



MILLENNIUM CHALLENGE CORPORATION

Progress Made on Key Challenges in First Year of Operations

Highlights of [GAO-05-455T](#), testimony before the Senate Committee on Foreign Relations

Why GAO Did This Study

In January 2004, Congress established the Millennium Challenge Corporation (MCC) to administer the Millennium Challenge Account. MCC's mission is to promote economic growth and reduce extreme poverty in developing countries. The act requires MCC to rely to the maximum extent possible on quantitative criteria in determining countries' eligibility for assistance. MCC will provide assistance primarily through compacts—agreements with country governments. MCC aims to be one of the top donors in countries with which it signs compacts.

For fiscal years 2004 and 2005, Congress appropriated nearly \$2.5 billion for the Millennium Challenge Corporation; for fiscal year 2006, the President is requesting \$3 billion. GAO was asked to monitor MCC's (1) process for determining country eligibility, (2) progress in developing compacts, (3) coordination with key stakeholders, and (4) establishment of management structures and accountability mechanisms.

What GAO Recommends

GAO recommends that MCC's Chief Executive Officer continue to develop and implement overall plans and related time frames to establish corporatewide accountability, internal control, and human capital management. In addition, GAO recommends that MCC's Board of Directors consider, in addition to its statutory responsibilities, other responsibilities associated with sound and effective governance.

www.gao.gov/cgi-bin/getrpt?GAO-05-455T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact David B. Gootnick at (202) 512-4128 or gootnickd@gao.gov.

What GAO Found

For fiscal years 2004 and 2005, the MCC board used the quantitative criteria as well as judgment in determining 17 countries to be eligible for MCA compacts. Although MCC chose the indicators based in part on their public availability, our analysis showed that not all of the source data for the indicators were readily accessible. In addition, we found that reliance on the indicators carried certain inherent limitations, such as measurement uncertainty.

Between August 2004 and March 2005, MCC received compact proposals, concept papers, or both, from 16 eligible countries. It signed a compact with Madagascar in April 2005 and is negotiating compacts with four countries. MCC's 4-year compact with Madagascar for \$110 million would make it the country's fifth largest donor. MCC is continuing to refine its compact development process. In addition, MCC has identified elements of program implementation and fiscal accountability that can be adapted to eligible countries' compact objectives and institutional capacities.

MCC is taking steps to coordinate with key stakeholders to use existing expertise and conduct outreach. The U.S. agencies on the MCC Board of Directors—USAID, the Departments of State and Treasury, and the Office of the U.S. Trade Representative—have provided resources and other assistance to MCC, and five U.S. agencies have agreed to provide technical assistance. Bilateral and multilateral donors are providing information and expertise. MCC is also consulting with nongovernmental organizations in the United States and abroad as part of its outreach activities.

MCC has made progress in developing key administrative infrastructures that support its mission and operations. MCC has also made progress in establishing corporatewide structures for accountability, governance, internal control, and human capital management, including establishing an audit capability through its Inspector General, adopting bylaws, providing ethics training to employees, and expanding its permanent full-time staff. However, MCC has not yet completed comprehensive plans, strategies, and related time frames for establishing these essential management structures and accountability mechanisms on a corporatewide basis.

Selected Elements of MCC Progress as of April 2005

Compact-related activities	2004					2005					Total as of Apr. '05
	Feb.	May	Aug.	Nov.	Feb.	May	Aug.	Nov.	Feb.		
Eligible countries		16 for FY04			16 for FY05						17
• Submitted proposals				16 received							16
• In compact negotiations						4					4
• Compact signed									1		1
Resources											
Number of employees		22	43	64	94	107					107
Funds appropriated	\$1 billion			\$1.5 billion							\$2.5 billion

Source: GAO.