U.S. GLOBAL HEALTH POLICY

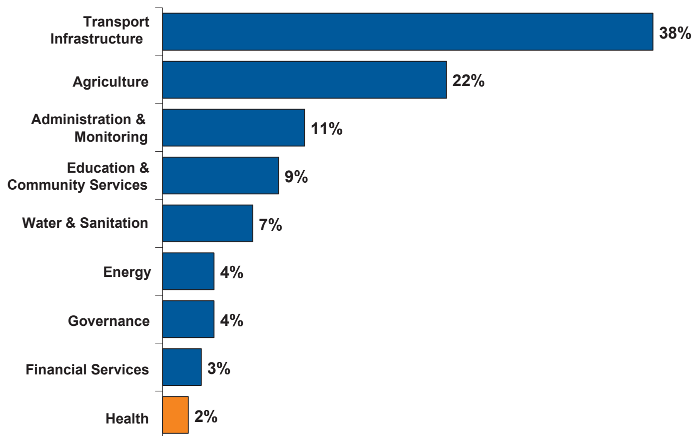
FACT SHEET

The Millennium Challenge Corporation (MCC) & Global Health

April 2011

The Millennium Challenge Corporation (MCC) is a U.S. government corporation, established in January 2004 by the Millennium Challenge Act of 2003.[1,2] Its purpose is to promote economic growth and reduce poverty in low- and middle-income countries through the development of country agreements called "compacts" with the U.S. government, an approach considered to be a new model for U.S. foreign assistance when first proposed.[3,4] The MCC competitively selects countries to develop compacts based on their demonstrated commitment in three areas: good governance; economic freedom; and investment in people.[1,2,3] Compacts are meant to be driven by country-identified priorities.

Figure 1. Millennium Challenge Corporation (MCC) Compact Funding, by Sector, as of September 30, 2010[2,6]



The MCC recognizes health as integral to poverty reduction.[5] However, health-focused projects have so far constituted only 2% of MCC's funding; clean water and sanitation projects have accounted for an additional 7%.[2,6] Most MCC funding has been directed at other development sectors, particularly transportation and agriculture, which may also affect health but less directly.

The Obama administration's policy directive on development, Quadrennial Diplomacy and Development Review (QDDR)[8] and its U.S. Global Health Initiative strategy[9] all emphasize the importance of implementing a "whole-of-government" approach to health and development, leading to increased attention on how to coordinate and integrate MCC programs into broader global health efforts. In addition, the MCC's model of country compacts, with its focus on country ownership and results, has been looked to as an approach to be emulated by other U.S. development assistance programs, including those in global health.[10,11,12]

MCC Structure

Based in the Executive Branch, the MCC is led by a chief executive officer, a Presidential appointee requiring Senate confirmation, and overseen by a Board of Directors consisting of five ex-officio members and four public members. Ex officio members include the Secretary of State, Secretary of Treasury, U.S. Trade Representative, USAID Administrator, and the MCC CEO. Public members are nominated by the President from names submitted by the majority and minority leaders of the House and Senate.[1,2]

Funding for the MCC & MCC Disbursements

The MCC was initially authorized by Congress for fiscal years 2004 and 2005, at "such sums as may be necessary."[1] Although it has not been reauthorized, Congress has appropriated funds to the MCC each year since.

- As originally envisioned the MCC was to become a $5 billion annual commitment by FY2006, although White House budget requests have never exceeded $3 billion and Congress has consistently appropriated less than requested each year.[3]
- First funded at $994 million in FY2004, MCC appropriations reached a peak of $1.75 billion in both FY2006 and FY2007 and then declined to a low of $875 million in FY2009. Funding has increased in recent years, with $1.1 billion appropriated in FY2010 (and currently continued under a Continuing Resolution for FY2011) and $1.125 billion requested by the Administration for FY 2012.[3,13,14,15]
- There have been concerns raised in the past that MCC disburses compact funds at a relatively slow pace, which could hamper effectiveness.[16] As of September 2010, only 24% of all obligated compact funding had been disbursed by the MCC.[3,16]

Country Candidacy & Eligibility[2,3]

The MCC Board carries out a multi-tiered country selection process, by first identifying candidate countries and then assessing their eligibility to apply for assistance:

- **Candidate** countries are identified based on per capita income. Only low and lower-middle-income countries, according to World Bank income classifications, are considered candidates.
- **Eligible** countries are selected from these candidates based on their demonstrated commitment to policies in the MCC's three key areas: good governance (including fighting corruption), economic freedom, and investment in people. Seventeen indicators are used to gauge commitment, including three that are health-focused: public expenditure on health; immunization rates; and natural resources management (a composite indicator that includes child mortality rate, percent with access to water, and percent with access to sanitation). To be eligible for compact funding a country must score above the median in at least half of the indicators in each of the three key areas and must surpass the median score of all countries in its income class on a "corruption indicator". Candidate countries not meeting these criteria but demonstrating commitment to improve their performance may be eligible for "threshold" funding.

Compacts & Thresholds

- **Compacts** are large, multi-year agreements that may span multiple sectors. They typically last five years, but can extend to seven, as specified in regulations revised in 2010.[3] As of March 2011, 23 countries have signed compacts totaling $8.2 billion. 20 compacts are currently active (Armenia, Benin, Burkina Faso, El Salvador, Georgia, Ghana, Jordan, Lesotho, Malawi, Mali, Moldova, Mongolia, Morocco, Mozambique, Namibia, Nicaragua, Philippines, Senegal, Tanzania,

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Vanuatu), one compact was terminated due to a coup (Madagascar, in 2009), and two compacts have completed (Cape Verde and Honduras, both in 2010).[2]

- **Thresholds** are smaller, shorter-term grants designed to help countries become compact-eligible. MCC has signed 23 threshold agreements with 21 countries totaling $495 million.[2] Currently, there are nine active threshold programs: Albania (its 2nd), Indonesia, Kenya, Liberia, Paraguay (its 2nd), Peru, Rwanda, Sao Tome and Principe, and Timor L'Este. Thirteen countries have successfully completed a threshold: Albania, Burkina Faso, Guyana, Jordan, Kyrgyz Republic, Malawi, Moldova, Paraguay, Philippines, Tanzania, Uganda, Ukraine, and Zambia, with six of these countries (Burkina Faso, Jordan, Malawi, Moldova, Philippines, and Tanzania) going on to receive compacts. Niger's threshold has been suspended since 2009 for government behavior contrary to MCC criteria.

MCC's Health, Water and Sanitation Portfolios

As of March 2011, the MCC has committed $178.8 million (2% of all funding) to health projects as part of three compacts and four thresholds ranging from 0.4% of Namibia's funding, to 36% of Indonesia's.[2,5,6] An additional $772.7 million (7% of funding) has been committed to water and sanitation projects, all as part of compacts, ranging from 2% of Ghana's funding to 92% of Jordan's.[2,17,18] Examples of MCC-supported health and water/sanitation projects include:

- Lesotho's compact supports the renovation and expansion of **HIV/AIDS treatment** clinics and construction of a new central laboratory and blood processing facility to strengthen HIV services. These investments are expected to benefit TB services, and have been coordinated with PEPFAR programs in country.[19] Lesotho's compact also focuses on improving **maternal and child health clinics**.
- Namibia's compact includes support for targeted HIV/AIDS **education** programs.
- Mongolia's compact includes investments in prevention, early diagnosis, and management of **non-communicable diseases**.
- Threshold programs in Indonesia, Peru, and Timor L'Este include efforts to increase **childhood immunization**, and Kenya's threshold includes **health care procurement and delivery** enhancements.
- Multiple country projects focus on improving **water supply infrastructure** and access. Jordan's compact seeks to improve access to water and wastewater services. Mozambique's compact invests in rehabilitation and expansion of water supply systems in urban areas, and Tanzania's compact aims to increase the quantity and reliability of potable water in two cities.

MCC and Gender

In March 2011, MCC, which has had a gender policy since 2006, released new guidelines that provide operational guidance to countries on gender integration in the development and implementation of compacts.[20] As part of this guidance, MCC now requires its partner countries to designate and fill "key" staff positions with persons who have social and gender expertise, to work in conjunction with the MCC's own dedicated Social and Gender Assessment (SGA) staff.

Looking Ahead

The MCC has been seen as a new model for U.S. foreign assistance, and has documented results in several countries.[3] Still, the MCC faces continuing challenges and issues moving forward, including:[3,6,16]

- The lack of emphasis placed on health investments in MCC compacts and thresholds, particularly in recognition of the integral role of health in poverty reduction and the desire for diversification of the MCC portfolio;
- The extent to which the MCC coordinates with other U.S. agencies, particularly USAID, and how it is integrated into other key initiatives including the Global Health Initiative;
- Whether the MCC will be reauthorized and if so, what changes will be enacted;
- Future funding for the MCC, and how funding levels will affect the size of country compacts and potential for impact, and whether the MCC will be able to improve its rate of disbursement over time.

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[1] Millennium Challenge Corporation Act of 2003. P.L. 108-199.
[2] Millennium Challenge Corporation website: www.mcc.gov
[3] CRS. *Millennium Challenge Corporation.* RL32427; November 16, 2010.
[4] U.S. Department of State. *The U.S. Commitment to Development;* July 2009.
[5] MCC. *MCC Supports Global Health Initiatives;* July 2009.
[6] Kaiser Family Foundation analysis of data from MCC.
[7] White House Press Release, *Fact Sheet: U.S. Global Development Policy.*
[8] US State Department. *QDDR* website: http://www.state.gov/s/dmr/qddr/
[9] U.S. Global Health Initiative website: www.ghi.gov
[10] PEPFAR. *Partnership Frameworks:* www.pepfar.gov/frameworks/index.htm
[11] Secretary Clinton. Remarks at the Millennium Challenge Corporation Signing Ceremony With Senegal; September 16, 2009.
[12] The Next Phase Of The Global Fight Against HIV/AIDS, Hearing, Committee On Foreign Relations, U.S. Senate 110th Congress, First Session; October 24, 2007
[13] Department of State. *Foreign Operations Congressional Budget Justification 2011.*
[14] Department of State. *Foreign Operations Congressional Budget Justification 2012.*
[15] MCC. *2010 Annual Report.*
[16] GAO, *MCC Compact Assistance Report 2008*, GAO-08-577R
[17] MCC. *MCC's Commitment to Clean, Water, Sanitation, and Improved Water Infrastructure;* March 2010.
[18] http://www.mcc.gov/pages/activities/activity/water-and-sanitation
[19] MCC. *MCC and PEPFAR: Working in Partnership with Lesotho to Improve Healthcare*
[20] MCC. *Gender Integration Guidelines.* March 2011.

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TABLE 1. MCC Compacts & Thresholds with Health and Water/Sanitation Project Components (through March 2011)[2,5,6,17]

Country	Compact / Threshold	Date Signed	Project Focus	Funding (in millions)	
				Project $ / Total $	% of Total
HEALTH					
Indonesia	Threshold	Oct-06	Child Health (immunization)	$20.0 / $55.0	36.4%
Kenya	Threshold	Mar-07	Health Care Procurement and Delivery	$4.0 / $12.7	31.5%
Lesotho	Compact	Jul-07	HIV/AIDS; Maternal & Child Health; TB	$122.4 / $362.6	33.8%
Mongolia	Compact	Oct-07	Non-Communicable Diseases	$17.0 / $285.0	6.0%
Namibia	Compact	Jul-08	HIV/AIDS Education	$1.3 / $304.5	0.4%
Peru	Threshold	Jun-08	Child Health (immunization)	$11.5 / $35.6	32.3%
Timor L'Este	Threshold	Jan-11	Child Health (immunization)	$2.6 / $10.5	24.8%
Sub-total				***$178.8 million***	
WATER/SANITATION					
El Salvador	Compact	Nov-06	Basic drinking water supply/sanitation; policy	$19.0 / $461.0	5.1%
Georgia	Compact	Sep-05	Large systems	$53.0 / $395.3	13.4%
Ghana	Compact	Aug-06	Basic drinking water supply/sanitation	$13.0 / $547.0	2.4%
Jordan	Compact	Oct-10	Large systems; basic drinking water supply	$253.8 / 275.1	92.2%
Lesotho	Compact	Jul-07	Large systems; water resources protection; policy	$164.0 / $362.6	45.2%
Mozambique	Compact	Jun-07	Large systems; basic drinking water supply	$203.6 / $506.9	40.2%
Tanzania	Compact	Feb-08	Large systems	$66.3 / $698.0	9.5%
Sub-total				***$772.7 million***	
TOTAL				**$951.5 million**	