



MILLENNIUM
CHALLENGE CORPORATION
UNITED STATES OF AMERICA

MCC@20: THE CAPSTONE

A Strategic Review



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EXECUTIVE SUMMARY

MCC'S PLACE IN THE DEVELOPMENT COMMUNITY

In 2004, a bipartisan group in Congress created MCC to promote economic growth and eliminate extreme poverty. MCC's business model spurs growth by making transformational investments in key economic building blocks—only using grants. MCC's founders designed the agency to embody the aid effectiveness principles of country ownership, focus on results, inclusive partnerships, transparency, and mutual accountability. Over the last 20 years, MCC has evolved from a foreign aid experiment into an example of excellence. The MCC model now exemplifies the international consensus on development cooperation effectiveness and has bolstered U.S. global leadership.

MCC has supported essential building blocks of economic growth in nearly 50 countries by investing more than \$16 billion in grant financing, which is expected to benefit almost 400 million people. These large-scale investments have been transformative across a range of sectors including transport, energy, water and sanitation, access to finance, and workforce skills. The work has resulted in over 3,800 kilometers of roads, 113 megawatts of new power generation, 490,000 educated students, and 450,000 trained farmers, among many other accomplishments.

Across administrations of both parties, MCC has played a key role in the U.S. Government's foreign policy goals, while supporting the development priorities of partner countries. With cost-effective and transparent projects, MCC's evidence-based approach ensures American tax-payer dollars are well spent in countries that share democratic values.

PURPOSE

This strategic capstone is the culmination of MCC's yearlong 20th birthday celebration, MCC@20. It is an opportunity to look back at significant accomplishments over the agency's first two decades, reflect on the agency's history, and present a strategic vision for the future. This document assesses the changing global development landscape and builds on lessons learned so that MCC is best equipped to anticipate future challenges and solutions.

TRENDS IN THE GLOBAL DEVELOPMENT LANDSCAPE

MCC is designed to meet the moment. The MCC model allows the agency to adapt and evolve in response to partner country needs, and there are clear global trends that MCC anticipates going forward:

- **Persistent Global Poverty:** After a period of unprecedented progress, lower-income countries are again falling behind. Global poverty reduction had already slowed then reversed during the pandemic. MCC remains committed to expanding opportunities for structurally disadvantaged groups.
- **Democratic Backsliding:** More than half the global population now lives under authoritarian rule. MCC will continue to incentivize countries to undertake key reforms and partner with well-governed democracies to deliver democratic dividends for their people.
- **Environmental Change:** Resilient economies sustain growth in the face of shocks and stresses associated with changing weather patterns. MCC will continue to integrate these considerations into program development and implementation.
- **Technology and Digitalization:** The digital economy is growing at twice the rate of the global economy. In MCC partner countries, digitalization is shaping the nature of economic growth and reinforcing economic divides. In response to growing demand, MCC is investing more in the areas of digital infrastructure, the enabling environment, and digital skills.
- **Rapid Urbanization:** The UN projects that the world's population will be more than two-thirds urban by 2050. MCC designs its programs to balance the needs of both urban and rural populations.
- **Mounting Debt:** High levels of debt and elevated interest rates continue to strain public finances. MCC helps partner countries maintain sustainable debt levels by only providing grants, not loans.

THE MCC@20 VISION

MCC's approach will remain responsive to country needs and trends in the global development landscape. To do so, MCC must reinforce its model, broaden its investment approach, strengthen systems and institutions, and equip itself with the tools to meet the needs of the future.

Priority 1: Reinforce MCC's Model

The foundational aspects of what makes MCC's model highly effective will not change. Furthermore, MCC recommits to ensuring analytical rigor, country ownership, and transparency throughout all stages of the program lifecycle.

- **Uphold country selectivity.** MCC will continue to employ its data-driven and rules-based approach to country selection. MCC also takes seriously the importance of countries demonstrating an ongoing commitment to MCC’s eligibility criteria throughout the duration of its partnerships.
- **Elevate country ownership.** Country ownership at MCC means that partner country counterparts lead the program development process from start to finish. MCC requires broad-based consultations with a wide range of stakeholders, including women and excluded groups.
- **Strengthen transparency and accountability.** MCC’s evidence-based approach is built on the principles of accountability, transparency, and learning. MCC will strengthen its analytical tools, rigorously measure results, hold itself accountable, transparently report data and evaluations, and learn from evidence to improve future programs.

Priority 2: Broaden MCC’s Investment Approach

MCC will continue to support country-led growth strategies while testing new approaches that could widen MCC’s scope and deepen its impact.

- **Promote regional integration.** MCC examines the constraints to regional integration and trade when developing regional compacts. These investments address challenges that constrain the flow of goods and services and generate benefits beyond the partner country’s borders.
- **Reform and diversify MCC’s pipeline** to extend MCC’s impact. MCC seeks to broaden its range of partner countries but will not change its focus on country selectivity or poverty reduction.
- **“Threshold after compact” authority.** MCC regained the authority to reengage with prior compact partner countries who experienced democratic backsliding but are now on a trajectory of reform.

Priority 3: Strengthening Systems and Institutions

Over the last 20 years MCC has learned that it must continue work to strengthen partner countries’ systems and institutions.

- **Support democracies to deliver.** MCC only partners with countries committed to the core principles of democratic governance—including the protection of human rights and fundamental freedoms.
- **Focus on policy and institutional reform.** Over half of MCC programs include reform activities and nearly three quarters support Sustainable Development Goal 16 on Peace, Justice, and Institutions.
- **Systematically integrate resilience.** In response to growing demand from partner countries, MCC will continue to integrate resilience into its programs to help partner countries cope with extreme weather events, changing weather patterns, and other environment-related constraints to growth.
- **Strengthen inclusion and gender equity.** Since its inception, MCC has worked to elevate inclusion and gender issues, target reforms addressing gender-based discrimination, and ensure equal

access to economic benefits. MCC remains committed to advancing gender equity with its partner countries.

- **Prepare the workforce of the future.** MCC is developing innovative education and training programs to meet 21st century workforce needs.
- **Catalyze private investments.** MCC actively seeks opportunities to leverage its grant financing with entrepreneurs and the business community to catalyze investments by the private sector.
- **Leverage partnerships.** MCC enters into partnerships with civil society, governments, and businesses to access cutting-edge research, knowledge, data, funding, networks, and expertise.
- **Enhance digital skills and the use of technology.** MCC is increasingly focused on building out its digital expertise and working to take advantage of digital opportunities with partner countries.

Priority 4. Equip MCC with the Tools to Meet the Needs of the Future

To prepare for the challenges that lie ahead, MCC will advance internal reforms while equipping its workforce for future needs.

- **Accelerate compact development.** MCC has streamlined the allocation of start-up funding, formed compact development teams quicker, and bolstered in-country recruitment and procurement capacity. These reforms have enabled MCC to move more quickly to develop critical economic infrastructure.
- **Develop and evolve innovative tools.** MCC constantly adopts new tools and refines its existing tools to improve its operations, including methods to better incorporate gender and social inclusion and environmental impacts. MCC will continue to innovate in response to the latest evidence available.
- **Invest in people.** MCC has invested in its human capital by making compensation more competitive, ensuring pay equity, increasing staff to balance workloads, and improving work-life balance.
- **Improve organizational health.** MCC values a work environment where employees can create, innovate, and thrive. MCC has established a senior-level position focused on workplace culture, bolstered equal employment opportunity and anti-harassment capacity, and built a new labor relations function.

MOVING FORWARD

Though it has already reached proof of concept, MCC must push the envelope and continue to evolve. Building on lessons learned, the MCC@20 policy framework is a vision for the agency's next chapter. As MCC looks ahead, it is setting a path forward for the agency. The global development landscape will continue to change, and MCC will continue to adapt to deliver even greater development impact.



INTRODUCTION

MCC'S PLACE IN THE DEVELOPMENT COMMUNITY

People around the world are struggling with a range of challenges—from immediate crises like food insecurity and rapidly spreading communicable diseases to longer-term issues like inter-generational poverty and demographic change. As a result of these compounding crises and interconnected shocks, progress on reducing global poverty and inequality reversed during the COVID-19 pandemic for the first time in decades. These cross-cutting challenges have both emerged from and been accelerated by deeply rooted development concerns, such as chronic poverty, extreme weather events, and weak governance.

Yet, we know we can make rapid progress, as more than one billion people were lifted out of poverty under the Millennium Development Goals (MDGs). This led to new global goals in 2015 through the 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs). But despite past progress on the MDGs, the international community is only on track to achieve roughly 15 percent of SDG targets¹. The United States has a leading role to play in helping to realize those goals.

¹ United Nations Department of Economic and Social Affairs, *The Sustainable Development Goals Report* (2024).

The U.S. Government’s (USG) international development work is guided by the 2022 National Security Strategy (NSS) and the 2024 U.S. Strategy on Global Development. The NSS articulates the interests and goals of the United States and commits the USG to “work with allies and partners on development and the expansion of human dignity because we recognize they are integral to the security and prosperity of all Americans.” Similarly, the Strategy on Global Development notes that what we do to advance global development matters—at home and abroad. That is, building a stronger, more resilient global economy is integral to the security and prosperity of all Americans: “The United States needs and wants prosperous partners around the world and is committed to promoting inclusive and sustainable economic growth.” MCC’s mission of reducing poverty through economic growth directly supports core American interests.

The NSS informs MCC’s work in pursuing bipartisan, USG-wide foreign policy goals that have endured throughout MCC’s 20-year history. For two decades, MCC has supported bipartisan development goals and the priorities of partner countries to create a more secure, prosperous, and equitable world. Just as it did in previous Administrations, MCC will play a key role in implementing this Administration’s Strategy on Global Development. Partner countries have more options for development finance than ever before, yet MCC’s high-quality grant assistance presents a critical opportunity for U.S. global leadership. MCC is one of the largest sources of flexible USG grant financing for long-term economic development, and this allows MCC to follow the analysis and listen to country partners in determining the problem and how to solve it. MCC fills a valuable, complementary role in the USG toolkit that is distinct from other USG agencies working on development cooperation.

Importantly, the USG approach adheres to a set of best practices and demonstrated values that distinguishes it from other actors. The MCC model is a leading example of country ownership, focus on results, inclusive partnerships, transparency, and mutual accountability. MCC’s leadership has been repeatedly recognized by the international community². With an evidence-based approach, experienced staff, and cost-effective and transparent projects, MCC ensures American tax-payer dollars are well spent. Even in a changing global environment, MCC stays true to the idea that maximizing development impact is a valuable contribution to USG foreign policy goals on behalf of the American people.

Purpose of this capstone: MCC’s mission of poverty reduction through economic growth and its cost-effective, data-driven model of doing business have contributed significantly to U.S. national interests. MCC’s record of developing high-quality infrastructure with strategic partner countries sustained by targeted and lasting policy and institutional reforms remains well-aligned with the bipartisan emphasis placed on infrastructure and economic growth by recent Administrations. As leading experts often cite MCC as one of the most effective tools in the USG foreign policy toolkit, this success presents an opportunity for the USG to have greater development impact by **scaling MCC**.

In celebration of MCC’s anniversary year, MCC@20, this document synthesizes the agency’s reflection on 20 years of accomplishments and lessons learned. It shares an **organization-wide strategic vision** based on the MCC@20 policy framework that captures institutional learning, assesses the changed global development landscape, and anticipates future challenges and solutions.

² OECD, [OECD Development Co-operation Peer Reviews: United States 2022](#) (2022). “The agency remains a leader on country alignment and promoting national ownership by incentivising reform, conducting careful and deep analysis, drawing on local knowledge and strongly emphasising data, and systematically feeding results and evaluation back into the portfolio.”



TRENDS IN THE GLOBAL DEVELOPMENT LANDSCAPE

THE PAST 20 YEARS

MCC was created at the turn of the millennium to reduce global poverty through economic growth. Created by the U.S. Congress and established in January 2004 with strong bipartisan support, MCC was designed to embody the prevailing aid effectiveness principles of country ownership, a data-driven focus on results, inclusive partnerships, transparency, and mutual accountability. Since its founding, MCC has established proof of concept of its model by delivering measurable results and sustainable impact. *MCC has evolved from an experiment in aid effectiveness to an example of excellence.* In doing so, MCC has invested over \$16 billion in roughly 80 programs, which is expected to benefit almost 400 million people in roughly 50 countries across six continents.

MCC has consistently taken a long view of economic development—making investments now to achieve inclusive growth in the future. MCC does this by working collaboratively with partner countries and supporting their key growth sector priorities. Additionally, MCC's standard of accountability for results requires comprehensive assessment and evaluation of all programs. This foundation is what makes MCC unique and effective in addressing the economic challenges jointly identified with partner countries. While the world changes, the MCC model is built to adapt to emerging global trends that impact economic development.

THE CURRENT MOMENT

Global trends continue to emerge and change the development landscape. Among these are the changing nature of poverty and inequality, a global democratic recession, extreme weather events, unprecedented technological advancement, rapid urbanization, and unsustainable debt in many partner countries. The MCC model maintains its relevance over time by adapting and evolving in response to global trends. MCC expects to pay increased attention to the following key areas as country partners continue to grapple with these challenges moving forward.

Persistent global poverty

Economic growth and poverty reduction have been far too slow in recent years. After an unprecedented convergence with high-income countries around the turn of the millennium, lower-income countries are once again falling behind. While the number of people living in extreme poverty has decreased by more than one billion since 2000, the rate of global poverty reduction slowed considerably around 2015. Progress on both global poverty and inequality then reversed during the pandemic. The resumption of progress has remained slow due to an uneven economic recovery, Russia's war of aggression in Ukraine, and other unexpected shocks. Global gender gaps also remain significant with women making about 77 cents for every dollar that men make with fewer than two thirds of the legal rights³. MCC's goal is to reduce poverty through economic growth, and that requires economic growth that is inclusive, gender-eq-

³ World Bank, [Women, Business, and the Law 2024](#) (2024).

MAKING HEADWAY: COMMUNITY-DRIVEN DEVELOPMENT



The **Philippines Compact** focused on the poorest regions of the country. It included a community-driven project that funded over 4,000 infrastructure improvements identified at the village level.



As part of the **Côte d'Ivoire Compact**, MCC and Bridges to Prosperity partnered to increase rural communities' access to markets and education through the construction of last-mile trail bridges. The project identified 655 crossing sites that blocked critical access for disadvantaged communities.



uitable, and sustainable. The agency is committed to routinely and systematically expanding opportunities for structurally disadvantaged groups to access, participate in, and benefit from MCC investments.

Democratic backsliding

For the first time in two decades, more people live under authoritarian rule than democratic rule. Democratic backsliding is occurring even in established democracies. This is troubling for MCC’s mission of poverty reduction through economic growth, as democracy has been shown to be good for growth⁴. MCC maintains its commitment to helping democracies to deliver for their people by selectively partnering with countries that demonstrate a commitment to democratic principles. MCC’s model creates incentives for potential partner countries to institute reforms that can help deliver economic benefits and bolster democratic institutions.

Environmental change

Shocks and stresses associated with changing weather patterns pose severe threats to economic growth. At the individual level, vulnerable populations generally live in areas with more frequent extreme weather

⁴ Colagrossi, Marco, Domenico Rossignoli, and Mario Maggioni, “[Does democracy cause growth? A meta-analysis \(of 2000 regressions\)](#),” *European Journal of Political Economy* (2020).



MAKING HEADWAY: ENCOURAGING DEMOCRATIC REFORMS



When MCC partner countries have faced democratic challenges, MCC has routinely engaged with their governments to encourage reforms. Most recently in **Sierra Leone**, MCC and the broader USG’s diplomatic engagement and support encouraged the government and opposition to undertake a peaceful political dialogue process that identified key reforms to help strengthen democratic and electoral institutions following the flawed 2023 elections. In recognition of democratic progress to date, MCC’s Board of Directors recently approved the Sierra Leone Compact. MCC will continue to work with the interagency to encourage reforms as the compact moves into implementation.

events and work in sectors with greater related economic impacts. In addition, they have the least ability to adapt to and recover from the damage caused by natural disasters. Building resilient economies is critical to helping developing countries deal with extreme weather events and other environment-related constraints to growth. In response to growing demand from partner countries to focus on building resilience to these shocks, MCC will continue to integrate these considerations into all stages of program development and implementation.



MAKING HEADWAY: ENVIRONMENTAL ADAPTATION

 The **Niger Compact** included irrigated agriculture investments and employed soil and water conservation and restoration techniques, such as tree planting. It supported sustainable land management for agricultural lands, natural resource management, and a community resilience grant program. These conservation investments are now decreasing farmers' vulnerability to fluctuations in rainfall.

 The **Mozambique Connectivity and Coastal Resilience Compact** aims to address risks related to cyclones and flooding by strengthening local economies that are reliant upon agriculture and fisheries. It plans to improve roads and build a large, new bridge in Zambezia. It will also invest in the agricultural sector, promote economic resilience, and address problems caused by long-term ecosystem degradation.



MAKING HEADWAY:

ADDRESSING THE DIGITAL DIVIDE

 The **Togo Threshold Program** is improving citizens' access to Information Communications Technology (ICT) services. The program is encouraging private sector investment, developing an independent regulatory regime, expanding service to underserved areas, and increasing the use of ICT among women and small businesses.

Technology and digitalization

The digital economy has been growing at a rate twice that of global growth and is expected to represent 30 percent of the global economy by 2030⁵. However, a substantial digital divide exists in digital skills and access to digital infrastructure by underserved and marginalized populations that limits their economic potential. MCC partner countries' readiness to join the digital economy as part of their growth strategy is pertinent to MCC's model of addressing constraints to growth now and in the future. As a result, MCC has seen growing demand for digital investments, and this issue area has become an increasingly important part of its portfolio.

Rapid urbanization

Today, over 57 percent of the world's population lives in urban areas, and by 2050, the UN projects that urban populations will exceed two thirds of the global population⁶. Africa, a historical focus of MCC programs, will see its urban population nearly triple by 2050 by adding about 800 million people. Well-functioning and productive urban economies are essential to nation-wide growth, and MCC has a long history of investing in urban-led growth. Roughly one third of MCC's investments have been in urban settings. For example, the Mongolia Water Compact aims to provide a sustainable supply of water to the capital city of Ulaanbaatar to address an impending water crisis. In addition, the Kenya Urban Mobility and Growth Threshold Program was signed in September 2023 and will focus on congestion in the capital city of Nairobi through integrated transport planning and land use planning. The program is part of a broader U.S. commitment in the 2022 U.S. Strategy toward sub-Saharan Africa to "help African cities plan for their growth." MCC will continue to design its programs to balance the needs of both urban and rural populations.

⁵ World Bank, [Digital Progress and Trends Report 2023](#) (2024).

⁶ United Nations Department of Economic and Social Affairs, [World Population Prospects 2024](#) (2024).

MCC IN ACTION:**MCC THOUGHT LEADERSHIP ON URBAN ISSUES**

MCC is actively engaged with leading thinkers on the implications and economic consequences of urbanization. For instance, MCC's **Economics Advisory Council**, a group of leading development economists that advises the agency, focused its April 2023 meeting on "MCC Investments in Urban Settings". MCC also cohosted the **Urbanization and Poverty Reduction Conference** with the World Bank and George Washington University in March 2024.

Mounting debt

High levels of debt and elevated interest rates have made borrowing more expensive and strained public finances. For many countries, the combination of tighter financial conditions, exchange rate depreciations, and higher inflation have led to difficult monetary and fiscal policy trade-offs. For instance, the average low-income country spends more on debt servicing than social assistance or health⁷. This also limits countries' ability to make pro-growth investments such as economic infrastructure. Austerity measures can further strain political stability and increase the potential for a negative cycle of instability, slow growth, and persistent poverty. One of MCC's investment criteria for any project is to ensure sustainability long after interventions have been completed, but high debt levels can negatively affect whether a partner country is able to maintain an infrastructure asset. MCC will continue to help its partner countries maintain sustainable debt levels by reforming utilities while improving service delivery, mobilizing domestic revenues while reforming procurement practices, catalyzing private investment, and only providing grants, not loans.

THE CHALLENGES OF TOMORROW

MCC has a history of being ahead of the curve. The MCC model focuses on prioritizing each country's greatest development challenges by assessing the economic conditions and identifying cost-effective solutions. This often leads to a focus on emergent challenges.

For instance, MCC began developing the Zambia Compact in 2008 to address urban water issues in Lusaka just as the global urban population first exceeded the global rural population. MCC had a robust portfolio of agricultural programs when Feed the Future was launched in 2009, and an emerging set of energy-focused programs to support the Power Africa initiative shortly thereafter. MCC was well into implementing the Philippines Revenue Administration and Reform Project as the Addis Tax Initiative was launched in 2015. Multiple MCC programs were already addressing women's employment and entrepreneurship when the Women's Global Development Prosperity Initiative launched in 2019, and MCC was already heavily invested in economic infrastructure when the Partnership for Global Infrastructure and Investment launched in 2021.

⁷ United Nations Development Programme, *The Human Cost of Inaction: Poverty, Social Protection and Debt Servicing, 2020-2023* (2023).

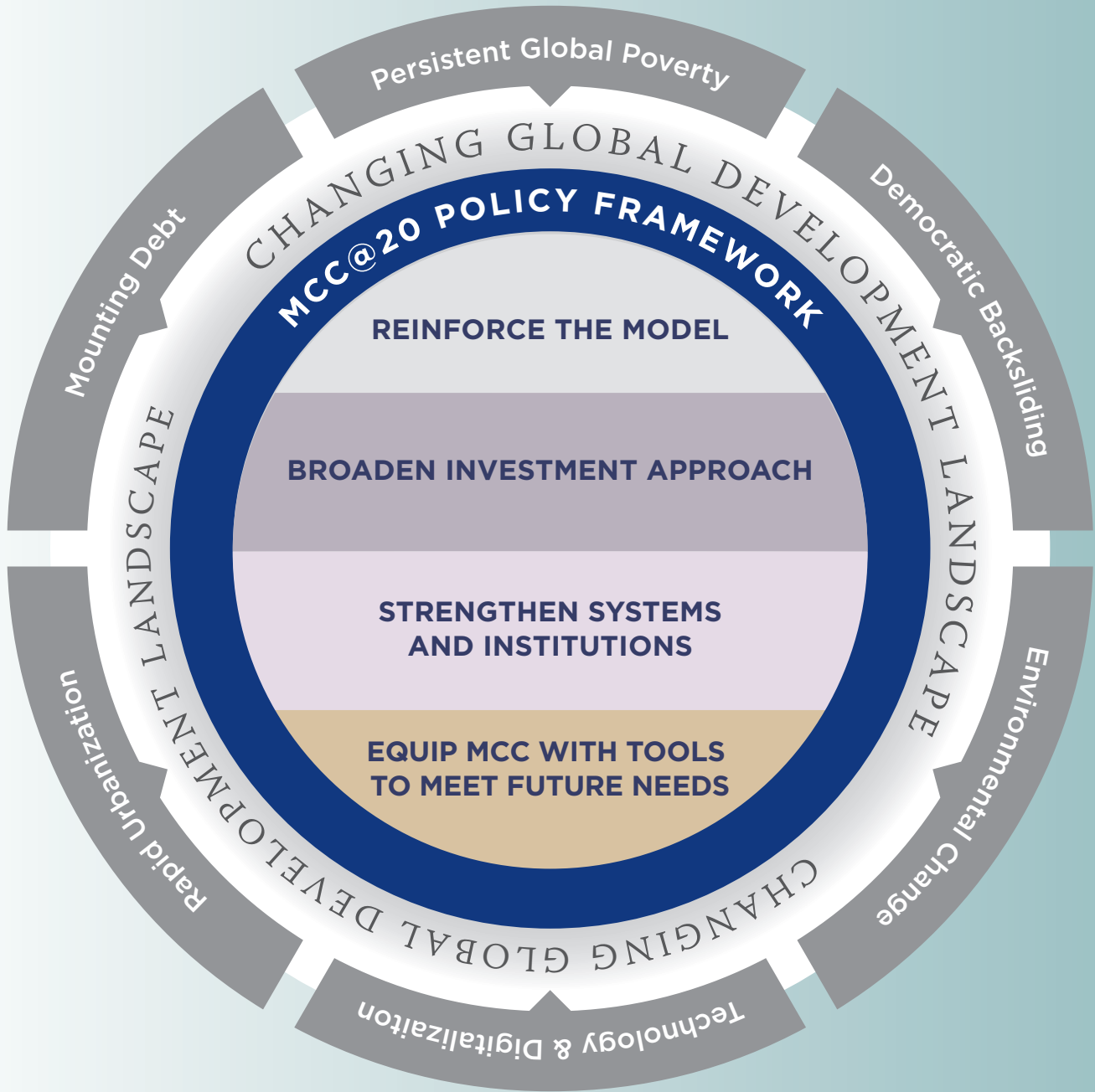
These are not coincidences. At 20 years, MCC has a substantial track record of being a highly adaptable agency with a focus on tailored solutions that deliver outsized development impact for the economic challenges of today and tomorrow. MCC has proven time and again that the MCC model can stand up to and even anticipate the challenges of the future. MCC is equipped with the learning and capabilities to make a meaningful impact as it continues to be responsive to the needs of partner countries in a continuously changing global development landscape.



MAKING HEADWAY: MOBILIZING DOMESTIC REVENUES



The **Guatemala Threshold Program** prioritized critical reforms to improve tax administration. It established an internal affairs office to deter corruption and implemented an audit quality control process, which led to a 22 percent increase in tax revenue.



THE MCC@20 VISION: ADAPTING TO A CHANGING LANDSCAPE

MCC will continue to uphold its mission and model to reduce poverty through economic growth by partnering with relatively well-governed lower-income countries that share democratic values. However, as the challenges that partner countries face continue to evolve, MCC's approach and tools must also adapt so that its programs can remain responsive to country needs. MCC must reinforce its model, broaden its investment approach, strengthen systems and institutions, and equip itself with the tools to meet the needs of the future. The priorities articulated by the MCC@20 policy framework build on the accumulated learning of 20 years of experience and are in response to the needs identified by MCC's partner countries and the emergent trends in the global development landscape.

PRIORITY 1: REINFORCE MCC'S MODEL

The MCC model operationalizes well-recognized aid effectiveness principles in new and creative ways. Each phase of MCC's program development process is designed to maximize the program's potential development impact—from the constraints analysis, root cause analysis, and cost-benefit analysis through to country-led implementation, independent evaluation, and the application of lessons learned.

MCC's decision-making process balances economic analysis against other required investment criteria, such as country ownership, sustainability, and the distribution of benefits across marginalized groups. MCC remains committed to this inter-disciplinary approach to program development. It utilizes matrixed country teams that pull in diverse perspectives from sector technical experts, economists, lawyers, gender and private sector specialists, environmental experts, communications professionals, and more. This provides a balance between the relevant economic and social trade-offs and ensures transparency and rigor in the approach. MCC remains analytically disciplined in its approach and laser focused on promoting economic growth and an equitable distribution of economic benefits.

MCC IN ACTION:

A PRIMER ON THE MCC MODEL

MCC's way of doing business is referred to as the "MCC model" and is widely recognized as an exemplar of development cooperation effectiveness. The MCC model operationalizes the following principles:

Competitive selection: MCC produces country scorecards comprised of 20 independent policy performance indicators. MCC's Board of Directors then selects countries based on strict standards for good governance, democratic rights, and control of corruption.

Country-led solutions: MCC works in close partnership with its partner countries to identify priorities and develop programs in consultation with civil society and the private sector.

Country-led implementation: Partner countries typically establish a local accountable entity responsible for program implementation, often referred to as a Millennium Challenge Account (MCA).

Focus on results: MCC is committed to producing and measuring results to ensure the American people are receiving a strong return on their investment. MCC employs technically rigorous and transparent methods of projecting, tracking, and independently evaluating programmatic impacts.

Transparency: MCC provides comprehensive access to data and evaluations for all projects.

The foundational aspects of what makes the MCC model highly effective will not change. The principles of competitive selection, country-led solutions, country-led implementation, a strong focus on results, and radical transparency have repeatedly proven they can deliver development impact. Recognizing the success of this proven model, MCC recommits to ensuring analytical rigor, country ownership, and transparency throughout all stages of the program development process.

Uphold country selectivity

MCC is the only bilateral donor to guide its country selection and resource allocations so transparently on publicly available policy performance indicators from third-party data sources. To be considered for a compact, countries must be a candidate country based on its average income, pass MCC's country scorecard, and demonstrate a commitment to undertaking reforms to reduce poverty and generate economic growth in the country. In addition to compacts, MCC also provides threshold programs, which are smaller programs reserved for countries that come close to meeting MCC's eligibility criteria and show a firm commitment to improving their policy performance. MCC will continue to employ its data-driven and rules-based country selection process.

MCC's leadership and staff, Board of Directors, and Congressional stakeholders all take seriously the importance of countries demonstrating an ongoing commitment to MCC's statutorily mandated eligibility criteria throughout the life of its partnerships. This is codified in MCC's **Suspension and Termination Policy**. MCC has ended numerous programs due to democratic backsliding. A few examples include:

Tanzania in 2016 due to flawed elections in Zanzibar; the Ethiopia Threshold Program in 2021 due to human rights concerns; and Burkina Faso and Niger due to recent coups. Conversely, MCC is able to renew partnerships with countries taking steps to get back on the right track through MCC’s newly regained “threshold after compact” authority. MCC’s track record is an important signal to partner countries that are backsliding on the principles of good governance and democracy, and MCC will continue to uphold these eligibility criteria.

Elevate country ownership

Country ownership at MCC means that a country’s national government leads the program development process from start to finish. MCC’s partner country counterparts are responsible for guiding the prioritization process, leading program implementation, and ensuring accountability to a broad range of domestic stakeholders. Partner countries first choose the program’s sector based on the constraints to growth analysis. To ensure that decisions reflect a diverse set of views, the analysis includes broad-based consultations with a wide range of stakeholders, including women and excluded groups. Local accountable entities then implement MCC-funded programs and are accountable to domestic stakeholders for their decisions and results. MCC has recently undertaken an ownership review to capture the perspectives, lessons, and experiences of its partners and is considering options to advance the practice of country ownership based on the findings.

MCC IN ACTION: MCC COUNTRY SCORECARDS AND THE MCC EFFECT

MCC’s annual country scorecards are used to measure and evaluate a country’s commitment to the eligibility criteria of good governance, economic freedom, and investing in people. The term “MCC Effect” is shorthand for the incentivizing effect of the eligibility criteria and associated focus on policy performance. MCC’s eligibility criteria encourage countries to undertake policy reform, strengthen institutions, and improve data quality to strengthen their policy performance. Many countries have implemented reforms in the hopes of qualifying for an MCC program. In many cases, country governments have engaged in reform efforts before a single MCC program dollar has been spent.



Strengthen transparency and accountability

MCC’s evidence-based approach is built around the principles of accountability, transparency, and learning. In July 2024, MCC was ranked the world’s most transparent bilateral donor by the Publish What You Fund’s Aid Transparency Index, for the third Index in a row, and the most transparent USG agency for the ninth consecutive time. These accolades validate and reinforce MCC’s commitment to transparency



MCC IN ACTION:

MUTUAL RESPECT AND HONEST CONVERSATIONS AT THE LEADERSHIP LEVEL

MCC regularly convenes its partner country counterparts on a variety of issues to share experiences and learn from each other. For example, MCC periodically convenes **MCC Leadership Conferences**, where leaders from partner countries join MCC leadership to discuss operational issues, including their relationship with MCC. During recent leadership discussions, partner country attendees advocated for more country ownership throughout the compact life cycle, enhanced decision-making authority, and improved locally led stakeholder consultation to better reflect their people's needs.

and accountability, which includes the monthly publication of data to the International Aid Transparency Initiative data standard and quarterly data to foreignassistance.gov. MCC also shares its data through an open data website, data.mcc.gov, and its evidence on the MCC Evidence Platform, evidence.mcc.gov. MCC will continue to hold itself accountable for results, transparently report results data and evaluations while protecting survey respondents' privacy, and learn from evidence to improve future programs.

MCC IN ACTION:

MCC CONTINUES TO IMPROVE ITS EVALUATION POLICY AND PRACTICE

In September 2023, MCC announced major changes to its **Monitoring and Evaluation (M&E) Policy**. Since its last update six years prior, MCC completed 85 evaluations covering 25 countries, and the revised policy builds on acquired lessons learned. The policy paints a clear picture of high-quality M&E and helps MCC staff and partner countries work together to uphold MCC's commitment to evidence-based decision-making to improve development effectiveness.

MCC's **Evidence Platform** exemplifies the commitment to transparently assessing and reporting results and encourages public engagement. MCC publishes evaluations for every program, and they are regularly used internally to learn from past projects to realize improvements in the future. By sharing over 600 reports and data packages from programs in 35 countries, MCC invites the wider development community to actively engage with the learning from its experience and results.

PRIORITY 2: BROADEN MCC'S INVESTMENT APPROACH

MCC is constantly evolving and updating its investment approach to account for changes in the global development landscape as well as new challenges identified by partner countries. MCC's programs are guided by a shared understanding of where opportunities exist to relax the constraints to economic growth and by partner countries' own development plans and priorities. While MCC works across a range of sectors, the core of the MCC model will remain focused on what it has always done well—support the essential building blocks of economies through large-scale investments in transport, power, water and sanitation, access to finance, workforce skills, and much more. By working regionally, diversifying the pipeline, and re-establishing relationships with previous compact partners, MCC is testing new approaches that could widen its scope and extend its impact.

Promote regional integration

Regional investments are among the agency's most recent areas of innovation and learning. These investments recognize that trade and regional integration are key drivers of economic growth. MCC examines the different potential constraints to regional integration and trade from each country's unique perspective. This means that potential investments are likely to address key challenges that constrain the flow of goods and services in a region and have important regional benefits beyond the MCC partner country's borders. MCC's current set of regional programs have incorporated early learning and will continue to evolve as a tool for driving economic impact through the integration of regional markets.

Reform and diversify MCC's pipeline to extend the impact of the MCC model.

The nature of poverty and the economic challenges facing countries have evolved since MCC's founding. Many countries that MCC cannot currently consider for partnership face persistent challenges to their economic growth paths, such as rising debt burdens, food insecurity, and increasingly frequent and severe natural disasters. Proposals to reform MCC's candidate pool seek to include countries up to the International Bank for Reconstruction and Development graduation threshold. MCC's time-tested and rules-based country eligibility model will remain grounded in a transparent and data-driven process that disciplines where MCC works, and this will not change even as it looks to reform and diversify where it can work. Furthermore, MCC's focus on poverty reduction and the constraints to economic growth will not change either—rather, the legislative change would allow MCC to apply its impactful model in a broader range of places.

“Threshold after compact” authority

Countries' development and democratic paths are not linear, and MCC may want to occasionally re-establish relationships with former compact partners that have resumed a path toward reform. With threshold programs, MCC seeks to support countries that may not yet be passing the scorecard but are demonstrating a commitment to reform. MCC previously faced limitations on pursuing threshold programs with prior compact partner countries. However, MCC regained the authority to reengage with prior compact partner countries, allowing MCC to work with countries who demonstrate a commitment to reform after democratic backsliding. MCC's Board of Directors selected the Philippines and Tanzania in December 2023 for threshold programs. In recognition of their renewed commitments to advancing reforms to



MAKING HEADWAY: MCC'S FIRST REGIONAL INVESTMENT

 In December 2022, MCC and Benin's President Talon signed the first regional program during the U.S.-Africa Leaders Summit. The **Benin Regional Transport Compact** will strengthen regional trade by rehabilitating a crucial trade corridor to allow goods to flow faster and more efficiently.

strengthen democratic governance, MCC is currently working with them to identify constraints to growth and determine programmatic priorities focused on policy and institutional reforms.

PRIORITY 3: STRENGTHENING SYSTEMS AND INSTITUTIONS

Over the last 20 years MCC has learned that it is critical to strengthen the resilience of partner country's systems and institutions. MCC's partner countries have increasingly encountered unexpected shocks that can set back economic growth in unpredictable and sudden ways. MCC has responded by supporting partner countries' political and economic institutions, enhancing their resilience to shocks and stresses, strengthening inclusion and gender equity, preparing the workforce and enhancing digital skills, catalyzing private sector investments, and leveraging partnerships with organizations aligned with MCC's mission. By strengthening systems and institutions, MCC's partner countries are better able to cope with unexpected shocks, deliver better public services, and build more resilient economies.

Support democracies to deliver

MCC is unique in that it makes large grant investments addressing constraints to economic growth but only in relatively well-governed democracies committed to human rights and fundamental freedoms—some of which are experiencing recent democratic transitions. For example, following The Gambia's historic transition to democracy in 2017, MCC selected the country for a threshold program, which ultimately focused on improving governance of the power sector. As The Gambia continued on the path of democratic reform, it was selected as eligible to develop a compact by MCC's Board of Directors following free and fair elections in 2021. MCC will continue to utilize its high-quality grant assistance to support democracies to deliver tangible economic benefits to their people. This means improving public

services, enhancing the business enabling environment for the private sector, making investments in human capital, and generally providing greater opportunity for their people.

Focus on policy and institutional reform

The MCC model inherently recognizes the strong relationship between institutional quality and economic growth. Policy and institutional reforms (PIRs) involve changes to formal and informal rules that govern organizations and may relate to laws, policies, regulations, procedures, norms, etc. Conditions in program agreements typically include PIRs that are necessary for achieving sustainable outcomes, and these reforms are particularly salient in threshold programs. MCC's investment criteria require that investments ensure sustainable results—including the PIRs required for success. As a result, over half of MCC projects and all threshold programs include a focus on PIRs. Roughly three quarters of MCC's portfolio—over \$11 billion—supports SDG 16 on Peace, Justice, and Institutions.

Systematically integrate resilience

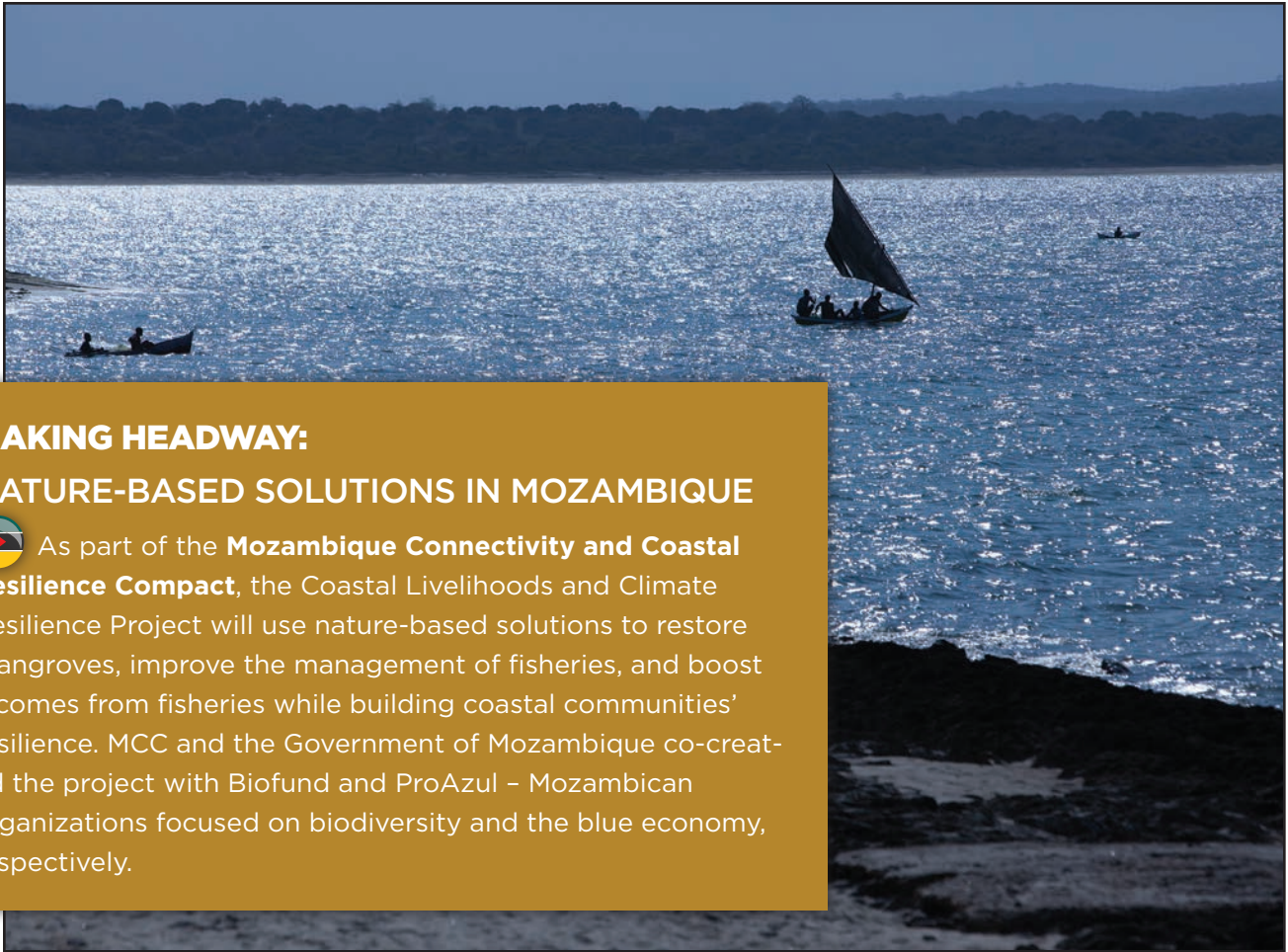
Building resilient economies is critical to helping countries adapt to extreme weather events, shocks and stresses associated with changing weather patterns, and other environment-related constraints to growth. In response to growing partner country demand to focus on building resilience to these shocks, MCC will continue to integrate these considerations into all stages of program development and implementation. MCC is leading on these issues in several ways, including by promoting low-carbon economic development, integrating resilience across analytical tools and decision-making, catalyzing private capital for climate finance, and pursuing partnerships to share learning and amplify the positive impacts of MCC programs.

Strengthen inclusion and gender equity

Since its inception, MCC has worked to elevate inclusion and gender priorities, target reforms addressing gender-based discrimination, and ensure equal access to economic benefits. MCC launched its Inclusion and Gender Strategy in 2022 and a revised Gender and Inclusion Policy in 2024. The goal is to design programs that address social and gender risks and maximize economic opportunities for excluded groups, particularly women. MCC remains committed to routinely and systematically integrating these issues into its programs through all phases of program development and implementation to advance more equitable outcomes.


Prepare the workforce of the future

MCC takes a systemic approach to education and training that aims to prepare individuals for success in the workplace while meeting the 21st century workforce needs of the private sector. MCC's programs aim to improve teacher and school quality, enhance curricula and materials, provide access to underserved populations, and improve technical infrastructure and facilities. In Morocco, Timor-Leste, Georgia, Cote d'Ivoire, and Belize, MCC has invested in programs to strengthen the labor market by supporting targeted technical skills, functional numeracy and literacy, digital literacy, and critical thinking. In each program,



MAKING HEADWAY:

NATURE-BASED SOLUTIONS IN MOZAMBIQUE

 As part of the **Mozambique Connectivity and Coastal Resilience Compact**, the Coastal Livelihoods and Climate Resilience Project will use nature-based solutions to restore mangroves, improve the management of fisheries, and boost incomes from fisheries while building coastal communities' resilience. MCC and the Government of Mozambique co-created the project with Biofund and ProAzul – Mozambican organizations focused on biodiversity and the blue economy, respectively.

MCC partners with the government and key stakeholders to undertake critical policy reforms to improve existing institutions and reinforce the long-term sustainability of improvements.

Catalyze private investments

Since its founding, MCC has actively sought opportunities to leverage its high-quality grant funding to catalyze private investment in partner countries to promote economic growth and maximize program impact. MCC has honed its ability to help partner countries design, strengthen, and harness financial markets through a range of blended finance tools, including project preparation, transaction advisory services, grant facilities, viability gap financing, guarantees, and on-lending support. For instance, in the Solomon Islands Threshold Program, MCC is using blended finance to reduce the risk of tourism investments for first movers into the small market by providing letters of credit, loan guarantees, and viability gap funding to reduce initial investment costs. The program is expected to increase private sector investment in an important sector for the future growth of the Solomon Islands. MCC is currently finalizing new guidance for the economic assessment of blended finance investments to catalyze socially impactful private sector investments in a cost-effective manner.

Leverage partnerships

MCC's partnerships are ideally suited to address long-term, multi-faceted challenges that require learning, innovation, collaboration, and sustained effort. MCC and its partner countries benefit from partnerships that leverage the expertise, capabilities, funding, data, and activities of private sector, civil society, and other public sector entities into its programs. Through partnerships, MCC is developing leading-edge analytical and diagnostic methods and connecting MCC's programs with other investments to drive greater development impact. MCC is expanding the use of partnerships for program development and implementation, including co-creation, cost sharing, and shared governance structures. This will enable MCC to better partner with local organizations and non-traditional partners who often have stronger local knowledge and ties.

Enhance digital skills and the use of technology

MCC is investing more in the areas of digital infrastructure, the enabling environment, and digital skills in response to the needs identified by partner countries. MCC is also building out its digital expertise and its use of technology. For instance, MCC is using geospatial information to inform and accelerate its work by identifying binding constraints, evaluating programmatic alternatives, and monitoring and evaluating impacts. As part of this effort, MCC partnered with NASA, RTI International, and Mathematica during the pandemic to use high-resolution drone imagery to identify crops to monitor and evaluate the impacts of irrigation infrastructure and land restoration investments. MCC will continue to collaborate with other USG agencies, reach out to cutting edge technology startups and companies, and work across MCC to take advantage of digital opportunities with partner countries.

MAKING HEADWAY: INCLUSION ASPECTS OF THE INDONESIA COMPACT

 The access to finance project in the **Indonesia Infrastructure and Finance Compact** will provide financial assistance, digital and financial literacy training, and business development training to woman-owned micro, small and medium-sized businesses. The project will also support women-friendly workspaces with childcare options and encourage the formalization of informal enterprises.




PRIORITY 4. EQUIP MCC WITH THE TOOLS TO MEET THE NEEDS OF THE FUTURE

MCC is constantly making improvements to become more effective. MCC has undertaken reforms to accelerate compact development timelines while balancing risks related to unfinished projects. MCC is evolving its tools to incorporate new innovations, stay current with new research and thinking, and improve its operations in response to new learning. MCC continues to invest in its staff through new positions and more competitive compensation and seeks to improve its organizational health to enable staff to be more productive and efficient. To prepare for new challenges, MCC will continue to push ahead on ongoing internal reforms while equipping MCC's workforce for the needs of the future.



MAKING HEADWAY:

CUTTING-EDGE PARTNERSHIPS TO ASSESS LABOR MARKETS IN MOROCCO

 **MCA-Morocco** partnered with the Mohammed VI Polytechnic University, OCP Solutions, Atlas Cloud Services, and Morocco's Ministry of Labor to develop a platform to compile labor market information. They used big data and artificial intelligence to cover a range of industries and geographies, and insights from the platform can be used by the public to identify real-time trends. MCA-Morocco also partnered with MIT's Jameel Poverty Action Lab (J-PAL) and Harvard's Evidence for Policy Design to build expertise in evidence-based policy design concerning employment. The partnership intended to maximize the effectiveness of government policy by sharing research findings with decision-makers to support the creation of new jobs, particularly for youth.

MCC IN ACTION: MCC'S VALUES ARE CLEAR

CLEAR

MCC's values form the foundation of its workplace culture. They guide how MCC makes decisions, sets priorities, addresses challenges, manages tradeoffs, recruits and develops staff, and works together with partner countries and stakeholders. Though the values were identified through a staff-led process in 2012, they remain just as relevant today. MCC's values are CLEAR:

Embrace Collaboration: MCC works together toward clear, common goals with a spirit of creativity and teamwork. Having diverse perspectives at the table leads to finding the best solutions.

Always Learn: MCC questions assumptions and seeks to understand what works, what doesn't, and why. Failing to reach a goal can be an important source of learning to apply and share broadly.

Practice Excellence: MCC is a leader, and it has high standards for itself, its partner countries, and its investments. MCC brings out the best in itself and in others.

Be Accountable: MCC owns its actions, is honest about its limits and missteps, and holds itself and others responsible for good performance. MCC is transparent and explains its decisions.

Respect Individuals and Ideas: MCC is inclusive, acts with humility, and values diverse ideas. MCC listens and fosters strong relationships with its colleagues and partners.

Accelerate compact development

MCC has long observed that more efficient compact development could accelerate its economic impact. This comes into sharper focus when alternative sources of development finance may be available sooner—yet often contribute to unsustainable debt. However, rushed compacts can result in numerous amendments or unfinished projects. To balance these risks, MCC launched a reform initiative in 2021 to accelerate compact development. MCC now allocates the full, upfront budget of compact development funding shortly after selection, which streamlines the congressional notification process and enables a more rapid formation of the compact development team. MCC also recently established new strategic contracting vehicles to boost MCA recruitment efforts and bolster contracting capacity in early stages. Together with other initiatives, these adjustments have accelerated program development

and reduced MCC's unobligated budget balances to very low levels. This has also introduced uncertainty regarding MCC's ability to predictably fund its programs in a timely way. While MCC is now better equipped to develop critical economic infrastructure more quickly, it also has a greater need for upfront budget resources.

MCC IN ACTION: PROCUREMENT REFORMS FOR MORE EFFICIENT PROGRAM DEVELOPMENT AND IMPLEMENTATION

Procurement reforms introduced as part of **Procurement@20** have led to faster timelines by reducing approval times, streamlining bid challenges, and facilitating more efficient technical evaluation panels. New tools improve MCC's ability to meet the needs of its partners, such as time and material contracts and sustainable procurement practices. Expanded use of grants has allowed MCC to work better with local organizations and non-traditional stakeholders who often have greater local knowledge and relationships. For instance, MCC issued a \$17 million grant in 2023 to the American Councils for International Education to run youth skills camps for secondary school students from Kiribati.

Develop and evolve innovative tools

As part of its learning culture, MCC constantly develops and evolves its tools to enhance its analytical frameworks and improve its operations. These adaptations are based on the latest evidence and technically relevant approaches proposed by the broader development community. In the last few years, this has included methods to better incorporate gender and social inclusion and environmental impacts. MCC's constraints analysis now routinely incorporates insights from the gender and social inclusion perspective, and MCC has developed guidance to incorporate environmental externalities and uncertainties into its cost-benefit analysis. MCC also recently developed new contracting mechanisms to help partner countries implement high quality procurement, fiscal, recruiting, and technology solutions. MCC will continue to innovate and evolve in response to new evidence and ideas.

Invest in people

In response to anonymized staff feedback provided through the annual Employee Viewpoint Survey (EVS) administered by the Office of Personnel and Management, MCC created an agency-wide EVS Response Plan to address challenges related to increasing workloads and to help improve work-life balance. After many years of a flat-lined administrative budget, MCC garnered external stakeholder support for increasing the administrative expense budget cap by more than one third over the past four fiscal years. This enabled MCC to hire new federal and contract staff to balance workloads. As part of a broader effort related to pay equity, MCC also reformed its performance-based pay bands by aligning minimums with the pay scales of the federal General Schedule and increasing the competitiveness of MCC pay and compensation. MCC will continue to invest in its people to ensure its workforce can continue to deliver on MCC's mission.

Improve organizational health

MCC values and supports a work environment where employees can create, innovate, and thrive. As a global organization, MCC also recognizes the value of diversity in ideas and cultures. MCC established a senior-level position focused on workplace culture, and a dedicated group of career staff formed a voluntary council to develop and implement a corporate-level strategy to institutionalize inclusive practices and more broadly improve organizational health. MCC has also made efforts to bolster equal employment opportunity and anti-harassment capacity and has built a new labor relations function to build a constructive working relationship with MCC's new union. MCC will strive to create a collaborative working environment that ensures the inclusion of staff at all levels in the workplace culture.



MOVING FORWARD

MCC must continue to evolve. Though it has already reached proof of concept on the bold experiment that inspired its founding, MCC must also continue to push the envelope. Building on what MCC has learned and what it anticipates the needs to be, the MCC@20 policy framework is a vision for the agency's next chapter. As MCC looks beyond its twentieth anniversary, it is setting a path forward for the agency. The global development landscape will continue to change dramatically, and MCC will continue to adapt to deliver even greater development impact.



Reducing Poverty Through Growth

