

SMART DEVELOPMENT IN PRACTICE

Measuring the right results: The real strength of the Millennium Challenge Corporation

Senate appropriators are recommending severe cuts in funding for the Millennium Challenge Corporation (MCC). They have proposed a funding level for the coming year that would essentially prevent the MCC from signing any new compacts. The accompanying Senate subcommittee report argues that senators are delaying funds to the MCC because “there are few tangible results to date.”¹

Since 2004, the MCC has a clear record of delivering results by rewarding countries that make reforms to fight poverty and promote economic growth.

Congress has criticized MCC’s progress because of the slower pace of disbursement under the MCC model. However, the MCC’s commitment to a five-year compact with a country is actually one of its greatest strengths. By the mere act of making multiyear compacts, the MCC is tackling three of the hallmarks of bad foreign aid:² disregard for effective governments’ own solutions, impatience with long-term investments like institutions, and inattention to the reforms that fight poverty. Addressing root causes takes time, but it produces lasting results from our aid dollars. These results include the following:



In Ghana, communities consider repairing schools like this one in the Awutu-Effutu-Senya district as a pressing priority for the nation, so the MCC is funding the repair of 35 rural schools as part of its compact with Ghana.

Troy Wray / MCC

Treating countries as customers

Donors too often set the aid agenda in response to this week’s headlines instead of the actual long-term needs of a particular country. Not the MCC: it labors to put responsible countries in the driver’s seat. The MCC expects poor countries committed to sound economic and social policies to decide for themselves how aid will be used in their countries. It may be faster to decide on a country’s aid priorities in Washington. Yet by taking the time to listen to its customers, the MCC is more likely to make a long-lasting impact.

Not surprisingly, MCC-funded priorities are different in each country³:

- Benin is improving the operations and infrastructure of its main port.
- Ghana is investing in a rural credit program and repairing schools.
- Madagascar is implementing a land tenure policy that grants rural farmers formal property rights for the first time.
- Morocco is investing in the cultural preservation of the Medina of Fez historic district to stimulate tourism spending.
- Nicaragua is improving cassava, red beans, and fruit crops to raise farmer incomes.

The MCC also empowers civil society and the business community to engage with their governments. This means that nongovernmental organizations in [El Salvador](#), business associations in [Mozambique](#), women’s groups in Cape Verde, and political organizations in Georgia are all holding their governments accountable for how MCC money makes a difference in their lives.

Building local institutions

Some donors invest in country offices and missions to deliver aid instead of supporting the development of local institutions and capacities. The MCC expects countries to design, implement, and manage their own programs. Recipient countries must establish and operate their own MCC-implementing agency; they hire the staff, manage the MCC portfolio, ratify the compact, and set up systems to ensure transparency. Some countries take longer than others to set up a functioning implementing agency. But then that agency, rather than Washington, is driving the agenda.

Creating lasting reforms

Donors often fund specific projects without supporting policy reforms that fight poverty and promote growth—they subsidize seeds instead of promoting land reform. The MCC does both. By motivating countries to invest in political, social, and economic reforms, the MCC lays the foundation for development aid to work.

To qualify for an MCC compact, governments around the world have instituted policy reforms, strengthened government institutions, and promoted constituency building:

- Lesotho has passed landmark legislation to allow women the right to own property and to enter into binding contracts, which helps families escape poverty.⁴
- Honduras has made government finances more transparent to citizens.⁵
- Georgia has started to spend more on social services like health and education, both crucial to growth.⁶
- Burkina Faso, [El Salvador](#), Georgia, and Madagascar have all made starting a business easier.⁷

These reforms are concrete and measurable results that were made possible by the MCC. While only time will tell if the reforms are permanent, that is a risk with any development progress. What is clear is that the MCC is one of the US government's best tools for encouraging reforms that directly improve poor peoples' lives.

If Congress wants an accurate measure of how US foreign aid fights poverty and promotes growth, members should look beyond disbursements to the value that the MCC delivers for our aid dollars.

Country ownership, local institutions, and development policies are all key to making foreign aid a more effective tool for development. None are as easily measured as the number of dollars disbursed. But if valued as outcomes, the MCC's achievements more than justify the full support of Congress.

¹ "Department of State, Foreign Operations, and Related Programs Appropriations Bill, 2009," 110th Congress, 2nd sess., 2008, S. Rep. 110-425 (to accompany S. 3288), 59.

² For critiques of foreign aid generally, see Nancy Birdsall, "Seven deadly sins: Reflections on donor failings," Working Paper No. 50 (Washington, DC: Center for Global Development, 2005); William Easterly, "White man's burden: Why the West's efforts to aid the rest have done so much ill and so little good" (New York: Penguin Press, 2006); and Judith Tendler, "Inside foreign aid" (Baltimore, MD: Johns Hopkins University Press, 1975).

³ See MCC country-specific status reports and the series titled "Results on the Ground," and "Success Story," available at www.mcc.gov.

⁴ Michael Gerson, "One tool America needs," Washington Post, Aug. 1, 2007.

⁵ See "Gobierno presenta informe sobre corrupción a la Cuenta del Milenio," La Tribuna, March 6, 2008.

⁶ See John B. Taylor, "Economic freedom and Georgia's Rose Revolution" (remarks at the Caucasus Business School, Tbilisi, Georgia, Nov. 22, 2004).

⁷ See the World Bank's "Doing business 2007: How to Reform" (Washington, DC: World Bank, 2006).