

Millennium Challenge Corporation

COMMUNITY REQUEST FY 2020

\$905 M

FY 2020 President's Request: \$800 Million
FY 2019 Enacted: \$905 Million

DESCRIPTION

Created by Congress in 2004, the Millennium Challenge Corporation (MCC) partners with the world's poorest countries to tackle the most pressing development challenges. It uses multiyear agreements to invest in projects that create jobs and expand markets, promote growth through infrastructure, and lay the groundwork for healthy communities. MCC focuses on economic growth, ensuring that U.S. investments have a big impact on poverty reduction.

WHAT DOES THIS BUY?

MCC investments include compacts and threshold programs. Compacts are large, five-year grants for selected countries that meet MCC's eligibility criteria. Threshold programs are smaller grants focused on policy and institutional reform in countries that come close to passing MCC's eligibility criteria and show a firm commitment to improving their policy performance.

JUSTIFICATION FOR THE REQUEST

MCC has invested more than \$13 billion in compact and threshold programs that support country-led projects in areas such as agriculture, anticorruption, education, energy, health, land rights, transportation infrastructure, water supply, and sanitation.

- MCC investments will support programs in Tunisia, Burkina Faso, Lesotho, and Timor-Leste. In December 2018, the MCC board announced new compact partnerships with Indonesia, Malawi, and Kosovo, and new threshold partnerships with Ethiopia and Solomon Islands.
- Partner **countries must demonstrate a commitment to just and democratic governance**, investments in its people, and economic freedom as measured by different policy indicators.
- **Countries undergo competitive selection**, wherein sound economic and social policies and democratic governance play a significant role in ensuring that inclusive economic growth reaches the poorest people.
- **MCC works closely with partner country governments** to help them refine their programs, which are developed in broad consultation with civil society and the private sector and considered alongside long-term national development strategies, creating sustainable know-how and self-sufficiency that continue long after U.S. investment ends.

U.S. INTEREST

- **MCC investments build a more stable world, expand markets, and increase the capacity of partner governments.**
- Decreased investment could drive countries to seek out other regimes that promise low-cost loans and funding with no strings attached, such as Chinese loans, that go in the opposite direction in their development toward a less inclusive and democratic society. This is bad for the poorest and most vulnerable in a country and diminishes U.S. leadership in the world.



Looking to the Future

Millennium Challenge Corporation – TITLE III

BOLD VISION

- Funding will support the development of regional partnerships. Coordinated investments across multiple countries can help connect power, transport, and water networks, reducing costs, improving service, facilitating trade, and generating new market opportunities for U.S. businesses.
- Additional investment could support women’s entrepreneurship, access to finance, workforce development, and skills training. MCC requires that gender-based barriers are identified and addressed throughout its work – from initial country selection and assessment to the development and design of programs to the monitoring of results and evaluation of impacts.
- As part of MCC’s compact with Georgia for example, MCC is engaging with public and private partners to enhance the quality of education in science, technology, engineering, and math (STEM) fields, as well as increase women’s participation in STEM professions.
- Additional investment could help MCC capitalize on blended finance strategies and continue to create enabling environments for private investment through critical policy reforms and institutional capacity building.

IMPACT OF CUTS

- Cuts reduce the number of countries and the scale of the projects MCC and its partners can support.
- Cuts disincentivize prospective partner countries from undertaking the reforms required to qualify for MCC support, resulting in weaker economies and institutions that prevent the eradication of poverty.

5 YEAR FUNDING HISTORY

