

Chapter 2:

Fact Sheet and Primer on Millennium Challenge Corporation



REDUCING POVERTY THROUGH GROWTH



PRIMER TO THE MILLENNIUM CHALLENGE CORPORATION

Who We Are

The Millennium Challenge Account (MCA) is an innovative foreign assistance program designed to “reduce poverty through sustainable economic growth” in some of the poorest countries in the world. The Millennium Challenge Corporation (MCC) is an independent United States Government corporation established by President Bush on January 23, 2004, to administer the MCA. MCA provides incentive for policy reforms by

“The world's help must encourage developing countries to make the right choices for their own people, and these choices are plain. Good government is an essential condition of development. So the Millennium Challenge Account will reward nations that root out corruption, respect human rights, and adhere to the rule of law.”

President George W. Bush
March 14, 2002

rewarding countries with additional resources that complement those of other bilateral U.S. development programs and other donors.

The MCA grew out of the United States’ commitment at the Monterrey Summit on Financing for Development where President Bush called for a “new compact for global development,” which links greater contributions from developed nations to greater responsibility from developing nations.

MCC is managed by a Chief Executive Officer and a public-private Board of Directors comprised of the

Secretary of State, Secretary of the Treasury, U.S. Trade Representative, USAID Administrator and four individuals from the private sector appointed by the President with the advice and consent of the Senate. It draws its diverse staff from other government agencies, the private sector, universities, international development agencies and non-government organizations.

What We Do

Each year MCC’s Board of Directors meets to select countries eligible to develop a proposal for MCA assistance. The Board looks at how the poorest countries of the world have performed on sixteen independent and transparent policy “indicators.” These indicators measure how well countries perform in three broad policy categories: ruling justly, investing in people, and encouraging economic freedom.

The Board selects MCA eligible countries that are above the median on at least half of the indicators in each of the three categories and above the median on the corruption indicator. The Board may consider additional information and take into account factors such as data gaps or lags to select the countries that will be eligible for MCA assistance.

Recognizing that development is achieved by a country's own efforts, policies, and people, MCC gives selected countries the opportunity to identify their own

“So, in a short span of time, having very simple indicators to start a business, you can see that the Millennium Challenge Account has affected two dozen countries. So 24 countries in one way or another have come to us and either have asked for ways to reform, have already reformed, or would like to be bench-marked so that they are considered for the Millennium Challenge Account.... That is, in my view, quite a success.”

Simeon Djankov

Manager of the Monitoring and Analysis Unit
in the Private Sector Vice Presidency of
International Finance Corporation
June 24, 2005

priorities for achieving sustainable economic growth and poverty reduction. Countries develop their MCA proposals in broad consultation with their own society. MCC teams then work in partnership to help countries develop an MCA program which will reduce poverty and sustain economic growth. The MCA program is reflected in a Compact that defines responsibilities and includes measurable objectives and targets to assess progress. The Compact also describes how the country will manage and implement its MCA program, including how it will ensure financial accountability, transparency, and fair and open procurement.

What We've Achieved

Since its creation in 2004, MCC has approved nearly \$3 billion in assistance.

- Currently 25 countries are eligible for MCA Compact assistance: Armenia, Benin, Burkina Faso, Bolivia, Cape Verde, East Timor, El Salvador, Georgia, Ghana, Honduras, Jordan, Lesotho, Madagascar, Mali, Moldova, Mongolia, Morocco, Mozambique, Namibia, Nicaragua, Senegal, Sri Lanka, Tanzania, Ukraine, and Vanuatu. The MCC Board suspended The Gambia from participation in the program on July 16, 2006, due to a pattern of actions inconsistent with MCC's selection criteria.
- Of the 25 countries eligible for Compact assistance, MCC has approved 11 Compacts worth nearly \$3 billion with: Madagascar, Honduras, Cape Verde, Nicaragua, Georgia, Benin, Vanuatu, Armenia, Ghana, Mali, and El Salvador. MCC is actively working toward finalizing Compacts with the remaining countries.
- To provide further incentive for policy reform, MCC's legislation established a Threshold Program for countries that demonstrate a significant commitment to meeting the eligibility criteria but fall short on one or two indicators. Threshold assistance helps countries address specific areas of policy weakness identified in the MCA selection indicators. The following countries are currently eligible for Threshold Program assistance: Albania, Burkina Faso, East Timor, Guyana, Indonesia, Kenya, Kyrgyz Republic, Jordan, Malawi, Moldova, Niger, Paraguay, Peru, Philippines, Rwanda, São Tomé and Príncipe, Tanzania, Uganda, Ukraine, and Zambia. Yemen was suspended in November 2005 from participating in the Threshold Program.
- MCC has approved eleven Threshold Agreements totaling nearly \$286 million with: Burkina Faso, Malawi, Tanzania, Albania, Paraguay, Zambia, Philippines, Ukraine, Jordan, Indonesia, and Moldova.

From Our Partners

"On this occasion, our thanks go for new assistance in fighting poverty through a special investment of \$175 million, a grant through the program of the Millennium Challenge Account. This visionary program will play a pivotal role within the context of democracy, freedom, national security and trade. This new kind of assistance makes it clear that there is a shared commitment in the task of reducing poverty and creating prosperity and we are committed to this."

President of Nicaragua Enrique Bolaños
July 14, 2005

From Our Partners

"The MCA, because it's a partnership-type program, it encourages human capacity, the strengthening of institutions, all elements that are very important for the development. And it also promotes competitive tools and elements that are necessary for economic growth. It's a program that does not give fish to people, but gives them the fishing rod and teaches them how to fish, thus allowing -- the program -- for people to be able to fish for their own consumption and to continue their own development. We think that only growth will allow us to ensure that people have their own necessary income and that will allow us to fight poverty."

Prime Minister of Cape Verde Jose Maria Neves
July 13, 2005