

Economic Growth Approach to Poverty Reduction and Food Security



Lesson's Learned in Design and Implementation

Presented by:
Millennium Challenge Corporation

Advisory Committee on Voluntary Foreign Aid
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The MCC Compact Process

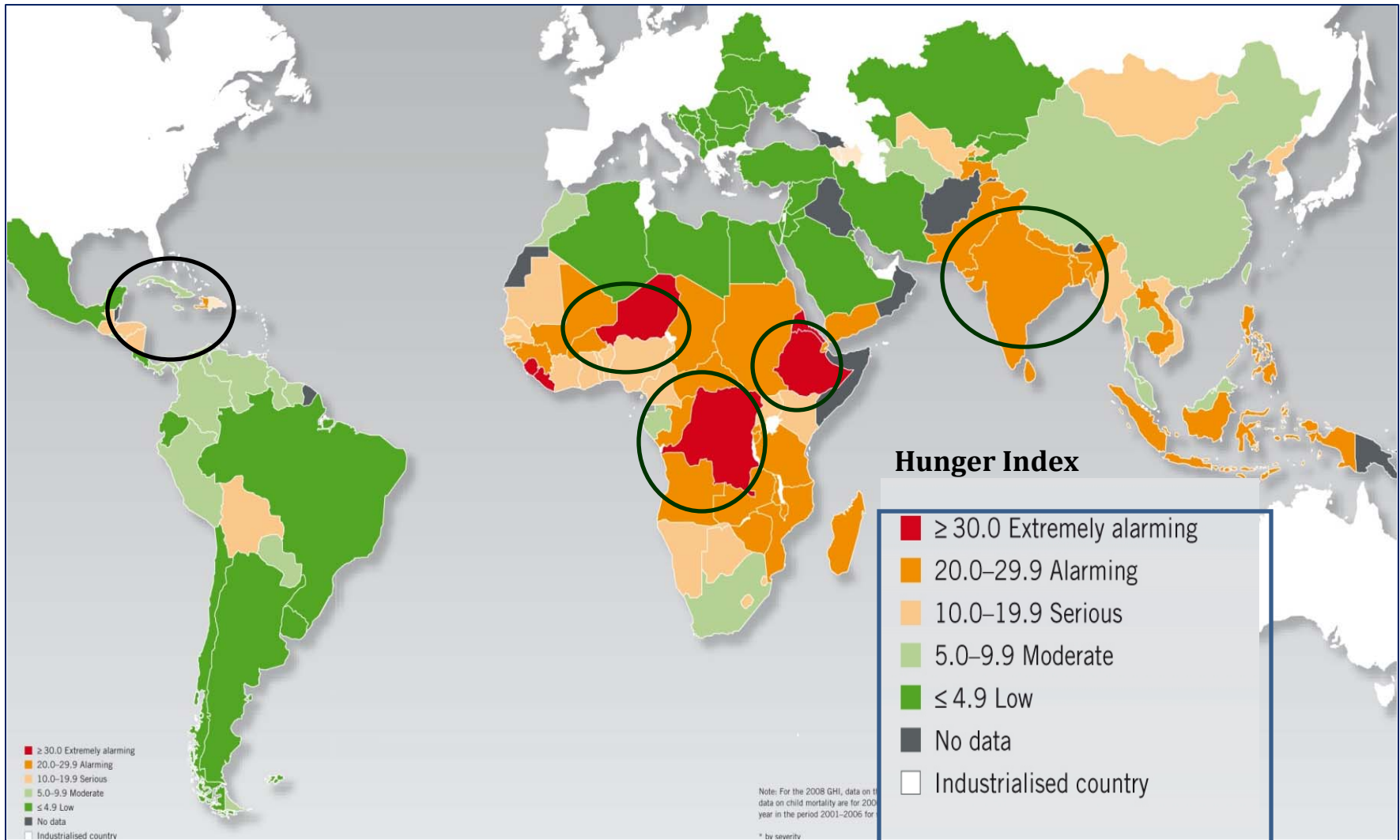
- **MCC Mission – *Poverty Reduction Through Economic Growth***
- **MCC expects our country partners to:**
 - **Develop their own proposals**
 - **Implement their own programs**
 - **Establish capacity to, post-compact, continue to lead their own economic development efforts**
- **Eligible country identifies priorities and submits proposal AFTER constraints analysis and broad consultative process**
- **Funding mechanism is a 5 year grant**
- **No earmarks but the proposal must:**
 - **Meet economic tests (ERR)**
 - **Have performance benchmarking**
 - **Clearly identify beneficiaries**
 - **Demonstrate ability to reduce poverty**

Food Security Definition: What role does MCC Play?

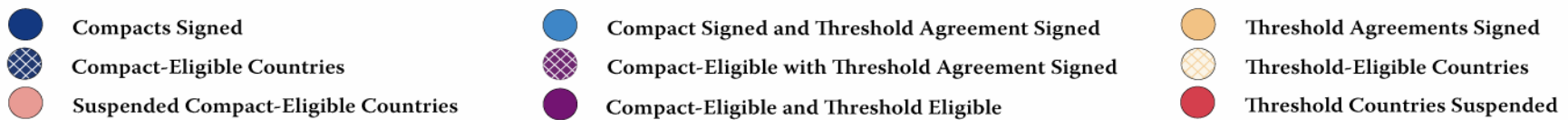
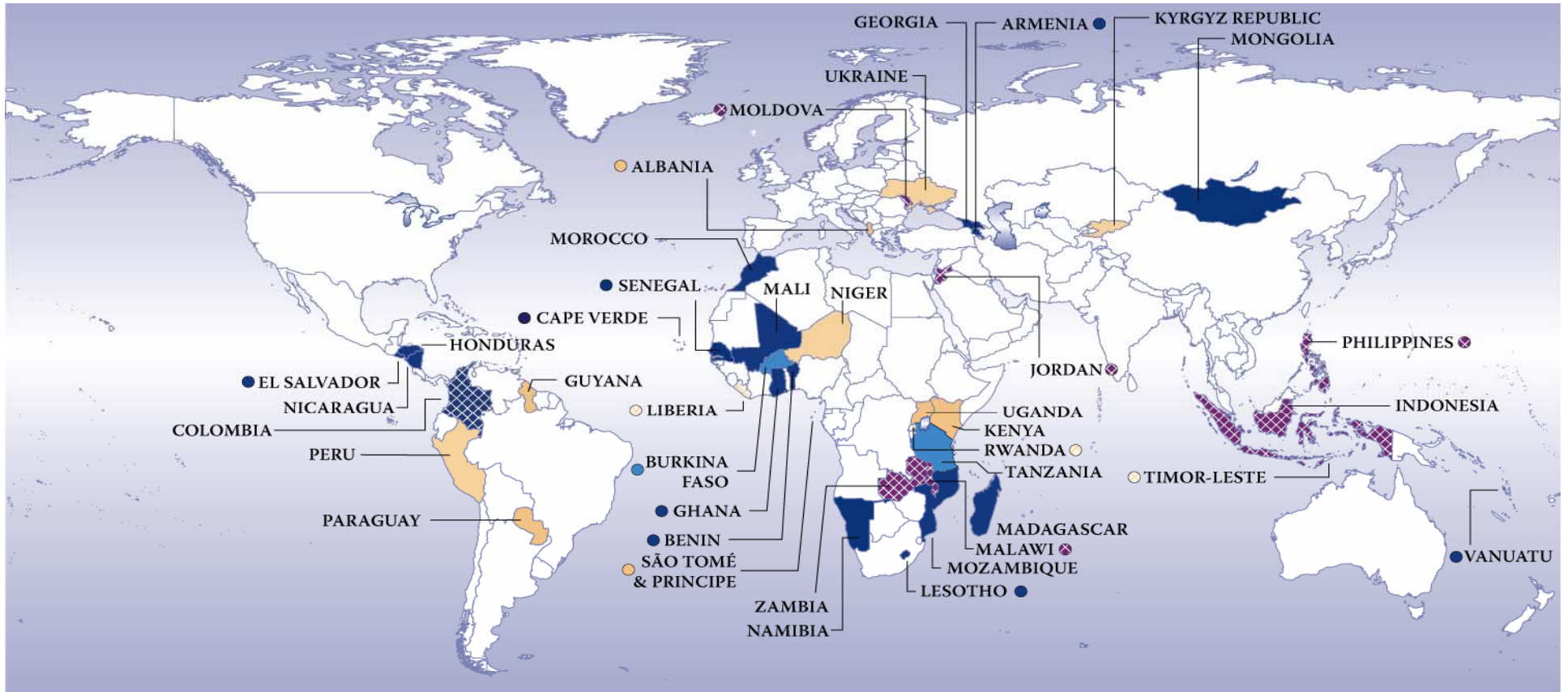
- Food Security is a situation that exists when all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life .

(FAO, The State of Food Insecurity, 2001)

Hunger Zones



MCC Map – 12 countries in Africa, 3 in Central America in Hunger Zones



US\$ 7.0 billion in Five Year Grants to 19 “Compact” countries:

- Of which US\$ 4.6 billion in agricultural related Investment; and
- Plus US\$ 470 million to 19 “Threshold” countries.

Categories of MCC Agriculture Investments – in the ABC's:

Public infrastructure investments in roads and maintenance capacities to better service rural, agricultural-dependent areas. **\$2.037 billion**

Public infrastructure investments in irrigation systems and maintenance capacities to mitigate drought stress, and support multiple season cropping patterns and shifts to higher value agriculture production. **\$714.5 million**

Human capital development through technology transfer and non-traditional training methods to improve employable and entrepreneurial skills and know-how especially among women and the poor. **\$507.7 million**

Access to finance under commercial conditions for stakeholders of agricultural supply chains. **\$224.6 million**

Property rights laws, public capacities, and registration/titling affecting land tenure, zoning, and access to water and other natural resources. **\$231.9 million**

Applied research to continue discovery of more effective innovations in food and agriculture production and value addition. **\$27.9 million**

Dynamics of Food Demand



Development Fundamentals to Meet Food Demand – ABC's

A - Adequate Skills and Knowledge-base of Population

- ✓ Formal and informal education to develop skills and knowledge among the poor/rural and urban population to generate/diversify income;
- ✓ Effective land and water stewardship;
- ✓ Market information systems.

B - Back-bone Infrastructure

- ✓ Farm-to-market roads;
- ✓ Electrical power facilities;
- ✓ Water supply/management;
- ✓ Dry/cold storage systems;
- ✓ Ports and rails lines, regional corridors.

C - Conducive Policy Environment

- ✓ Appropriate rural and farm policy environments;
- ✓ Elimination of legal, financial and social barriers to land/property rights, definitions and protections;
- ✓ Tariff harmonization;
- ✓ Strong rules-based global trading system will be essential.

MCC/Ag. Investment Experience: What has Worked?

- Technical and economic analysis discipline that validates what we are “buying” – ex ante
- Base-lining, monitoring and evaluating to validate what we “bought”– ex post
- Paying attention to long-term sustainability – O&M of roads, public vs private ownership/mgmt
- Allowing countries the time (and capacity building) to move on disbursements – FY2009 disbursement targets met
- Donor coordination – good with infrastructure investments
- Transparency of progress – compacts, analysis, updates all on the web, keeps everyone honest!

MCC/Ag. Investment Experience: What must we do better?

- Lack of reliable evidence, evaluations and ability to validate assumptions to support ag. investment technical approach and ERR and many dropped or piloted – **embrace impact evaluations, invest in local statistical capacities.**
- Internal policy guides Environmental and Social Scientists early on in design but too often in catch-up mode – **ESA front and center, shoulder to shoulder, staff appropriately.**
- Not enough attention to long-term management and sustainability (O&M) of water source systems – **audit and invest in institutional management of water systems.**
- Too aggressive on spending targets and output indicators early in compact -- **begin building contract management capacity early on when country becomes eligible**
- Improve donor coordination of “soft” ag. investments – **embrace/support CAADP (like) processes in each country.**

Thank you!

Kristin Penn

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Reducing Poverty Through Growth