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Business leaders at work to end global poverty

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Members of the Indiana business community gathered last week in Indianapolis to hear compelling reasons why they should join a growing national network of business leaders – The Initiative for Global Development – who believe that reducing global poverty is not only the right thing to do but is clearly in our best interest. IGD believes that reducing global poverty should be a top priority of the United States and that a collective business voice can make a major difference in this important agenda. Indeed, it has become a priority to us personally and is the reason we are enthusiastically involved.

As business leaders, we believe that global poverty will be reduced only if the United States uses all of the policy tools available to promote economic growth and build productive capacity. One very important tool is the Millennium Challenge Corporation – a relatively new approach to foreign assistance that rewards poor countries that demonstrate a measurable commitment to investing in their citizens, governing justly, and fostering an environment that promotes growth and opportunity. Countries that pass the performance standards established by the MCC are eligible for significant multiyear assistance. In the four years since the MCC was established, some 16 proposals – or compacts – have been funded totaling \$5.5 billion.

What is unique about the MCC concept is that it works to reduce poverty by promoting sustainable growth and it places responsibility for the design and implementation of development projects with the partner government.

Countries work hard to pass the MCC's standards and to submit proposals that are worthy of funding. If a country does not pass the eligibility test, it will often undertake the reforms necessary to pass the following year. This incentive aspect has been termed "the MCC effect" and has driven a significant agenda of reform in the developing world. Countries want the MCC seal of approval and are willing to work for it.

In launching a new approach to foreign assistance, the MCC has faced a number of challenges, not the least of which is the often limited capacity of partner countries to design and implement major development projects. Negotiating a solid compact and then overseeing the complicated process of implementation is a time-consuming but critical job. This process of give-and-take with partner countries helps build management capacity – a key MCC objective – yet also tends to defer the actual disbursement of funds until a compact is well into implementation.

One of the advantages the MCC has over other foreign assistance programs is that the full amount of each compact is set aside at the time of signing, thereby removing the need to request subsequent congressional funding. This provides a powerful incentive to the partner countries that if they do the work, they will be guaranteed full financing.

The MCC approach is a powerful example of how the United States can improve the effectiveness of its foreign assistance in support of an important strategic objective – reducing global poverty. In its emphasis on accountability and responsibility, it embodies a business-like approach to poverty reduction that holds the promise of significant long-term growth for the countries involved. We believe that is a concept worth supporting.

Solso is chairman and CEO of Cummins Inc. and Initiative for Global Development board member. Ruckelshaus is a former Environmental Protection Agency administrator and IGD board vice chair. To learn more about IGD, visit igdleaders.org