



On the Cutting Edge of Aid Effectiveness

A Primer: Lessons Learned from the Millennium Challenge Corporation

Since its creation in 2004, the U.S. Government's Millennium Challenge Corporation (MCC) has been advancing and accelerating the conversation on aid effectiveness. Building both on the 2005 *Paris Declaration on Aid Effectiveness* and the 2008 *Accra Agenda for Action*, the 2011 High Level Forum on Aid Effectiveness in Busan, Korea provides an important opportunity to push the dialogue further on the effective delivery of foreign assistance. MCC's approach to development effectiveness stems from country-driven strategies to reform policies and build stronger institutions that propel a comprehensive continuum of results from initial inputs through to impacts.

Effective development assistance is built on five principles:

1. **Ownership:** for aid recipients to design and implement their own national development strategies with their parliaments and electorates;
2. **Alignment:** for donors to support these strategies;
3. **Harmonization:** for donors to work to streamline their efforts in-country;
4. **Results:** for development policies to be directed to achieving clear goals and for progress toward those goals to be monitored; and

“Through the MCC, the US has shown that it can deliver development co-operation that is in line with the principles on effective aid. In particular, ownership, predictability, untying, unearmarked funding, and a strong emphasis on results are key characteristics of MCC’s approach. MCC also provides an incentive model that supports partner countries in their reform: it allocates aid based on a country’s policy performance, employing objective indicators to determine a country’s eligibility for funding.”

—OECD Development Assistance Committee (DAC) Peer Review 2011

5. **Mutual Accountability:** for donors and recipients alike to be jointly responsible for achieving these goals.

Effective donor-recipient relationships practice these principles to deliver lasting impact. For MCC's partnerships with poor but well-governed countries, these principles translate into the pursuit of effectiveness and efficiency, particularly as they relate to delivering results, realizing country-led development toward mutual accountability and maximizing transparency. Results, country ownership and transparency are key to Busan's agenda and to how MCC operates.

Focus on Delivering Results

The U.S. Government is committed to seeing results in practice, not just in principle. Across its entire investment portfolio, MCC's results exist along a continuum that can be measured, collected and reported throughout the lifecycle of projects, from start to finish and beyond. This is what defines MCC's innovative approach to projecting, tracking, evaluating, and transparently communicating program results and impacts. This means focusing on development outcomes, rather than just inputs and outputs. This means adopting results frameworks, platforms and tools to assess performance. This means achieving lasting impact

on eradicating poverty that reflects the tailored, homegrown priorities, policies and programs outlined by partner countries themselves as the main managers of their development. MCC results exist along a continuum—from policy and institutional changes countries make to become eligible for MCC funding, to interim outputs and outcomes as programs mature, to post-program increases in incomes. MCC tracks interim indicators, such as number of farmers trained, hectares planted with high-value crops, kilometers of road constructed, or land titles granted, because these are the ultimate drivers of income gains.

A focus on results also means acknowledging that results are not always going to bring good news. Projects may sometimes fall short of their intended aims. MCC's commitment to transparency means making all results—both positive and negative—public and to learn from them to improve performance and inform better development projects in the future.

Want to learn more about MCC's commitment to results? Visit <http://www.mcc.gov/documents/reports/paper-2011001052001-principles-results.pdf>.

“MCC places great emphasis on measuring results, planning to track not only outputs, but also outcomes and impacts across its programmes.”

—OECD Development Assistance Committee (DAC) Peer Review 2011

Focus on Country-owned Solutions

Development investments are more effective and sustainable when they reflect countries' own priorities and strengthen governments' accountability to their citizens. This is the starting point for MCC's approach to country ownership. To MCC, however, country ownership is more than this. Country

ownership is embodied in partnership. MCC's partner countries exercise ownership when, in close consultation with citizens and civil society, governments take the lead in setting priorities for MCC investments and implementing MCC-funded programs. This means that governments are accountable to domestic stakeholders for both making decisions and achieving results. This partnership takes place within the framework of MCC's focused mandate; is consistent with MCC's standards for accountability, transparency and impact; and draws on MCC's support and guidance.

The MCC model explicitly builds in the authorities and approaches necessary to support strong and mutually accountable partnerships. These include:

- ★ **Selectivity:** partnering with poor countries that have a proven track record in good governance and policies that support economic growth and effective use of development assistance;
- ★ **Focused mandate:** supporting poverty reduction through economic growth;
- ★ **Flexibility:** working in sectors that matter most for countries' growth and poverty reduction and supporting investments that are priorities for partner country governments, citizens, civil society, and the private sector;
- ★ **Aid predictability:** providing predictable funding through MCC's authority to commit five years of funding up front;
- ★ **Mutual transparency:** providing partner country governments and citizens information on what MCC is doing by publishing economic analyses that inform investment decisions, five-year budgets, expected results, data on ongoing program progress, and findings of independent impact evaluations as programs complete, while expecting transparency from partners as well that empowers citizens to hold governments and donors accountable for how development resources are used and what results they achieve.

“While most US agencies align their programmes with national priorities, the process of matching US priorities with local strategies can be very time consuming and complex.

MCC has been leading the way: its compacts are jointly developed and signed with the partner government, and projects are recorded on the partner country's budget.”

—OECD Development Assistance Committee (DAC) Peer Review 2011

Want to learn more about MCC's commitment to country ownership? Visit <http://www.mcc.gov/documents/reports/paper-2011001093801-principles-country-ownership.pdf>

Focus on Transparency

MCC operates at the forefront of transparency for effective aid delivery. MCC's public website, www.mcc.gov, provides access to spreadsheets that show economic rates of return calculations, performance indicator tracking tables and impact evaluation summaries for MCC-funded projects. Data on beneficiary analyses are also available. MCC posts copies of all signed compact grant agreements, quarterly status

reports on worldwide programs, information on program-related procurement opportunities, and copies of reports and notices provided to the U.S. Congress.

MCC is currently evaluating ways to further improve the usability of its publicly-available information. It is among the first government agencies, joining the U.S. Department of State and the U.S. Agency for International Development, to make its data available on the Foreign Assistance Dashboard, www.foreignassistance.gov. As a concrete way to promote transparency, the Dashboard provides a view into U.S. Government foreign assistance funds, including those from MCC, and enables users to conveniently and comprehensively examine, research and track aid investments in a standard and easy-to-understand format.

*“MCC is a leader in the US
Administration on results and
transparency.”*

*—OECD Development
Assistance Committee (DAC)
Peer Review 2011*