Climate Action Plan

Tina Neumann
Chief Sustainability Officer

October 2021

MILLENNIUM
CHALLENGE CORPORATION
UNITED STATES OF AMERICA

TABLE OF CONTENTS

MCC Policy Statement 1

Introduction 3

Applicable Policies and Guidelines for MCC's Climate Plan 4

Priority Adaptation Actions 5
- Priority Action #1: Strengthen integration of climate adaptation considerations in analytical tools 6
- Priority Action #2: Fully integrate climate adaptation and related environmental consideration into all stages of program development and implementation. 7
- Priority Action #3: Support policy and institutional reforms in adaptation to strengthen the resilience of MCC investments 9
- Priority Action #4: Leverage blended finance to catalyze private capital for climate activities 10
- Priority Action #5: Expand and deepen partnerships to further climate objectives 12
- Priority Action #6: Integrate adaptation and resilience considerations into MCC's facilities management and internal operations 13

Resource Requirements 15

MCC Vulnerability Assessment 15

Agency Efforts to Enhance Workforce Climate Literacy 18

Agency Actions to Enhance Climate Resilience 19
- Climate-Ready Sites and Facilities 19

Agency Actions to Incorporate Climate Resilience into Strategic Plans 19
- Implementing the Action Plans 19
- Responsibility for this Climate Action Plan 19
- Action Plans and Role of the Climate Coordination Team 20

MCC POLICY STATEMENT

The Millennium Challenge Corporation (MCC) is an innovative and independent U.S. government development agency that partners with countries to reduce poverty through sustainable economic growth.

Recognizing that climate change, poverty and economic growth are inextricably linked, and consistent with *Executive Order 14008: Tackling the Climate Crisis at Home and Abroad*, MCC is expanding and deepening its work on climate change across the agency's compact, threshold and regional program grant portfolio and business operations.

With respect to MCC's compact, threshold and regional grant programs overseas, MCC will reinforce its work with country partners to invest in climate-smart development and sustainable infrastructure, with a commitment that more than 50 percent of the agency's program funding will be in climate-related investments over the next five years (CY 2021 to CY 2025). MCC has a strong track record to build on, having invested over $1.7 billion in integrating climate adaptation, resilience, and mitigation into its work from FY15-FY20, which represents about 40 percent of MCC's total programming during this timeframe.

To meet this ambitious new commitment, MCC will take a number of actions. MCC will:

- fully integrate climate considerations into the agency's analytical tools, policies, guidelines, and decision-making;
- promote climate-smart development and sustainable infrastructure across all key sectors, including energy, transportation, agriculture and water;
- support nationally determined contributions in partner countries and continue to press for important policy and institutional reforms that support a transition toward low-carbon development;
- focus on the needs of women and those most vulnerable to climate change in designing and implementing investments to better assure MCC programs both consider and address environmental justice concerns;
- bring in new partners to drive innovation and align and link MCC programs with other climate change initiatives; and
- expand the use of blended finance tools to mobilize private capital into climate activities.

With respect to MCC's domestic business operations and administrative functions, MCC will align its internal operations with its expanded programmatic climate ambitions and seek innovative ways to integrate climate considerations. As such, MCC will fully integrate climate considerations into its administrative functions to reduce the agency's carbon footprint. MCC will assess and improve the efficiency and resilience of the agency's facilities and operations to the impacts of climate change. MCC will also assess opportunities across core business processes and operations to bolster adaptation and increase resiliency. This will include an assessment of opportunities across MCC procurement, logistics and facilities management, travel, financial management, and, importantly, MCC's workforce planning and "future of work" efforts as the agency and the world slowly emerge from the COVID-19 pandemic.

Consistent with Executive Order 14008 and related guidance, MCC will also evaluate risks posed by climate change on an annual basis using the agency's enterprise risk management framework and MCC's Occupant Emergency and Continuity of Operations plans. In doing so, MCC will rely on the best available science, including the *Fourth National Climate Assessment* as the basis for its climate change risk management activities.

As detailed in this Plan and MCC's new *Climate Strategy*, MCC will integrate climate-related objectives, activities, milestones, and timelines into the yearly goals of MCC's departments and divisions. MCC will review progress on implementing this Plan and, as appropriate, will update this Plan (and, as needed, associated action plans) to document adjustments and new focus areas.

_____/s/_____

Mahmoud Bah
Acting Chief Executive Officer

INTRODUCTION

The Millennium Challenge Corporation (MCC) is an innovative and independent U.S. foreign assistance agency that is helping lead the fight against global poverty. Created by the U.S. Congress in January 2004 with strong bipartisan support, MCC delivers smart U.S. foreign assistance by focusing on good policies, country ownership, and results. MCC provides predictable, multi-year grants that promote economic growth, reduce poverty, and strengthen institutions. These investments not only support stability and prosperity in partner countries but also enhance American interests.

Climate change is inextricably tied to poverty and economic growth, and it poses the greatest risks to low and lower-middle income countries, like those where MCC works. These are precisely the countries whose people, economies, and institutions are least able to adapt to or afford its consequences and are generally least responsible for the problem. For example, the World Bank estimates that the effects of climate change could push an additional 100 million people below the poverty line by 2030, with extreme weather alone resulting in $520 billion in annual consumption losses each year. Other sources estimate that at least 300 million people will live in coastal areas threatened by dangerous flooding by 2050, and climate change has increased economic inequality between developed and developing nations by 25% since 1960.

Given this reality, MCC recognizes that addressing the impacts of climate change is central to achieving MCC's mission and we must invest now to counter its dire consequences.

To meet this challenge, MCC has substantially increased its climate commitments. This Climate Action Plan (the Plan) and MCC's newly developed Climate Change Strategy (the Strategy) memorialize how MCC will meet these commitments and adjust its approaches to expand and deepen work on climate change across the agency's investment portfolio and business operations.

Specifically, MCC will continue to work with country partners to:

- promote climate-smart development and sustainable infrastructure across all key sectors, including energy, roads, agriculture, and water,
- support nationally determined contributions (NDCs) in partner countries; urge important policy and institutional reforms that support a transition toward low carbon development,
- strengthen the integration of climate considerations into the agency's policies, guidelines, analytical tools, and decision-making,
- focus on the needs of women and those most vulnerable to climate change, and of those living in climate vulnerable areas in designing and implementing our investments,
- collaborate with new partners and expand the use of blended finance tools to mobilize private capital into climate activities, and
- align internal operations with the agency's climate aspirations and seek innovative ways to reduce our own carbon footprint.

Consistent with *Executive Order 14008: Tackling the Climate Crisis at Home and Abroad* and Council on Environmental Quality's (CEQ) Implementing Instructions,[1] this Plan presents MCC's roadmap to meet the goals outlined in our Climate Strategy. This Plan builds from the previous Climate Action Plans and is focused on the impact climate change has on MCC's critical mission, programs, and activities.

This Plan follows the CEQ Instructions for Preparing Draft Climate Action Plans under E.O. 14008 and focuses on climate resilience across agency programs and the management of Federal procurement, real property, and financial programs. [2]

APPLICABLE POLICIES AND GUIDELINES FOR MCC'S CLIMATE PLAN

Consistent with *Executive Order 14008: Tackling the Climate Crisis at Home and Abroad*, MCC frames its expanded climate efforts within the three overarching objectives of the Paris Agreement: a safe global temperature, increased climate resilience, and financial flows aligned with a pathway toward low-carbon development and climate-resilience.

In addition, MCC's approach to climate is guided by several policies, principles, and guidance:

- MCC's Environmental Guidelines (first adopted in 2004), which also formalize MCC's adoption of the *International Finance Corporation's Environmental and Social Performance Standards* (2012). All MCC-funded projects must be carried out in accordance with MCC's own policy and the IFC Performance Standards, which include specific requirements to assess and manage climate risks and promote environmental justice outcomes through public participation and equitable distribution of benefits.
- *Executive Order 13990: Protecting Public Health and the Environment and Restoring Science to Tackle the Climate Crisis* (2021), which directs agencies to account for the benefits of reducing climate pollution.
- *Executive Order 13677: Climate-Resilient International Development* (2014), which requires agencies with direct international investments to screen for climate risks and take appropriate actions when risks are identified.
- *Executive Order 13834: Efficient Federal Operations* (2018), which instructs agencies to meet statutory requirements related to energy and environmental performance in a manner that increases efficiency, optimizes performance, eliminates unnecessary use of resources, and protects the environment.
- MCC's internal operational and technical guidance, including Climate Risk Management in the MCC Compact Development Process; Decision Support Manual for Irrigation Projects; Integration of Resilience into MCC Compact Programs; Building Resilience into MCC Compact and Threshold-Eligible Countries; Road Development and Implementation Guidelines; Power Sector Guidance; and Water, Sanitation, and Irrigation Sector Practice Guidance.

1 *Council on Environmental Quality*, Interim Instructions for Preparing Draft Climate Action Plans under Executive Order 14008, March 2021.

2 U.S. Global Change Research Program's Fourth National Climate Assessment and CEQ Instructions for Preparing Draft Climate Action Plans under Executive Order 14008

- MCC's core principle of country ownership. MCC's country partners take the lead to identify the problem, design the solutions, and implement the investments, with MCC oversight and support. This includes helping country partners identify and manage climate risks and opportunities.

PRIORITY ADAPTATION ACTIONS

MCC will organize agency adaptation work through six work streams, aligned with our Climate Strategy:

1. Strengthen integration of climate adaptation considerations in analytical tools
2. Fully integrate climate and related environmental considerations (e.g., resilience, environmental justice) into all stages of program development and implementation
3. Support policy and institutional reforms to broaden the impact and sustainability of MCC investments and the broader enabling environment (including in adaptation to strengthen resilience)
4. Leverage blended finance to catalyze private capital for climate
5. Expand and deepen partnerships to further climate objectives
6. Integrate adaptation and resilience considerations into MCC's facilities management and internal operations.

Each action is described in greater detail below.

Across all these priority actions, MCC is committed to mainstreaming climate across the agency. Mainstreaming means MCC will continue to work through existing processes, management chains, and decision-making frameworks, with every part of the agency and country partners playing a role. While this Plan and the Strategy lay the foundation, a cross-departmental Climate Coordination Team will oversee the development of department and divisions plans, to include specific actions and timelines. The role of the Climate Coordination Team is described in greater detail in the implementation section below.

PRIORITY ACTION #1: STRENGTHEN INTEGRATION OF CLIMATE ADAPTATION CONSIDERATIONS IN ANALYTICAL TOOLS

Consistent with MCC's model, MCC will:

Activity Description	Opportunity/Rationale	Implementation Methods (illustrative)
Update the agency's suite of analytical tools for economic analysis to better reflect climate risks. This includes updating MCC's constraints analysis and root-cause analysis, which drive sectoral focus, investment decisions, and cost-benefit analysis to better capture uncertainties as well as the benefits of greenhouse gas reductions, increased resilience, and improved natural resource management (including natural capital). This work will benefit from the insights of MCC's Economic Advisory Council and other relevant experts.	Because these analytical tools drive MCC program investment decisions, better incorporating climate considerations will better assure that MCC programs are responsive to climate adaptation, mitigation, and resilience priorities in MCC partner countries.	Update analytical tools and utilize updated methods as applicable in alignment with MCC's mission and climate strategy.
Assess climate risks for economic development from the outset of the constraints analysis phase, to support the constraints analysis and provide important context and supplemental information for the constraints and root-cause analyses and early program development.	MCC's constraint analysis provides guidance to country teams early in the program development process. Enabling teams to integrate climate risks in economic constraints analysis will create opportunities for further consideration of climate-related elements in each program.	Early provision of supplementary information on climate risks and opportunities provided to MCC's Economic teams.
Strengthen the integration of climate risk management in sectoral and technical analytical processes important to program development, design, and implementation.	Sector-specific guidance will seek to maintain program efficiencies while integrating climate risk management at each stage of the program lifecycle.	Development of guidance on climate-related elements of each respective sector in alignment with MCC's climate strategy.

Activity Description	Opportunity/Rationale	Implementation Methods (illustrative)
Develop and apply new analytical approaches to make better planning and design decisions in the face of climate uncertainty.	MCC's program design process utilizes data-rich decision-making processes, yet robust climate-related data is not always available. MCC will utilize decision-making techniques designed to improve program designs in the face of uncertainty.	New and updated analytical toolkit.
Consider how climate will fit into a program's results measurement framework.	MCC collects data to monitor and evaluate every project to determine if the objectives of the project are met. Incorporating climate into the results framework will better enable MCC to determine the effectiveness of these efforts.	Where programs have been designed to address climate-related root causes of the binding constraints, deploy M&E resources to evaluate outcomes.

PRIORITY ACTION #2: FULLY INTEGRATE CLIMATE ADAPTATION AND RELATED ENVIRONMENTAL CONSIDERATION INTO ALL STAGES OF PROGRAM DEVELOPMENT AND IMPLEMENTATION.

Consistent with MCC's model, MCC will:

Activity Description	Opportunity/Rationale	Implementation Methods (illustrative)
Commit that more than 50 percent of program funding will go toward climate-related investments over the next five years.	Increasing MCC's commitment to climate-smart development is aligned with MCC's mission to reduce poverty through economic growth and is increasingly aligned with MCC counterpart country objectives.	Implement climate strategy priority actions and early portfolio scan to identify opportunities in MCC's existing pipeline.

Activity Description	Opportunity/Rationale	Implementation Methods (illustrative)
Prioritize climate impacts on vulnerable and marginalized populations.	The world's poorest and most vulnerable will be disproportionally impacted and are more likely to live in locations that are highly exposed to, climate risks. MCC program will: (1) systematically assesses how people are impacted and affected by our projects, with particular attention being paid to vulnerable and marginalized groups, (2) consult and engage those affected by MCC projects so that their views and opinions are factored into final project design, and (3) implement programs to avoid or minimize impacts and maximizing benefits for vulnerable populations.	• Identify the most vulnerable areas and populations at early stages of program development. • Identify measures to avoid or minimize adverse climate impacts from MCC-funded investments. • Integrate these mitigation measures into program design and implementation.
Incorporate climate-smart design elements and projects within MCC programs.	This will enable MCC to account for climate-related constraints, impacts and opportunities in each sector, and contribute to project and program planning as a complex, interconnected system that includes natural, built, and human systems. Doing so will provide the broadest, least expensive, and most effective opportunities to achieve climate-smart development.	Review sector-specific program development and implementation procedures to provide guidance and integrate climate adaptation and resilience considerations into all stages of program development and implementation.

Activity Description	Opportunity/Rationale	Implementation Methods (illustrative)
Use the best available science, technology, data, and decision-making tools for assessing climate change risks and opportunities.	Incorporating the best available climate-related data and methodologies will improve decision-making at all stages of program development and implementation.	Ensure MCC teams have access to the best climate-related data and methodologies.
Promote procurement processes and procedures in program acquisition and assistance that contribute to climate resilience.	Identifying and implementing opportunities for improved business practices, such as incorporating procurement criteria that contribute to climate objectives, will increase sustainability of outcomes, and contribute to MCC's whole of agency climate strategy.	In alignment with MCC's climate strategy, sectoral teams, including procurement and administrative teams, will review and develop actionable plans to implement proposed changes.

PRIORITY ACTION #3: SUPPORT POLICY AND INSTITUTIONAL REFORMS IN ADAPTATION TO STRENGTHEN THE RESILIENCE OF MCC INVESTMENTS

Consistent with MCC's model, MCC will:

Activity Description	Opportunity/Rationale	Implementation Methods (illustrative)
Systematically identify opportunities to support (and potentially strengthen) partner country policies and NDCs as part of program development.	Aligning MCC investments with country NDCs, including support and capacity to development and achieve NDCs, supports MCC's principle of country ownership and increases MCC support for climate-related development opportunities.	MCC teams will assess partner country policies and NDCs as a standard part of the program development for all future programs.

Activity Description	Opportunity/Rationale	Implementation Methods (illustrative)
Support partner country sectoral, master, and investment planning relevant to MCC's programs.	MCC projects developed in contexts requiring sectoral, regional, or cumulative impact planning or policy dependencies will benefit from increased engagement to assist manage cross-cutting issues, including climate impacts, vulnerabilities, and adaptation planning.	• Grant support for sector master or investment plans, as necessary. • Support for policy and institutional reform to improve project resilience and/or build capacity to manage climate-related dynamics affecting MCC investments and/or sectors.
Support partner country efforts to improve natural resource management to reduce adverse climate impacts and enhance resilience.	Opportunity to incorporate natural capital into analytical tools so that program identification accounts for opportunities, including opportunities for MCC's programs to promote economic development through improved natural resource management.	MCC teams will assess natural capital during the constraints analysis and consider program opportunities where increased natural resource management could promote climate-related objectives.

PRIORITY ACTION #4: LEVERAGE BLENDED FINANCE TO CATALYZE PRIVATE CAPITAL FOR CLIMATE ACTIVITIES

Consistent with MCC's model, MCC will:

Activity Description	Opportunity/Rationale	Implementation Methods (illustrative)
Leverage MCC's blended finance toolkit to mobilize climate-friendly private investment in programs.	Sources of private capital are increasingly interested in investing in projects with an ESG focus. By leveraging our current blended finance toolkit, MCC can capture the private sector's momentum in this space and maximize the leverage potential of MCC's grant capital.	Weigh advantages/ disadvantages of deploying MCC's range of blended finance tools (which include leverage grants facilities, public-private partnerships, guarantees and hedging, and impact investor financing) during due diligence, program development and implementation.

Activity Description	Opportunity/Rationale	Implementation Methods (illustrative)
Crowd-in essential private sector investments in climate adaptation, resilience, and mitigation through collaboration with the DFC, USAID and international partners.	Working with DFC, USAID, and other agencies will maximize the whole-USG effort and better leverage concessional finance for climate objectives	See below for an example.
Deploy MCC's new blended finance tools, including the American Catalyst Facility for Development (ACFD), Millennium Impact Infrastructure Accelerator (MIIA), and the Innovation and Technology Program (ITP), for climate-related interventions.	See above – ACFD, MIIA, and ITP represent specific opportunities/efforts to collaborate across USG (DFC and SBA) and with international partners (Africa50).	More info can be found at the following links: • ACFD • MIIA • ITP
Explore new blended finance opportunities to promote and catalyze private investments and technologies that are "climate-friendly".	MCC is positioned to take smart risk with proven high-impact technologies, provide a pathway to commercialization and scale for proven solutions, and provide early-stage grant funding to ventures that want to adopt proven innovations and business models with the potential reduce poverty.	Support the memorandum of understanding between MCC and SBA in support of ITP.

PRIORITY ACTION #5: EXPAND AND DEEPEN PARTNERSHIPS TO FURTHER CLIMATE OBJECTIVES

Consistent with MCC's model, MCC will:

Activity Description	Opportunity/Rationale	Implementation Methods (illustrative)
Partner with other U.S. Government entities, funders and donors, finance institutions, industry, civil society, and research institutions in the U.S., in partner countries, and internationally to accelerate and share learning and amplify the positive impacts of MCC and partner country efforts to combat climate change.	Partnerships: (1) enable MCC to access and leverage relevant climate expertise, data, networks, technologies, funding, etc. (2) support all stages of due diligence, program development, program implementation, and longer-term sustainability; and (3) provide an opportunity to catalyze collaboration, to achieve greater systemic change related to climate change.	• Incorporate climate partnerships into program design and implementation. • Develop climate partnerships that link and align MCC programs with climate-related interventions and activities of other USG, public sector, private sector, and civil society entities. • Leverage the new MCA Program Partnership Solicitation (PPS) to competitively source co-created climate partnerships within programs.
Explore the use of co-sponsored open innovation challenges to promote the discovery, deployment, and use of climate- friendly methods and technologies.	Co-sponsored open innovation challenges enable MCC to incentivize innovation around climate change and to source evidence-based local, regional, and international innovations to help partner country governments, the private sector, and civil society scale and sustain them.	• Leverage multiple stakeholders on an opportunity or need basis through co-sponsored competitions. • Leverage partnerships for open innovation competition convening and awards.
Explore a learning series with industry, civil society, and academic thought leaders on leading climate methods, clean technologies, and insights of relevance to MCC.	External organizations possess expertise, insights, and lessons learned that can help MCC deepen its understanding of cutting-edge approaches and lessons learned on any/all aspects of climate change adaptation, resilience mitigation, and infrastructure.	Convene multi-party stakeholder discussions regarding potential partnership opportunities to inform MCC technical learning and surface areas of aligned interest for collaboration.

PRIORITY ACTION #6: INTEGRATE ADAPTATION AND RESILIENCE CONSIDERATIONS INTO MCC'S FACILITIES MANAGEMENT AND INTERNAL OPERATIONS

Consistent with MCC's model, MCC will:

Activity Description	Opportunity/Rationale	Implementation Methods (illustrative)
Ensure MCC's occupant emergency plan and other operational plans reflect likely climate-related impacts in Washington DC metro area,	It is anticipated that MCC will experience climate change impacts such as intense storms, frequent heavy precipitation, heat waves, drought, extreme flooding, and higher sea levels, which could significantly alter MCC's Occupant Emergency Response Plans.	Engage with other agencies and broader DC community to align MCC's Occupant Emergency Plan (OEP) to state and local mitigation planning policies and ensure MCC's OEP reflects legislative changes and policy updates.
Incorporate adaptation and resilience considerations into the planning, selection, and operation of MCC's lease renewal.	The commercial real estate industry is beginning the conversation around Environmental, Social, and Governance (ESG) and currently there is no one way for investors to compare ESG across sectors. There are simple and practical approaches to evaluate real estate for sustainability and resiliency which should be considered during the planning and selection phases.	• MCC's lease will expire in December of 2025. As such MCC will identify and implement changes to facilities program requirements, for the new lease. • MCC will include evaluation criteria for both sustainability and resilience into the selection process for the new lease.

Activity Description	Opportunity/Rationale	Implementation Methods (illustrative)
Evaluate the inclusion of climate considerations into procurement, travel, and transportation policies.	As MCC establishes new policies to guide the agency's Safer Federal Workforce approach and incorporate enhanced workplace flexibilities, the agency has an opportunity to address impacts of climate change on its commuting footprint, including through contractor and staff travel.	• Review MCC's Transportation Fringe Benefit policy to align to new workplace flexibilities and seek opportunities to encourage the use of public transit. • Evaluate options to limit contractor travel and encourage partnerships with local entities as subcontractors to promote local capability, increase diversity in contracts, and to accomplish tasks that must be done in-country.
Explore opportunities for expanded workforce flexibilities to address the impact of greenhouse gas emissions and respond to the expected impact of climate change on commuting patterns.	OMB guidance instructs agencies to investigate the adoption of broader workplace flexibilities to include full-time in office, telework, and remote work options.	Identify and implement changes to facilities program requirements to inform the planning effort for MCC's lease renewal/recompete.

RESOURCE REQUIREMENTS

Much of the operational work required to support the actions outlined in this plan is already supported by MCC's existing processes and procedures. As implementation continues into FY 2023 and beyond, it is likely that MCC will need to reprioritize available resources, and seek additional funding in the future, to take advantage of new opportunities and achieve the scale and impact intended in MCC's Climate Strategy and this Plan. Specific examples include:

- Human Capital: As MCC develops its detailed climate change action plans, MCC departments will likely require additional human capital capacity, including new and specialized skills, in certain areas to undertake requirements for expanded climate-focused work.
- Program Development and Oversight Funds: The strengthened "whole-of-agency" approach to climate change set forth in the Climate Strategy will have resource implications across the agency. Departments will make every effort to work within existing program development and oversight budgets, but MCC will likely require additional resources in the future. As MCC departments develop action plans and clarify the scope of this work, they also will re-examine current resource allocations to identify efficiencies and potential reprioritization opportunities.

In addition, numerous MCC staff will need to dedicate time to advancing this strategy. This starts with members of the Climate Coordination Team, given their role coordinating this work across the agency, and will include other technical and operational staff who will carry out much of the day-to-day implementation of the strategy.

MCC VULNERABILITY ASSESSMENT

Section 211 of E.O. 14008 and the CEQ Instructions request that agencies identify those management functions and/or decision points for managing procurement, real property, public lands and waters, and financial programs that are most susceptible to climate change.

MCC's financial programs, including compact, threshold and regional programs, are sensitive to climate change impacts in critical sectors such as agriculture, water and sanitation, health, and infrastructure. While climate change, variability, and extreme events effect each of MCC's partner countries differently, climate impacts may lead to vulnerabilities in MCC's ability to effectively reduce poverty through economic growth. MCC's climate strategy and corresponding proposed actions therefore identify and seek to mitigate the following vulnerabilities:

- Physical impacts of climate change to MCC projects
- Exogenous constraints to project implementation and governance
- Impact of climate uncertainties on MCC cost-benefit, beneficiary, and sustainability analysis
- Limited resources to meet climate finance needs in partner countries
- Insecurity, natural disaster, and physical displacement of beneficiary populations
- Availability, retention, and recruitment of staff due to increased extreme weather events.

Summary of Anticipated Climate Threats and Recommended Adaptation Actions

Physical impacts of climate change to MCC's projects

Physical impacts of climate change in MCC partner countries may increase the vulnerability of specific MCC projects and programs. MCC projects involving physical infrastructure or activities, including roads, transmission lines, water and sanitation facilities, agriculture, and vertical structures, may face increased vulnerability to climate change, variability, and extreme weather events.	MCC's climate strategy includes requirements to identify and evaluate climate-related impacts at the project and programmatic levels. Due diligence and feasibility assessment will incorporate climate change themes during project design and implementation. MCC programs will also support partner country sectoral, master, and investment planning relevant to MCC's programs to incorporate projected climate risks into their planning process.

Exogenous constraints to project implementation and governance

MCC investments in specific projects frequently require enabling environments beyond the scope of individual projects. Projects with climate vulnerabilities and/or adaption and resilience characteristics may be subject to exogenous programmatic or policy requirements. The dynamic nature of such factors may complicate MCC project implementation, effectiveness, or oversight requirements.	MCC's climate strategy recognizes the need for coordination with counterpart countries throughout the lifecycle of nay MCC project or program. MCC will identify potential opportunities for alignment with counterpart country climate policies, NDCs or related programs during project inception and design phases and will work with counterparts to maintain alignment with applicable climate-related policies, programs, or guidelines during project implementation. Where necessary MCC will support policy and institutional reforms in adaptation to strengthen the resilience of MCC investments.

Impact of climate uncertainties on MCC cost-benefit, beneficiary, and sustainability analysis

MCC's approach to efficient and effective development support requires the assessment and disclosure of project costs and benefits. Unless MCC tools are updated to better account for climate-related benefits and risks, greater incorporation of climate-smart components in MCC projects to increase project resilience and adaptation readiness may only increase project costs, thereby driving down economic rates of return.	MCC's climate strategy includes requirements to update and utilize MCC's suite of analytical tools to better reflect climate and environmental considerations throughout the project lifecycle. MCC will strengthen the integration of climate and environmental consideration into MCC's analytical tools, beneficiary analysis, and decision-making processes. This includes potential updates to cost-benefit analysis methodologies to better capture uncertainties as well as the benefits of greenhouse gas reductions, increased resilience, and improved natural resource management. MCC will expand the use of best available science, technology, and decision-making tools for assessing climate change risks and opportunities and building on MCC's geospatial information, modeling, and evaluation tools.

Limited financial resources to meet increasing climate-related development needs

Climate change, variability and extreme events may lead to changes in development priorities in MCC partner countries which surpass partner country's available resources. The need for climate-related financial assistance far exceeds the typical scope of individual MCC compact and threshold programs.	MCC's climate strategy identifies opportunities to leverage blended finance to crowd-in private sector investments in climate adaptation, resilience, and mitigation through collaboration with other US agencies). The use of MCC's blended finance toolkit (which includes grants facilities, public-private partnerships, guarantees and hedging, insurance, and impact investor financing) will seek to reduce risks and costs for climate-finance for projects with adaptation, resilience, or mitigation components.

Insecurity, natural disaster, and physical displacement of beneficiary populations

Many countries are extremely vulnerable to extreme weather events and natural disasters. Consequently, this contributes to physical displacement of beneficiary populations and long-term security considerations. The impacts are often more severe among the most vulnerable populations and undermine traditional coping mechanisms.	MCC is screening projects for increased climate resilience to reduce the immediate impacts of climate change and better enable humanitarian responses through enhanced infrastructure networks and improved construction standards. MCC economic and beneficiary analysis may also be updated to guide project design to prioritize climate-smart development opportunities among the most vulnerable populations. MCC's work at the planning and sector level will anticipate climate disaster needs and enable better pre-disaster planning.

Availability, retention, and recruitment of staff due to increased extreme weather events

MCC's headquarters location is a risk due to rising temperatures and more frequent and severe heat waves, increased frequency and intensity of heavy precipitation events, rising sea levels, and increased coastal flooding due to storm surge.	MCC has deployed and is strengthening its ability to sustain agency operations by adopting flexible work options supported by a strong information technology platform with demonstrated capacity and controls.

The implementation timeframe, monitoring and evaluation framework, resource requirements and other administrative aspects to mitigate these vulnerabilities will be developed in alignment with the agency climate strategy process.

AGENCY EFFORTS TO ENHANCE WORKFORCE CLIMATE LITERACY

MCC will employ several strategies to build climate literacy. The first is the establishment a cross-department Climate Coordination Team (described more fully below), which will embed implementation efforts for this Plan and the Climate Strategy across the agency. The goal is to have the entire agency engaged in implementing this Plan and the Strategy as well as to make sure that staff across the agency better understand the implications of climate change on MCC programs and facilities. Efforts to date have included an all-agency presentation of the Strategy, a presentation to MCC's Board of Directors on MCC's climate commitments and the strategy, as well as the operationalization of the Climate Coordination Team.

MCC will also build capacity through engagement on climate change with external partners as it is mainstreamed both into work within country teams and across departments. This includes initiating a learning series with industry, civil society, and academic thought leaders on leading climate methods and insights of relevance to MCC.

In September 2021, MCC also procured the services of highly qualified technical firm with a successful track record in climate risk management and integration. That firm will provide world class technical

assistance, working with staff to mainstream climate adaptation and resilience into all relevant aspects of their work. Through the work of this firm, MCC will also host capacity building trainings.

AGENCY ACTIONS TO ENHANCE CLIMATE RESILIENCE

CLIMATE-READY SITES AND FACILITIES

MCC's headquarters facility is in commercial leased space and is up for renewal in fiscal year 2026. As such, MCC will:

- Engage with other federal agencies and local community planners to increase awareness of and to monitor climate change trends.
- Conduct a facilities vulnerability assessment and document the risks that climate change poses to agency site/facility operations.
- Update the MCC's Occupant Emergency Plan to include climate readiness procedures.

AGENCY ACTIONS TO INCORPORATE CLIMATE RESILIENCE INTO STRATEGIC PLANS

IMPLEMENTING THE ACTION PLANS

Successful implementation of this Plan will require engagement and action across the entire agency. The Department of Compact Operation and the Department of Administration and Finance will play leading roles, overseen by the Office of the Chief Executive. Country teams will also play essential roles assessing risks and opportunities, identifying alternatives, and designing and implementing investments that drive this strategy. The interdisciplinary membership of country teams, drawing expertise from across the agency, will be a key asset for addressing the complex challenges posed by climate change.

RESPONSIBILITY FOR THIS CLIMATE ACTION PLAN

MCC's Chief Sustainability Officer (CSO) is responsible for leading the planning, development, and submission of the Plan. MCC's Senior Advisor in the Office of the CEO will serve as MCC's Climate Adaptation Official for this Plan, with overall responsibility for implementation of the Plan.

As action plans for this Plan and MCC's programmatic climate objectives are further elaborated, MCC may revisit the overall oversight structure for all agency climate efforts, including realignment of the CSO role.

Additionally, MCC has established a cross-departmental Climate Coordination Team to provide visibility and foster collaboration across MCC on all related aspects of this Plan as well as MCC's related efforts to better integrate climate considerations across the development, implementation, and evaluation of MCC's grant programs overseas. The Climate Coordination Team is led by the Managing Director for MCC's Infrastructure, Environment, and Private Sector division. The Climate Coordination Team is responsible for tracking the various workstreams and deliverables related to MCC's overarching climate efforts (both programmatic and business operations), as well as identifying topics for management decision.

ACTION PLANS AND ROLE OF THE CLIMATE COORDINATION TEAM

Based upon the goals and objectives outlined in MCC's Climate Strategy, agency departments, divisions, and practice groups are currently developing actions plans as necessary to orient their work in support of the Climate Strategy and this Plan. The Climate Coordination Team will provide representation from across the agency to review materials and provide feedback on important deliverables, coordinate the elaboration and implementation of departmental and divisional action plans, report progress, and carry out specific tasks as required.

The Climate Coordination Team will support the compilation of an agency-level action plan based on the department and division action plans discussed above. The agency action plan will include an overall timeline and concrete deliverables and milestones, as well as a matrix of roles and responsibilities for Climate Coordination Team members and the departments / divisions they represent. Practice groups and administrative units engaged in this work will provide leadership in their area of responsibility.

Across these work streams, regular updates on progress toward the milestones on the action plan will be provided MCC senior management.

Reducing Poverty Through Growth

MILLENNIUM
CHALLENGE CORPORATION
UNITED STATES OF AMERICA

2021-001-2618-01