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CHALLENGE CORPORATION
UNITED STATES OF AMERICA

Fact Sheet

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MCC and the U.S. Government's Partnership for Growth

MCC and other U.S. Government agencies have joined together to coordinate Partnership for Growth (PFG), a partnership between the United States and a select group of high-performing developing countries to accelerate and sustain broad-based economic growth.

PFG puts into practice the principles of President Obama's September 2010 Presidential Policy Directive on Global Development. PFG, like MCC, involves rigorous joint analysis of selected countries' constraints to economic growth and requires high-level mutual accountability for program implementation. Participating countries develop joint country action plans to address identified constraints, concentrating the strength of multiple U.S. Government agencies to support common priorities.

A defining characteristic of PFG is the active participation and coordination of more than a dozen U.S. Government agencies, including MCC, the State Department, and the United States Agency for International Development (USAID). In the context of PFG, these agencies are purposefully identifying opportunities to complement and leverage each other's work toward achieving common PFG goals.

In fall 2010, the administration selected El Salvador, Ghana, Philippines, and Tanzania to become the first set of PFG countries. Selection criteria included country performance on MCC's compact eligibility criteria, track records of partnering with the United States, and potential for continued economic growth.

Core PFG principles are similar to MCC principles, and include:

- ★ Country ownership and partnership
- ★ High-level political leadership and commitment to development progress
- ★ Rigorous, evidence-based joint analysis on constraints to growth
- ★ Joint decision-making on where to focus and prioritize resources
- ★ Use of a broad range of tools, including catalytic policy change, institutional reform, aid, diplomatic engagement, and other 'non-assistance' policy tools, and
- ★ Transparency, mutual accountability and fact-based monitoring and evaluation

The PFG process consists of several steps, including:

- ★ Agreement to initiate PFG with select partner countries
- ★ Joint analysis of constraints to growth, followed by broad consultation and dialogue on findings;
- ★ Development of joint country action plans (JCAPs) that outline potential tools, reforms, technical assistance and resources that can be applied over the next five years to address highest-priority constraints to growth
- ★ Implementation of priority initiatives, and
- ★ Rigorous monitoring and evaluation

One of PFG's signature objectives is to use a broad range of tools to engage governments, the private sector and civil society in a collaborative effort to unlock new sources of investment, including domestic resources and foreign direct investment. By improving coordination, leveraging private investment, and focusing political commitment, Partnership for Growth will enable partners to achieve better development results.

Moving forward, the U.S. Government is working with PFG partner countries to finalize and implement five-year Joint Country Action Plans (JCAPs) to address binding constraints to economic growth. In all four countries, the United States and partner countries will jointly implement the plans.

MCC's Role in Partnership for Growth

MCC's model, its operational approach, and its technical expertise served as building blocks to Partnership for Growth. MCC guided an interagency discussion on evidence-based decision-making that was used to select country partners and plan country programs.

MCC's independent, transparent eligibility criteria were the starting point for selecting PFG partner countries. Following selection, MCC's diagnostic tool to identify key constraints to economic growth in its partner countries was used to establish program priorities and develop growth-oriented strategies with PFG partner countries. The tool has provided a common analytic framework for all U.S. Government agencies participating in PFG, resulting in a more focused United States engagement with PFG partner countries. Based on its experience with rigorous monitoring and evaluation (M&E) of development investments, MCC is contributing to development of a PFG M&E approach.

MCC is implementing compact programs in all four PFG countries. MCC's current compacts with Tanzania and the Philippines both target specific sectors that have been identified as priorities under the

“We will seek partners who want to build their own capacity to provide for their people. We will seek development that is sustainable. And building in part on the lessons of the Millennium Challenge Corporation... we will invest in the capacity of countries that are proving their commitment to development.”

*—President Barack Obama
announcing the Presidential Policy
Directive on Global Development,
September 22, 2010*

PFG constraints analyses. This targeted approach to sector development, including relevant policy and institutional reforms, provides PFG a basis upon which to build and leverage existing MCC investments, and offers an opportunity for MCC's experience to directly contribute to PFG success in these countries.

Ghana and El Salvador are currently developing new compact proposals. The constraints analyses conducted for PFG are informing the compact development process in both countries. While MCC compacts will still be independent agreements between MCC and partner countries, MCC expects that PFG will give MCC and its partner governments the opportunity to leverage additional USG resources to complement and enhance MCC investments—including support for catalytic policy and institutional reforms, diplomatic engagement, and mobilization of private sector investments.

MCC Compact Programs in PFG Countries

A Millennium Challenge Corporation compact is a multi-year agreement between MCC and a partner country to fund programs designed to reduce poverty and stimulate economic growth. Every MCC compact reflects its country's specific priorities and details program objectives, implementation methods, and monitoring and evaluation strategies, while ensuring financial accountability, transparency, and fair and open procurement processes.



El Salvador

In November 2006, MCC signed a five-year, \$461 million compact with the Government of El Salvador to improve the lives of Salvadorans through strategic investments in education, public services, agricultural production, rural business development, and transportation infrastructure. The largest of the compact's components, the transportation project, unifies El Salvador's Northern Zone with the rest of the country, enabling new economic opportunities for rural households, lower transportation costs, and decreased travel times to markets. The compact will be completed in September 2012; El Salvador is currently eligible to develop a second MCC compact.



Ghana

In August 2006, MCC signed a five-year, \$547 million compact with the Republic of Ghana to reduce poverty by raising farmer incomes through private sector-led and agribusiness development. MCC investments are intended to increase the production and productivity of high-value cash and food staple crops in some of the poorest regions and enhance the competitiveness of Ghana's agricultural products in regional and international markets. The compact was completed in February 2012; Ghana is currently eligible to develop a new MCC compact.

 **Philippines**

In September 2010, MCC signed a five-year, \$434 million compact with the Government of Republic of the Philippines to reduce poverty by supporting reforms to modernize the Bureau of Internal Revenue, and investments to expand and improve a successful community-driven development program, and rehabilitate a secondary national road in Samar province. The compact is due to be completed in 2016.

 **Tanzania**

In February 2008, the Millennium Challenge Corporation signed a five-year, \$698 million compact with the Government of Tanzania to reduce poverty by increasing household incomes through targeted investments in transportation, energy, and water. These investments will help Tanzanians address the inadequate transportation network by improving roads that will increase commerce and help connect communities with markets, schools, and health clinics; improving the reliability and quality of electric power and extend electricity service to communities not currently served; and increasing the availability and reliability of potable water for domestic and commercial use. The compact is due to be completed in 2013.

For More Information

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