



Highlights of [GAO-07-1049T](#), a testimony to the Subcommittee on Africa and Global Health, Committee on Foreign Affairs, House of Representatives

MILLENNIUM CHALLENGE CORPORATION

Progress and Challenges with Compacts in Africa

Why GAO Did This Study

In January 2004, Congress established the Millennium Challenge Corporation (MCC) to administer the Millennium Challenge Account for foreign assistance. MCC's mission is to reduce poverty by supporting sustainable, transformative economic growth in partnership with developing countries that create and maintain sound policy environments. MCC signs compacts obligating funds for such projects with countries it selects as eligible for this assistance, according to criteria outlined in MCC's authorizing legislation. Each compact has a maximum duration of 5 years. After signed compacts enter into force, MCC begins to disburse funds. For fiscal years 2004 to 2007, MCC received appropriations of almost \$6 billion. MCC has obligated almost \$3 billion for 11 compacts; \$1.5 billion of this amount is for 5 compacts in sub-Saharan Africa (Africa).

This testimony examines (1) the pace of MCC's initiation of compacts in Africa, (2) MCC projects and management structures in African countries with signed compacts, and (3) MCC's progress in disbursing compact funds. In preparing this testimony, GAO drew from, and updated, previous reports on MCC's compact development, obligations, implementation, management, and disbursements.

www.gao.gov/cgi-bin/getrpt?GAO-07-1049T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact David Gootnick at 202-512-3149 or gootnickd@gao.gov.

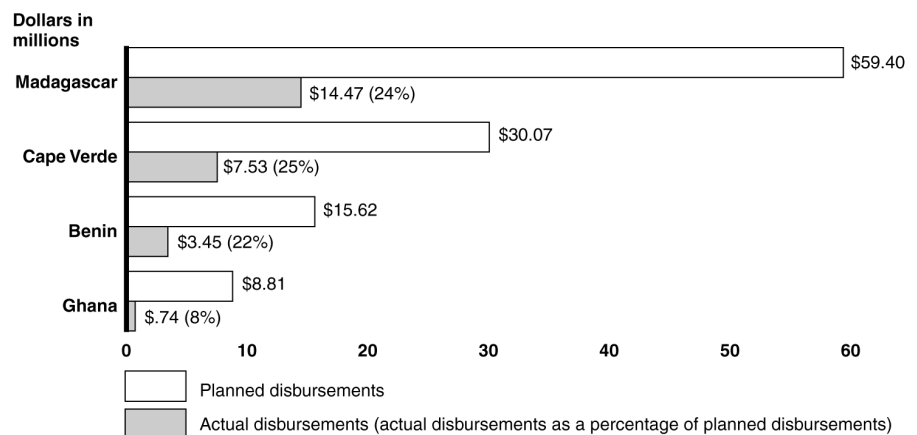
What GAO Found

For MCC's five signed African compacts—with Madagascar, Cape Verde, Benin, Ghana, and Mali—progressing from eligibility selection to compact signature took between 12 and 31 months. All except the compact with Mali have entered into force—on average, about 5 months after compact signature. Of six other African countries that MCC identified as eligible for compact assistance, none have reached compact signature, although three have been eligible for more than 3 years. Overall, MCC has established, and obligated funds for, fewer compacts than projected.

MCC has budgeted about three-quarters of compact funding in Africa for transportation and other infrastructure projects (37 percent) and agriculture and rural development projects (39 percent). To provide oversight and accountability and facilitate stakeholder involvement, the countries have established management structures with several common components. GAO reported in July 2006 that Madagascar and Cape Verde did not fill key positions until months after entry into force and that this may limit achievement of compact objectives. According to MCC, key officials for subsequent compacts with Benin and Ghana were in place around the time of entry into force; key positions for Mali have not yet been filled.

MCC has disbursed compact funds in Africa more slowly than planned and, unless it can increase its rate of disbursements, may have large unexpended balances and uncompleted projects when the compacts expire. As of March 31, 2007, MCC had disbursed about \$26 million (23 percent) of \$113.9 million it planned to disburse by that date. The low rate of disbursement is most critical for Madagascar and Cape Verde, both in their second year of compact implementation. According to MCC, the unexpectedly slow disbursement reflects both its high standards for accountability and its initial overestimation of the countries' capacities to meet those standards.

Planned vs. Actual MCC Disbursements to African Countries as of March 31, 2007



Source: GAO analysis of MCC disbursement data and compact multiyear financial plan summaries.