

# MCC and Fiduciary Responsibility: Achieving Value and Accountability for U.S. Taxpayer Dollars

Country ownership, transparency, and accountability are founding principles of the U.S. Government's Millennium Challenge Corporation (MCC) work that guide its operations worldwide. MCC works diligently with partner countries to manage funds wisely and transparently through a variety of rigorous controls. This oversight model helps to ensure that U.S. taxpayer dollars are being used to fund quality projects that will be sustainable in the long-run while allowing for country-led development.

The controls that are part of this model begin with selecting partner countries, through the use of 17 independent objective indicators that assess the degree to which a country's policy environment is conducive to growth. These include indicators assessing control of corruption and government effectiveness. Once a country is eligible, an MCC team conducts an intricate analysis of the proposed projects as part of the compact development process to review their viability and sustainability. This includes reviewing the capacity of the local entities that will be implementing the projects during the five years. True to the principle of country ownership, a country-led

*A landowner (right) at the entrance of Porto Rincao, Cape Verde would have been affected by deep road excavations until MCC's oversight model helped address the situation.*



*The construction company in Cape Verde rectified the situation at its own expense, by building stairs for the affected landowners, followed by a permanent retaining wall and a sidewalk. Careful oversight is key to identifying and addressing situations like these for the benefit of local residents in the fight against poverty*

accountable entity—typically called a “Millennium Challenge Account (MCA) Country X”—is responsible for managing the implementation of these strategic projects, often in collaboration with other government agencies. As MCC partner countries develop their capacity, MCC is then in a position to reduce its level of support while still maintaining an adequate level of supervision, achieved through a multi-faceted set of supervisory checks and balances.

As part of MCC’s oversight model, there are at least five levels of quality controls for all construction projects: a) contractors are expected to ensure quality and design specifications are followed b) independent supervisors ensure contractors follow these specifications c) the Implementing Entity oversee contractors and supervisors d) MCA Sector Directors oversee the work of the Implementing Entity e) MCC Resident Mission and MCC sector leads closely review the progress of the work.

MCC’s model has already helped resolve issues that would have otherwise negatively impacted projects if they hadn’t been identified in time. During a visit to one of the roads in Cape Verde, MCC discovered that the construction on a segment of the road had begun even though its design had not yet been finalized with MCC approval. This violated MCC’s resettlement policy by starting construction prior to providing appropriate compensation to affected local residents. After analyzing the situation, MCC requested that MCA-Cape Verde require the contractor to implement a remediation plan to address the problems they had created, including finalizing the designs to MCC standards and obtaining MCC approval. Without proper remediation, these excavations and construction could have affected the people living near the roads as well as increase erosion, create serious drainage problems, and invite rockslides/wall collapses which could pose a serious danger to passing traffic. The immediate remedial plan built temporary stairs for the affected landowners, followed by a retaining wall, a permanent set of stairs, and a sidewalk. After

### **MCC construction projects require**

1. The construction companies follow their own quality assurance program to make sure that the design and quality of works follow specifications.
2. The independent construction supervisors hired by the MCA entities ensure that contractors follow design specifications, comply with environmental management plans, and adhere to quality controls outlined in their contracts.
3. The oversight of contractors and supervision firms is the responsibility of the Implementing Entity (e.g., the Armenian Roads Directorate for the roads program in Armenia). The Implementing Entity Agreement requires the Implementing Entity to monitor progress and quality of works at all times.
4. The MCA Sector Directors are responsible for overseeing the work of the Implementing Entity, the construction supervisors, and the contractors. Site visits are used to check that the construction is following MCC’s environmental guidelines, local government laws, and the terms of contract so as to safeguard the wellbeing of residents that could be affected by project investments.
5. The MCC Resident Country Mission frequently makes unannounced visits to monitor and check on the progress and quality of the construction, using checklists developed by MCC’s independent engineer. MCC’s independent engineer, who visits the country every quarter, provides the necessary technical input about the progress and quality of works. MCC sector experts use this input as a best practice to share among countries with the assistance of the Independent Engineer.

further review by MCC and MCA-Cape Verde, experts found that the plan was implemented effectively and the contractor was allowed to resume the construction.

Another example of the effectiveness of these rigorous controls can be seen in Armenia. During a routine visit, the Independent Engineer discovered that recently constructed tertiary canal structures were showing cracks, bends and leaks. With the assistance of the Independent Engineer, MCC confirmed that contractors implementing the irrigation project had not followed the design specifications, potentially compromising the longevity and sustainability of the project. The MCA team investigated the issue and, after confirming what the Independent Engineer had reported, required the contractor to immediately fix the construction problems. The construction supervisor was penalized for failing to perform his duties as outlined in the contract. MCA-Armenia shared this information with its Governing Council and successfully helped to increase awareness within the government regarding the lack of local oversight on construction projects.

As a result of these experiences, MCC has reinforced its oversight model and increased the rigor of the independent engineer’s visits as well as visits by MCC and MCA staff. MCC’s approach to oversight demonstrates a commitment to effectively implement on MCC’s fiduciary responsibility, while continually building partner country capacity and ensuring the successful implementation of its programs. These efforts require time and energy and are key to properly investing U.S. taxpayer dollars while helping partner countries fight poverty in a responsible, sustainable way.

*MCC’s Oversight Model for Construction Projects*

