



Highlights of [GAO-06-805](#), a report to the Chairman, Committee on Foreign Relations, U.S. Senate

# MILLENNIUM CHALLENGE CORPORATION

## Compact Implementation Structures Are Being Established; Framework for Measuring Results Needs Improvement

### 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 reduce poverty by supporting sustainable, transformative economic growth in developing countries that create and maintain sound policy environments. MCC has received more than \$4.2 billion in appropriations, and, as of May 2006, it had disbursed \$22.4 million to four countries whose signed MCC compacts have entered into force. For the first three countries with compact entry into force—Madagascar, Cape Verde, and Honduras—GAO was requested to examine (1) key aspects that MCC reviewed, and the criteria it used, in its due diligence assessments; and (2) the structures that have been established for implementing the compacts.

### What GAO Recommends

GAO recommends that the Chief Executive Officer of MCC (1) ensure that economic analyses of compact proposals better reflect country conditions and involve country participation and (2) improve monitoring and evaluation by obtaining more reliable baseline data, ensuring a clear linkage to economic analyses, developing criteria for establishing and adjusting targets, and ensuring timely development of evaluation designs. MCC generally agreed with GAO's recommendations; State commented that some of GAO's findings reflect transitory problems.

[www.gao.gov/cgi-bin/getrpt?GAO-06-805](http://www.gao.gov/cgi-bin/getrpt?GAO-06-805).

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](mailto:gootnickd@gao.gov).

### What GAO Found

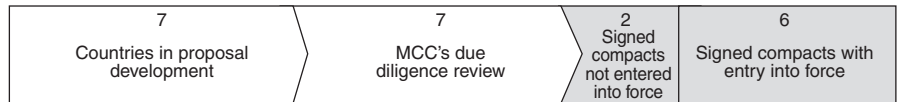
MCC undertook a wide range of activities in its due diligence, including five key aspects of the Madagascar, Cape Verde, and Honduras proposals: (1) countries' consultation with local groups in developing compact proposals, (2) projects' coherence with compact goals, (3) environmental and social impacts, (4) institutional and financial sustainability, and (5) impact on economic growth and poverty reduction. MCC based its assessments on an evolving set of criteria: early, general guidance to the countries followed by later, more specific guidance. MCC's analyses of the projects' economic impact were limited in that some of the assumptions and data used may not reflect country conditions. As a result, the projects selected on the basis of the analyses may not achieve compact goals. In the two countries we visited, Madagascar and Cape Verde, MCC conducted the analyses with limited country participation, which resulted in countries' having little understanding of the process.

MCC and the three countries have made progress in establishing compact country structures for oversight and management, procurement, fiscal accountability, and monitoring and evaluation, although some of these structures are not yet complete. The oversight structures allow for country management with MCC review, but some organizations were not fully staffed for months after the compacts entered into force. Madagascar and Cape Verde have implemented fiscal accountability structures for MCC-funded projects, and established procurement structures with effective characteristics; however, these structures are still largely untested and some are still under development. Finally, MCC and the countries have established monitoring and evaluation frameworks to track and account for program results. However, limitations in the baseline data collected, linkage to economic analyses, methods of addressing uncertainty associated with program results, and the timely design of randomized controlled trials may constrain MCC's ability to monitor and evaluate program results.

#### Status of MCC Compact Development and Appropriations

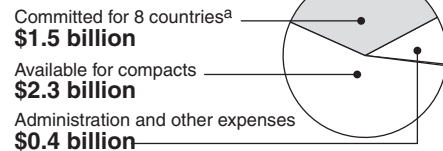
##### Compact development and implementation status

Total eligible countries: 22



##### MCC budget allocation and disbursement status

Total appropriations: \$4.2 billion



Source: GAO analysis of MCC information.

<sup>a</sup>\$22.4 million of the committed amount has been disbursed to begin compact implementation.