The Millennium Challenge Corporation and Global Health

Key Facts

- The Millennium Challenge Corporation (MCC) is an independent U.S. foreign assistance agency that has the goal of reducing poverty in developing countries through supporting economic growth. Since its creation in 2004, MCC has supported development programs in 43 low- and lower-middle-income countries.

- MCC has a unique approach among U.S. foreign assistance agencies in that it works only with countries that are deemed “eligible” after meeting certain benchmark measures for good governance, economic freedom, and investing in people, and it provides assistance through formal bilateral agreements negotiated and developed in a “country-led” process.

- The MCC portfolio of projects spans many sectors of development, including global health. MCC recognizes health as important to its poverty reduction mission and has supported a number of global health projects in a range of countries.

- Its financing for global health to date has been modest, with only a small proportion of MCC funding directed to health projects, often as a component of a broader package of interventions and mostly focused on water and sanitation projects. Still, the proportion of MCC disbursements going to health (including water and sanitation) has generally grown over time, from 2% in FY 2007 to 20% in FY 2017.

- In recent years MCC has expanded its partnerships with other U.S. agencies working in global health to improve coordination and share best practices.

MCC Overview

Based in the Executive Branch, MCC is an independent U.S. foreign assistance agency, specifically a U.S. government corporation established in January 2004 by the Millennium Challenge Act of 2003. Its purpose is to reduce poverty by promoting economic growth in low- and lower-middle-income countries through the development of country assistance agreements, which are meant to be driven by country-identified priorities for U.S. government support.

Approach

MCC’s approach is considered unique among U.S. development agencies for several reasons, including its use of quantitative benchmarks to determine eligibility, a heavy emphasis on country-led planning and implementation of assistance agreements, and a reliance on robust and transparent monitoring and evaluation of progress and impact of its assistance. The agency has also been seen as early champion
of gender dimensions of development, having adopted its first gender policy in 2006 and long recognizing gender inequality as “a significant constraint” to achieving its mission.5,6

Board of Directors
MCC is led by a chief executive officer (CEO) – a Presidential appointee requiring Senate confirmation – and overseen by a Board of Directors consisting of five members from the U.S. government and four members from the private sector. U.S. government members include: the Secretary of State, the Secretary of the Treasury, the U.S. Trade Representative, the Administrator of the U.S. Agency for International Development (USAID), and the CEO of MCC.

Private sector members are nominated by the President and confirmed by the U.S. Senate.7

Country Selection Process
The MCC Board carries out a multi-tiered country selection process, by first identifying candidate countries and then assessing their eligibility to apply for assistance.8 Candidate countries are identified based on per capita income. Only low- and lower-middle-income countries, according to World Bank income classifications, are considered candidates. Eligible countries are selected from these candidates based on their demonstrated commitment to policies related to MCC’s three key areas:

- “Ruling Justly,” which includes good governance and fighting corruption,
- “Economic Freedom,” and
- “Investing in People,” which incorporates several measures of population well-being including some related to health.

ELIGIBILITY INDICATORS AND COUNTRY SCORECARD
To determine eligibility and gauge country commitment to key principles, MCC relies on more than 20 quantitative indicators of policy and performance. Three of these eligibility indicators are health-focused:

- public expenditure on health,
- immunization rates, and
- “child health” (a composite indicator that includes child mortality rate, percent with access to water, and percent with access to sanitation).9

How a country performs against all indicators (known as a “country scorecard”) helps determine whether they are eligible for MCC assistance. The MCC Board can also consider two other factors in its decision: the opportunity to reduce poverty and generate economic growth within a country, and the availability of MCC funds.10
Types of Assistance
Since its creation in 2004, MCC has supported development programs in 43 low- and lower-middle-income countries. MCC assistance is provided through two types of agreements: compacts and thresholds.

Compacts are larger agreements that can span multiple sectors and which typically last five years. To be eligible for compact funding, a candidate country must score above the median compared to other countries in its income group (e.g., other low-income countries) with regard to at least 10 of the eligibility indicators, including two required indicators:

- above median performance on “corruption” and
- meeting a minimum standard for either the “civil liberties” or “political rights” indicators (or both).

Through August 2018, MCC has signed 36 compacts with 29 countries (some countries have signed a second compact after the first ended), for amounts ranging from $66 million to $698 million. A legislative change enacted in April 2018 allows MCC to now pursue agreements with regional investments (i.e., with neighboring countries) in addition to its standard bilateral agreements; to date, no regional investments have been approved.

![Millennium Challenge Corporation (MCC) Funding, FY 2004-FY 2019 Request](image-url)

NOTES: 2019* refers to the White House Request amount. FY08 includes a rescission of $58 million as specified in P.L. 110-252. FY10 includes a rescission of $50 million as specified in P.L. 111-226. FY13 includes the effects of sequestration.
**Thresholds** are smaller, targeted, shorter-term grants designed to help countries become compact-eligible. A candidate country not meeting the criteria for a compact but demonstrating commitment to improving its performance may be eligible for threshold funding. MCC has signed 29 threshold agreements with 27 countries (some countries signed a second threshold agreements after the first ended), for amounts ranging from $6.7 million to $55 million. Nine countries have successfully transitioned from receiving threshold funding to subsequently signing a compact.

**U.S. Government Funding**

First funded by Congress at $994 million in FY 2004, MCC appropriations reached a peak of $1.75 billion in FY 2006 and FY 2007. Since then, appropriated funding for MCC fluctuated somewhat, though in recent years remained steady at around $900 million a year (see Figure 1). The current Administration requested reduced funding for MCC for the last two years ($800 million in FY 2018 and FY 2019), though Congress maintained level funding for FY 2018.

Since 2004, MCC has committed over $14 billion in assistance through its compact and threshold agreements. Most MCC funding has been provided through compacts (96%), with a smaller proportion provided through thresholds (4%).

**MCC Support for Global Health**

The MCC portfolio of projects spans many sectors of development, including health. MCC recognizes health as important to its poverty reduction mission and has supported a number of health projects in a range of countries. These have included support in areas such as HIV/AIDS, family planning and reproductive health, nutrition, and other public health efforts, as well as water and sanitation. Together, health and/or water and sanitation has been included in 12 compacts and five threshold agreements, spanning 16 countries. From FY 2004 through FY 2018, MCC has committed almost $1.5 billion to projects focused on health and/or water and sanitation, which equals almost 11% of total committed funding. Around $310 million of this amount has been for health-specific projects, while $1.182 billion has been for water and sanitation.

Looking at disbursements, the share MCC has directed to health has grown over time. In FY 2007, $4.7 million (about 1% of all disbursements) was directed to health and/or water and sanitation, while in FY 2017, $141 million (about 20% of all disbursements) was directed to these sectors. See Table 1 and Figure 2.

<table>
<thead>
<tr>
<th>Table 1: MCC Disbursements for Health, Water and Sanitation, and All Other Sectors, FY 2007 - FY 2017</th>
<th>(in $ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sector</td>
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<tr>
<td>Health</td>
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<tr>
<td>Water and Sanitation</td>
<td>5.3</td>
</tr>
<tr>
<td>All Other Sectors</td>
<td>211.9</td>
</tr>
<tr>
<td>TOTAL</td>
<td>217.2</td>
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</table>

**Sources:** Kaiser Family Foundation analysis of data from the U.S. Foreign Assistance Dashboard, [www.foreignassistance.gov](http://www.foreignassistance.gov)
Health Projects

Health projects (other than water and sanitation) have been included in four compacts and four threshold agreements with seven countries. Funding for these projects made up varying proportions of each agreement’s total funding, ranging from 0.4% of Namibia’s compact funding to 36% of Indonesia’s threshold funding (see Table 2). Some examples of health projects supported by MCC are:

- Lesotho’s compact (completed 2013) supported the renovation and expansion of HIV/AIDS treatment clinics, a new central laboratory facility, and improvements to tuberculosis control and maternal and child health.
- Mongolia’s compact (completed 2013) included investments in prevention and management of non-communicable diseases.
- Namibia’s compact (completed 2014) included support for targeted HIV/AIDS education programs.
- Threshold programs in Peru (completed 2010) and Timor-Leste (completed in 2014) have included efforts to improve childhood immunization, while Indonesia’s compact (completed 2018) includes funding for childhood nutrition.
Water and sanitation projects have been included in nine compacts and one threshold agreement with ten countries. As a proportion of total country compact funding, support for these projects ranged from 2% of Ghana’s compact funding to 100% of Zambia’s compact funding (see Table 2). Some examples of water and sanitation projects supported by MCC are:

- Jordan’s compact (completed 2016) has sought to rehabilitate the water supply and distribution network, improve sewage systems, and expand wastewater treatment.
- Mozambique’s compact (completed 2013) focused, in part, on investments in rehabilitation of urban water supply systems.
- Tanzania’s compact (completed 2013) supported improving potable water supply in two urban areas.
- Cabo Verde’s compact (completed 2018) was largely focused on water infrastructure and regulation of the country’s water sector, while Zambia’s compact (completed 2018) focused on improving water and sanitation infrastructure, management, and policy.

**Coordination with Other U.S. Efforts**

MCC has made efforts to coordinate with other U.S. foreign assistance agencies on health. For instance, through its compact with Lesotho focused on HIV/AIDS and other health issues, MCC coordinated with President’s Emergency Plan for AIDS Relief (PEPFAR, the U.S. government’s response to global HIV/AIDS) programs in-country. MCC and PEPFAR also jointly created a Data Collaboratives for Local Impact initiative in 2015 to help build the capacity communities to generate and use data effectively. MCC has at times served as a resource for other agencies seeking to learn from its approach. For example, MCC has partnered with the State Department’s Office of the Global AIDS Coordinator (OGAC), which administers PEPFAR, to promote mutual learning on country ownership and sustainability of foreign assistance.

**Key Issues for the U.S.**

MCC, once considered a novel approach to U.S. foreign assistance, is now in its second decade of operation. Going forward, the agency faces a number of ongoing opportunities and challenges. Sustainability of funding for MCC remains a concern, especially in light of tight federal foreign assistance budgets and the reduced funding requested by the current Administration in recent years. While MCC has recognized the value of health for development, most of its funds in this area have focused on water and sanitation infrastructure projects, with only a small portion going to other health projects. Still, the agency’s efforts to coordinate MCC activities with those of other U.S. agencies such as PEPFAR, and its ongoing investments in health projects, demonstrate some commitment to engaging in global health.

**Endnotes**

2. MCC, About MCC, webpage, [https://www.mcc.gov/about](https://www.mcc.gov/about).
6. Per MCC guidelines that provide operational guidance to countries in this area: MCC, Gender Integration Guidelines, March 2011.
Eleven compacts are currently active: Benin (its 2nd), Cote d’Ivoire, El Salvador (2nd), Georgia (2nd), Ghana (2nd), Liberia, Malawi, Morocco (2nd), Nepal, Niger, and Senegal (2nd). Compacts in Madagascar (2009) and Mali (2012) were terminated due to coups. Compacts with 23 countries have been fully completed: Armenia, Benin (1st), Burkina Faso, Cabo Verde (1st and 2nd), El Salvador (1st), Georgia (1st), Ghana (1st), Honduras, Indonesia, Jordan, Lesotho, Moldova, Mongolia, Morocco, Mozambique, Namibia, Nicaragua, Philippines, Senegal (1st), Tanzania, Vanuatu, and Zambia.

There are five currently active threshold programs: Guatemala, Honduras, Kosovo, Sierra Leone, and Togo. Two countries (Mauritania and Yemen) have had their eligibility terminated before their programs were implemented. Niger’s threshold was suspended in 2009 for government behavior contrary to MCC criteria but reinstated in 2011. CRS, Millennium Challenge Corporation, RL32427, April 2018.

The nine countries that have completed thresholds and moved on to compacts are: Burkina Faso, Indonesia, Jordan, Liberia, Malawi, Moldova, the Philippines, Tanzania, and Zambia. CRS, Millennium Challenge Corporation, RL32427, April 2018.


