



MCC and Harmonization

Harmonization is a major principle of the Paris Declaration on Aid Effectiveness and refers to harmonization of all aspects of aid delivery with other donors. The commitments under this principle call upon donors to implement common planning, funding, disbursement, monitoring and evaluation, and reporting procedures; promote joint missions, analytic work, and training with other donors; fully delegate the execution of aid activities and programs to other donors, where appropriate; promote a harmonized approach to environmental assessments; and reform agency procedures and incentives so that management and staff are motivated to work towards increased harmonization, alignment, and results.

MCC has made some progress towards these commitments, as the examples that follow illustrate; however, it could more actively seek out mutually beneficial opportunities to improve aid effectiveness through further harmonization with donor partners.

- ★ MCC assistance reflects features of a program-based approach (PBA) by requiring leadership from the partner country, providing a single comprehensive program or budget framework, and supporting the use of local systems where feasible. Compacts do not at this time incorporate a formalized donor process for coordination and harmonization of donor procedures; however, they must, pursuant to MCC's founding legislation, describe the current and potential participation of other donors in the achievement of such objectives.
- ★ MCC is participating in the Ghana Joint Assistance strategy and is active, or exploring active participation, in sector-wide approaches (SWAs) and other program-based approaches (PBAs) in Mozambique, Namibia, and Tanzania.
- ★ Where MCC investments are part of a PBA or where MCC is a major sector player, MCC participates in joint government-donor reviews and in common planning and government reporting processes. MCC also uses common monitoring and evaluation indicators where possible, and supplements as necessary with additional compact-specific indicators (often outcome and impact-level indicators). MCC has also provided information on compact activities and indicative medium-term commitments to common aid reporting frameworks in a number of countries.

The Millennium Challenge Corporation is a U.S. Government agency designed to work with some of the poorest countries in the world. Established in January 2004, MCC's mission is to reduce poverty through the promotion of sustainable economic growth. Before a country can become eligible to receive assistance, MCC looks at their performance on 17 independent and transparent policy indicators. Countries that perform well on the indicators may be considered eligible for Compact Assistance.

- ★ MCC supports the need for a more effective division of labor, but believes that partner countries should play a lead role in determining which donors are active where. To date, the agency has made only limited use of delegated cooperation, which is where one lead donor acts with authority on behalf of one or more delegating donors at any stage of a program's or activity's development or implementation.
- ★ MCC uses existing country planning and review mechanisms to the extent possible, but could do significantly more to harmonize its procedures with other donors. MCC uses modified World Bank procurement guidelines, like many donors, and MCC's environmental guidelines are based on international best practices in the field, including, but not limited to, the "Principles of Environmental Impact Assessment Best Practices" of the International Association for Impact Assessment, the environmental policies and guidelines of the multilateral development banks, the *Common Approaches* developed by export credit agencies through the OECD, and the *Equator Principles* in use by international commercial banks.
- ★ As an incentive for collaborative behavior, MCC recently launched an annual donor coordination award to recognize an MCC employee who has meaningfully harmonized MCC-funded projects with others or otherwise tangibly and successfully coordinated activities to further the agency's mission.
- ★ Because our missions are compact-specific (initially for project development and appraisal and later for project monitoring and oversight), MCC has conducted relatively few joint missions to date. MCC does not conduct much of its own but instead relies on the analytic work of other donors. Of the few diagnostic reviews MCC does undertake (growth diagnostics, social and environmental assessments, and indicator analyses), some have been joint.