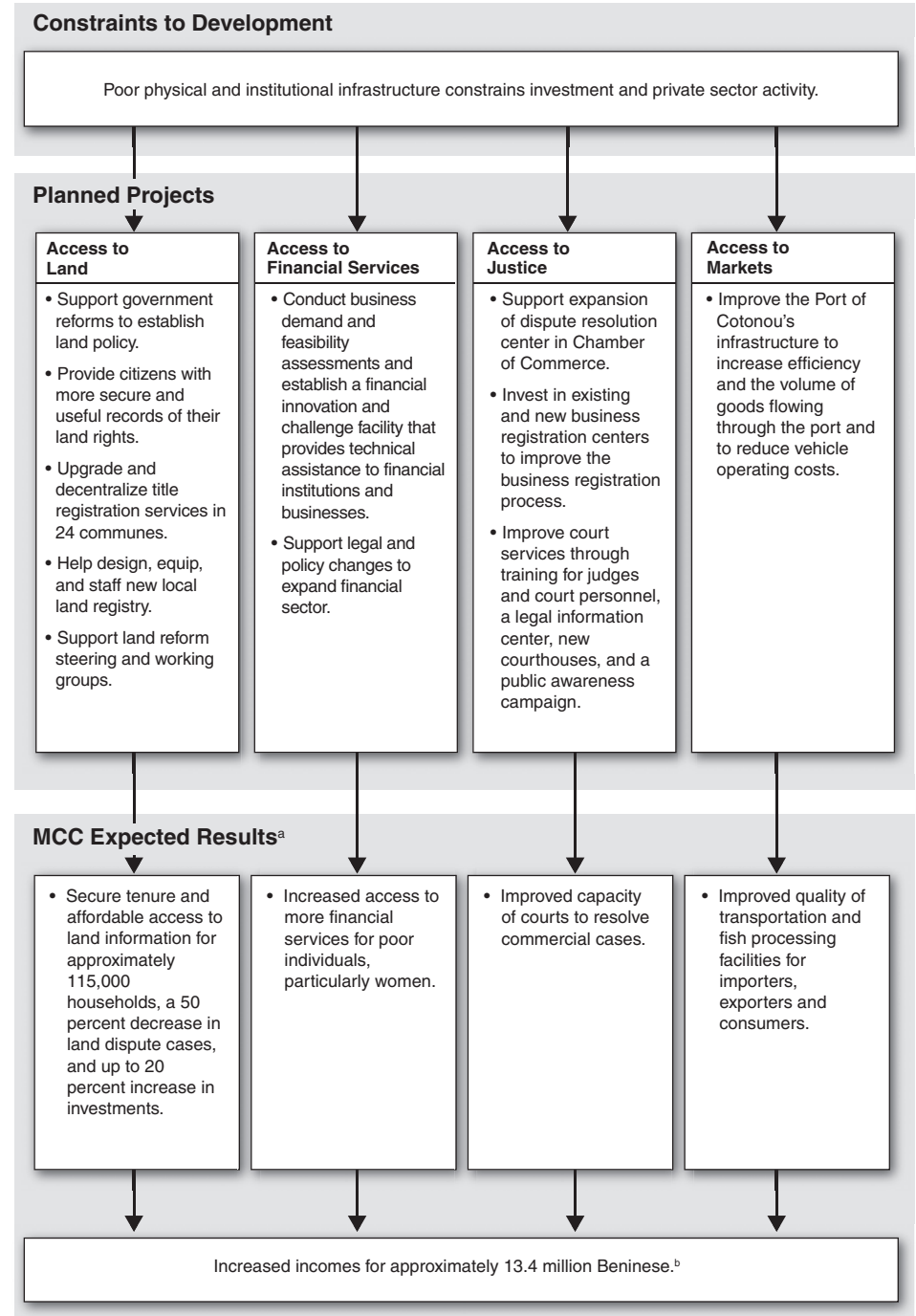
Expected Results

This graphic presents MCC's expectations of selected compact results at compact signature and at the end of fiscal year 2009.

GAO has not independently verified the reliability of MCC's results projections for this compact. Previous GAO work has identified several problems with the methodology used to determine compact results. (See [GAO-08-730](#) and [GAO-07-909](#).)

Compact Summary

Structure of Benin Compact, as of December 2009



Source: GAO analysis of Millennium Challenge Corporation data.

^aMCC expected results are reported as of compact signature, except the number of beneficiaries with increased incomes. ^bIn fiscal year 2009, MCC recalculated the number of expected beneficiaries using a standardized methodology. At compact signature, MCC reported the compact would benefit approximately 5 million people.

Benin

Compact Project Funding

MCC and the country may reallocate funds among projects during implementation. In some cases, MCC has also changed the overall compact obligation.

At signature (February 2006), MCC obligated \$307.3 million for the Benin compact. As of December 2009, the overall obligation amount and project allocations had not changed.

Compact Disbursements

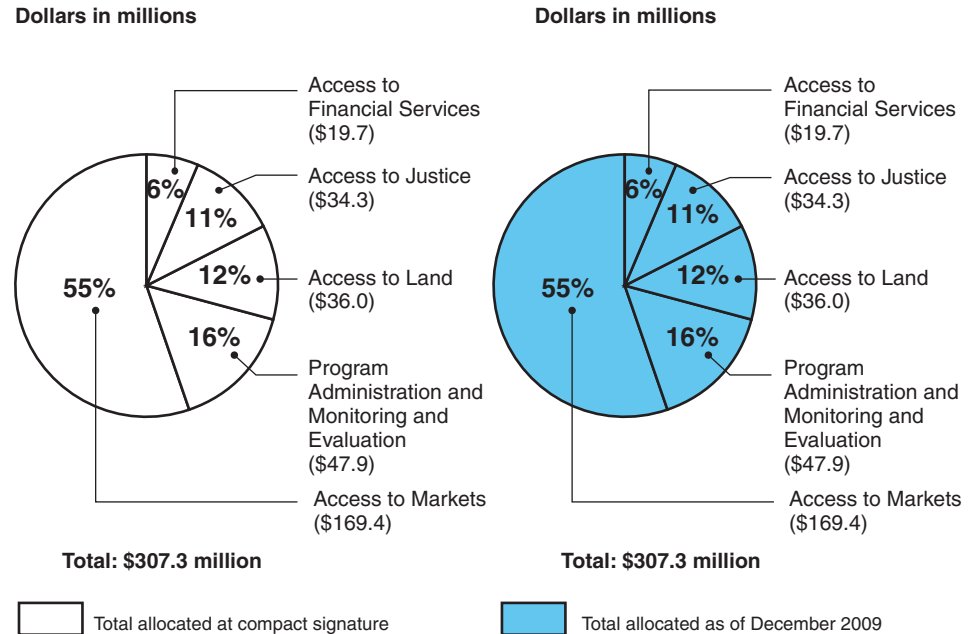
At compact signature, MCC develops a disbursement plan for the compact. MCC disburses funds as the country begins implementing projects. According to MCC, any funds not disbursed within 120 days after the compact ends would return to MCC for reprogramming.

As of December 2009, MCC had disbursed \$66.3 million (approximately 22 percent) of compact funds, compared with the \$215.1 million (70 percent) that it had planned to disburse as of that date.

Although it is not shown in the graphic, in addition to the above disbursements, \$139.3 million has been committed under the compact for pending expenses as of December 2009.

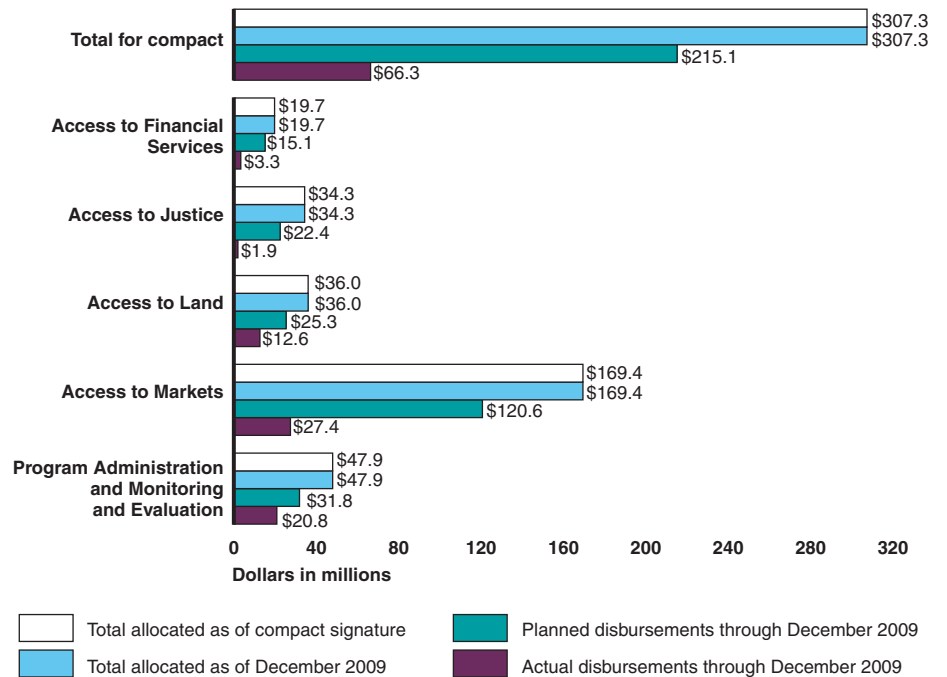
Compact Funding

Benin Compact Project Allocations



Source: GAO analysis of Millennium Challenge Corporation data.

Benin Compact Planned and Actual Disbursements



Source: GAO analysis of Millennium Challenge Corporation data.

Notes: We base planned disbursements on MCC's projections for the fiscal quarter ending December 2009. We assume that funds are disbursed evenly throughout each year. Actual disbursements by project may not add up to total disbursements because some disbursements are pending allocation to projects and are reflected in the total but not in the projects.



MILLENNIUM CHALLENGE CORPORATION

Burkina Faso Compact Fact Sheet

Country Characteristics

Located in West Africa, Burkina Faso is a land-locked country with a population of approximately 15.2 million. It is a low-income country. Its economy is based on services and industry, which respectively constitute about 50 and 30 percent of its gross domestic product (GDP). Agriculture constitutes 30 percent of GDP but employs 90 percent of the labor force. Burkina Faso has undertaken several broad macroeconomic reforms since the mid-1990s, including market-oriented reforms, decentralization of power, adoption of a new labor code, and business climate improvements. However, Burkina Faso continues to face severe constraints to growth and poverty reduction. Burkina Faso's GDP grew by about 5.2 percent in 2009.

Map of Burkina Faso



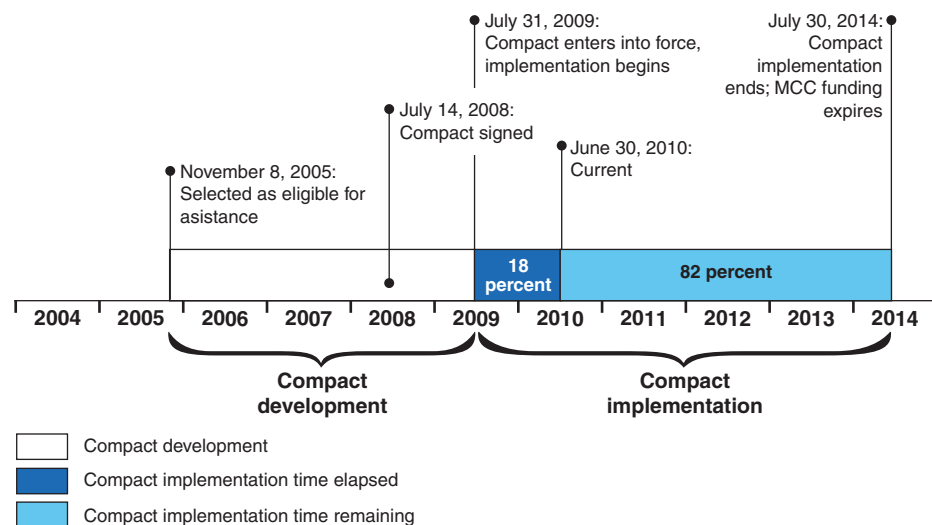
Source: Map Resources (map).

Compact Timeline

During compact development, MCC and an eligible country negotiate project proposals and the compact's terms. After the compact is signed, the country finalizes administrative requirements, such as procurement and disbursement agreements. When the compact enters into force, MCC obligates funds and compact implementation begins. MCC's statute limits compact implementation to 5 years.

Burkina Faso was first selected as eligible in fiscal year 2006, MCC's third eligibility round for low-income countries. As of June 30, 2010, 18 percent of the compact's 5-year period had elapsed.

Key Events for Burkina Faso Compact



Source: GAO analysis of Millennium Challenge Corporation data.

Burkina Faso

MCC Candidate Criteria

Each fiscal year, MCC uses per capita gross national income (GNI) data to identify two pools of candidate countries—low-income and lower-middle-income—based on World Bank lending thresholds. Also, a candidate country must not be statutorily barred from receiving U.S. assistance. By law, MCC can use up to 25 percent of compact assistance each year for new compacts with lower-middle-income countries.

Burkina Faso was selected as eligible in fiscal year 2006 and has been classified as a low-income country ever since.

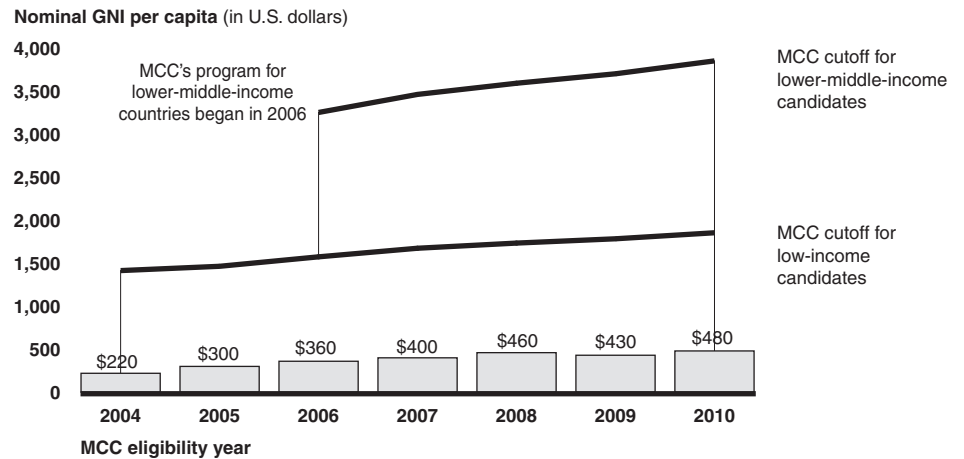
MCC Eligibility Criteria

MCC's board uses quantitative indicators to assess a candidate's policy performance. To meet MCC's criteria, a country must pass the control of corruption indicator and at least half of the indicators in each of three categories. To pass an indicator, a country must score above the median in its income group. However, the board may select a country as eligible even if it does not meet the criteria. Once MCC has signed a compact with a country, MCC continues to work with it—even if it fails the criteria—as long as its actions are not inconsistent with the criteria. If a country's policy performance declines, the board can suspend or terminate the compact.

Burkina Faso became eligible in 2006 and met MCC's eligibility criteria each year from 2006 through 2009. It did not meet the criteria in 2010 because it failed three of the five Investing in People indicators.

MCC Selection Criteria

Burkina Faso GNI Per Capita



Source: GAO analysis of World Bank World Development Indicators and MCC income cutoffs.

Burkina Faso's Performance on MCC Eligibility Indicators

Indicator category	MCC eligibility year	2004	2005	2006	2007	2008	2009	2010
	MCC income group	Low	Low	Low	Low	Low	Low	Low
Ruling Justly	Political Rights	X	✓	X	X	X	X	X
	Civil Liberties	X	✓	✓	✓	✓	✓	✓
	Voice and Accountability	✓	✓	✓	✓	✓	✓	✓
	Government Effectiveness	✓	✓	✓	✓	✓	X	✓
	Rule of Law	✓	✓	✓	✓	✓	✓	✓
	Control of Corruption	✓	✓	✓	✓	✓	✓	✓
Investing in People	Girls' Primary Education Completion ^a	X	X	X	X	X	X	X
	Primary Education Expenditures	✓	✓	✓	✓	✓	✓	✓
	Health Expenditures	✓	✓	✓	✓	✓	✓	✓
	Immunization Rates	X	✓	✓	✓	✓	✓	X
	Natural Resource Management (2008-2010)					X	X	X
Economic Freedom	Country Credit Rating (2004-2005)	X	✓					
	Days to Start a Business (2004-2007)	X	X	✓	✓			
	Cost of Starting a Business (2006-2007)			X	X			
	Business Start-up (2008-2010)					✓	✓	✓
	Inflation	✓	✓	✓	✓	✓	✓	✓
	Fiscal Policy	X	X	X	X	✓	✓	✓
	Trade Policy	X	X	X	X	X	✓	✓
	Regulatory Quality	✓	✓	✓	✓	✓	✓	✓
	Land Rights and Access (2008-2010)					X	X	X
	Indicator performance results	Failed Not Eligible	Passed Not Eligible	Passed Eligible	Passed Eligible	Passed Eligible	Passed NA ^b	Failed NA ^b
MCC eligibility determination	Failed Not Eligible	Passed Not Eligible	Passed Eligible	Passed Eligible	Passed Eligible	Passed NA ^b	Failed NA ^b	

✓ Passed (scored above the median) X Failed (scored at the median or below) □ NA for that year

Source: GAO analysis of Millennium Challenge Corporation data.

^aIn 2004, the indicator was "Primary Education Completion."

^bIn 2009, MCC stopped making an eligibility determination for countries with existing compacts.

Burkina Faso

Compact Characteristics

MCC and the partner country determine the compact structure before the compact is signed. However, the structure of some compacts has been altered during implementation.

Burkina Faso's compact targets rural areas, which, according to MCC, are home to 95 percent of the country's poor. Many of the compact projects are focused in Boucle de Mouhoun, the third poorest of Burkina Faso's 13 regions. In addition, a small number of projects focus on the Comoé region. At compact signature, Burkina Faso was one of the poorest countries in the world.

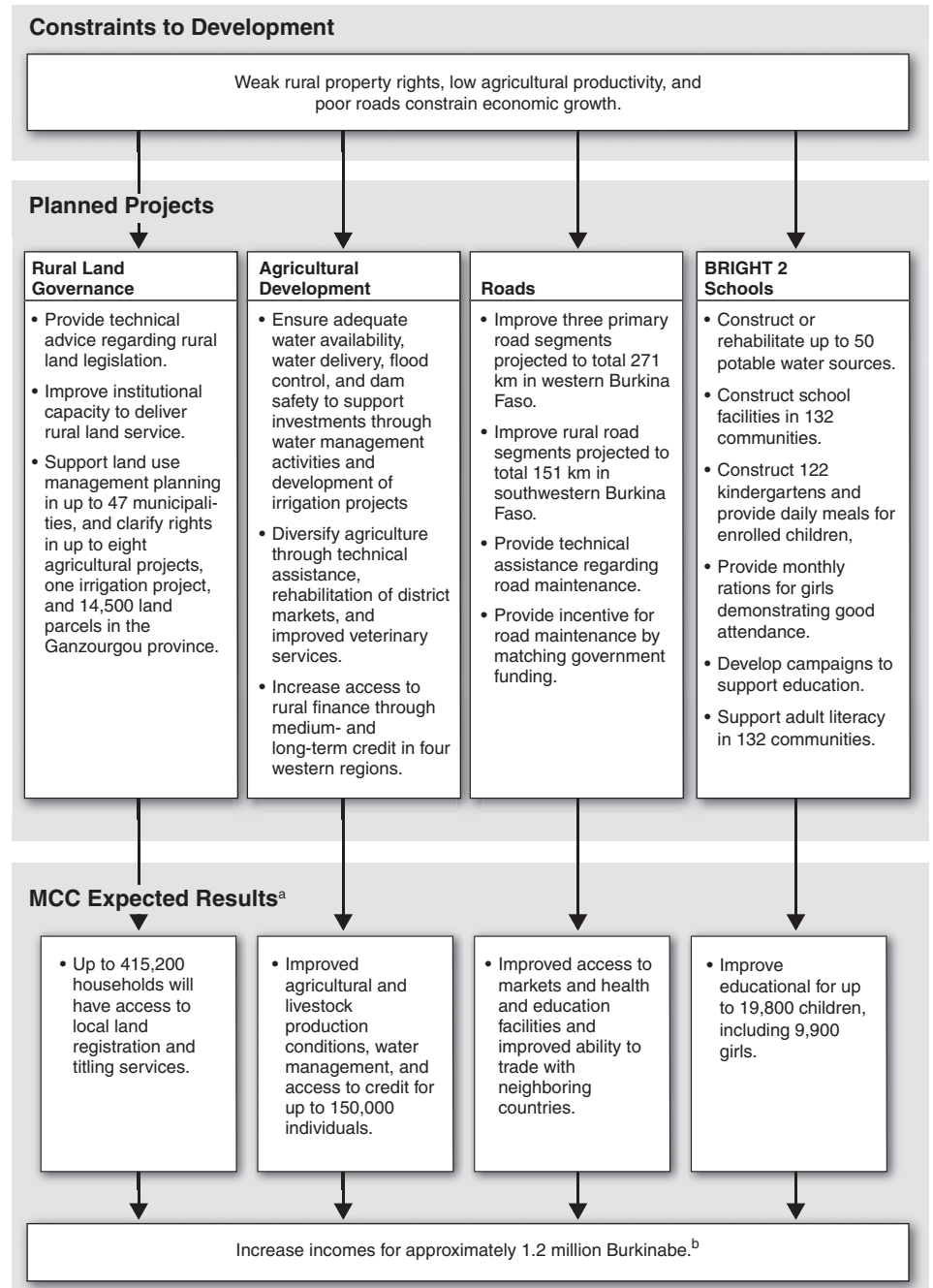
Expected Results

This graphic presents MCC's expectations of selected compact results at compact signature and at the end of fiscal year 2009.

GAO has not independently verified the reliability of MCC's results projections for this compact. Previous GAO work has identified several problems with the methodology used to determine compact results. (See [GAO-08-730](#) and [GAO-07-909](#).)

Compact Summary

Structure of Burkina Faso Compact, as of December 2009



Source: GAO analysis of Millennium Challenge Corporation data.

^aMCC expected results are reported as of compact signature, except the number of beneficiaries with increased incomes.

^bIn fiscal year 2009, MCC recalculated the number of expected beneficiaries using a standardized methodology. MCC did not publish a beneficiary estimate for Burkina Faso at compact signature.

Burkina Faso

Compact Project Funding

MCC and the country may reallocate funds among projects during implementation. In some cases, MCC has also changed the overall compact obligation.

At signature (July 2008), MCC obligated \$480.9 million for the Burkina Faso compact. As of December 2009, the overall obligation amount and project allocations had not changed.

Compact Disbursements

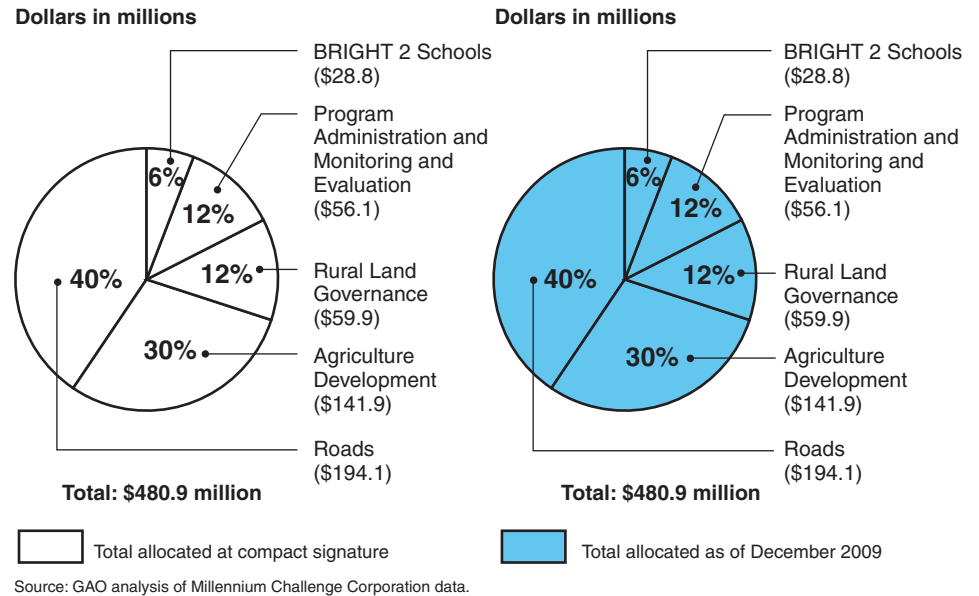
At compact signature, MCC develops a disbursement plan for the compact. MCC disburses funds as the country begins implementing projects. According to MCC, any funds not disbursed within 120 days after the compact ends would return to MCC for reprogramming.

As of December 2009, MCC had disbursed \$34.2 million (approximately 7 percent) of compact funds, compared with the \$34.2 million (approximately 7 percent) that it had planned to disburse as of that date.

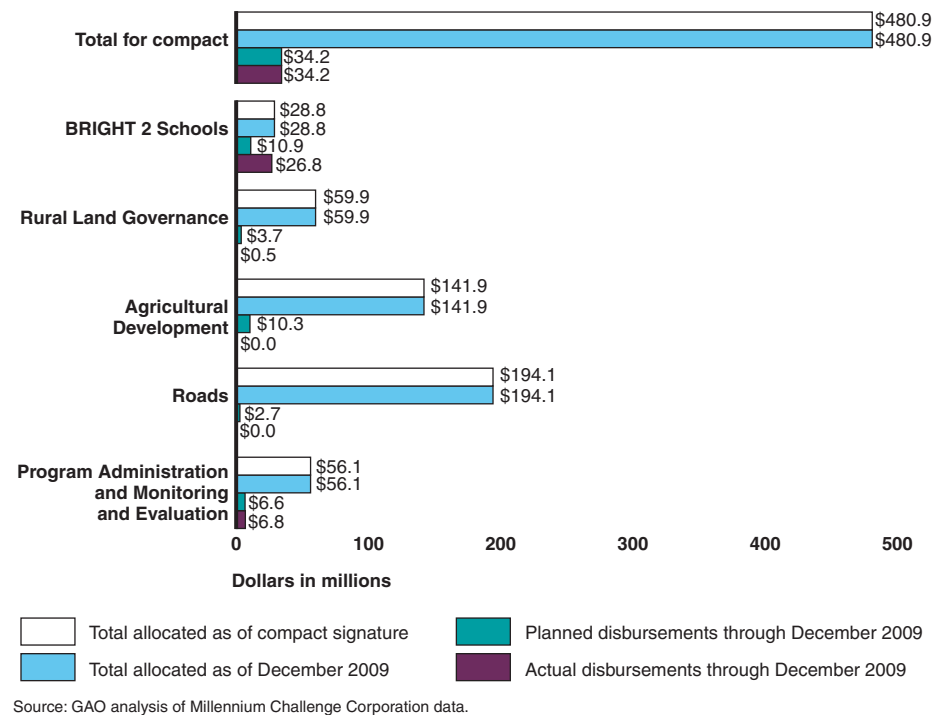
Although it is not shown in the graphic, in addition to the above disbursements, \$48.6 million has been committed under the compact for pending expenses as of December 2009.

Compact Funding

Burkina Faso Project Allocations



Burkina Faso Planned and Actual Disbursements



Notes: We base planned disbursements on MCC's projections for the fiscal quarter ending December 2009. We assume that funds are disbursed evenly throughout each year. Actual disbursements by project may not add up to total disbursements because some disbursements are pending allocation to projects and are reflected in the total but not in the projects.



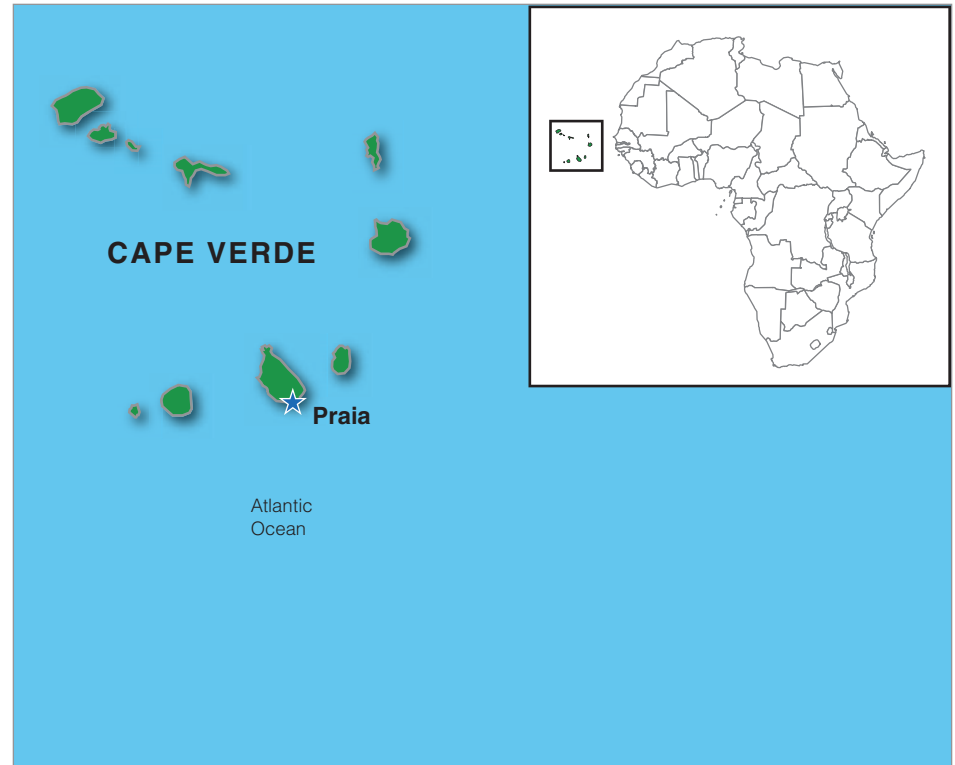
MILLENNIUM CHALLENGE CORPORATION

Cape Verde Compact Fact Sheet

Country Characteristics

Located off the coast of West Africa, Cape Verde is a group of 10 islands with a population of about 500,000. It is a lower-middle-income country. Its economy is heavily based on services, which constitute 74 percent of its gross domestic product (GDP); industry and agriculture constitute 17 and 9 percent of GDP, respectively. Its economy suffers from a poor natural resource base and relies heavily on foreign assistance and remittances. Cape Verde is considered one of Africa's most stable democracies and, despite its economic challenges, has experienced economic growth, a reduction of poverty, and increases in access to education and health care. Cape Verde is the first country eligible for a second MCC compact.

Map of Cape Verde



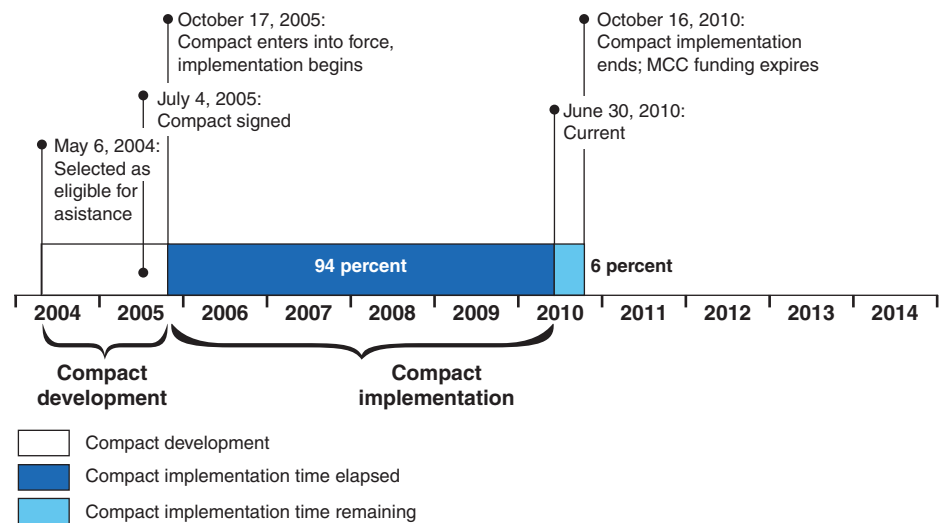
Source: Map Resources (map).

Compact Timeline

During compact development, MCC and an eligible country negotiate project proposals and the compact's terms. After the compact is signed, the country finalizes administrative requirements, such as procurement and disbursement agreements. When the compact enters into force, MCC obligates funds and compact implementation begins. MCC's statute limits compact implementation to 5 years.

Cape Verde was 1 of 16 countries that MCC selected as eligible in its first eligibility round. It was the third country to begin implementing a compact. As of June 30, 2010, 94 percent of the compact's 5-year period had elapsed.

Key Events for Cape Verde Compact



Source: GAO analysis of Millennium Challenge Corporation data.

Cape Verde

MCC Candidate Criteria

Each fiscal year, MCC uses per capita gross national income (GNI) data to identify two pools of candidate countries—low-income and lower-middle-income—based on World Bank lending thresholds. Also, candidate country must not be statutorily barred from receiving U.S. assistance. By law, MCC can use up to 25 percent of compact assistance each year for new compacts with lower-middle-income countries.

Cape Verde was a low-income country in 2004. It was not a candidate in 2005 because its GNI rose above the low-income cut-off. Since 2006, Cape Verde has been a lower-middle-income country.

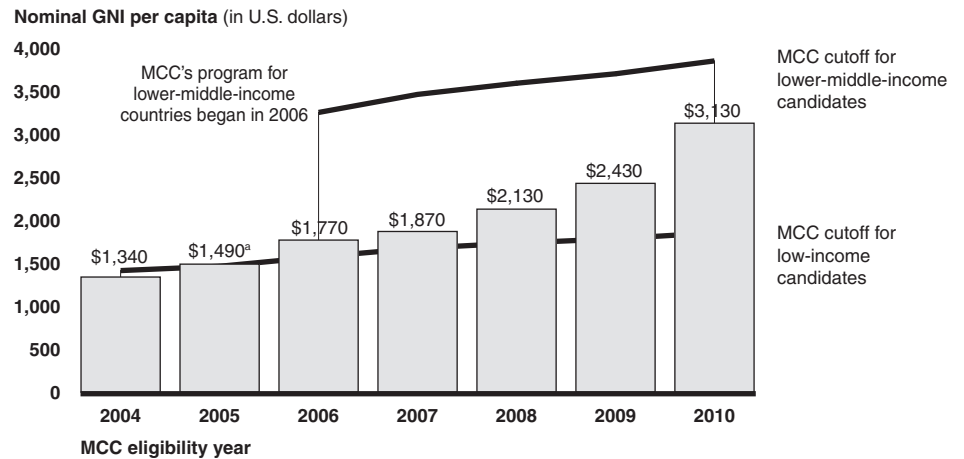
MCC Eligibility Criteria

MCC's board uses quantitative indicators to assess a candidate's policy performance. To meet MCC's criteria, a country must pass the control of corruption indicator and at least half of the indicators in each of three categories. To pass an indicator, a country must score above the median in its income group. However, the board may select a country as eligible even if it does not meet the criteria. Once MCC has signed a compact with a country, MCC continues to work with it—even if it fails the criteria—as long as its actions are not inconsistent with the criteria. If a country's policy performance declines, the board can suspend or terminate the compact.

Cape Verde met MCC's eligibility criteria in 2004 as a low-income country. In 2005, it rose to lower-middle-income status and was not a candidate. In 2006, it failed the indicators for its group and did not meet the criteria again until 2010.

MCC Selection Criteria

Cape Verde GNI Per Capita



Source: GAO analysis of World Bank World Development Indicators and MCC income cutoffs.

^aCape Verde was not a candidate for assistance in 2005 because it surpassed the cut-off for low-income candidates.

Cape Verde's Performance on MCC Eligibility Indicators

Indicator category	MCC eligibility year	2004	2005	2006	2007	2008	2009	2010	
	MCC income group	Low	Lower-middle	Lower-middle	Lower-middle	Lower-middle	Lower-middle	Lower-middle	
Ruling Justly	Political Rights	✓	Cape Verde was not a candidate in 2005.	✓	✓	✓	✓	✓	
	Civil Liberties	✓		✓	✓	✓	✓	✓	
	Voice and Accountability	✓		✓	✓	✓	✓	✓	
	Government Effectiveness	✓		✓	✓	✓	✓	✓	
	Rule of Law	✓		✓	✓	✓	✓	✓	
	Control of Corruption	✓		✓	✓	✓	✓	✓	
Investing in People	Girls' Primary Education Completion ^a	✓		✓	✗	✗	✗	✗	✗
	Primary Education Expenditures	✓		✓	✓	✓	✓	✓	✓
	Health Expenditures	✓		✓	✓	✓	✗	✓	✓
	Immunization Rates	✓		✗	✗	✗	✗	✗	✓
	Natural Resource Management (2008-2010)						✗	✗	✗
Economic Freedom	Country Credit Rating (2004-2005)	✓							
	Days to Start a Business (2004-2007)	✗		✗	✗				
	Cost of Starting a Business (2006-2007)			✗	✗				
	Business Start-up (2008-2010)					✗	✗	✓	
	Inflation	✓		✓	✓	✓	✓	✓	
	Fiscal Policy	✓		✗	✗	✗	✗	✗	
	Trade Policy	✗		✗	✗	✗	✗	✗	
	Regulatory Quality	✓		✓	✓	✗	✗	✓	
	Land Rights and Access (2008-2010)					✗	✗	✗	
Indicator performance results		Passed		Failed	Failed	Failed	Failed	Passed	
MCC eligibility determination		Eligible	Not Eligible	Eligible	Eligible	Not Eligible	NA ^b	NA ^b	

✓ Passed (scored above the median) ✗ Failed (scored at the median or below) □ NA for that year

Source: GAO analysis of Millennium Challenge Corporation data.

^aIn 2004, the indicator was "Primary Education Completion."

^bIn 2009, MCC stopped making an eligibility determination for countries with existing compacts.

Cape Verde

Compact Characteristics

MCC and the partner country determine the compact structure before the compact is signed. However, the structure of some compacts has been altered during implementation.

At signature, Cape Verde's compact focused on water and infrastructure projects on four islands. Compact funds support the upgrade and expansion of the Port of Praia, which is Cape Verde's busiest port and handles half of the country's cargo. At signature, 10 percent of Cape Verde's land was arable, and agricultural productivity was low; approximately 85 percent of food was imported (70 percent in the form of food aid). In May 2008, MCC restructured the Cape Verde compact in response to project rescoping, increased input costs, and currency fluctuations.

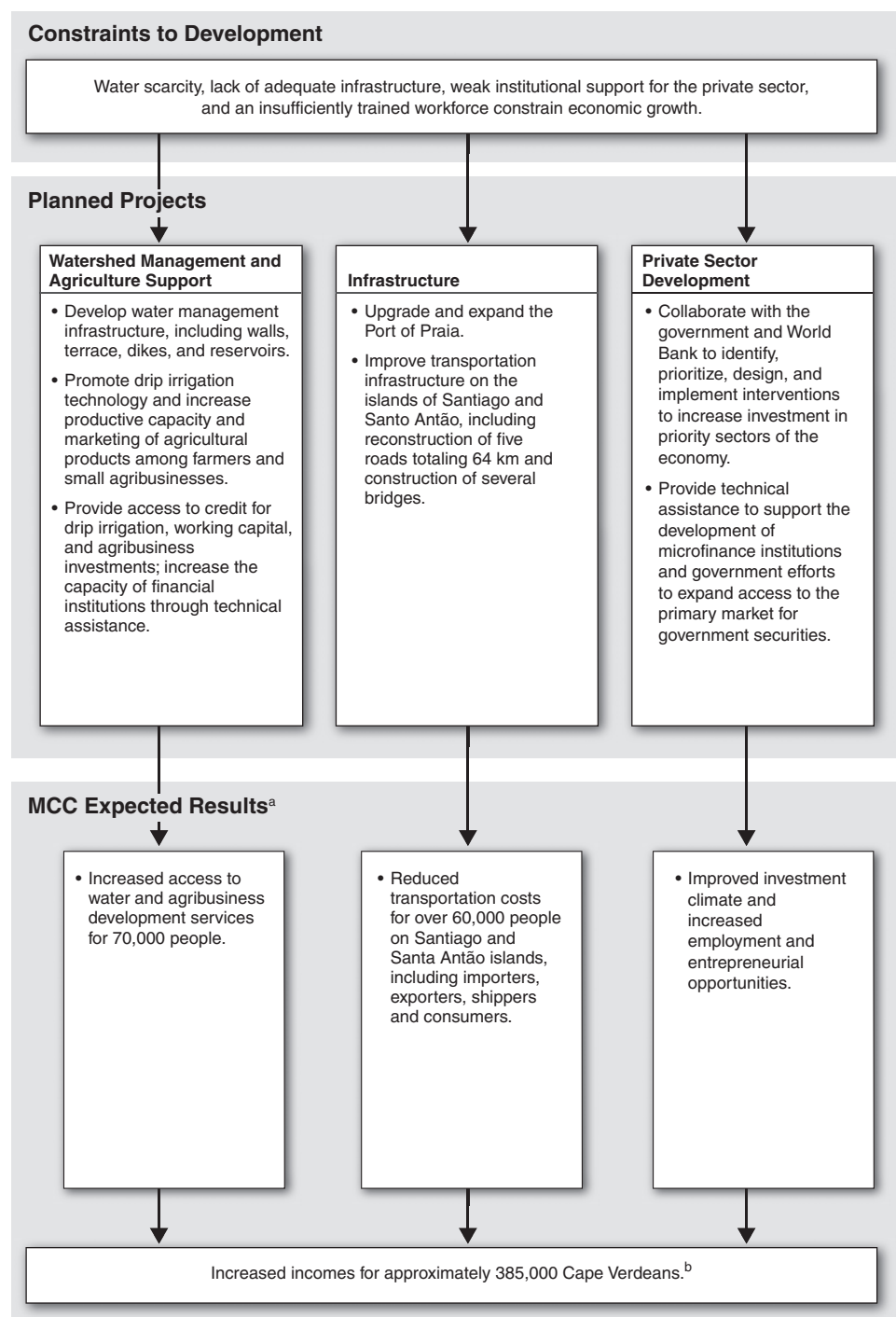
Expected Results

This graphic presents MCC's expectations of selected compact results at compact signature and at the end of fiscal year 2009.

GAO has not independently verified the reliability of MCC's results projections for this compact. Previous GAO work has identified several problems with the methodology used to determine compact results. (See [GAO-08-730](#) and [GAO-07-909](#).)

Compact Summary

Structure of Cape Verde Compact, as of December 2009



Source: GAO analysis of Millennium Challenge Corporation data.

^aMCC expected results are reported as of compact signature, except the number of beneficiaries with increased incomes. ^bIn fiscal year 2009, MCC recalculated the number of expected beneficiaries using a standardized methodology. MCC did not publish a beneficiary estimate for Cape Verde at compact signature.

Cape Verde

Compact Project Funding

MCC and the country may reallocate funds among projects during implementation. In some cases, MCC has also changed the overall compact obligation.

At signature (July 2005), MCC obligated \$110.1 million for the Cape Verde compact. As of December 2009, the overall obligation amount had not changed, however over \$4 million was reallocated from the Private Sector Development Project to the Infrastructure Project.

Compact Disbursements

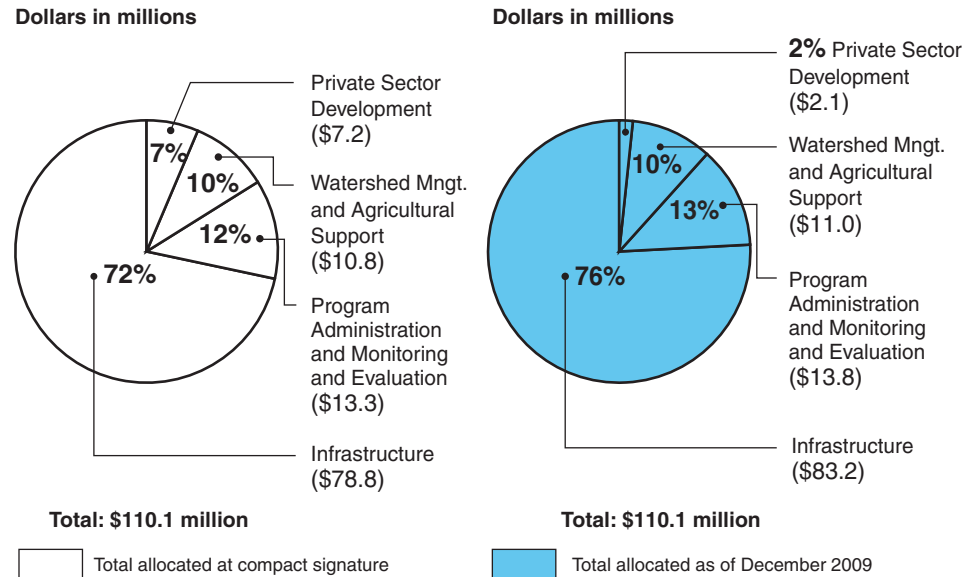
At compact signature, MCC develops a disbursement plan for the compact. MCC disburses funds as the country begins implementing projects. According to MCC, any funds not disbursed within 120 days after the compact ends would return to MCC for reprogramming.

As of December 2009, MCC had disbursed \$69.1 million (approximately 63 percent) of compact funds, compared with the \$92.6 million (approximately 84 percent) that it had planned to disburse as of that date.

Although it is not shown in the graphic, in addition to the above disbursements, \$31.7 million has been committed under the compact for pending expenses as of December 2009.

Compact Funding

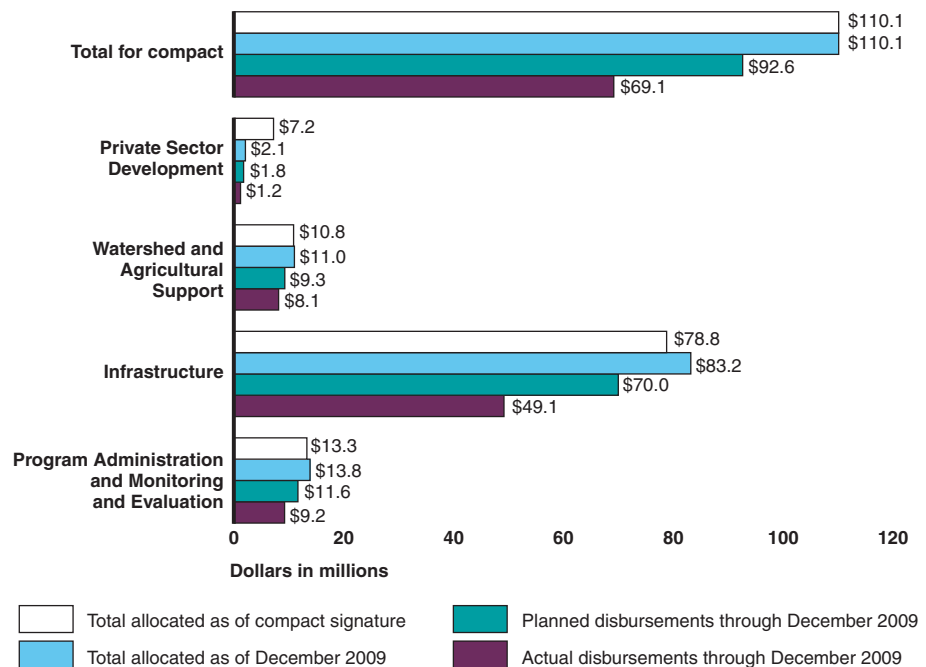
Cape Verde Project Allocations



Source: GAO analysis of Millennium Challenge Corporation data.

Note: Project allocations in figures may not add up to 100 percent due to rounding.

Cape Verde Planned and Actual Disbursements



Source: GAO analysis of Millennium Challenge Corporation data.

Notes: We base planned disbursements on MCC's projections for the fiscal quarter ending December 2009. We assume that funds are disbursed evenly throughout each year. Actual disbursements by project may not add up to total disbursements because some disbursements are pending allocation to projects and are reflected in the total but not in the projects.



MILLENNIUM CHALLENGE CORPORATION

El Salvador Compact Fact Sheet

Country Characteristics

Located in Central America, El Salvador has a population of about 6.1 million. It is a lower-middle-income country. Its economy is largely based on services, which constitute an estimated 61 percent of its gross domestic product (GDP) and employ about 58 percent of the labor force. Industry and agriculture constitute 28 and 11 percent of GDP, respectively. A 12-year civil war that ended in 1992 left nearly two-thirds of the country's population in poverty. During the war, public investment was deferred and deterioration of the natural resource base accelerated. Despite a strong record of economic reform, El Salvador's economic growth has been modest in recent years and contracted by 2.6 percent in 2009.

Map of El Salvador



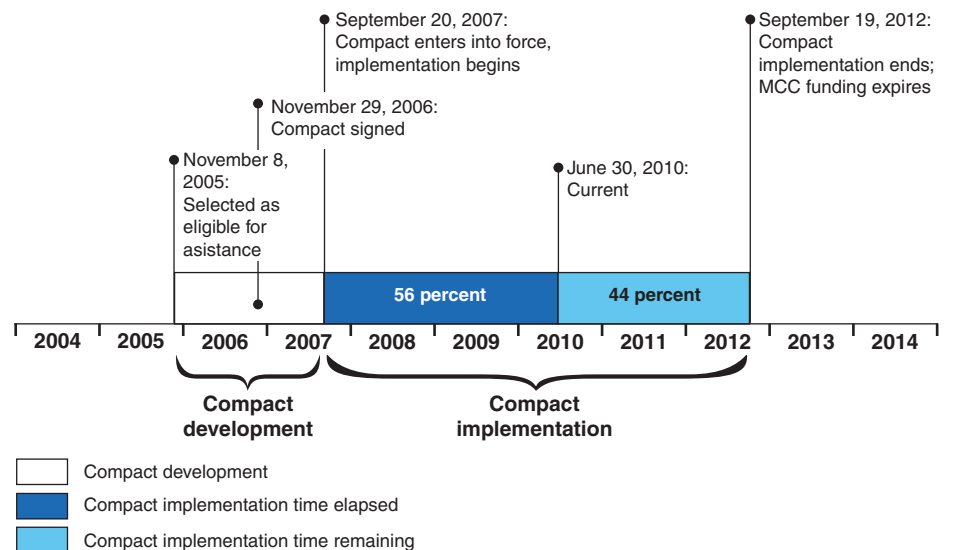
Source: Map Resources (map).

Compact Timeline

During compact development, MCC and an eligible country negotiate project proposals and the compact's terms. After the compact is signed, the country finalizes administrative requirements, such as procurement and disbursement agreements. When the compact enters into force, MCC obligates funds and compact implementation begins. MCC's statute limits compact implementation to 5 years.

El Salvador was one of two lower-middle-income countries selected in the fiscal year 2006 eligibility round, the first year of MCC's program for lower-middle-income countries. El Salvador was the first lower-middle-income country to begin implementing a compact. As of June 30, 2010, 56 percent of the compact's 5-year period had elapsed.

Key Events for El Salvador Compact



Source: GAO analysis of Millennium Challenge Corporation data.

El Salvador

MCC Candidate Criteria

Each fiscal year, MCC uses per capita gross national income (GNI) data to identify two pools of candidate countries—low-income and lower-middle-income—based on World Bank lending thresholds. Also, a candidate country must not be statutorily barred from receiving U.S. assistance. By law, MCC can use up to 25 percent of compact assistance each year for new compacts with lower-middle-income countries.

El Salvador became a candidate for MCC assistance in 2006, the first year that MCC considered lower-middle-income countries.

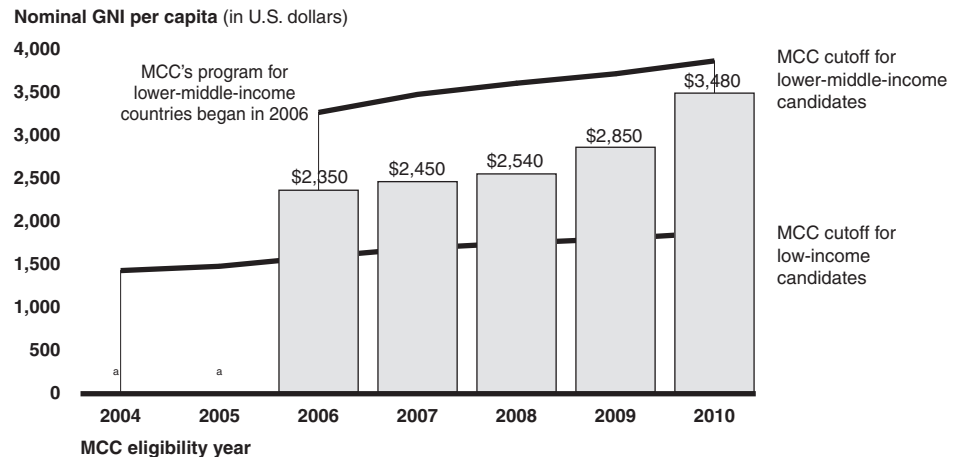
MCC Eligibility Criteria

MCC's board uses quantitative indicators to assess a candidate's policy performance. To meet MCC's criteria, a country must pass the control of corruption indicator and at least half of the indicators in each of three categories. To pass an indicator, a country must score above the median in its income group. However, the board may select a country as eligible even if it does not meet the criteria. Once MCC has signed a compact with a country, MCC continues to work with it—even if it fails the criteria—as long as its actions are not inconsistent with the criteria. If a country's policy performance declines, the board can suspend or terminate the compact.

El Salvador met MCC's eligibility criteria in 2006 and 2007. It did not meet the criteria in 2008, 2009, or 2010 because it failed three or more of the five Investing in People indicators.

MCC Selection Criteria

El Salvador GNI Per Capita



Source: GAO analysis of World Bank World Development Indicators and MCC income cutoffs.

^aEl Salvador was not a candidate in 2004 and 2005.

El Salvador's Performance on MCC Eligibility Indicators

Indicator category	MCC eligibility year	2004	2005	2006	2007	2008	2009	2010
	MCC income group	Lower-middle	Lower-middle	Lower-middle	Lower-middle	Lower-middle	Lower-middle	Lower-middle
Ruling Justly	Political Rights			✓	✓	✓	✓	✓
	Civil Liberties			✗	✓	✓	✓	✓
	Voice and Accountability			✓	✓	✓	✓	✓
	Government Effectiveness			✓	✗	✗	✓	✓
	Rule of Law			✗	✓	✗	✗	✗
	Control of Corruption			✓	✓	✓	✓	✓
Investing in People	Girls' Primary Education Completion ^a			✗	✗	✗	✗	✗
	Primary Education Expenditures			✗	✗	✗	✗	✗
	Health Expenditures			✓	✓	✗	✓	✓
	Immunization Rates			✓	✓	✓	✓	✓
	Natural Resource Management (2008-2010)					✗	✗	✗
Economic Freedom	Country Credit Rating (2004-2005)							
	Days to Start a Business (2004-2007)			✗	✓			
	Cost of Starting a Business (2006-2007)			✗	✗			
	Business Start-up (2008-2010)					✗	✗	✗
	Inflation			✓	✓	✓	✓	✓
	Fiscal Policy			✗	✗	✗	✗	✗
	Trade Policy			✓	✓	✓	✓	✓
	Regulatory Quality			✓	✓	✓	✓	✓
	Land Rights and Access (2008-2010)					✗	✗	✗
	Indicator performance results			Passed	Passed	Failed	Failed	Failed
MCC eligibility determination	Not Eligible	Not Eligible	Eligible	Eligible	Eligible	NA ^b	NA ^b	

✓ Passed (scored above the median) ✗ Failed (scored at the median or below) □ NA for that year

Source: GAO analysis of Millennium Challenge Corporation data.

^aIn 2004, the indicator was "Primary Education Completion."

^bIn 2009, MCC stopped making an eligibility determination for countries with existing compacts.

El Salvador

Compact Characteristics

MCC and the partner country determine the compact structure before the compact is signed. However, the structure of some compacts has been altered during implementation.

At signature, El Salvador's compact focused on developing the economy of the country's Northern Zone, where, according to the MCC compact at signature, nearly 20 percent of El Salvador's poor lived. At that time, significant numbers of the poor lacked access to basic public services and less than 10 percent of children completed secondary school.

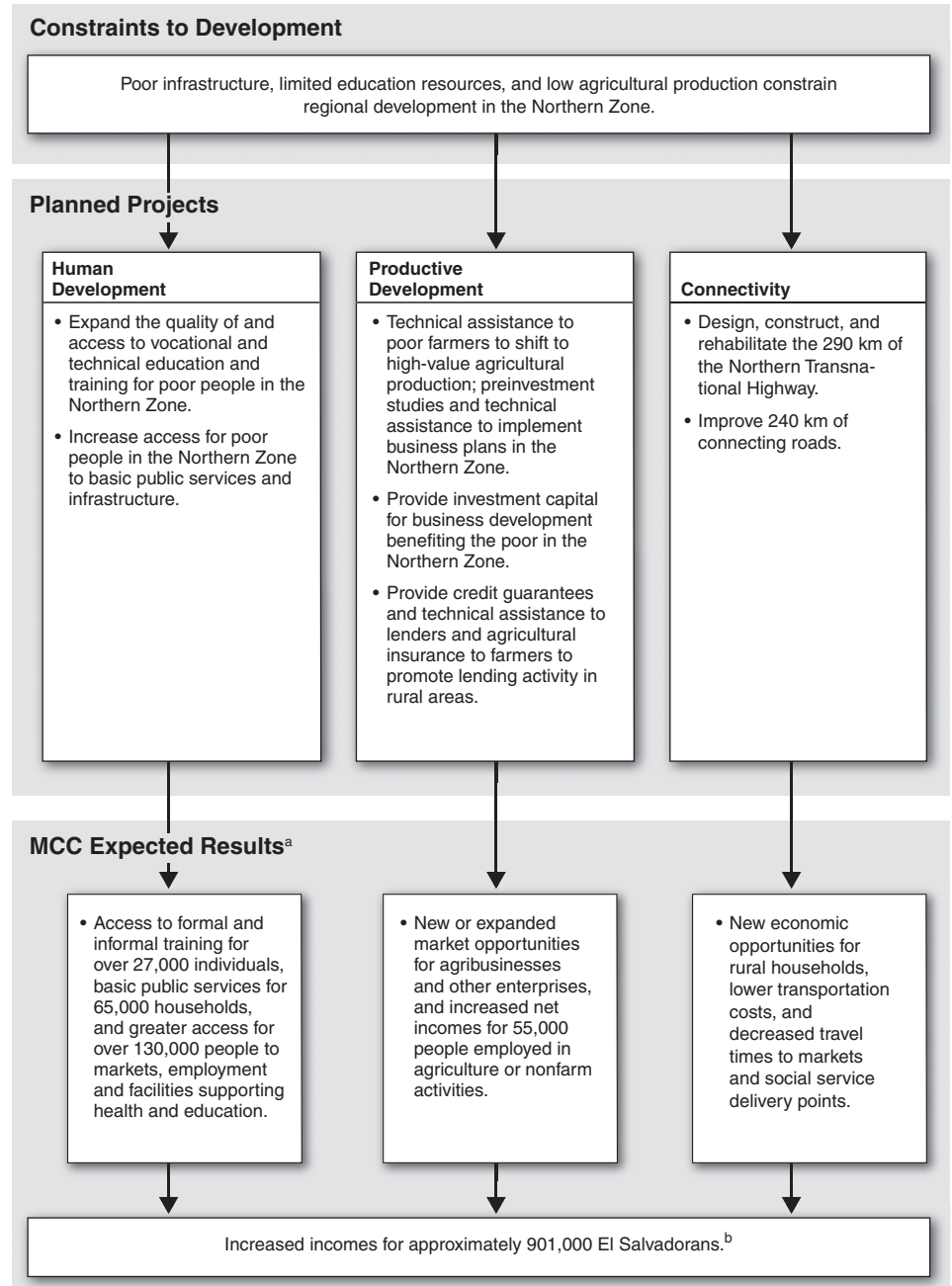
Expected Results

This graphic presents MCC's expectations of selected compact results at compact signature and at the end of fiscal year 2009.

The El Salvador compact is one of five compacts for which GAO has independently verified the reliability of MCC's results projections. In June 2008, GAO reported that MCC had made errors in its original projections of the impact of El Salvador's compact (GAO-08-730). MCC corrected these errors, reducing the expected impact on poverty and income. For example, MCC originally projected that beneficiaries' per capita income would increase by \$148.0 but now projects an increase of \$123.0.

Compact Summary

Structure of El Salvador Compact, as of December 2009



Source: GAO analysis of Millennium Challenge Corporation data.

^aMCC expected results are reported as of compact signature, except the number of beneficiaries with increased incomes.

^bIn fiscal year 2009, MCC recalculated the number of expected beneficiaries using a standardized methodology. At compact signature, MCC reported the compact would benefit at least 1 million people.

El Salvador

Compact Project Funding

MCC and the country may reallocate funds among projects during implementation. In some cases, MCC has also changed the overall compact obligation.

At signature (November 2006), MCC obligated \$460.9 million for the El Salvador compact. As of December 2009, the overall obligation amount had not changed, however minor funding reallocations were made.

Compact Disbursements

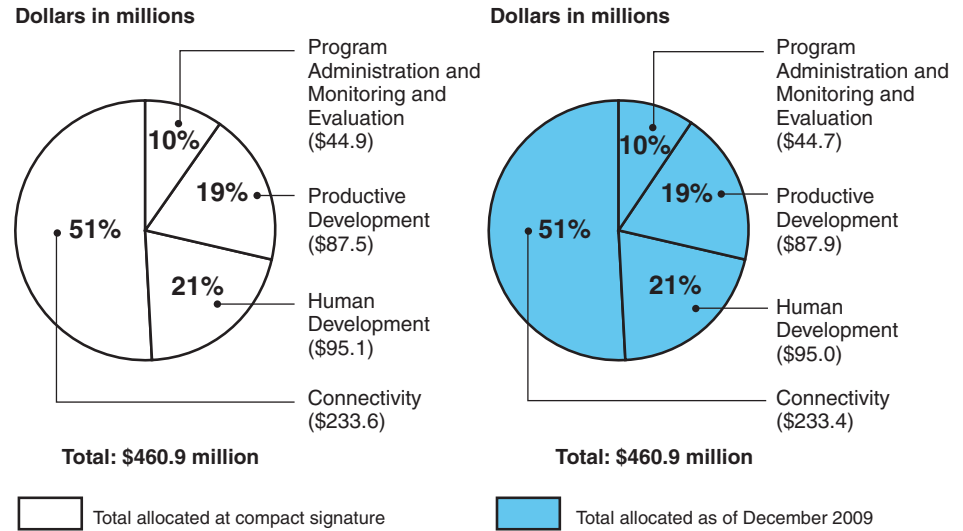
At compact signature, MCC develops a disbursement plan for the compact. MCC disburses funds as the country begins implementing projects. According to MCC, any funds not disbursed within 120 days after the compact ends would return to MCC for reprogramming.

As of December 2009, MCC had disbursed \$66.1 million (approximately 14 percent) of compact funds, compared with the \$222.9 million (approximately 48 percent) that it had planned to disburse as of that date.

Although it is not shown in the graphic, in addition to the above disbursements, \$135.4 million has been committed under the compact for pending expenses as of December 2009.

Compact Funding

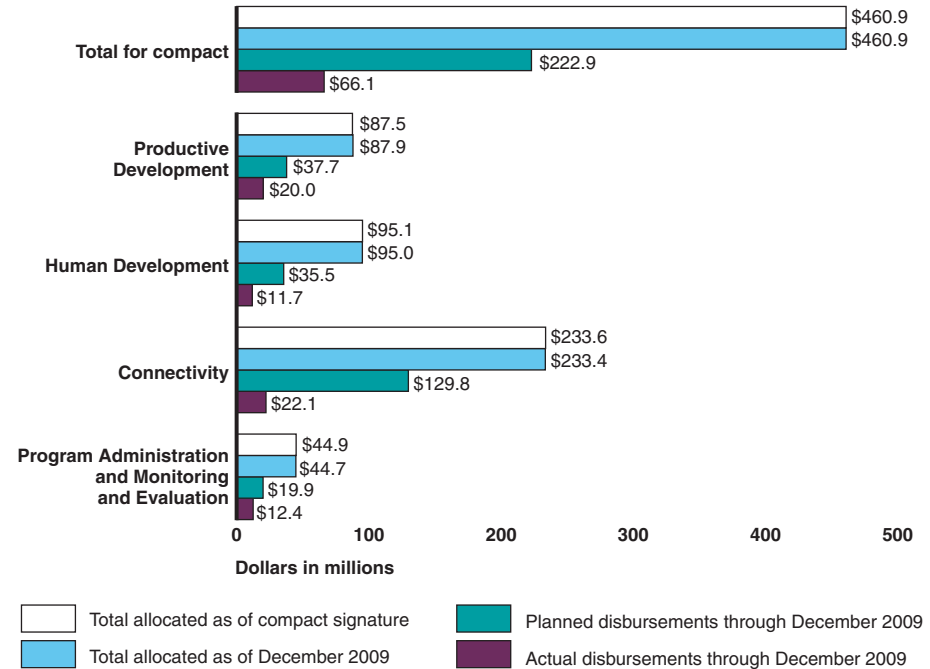
El Salvador Compact Project Allocations



Source: GAO analysis of Millennium Challenge Corporation data.

Note: Project allocations in figures may not add up to 100 percent due to rounding.

El Salvador Compact Planned and Actual Disbursements



Source: GAO analysis of Millennium Challenge Corporation data.

Notes: We base planned disbursements on MCC's projections for the fiscal quarter ending December 2009. We assume that funds are disbursed evenly throughout each year. Actual disbursements by project may not add up to total disbursements because some disbursements are pending allocation to projects and are reflected in the total but not in the projects.



MILLENNIUM CHALLENGE CORPORATION

Georgia Compact Fact Sheet

Country Characteristics

Located in the Caucasus region of Asia on the southern border of Russia, Georgia has a population of about 4.4 million. It is a lower-middle-income country. Its economy is based on services and industry, which respectively constitute 62 and 26 percent of its gross domestic product (GDP). Agriculture constitutes 12 percent of GDP but employs 56 percent of the labor force. Other key economic activities include mining of manganese and copper. Following the “Rose Revolution”—widespread protests that led to its president’s resignation—Georgia elected a new government in 2004 that focused on anticorruption efforts and other reforms. In August 2008, conflict erupted with Russia over regions in Georgia seeking independence. Although Georgia’s GDP had been growing, the conflict and the global economic crisis negatively impacted its economy, which contracted by nearly 5 percent in 2009.

Map of Georgia



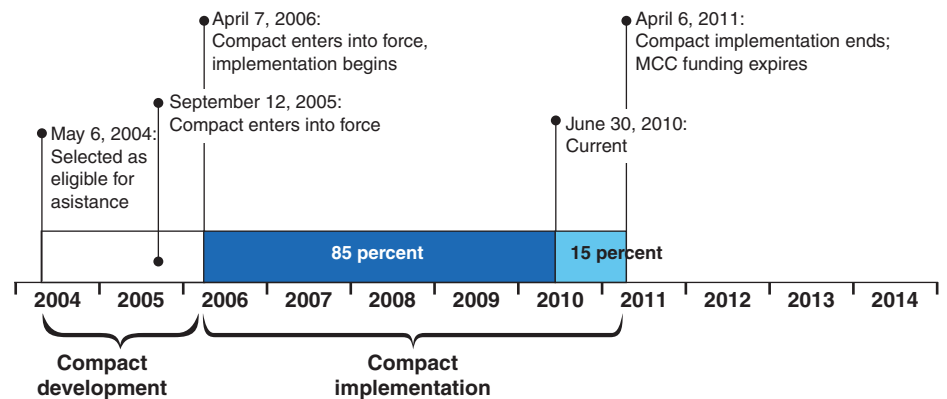
Source: Map Resources (map).

Compact Timeline

During compact development, MCC and an eligible country negotiate project proposals and the compact’s terms. After the compact is signed, the country finalizes administrative requirements, such as procurement and disbursement agreements. When the compact enters into force, MCC obligates funds and compact implementation begins. MCC’s statute limits compact implementation to 5 years.

Georgia was 1 of 16 countries that MCC selected as eligible in its first eligibility round. As of June 30, 2010, 85 percent of the compact’s 5-year period had elapsed.

Key Events for Georgia Compact



- Compact development
- Compact implementation time elapsed
- Compact implementation time remaining

Source: GAO analysis of Millennium Challenge Corporation data.

Georgia

MCC Candidate Criteria

Each fiscal year, MCC uses per capita gross national income (GNI) data to identify two pools of candidate countries—low-income and lower-middle-income—based on World Bank lending thresholds. Also, a candidate country must not be statutorily barred from receiving U.S. assistance. By law, MCC can use up to 25 percent of compact assistance each year for new compacts with lower-middle-income countries.

Georgia was a low-income candidate country from 2004 through 2008. In 2009, Georgia's rising GNI per capita lifted it to lower-middle-income status.

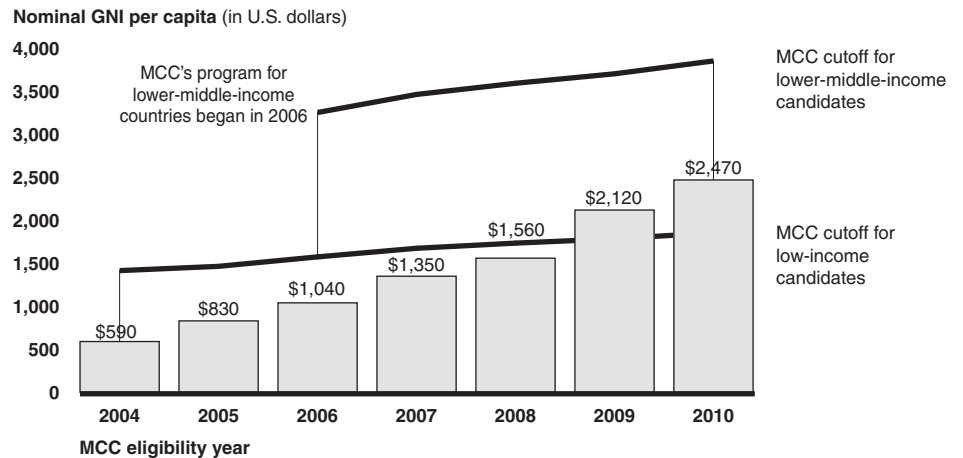
MCC Eligibility Criteria

MCC's board uses quantitative indicators to assess a candidate's policy performance. To meet MCC's criteria, a country must pass the control of corruption indicator and at least half of the indicators in each of three categories. To pass an indicator, a country must score above the median in its income group. However, the board may select a country as eligible even if it does not meet the criteria. Once MCC has signed a compact with a country, MCC continues to work with it—even if it fails the criteria—as long as its actions are not inconsistent with the criteria. If a country's policy performance declines, the board can suspend or terminate the compact.

Georgia failed MCC's eligibility criteria in 2004, 2005, and 2006, in part because it failed the corruption indicator, but the MCC board deemed it eligible. It met the criteria in 2007 and 2008. In 2009, Georgia became lower-middle-income and failed the criteria for that group that year and in 2010.

MCC Selection Criteria

Georgia GNI Per Capita



Source: GAO analysis of World Bank World Development Indicators and MCC income cutoffs.

Georgia's Performance on MCC Eligibility Indicators

Indicator category	MCC eligibility year	2004	2005	2006	2007	2008	2009	2010
	MCC income group	Low	Low	Low	Low	Low	Lower-middle	Lower-middle
Ruling Justly	Political Rights	X	✓	✓	✓	✓	X	X
	Civil Liberties	X	✓	✓	✓	✓	X	X
	Voice and Accountability	✓	✓	✓	✓	✓	X	✓
	Government Effectiveness	✓	✓	✓	✓	✓	✓	✓
	Rule of Law	X	X	X	✓	✓	✓	✓
	Control of Corruption	X	X	X	✓	✓	✓	✓
Investing in People	Girls' Primary Education Completion ^a	✓	✓	✓	✓	✓	X	X
	Primary Education Expenditures	X	X	X	X	X	X	X
	Health Expenditures	X	X	✓	X	X	X	X
	Immunization Rates	✓	X	✓	✓	✓	✓	✓
	Natural Resource Management (2008-2010)					✓	X	✓
Economic Freedom	Country Credit Rating (2004-2005)	X	✓					
	Days to Start a Business (2004-2007)	✓	✓	✓	✓			
	Cost of Starting a Business (2006-2007)			✓	✓			
	Business Start-up (2008-2010)					✓	✓	✓
	Inflation	✓	✓	✓	✓	✓	✓	✓
	Fiscal Policy	✓	✓	✓	✓	✓	X	X
	Trade Policy	X	X	✓	✓	✓	✓	✓
	Regulatory Quality	X	X	X	✓	✓	✓	✓
	Land Rights and Access (2008-2010)					✓	✓	✓
	Indicator performance results	Failed	Failed	Failed	Passed	Passed	Failed	Failed
MCC eligibility determination	Eligible	Eligible	Eligible	Eligible	Eligible	NA ^b	NA ^b	

✓ Passed (scored above the median) X Failed (scored at the median or below) □ NA for that year

Source: GAO analysis of Millennium Challenge Corporation data.

^aIn 2004, the indicator was "Primary Education Completion."

^bIn 2009, MCC stopped making an eligibility determination for countries with existing compacts.

Georgia

Compact Characteristics

MCC and the partner country determine the compact structure before the compact is signed. However, the structure of some compacts has been altered during implementation.

At signature, Georgia's compact aimed to stimulate growth in regions outside the capital, Tbilisi, with a particular emphasis on the Samtskhe-Javakheti region in southwestern Georgia. At that time, these regions were collectively home to more than 40 percent of the country's total population. The compact includes plans to rehabilitate key infrastructure. In addition, the compact includes plans to invest in, and provide technical assistance to, regional enterprises.

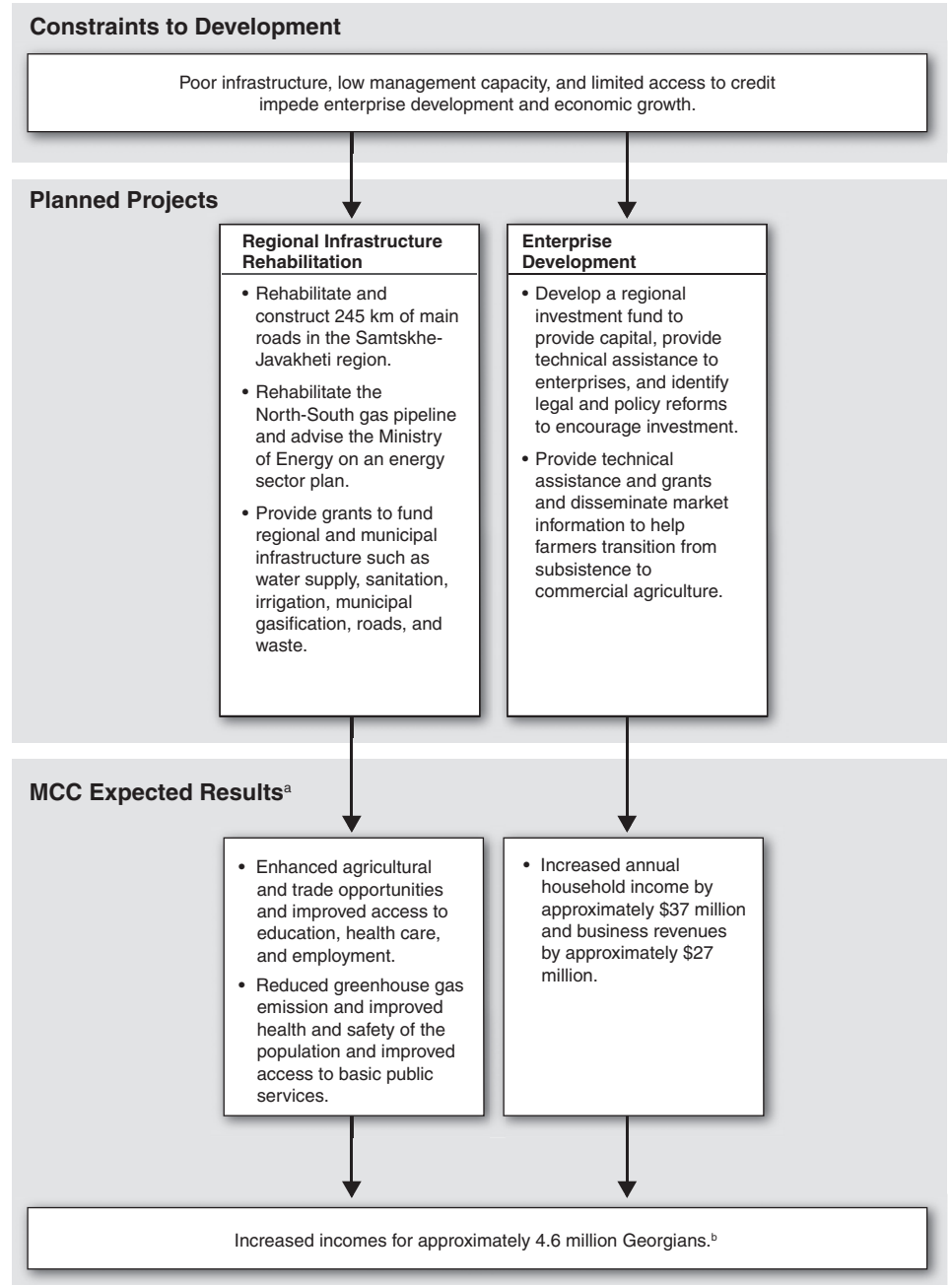
Expected Results

This graphic presents MCC's expectations of selected compact results at compact signature and at the end of fiscal year 2009.

GAO has not independently verified the reliability of MCC's results projections for this compact. Previous GAO work has identified several problems with the methodology used to determine compact projects' expected results. (See [GAO-08-730](#) and [GAO-07-909](#).)

Compact Summary

Structure of Georgia Compact, as of December 2009



Source: GAO analysis of Millennium Challenge Corporation data.

^aMCC expected results are reported as of compact signature, except the number of beneficiaries with increased incomes.

^bIn fiscal year 2009, MCC recalculated the number of expected beneficiaries using a standardized methodology. At compact signature, MCC reported the compact would benefit nearly 500,000 people.

Georgia

Compact Project Funding

MCC and the country may reallocate funds among projects during implementation. In some cases, MCC has also changed the overall compact obligation.

At signature (September 2005), MCC obligated \$295.3 million for the Georgia compact. In addition to previous reallocations, MCC and Georgia amended the compact in November 2008, increasing the total compact amount to \$395.3 million to complete works originally envisioned in the compact.

Compact Disbursements

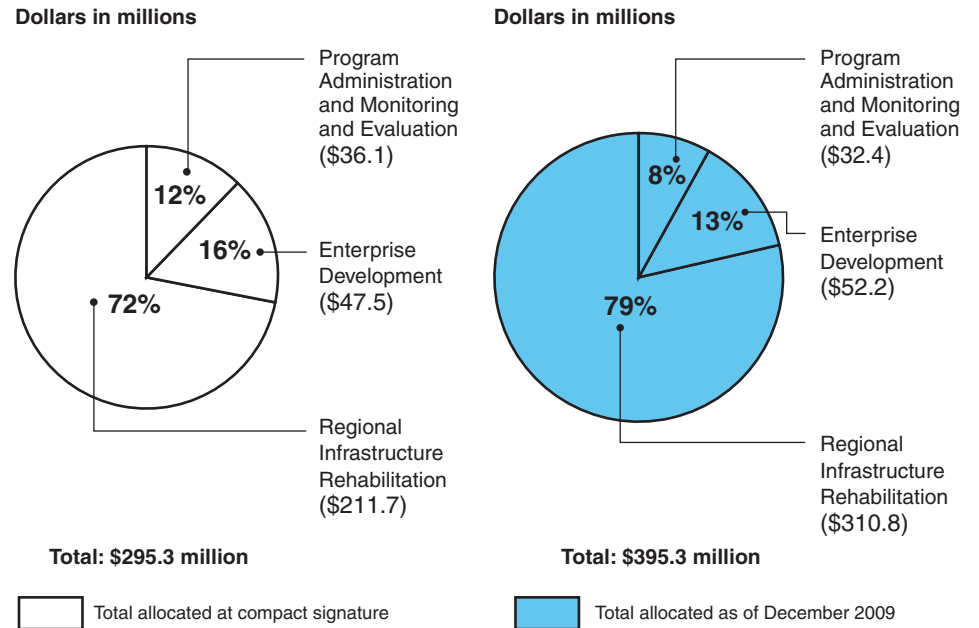
At compact signature, MCC develops a disbursement plan for the compact. MCC disburses funds as the country begins implementing projects. According to MCC, any funds not disbursed within 120 days after the compact ends would return to MCC for reprogramming.

As of December 2009, MCC had disbursed \$191.1 million (approximately 48 percent) of compact funds, compared with the \$295.3 million (approximately 75 percent) that it had planned to disburse as of that date.

Although it is not shown in the graphic, in addition to the above disbursements, \$143.3 million has been committed under the compact for pending expenses as of December 2009.

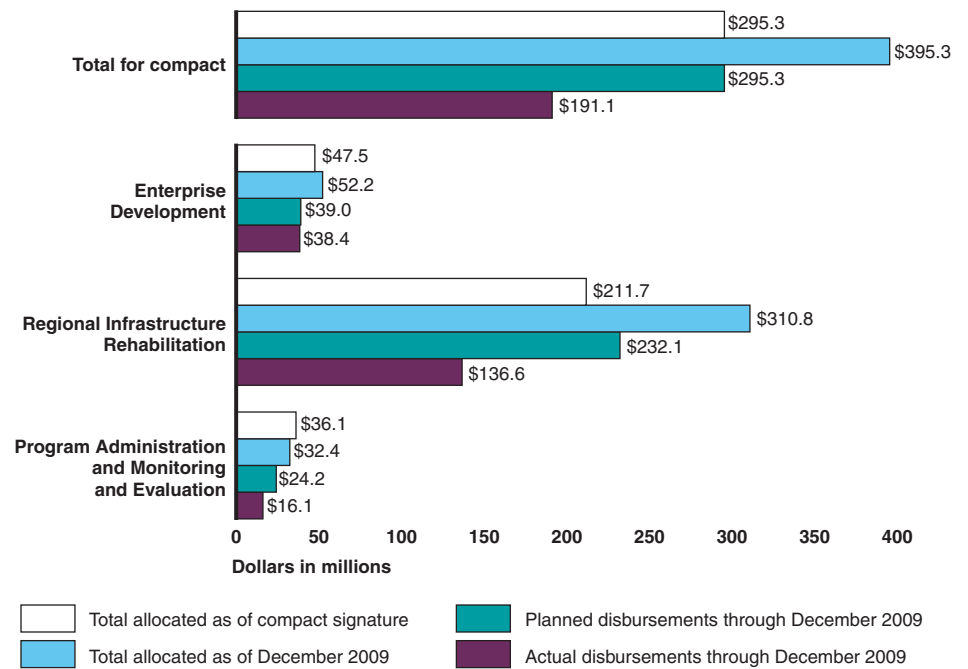
Compact Funding

Georgia Project Allocations



Source: GAO analysis of Millennium Challenge Corporation data.

Georgia Planned and Actual Disbursements



Source: GAO analysis of Millennium Challenge Corporation data.

Notes: We base planned disbursements on MCC's projections for the fiscal quarter ending December 2009. We assume that funds are disbursed evenly throughout each year. Actual disbursements by project may not add up to total disbursements because some disbursements are pending allocation to projects and are reflected in the total but not in the projects.



MILLENNIUM CHALLENGE CORPORATION

Ghana Compact Fact Sheet

Country Characteristics

Located in coastal West Africa, Ghana has a population of 23.9 million. It is a low-income country. Its economy is distributed among the services, agriculture, and industry sectors, which respectively account for 38, 37 and 25 percent of its gross domestic product (GDP). However, agriculture employs about 56 percent of the labor force. Despite an abundance of natural resources, Ghana remains heavily dependent on international financial and technical assistance. Ghana experienced consistent economic growth over the last decade, with real GDP growth rising from 3.7 percent in 2000 to 7.3 percent in 2008; GDP growth slowed to 4.7 percent in 2009.

Map of Ghana



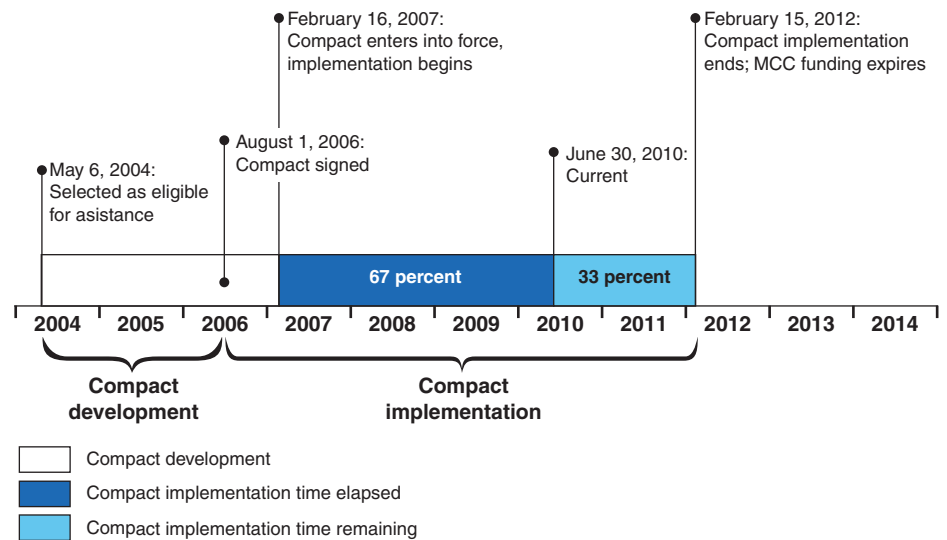
Source: Map Resources (map).

Compact Timeline

During compact development, MCC and an eligible country negotiate project proposals and the compact's terms. After the compact is signed, the country finalizes administrative requirements, such as procurement and disbursement agreements. When the compact enters into force, MCC obligates funds and compact implementation begins. MCC's statute limits compact implementation to 5 years.

Ghana was 1 of 16 countries that MCC selected as eligible in its first eligibility round. As of June 30, 2010, 67 percent of the compact's 5-year period had elapsed.

Key Events for Ghana Compact



Source: GAO analysis of Millennium Challenge Corporation data.

Ghana

MCC Candidate Criteria

Each fiscal year, MCC uses per capita gross national income (GNI) data to identify two pools of candidate countries—low-income and lower-middle-income—based on World Bank lending thresholds. Also, a candidate country must not be statutorily barred from receiving U.S. assistance. By law, MCC can use up to 25 percent of compact assistance each year for new compacts with lower-middle-income countries.

Ghana has been classified as a low-income candidate country every year since MCC began operations in 2004.

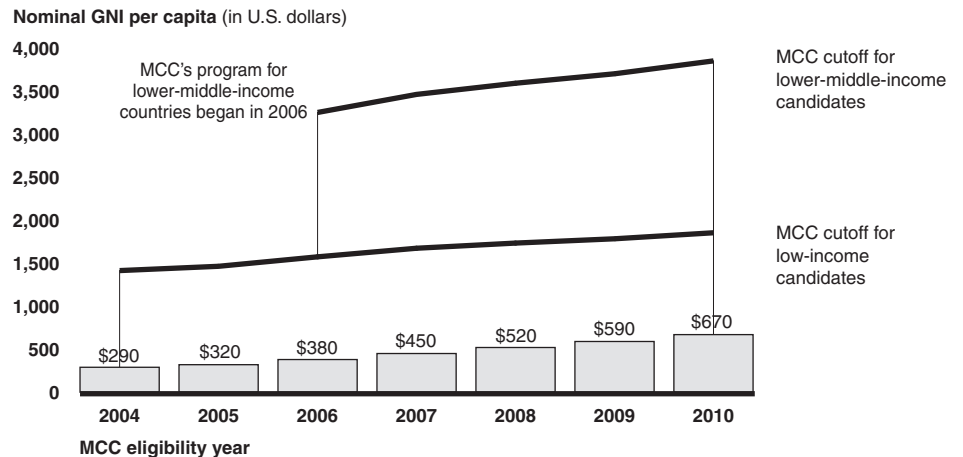
MCC Eligibility Criteria

MCC's board uses quantitative indicators to assess a candidate's policy performance. To meet MCC's criteria, a country must pass the control of corruption indicator and at least half of the indicators in each of three categories. To pass an indicator, a country must score above the median in its income group. However, the board may select a country as eligible even if it does not meet the criteria. Once MCC has signed a compact with a country, MCC continues to work with it—even if it fails the criteria—as long as its actions are not inconsistent with the criteria. If a country's policy performance declines, the board can suspend or terminate the compact.

Ghana has met MCC's eligibility criteria each year since 2004, except in 2007, when it failed four of six Economic Freedom indicators.

MCC Selection Criteria

Ghana GNI Per Capita



Source: GAO analysis of World Bank World Development Indicators and MCC income cutoffs.

Ghana's Performance on MCC Eligibility Indicators

Indicator category	MCC eligibility year	2004	2005	2006	2007	2008	2009	2010
	MCC income group	Low	Low	Low	Low	Low	Low	Low
Ruling Justly	Political Rights	✓	✓	✓	✓	✓	✓	✓
	Civil Liberties	✓	✓	✓	✓	✓	✓	✓
	Voice and Accountability	✓	✓	✓	✓	✓	✓	✓
	Government Effectiveness	✓	✓	✓	✓	✓	✓	✓
	Rule of Law	✓	✓	✓	✓	✓	✓	✓
	Control of Corruption	✓	✓	✓	✓	✓	✓	✓
Investing in People	Girls' Primary Education Completion ^a	✓	X	X	X	X	X	✓
	Primary Education Expenditures	✓	✓	✓	✓	✓	✓	✓
	Health Expenditures	✓	✓	✓	X	✓	✓	X
	Immunization Rates	✓	✓	✓	✓	✓	✓	✓
	Natural Resource Management (2008-2010)					✓	✓	✓
Economic Freedom	Country Credit Rating (2004-2005)	✓	✓					
	Days to Start a Business (2004-2007)	X	X	X	X			
	Cost of Starting a Business (2006-2007)			✓	✓			
	Business Start-up (2008-2010)					✓	✓	✓
	Inflation	✓	✓	X	X	✓	✓	X
	Fiscal Policy	X	X	X	X	X	X	X
	Trade Policy	X	X	✓	X	X	X	X
	Regulatory Quality	✓	✓	✓	✓	✓	✓	✓
	Land Rights and Access (2008-2010)					✓	✓	✓
Indicator performance results		Passed	Passed	Passed	Failed	Passed	Passed	Passed
MCC eligibility determination		Eligible	Eligible	Eligible	Eligible	Eligible	NA ^b	NA ^b

✓ Passed (scored above the median) X Failed (scored at the median or below) □ NA for that year

Source: GAO analysis of Millennium Challenge Corporation data.

^aIn 2004, the indicator was "Primary Education Completion."

^bIn 2009, MCC stopped making an eligibility determination for countries with existing compacts.

Ghana

Compact Summary

Compact Characteristics

MCC and the partner country determine the compact structure before the compact is signed. However, the structure of some compacts has been altered during implementation.

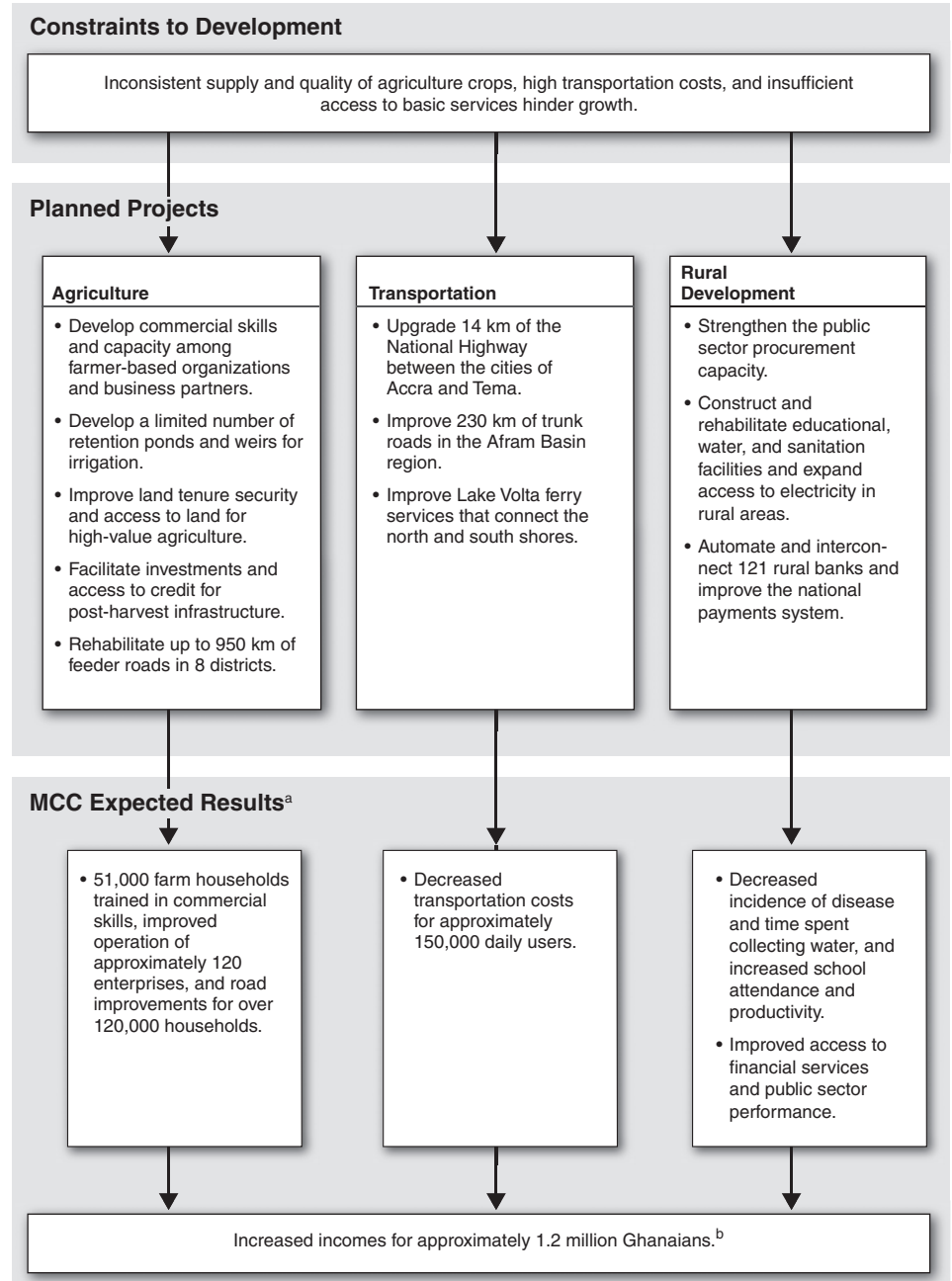
At signature, Ghana's compact focused on 23 districts in the Afram Basin region, in the north, and on the southern agricultural area of the Southeast region. At that time, poverty rates in these locations were generally higher than 40 percent. In January 2009, MCC restructured the Ghana compact to respond to farmer demand for services and to increased project costs.

Expected Results

This graphic presents MCC's expectations of selected compact results at compact signature and at the end of fiscal year 2009.

GAO has not independently verified the reliability of MCC's results projections for this compact. Previous GAO work identified several problems with the methodology used to determine compact results. (See [GAO-08-730](#) and [GAO-07-909](#).)

Structure of Ghana Compact, as of December 2009



Source: GAO analysis of Millennium Challenge Corporation data.

^aMCC expected results are reported as of compact signature, except the number of beneficiaries with increased incomes.

^bIn fiscal year 2009, MCC recalculated the number of expected beneficiaries using a standardized methodology. At compact signature, MCC reported the compact would benefit over 1 million people.

Ghana

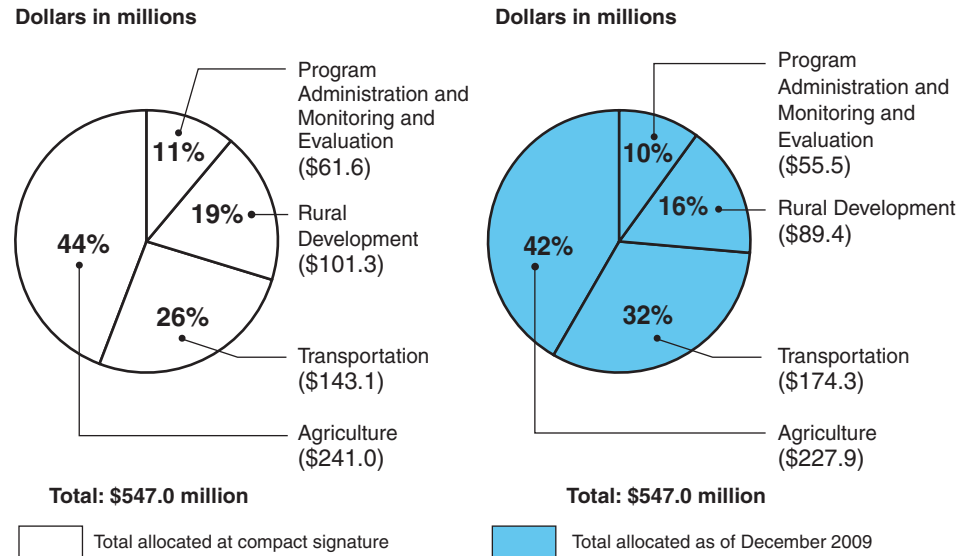
Compact Project Funding

MCC and the country may reallocate funds among projects during implementation. In some cases, MCC has also changed the overall compact obligation.

At signature (August 2006), MCC obligated \$547.0 million for the Ghana compact. As of December 2009, the overall obligation amount had not changed, however funds were reallocated among the projects.

Compact Funding

Ghana Project Allocations



Source: GAO analysis of Millennium Challenge Corporation data.

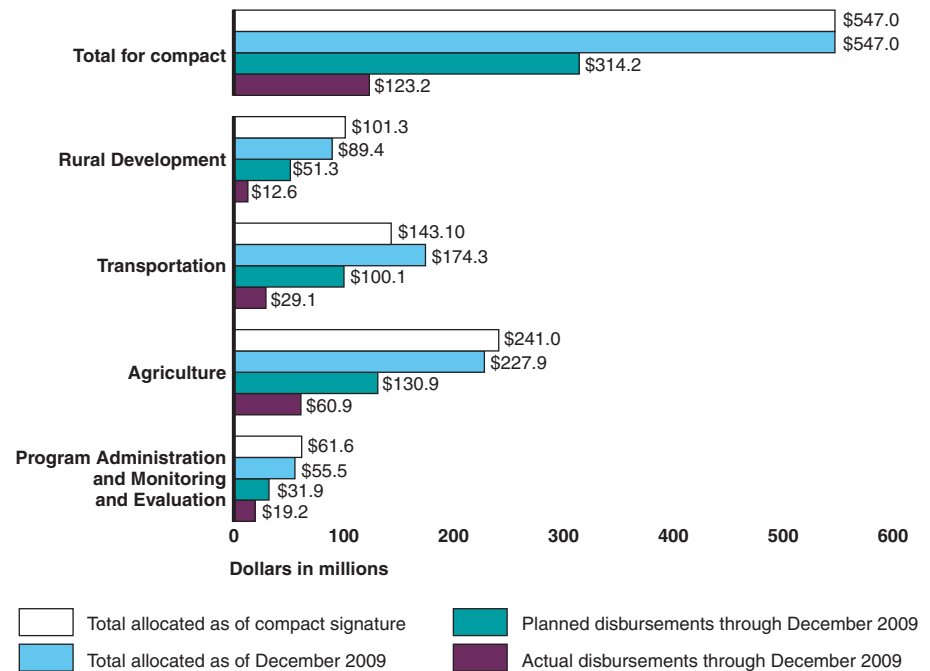
Compact Disbursements

At compact signature, MCC develops a disbursement plan for the compact. MCC disburses funds as the country begins implementing projects. According to MCC, any funds not disbursed within 120 days after the compact ends would return to MCC for reprogramming.

As of December 2009, MCC had disbursed \$123.2 million (approximately 23 percent) of compact funds, compared with the \$314.2 million (approximately 57 percent) that it had planned to disburse as of that date.

Although it is not shown in the graphic, in addition to the above disbursements, \$216.7 million has been committed under the compact for pending expenses as of December 2009.

Ghana Planned and Actual Disbursements



Source: GAO analysis of Millennium Challenge Corporation data.

Notes: We base planned disbursements on MCC's projections for the fiscal quarter ending December 2009. We assume that funds are disbursed evenly throughout each year. Actual disbursements by project may not add up to total disbursements because some disbursements are pending allocation to projects and are reflected in the total but not in the projects.



MILLENNIUM CHALLENGE CORPORATION

Honduras Compact Fact Sheet

Country Characteristics

Located in Central America, Honduras has a population of about 7.2 million. It is a low-income country. Its economy is based on services, which constitute 58 percent of its gross domestic product (GDP) and employ about 40 percent of the labor force. Industry and agriculture constitute 28 and 14 percent of GDP, respectively. Honduras's real GDP contracted in 2009 by 3.1 percent. In June 2009, Honduran President Zelaya was ousted from office after attempting to change the constitution to allow for his re-election, which the Honduran congress and judiciary strongly opposed. As a result of this situation, MCC has partially terminated assistance under its compact with Honduras.

Map of Honduras



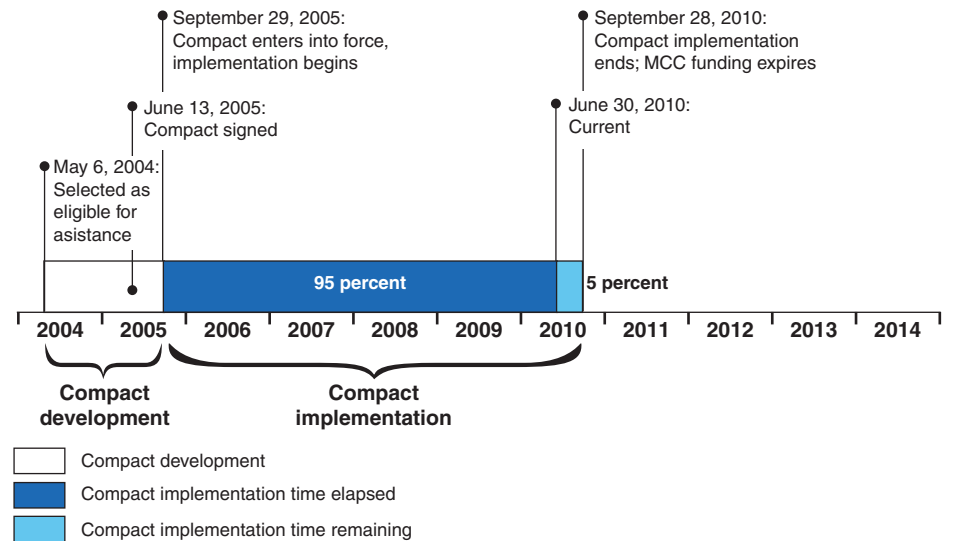
Source: Map Resources (map).

Compact Timeline

During compact development, MCC and an eligible country negotiate project proposals and the compact's terms. After the compact is signed, the country finalizes administrative requirements, such as procurement and disbursement agreements. When the compact enters into force, MCC obligates funds and compact implementation begins. MCC's statute limits compact implementation to 5 years.

Honduras was 1 of 16 countries that MCC selected as eligible in its first eligibility round. Honduras was the second country to begin implementing a compact with MCC. As of June 30, 2010, 95 percent of the compact's 5-year period had elapsed.

Key Events for Honduras Compact



Source: GAO analysis of Millennium Challenge Corporation data.

Honduras

MCC Candidate Criteria

Each fiscal year, MCC uses per capita gross national income (GNI) data to identify two pools of candidate countries—low-income and lower-middle-income—based on World Bank lending thresholds. Also, a candidate country must not be statutorily barred from receiving U.S. assistance. By law, MCC can use up to 25 percent of compact assistance each year for new compacts with lower-middle-income countries.

Honduras has been classified as a low-income country every year since MCC began operations in 2004.

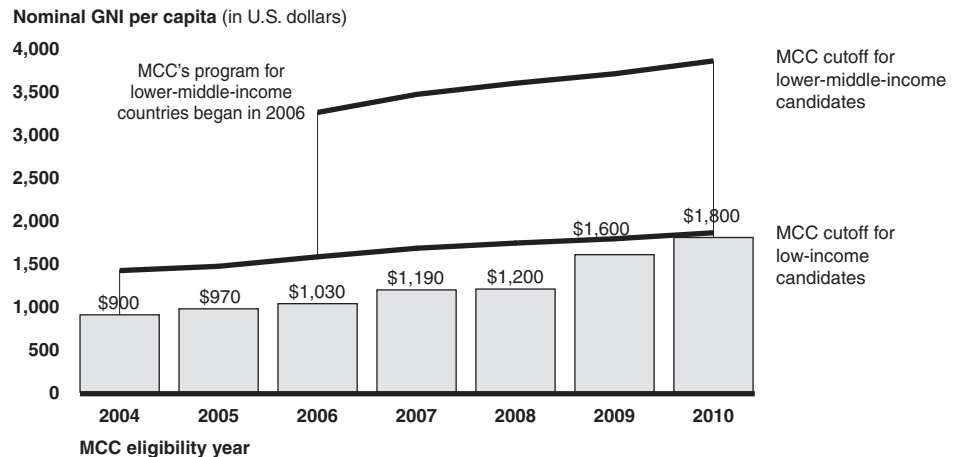
MCC Eligibility Criteria

MCC's board uses quantitative indicators to assess a candidate's policy performance. To meet MCC's criteria, a country must pass the control of corruption indicator and at least half of the indicators in each of three categories. To pass an indicator, a country must score above the median in its income group. However, the Board may select a country as eligible even if it does not meet the criteria. Once MCC has signed a compact with a country, MCC continues to work with it—even if it fails the criteria—as long as its actions are not inconsistent with the criteria. If a country's policy performance declines, the Board can suspend or terminate the compact.

Honduras met MCC's eligibility criteria most years since 2004. It did not meet the criteria in 2008 and 2010 because it failed the corruption indicator.

MCC Selection Criteria

Honduras GNI Per Capita



Source: GAO analysis of World Bank World Development Indicators and MCC income cutoffs.

Honduras' Performance on MCC Eligibility Indicators

Indicator category	MCC eligibility year	2004	2005	2006	2007	2008	2009	2010
	MCC income group	Low	Low	Low	Low	Low	Low	Low
Ruling Justly	Political Rights	✓	✓	✓	✓	✓	✓	✓
	Civil Liberties	✓	✓	✓	✓	✓	✓	✓
	Voice and Accountability	✓	✓	✓	✓	✓	✓	✓
	Government Effectiveness	✓	✓	✓	✓	✓	✓	✓
	Rule of Law	✗	✗	✓	✓	✗	✗	✗
	Control of Corruption	✓	✓	✓	✓	✗	✓	✗
Investing in People	Girls' Primary Education Completion ^a	✓	✓	✗	✓	✓	✓	✓
	Primary Education Expenditures	✓	✓	✓	✓	✓	✓	✓
	Health Expenditures	✓	✓	✓	✓	✓	✓	✓
	Immunization Rates	✓	✓	✓	✓	✓	✓	✓
	Natural Resource Management (2008-2010)					✓	✓	✓
Economic Freedom	Country Credit Rating (2004-2005)	✓	✓					
	Days to Start a Business (2004-2007)	✗	✗	✗	✗			
	Cost of Starting a Business (2006-2007)			✓	✓			
	Business Start-up (2008-2010)					✓	✓	✓
	Inflation	✓	✓	✓	✓	✓	✓	✓
	Fiscal Policy	✗	✗	✗	✗	✗	✗	✗
	Trade Policy	✓	✓	✓	✓	✓	✓	✓
	Regulatory Quality	✓	✓	✓	✓	✓	✓	✓
	Land Rights and Access (2008-2010)					✓	✓	✓
Indicator performance results		Passed	Passed	Passed	Passed	Failed	Passed	Failed
MCC eligibility determination		Eligible	Eligible	Eligible	Eligible	Eligible	NA ^b	NA ^b

✓ Passed (scored above the median) ✗ Failed (scored at the median or below) □ NA for that year

Source: GAO analysis of Millennium Challenge Corporation data.

^aIn 2004, the indicator was "Primary Education Completion."

^bIn 2009, MCC stopped making and eligibility determination for countries with existing compacts.

Honduras

Compact Characteristics

MCC and the partner country determine the compact structure before the compact is signed. However, the structure of some compacts has been altered during implementation.

At signature, the Honduras compact aimed to generate economic growth in rural areas. In September 2009, MCC partially terminated assistance under its compact with Honduras, ceasing to fund parts of the Transportation and Rural Development Projects. MCC also placed a hold on funding for a section of the CA-5 Highway Activity, under the Transportation Project; the hold on funding was lifted in early 2010. MCC acted in response to the Honduran president's removal and the failure to reestablish democratic order, which were inconsistent with MCC's eligibility criteria.

Expected Results

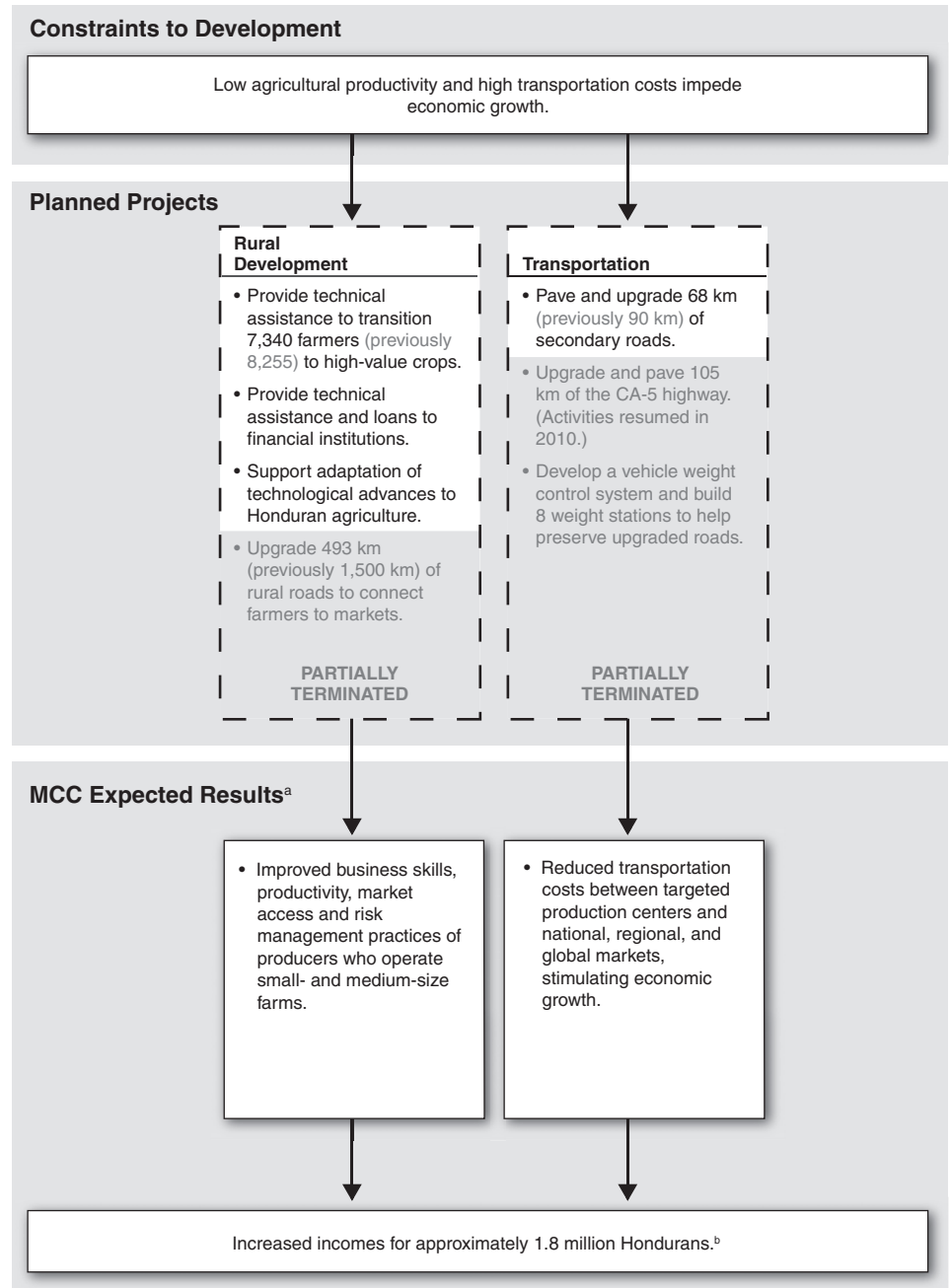
The graphic presents MCC's expectations of selected compact results at compact signature and at the end of fiscal year 2009.

GAO has not independently verified the reliability of MCC's results projections for this compact. Previous GAO work has identified several problems with the methodology used to determine compact results. (See [GAO-08-730](#) and [GAO-07-909](#).)

MCC has modified the Honduras compact but only partially recalculated the expected results.

Compact Summary

Structure of Honduras Compact, as of December 2009



Source: GAO analysis of Millennium Challenge Corporation data.

^aMCC expected results are reported as of compact signature, except the number of beneficiaries with increased incomes. The partial termination of the two projects may affect results.

^bIn fiscal year 2009, MCC recalculated the number of expected beneficiaries using a standardized methodology. MCC did not publish a beneficiary estimate for Honduras at compact signature.

Honduras

Compact Project Funding

MCC and the country may reallocate funds among projects during implementation. In some cases, MCC has also changed the overall compact obligation.

At signature (June 2005), MCC obligated \$215.0 million for the Honduras compact. In September 2009, MCC terminated part of the compact assistance, representing about \$10.0 million, and put a hold on funding for another part of the compact. As of December 2009, the overall obligation had decreased to \$205.0 million.

Compact Disbursements

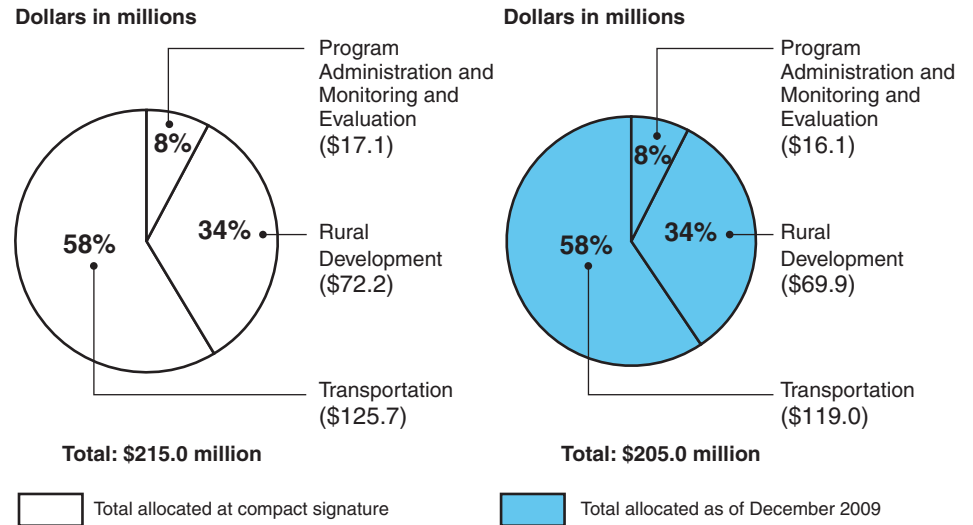
At compact signature, MCC develops a disbursement plan for the compact. MCC disburses funds as the country begins implementing projects. According to MCC, any funds not disbursed within 120 days after the compact ends would return to MCC for reprogramming.

As of December 2009, MCC had disbursed \$132.1 million (approximately 65 percent) of compact funds, compared with the \$174.4 million (approximately 85 percent) that it had planned to disburse as of that date.

Although it is not shown in the graphic, in addition to the above disbursements, \$60.4 million has been committed under the compact for pending expenses as of December 2009.

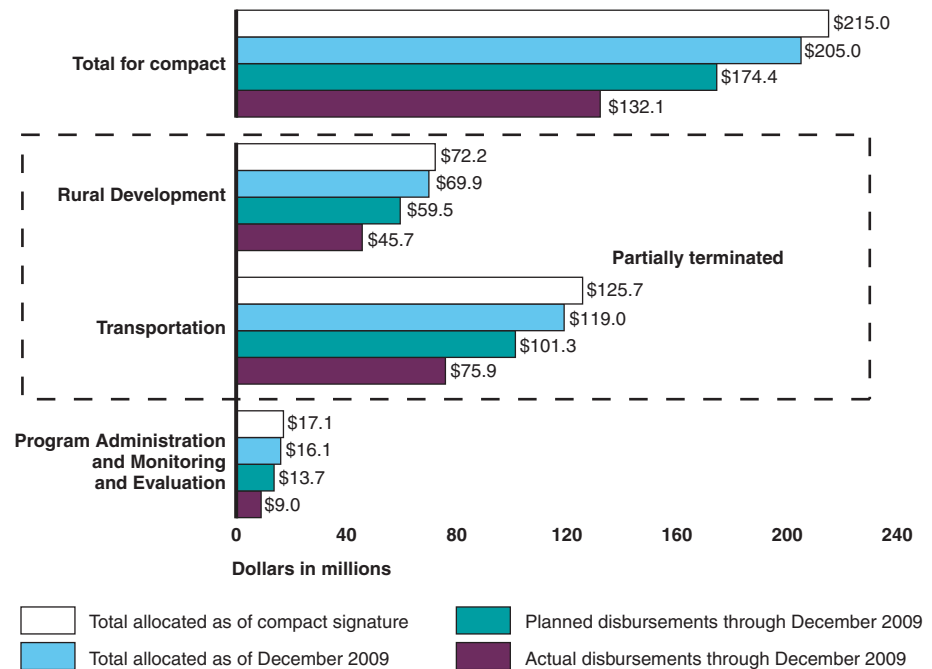
Compact Status

Honduras Compact Funding



Source: GAO analysis of Millennium Challenge Corporation data.

Honduras Compact Planned and Actual Disbursements



Source: GAO analysis of Millennium Challenge Corporation data.

Notes: We base planned disbursements on MCC's projections for the fiscal quarter ending December 2009. We assume that funds are disbursed evenly throughout each year. Actual disbursements by project may not add up to total disbursements because some disbursements are pending allocation to projects and are reflected in the total but not in the projects.



MILLENNIUM CHALLENGE CORPORATION

Lesotho Compact Fact Sheet

Country Characteristics

Located in southern Africa, Lesotho is a landlocked country, surrounded by South Africa, with a population of about 2.0 million. It is considered a low-income country. Its economy is based on industry and services, which respectively account for 45 and 39 percent of Lesotho's gross domestic product (GDP).

Agriculture accounts for 16 percent of GDP but employs 86 percent of the labor force. However, about 35 percent of Lesotho's male wage earners work in South Africa. In recent years, the government of Lesotho has embarked on major reforms to remove impediments to private sector growth, improve access to credit, and increase the participation of women in the economy. Lesotho's real GDP growth rate averaged 3.3 percent in 1991 through 2007, but the growth rate has been erratic, ranging from less than 1 percent in 2005 to more than 8 percent in 2006. In 2009, real GDP contracted by 0.9 percent.

Map of Lesotho



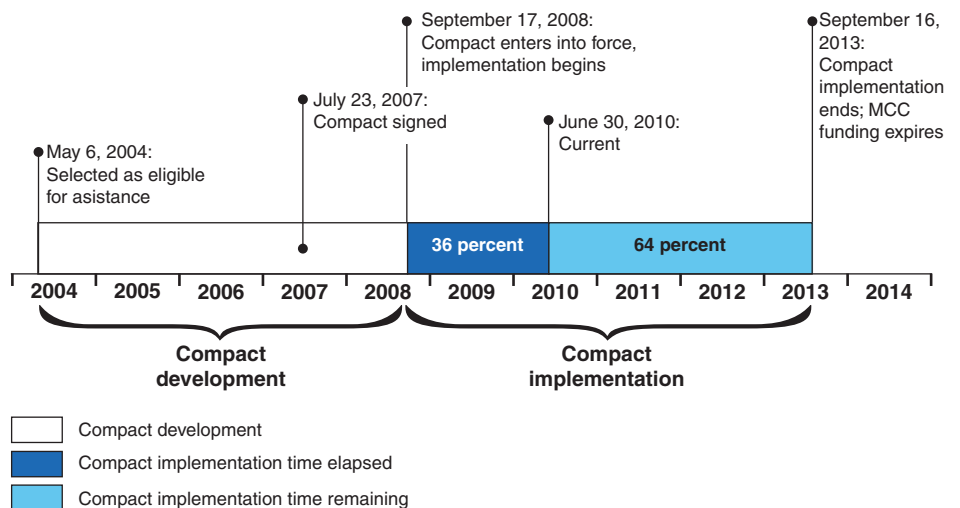
Source: Map Resources (map).

Compact Timeline

During compact development, MCC and an eligible country negotiate project proposals and the compact's terms. After the compact is signed, the country finalizes administrative requirements, such as procurement and disbursement agreements. When the compact enters into force, MCC obligates funds and compact implementation begins. MCC's statute limits compact implementation to 5 years.

Lesotho was 1 of 16 countries that MCC selected as eligible in its first eligibility round. As of June 30, 2010, 36 percent of the compact's 5-year period had elapsed.

Key Events for Lesotho Compact



Source: GAO analysis of Millennium Challenge Corporation data.

Lesotho

MCC Candidate Criteria

Each fiscal year, MCC uses per capita gross national income (GNI) data to identify two pools of candidate countries—low-income and lower-middle-income—based on World Bank lending thresholds. Also, a candidate country must not be statutorily barred from receiving U.S. assistance. By law, MCC can use up to 25 percent of compact assistance each year for new compacts with lower-middle-income countries.

Lesotho has been classified as a low-income country every year since MCC began operations in 2004.

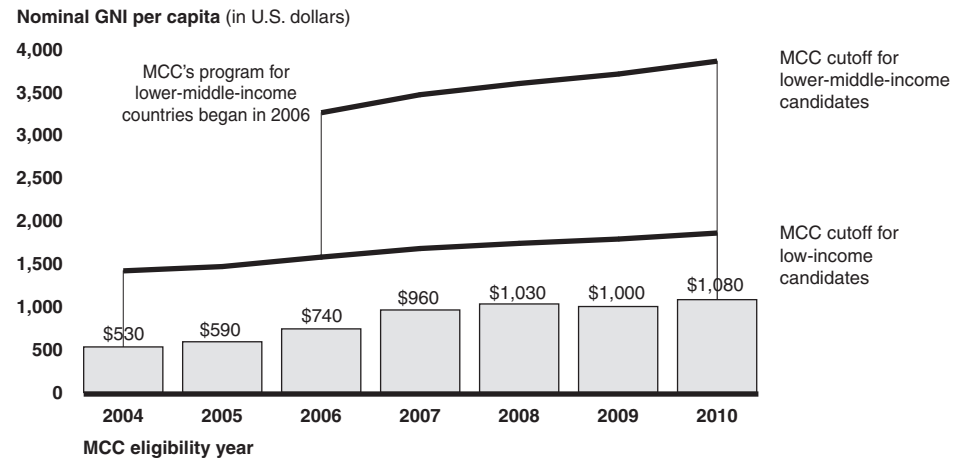
MCC Eligibility Criteria

MCC's board uses quantitative indicators to assess a candidate's policy performance. To meet MCC's criteria, a country must pass the control of corruption indicator and at least half of the indicators in each of three categories. To pass an indicator, a country must score above the median in its income group. However, the board may select a country as eligible even if it does not meet the criteria. Once MCC has signed a compact with a country, MCC continues to work with it—even if it fails the criteria—as long as its actions are not inconsistent with the criteria. If a country's policy performance declines, the board can suspend or terminate the compact.

Lesotho has met MCC's eligibility criteria each year since 2004.

MCC Selection Criteria

Lesotho GNI Per Capita



Source: GAO analysis of World Bank World Development Indicators and MCC income cutoffs.

Lesotho's Performance on MCC Eligibility Indicators

Indicator category	MCC eligibility year	2004	2005	2006	2007	2008	2009	2010
	MCC income group	Low	Low	Low	Low	Low	Low	Low
Ruling Justly	Political Rights	✓	✓	✓	✓	✓	✓	✓
	Civil Liberties	✓	✓	✓	✓	✓	✓	✓
	Voice and Accountability	✓	✓	✓	✓	✓	✓	✓
	Government Effectiveness	✓	✓	✓	✓	✓	✓	✓
	Rule of Law	✓	✓	✓	✓	✓	✓	✓
	Control of Corruption	✓	✓	✓	✓	✓	✓	✓
Investing in People	Girls' Primary Education Completion ^a	✓	✓	✓	✓	✓	✓	✓
	Primary Education Expenditures	✓	✓	✓	✓	✓	✓	✓
	Health Expenditures	✓	✓	✓	✓	✓	✓	✓
	Immunization Rates	✗	✗	✗	✓	✗	✓	✓
	Natural Resource Management (2008-2010)					✓	✗	✗
Economic Freedom	Country Credit Rating (2004-2005)	✓	✓					
	Days to Start a Business (2004-2007)	✗	✗	✗	✗			
	Cost of Starting a Business (2006-2007)			✓	✓			
	Business Start-up (2008-2010)					✓	✓	✓
	Inflation	✓	✓	✓	✓	✓	✓	✓
	Fiscal Policy	✓	✓	✓	✓	✓	✓	✓
	Trade Policy	✗	✗	✓	✓	✗	✗	✗
	Regulatory Quality	✓	✓	✓	✓	✓	✓	✗
	Land Rights and Access (2008-2010)					✗	✓	✓
Indicator performance results		Passed	Passed	Passed	Passed	Passed	Passed	Passed
MCC eligibility determination		Eligible	Eligible	Eligible	Eligible	Eligible	NA ^b	NA ^b

✓ Passed (scored above the median) ✗ Failed (scored at the median or below) □ NA for that year

Source: GAO analysis of Millennium Challenge Corporation data.

^aIn 2004, the indicator was "Primary Education Completion."

^bIn 2009, MCC stopped making an eligibility determination for countries with existing compacts.

Lesotho

Compact Characteristics

MCC and the partner country determine the compact structure before the compact is signed. However, the structure of some compacts has been altered during implementation.

At signature, Lesotho's compact focused on sectors that affect most of the population, such as health care and potable water production. The compact aimed to strengthen the country's health care infrastructure to improve health outcomes, improve the water supply for industrial and domestic needs, and remove barriers to foreign and local private sector investment. At signature, nearly 25 percent of 15- to 49-year-old adults in Lesotho were HIV/AIDS-positive, the third highest prevalence rate in the world.

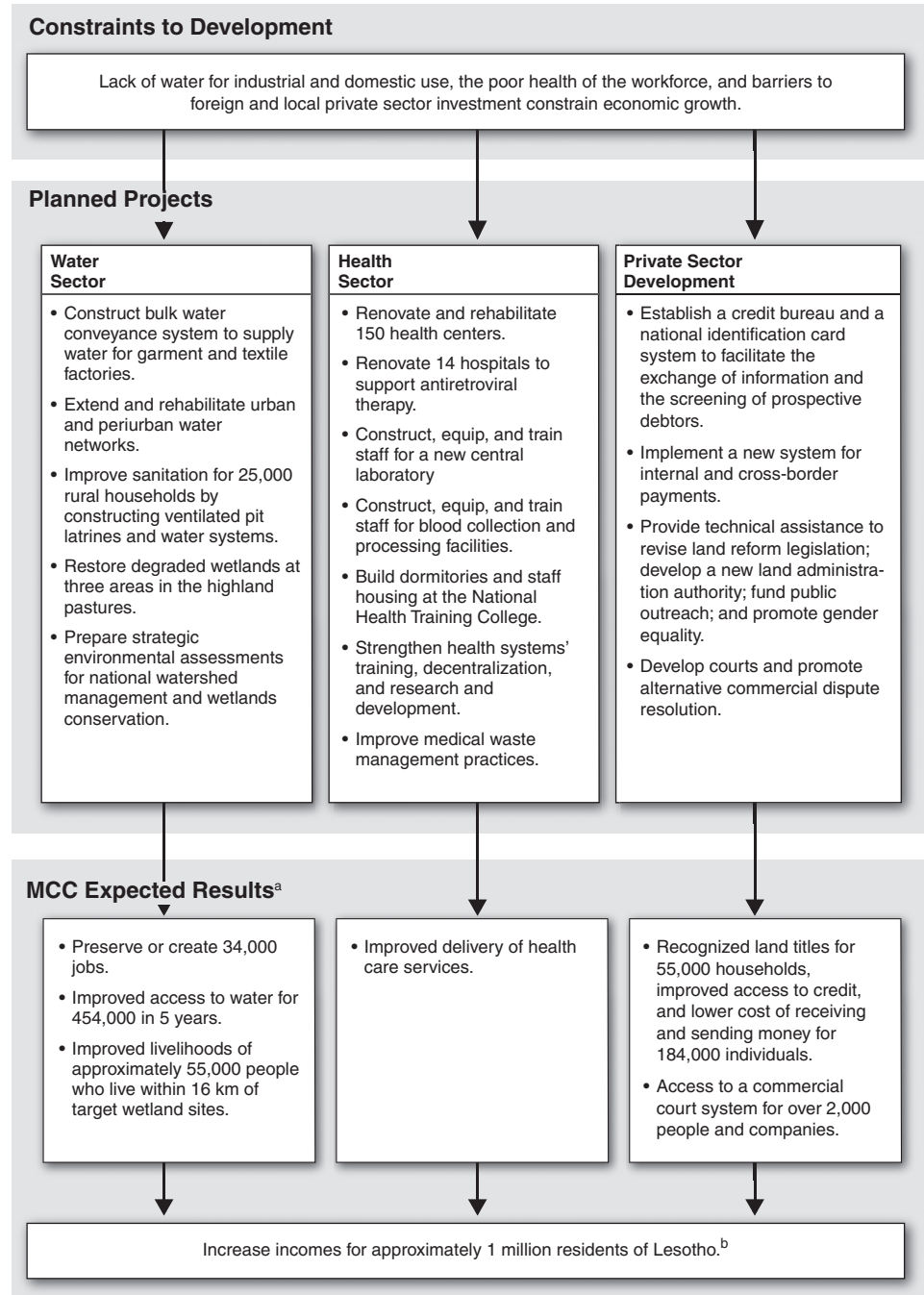
Expected Results

This graphic presents MCC's expectations of selected compact results at compact signature and at the end of fiscal year 2009.

The Lesotho compact is one of five compacts for which GAO has independently verified the reliability of MCC's results projections. In June 2008, GAO reported that it was unable to assess MCC's compact-level impact projections for Lesotho because MCC based them on a prior World Bank economic growth model (GAO-08-730).

Compact Summary

Structure of Lesotho Compact, as of December 2009



Source: GAO analysis of Millennium Challenge Corporation data.

^aMCC expected results are reported as of compact signature, except the number of beneficiaries with increased incomes.

^bIn fiscal year 2009, MCC recalculated the number of expected beneficiaries using a standardized methodology. MCC did not publish a beneficiary estimate for Lesotho at compact signature.

Lesotho

Compact Project Funding

MCC and the country may reallocate funds among projects during implementation. In some cases, MCC has also changed the overall compact obligation.

At signature (July 2007), MCC obligated \$362.6 million for the Lesotho compact. As of December 2009, the overall obligation amount had not changed, however minor reallocations of funds were made among projects.

Compact Disbursements

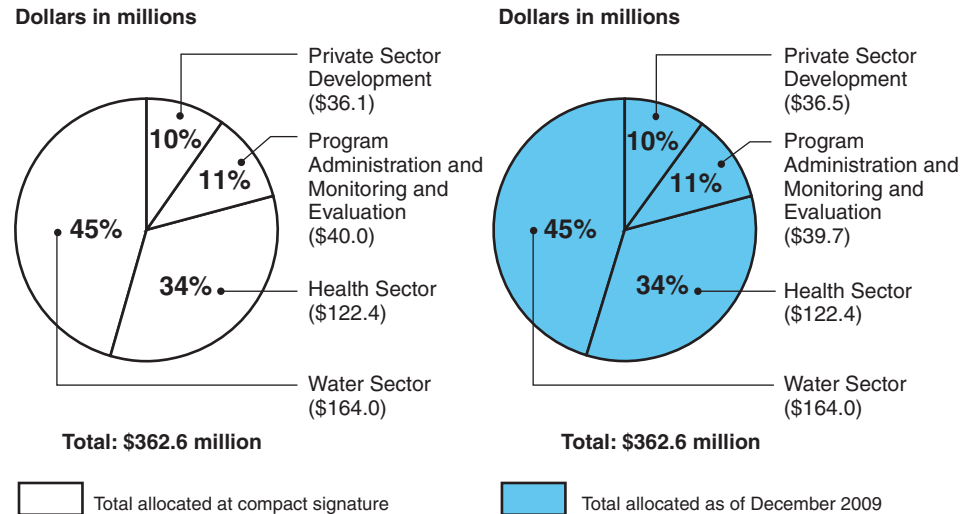
At compact signature, MCC develops a disbursement plan for the compact. MCC disburses funds as the country begins implementing projects. According to MCC, any funds not disbursed within 120 days after the compact ends would return to MCC for reprogramming.

As of December 2009, MCC had disbursed \$20.8 million (approximately 6 percent) of compact funds, compared with the \$88.9 million (approximately 25 percent) that it had planned to disburse as of that date.

Although it is not shown in the graphic, in addition to the above disbursements, \$59.1 million has been committed under the compact for pending expenses as of December 2009.

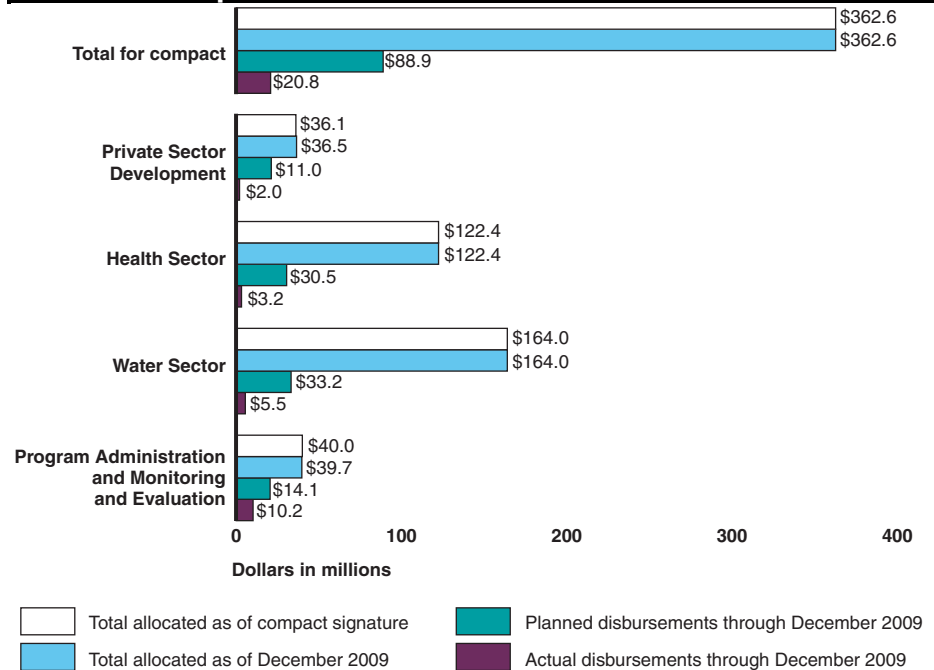
Compact Status

Lesotho Compact Funding



Source: GAO analysis of Millennium Challenge Corporation data.

Lesotho Compact Planned and Actual Disbursements



Source: GAO analysis of Millennium Challenge Corporation data.

Notes: We base planned disbursements on MCC's projections for the fiscal quarter ending December 2009. We assume that funds are disbursed evenly throughout each year. Actual disbursements by project may not add up to total disbursements because some disbursements are pending allocation to projects and are reflected in the total but not in the projects.



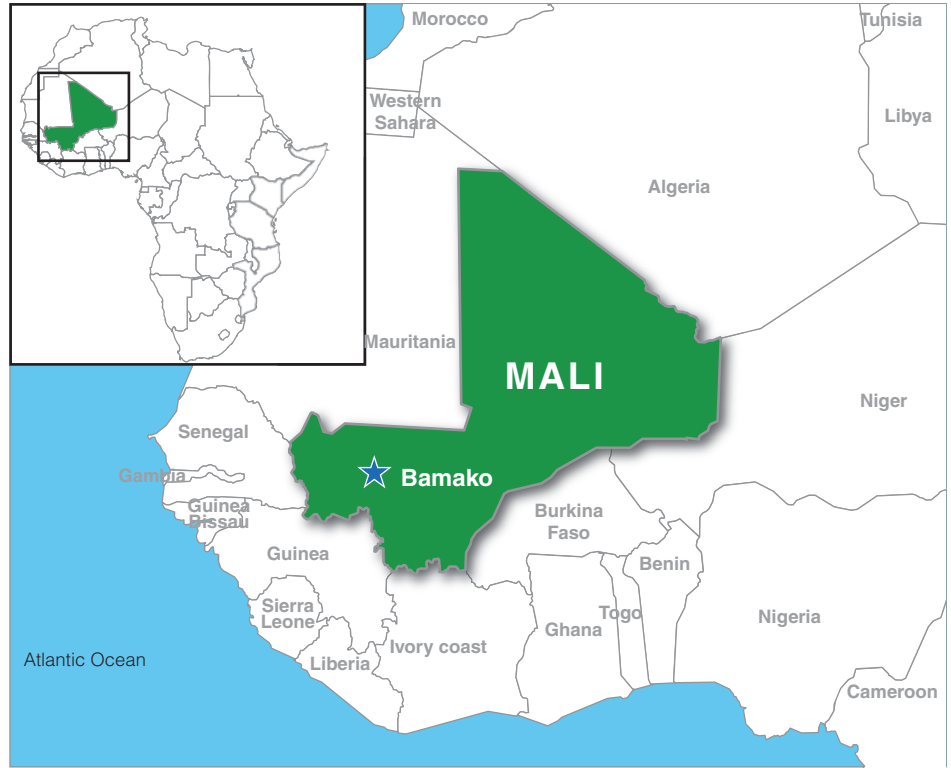
MILLENNIUM CHALLENGE CORPORATION

Mali Compact Fact Sheet

Country Characteristics

Located in West Africa, Mali has a population of about 12.7 million. It is a low-income country. Its economy is based on agriculture, which accounts for 45 percent of its gross domestic product (GDP) and employs about 80 percent of its labor force. Services and industry account for 38 and 17 percent of GDP, respectively. Despite its low income, Mali has experienced favorable economic growth in recent years; in 2009, Mali's real GDP grew by 3 percent. Mali is considered to be one of the strongest democracies in Africa, and its government has pursued economic reforms to encourage growth.

Map of Mali



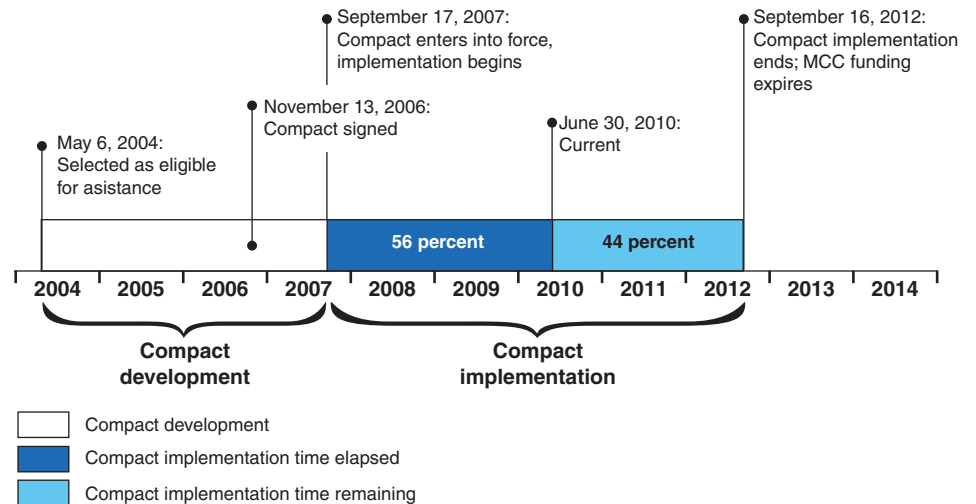
Source: Map Resources (map).

Compact Timeline

During compact development, MCC and an eligible country negotiate project proposals and the compact's terms. After the compact is signed, the country finalizes administrative requirements, such as procurement and disbursement agreements. When the compact enters into force, MCC obligates funds and compact implementation begins. MCC's statute limits compact implementation to 5 years.

Mali was 1 of 16 countries that MCC selected as eligible in its first eligibility round. As of June 30, 2010, 56 percent of the compact's 5-year period had elapsed.

Key Events for Mali Compact



Source: GAO analysis of Millennium Challenge Corporation data.

Mali

MCC Candidate Criteria

Each fiscal year, MCC uses per capita gross national income (GNI) data to identify two pools of candidate countries—low-income and lower-middle-income—based on World Bank lending thresholds. Also, a candidate country must not be statutorily barred from receiving U.S. assistance. By law, MCC can use up to 25 percent of compact assistance each year for new compacts with lower-middle-income countries.

Mali has been classified as a low-income country each year since MCC began operations in 2004.

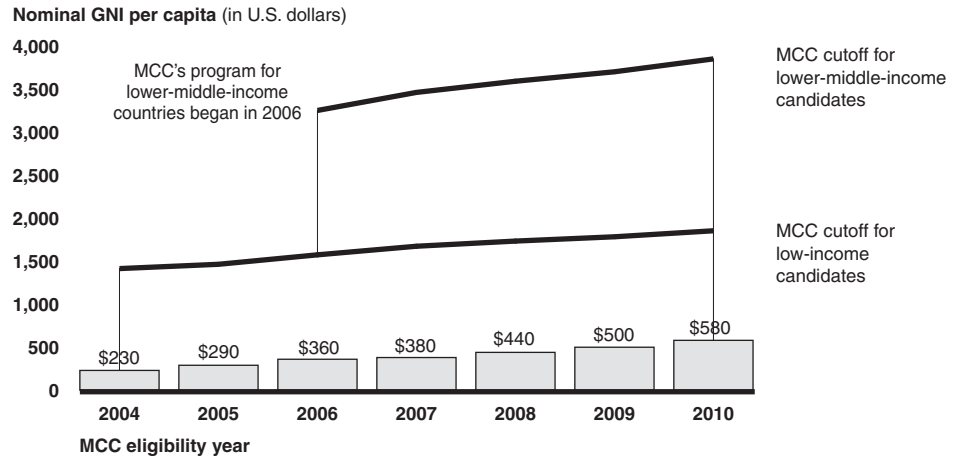
MCC Eligibility Criteria

MCC's board uses quantitative indicators to assess a candidate's policy performance. To meet MCC's criteria, a country must pass the control of corruption indicator and at least half of the indicators in each of three categories. To pass an indicator, a country must score above the median in its income group. However, the board may select a country as eligible even if it does not meet the criteria. Once MCC has signed a compact with a country, MCC continues to work with it—even if it fails the criteria—as long as its actions are not inconsistent with the criteria. If a country's policy performance declines, the board can suspend or terminate the compact.

Mali met MCC's eligibility criteria from 2004 through 2007. It did not meet the criteria in 2008 through 2010, because it failed three of five Investing in People indicators.

MCC Selection Criteria

Mali GNI Per Capita



Source: GAO analysis of World Bank World Development Indicators and MCC income cutoffs.

Mali's Performance on MCC Eligibility Indicators

Indicator category	MCC eligibility year	2004	2005	2006	2007	2008	2009	2010
	MCC income group	Low	Low	Low	Low	Low	Low	Low
Ruling Justly	Political Rights	✓	✓	✓	✓	✓	✓	✓
	Civil Liberties	✓	✓	✓	✓	✓	✓	✓
	Voice and Accountability	✓	✓	✓	✓	✓	✓	✓
	Government Effectiveness	✗	✗	✓	✓	✓	✓	✓
	Rule of Law	✓	✓	✓	✓	✓	✓	✓
	Control of Corruption	✓	✓	✓	✓	✓	✓	✓
Investing in People	Girls' Primary Education Completion ^a	✗	✗	✗	✗	✗	✗	✗
	Primary Education Expenditures	✓	✓	✓	✓	✗	✓	✓
	Health Expenditures	✓	✓	✓	✓	✓	✓	✓
	Immunization Rates	✗	✗	✗	✓	✓	✗	✗
	Natural Resource Management (2008-2010)					✗	✗	✗
Economic Freedom	Country Credit Rating (2004-2005)	✓	✓					
	Days to Start a Business (2004-2007)	✓	✓	✓	✓			
	Cost of Starting a Business (2006-2007)			✗	✗			
	Business Start-up (2008-2010)					✗	✗	✗
	Inflation	✓	✓	✓	✓	✓	✓	✓
	Fiscal Policy	✗	✓	✗	✓	✓	✓	✓
	Trade Policy	✓	✓	✓	✗	✓	✓	✓
	Regulatory Quality	✓	✓	✓	✓	✓	✓	✓
	Land Rights and Access (2008-2010)					✗	✗	✗
	Indicator performance results	Passed	Passed	Passed	Passed	Failed	Failed	Failed
MCC eligibility determination	Eligible	Eligible	Eligible	Eligible	Eligible	NA ^b	NA ^b	

✓ Passed (scored above the median) ✗ Failed (scored at the median or below) □ NA for that year

Source: GAO analysis of Millennium Challenge Corporation data.

^aIn 2004, the indicator was "Primary Education Completion."

^bIn 2009, MCC stopped making an eligibility determination for countries with existing compacts.

Mali

Compact Characteristics

MCC and the partner country determine the compact structure before the compact is signed. However, the structure of some compacts has been altered during implementation.

At signature, Mali's compact aimed to improve agricultural production and productivity in one of the poorest areas of central Mali. At that time, 64 percent of Malians were poor and one-third of poor Malians lived in extreme poverty. In 2008, MCC restructured the Mali compact because of escalating global construction costs, currency fluctuations, and operational issues. Funds formerly designated to the Industrial Park Project were reallocated to the Airport Project.

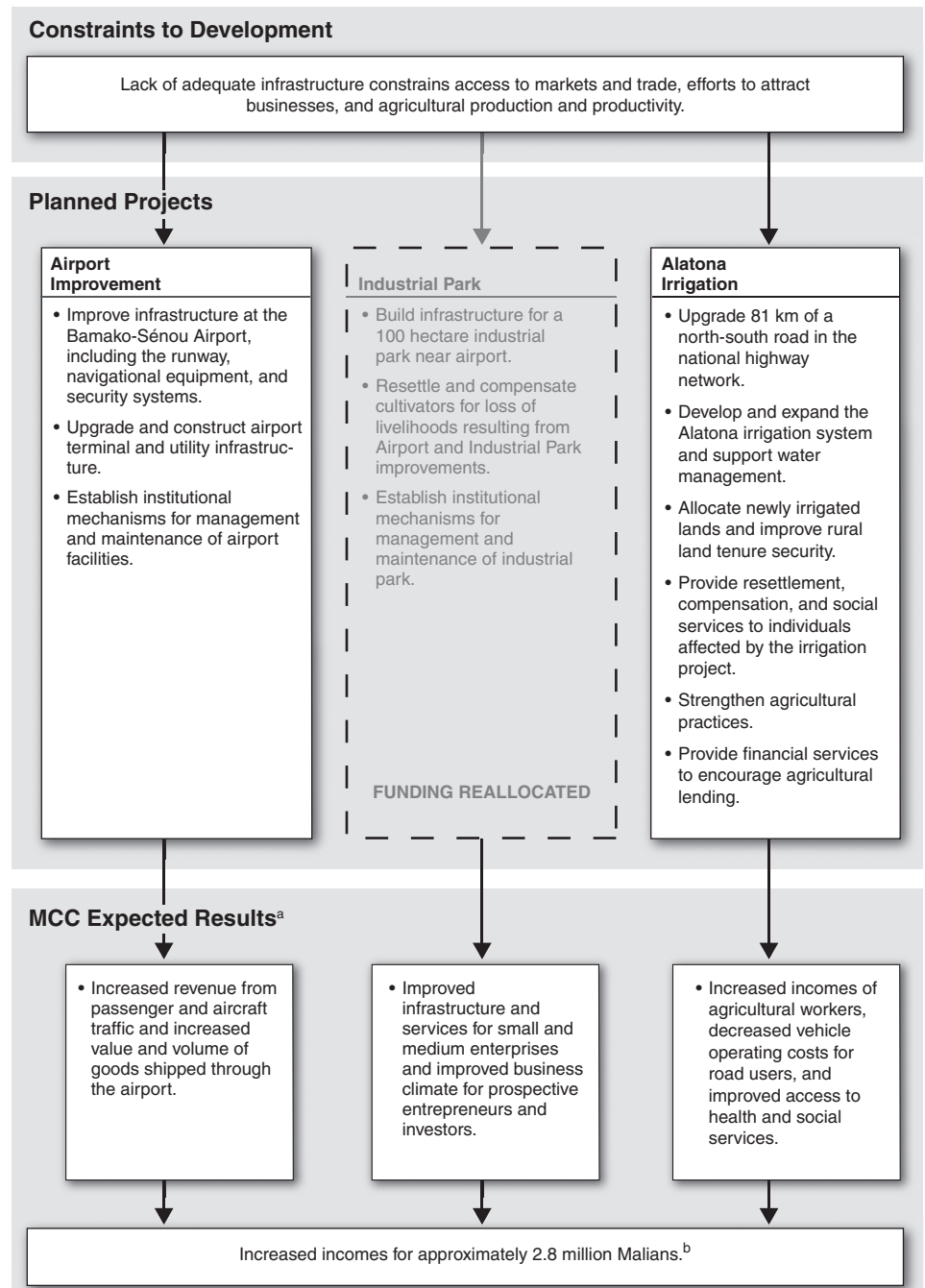
Expected Results

This graphic presents MCC's expectations of selected compact results at compact signature and at the end of fiscal year 2009.

GAO has not independently verified the reliability of MCC's results projections for this compact. Previous GAO work has identified several problems with the methodology used to determine compact projects' expected results. (See [GAO-08-730](#) and [GAO-07-909](#).)

Compact Summary

Structure of Mali Compact, as of December 2009



Source: GAO analysis of Millennium Challenge Corporation data.

^aMCC expected results are reported as of compact signature, except the number of beneficiaries with increased incomes. The reallocation of funds from the Industrial Park Project to the Airport Improvement Project may affect results.

^bIn fiscal year 2009, MCC recalculated the number of expected beneficiaries using a standardized methodology. MCC did not publish a beneficiary estimate for Mali at compact signature.

Mali

Compact Project Funding

MCC and the country may reallocate funds among projects during implementation. In some cases, MCC has also changed the overall compact obligation.

At signature (November 2006), MCC obligated \$460.8 million for the Mali compact. In September 2008, MCC and Mali amended the compact, removing the Industrial Park Project and reallocating funds to the Airport Project. As of December 2009, the overall obligation amount had not changed.

Compact Disbursements

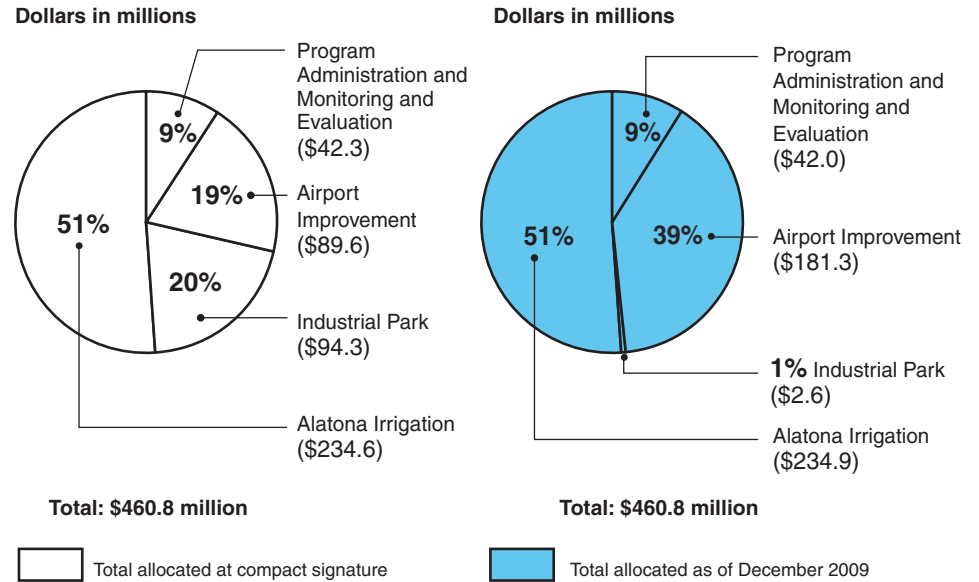
At compact signature, MCC develops a disbursement plan for the compact. MCC disburses funds as the country begins implementing projects. According to MCC, any funds not disbursed within 120 days after the compact ends would return to MCC for reprogramming.

As of December 2009, MCC had disbursed \$60.6 million (approximately 13 percent) of compact funds, compared with the \$210.9 million (approximately 46 percent) that it had planned to disburse as of that date.

Although it is not shown in the graphic, in addition to the above disbursements, \$110.2 million has been committed under the compact for pending expenses as of December 2009.

Compact Funding

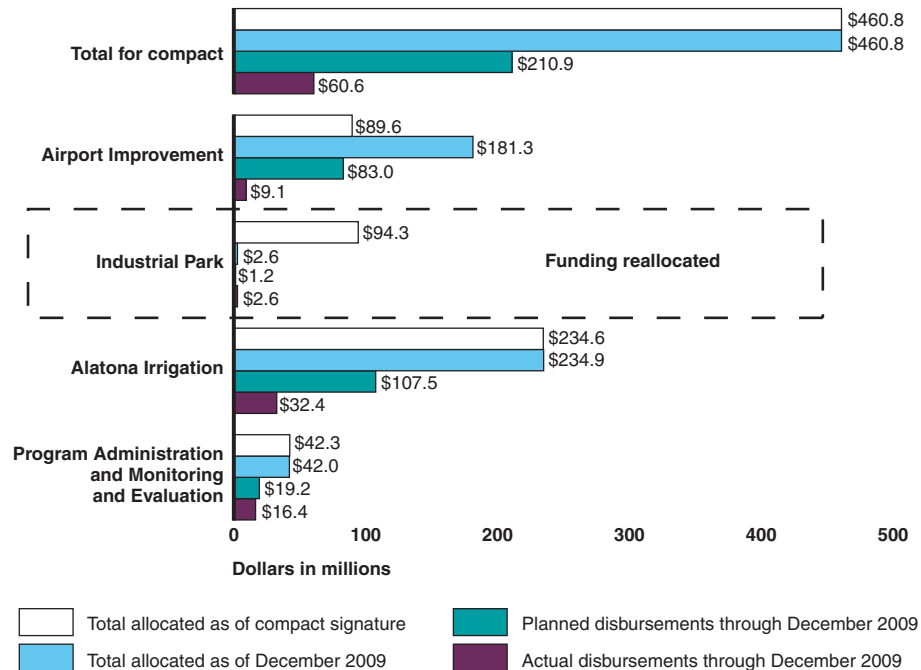
Mali Project Allocations



Source: GAO analysis of Millennium Challenge Corporation data.

Note: Project allocations in figures may not add up to 100 percent due to rounding.

Mali Planned and Actual Disbursements



Source: GAO analysis of Millennium Challenge Corporation data.

Notes: We base planned disbursements on MCC's projections for the fiscal quarter ending December 2009. We assume that funds are disbursed evenly throughout each year. Actual disbursements by project may not add up to total disbursements because some disbursements are pending allocation to projects and are reflected in the total but not in the projects.



MILLENNIUM CHALLENGE CORPORATION

Mongolia Compact Fact Sheet

Country Characteristics

Located in Asia between Russia and China, Mongolia has a population of approximately 2.6 million. It is a low-income country. Its economy is based on services, which account for 49 percent of its gross domestic product (GDP) and employ 61 percent of the labor force. Industry and agriculture account for 30 and 21 percent of GDP, respectively. Mongolia's economy struggled during the 1990s following the dissolution of the Soviet Union, which had provided up to one-third of Mongolia's annual GDP in foreign assistance. In the mid-2000s, Mongolia's economy grew by nearly 9 percent each year owing largely to its copper and gold mining industries, although it has been negatively affected by the global financial crisis.

Map of Mongolia



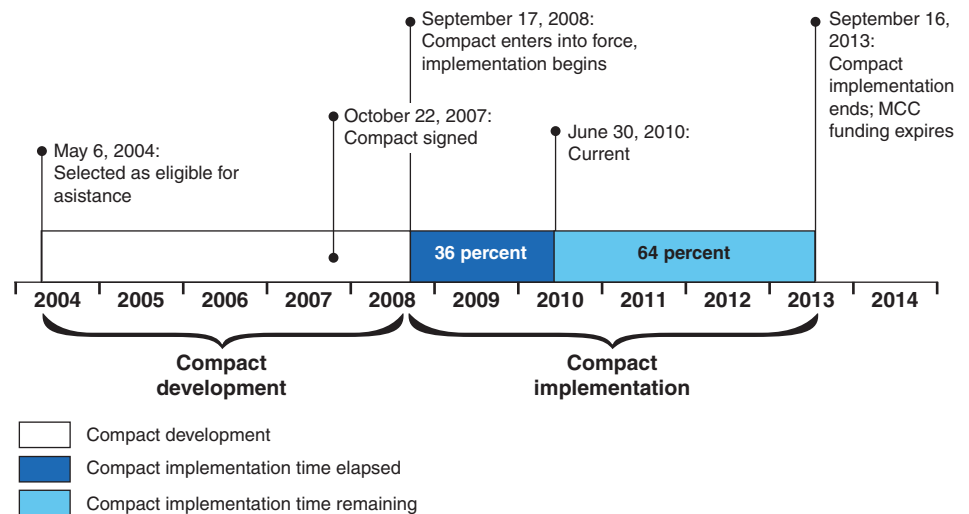
Source: Map Resources (map).

Compact Timeline

During compact development, MCC and an eligible country negotiate project proposals and the compact's terms. After the compact is signed, the country finalizes administrative requirements, such as procurement and disbursement agreements. When the compact enters into force, MCC obligates funds and compact implementation begins. MCC's statute limits compact implementation to 5 years.

Mongolia was 1 of 16 countries that MCC selected as eligible in its first eligibility round. As of June 30, 2010, 36 percent of the compact's 5-year period had elapsed.

Key Events for Mongolia Compact



Source: GAO analysis of Millennium Challenge Corporation data.

Mongolia

MCC Candidate Criteria

Each fiscal year, MCC uses per capita gross national income (GNI) data to identify two pools of candidate countries—low-income and lower-middle-income—based on World Bank lending thresholds. Also, a candidate country must not be statutorily barred from receiving U.S. assistance. By law, MCC can use up to 25 percent of compact assistance each year for new compacts with lower-middle-income countries.

Mongolia has been classified as a low-income country every year since MCC began operations in 2004.

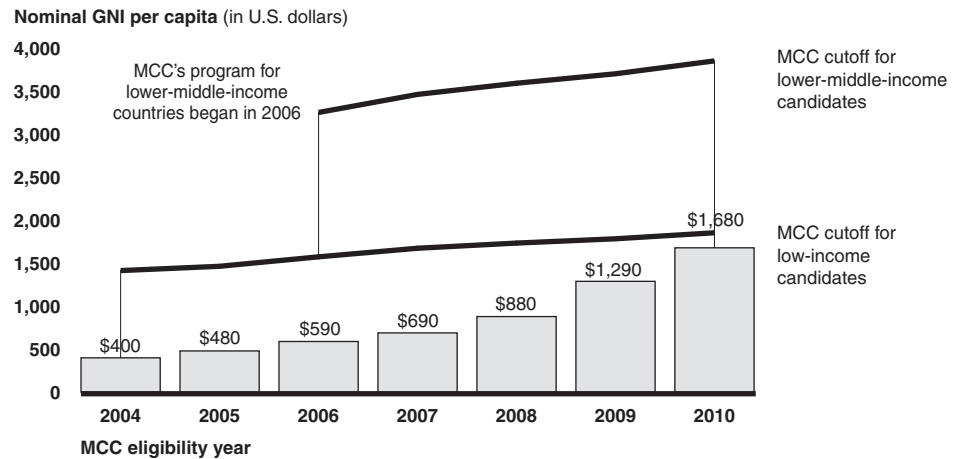
MCC Eligibility Criteria

MCC's board uses quantitative indicators to assess a candidate's policy performance. To meet MCC's criteria, a country must pass the control of corruption indicator and at least half of the indicators in each of three categories. To pass an indicator, a country must score above the median in its income group. However, the board may select a country as eligible even if it does not meet the criteria. Once MCC has signed a compact with a country, MCC continues to work with it—even if it fails the criteria—as long as its actions are not inconsistent with the criteria. If a country's policy performance declines, the board can suspend or terminate the compact.

Mongolia has met MCC's eligibility criteria each year since 2004.

MCC Selection Criteria

Mongolia GNI Per Capita



Source: GAO analysis of World Bank World Development Indicators and MCC income cutoffs.

Mongolia's Performance on MCC Eligibility Indicators

Indicator category	MCC eligibility year	2004	2005	2006	2007	2008	2009	2010
	MCC income group	Low	Low	Low	Low	Low	Low	Low
Ruling Justly	Political Rights	✓	✓	✓	✓	✓	✓	✓
	Civil Liberties	✓	✓	✓	✓	✓	✓	✓
	Voice and Accountability	✓	✓	✓	✓	✓	✓	✓
	Government Effectiveness	✓	✓	✓	✓	✓	✓	✓
	Rule of Law	✓	✓	✓	✓	✓	✓	✓
	Control of Corruption	✓	✓	✓	✓	✓	✓	✓
Investing in People	Girls' Primary Education Completion ^a	✓	✓	✓	✓	✓	✓	✓
	Primary Education Expenditures	✓	✓	✓	✗	✗	✗	✗
	Health Expenditures	✓	✓	✓	✓	✓	✓	✓
	Immunization Rates	✓	✓	✓	✓	✓	✓	✓
	Natural Resource Management (2008-2010)					✓	✓	✓
Economic Freedom	Country Credit Rating (2004-2005)	✓	✓					
	Days to Start a Business (2004-2007)	✓	✓	✓	✓			
	Cost of Starting a Business (2006-2007)			✓	✓			
	Business Start-up (2008-2010)					✓	✓	✓
	Inflation	✓	✓	✗	✓	✓	✓	✗
	Fiscal Policy	✗	✗	✗	✓	✓	✓	✓
	Trade Policy	✓	✓	✓	✓	✓	✓	✓
	Regulatory Quality	✓	✓	✓	✓	✓	✓	✓
	Land Rights and Access (2008-2010)					✓	✓	✓
Indicator performance results	Passed	Passed	Passed	Passed	Passed	Passed	Passed	
MCC eligibility determination	Eligible	Eligible	Eligible	Eligible	Eligible	NA ^b	NA ^b	

✓ Passed (scored above the median) ✗ Failed (scored at the median or below) □ NA for that year

Source: GAO analysis of Millennium Challenge Corporation data.

^aIn 2004, the indicator was "Primary Education Completion."

^bIn 2009, MCC stopped making an eligibility determination for countries with existing compacts.

Mongolia

Compact Characteristics

MCC and the partner country determine the compact structure before the compact is signed. However, the structure of some compacts has been altered during implementation.

At signature, Mongolia's compact focused on improving the country's human, institutional, and physical resources. In April 2009, the government of Mongolia withdrew the Rail Project of the compact. In September 2009, MCC approved the reallocation of \$50.0 million from the \$188.4 million Rail Project to expand and modify three existing compact projects—Health, Vocational Education, and the periurban component of the Property Rights Project. In December 2009, MCC approved the reallocation of the remaining funds from the Rail Project to two new projects—the Energy and Environment and the North-South Road Projects—as well as a contingency fund. The reallocations went into effect in January 2010.

Expected Results

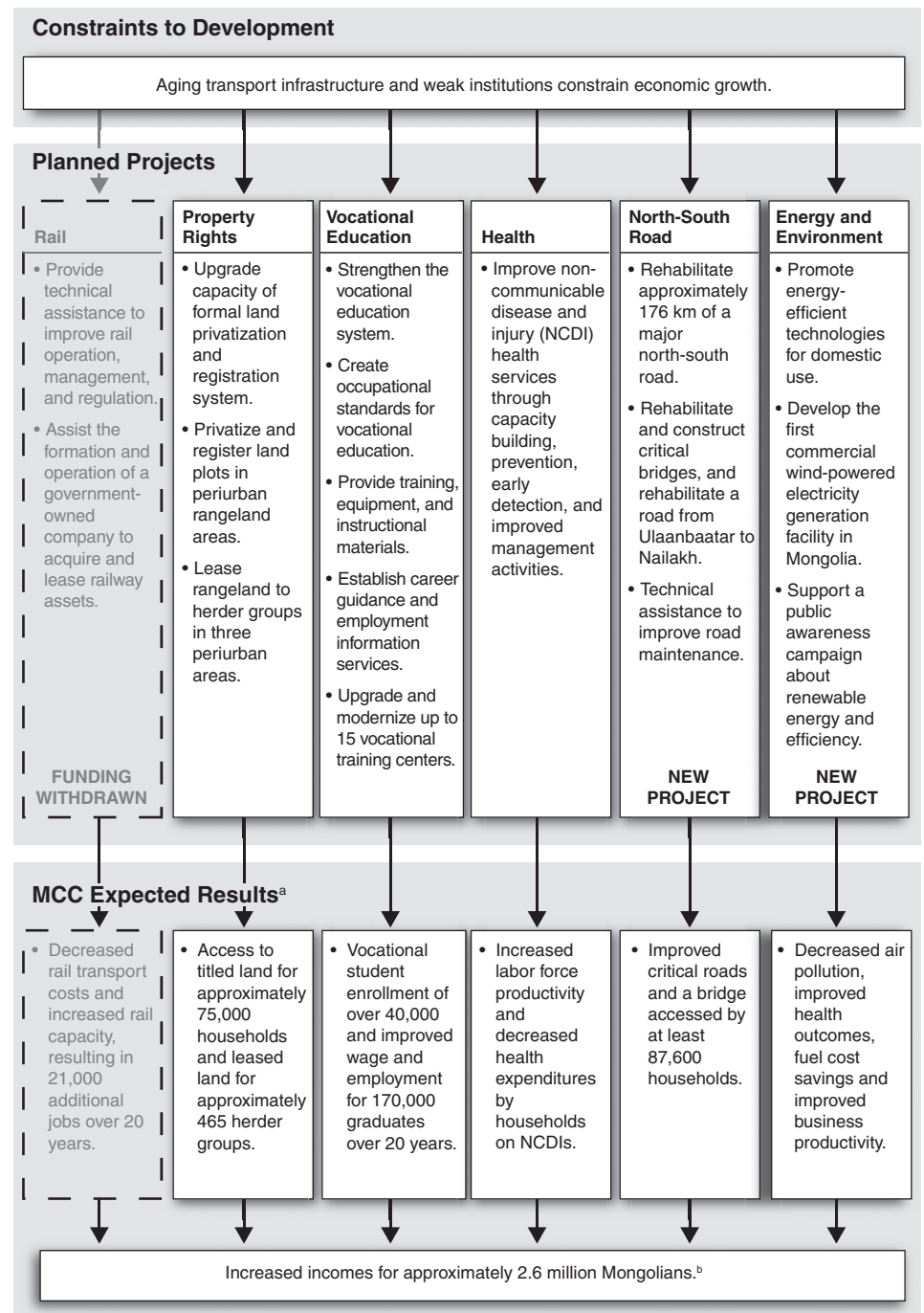
This graphic presents MCC's expectations of selected compact results at compact signature and at the end of fiscal year 2009.

GAO has not independently verified the reliability of MCC's results projections for this compact. Previous GAO work has identified several problems with the methodology used to determine compact results. (See [GAO-08-730](#) and [GAO-07-909](#).)

MCC has modified the Mongolia compact but only partially recalculated the expected results.

Compact Summary

Structure of Mongolia Compact, as of December 2009



Source: GAO analysis of Millennium Challenge Corporation data.

^aMCC expected results are reported as of compact signature, but reflect the two new projects.

^bIn fiscal year 2009, MCC recalculated the number of expected beneficiaries with increased income using a standardized methodology. At compact signature, MCC reported the compact would benefit approximately 3.1 million people by 2028.

Mongolia

Compact Project Funding

MCC and the country may reallocate funds among projects during implementation. In some cases, MCC has also changed the overall compact obligation.

At signature (October 2007), MCC obligated \$284.9 million for the Mongolia compact. In September 2009, due to Mongolia's request to withdraw the \$188.4 million Rail Project, MCC approved the reallocation of \$50.0 million to the three remaining projects. In December 2009, MCC approved the reallocation of the remaining Rail Project funds to two new projects—Energy and Environment and the North-South Road—and a contingency fund. The reallocations went into effect in January 2010. As of December 2009, the overall obligation remained \$284.9 million.

Compact Disbursements

At compact signature, MCC develops a disbursement plan for the compact. MCC disburses funds as the country begins implementing projects. According to MCC, any funds not disbursed within 120 days after the compact ends would return to MCC for reprogramming.

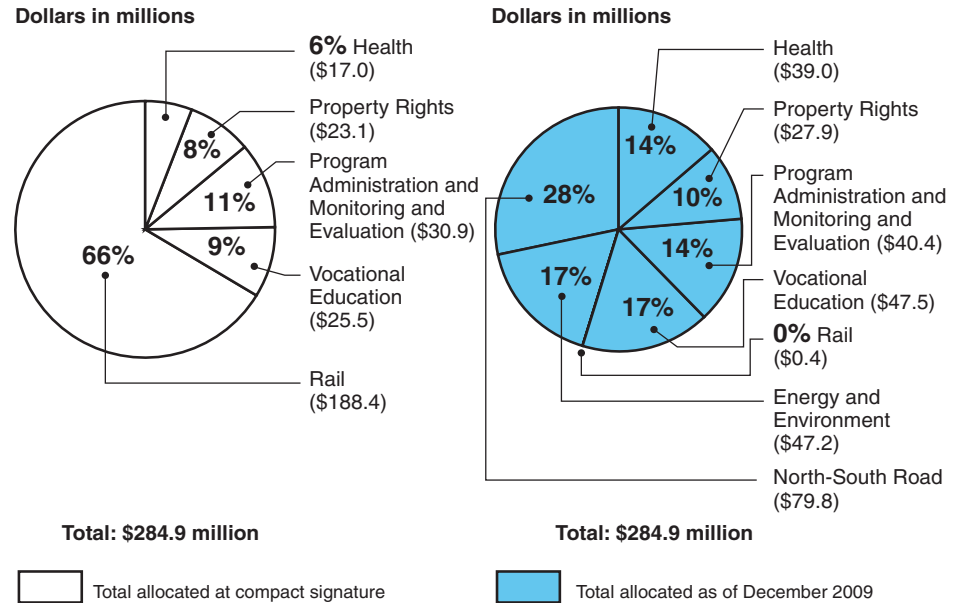
As of December 2009, MCC had disbursed \$9.8 million (approximately 4 percent) of compact funds, compared with the \$64.5 million (approximately 23 percent) that it had planned to disburse as of that date.

Although it is not shown in the graphic, in addition to the above disbursements, \$6.7 million has been committed under the compact for pending expenses as of December 2009.

Rail Project reallocations went into effect in January 2010.

Compact Funding

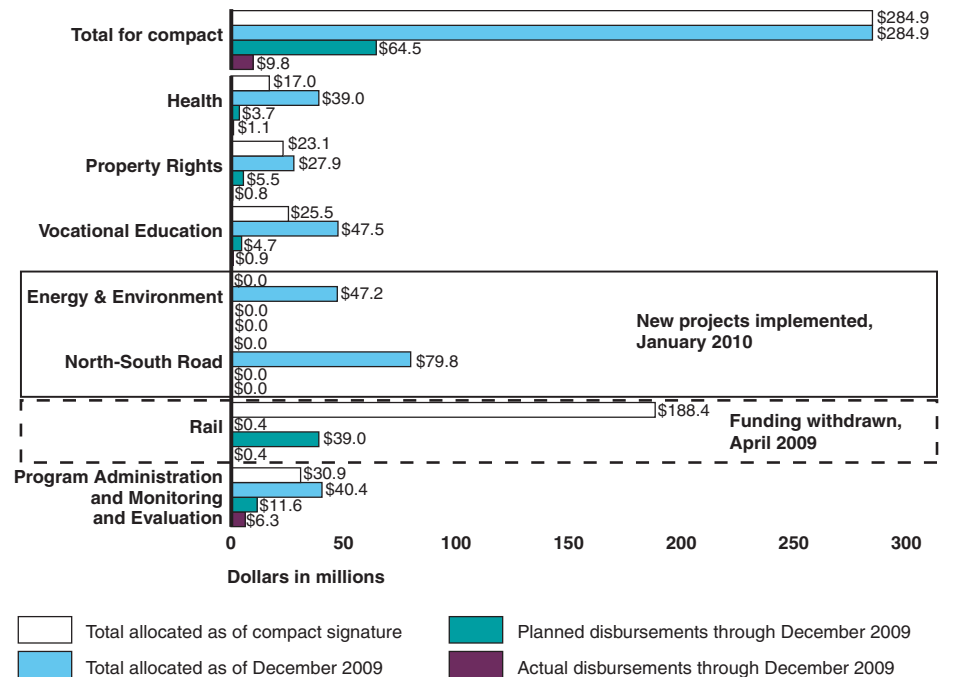
Mongolia Project Allocations



Source: GAO analysis of Millennium Challenge Corporation data.

Note: The reallocation of Rail Project funds went into effect in January 2010.

Mongolia Planned and Actual Disbursements



Source: GAO analysis of Millennium Challenge Corporation data.

Notes: We base planned disbursements on MCC's projections for the fiscal quarter ending December 2009. We assume that funds are disbursed evenly throughout each year. Planned disbursements for Mongolia do not reflect Rail Project reallocations because reallocations did not go into effect until January 2010. Actual disbursements by project may not add up to total disbursements because some disbursements are pending allocation to projects and are reflected in the total but not in the projects.



MILLENNIUM CHALLENGE CORPORATION

Morocco Compact Fact Sheet

Country Characteristics

Located in northern Africa, bordering both the Atlantic Ocean and Mediterranean Sea, Morocco has a population of about 31.2 million. It is a lower-middle-income country. Its economy is based largely on services and industry, which respectively account for 49 and 33 percent of the country's gross domestic product (GDP). Agriculture accounts for 19 percent of GDP but 45 percent of the labor force. Morocco's economic policies have brought macroeconomic stability to the country, with generally low inflation, improved financial sector performance, and steady development of the services and industrial sectors. Morocco's primary economic challenge is to accelerate and sustain growth in order to reduce high levels of unemployment and underemployment. Morocco's GDP grew by 5.1 percent in 2009.

Map of Morocco



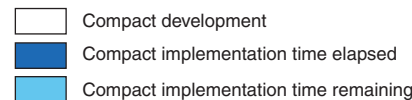
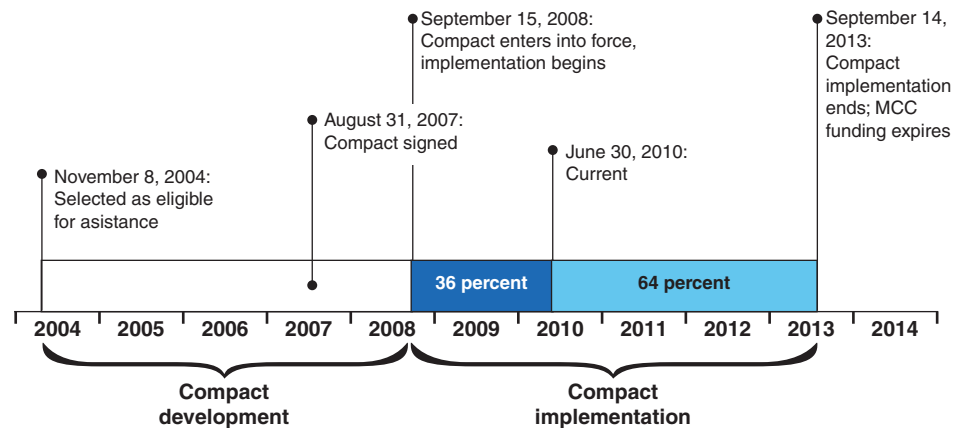
Source: Map Resources (map).

Compact Timeline

During compact development, MCC and an eligible country negotiate project proposals and the compact's terms. After the compact is signed, the country finalizes administrative requirements, such as procurement and disbursement agreements. When the compact enters into force, MCC obligates funds and compact implementation begins. MCC's statute limits compact implementation to 5 years.

Morocco was the only country to be newly selected as eligible in fiscal year 2005, MCC's second eligibility round. As of June 30, 2010, 36 percent of the compact's 5-year period had elapsed.

Key Events for Morocco Compact



Source: GAO analysis of Millennium Challenge Corporation data.

Morocco

MCC Candidate Criteria

Each fiscal year, MCC uses per capita gross national income (GNI) data to identify two pools of candidate countries—low-income and lower-middle-income—based on World Bank lending thresholds. Also, a candidate country must not be statutorily barred from receiving U.S. assistance. By law, MCC can use up to 25 percent of compact assistance each year for new compacts with lower-middle-income countries.

Morocco was selected as eligible in fiscal year 2005 as a low-income country. In 2007, Morocco's rising GNI per capita lifted it to lower-middle-income status.

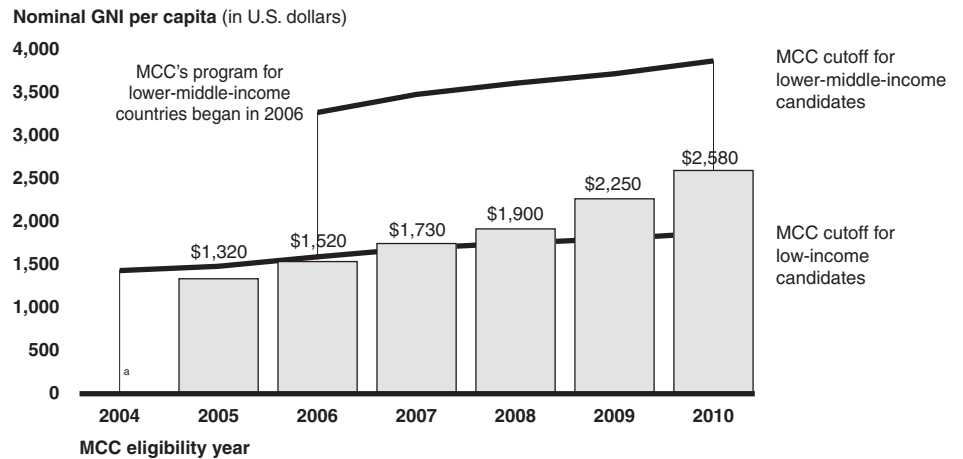
MCC Eligibility Criteria

MCC's Board uses quantitative indicators to assess a candidate's policy performance. To meet MCC's criteria, a country must pass the control of corruption indicator and at least half of the indicators in each of three categories. To pass an indicator, a country must score above the median in its income group. However, the board may select a country as eligible even if it does not meet the criteria. Once MCC has signed a compact with a country, MCC continues to work with it—even if it fails the criteria—as long as its actions are not inconsistent with the criteria. If a country's policy performance declines, the board can suspend or terminate the compact.

Morocco met MCC's eligibility criteria in 2005 and 2006 but has failed each year since.

MCC Selection Criteria

Morocco GNI Per Capita



Source: GAO analysis of World Bank World Development Indicators and MCC income cutoffs.

*Morocco was not a candidate in 2004.

Morocco's Performance on MCC Eligibility Indicators

Indicator category	MCC eligibility year	2004	2005	2006	2007	2008	2009	2010
	MCC income group	Low	Low	Low	Lower-middle	Lower-middle	Lower-middle	Lower-middle
Ruling Justly	Political Rights	NA	X	X	X	X	X	X
	Civil Liberties	NA	X	✓	X	X	X	X
	Voice and Accountability	NA	✓	✓	X	X	X	X
	Government Effectiveness	NA	✓	✓	X	✓	✓	✓
	Rule of Law	NA	✓	✓	✓	✓	✓	✓
	Control of Corruption	NA	✓	✓	✓	✓	✓	✓
Investing in People	Girls' Primary Education Completion*	NA	✓	✓	X	X	X	X
	Primary Education Expenditures	NA	✓	✓	✓	✓	X	X
	Health Expenditures	NA	X	X	X	X	X	X
	Immunization Rates	NA	✓	✓	✓	✓	X	✓
	Natural Resource Management (2008-2010)	NA				✓	✓	X
Economic Freedom	Country Credit Rating (2004-2005)	NA	✓					
	Days to Start a Business (2004-2007)	NA	✓	✓	✓			
	Cost of Starting a Business (2006-2007)	NA		✓	✓			
	Business Start-up (2008-2010)	NA				✓	✓	✓
	Inflation	NA	✓	✓	✓	✓	✓	✓
	Fiscal Policy	NA	X	X	X	X	X	✓
	Trade Policy	NA	X	X	X	X	✓	X
	Regulatory Quality	NA	✓	✓	X	X	✓	✓
	Land Rights and Access (2008-2010)	NA				X	✓	✓
	Indicator performance results			Passed	Passed	Failed Not Eligible	Failed	Failed
MCC eligibility determination		NA	Eligible	Eligible	Failed Not Eligible	Eligible	NA ^b	NA ^b

✓ Passed (scored above the median) X Failed (scored at the median or below) □ NA for that year

Source: GAO analysis of Millennium Challenge Corporation data.

*In 2004, the indicator was "Primary Education Completion."

^bIn 2009, MCC stopped making an eligibility determination for countries with existing compacts.

Morocco

Compact Characteristics

MCC and the partner country determine the compact structure before the compact is signed. However, the structure of some compacts has been altered during implementation.

At signature, Morocco's compact aimed to stimulate economic growth by increasing productivity and improving employment in sectors of the economy that the Kingdom of Morocco has identified as having high potential for growth, such as agribusiness, fishing, and artisan crafts. The compact also focused on supporting small business creation and growth by investments in financial services and enterprise support. At signature, 11 percent of Moroccans lived in extreme poverty.

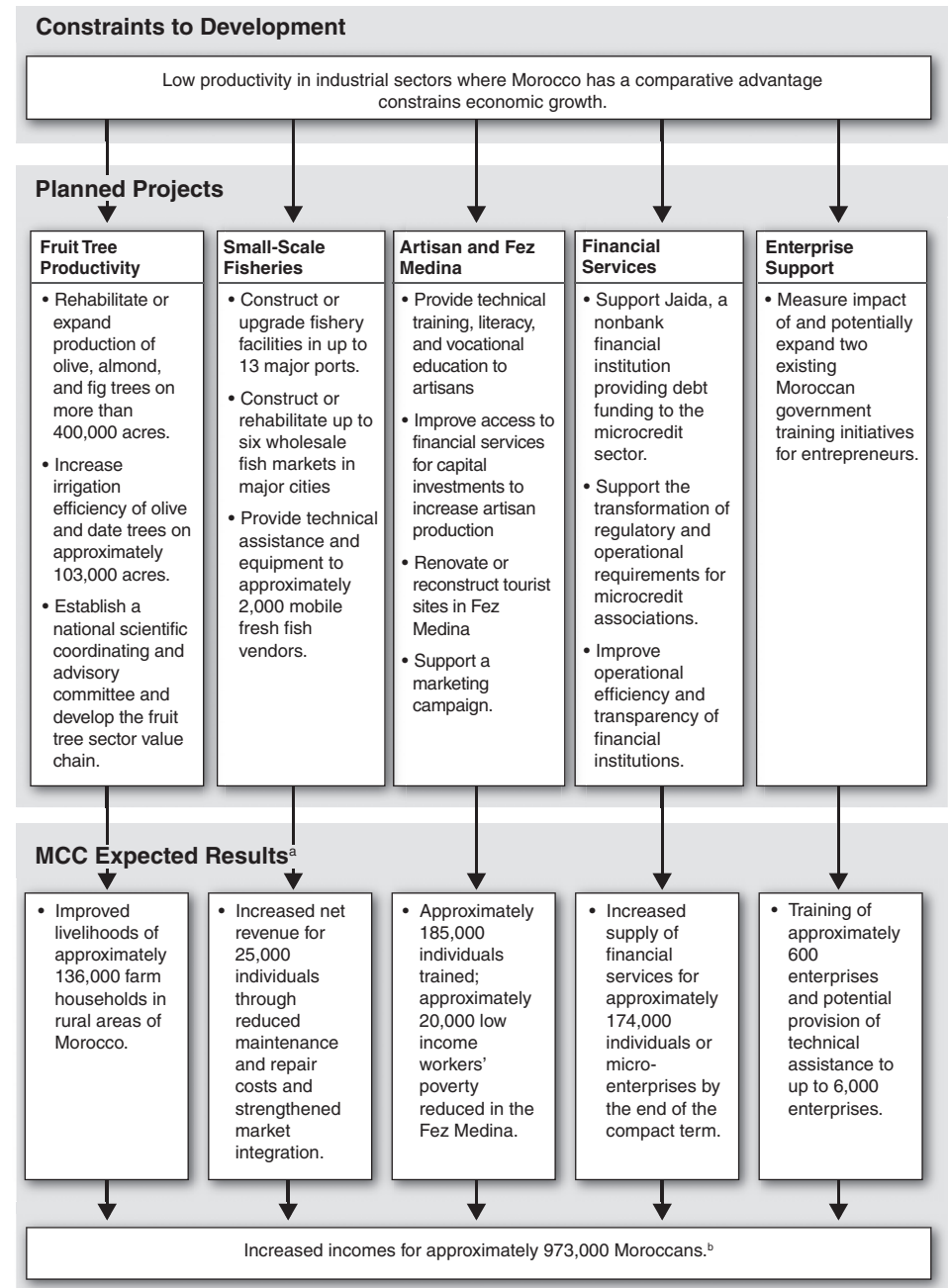
Expected Results

This graphic presents MCC's expectations of selected compact results at compact signature and at the end of fiscal year 2009.

GAO has not independently verified the reliability of MCC's results projections for this compact. Previous GAO work has identified several problems with the methodology used to determine compact projects' expected results. (See [GAO-08-730](#) and [GAO-07-909](#).)

Compact Summary

Structure of Morocco Compact, as of December 2009



Source: GAO analysis of Millennium Challenge Corporation data.

^a MCC expected results are reported as of compact signature, except the number of beneficiaries with increased incomes.

^b In fiscal year 2009, MCC recalculated the number of expected beneficiaries using a standardized methodology. At compact signature, MCC reported the compact would directly benefit 600,000 people over the compact term.

Morocco

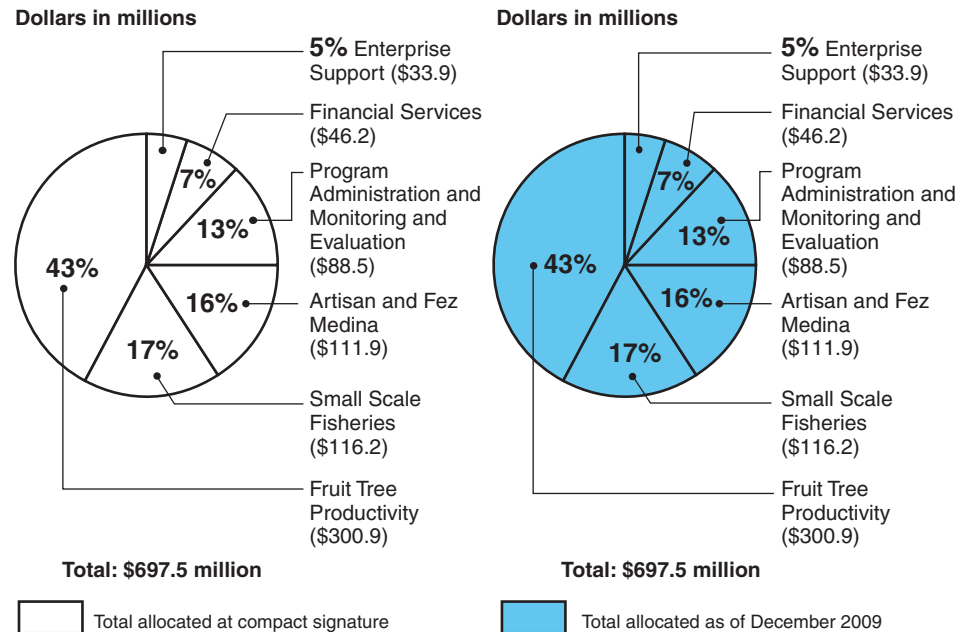
Compact Project Funding

MCC and the country may reallocate funds among projects during implementation. In some cases, MCC has also changed the overall compact obligation.

At signature (August 2007), MCC obligated \$697.5 million for the Morocco compact. As of December 2009, the overall obligation amount and project allocations had not changed.

Compact Funding

Morocco Project Allocations



Source: GAO analysis of Millennium Challenge Corporation data.
 Note: Project allocations in figures may not add up to 100 percent due to rounding.

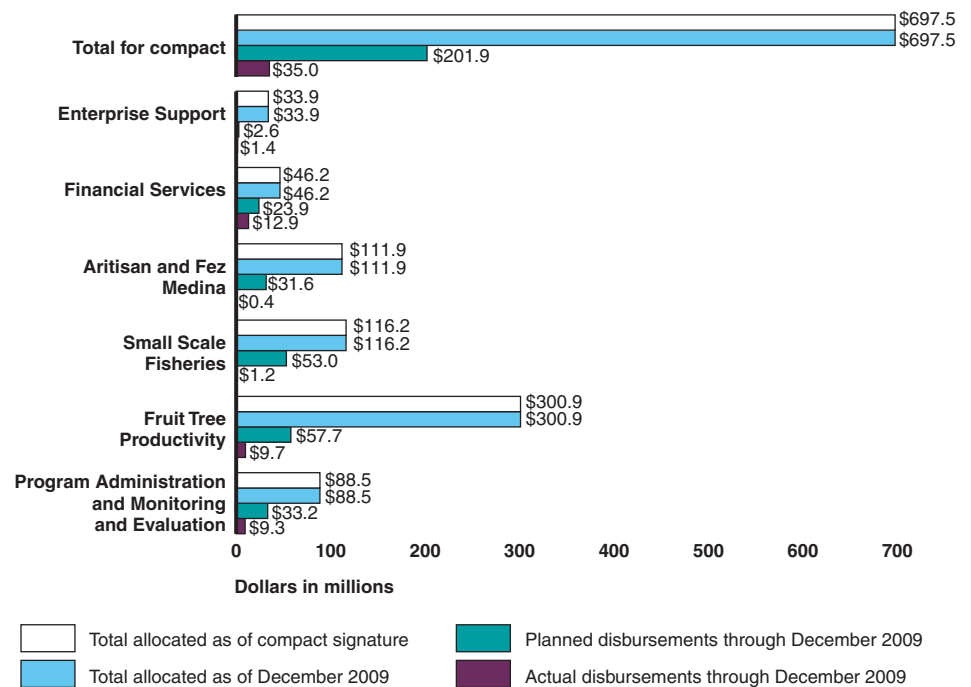
Compact Disbursements

At compact signature, MCC develops a disbursement plan for the compact. MCC disburses funds as the country begins implementing projects. According to MCC, any funds not disbursed within 120 days after the compact ends would return to MCC for reprogramming.

As of December 2009, MCC had disbursed \$35.0 million (5 percent) of compact funds, compared with the \$201.9 million (29 percent) that it had planned to disburse as of that date.

Although it is not shown in the graphic, in addition to the above disbursements, \$115.2 million has been committed under the compact for pending expenses as of December 2009.

Morocco Planned and Actual Disbursements



Source: GAO analysis of Millennium Challenge Corporation data.
 Notes: We base planned disbursements on MCC's projections for the fiscal quarter ending December 2009. We assume that funds are disbursed evenly throughout each year. Actual disbursements by project may not add up to total disbursements because some disbursements are pending allocation to projects and are reflected in the total but not in the projects.



MILLENNIUM CHALLENGE CORPORATION

Mozambique Compact Fact Sheet

Country Characteristics

Located on the Indian Ocean coast of southern Africa, Mozambique has a population of about 21.8 million. It is a low-income country. Its economy is based on services and industry, which respectively account for 45 and 31 percent of the country's gross domestic product (GDP). Agriculture accounts for 24 percent of GDP but employs about 81 percent of the labor force. Mozambique is considered a strong economic performer in Africa and experienced an average of 8 percent growth from 1994 to 2007, although growth has slowed in more recent years. Macroeconomic reforms by the government, starting in the late 1980s, have contributed to the country's economic growth. However, Mozambique's government is still heavily reliant on foreign aid, which comprises more than half of its budget.

Map of Mozambique



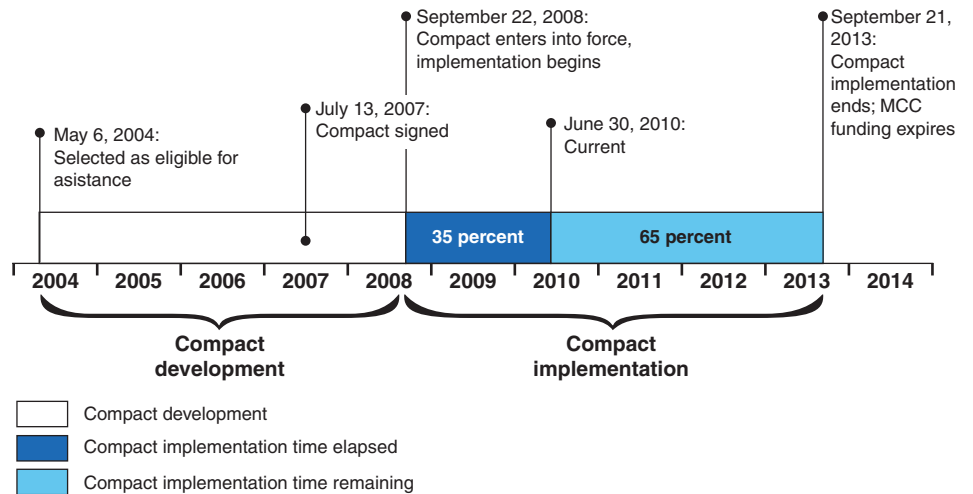
Source: Map Resources (map).

Compact Timeline

During compact development, MCC and an eligible country negotiate project proposals and the compact's terms. After the compact is signed, the country finalizes administrative requirements, such as procurement and disbursement agreements. When the compact enters into force, MCC obligates funds and compact implementation begins. MCC's statute limits compact implementation to 5 years.

Mozambique was 1 of 16 countries that MCC selected as eligible in its first eligibility round. As of June 30, 2010, 35 percent of the compact's 5-year period had elapsed.

Key Events for Mozambique Compact



Source: GAO analysis of Millennium Challenge Corporation data.

Mozambique

MCC Candidate Criteria

Each fiscal year, MCC uses per capita gross national income (GNI) data to identify two pools of candidate countries—low-income and lower-middle-income—based on World Bank lending thresholds. Also, a candidate country must not be statutorily barred from receiving U.S. assistance. By law, MCC can use up to 25 percent of compact assistance each year for new compacts with lower-middle-income

Mozambique has been classified as a low-income country every year since MCC began operations in 2004.

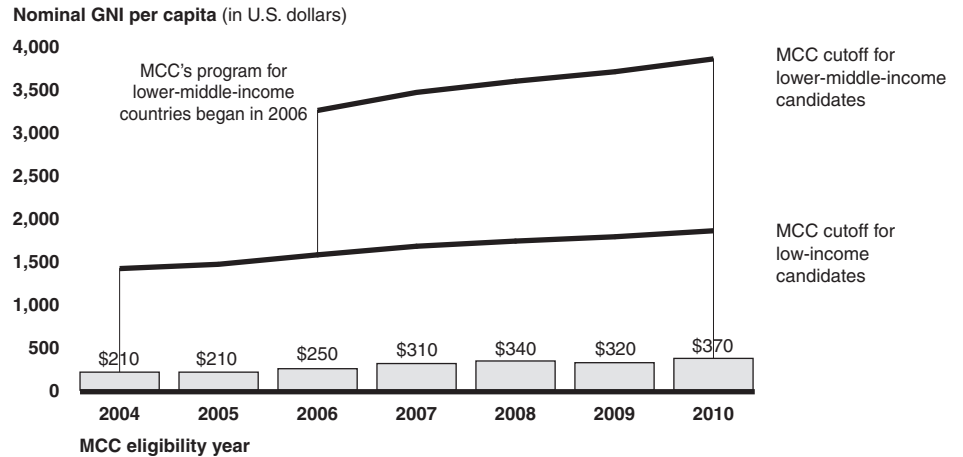
MCC Eligibility Criteria

MCC's board uses quantitative indicators to assess a candidate's policy performance. To meet MCC's criteria, a country must pass the control of corruption indicator and at least half of the indicators in each of three categories. To pass an indicator, a country must score above the median in its income group. However, the board may select a country as eligible even if it does not meet the criteria. Once MCC has signed a compact with a country, MCC continues to work with it—even if it fails the criteria—as long as its actions are not inconsistent with the criteria. If a country's policy performance declines, the board can suspend or terminate the compact.

Mozambique failed MCC's criteria in 2004 and 2005, but the MCC board deemed it eligible. It met the criteria in 2006 and 2007. Since 2008, when MCC added a fifth Investing in People indicator, Mozambique again failed the criteria.

MCC Selection Criteria

Mozambique GNI Per Capita



Source: GAO analysis of World Bank World Development Indicators and MCC income cutoffs.

Mozambique's Performance on MCC Eligibility Indicators

Indicator category	MCC eligibility year	2004	2005	2006	2007	2008	2009	2010
	MCC income group	Low	Low	Low	Low	Low	Low	Low
Ruling Justly	Political Rights	✓	✓	✓	✓	✓	✓	✓
	Civil Liberties	✗	✓	✓	✓	✓	✓	✓
	Voice and Accountability	✓	✓	✓	✓	✓	✓	✓
	Government Effectiveness	✓	✓	✓	✓	✓	✓	✓
	Rule of Law	✓	✓	✓	✓	✓	✓	✓
	Control of Corruption	✗	✗	✓	✓	✓	✓	✓
Investing in People	Girls' Primary Education Completion ^a	✗	✗	✗	✗	✗	✗	✗
	Primary Education Expenditures	✗	✗	✓	✓	✓	✓	✓
	Health Expenditures	✗	✗	✓	✓	✓	✓	✓
	Immunization Rates	✗	✗	✗	✗	✗	✗	✗
	Natural Resource Management (2008-2010)					✗	✗	✗
Economic Freedom	Country Credit Rating (2004-2005)	✓	✓					
	Days to Start a Business (2004-2007)	✗	✗	✗	✗			
	Cost of Starting a Business (2006-2007)			✗	✗			
	Business Start-up (2008-2010)					✓	✓	✓
	Inflation	✓	✓	✓	✓	✓	✓	✓
	Fiscal Policy	✗	✗	✗	✗	✗	✗	✗
	Trade Policy	✗	✗	✓	✓	✓	✓	✓
	Regulatory Quality	✓	✓	✓	✓	✓	✓	✓
	Land Rights and Access (2008-2010)					✓	✓	✓
	Indicator performance results		Failed	Failed	Passed	Passed	Failed	Failed
MCC eligibility determination		Eligible	Eligible	Eligible	Eligible	Eligible	NA ^b	NA ^b

✓ Passed (scored above the median) ✗ Failed (scored at the median or below) □ NA for that year

Source: GAO analysis of Millennium Challenge Corporation data.

^aIn 2004, the indicator was "Primary Education Completion."

^bIn 2009, MCC stopped making an eligibility determination for countries with existing compacts.

Mozambique

Compact Characteristics

MCC and the partner country determine the compact structure before the compact is signed. However, the structure of some compacts has been altered during implementation.

At signature, Mozambique's compact targeted four northern provinces: Cabo Delgado, Nampula, Niassa, and Zambézia. The compact aims to increase the productive capacity of the population in the targeted areas. At that time, these provinces were home to more than 10 million people.

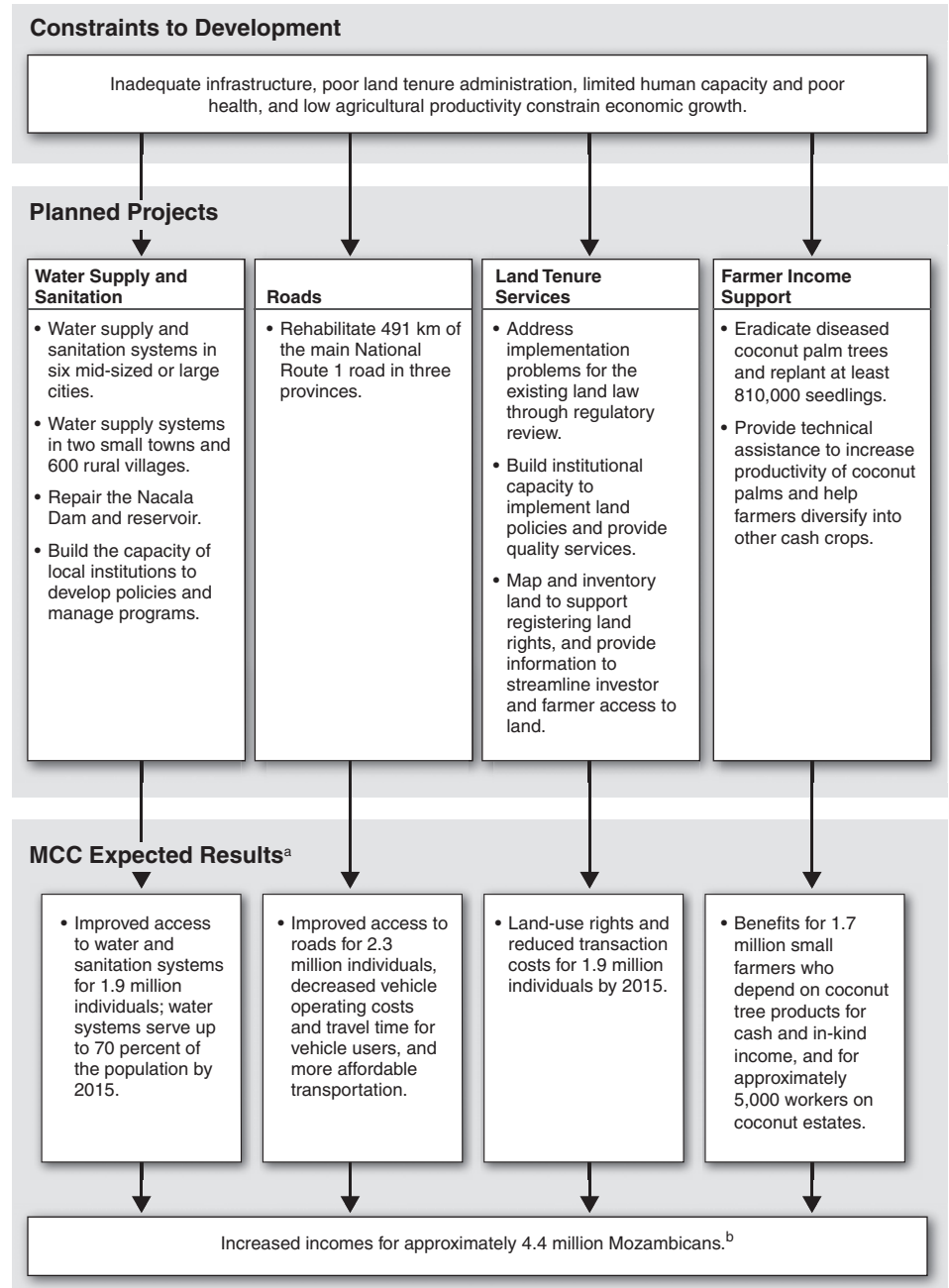
Expected Results

This graphic presents MCC's expectations of selected compact results at compact signature and at the end of fiscal year 2009.

The Mozambique compact is one of five compacts for which GAO has independently verified the reliability of MCC's results projections. In June 2008, GAO reported that MCC had made errors in its original projections of the impact of Mozambique's compact ([GAO-08-730](#)). MCC corrected these errors, reducing the expected impact on poverty. For example, MCC originally expected to lift 270,000 people out of poverty by 2015 but revised that projection to 56,000 people.

Compact Summary

Structure of Mozambique Compact, as of December 2009



Source: GAO analysis of Millennium Challenge Corporation data.

^aMCC expected results are reported as of compact signature, except the number of beneficiaries with increased incomes.

^bIn fiscal year 2009, MCC recalculated the number of expected beneficiaries using a standardized methodology. At compact signature, MCC reported the compact would benefit approximately 5 million people over the compact term.

Mozambique

Compact Project Funding

MCC and the country may reallocate funds among projects during implementation. In some cases, MCC has also changed the overall compact obligation.

At signature (July 2007), MCC obligated \$506.9 million for the Mozambique compact. As of December 2009, the overall obligation amount had not changed, however minor reallocations of funds were made among projects.

Compact Disbursements

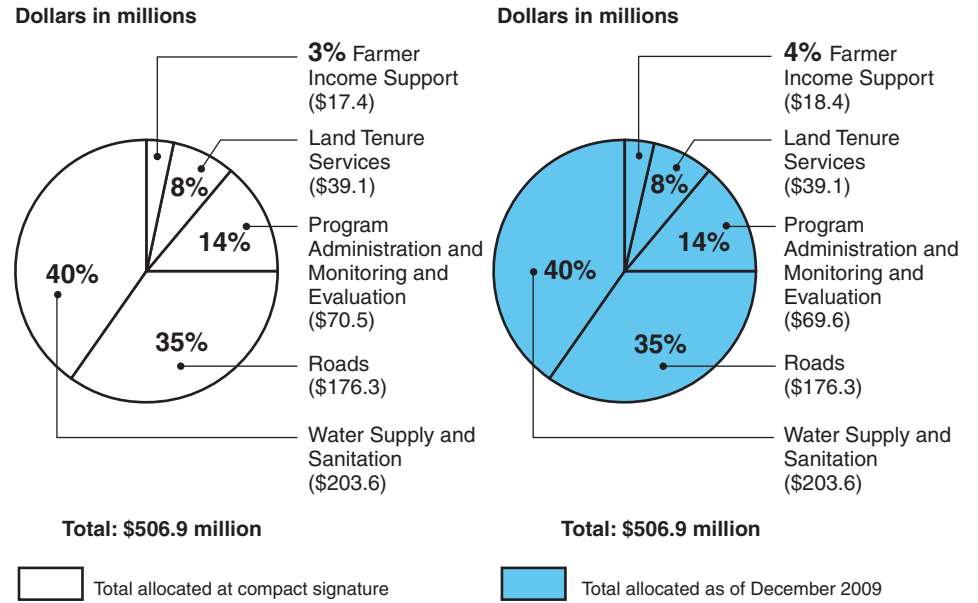
At compact signature, MCC develops a disbursement plan for the compact. MCC disburses funds as the country begins implementing projects. According to MCC, any funds not disbursed within 120 days after the compact ends would return to MCC for reprogramming.

As of December 2009, MCC had disbursed \$16.1 million (approximately 3 percent) of compact funds, compared with the \$74.9 million (approximately 15 percent) that it had planned to disburse as of that date.

Although it is not shown in the graphic, in addition to the above disbursements, \$57.0 million has been committed under the compact for pending expenses as of December 2009.

Compact Funding

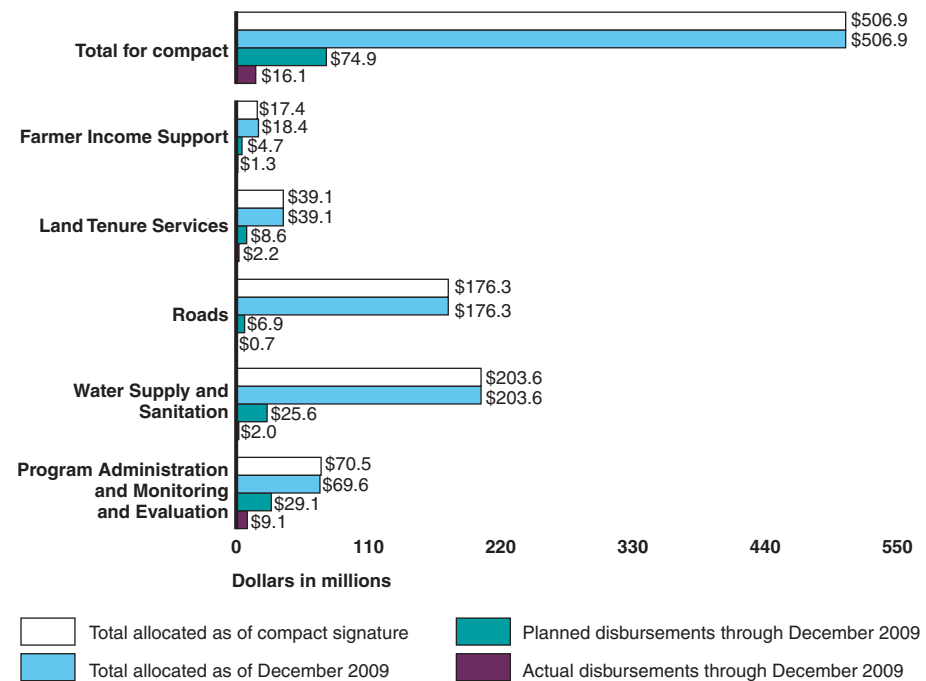
Mozambique Project Allocations



Source: GAO analysis of Millennium Challenge Corporation data.

Note: Project allocations in figures may not add up to 100 percent due to rounding.

Mozambique Planned and Actual Disbursements



Source: GAO analysis of Millennium Challenge Corporation data.

Notes: We base planned disbursements on MCC's projections for the fiscal quarter ending December 2009. We assume that funds are disbursed evenly throughout each year. Actual disbursements by project may not add up to total disbursements because some disbursements are pending allocation to projects and are reflected in the total but not in the projects.



MILLENNIUM CHALLENGE CORPORATION

Namibia Compact Fact Sheet

Country Characteristics

Located on the Atlantic coast of southern Africa, Namibia has a population of about 2.1 million. It is an upper-middle-income country. Its economy is based on services and industry, which respectively account for 56 and 35 percent of the country's gross domestic product (GDP); the extraction and processing of minerals is an important economic activity. Agriculture accounts for 9 percent of GDP but employs 47 percent of the labor force. Namibia's annual economic growth since independence from South Africa in 1990 has averaged 4.5 percent but has slowed in recent years. According to the World Bank, Namibia has a strong democracy with sound economic management, good governance, basic civic freedoms, and respect for human rights. However, the social and economic imbalances of apartheid still affect Namibia.

Map of Namibia



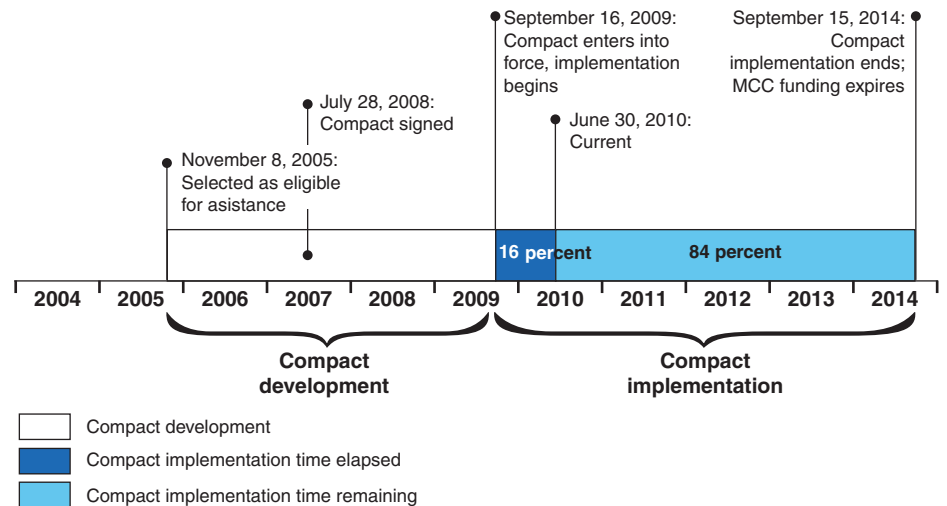
Source: Map Resources (map).

Compact Timeline

During compact development, MCC and an eligible country negotiate project proposals and the compact's terms. After the compact is signed, the country finalizes administrative requirements, such as procurement and disbursement agreements. When the compact enters into force, MCC obligates funds and compact implementation begins. MCC's statute limits compact implementation to 5 years.

Namibia was one of two lower-middle-income countries selected in the fiscal year 2006 eligibility round, the first year of MCC's program for lower-middle-income countries. As of June 30, 2010, 16 percent of the compact's 5-year period had elapsed.

Key Events for Namibia Compact



Source: GAO analysis of Millennium Challenge Corporation data.

Namibia

MCC Candidate Criteria

Each fiscal year, MCC uses per capita gross national income (GNI) data to identify two pools of candidate countries—low-income and lower-middle-income—based on World Bank lending thresholds. Also, a candidate country must not be statutorily barred from receiving U.S. assistance. By law, MCC can use up to 25 percent of compact assistance each year for new compacts with lower-middle-income countries.

Namibia was selected as eligible in fiscal year 2006 and was classified as a lower-middle-income country until 2009. In 2010, Namibia's rising GNI per capita lifted it to upper-middle-income status.

MCC Eligibility Criteria

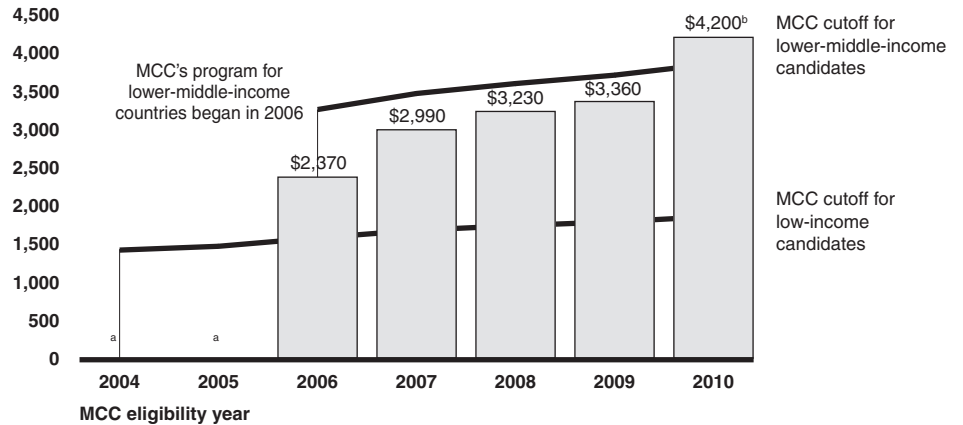
MCC's board uses quantitative indicators to assess a candidate's policy performance. To meet MCC's criteria, a country must pass the control of corruption indicator and at least half of the indicators in each of three categories. To pass an indicator, a country must score above the median in its income group. However, the board may select a country as eligible even if it does not meet the criteria. Once MCC has signed a compact with a country, MCC continues to work with it—even if it fails the criteria—as long as its actions are not inconsistent with the criteria. If a country's policy performance declines, the board can suspend or terminate the compact.

Namibia met MCC's eligibility criteria in 2006 and 2007 but not in 2008 and 2009 because it failed more than half of the Investing in People indicators. MCC did not create a scorecard for Namibia in 2010 because it became an upper-middle-income country.

MCC Selection Criteria

Namibia GNI Per Capita

Nominal GNI per capita (in U.S. dollars)



Source: GAO analysis of World Bank World Development Indicators and MCC income cutoffs.

^aNamibia was not a candidate in 2004 and 2005.

^bBecause Namibia rose to upper-middle-income status, it was not a candidate for assistance in 2010. However its existing compact with MCC was not affected.

Namibia Performance on MCC Eligibility Indicators

Indicator category	MCC eligibility year	2004	2005	2006	2007	2008	2009	2010
	MCC income group	Lower-middle	Lower-middle	Lower-middle	Lower-middle	Lower-middle	Lower-middle	Upper-middle
Ruling Justly	Political Rights			✓	✓	✓	✓	
	Civil Liberties			✗	✓	✓	✓	
	Voice and Accountability			✓	✓	✓	✓	
	Government Effectiveness			✓	✓	✓	✓	
	Rule of Law			✓	✓	✓	✓	
	Control of Corruption			✓	✓	✓	✓	
Investing in People	Girls' Primary Education Completion ^a			✗	✗	✗	✗	
	Primary Education Expenditures			✓	✓	✓	✓	
	Health Expenditures			✓	✓	✓	✗	
	Immunization Rates			✗	✗	✗	✗	
	Natural Resource Management (2008-2010)					✗	✗	
Economic Freedom	Country Credit Rating (2004-2005)							
	Days to Start a Business (2004-2007)			✗	✗			
	Cost of Starting a Business (2006-2007)			✓	✓			
	Business Start-up (2008-2010)						✗	✗
	Inflation			✓	✓	✓	✓	
	Fiscal Policy			✗	✗	✗	✓	
	Trade Policy			✓	✓	✓	✓	
	Regulatory Quality			✓	✓	✓	✓	
	Land Rights and Access (2008-2010)						✗	✗
	Indicator performance results			Passed	Passed	Failed	Failed	
MCC eligibility determination	NA	NA	Eligible	Eligible	Eligible	NA ^b	NA ^b	

✓ Passed (scored above the median) ✗ Failed (scored at the median or below) □ NA for that year

Source: GAO analysis of Millennium Challenge Corporation data.

^aIn 2004, the indicator was "Primary Education Completion."

^bIn 2009, MCC stopped making an eligibility determination for countries with existing compacts.

Namibia

Compact Characteristics

MCC and the partner country determine the compact structure before the compact is signed. However, the structure of some compacts has been altered during implementation.

At signature, Namibia's compact focused on improving the quality of education for the rural poor, primarily in the northern part of the country, and diversifying Namibia's economy with an emphasis on its growing agriculture and tourism sectors. At that time, Namibia had high unemployment, extreme disparity in wealth and income between the rich and poor, and an HIV prevalence rate of nearly 20 percent.

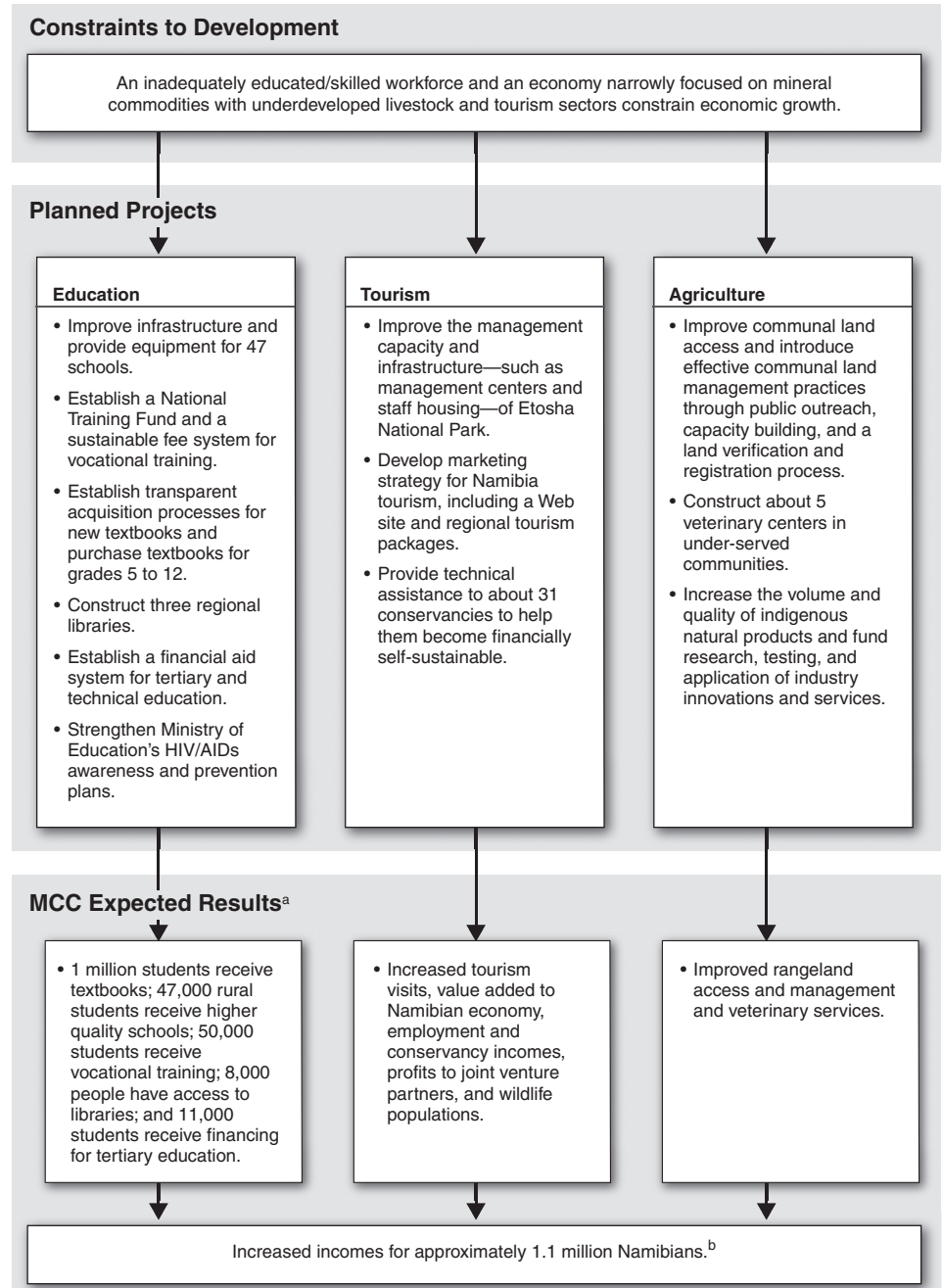
Expected Results

This graphic presents MCC's expectations of selected compact results at compact signature and at the end of fiscal year 2009.

GAO has not independently verified the reliability of MCC's results projections for this compact. Previous GAO work has identified several problems with the methodology used to determine compact projects' expected results. (See [GAO-08-730](#) and [GAO-07-909](#).)

Compact Summary

Structure of Namibia Compact, as of December 2009



Source: GAO analysis of Millennium Challenge Corporation data.

^aMCC expected results are reported as of compact signature, except the number of beneficiaries with increased incomes.

^bIn fiscal year 2009, MCC recalculated the number of expected beneficiaries using a standardized methodology. At compact signature, MCC reported the compact would benefit approximately 1.5 million people.

Namibia

Compact Project Funding

MCC and the country may reallocate funds among projects during implementation. In some cases, MCC has also changed the overall compact obligation.

At signature (July 2008), MCC obligated \$304.5 million for the Namibia compact. As of December 2009, the overall obligation amount and project allocations had not changed.

Compact Disbursements

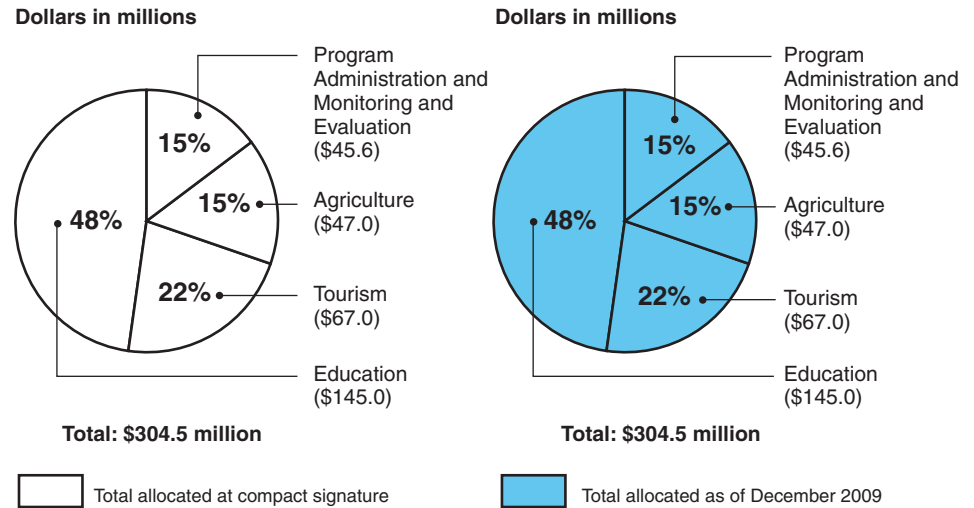
At compact signature, MCC develops a disbursement plan for the compact. MCC disburses funds as the country begins implementing projects. According to MCC, any funds not disbursed within 120 days after the compact ends would return to MCC for reprogramming.

As of December 2009, MCC had disbursed \$4.5 million (approximately 2 percent) of compact funds, compared with the \$13.2 million (approximately 5 percent) that it had planned to disburse as of that date.

Although it is not shown in the graphic, in addition to the above disbursements, \$5.9 million has been committed under the compact for pending expenses as of December 2009.

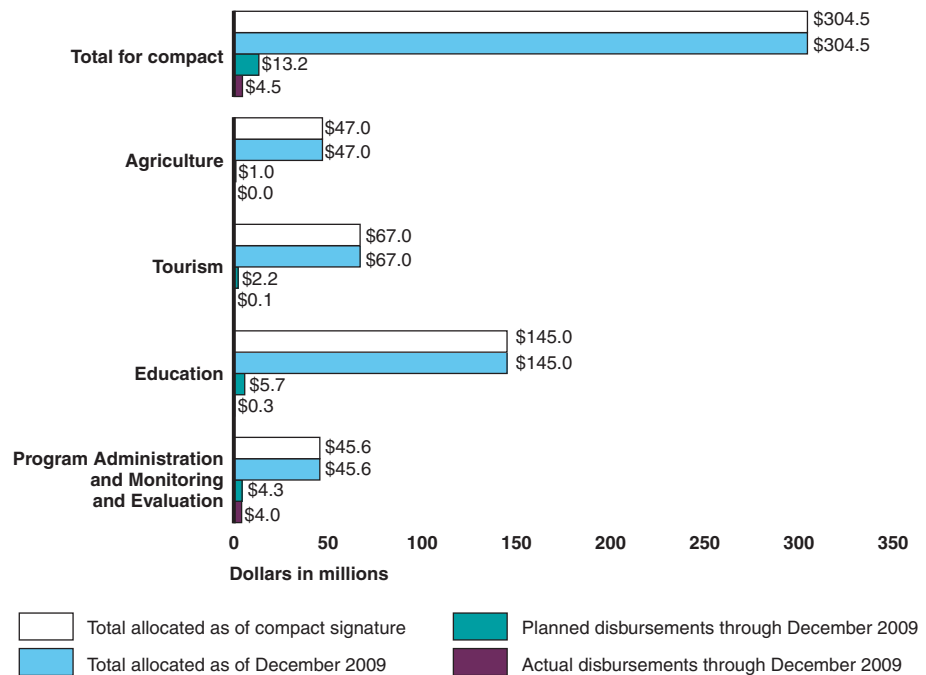
Compact Funding

Namibia Project Allocations



Source: GAO analysis of Millennium Challenge Corporation data.

Namibia Planned and Actual Disbursements



Source: GAO analysis of Millennium Challenge Corporation data.

Notes: We base planned disbursements on MCC's projections for the fiscal quarter ending December 2009. We assume that funds are disbursed evenly throughout each year. Actual disbursements by project may not add up to total disbursements because some disbursements are pending allocation to projects and are reflected in the total but not in the projects.



MILLENNIUM CHALLENGE CORPORATION

Nicaragua Compact Fact Sheet

Country Characteristics

Located in Central America, Nicaragua has a population of 5.7 million. It is a low-income country. Its economy is based primarily on services, which account for 57 percent of the country's gross domestic product (GDP) and employ 52 percent of the labor force. Industry and agriculture account for 26 and 18 percent of GDP, respectively. Nicaragua's real GDP contracted by about 3 percent in 2009. In November 2008, Nicaragua held municipal elections, the credibility of which was questioned by the U.S. government. Subsequently, the MCC partially terminated its compact with Nicaragua on the grounds that the government had engaged in actions inconsistent with MCC eligibility criteria.

Compact Timeline

During compact development, MCC and an eligible country negotiate project proposals and the compact's terms. After the compact is signed, the country finalizes administrative requirements, such as procurement and disbursement agreements. When the compact enters into force, MCC obligates funds and compact implementation begins. MCC's statute limits compact implementation to 5 years.

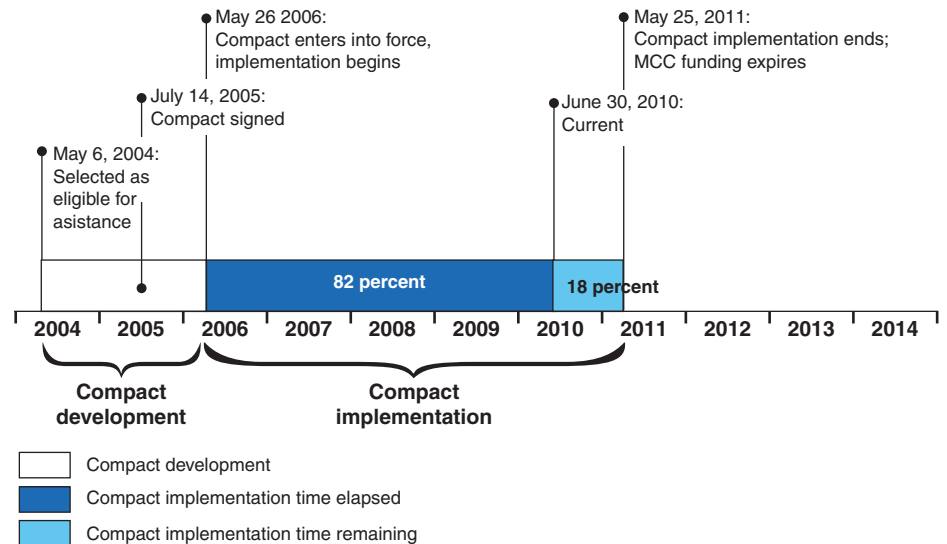
Nicaragua was 1 of 16 countries that MCC selected as eligible in its first eligibility round. As of June 30, 2010, 82 percent of the compact's 5-year period had elapsed.

Map of Nicaragua



Source: Map Resources (map).

Key Events for Nicaragua Compact



Source: GAO analysis of Millennium Challenge Corporation data.

Nicaragua

MCC Candidate Criteria

Each fiscal year, MCC uses per capita gross national income (GNI) data to identify two pools of candidate countries—low-income and lower-middle-income—based on World Bank lending thresholds. Also, a candidate country must not be statutorily barred from receiving U.S. assistance. By law, MCC can use up to 25 percent of compact assistance each year for new compacts with lower-middle-income countries.

Nicaragua has been classified as a low-income country every year since MCC began operations in 2004.

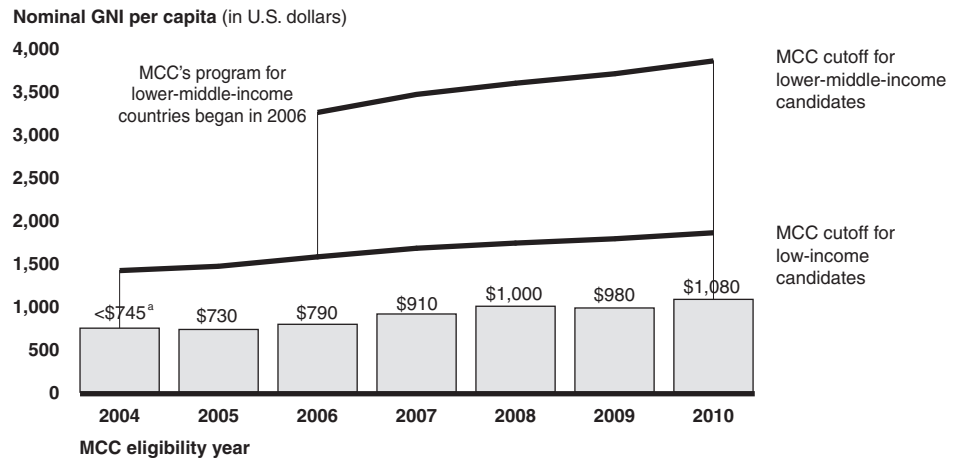
MCC Eligibility Criteria

MCC's board uses quantitative indicators to assess a candidate's policy performance. To meet MCC's criteria, a country must pass the control of corruption indicator and at least half of the indicators in each of three categories. To pass an indicator, a country must score above the median in its income group. However, the board may select a country as eligible even if it does not meet the criteria. Once MCC has signed a compact with a country, MCC continues to work with it—even if it fails the criteria—as long as its actions are not inconsistent with the criteria. If a country's policy performance declines, the board can suspend or terminate the compact.

Nicaragua has met MCC's eligibility criteria each year from 2004 through 2008. It did not meet the criteria in 2009 and 2010 because it failed the corruption indicator.

MCC Selection Criteria

Nicaragua GNI Per Capita



Source: GAO analysis of World Bank World Development Indicators and MCC income cutoffs.

^aNicaragua did not have a confirmed GNI for 2004. The World Bank estimated it at <\$745.

Nicaragua's Performance on MCC Eligibility Indicators

Indicator category	MCC eligibility year	2004	2005	2006	2007	2008	2009	2010
	MCC income group	Low	Low	Low	Low	Low	Low	Low
Ruling Justly	Political Rights	✓	✓	✓	✓	✓	✓	✓
	Civil Liberties	✓	✓	✓	✓	✓	✓	✓
	Voice and Accountability	✓	✓	✓	✓	✓	✓	✓
	Government Effectiveness	✗	✗	✓	✓	✗	✗	✗
	Rule of Law	✓	✓	✓	✓	✓	✓	✓
	Control of Corruption	✓	✓	✓	✓	✓	✗	✗
Investing in People	Girls' Primary Education Completion ^a	✓	✓	✓	✓	✓	✓	✓
	Primary Education Expenditures	✗	✗	✗	✗	✗	✗	✓
	Health Expenditures	✓	✓	✓	✓	✓	✓	✓
	Immunization Rates	✓	✓	✓	✓	✓	✓	✓
	Natural Resource Management (2008-2010)					✓	✓	✓
Economic Freedom	Country Credit Rating (2004-2005)	✗	✓					
	Days to Start a Business (2004-2007)	✓	✓	✓	✓			
	Cost of Starting a Business (2006-2007)			✗	✗			
	Business Start-up (2008-2010)					✗	✗	✗
	Inflation	✓	✓	✓	✓	✓	✓	✗
	Fiscal Policy	✗	✗	✗	✓	✓	✓	✓
	Trade Policy	✓	✓	✓	✓	✓	✓	✓
	Regulatory Quality	✓	✓	✓	✓	✓	✓	✓
	Land Rights and Access (2008-2010)					✗	✗	✓
	Indicator performance results	Passed	Passed	Passed	Passed	Passed	Failed	Failed
MCC eligibility determination	Eligible	Eligible	Eligible	Eligible	Eligible	NA ^b	NA ^b	

✓ Passed (scored above the median) ✗ Failed (scored at the median or below) □ NA for that year

Source: GAO analysis of Millennium Challenge Corporation data.

^aIn 2004, the indicator was "Primary Education Completion."

^bIn 2009, MCC stopped making an eligibility determination for countries with existing compacts.

Nicaragua

Compact Characteristics

MCC and the partner country determine the compact structure before the compact is signed. However, the structure of some compacts has been altered during implementation.

At signature, Nicaragua's compact aimed to build productive capacity in León and Chinandega, two regions in the northwest, where 70 percent of the rural population was poor. In June 2009, MCC partially terminated the Nicaragua compact, ceasing to fund the Property Regularization Project and activities not yet contracted under the Transportation Project. MCC acted in response to actions by the government of Nicaragua inconsistent with MCC's eligibility criteria: electoral irregularities were reported surrounding the November 2008 municipal elections. MCC will continue to upgrade 20 km of the Pacific Corridor highway and 54 km of rural secondary roads under the compact.

Expected Results

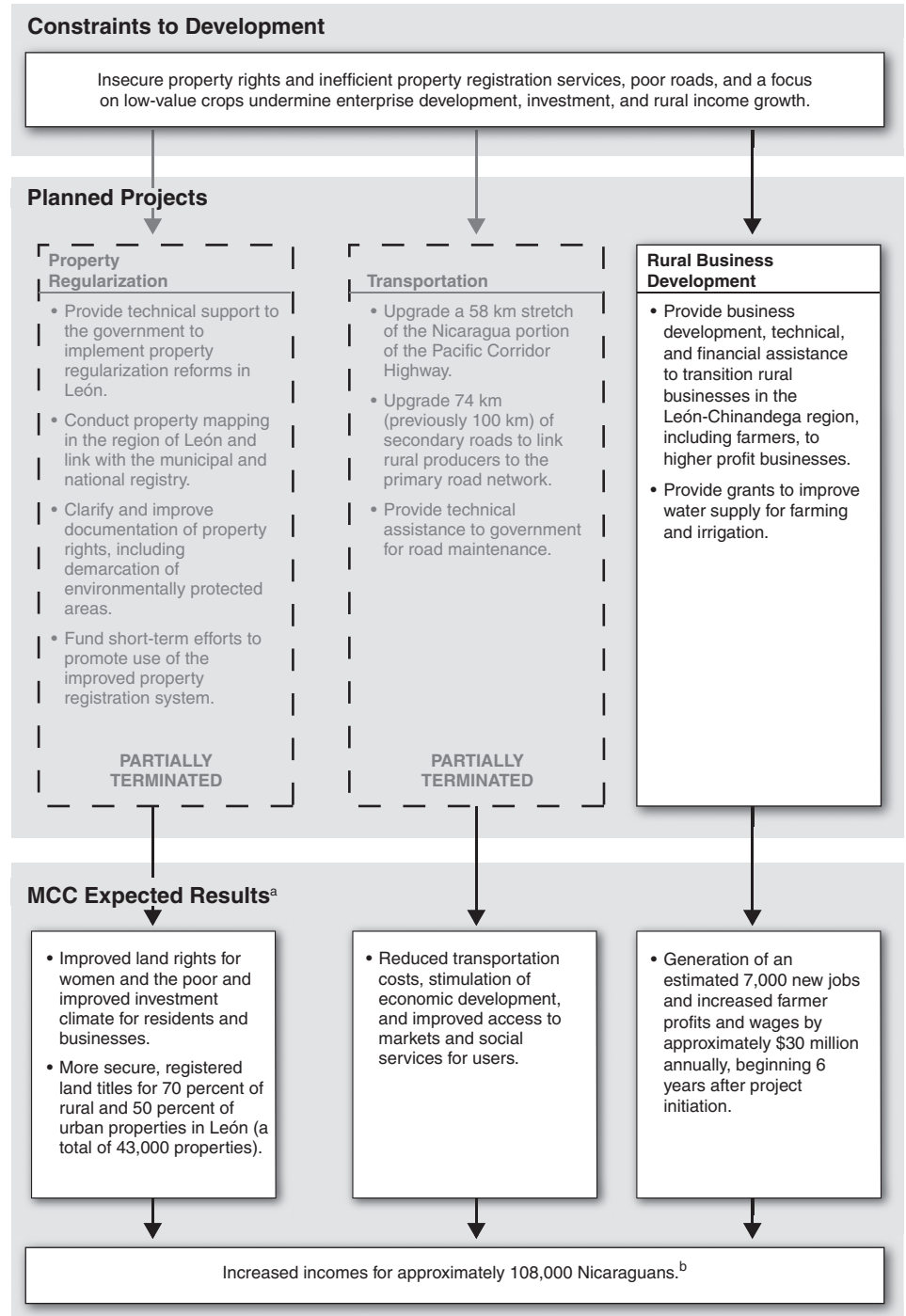
This graphic presents MCC's expectations of selected compact results at compact signature and at the end of fiscal year 2009.

GAO has not independently verified the reliability of MCC's results projections for this compact. Previous GAO work has identified several problems with the methodology used to determine compact results. (See [GAO-08-730](#) and [GAO-07-909](#).)

MCC has modified the Nicaragua compact but only partially recalculated the expected results.

Compact Structure

Structure of Nicaragua Compact, as of December 2009



Source: GAO analysis of Millennium Challenge Corporation data.

^aMCC expected results are reported as of compact signature, except the number of beneficiaries with increased incomes. The termination of two projects may affect results.

^bIn fiscal year 2009, MCC recalculated the number of expected beneficiaries using a standardized methodology. MCC did not publish a beneficiary estimate for Nicaragua at compact signature.

Nicaragua

Compact Funding

Compact Project Funding

MCC and the country may reallocate funds among projects during implementation. In some cases, MCC has also changed the overall compact obligation.

At signature (July 2005), MCC obligated \$175.0 million for the Nicaragua compact. In June 2009, MCC partially terminated assistance under the Nicaragua compact ceasing to fund the Property Regularization Project and activities not already contracted under the Transportation Project. As of December 2009, the overall obligation had decreased to \$113.6 million.

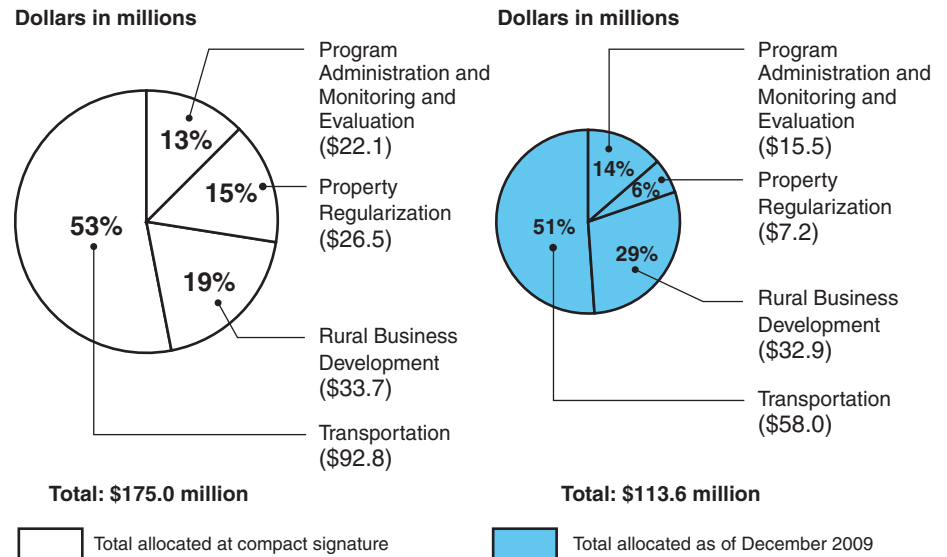
Compact Disbursements

At compact signature, MCC develops a disbursement plan for the compact. MCC disburses funds as the country begins implementing projects. According to MCC, any funds not disbursed within 120 days after the compact ends would return to MCC for reprogramming.

As of December 2009, MCC had disbursed \$87.8 million (approximately 77 percent) of compact funds, compared with the \$81.8 million (72 percent) that it had planned to disburse as of that date.

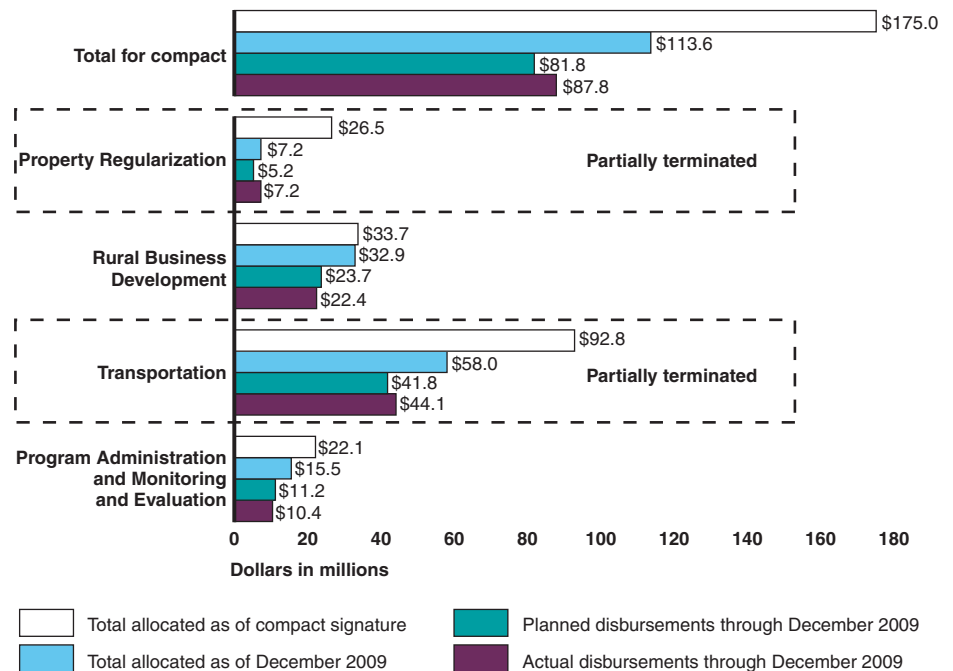
Although it is not shown in the graphic, in addition to the above disbursements, \$15.3 million has been committed under the compact for pending expenses as of December 2009.

Nicaragua Project Allocations



Source: GAO analysis of Millennium Challenge Corporation data.

Nicaragua Planned and Actual Disbursements



Source: GAO analysis of Millennium Challenge Corporation data.

Notes: We base planned disbursements on MCC's projections for the fiscal quarter ending December 2009. We assume that funds are disbursed evenly throughout each year. Actual disbursements by project may not add up to total disbursements because some disbursements are pending allocation to projects and are reflected in the total but not in the projects.



MILLENNIUM CHALLENGE CORPORATION

Tanzania Compact Fact Sheet

Country Characteristics

Located in eastern Africa, Tanzania—including the islands of Zanzibar—has a population of about 42.5 million. It is a low-income country. Its economy is based primarily on services, which account for 51 percent of the country's gross domestic product (GDP). Industry accounts for 23 percent of GDP, with gold and mineral mining growing in importance. Agriculture accounts for 27 percent of GDP but employs 80 percent of the labor force. Tanzania has experienced several years of real GDP growth—more than 7 percent in 2007 and 2008—although it slowed to about 4.5 percent in 2009.

Map of Tanzania



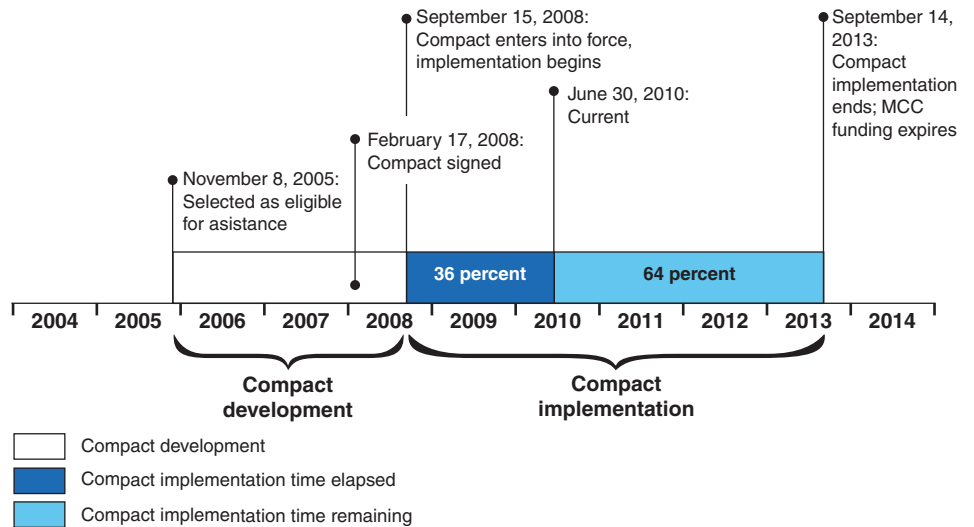
Source: Map Resources (map).

Compact Timeline

During compact development, MCC and an eligible country negotiate project proposals and the compact's terms. After the compact is signed, the country finalizes administrative requirements, such as procurement and disbursement agreements. When the compact enters into force, MCC obligates funds and compact implementation begins. MCC's statute limits compact implementation to 5 years.

Tanzania was first selected as eligible in MCC's third eligibility round for low-income countries. As of June 30, 2010, 36 percent of the compact's 5-year period had elapsed.

Key Events for Tanzania Compact



Source: GAO analysis of Millennium Challenge Corporation data.

Tanzania

MCC Candidate Criteria

Each fiscal year, MCC uses per capita gross national income (GNI) data to identify two pools of candidate countries—low-income and lower-middle-income—based on World Bank lending thresholds. Also, a candidate country must not be statutorily barred from receiving U.S. assistance. By law, MCC can use up to 25 percent of compact assistance each year for new compacts with lower-middle-income countries.

Tanzania was selected as eligible in fiscal year 2006 and has been classified as a low-income country ever since.

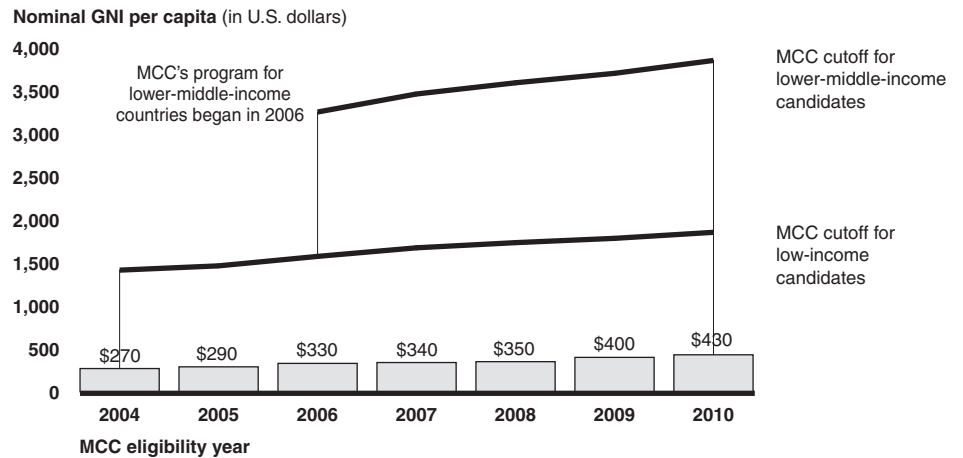
MCC Eligibility Criteria

MCC's board uses quantitative indicators to assess a candidate's policy performance. To meet MCC's criteria, a country must pass the control of corruption indicator and at least half of the indicators in each of three categories. To pass an indicator, a country must score above the median in its income group. However, the board may select a country as eligible even if it does not meet the criteria. Once MCC has signed a compact with a country, MCC continues to work with it—even if it fails the criteria—as long as its actions are not inconsistent with the criteria. If a country's policy performance declines, the board can suspend or terminate the compact.

Tanzania has met MCC's eligibility indicator criteria each year since it was first deemed eligible in 2006.

MCC Selection Criteria

Tanzania GNI Per Capita



Source: GAO analysis of World Bank World Development Indicators and MCC income cutoffs.

Tanzania's Performance on MCC Eligibility Indicators

Indicator category	MCC eligibility year	2004	2005	2006	2007	2008	2009	2010
	MCC income group	Low	Low	Low	Low	Low	Low	Low
Ruling Justly	Political Rights	X	✓	✓	✓	✓	✓	✓
	Civil Liberties	✓	✓	✓	✓	✓	✓	✓
	Voice and Accountability	✓	✓	✓	✓	✓	✓	✓
	Government Effectiveness	✓	✓	✓	✓	✓	✓	✓
	Rule of Law	✓	✓	✓	✓	✓	✓	✓
	Control of Corruption	X	X	✓	✓	✓	✓	✓
Investing in People	Girls' Primary Education Completion ^a	X	X	X	X	✓	✓	✓
	Primary Education Expenditures	✓	✓	✓	✓	✓	✓	✓
	Health Expenditures	✓	✓	X	X	X	✓	✓
	Immunization Rates	✓	✓	✓	✓	✓	✓	✓
	Natural Resource Management (2008-2010)					✓	X	✓
Economic Freedom	Country Credit Rating (2004-2005)	✓	✓					
	Days to Start a Business (2004-2007)	✓	✓	✓	✓			
	Cost of Starting a Business (2006-2007)			X	X			
	Business Start-up (2008-2010)					✓	✓	✓
	Inflation	✓	✓	✓	✓	✓	✓	✓
	Fiscal Policy	✓	✓	✓	✓	X	X	X
	Trade Policy	X	X	X	✓	✓	✓	✓
	Regulatory Quality	✓	✓	✓	✓	✓	✓	✓
	Land Rights and Access (2008-2010)					✓	✓	✓
	Indicator performance results	Failed Not Eligible	Failed Not Eligible	Passed	Passed	Passed	Passed	Passed
MCC eligibility determination			Eligible	Eligible	Eligible	NA ^b	NA ^b	

✓ Passed (scored above the median) X Failed (scored at the median or below) □ NA for that year

Source: GAO analysis of Millennium Challenge Corporation data.

^aIn 2004, the indicator was "Primary Education Completion."

^bIn 2009, MCC stopped making an eligibility determination for countries with existing compacts.

Tanzania

Compact Characteristics

MCC and the partner country determine the compact structure before the compact is signed. However, the structure of some compacts has been altered during implementation.

At signature, Tanzania's compact focused on rehabilitating road networks, improving and extending electricity service and coverage, and increasing the quantity and reliability of clean and safe water for domestic and commercial use. At that time, approximately 35 percent of the mainland and nearly 50 percent of the Zanzibar region's populations lived below the national poverty line.

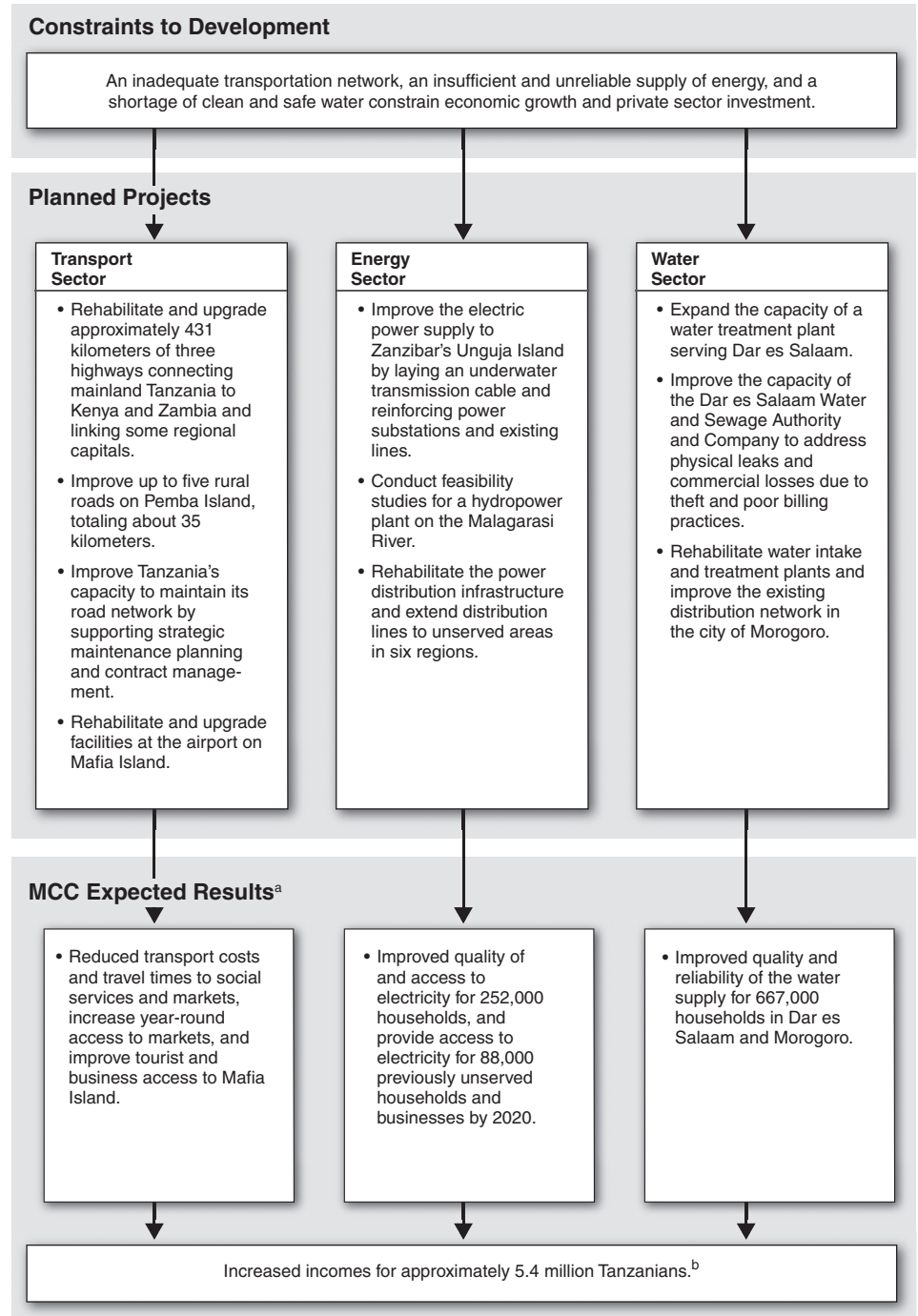
Expected Results

This graphic presents MCC's expectations of selected compact results at compact signature and at the end of fiscal year 2009.

GAO has not independently verified the reliability of MCC's results projections for this compact. Previous GAO work has identified several problems with the methodology used to determine compact projects' expected results. (See [GAO-08-730](#) and [GAO-07-909](#).)

Compact Structure

Structure of Tanzania Compact, as of December 2009



Source: GAO analysis of Millennium Challenge Corporation data.

^aMCC expected results are reported as of compact signature, except the number of beneficiaries with increased incomes.

^bIn fiscal year 2009, MCC recalculated the number of expected beneficiaries using a standardized methodology. At compact signature, MCC reported the compact would benefit approximately 4.8 million people.

Tanzania

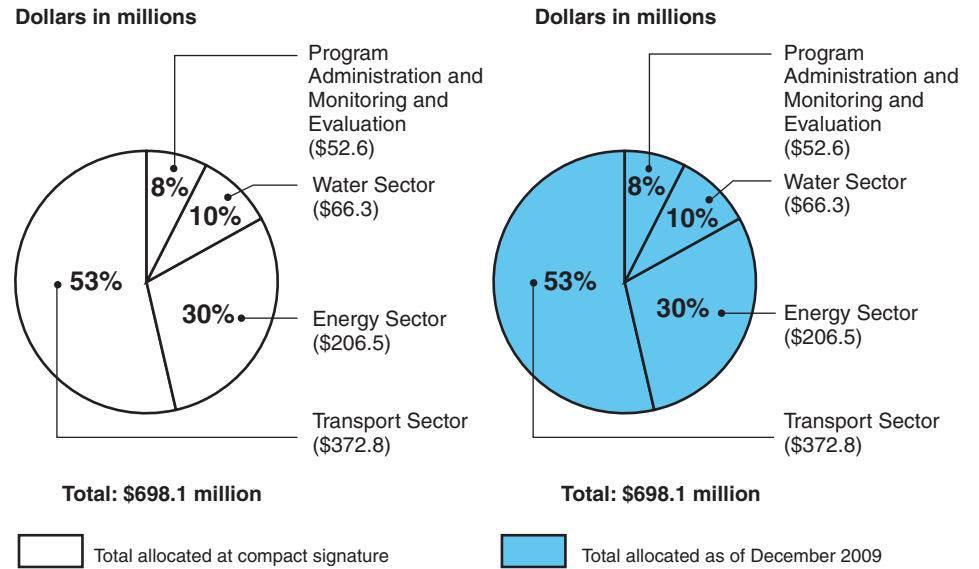
Compact Funding

MCC and the country may reallocate funds among projects during implementation. In some cases, MCC has also changed the overall compact obligation.

At signature (February 2008), MCC obligated \$698.1 million for the Tanzania compact. As of December 2009, the overall obligation amount and project allocations had not changed.

Compact Funding

Tanzania Project Allocations



Source: GAO analysis of Millennium Challenge Corporation data.

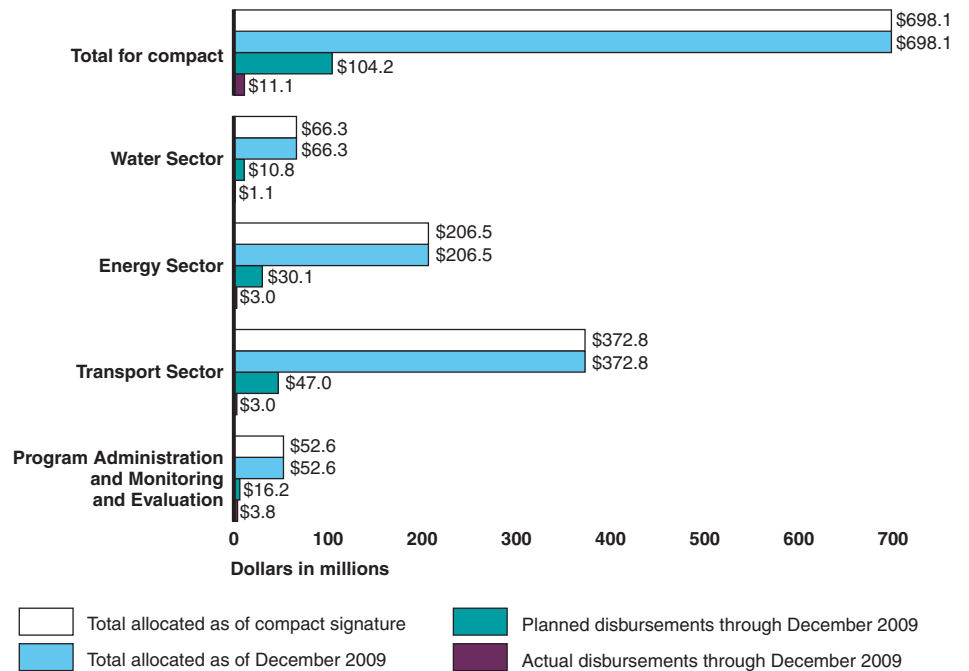
Compact Disbursements

At compact signature, MCC develops a disbursement plan for the compact. MCC disburses funds as the country begins implementing projects. According to MCC, any funds not disbursed within 120 days after the compact ends would return to MCC for reprogramming.

As of December 2009, MCC had disbursed \$11.1 million (approximately 2 percent) of compact funds, compared with the \$104.2 million (approximately 15 percent) that it had planned to disburse as of that date.

Although it is not shown in the graphic, in addition to the above disbursements, \$85.7 million has been committed under the compact for pending expenses as of December 2009.

Tanzania Planned and Actual Disbursements



Source: GAO analysis of Millennium Challenge Corporation data.

Notes: We base planned disbursements on MCC's projections for the fiscal quarter ending December 2009. We assume that funds are disbursed evenly throughout each year. Actual disbursements by project may not add up to total disbursements because some disbursements are pending allocation to projects and are reflected in the total but not in the projects.



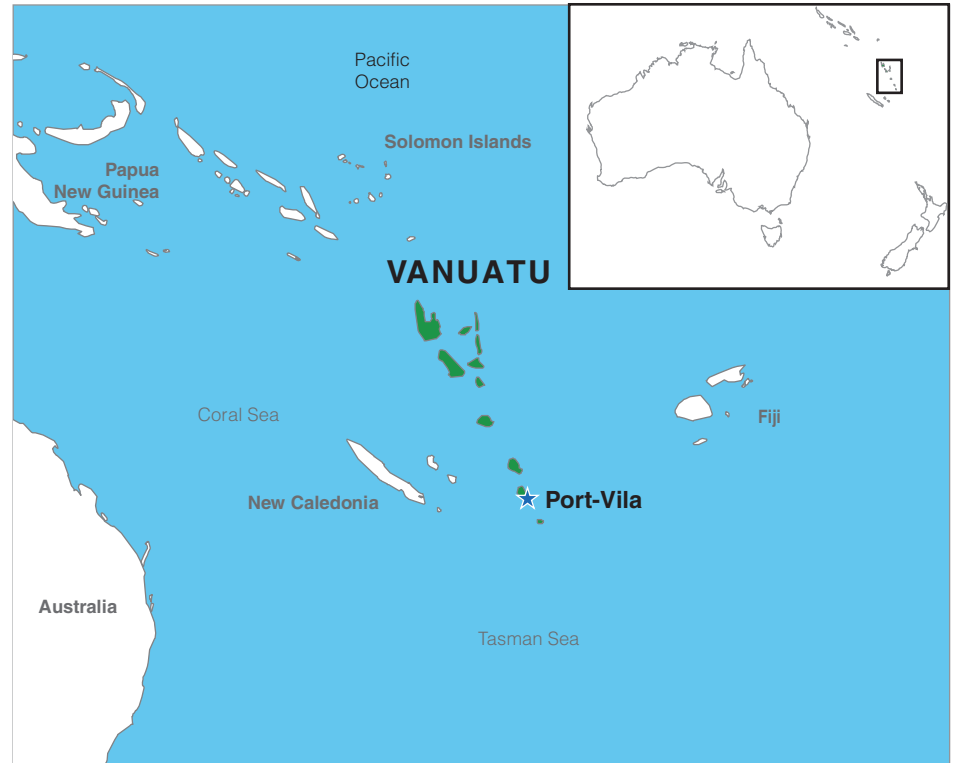
MILLENNIUM CHALLENGE CORPORATION

Vanuatu Compact Fact Sheet

Country Characteristics

Located in the South Pacific about 1,300 miles northeast of Sydney, Australia, Vanuatu consists of 83 islands and has a population of about 200,000. It is a lower-middle-income country. Its economy is based primarily on services, which account for about 62 percent of its gross domestic product (GDP). Agriculture accounts for 26 percent of GDP but employs 65 percent of the labor force. Industry accounts for 12 percent of GDP. Fishing, offshore financial services, and tourism are important economic activities. Vanuatu has experienced several years of real GDP growth—more than 6 percent in 2007 and 2008—although it slowed to about 3.8 percent in 2009.

Map of Vanuatu



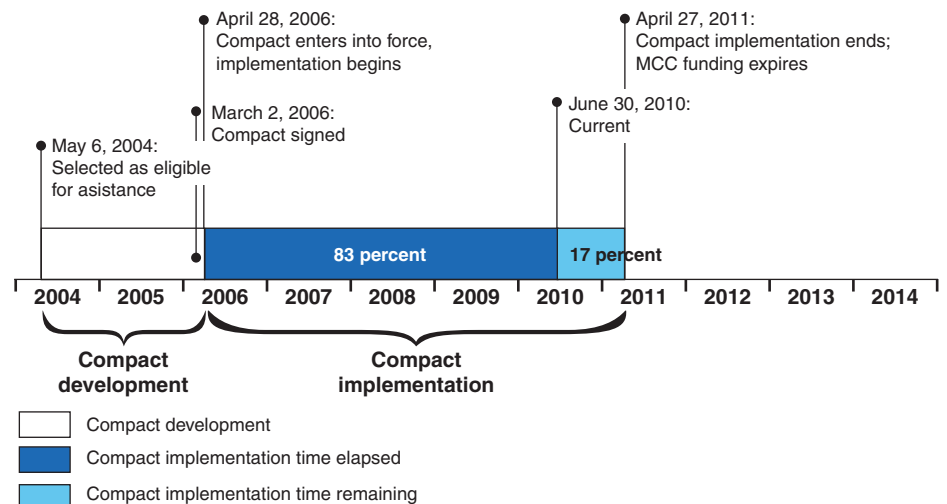
Source: Map Resources (map).

Compact Timeline

During compact development, MCC and an eligible country negotiate project proposals and the compact's terms. After the compact is signed, the country finalizes administrative requirements, such as procurement and disbursement agreements. When the compact enters into force, MCC obligates funds and compact implementation begins. MCC's statute limits compact implementation to 5 years.

Vanuatu was 1 of 16 countries that MCC selected as eligible in its first eligibility round. As of June 30, 2010, 83 percent of the compact's 5-year period had elapsed.

Key Events for Vanuatu Compact



Source: GAO analysis of Millennium Challenge Corporation data.

Vanuatu

MCC Candidate Criteria

Each fiscal year, MCC uses per capita gross national income (GNI) data to identify two pools of candidate countries—low-income and lower-middle-income—based on World Bank lending thresholds. In addition, a candidate country must not be statutorily barred from receiving U.S. assistance. By law, MCC can use up to 25 percent of compact assistance each year for new compacts with lower-middle-income countries.

Vanuatu was a low-income country from 2004, the year that MCC began operations, through 2008. In 2009 Vanuatu's rising GNI per capita lifted it to lower-middle-income status.

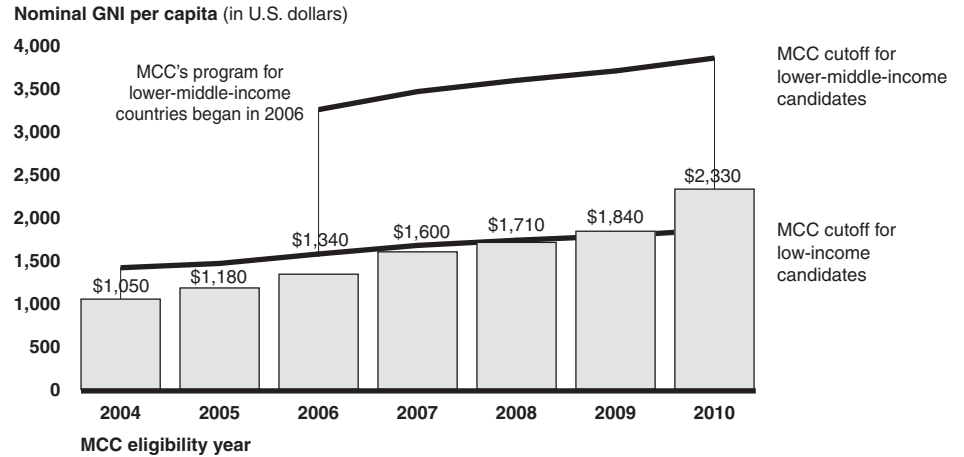
MCC Eligibility Criteria

MCC's board uses quantitative indicators to assess a candidate's policy performance. To meet MCC's criteria, a country must pass the control of corruption indicator and at least half of the indicators in each of three categories. To pass an indicator, a country must score above the median in its income group. However, the board may select a country as eligible even if it does not meet the criteria. Once MCC has signed a compact with a country, MCC continues to work with it—even if it fails the criteria—as long as its actions are not inconsistent with the criteria. If a country's policy performance declines, the board can suspend or terminate the compact.

Vanuatu met MCC's eligibility criteria each year from 2004 through 2008. In 2009, Vanuatu rose to lower-middle-income status and failed the indicator criteria for that group.

MCC Selection Criteria

Vanuatu GNI Pe



Source: GAO analysis of World Bank World Development Indicators and MCC income cutoffs.

Vanuatu's Performance on MCC Eligibility Indicators

Indicator category	MCC eligibility year	2004	2005	2006	2007	2008	2009	2010
	MCC income group	Low	Low	Low	Low	Low	Lower-middle	Lower-middle
Ruling Justly	Political Rights	✓	✓	✓	✓	✓	✓	✓
	Civil Liberties	✓	✓	✓	✓	✓	✓	✓
	Voice and Accountability	✓	✓	✓	✓	✓	✓	✓
	Government Effectiveness	✓	✓	✓	✓	✓	✓	✓
	Rule of Law	✓	✓	✓	✓	✓	✓	✓
	Control of Corruption	✓	✓	✓	✓	✓	✓	✓
Investing in People	Girls' Primary Education Completion ^a	✓	✓	✓	✓	✓	✗	✗
	Primary Education Expenditures	✓	✓	✓	✓	✓	✓	✓
	Health Expenditures	✓	✓	✓	✓	✓	✗	✓
	Immunization Rates	✗	✗	✗	✗	✓	✗	✗
	Natural Resource Management (2008-2010)					✗	✗	✗
Economic Freedom	Country Credit Rating (2004-2005)	✓	✓					
	Days to Start a Business (2004-2007)	✓	✓	✓	✓			
	Cost of Starting a Business (2006-2007)			✓	✓			
	Business Start-up (2008-2010)					✓	✗	✗
	Inflation	✓	✓	✓	✓	✓	✓	✓
	Fiscal Policy	✓	✓	✓	✓	✓	✓	✓
	Trade Policy	✗	✗	✗	✗	✗	✗	✗
	Regulatory Quality	✗	✗	✓	✓	✓	✗	✗
	Land Rights and Access (2008-2010)					✗	✗	✗
Indicator performance results		Passed	Passed	Passed	Passed	Passed	Failed	Failed
MCC eligibility determination		Eligible	Eligible	Eligible	Eligible	Eligible	NA ^b	NA ^b

✓ Passed (scored above the median) ✗ Failed (scored at the median or below) □ NA for that year

Source: GAO analysis of Millennium Challenge Corporation data.

^aIn 2004, the indicator was "Primary Education Completion."

^bIn 2009, MCC stopped making an eligibility determination for countries with existing compacts.

Vanuatu

Compact Characteristics

MCC and the partner country determine the compact structure before the compact is signed. However, the structure of some compacts has been altered during implementation.

At signature, Vanuatu's compact aimed to benefit poor, rural, agricultural producers and providers of tourism-related goods and services by reducing transportation costs and improving the reliability of access to transportation services. At signature, 80 percent of the population lived in rural areas and 51 percent of rural residents lived in hardship. The compact was rescopeed in early 2008 due to several circumstances, including escalating global construction costs and currency fluctuations, and the scope of the Transport Infrastructure Project was reduced.

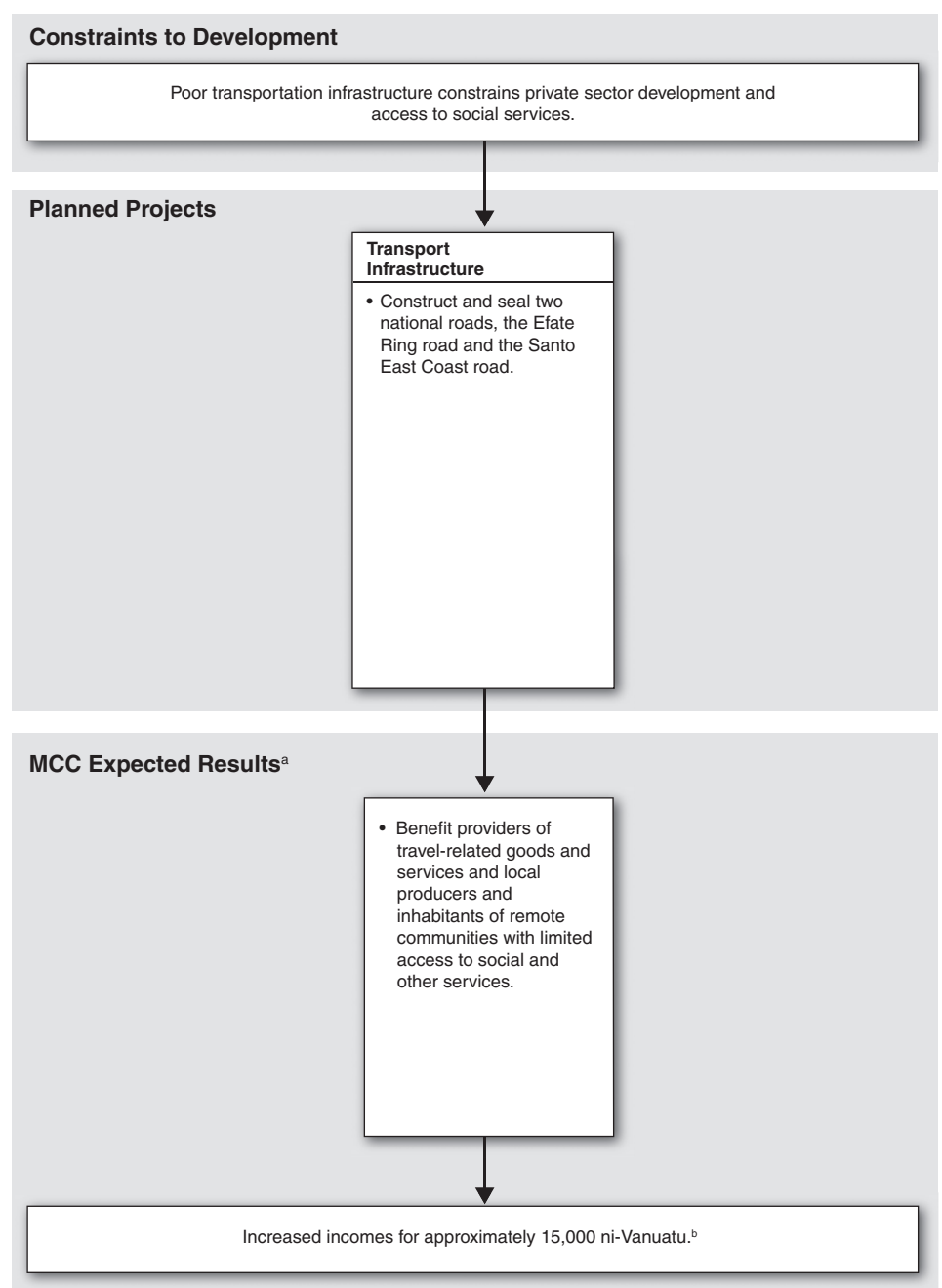
Expected Results

This graphic presents MCC's expectations of selected compact results at compact signature and at the end of fiscal year 2009.

The Vanuatu compact is one of five compacts for which GAO has independently verified the reliability of MCC's results projections. In July 2007, GAO reported that MCC had overstated the expected results of its Vanuatu compact; GAO also identified additional risks that could affect compact results (GAO-07-909).

Compact Summary

Structure of Vanuatu's Compact, as of December 2009



Source: GAO analysis of Millennium Challenge Corporation data.

^aMCC expected results are reported as of compact signature, except the number of beneficiaries with increased incomes.

^bIn fiscal year 2009, MCC recalculated the number of expected beneficiaries using a standardized methodology. At compact signature, MCC reported the compact would benefit approximately 65,000 people.

Vanuatu

Compact Project Funding

MCC and the country may reallocate funds among projects during implementation. In some cases, MCC has also changed the overall compact obligation.

At signature (March 2006), MCC obligated \$65.7 million for the Vanuatu compact. As of December 2009, the overall obligation amount had not changed, however funds were reallocated from Transport Infrastructure project to the Program Administration and Monitoring and Evaluation.

Compact Disbursements

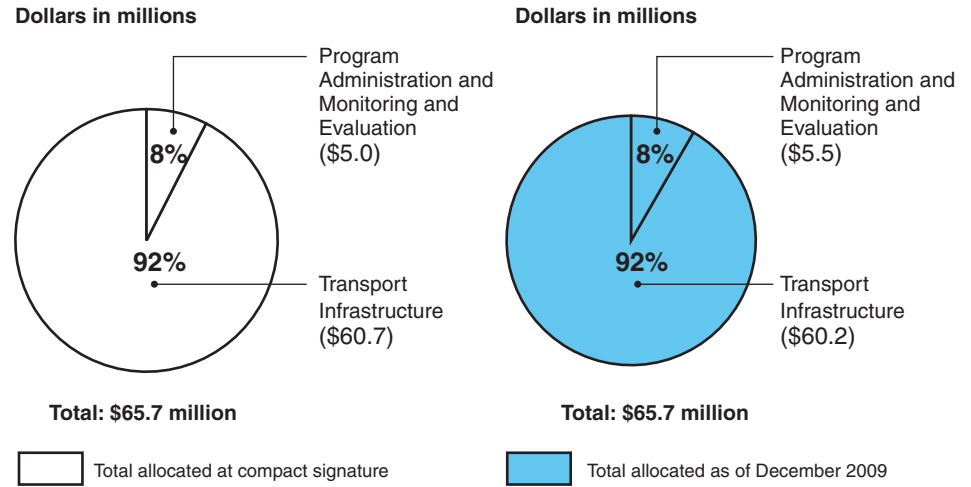
At compact signature, MCC develops a disbursement plan for the compact. MCC disburses funds as the country begins implementing projects. According to MCC, any funds not disbursed within 120 days after the compact ends would return to MCC for reprogramming.

As of December 2009, MCC had disbursed \$45.2 million (approximately 69 percent) of compact funds, compared with the \$63.2 million (approximately 96 percent) that it had planned to disburse as of that date.

Although it is not shown in the graphic, in addition to the above disbursements, \$18.4 million has been committed under the compact for pending expenses as of December 2009.

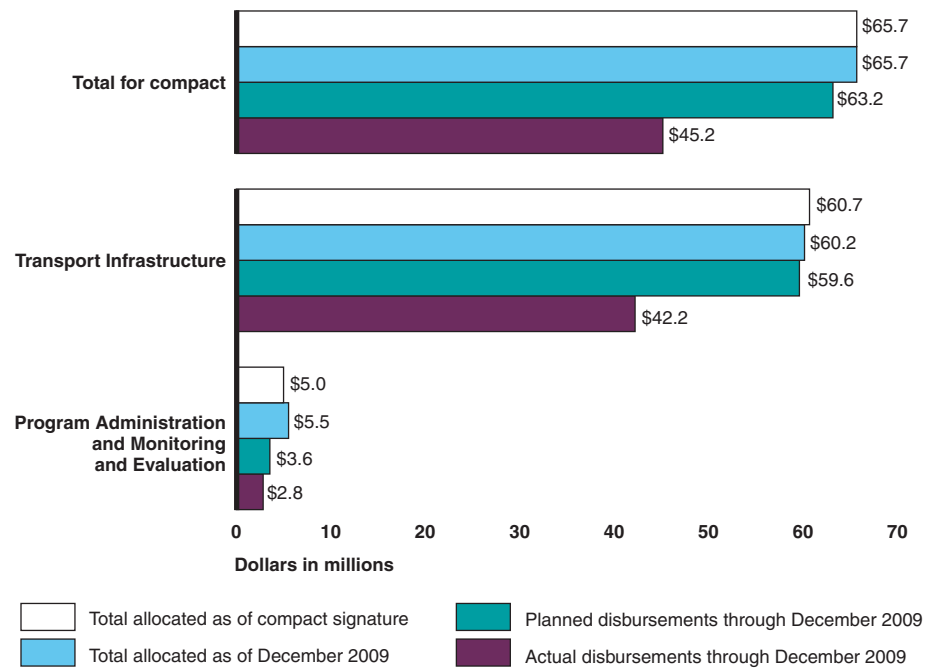
Compact Funding

Vanuatu Project Allocations



Source: GAO analysis of Millennium Challenge Corporation data.

Vanuatu Planned and Actual Disbursements



Source: GAO analysis of Millennium Challenge Corporation data.

Notes: We base planned disbursements on MCC's projections for the fiscal quarter ending December 2009. We assume that funds are disbursed evenly throughout each year. Actual disbursements by project may not add up to total disbursements because some disbursements are pending allocation to projects and are reflected in the total but not in the projects.

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