MILLENNIUM CHALLENGE CORPORATION
UNITED STATES OF AMERICA

Making Headway
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Lighting the Way to Economic Growth with Green Energy

The mountainous, isolated territory of the Northern Zone in El Salvador is an area characterized by high levels of poverty. Communities are generally isolated and dispersed, connected primarily by unpaved rural roads. Many communities in this area cannot feasibly be connected to the electric grid, which prevents them from receiving benefits such as safer neighborhoods, improved conditions in schools, and reduced health risks posed by the burning of candles or wood, which are often used for lighting, heating, and cooking in homes without electricity.

A solar panel is placed above a family home in the Northern Zone of El Salvador. MCC is funding the installation of 1,950 solar panel units that will provide electricity to approximately 8,600 people.

The effects of life without electricity were especially apparent in Honduritas, a rural community located in El Salvador's Northern Zone. For Dona Mercedes Carranza and the rest of the 30 families in her community, lack of electricity hindered development. During the rainy season, access to the community becomes almost impossible due to landslides and muddy routes. Travel in and out of Honduritas either for routine or emergency reasons is difficult.

In response to these challenges, the Government of El Salvador and the Millennium Challenge Corporation (MCC) plan to bring electricity to rural communities, especially those like Honduritas, and one component of this program includes the installation of 1,950 solar panel units that are expected to benefit about 8,600 Salvadorans. Once installed, solar panels require low maintenance, are cost effective, and provide reliable renewable energy to a rechargeable battery located in each household to supply basic lighting and power small appliances.

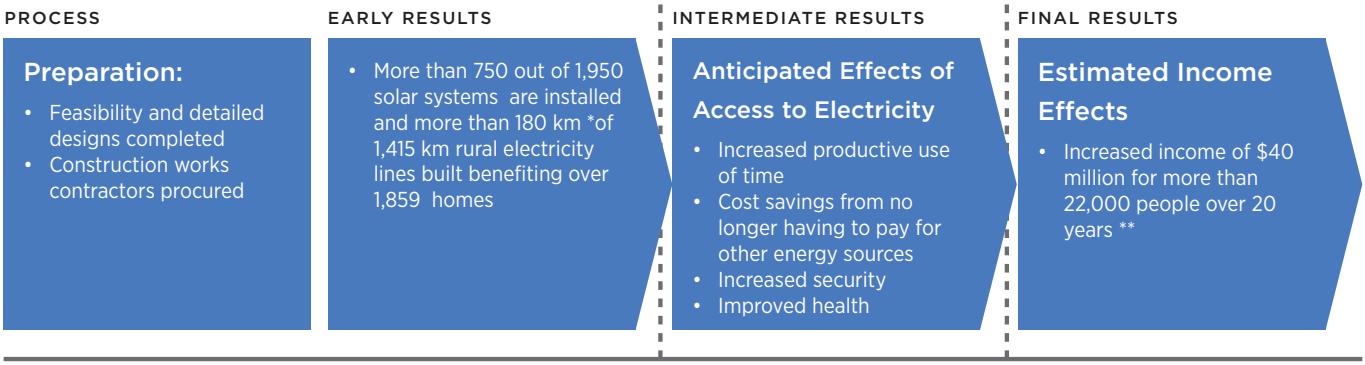
For the residents of Honduritas, electricity has illuminated new hope for community development. Dona Mercedes Carranza, who is now able to maximize time on her farm, stated, "I didn't work at night because we did not have the electricity; but now with electricity, we can do anything."

Electricity has and will continue to positively impact communities and individuals like Dona Mercedes Carranza, who will now have more time to dedicate to household activities at night.

There are broader benefits of this approach. As a sustainable source of clean energy, solar panels allow families to save money because they no longer have to pay for car batteries (to power household appliances), kerosene, and other energy sources. The communities' security and health are also improved, as homes are illuminated at night without fumes from burning candles and wood. Finally, while these communities' fossil fuel emissions are not significant, using solar panels introduces these communities to a cleaner and more sustainable source of energy and provides an example of how poverty reduction projects might align with efforts to counteract climate change.

The Government of El Salvador and MCC have already installed more than 750 of the 1,950 solar panel units. This is complemented by the rural electrification grid line extension component of the program, which includes the construction of approximately 1,415 kilometers of new electrical power lines to supply electricity to over 22,000 homes. In addition to electricity, MCC's funding and poverty reduction efforts in the Northern Zone include the construction of the Northern Transnational Highway to connect the region to the rest of the country, small bridges, potable water and sanitation systems, and the provision of education through scholarships and other programs. For Honduritas and other communities in the Northern Zone, MCC investments provide the necessary foundation for community development.

Rural Electrification Activity in El Salvador



* Km of rural electricity lines are tracked and disseminated by FOMILENIO.
** The gains in beneficiary incomes are in constant 2007 US$ and reflect annual discounting of 10%. These gains are estimated based on an economic rate of return analysis conducted in 2010.