

Innovative Aid Agency Works in Partnership with Countries to Reduce Poverty

By Andrew Stamer

Charity – this is not what the Millennium Challenge Corporation (MCC) is handing out to some of the world’s poorest countries. There is no definition of charity that asks for something in return.

But there is a return expected by MCC – sustainable poverty reduction through economic growth.

In 2004, President George W. Bush established MCC as a government corporation designed to give aid to the world’s poorest countries. MCC is not meant to take the place of any other U.S. or foreign government aid organizations; rather, it’s meant to complement them, said an MCC spokesperson.

MCC focuses on medium to long-term projects in many different sectors, the MCC spokesperson said.

Of the 23 eligible countries, eight have signed compacts, or binding agreements, with MCC. Thirteen of the 23 countries are in Africa; others are in Eurasia and Latin America. There is a two-tier breakdown for countries competing for assistance: low income and lower-middle income. Low income countries have a gross national income per capita of less than \$1,576 a year, and lower-middle income countries are between \$1,576 and \$3,255, the MCC spokesperson said.

In house, the MCC has a core group of experts, but many times the organization supplements its work force with other experts. The Corps of Engineers is one of those expert organizations along with the U.S. Departments of Transportation, Interior, Agriculture and others, including those in the private sector, said Ellen Moran, the senior director of the Infrastructure Group at the MCC.

Many times the Corps’ mission starts before any compacts are made between MCC and eligible countries through due diligence studies for proposed projects.

These are done to ensure that the programs countries are submitting for grant funding are effective and do not have any fatal flaws that would prevent them from being successful. This ensures that the funds will be used effectively, said Joseph Zaraszczak, a project manager with the Engineering and Construction Management Directorate.

Depending on the circumstances, these flaws can cause some projects to be scratched from the program altogether because they would not be feasible.

A fatal flaw is “a show stopper” on a project, Zaraszczak said.

“If there is a fatal flaw, then something needs to be revised or it needs to be taken out altogether,” he said, but it is left up to the countries on how to proceed.

“That’s what we’ve been assisting them (MCC) with, but it’s not strictly our role,” he said.

A sociologist from an Architect/Engineer firm hired by the Corps of Engineers has become involved with a project in Ghana. The sociologist was called in to study a resettlement issue that could affect people and nearly 1,000 businesses along a 14-km stretch of Ghana’s national highway, he said.

“People don’t think about how huge the resettlement and social aspects of these programs are, and these aspects could take a year or two alone to sort out,” Zaraszczak said.

MCC works with a technical team that includes environmental experts, sociologists and economists to develop project costs and an economic rate of return. This rate helps determine whether a project is economically viable.

As the senior director of the Infrastructure Group at MCC, Moran oversees infrastructure projects including roads, ports, airport projects, rail projects, watershed management, irrigation, rural water supplies, and urban water supplies and sanitation. She said these projects can be large or small. Infrastructure is also involved in power projects, pipeline rehabilitation, industrial zone/park development, and social infrastructure to include schools, clinics, and basic water supply points.

The corporation works in partnership with countries in developing programs, but its mission focuses on country ownership of the proposed programs. Each country has to develop a proposal that addresses its barriers to poverty reduction and economic growth.

“We are responding to what a country wants or asks for. A country identifies the need and then asks MCC to provide assistance to help with that need,” said Moran.

MCC is concerned that countries meet three criteria to be eligible for assistance: ruling justly, investing in people, and promoting economic freedom. MCC was built on five decades of development lessons. To MCC, policies matter because countries that govern well will use aid more effectively, said the MCC spokesperson.

Once everything has been approved, a compact is signed.

Each compact is results driven because countries run the risk of losing funding if they fall behind schedule. Benchmarks written into the compacts must be met in the three- to five-year time frame, said the MCC spokesperson.

Programs are available for those countries that do not meet these three required areas. These are classified as threshold countries.

The Threshold Program is MCC’s way of assisting countries that need improvement in one or more of the three areas. These areas are measured by using 16 policy indicators that have a demonstrated link to poverty reduction and growth, said the MCC spokesperson.

These 16 policy indicators are non-U.S. government indicators that come from such institutions as the World Bank Institute and Freedom House, among others, the MCC spokesperson said.

The country must also be willing to make steps toward policy reforms. And many countries are taking those steps as competition for MCC assistance increases.

The incentive effect is seen as an early success for MCC because countries vying to become eligible are changing their systems to fit the criteria, Moran said.

“We’re not just going to go into a country and do amazing stuff and then leave,” said Zaraszczak. “We’re going to create the institutional capacity for them so that when we leave, they’re going to be able to have the tools to continue to maintain these projects that we’ve implemented.”

TAC’s involvement in Africa has been mainly with programs in Mozambique, Ghana, Benin and Cape Verde, said Zaraszczak.

While the Ghana project involves road infrastructure, there are a variety of other program areas TAC has reviewed.

Studies in Mozambique involve dam and roadway repair, sewage and sanitation, and the placement of 1,500 watering points throughout the four northern provinces of the

country, said Paul Watkins, project manager with Engineering and Construction Management Directorate.

One of the things the Corps of Engineers looked at in Benin was coastal erosion. TAC also received expert help from the Baltimore District to conduct environmental sampling of Port Autonome de Cotonou to determine whether materials proposed to be dredged were contaminated.

Other Corps of Engineers' districts are helping with programs in countries in their respective areas of responsibility. The Far East District is helping in Sri Lanka, while the Mobile District has done due diligence for road projects in Nicaragua and Honduras.

The three-roads project in Honduras was the first program the Corps of Engineers was involved in with MCC, and it helped serve as a solid base for developing a good working relationship with the corporation, Zaraszczak said.

"We wanted the most expeditious way to go and the Corps was very responsive," Moran said about Mobile District.

Because of Mobile District's responsiveness, the organization was asked to stay on the project during the implementation phase, Moran said. This was a success for both organizations, but there are also other successes.

"Countries are also making commitments to step up and provide funds to keep projects in shape," said Moran.

Part of the agreement with Nicaragua was that the country will allot money to keep the whole road infrastructure intact, not just the part MCC is building, she said.

"MCC is interested in making certain that governments are incentivized to maintain projects even after the compact has been completed," she said.

To date, this government corporation has been appropriated \$4.27 billion for fiscal years 2004 through 2006 with an additional \$3 billion being requested for 2007, said Moran. Of the \$4.27 billion, MCC has committed over \$1.5 billion and expects to commit an additional \$1.1 billion by the end of the year.

Because it was appropriated with no-year money, MCC has the flexibility to commit money upfront for multi-year programs as the signed compacts begin to be implemented. Moran said she looks forward to seeing the results.

"The MCC is focused on results. We work in partnership with countries to provide hope and opportunity to the world's poor."