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# Millennium Challenge Corporation

The Millennium Challenge Corporation (MCC) is an independent agency established in 2004 by the Millennium Challenge Act (Title VI of Division D, P.L. 108-199). Congress created MCC amid intense debate over U.S. foreign aid effectiveness. Some MCC features reflect key elements of that debate:

- **Singular Mission.** Congress created MCC to focus solely on global development, refraining from directing MCC to focus on select sectors, regions, or initiatives.
- **Competitive Selection.** MCC is to select countries through "objective and quantifiable indicators," awarding funds in comparatively well-governed poor countries assessed as promising opportunities for reducing poverty.
- **Country-Led Programs.** Recipients must design and implement MCC activities, under MCC oversight.
- **Fixed Timeline.** MCC obligates all funds upon program approval and strictly limits implementation timelines.
- **Evidence and Openness.** MCC subjects programs to extensive evaluation and releases nearly all reporting and congressional notifications publicly.

For more information on MCC, see CRS Report RL32427, *Millennium Challenge Corporation: Overview and Issues*.

## Selection

MCC awards assistance through a competitive annual selection process based on countries' performance on a quantitative "scorecard" of indicators sourced from third-party organizations. The Board of Directors chooses countries in a three-step process, usually in the fall, and is nearing its selection cycle for FY2027.

**Candidacy.** Countries are "candidates" if their per capita gross national income (GNI) is below the World Bank's threshold for beginning negotiations to graduate from assistance ($8,105 for FY2027) and if they are not prohibited from receiving U.S. foreign aid.

**Scorecards.** MCC issues a scorecard for every country under the GNI threshold, including prohibited countries. Countries pass or fail on each of 22 indicators, organized by three themes: investing in people, economic freedom, and ruling justly. Countries pass by outperforming the median in their income group (low-, lower-middle-, and upper-middle-income) for most indicators, but some have a set minimum value. For the board to consider them for a compact, countries must pass 11 indicators and clear two "hard hurdles": meet a minimum score on a "personal freedom" indicator and either surpass the median on a control of corruption indicator or meet a minimum score for government accountability.

**Selection.** MCC's board reviews scorecards alongside other factors, such as budget availability, candidates' track record with previous compacts (if any), potential impact on poverty, the country's governance trajectory, and—since 2025—opportunities to advance "America First" priorities.

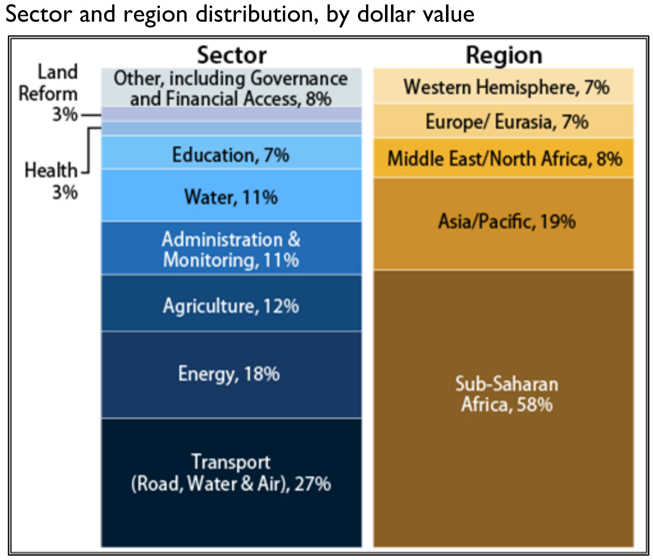
## Programs

MCC offers two types of programs for selected countries. MCC's flagship program is the *compact*, a five-year grant agreement generally valued between $100 million and $700 million. Partner governments develop and implement compacts under MCC guidelines and oversight. First, countries perform a "growth diagnostic," an analysis of the principal constraints (usually one to three) to faster economic growth and poverty reduction. Countries then propose corresponding projects to MCC's board. If the board approves, MCC and the partner country sign a compact. Compacts do not launch immediately. An interim period usually lasting years follows, during which countries continue preparatory activities to make implementation feasible within five years. The board may retract eligibility during this period if governance erodes.

Compacts generally invest in hard physical infrastructure, complemented by policy reforms and administrative capacity building. Sub-Saharan Africa has been the top MCC recipient region to date (**Figure 1**), but new country selections in 2025 were exclusively outside of Africa. Transport and energy are the top sectors. Since its creation, MCC has signed 50 compacts in 33 countries worth over $18 billion. Not all have been fully implemented.

**Figure 1. MCC Compacts, 2004-2026**

Sector and region distribution, by dollar value




**Source:** MCC budget request, FY2027; CRS analysis of MCC data.

**Notes:** Does not reflect terminations or funding cuts. Figures may not sum to 100% due to rounding.

MCC provides smaller *threshold* programs to pilot partnerships with countries on the cusp of passing their scorecards. These programs, generally valued between $10 and $60 million, target issues of likely focus in a compact. MCC uses them to test countries' ability to run a full compact. MCC has funded 32 threshold programs to date.

## Organization

The MCC board is vested with all decisionmaking power. A Chief Executive Officer leads day-to-day operations and reports to the board. For all compacts and threshold programs, the board selects countries, approves programs, and may suspend or terminate activities, guided by statutory criteria. The board has nine seats. Five are government officials: the Secretaries of State (chair) and the Treasury (vice chair), the U.S. Trade Representative, the U.S. Agency for International Development (USAID) Administrator, and MCC's CEO. The President is to nominate four private sector members for Senate confirmation from lists submitted by the Majority and Minority Leaders of Congress's two chambers. Four MCC departments administer agency operations. MCC also has an Advisory Council and an Economic Advisory Council with outside experts, each generally meeting twice a year.

## Budget

MCC annual appropriations, which do not expire, remained near $900 million until FY2026, when Congress enacted a 10.7% cut (**Table 1**). Congress also rescinded $1.2 billion of enacted MCC funding from FY2023 to FY2026, a third of appropriations over the same period. The budget request for FY2027 proposed $609 million in MCC funding, plus $385 million in rescissions.

**Table 1. MCC Funding, Millions Current USD**

| Fiscal Year | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|
| Request | $930 | $1,073 | $937 | $224 | $609 |
| Enacted | $930 | $930 | $930 | $830 | n.a. |
| *Rescission* | *-$100* | *-$475* | *$0* | *-$661* | *n.a.* |

**Source:** Public laws and MCC budget requests.

**Note:** Rescissions may apply to prior years. Requested rescissions not reflected. Rounded to nearest million.

## Recent Developments

As part of the Trump Administration's 2025 foreign assistance review, MCC terminated some programs and made new selections. **Table 2** details the results. The Trump Administration's plans are unclear for a strategic review carried out on MCC's 20th anniversary in 2024, which was intended to chart the agency's future.

**Table 2. MCC Programs Following 2025 Aid Review**

| Activity | Status | Countries |
|---|---|---|
| Compact (Dev.) | Retained | Mozambique, Belize, Sierra Leone, Côte d'Ivoire, Zambia, Liberia |
| | Terminated | Cabo Verde, the Gambia, Senegal |
| | New | Fiji, Ecuador |
| Compact (Ongoing) | Retained | Senegal, Nepal, Kosovo, Benin, Indonesia, Mongolia, Côte d'Ivoire |
| | Terminated | Timor-Leste, Malawi, Togo, Lesotho |
| Threshold (Dev.) | Retained | The Philippines |
| | Terminated | Tanzania, Mauritania |
| | New | Tonga, Guatemala, Bolivia |
| Threshold (Ongoing) | Retained | Solomon Islands, Kiribati |
| | Terminated | The Gambia, Kenya, Togo |

**Source:** MCC.

**Notes:** (Dev.) means in development, which includes signed but not yet launched compacts. Mongolia and Côte d'Ivoire compacts have since ended on schedule. MCC signals about a developing compact in Albania have been mixed.

## Issues for Congress

As the Trump Administration's MCC approach comes into focus, Congress may engage on these issues, among others.

**Development Mandate.** The Millennium Challenge Act sets criteria the board may use to select new countries and approve or terminate compacts, criteria oriented on governance and development impact. MCC in 2025 added "America First" and "American Returns" criteria that are not authorized in statute and lack a public assessment methodology. Such criteria may conflict with MCC's practice of country-led compact design and implementation. Congress may seek definitions for new criteria and how they inform decisions, enact measures prohibiting use of nonstatutory criteria for decisions, or legislate new provisions formalizing "America First" criteria.

**Transparency.** Breaking from past practice, MCC did not publicly post congressional notifications (CNs) of its 2025 terminations of ongoing compacts. MCC historically asserted that its open, data-led decisions give an actionable roadmap for countries to compete for funding. Congress may address this change in transparency by directing MCC to publish its CNs, publishing CNs itself, making board meetings open to the public, directing compacts be restored absent a statutory justification, or taking no action.

**Funding and Future.** MCC administered less than 2% of U.S. foreign aid in FY2024 and has faced significant funding rescissions amid coups, other governance issues, and the 2025 foreign aid review. With the dismantling of other aid entities, MCC could play a bigger role in a smaller foreign aid apparatus, particularly as Congress in 2024 authorized MCC to support upper-middle-income countries. MCC's timeline from award to launch, which has slowed from three to five years, on average, may be a hurdle to an expanded role. Congress may evaluate MCC's funding given the new aid landscape and direct MCC to award funding faster to ensure it is an agile conduit for aid priorities. Congress may also inquire on MCC's plans following its 2024 strategic review.

**Board Membership.** One of MCC's four private board seats is filled, which allows the board to make quorum. The person holding this position is to step down in December 2026 absent congressional action, which would make MCC unable to execute any board decisions. President Trump has not named new candidates. Congress could extend his term, as was done in past appropriations measures; ask the President to nominate replacements; change quorum requirements; or allow board paralysis by taking no action.

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