

United States Millennium Challenge Corporation and Nepal

Introduction

The Millennium Challenge Corporation (MCC) is an innovative and independent U.S. foreign aid agency that is helping lead the fight against global poverty. Created by the U.S. Congress in January 2004, MCC is delivering U.S. foreign assistance with a focus on good policies, country ownership, and results. MCC is a prime example of smart U.S. Government assistance in action, benefiting both developing countries and U.S. taxpayers through:

- Competitive selection: Before a country can become eligible to receive assistance, MCC's Board examines its performance on independent and transparent policy indicators and selects compact-eligible countries based on policy performance. MCC forms partnerships with countries committed to good governance, economic freedom, and investments in their citizens.
- Country-led solutions: MCC requires selected countries to identify their priorities for achieving sustainable economic growth and poverty reduction. Countries develop their MCC proposals in broad consultation within their society. MCC teams then work in close partnership to help countries refine a program.
- Country-led implementation: MCC administers the Millennium Challenge Account (MCA). When a country is awarded a compact, it sets up its own local MCA accountable entity to manage and oversee all aspects of implementation. Monitoring of funds is rigorous and transparent.

MCC grants complement other U.S. and international development programs. There are two primary types of MCC grants: compacts and threshold programs. Compacts are large, five-year grants for countries that pass MCC's eligibility criteria. Threshold Programs are smaller grants awarded to countries that come close to passing these criteria and are firmly committed to improving their policy performance.

Nepal Eligibility

In December 2014, MCC's Board of Directors selected Nepal as eligible to develop a compact program. Throughout the compact development process, Nepal must continue to perform well on the policy indicators used in MCC's competitive selection process. In December 2015, the MCC Board of Directors selected Nepal as eligible to continue developing a compact.

Compact Development

The Government of Nepal and MCC have conducted extensive analysis and stakeholder consultations on the country's constraints to economic growth. Based on the findings, the Government of Nepal has agreed to work with MCC to explore a compact program that addresses power and transport sector challenges. The Government of Nepal has created a dedicated compact development team comprised of experienced professionals who are working with MCC to begin further consultations with relevant institutions, civil society, development partners, and other stakeholders to identify specific compact investments that meet MCC investment criteria. Compact development can take as little as 24-27 months, though can take longer depending on the complexity of proposed projects and other considerations. Once a compact program is designed, it is presented to MCC's Board of Directors and considered for approval. If approved, Nepal will have a few months to prepare the program for implementation, and five years to complete it from Entry-into-Force.

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