

CDR Position Statement on the Millennium Challenge Corporation

Core MCC Reform Principles: MCC is one of the most important aid reform efforts of the past 50 years and its reform principles are applicable well beyond its portfolio.

- **Economic Growth Driven:** MCC’s unique mission is to eradicate poverty through economic growth – the only truly sustainable development strategy. The MCC focuses resources on obstacles to private sector investment through the performance of constraints to growth analyses in all MCC partner countries
- **Investing in Infrastructure and Essential High-Growth Sectors:** MCC focuses on development of essential infrastructure (roads, energy, and water), as well as key growth sectors such as agriculture, in order to both spur domestic, private sector economic growth and attract greater foreign direct investment.
- **Incentivizing Improved Governance and Policy Reforms:** Unlike other development models, a country is only eligible for an MCC program if it demonstrates a commitment to good governance – ruling justly, investing in its people and economic freedom – which are measured through indicators compiled by credible, third party sources. This eligibility criterion incentivizes countries to improve their governance in order to achieve MCC eligibility.

Maximizing the MCC’s Impact and Sustainability: MCC’s pioneering reforms are a valuable basis for continued forward-looking innovation and results-focused policy. MCC should be used to drive continued aid reform in several key areas.

- **Enhanced Private Sector Coordination by:**
 - Increasing private sector consultation in compact design phase;
 - Increasing private sector participation in constraints to growth analyses;
 - Adopt a proactive co-investment and leveraging strategy with the private sector in MCC compacts. (With an annual budget less than \$1 billion, substantial co-investment with the private sector is essential for MCC to meet its originally envisioned transformational growth potential.)
 - Provide greater private sector representation on MCC board.
- **Applying MCC Model to Broader Foreign Assistance Programs**
 - MCC has demonstrated the ability to use eligibility criteria to incentivize and direct real country-level reforms.
 - MCC’s performance measurement and impact evaluations are powerful tools to demonstrate value to the taxpayer and to inform our development policies.
 - MCC consistently ranks among the highest development agencies in the world in terms of transparency. Greater access to data helps fight waste and enables MCC to hold partner countries accountable.

- MCC's model for development is not appropriate for all forms of U.S. foreign assistance, particularly disaster assistance, food aid, and infectious disease. Still, its model is proven for economic growth and poverty alleviation, and the U.S. government should use compact style mechanisms that emphasize accountability, strong governance, and sustainable economic growth more broadly across our development strategy.
- **Evolving while Maintaining Commitment to Core Principles**
 - As MCC brings new countries into its compact pipeline, it must ensure that it does not dilute its standards, especially on democracy and governance.
 - Expand MCC's threshold program as a tool to support prospective partners as they undertake necessary reforms to become fully eligible.
 - Provide legal authority for MCC to enter into regional compacts across several countries in order to take advantage of existing economic integration trends and to drive reform and affect growth more broadly.