

## MCC and Private Sector Engagement

### Increasing investment and trade through support of market-enhancing policies, institutions and enterprises

The Millennium Challenge Corporation (MCC) is an innovative and independent U.S. foreign aid agency that is helping lead the fight against global poverty.

Recognizing that sustainable development is best achieved by fostering country ownership, good policies and investment in people, MCC provides partner countries the opportunity to identify their own priorities for achieving economic growth and poverty reduction. MCC seeks results that are transparent, measurable and attributable to MCC's investment.

At the core of MCC's vision is the understanding that market-based economic growth led by private investment is critical to sustainable development. MCC-funded programs strive to improve the core market-supporting functions of its partner country governments, from delivery of infrastructure and social services to strong institutions and regulatory environments.

For example, **road investments** reduce travel times and costs for private businesses; **power projects** improve access to reliable electricity for households and manufacturing plants; **agriculture and irrigation activities** increase yields and productivity for farmers; **health and education initiatives** strengthen intellectual capital and labor productivity; **property rights projects** improve incentives for and security of investment; **financial sector projects** improve access to financing mechanisms; and **policy reform** across all sectors makes governments more efficient and effective as enablers of economic growth.

MCC seeks sustainability of its results to ensure sound market-enhancing programs and poverty reduction will continue beyond the end of a five-year compact. Sustaining the gains from MCC investments often depends upon supporting the capacity and development of private sector institutions within partner countries. Vibrant private sectors, especially business enterprises, and civil society organizations, along with supportive policy



In El Salvador, the MCC compact funded development of physical infrastructure in the country's Northern Zone, linking the region with urban markets in the south.



The MCC compact in Mongolia is funding hands-on technical training for students aspiring to work in the burgeoning construction industry.

environments and the institutions that maintain them, ensure that MCC's results are achieved and continue to be sustained.

Without the employment, technology, innovation, and revenues generated by the private sector, a country's prospects for continued growth are challenged. Consequently, MCC collaborates with business and civil society in the design and implementation of its projects and in the tracking of results to increase investments in partner countries, lower risks to investors and generate growth opportunities.

This includes projects that directly target development of the local business community, including improving regulatory policies and access to credit, as well as projects that involve infrastructure development, health, education, and agriculture.

Where appropriate, MCC and its partners seek opportunities for co-investment within MCC compact projects. MCC also pursues complementary investment—during compact implementation or after compacts are completed—in activities that reinforce compact objectives. Within this context, MCC actively engages the private sector in its programs in three ways:

**Process:** MCC requires its partner countries to involve business and civil society stakeholders during program development and implementation.

**Projects:** MCC fosters business start-up and expansion through projects targeting policy reform, private enterprise financing and technical assistance, financial sector development, and private participation in provision of public services like electricity and water.

**Procurement:** MCC ensures procurement opportunities are fair, open and competitive, and that U.S. companies are aware of potential business opportunities.

On these fronts, MCC's Finance, Investment and Trade team leads the agency's private sector engagement and works collaboratively across the agency to strengthen MCC's approaches. MCC recognizes that robust private investment is pivotal to sustaining economic growth, and understands that potential investors consider risks and rewards associated with a country's existing business climate, sector-specific policies and the private and public institutions.

MCC's investments help mitigate risks in its partner countries, develop favorable investment climates and promote private enterprise growth to reduce poverty. MCC expects future compacts to increasingly mobilize private debt and equity finance while incorporating increased risk transfer to the private sector.

For more information, view the chart on page 3 and visit [www.mcc.gov/privatesector](http://www.mcc.gov/privatesector).

## MCC Programs Contributing Directly to Private Sector Development

Number of activities: 1-5 6-10 11-15

Areas of Focus	MCC Compact Activities		
	Assets & Products	Technical Assistance and Training	Institutional and Policy Reforms
<p><b>Small Business and Corporate Sector Development</b></p> <p>Enhancing growth of domestic enterprises and organizations.</p>	<p>Investing in business expansion and start-up support for businesses:</p> <ul style="list-style-type: none"> <li>• Commercial activity support</li> <li>• Equipment provision and training</li> </ul>	<p>Capacity building and technical assistance to enterprises:</p> <ul style="list-style-type: none"> <li>• Business development services</li> <li>• Business linkages &amp; value chain development</li> <li>• Organizational development</li> </ul>	<p>Improving the enabling environment for private sector growth:</p> <ul style="list-style-type: none"> <li>• Legal and regulatory reforms</li> <li>• Institutional support, including strengthening implementing entities and regulatory bodies</li> <li>• Improved access to market information</li> </ul>
<p><b>Financial Sector Development</b></p> <p>Increasing access to credit deposits and reducing the costs of financial services.</p>	<p>Improving financial products and services:</p> <ul style="list-style-type: none"> <li>• Access to financial services and products including credit, equity, guarantees, risk transfer instruments, and funds facilities</li> </ul>	<p>Increasing capacity of financial markets and institutions:</p> <ul style="list-style-type: none"> <li>• Deepening financial markets</li> <li>• Strengthening intermediaries</li> <li>• Enhancing capacity of local capital markets for long-term infrastructure funding</li> </ul>	<p>Support for policy reforms and strengthening financial systems:</p> <ul style="list-style-type: none"> <li>• Legal and regulatory reforms</li> <li>• Sector reforms</li> <li>• Institutional support of systems like credit and property bureaus, regulatory bodies, and payment procedures</li> </ul>
<p><b>Private Sector Participation in Public Sector Services</b></p> <p>Supporting increased efficiency and scope of public services through the involvement of the private sector.</p>	<p>Investing in capital assets and increasing availability of long-term funding for infrastructure:</p> <ul style="list-style-type: none"> <li>• Utilization of performance-based contracts, management contracts, and leases</li> <li>• Build Operate Transfer schemes (blending private capital with public viability gap funding)</li> <li>• Output-based aid and results-based finance</li> <li>• Participation of local banks and institutional investors in project funding</li> </ul>	<p>Strengthening the capacity of governments to execute and manage public-private partnership (PPP) contracts after compact completion:</p> <ul style="list-style-type: none"> <li>• Project origination, preparation, and due diligence (value for money/feasibility studies)</li> <li>• Market outreach and consensus building for private sector participation</li> <li>• Funding for transaction advisors to assist in negotiations</li> <li>• Monitoring and evaluation of PPP contracts</li> <li>• Workshops and seminars on PPP management</li> </ul>	<p>Improving the enabling environment for private sector participation:</p> <ul style="list-style-type: none"> <li>• Legal and regulatory reforms</li> <li>• Sector reforms</li> <li>• Institutional support for PPP units, line ministries, and regulators</li> <li>• Strengthening governance mechanisms, including for PPP procurement delivery and public debt/contingent liability management</li> </ul>
<p><b>Public Sector Management and Governance</b></p> <p>Improving the core market-supporting functions of government, and public sector interface with the private sector.</p>	<p>Improving the physical plant and assets of public sector and parastatal institutions:</p> <ul style="list-style-type: none"> <li>• Provision of information and communications technology hardware/software solutions</li> <li>• Provision of buildings, equipment, and other assets</li> </ul>	<p>Capacity-building for public sector functions:</p> <ul style="list-style-type: none"> <li>• Business process improvements and operational reorganization for government agencies and public service utilities</li> <li>• Strengthening the ability and effectiveness of the public sector to deliver services and execute its operations</li> </ul>	<p>Improving the business-enabling environment:</p> <ul style="list-style-type: none"> <li>• Legal, regulatory, and judicial reforms</li> <li>• Institutional reforms (for example, procurement and taxation)</li> <li>• Enforcement, including of anti-corruption violations</li> </ul>