

**Tanzania Field Report
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Tanzania is rather unique among MCA countries. It is one of just two countries currently receiving support under the MCA's Threshold Program and, at the same time, developing a proposal for full MCA Compact funding. Under the Threshold Program, Tanzania is implementing an \$11 million program to combat corruption. For full Compact funding, for which it first became eligible in 2006, Tanzania is designing a proposal targeted at infrastructure in the water, transportation and energy sectors.

It may have been a blessing in disguise that the country didn't make the cut for the full Compact program in the first two years. As a third-round country, Tanzania stands to benefit from the lessons learned by the MCC and recipient countries in the early rounds. These are the early days of Compact proposal design for Tanzania—an opportune time to see what lessons about early engagement the MCC is applying in the third round.

This field report briefly describes Tanzania's current status with the MCA. It then focuses on what is going right in the early stages of Tanzania's Compact development process, and identifies some challenges that lie ahead. The report concludes with a look at major issues for MCA policy and practice that emerge from the Tanzania experience but are clearly echoed in a number of other countries.

A lot is going right in Tanzania. The MCC is applying lessons learned in its first two years, leading to improvements in:

- balancing country ownership with meaningful guidance;
- coordinating with other donors; and
- building on existing country strategies.

Potential challenges in the Tanzania proposal process include:

- balancing efficiency and thorough consultation;
- making tough choices about what to fund; and
- creating incentives for policy reform.

While the process overall has gone well, the Tanzania experience suggests that the MCC would benefit from better definition and articulation of its approach to:

- the relationship between the MCC and USAID;
- the relationship between the Threshold and Compact programs;
- MCC's approach to consultation;
- MCC's approach to investments in infrastructure; and
- innovation in the MCC model.

Current Status: Separate MCA Structures

There are two MCA structures operating concurrently but rather separately in Tanzania—one structure and team supporting the Threshold Program and a different structure and team supporting development of a Compact proposal. The United States Government (USG) and Government of Tanzania (GoT) officials involved in the two processes are different, as are the strategies for engaging with non-government actors, and the sectors being addressed. At first glance, this separation seems odd, but according to both USG and GoT officials, it has not been a problem in Tanzania. Officials argued that the separation makes sense because each program builds on the relative strengths of USAID and the MCC, as well as the relevant government ministries.

The Threshold Program

The Threshold Program is squarely under the jurisdiction of USAID, and is coordinated on the GoT side by a senior Ministry of Finance official. The program design reflects collaboration between USAID, the MCC, GoT officials and members of civil society. The program builds on USAID's existing Democracy and Governance (DG) programming in Tanzania, and on the strong civil society networks active in DG programs. It aims to increase the capacity of civil society (including NGOs, the private sector and the media) to monitor the activities of the government. It also seeks to provide an external check on the internal government mechanisms already in place to curb corruption. The Threshold agreement was signed in May 2006, and funds have started to flow. The \$11.15 million over two years will go through USAID and represents a massive increase in resources for its DG unit in Tanzania (up from \$3.4 million over three years, according to USAID's 2006 budget justification).

The Compact Proposal Process

The Compact proposal development process is very young in Tanzania—just three months old at the May 2006 interviews for this report. A senior MCC team made a kick-off visit to Dar es Salaam in February, and a flurry of activity has followed. The GoT named an MCA coordinator (separate from the GoT Threshold Program coordinator) to be the main point of contact, and created an Inter-Institutional Steering Committee (IISC) to shape the proposal. The focus of the proposal is drawn heavily from the county's 2005 Poverty Reduction Strategy (PRS, called the Mkukuta in Tanzania) and is expected to target three sectors: water, energy and transportation (likely roads and airports). The IISC is designed to reflect this focus, with high-level representation from the relevant government ministries, as well as from the private sector and NGOs. The IISC is supported by a technical working group tasked with the nuts and bolts of drafting the proposal. It is pushing hard, recently spending two solid weeks locked in a conference room to hammer out the "zero draft." The current goal is to submit a formal proposal to the MCC in July. (For simplicity, this report refers collectively to Tanzania's MCA point of contact, the IISC, and the technical committee as MCA-TZ.)

The Good News: The MCC is Applying Lessons Learned

The MCC suffered many of the growing pains of a start-up and inevitably shared these pains with the first rounds of eligible countries. (See the [Mozambique](#), [Malawi](#) and [Ghana](#) field reports.) But things are looking up. Based on early impressions in Tanzania, it looks like the MCC has applied important lessons learned in three key areas:

Lesson 1: Engage Early and Offer Guidance

The MCC has engaged much earlier with the GoT in the proposal development process than it did with the first round countries. MCC staff with a wide range of expertise have been on the ground several times as Tanzania puts together its zero draft proposal. While Tanzanians are clearly in the driver's seat, MCC team members are providing feedback, bouncing around ideas, encouraging planning of M&E strategies and making clear their expectations at each stage of the process. In the course of this engagement, the MCC has encouraged active collaboration and communication between the relevant government ministries. This, according to one NGO official, is a very welcome change in GoT practice.

Praise from the field: One striking illustration of the effectiveness of the MCC's engagement in Tanzania is how the MCA coordinator spoke about the process. In sharp contrast to government officials in several first-round countries that lamented the MCC's mixed messages, poor guidance and spotty engagement, the Tanzania coordinator praised the MCC's approach. First, he repeatedly referred to the MCC's official guidance on the proposal process as very clear and helpful. Second, he spoke very highly of the "MCA University" held in Washington, DC in March. The "MCA U" brought together MCA partner country officials and apparently gave them substantive, tailored guidance in the MCC approach, and fostered a sense of ownership and pride among them. He raved that the MCA U "gave us our own forum" to engage with representatives from other countries and to offer feedback to the MCC. Third, the coordinator spoke of a good and clear working relationship with MCC staff and said emphatically, "If I have questions, I know who exactly at the MCC to call."

Lesson 2: Coordinate with Other Donors

The MCC has engaged with other donors much earlier and more substantively than it did in the first round countries. Early in the Tanzania experience the MCC team hosted an information session and was apparently responsive to concerns raised by other donors. Under the coordination of the relevant ministries, the MCC has participated in a number of meetings with lead donors in the target sectors of transportation, water and energy. MCC staff says they are working with donors to learn about existing strategies and programs in the target sectors, talking about doing joint appraisals and exploring other ways to coordinate in the implementation and monitoring phases of the program.

Praise from the field: Again, it is most revealing to hear how others are talking about the MCC in Tanzania. One government official specifically characterized the MCC as "fond

of coordination.” All bilateral and multilateral donors interviewed reported that MCC team members seem genuinely interested in learning from them and coordinating with them. Donors recognize the MCC's potentially large contribution in sectors that need attention, and several specifically mentioned wanting “to help MCC have a good impact.” These attitudes are in striking contrast to those expressed by other donors in several first-round countries, where the MCC created waves of animosity because it was slower to engage and coordinate in ways that donors expected.

Room for improvement: Despite preliminary indications that the MCC is taking coordination much more seriously, donors did express some concerns. For example, they would like more information about the MCC's overall approach, what they can expect in terms of timelines for proposal development and MCC visits, and ongoing requirements of the GoT. Donors in Tanzania are accustomed to sharing this kind of information in order to coordinate activities and minimize competing demands on government officials.

Lesson 3: Build on Existing Development Plans

The MCC Tanzania team is respecting country planning approaches that preceded the MCA process here, and is encouraging the MCA-TZ to build a proposal based on the national priorities identified in the PRS. Furthermore, the team has shown willingness to support specific programs detailed in the sector strategies that are rooted in the PRS. This is a huge step toward fostering country ownership without creating the burden of new processes and planning. The fact that Tanzania’s PRS is so well developed helps a lot. According to one MCC team member, “the PRS is so good that it identifies needs, costs them, includes a monitoring plan, and is linked to the national budget.” One important outstanding question is whether these plans are robust enough to serve as the basis for an MCA proposal without further consultation with civil society, as discussed later in this report.

What to Watch: Potential Challenges in Tanzania

The MCC's application of lessons learned will serve as a good foundation as it navigates the Tanzania proposal process, but there are signs of some complex challenges ahead. These challenges are flagged in this section, and some of their broader implications are discussed in the Emerging Issues section of this report.

Challenge 1: Balancing efficiency and thorough consultation

The MCC and GoT see an opportunity to move fast on Tanzania’s Compact proposal because, they argue, Tanzania is in a class by itself.¹ Other donors join the MCC in saying that the GoT has been aggressive about public sector reforms, has more management and planning capacity than many neighboring countries and has engaged in participatory and transparent priority-setting through the PRS. In addition, there is a strong convergence of policy priorities between the MCC and the new Tanzanian

¹ In general, the MCC asks countries to submit a proposal six months after the first MCC visit.

President; both emphasize growth, results and transparency. These factors have led USG and GoT officials to believe that the proposal process in Tanzania can be accelerated. Given that it took the MCC so long to ramp up in first round countries, efficiency in Tanzania will be refreshing. But what are the risks of accelerating this process? The clearest one is not leaving time for meaningful consultation with civil society. MCC and GoT officials argue that the proposal process can be more efficient partly because it is building on previous consultative planning processes, so let's take a look at what's already in place in Tanzania.

Civil society consultation prior to MCC: To their credit, senior MCC officials came on strong about consultation in their initial engagement with the GoT. But they soon heard that the recent process to set out national development priorities in the PRS (spanning two years, ending in 2005) involved broad and effective civil society participation. Since the target sectors for the MCA proposal come from the PRS, the consensus among government, donors and civil society is that the MCC was right to build on this process, rather than insist on another round of MCA-specific consultation to identify constraints to growth and priorities for investments. Civil society input is apparently being built into the PRS implementation framework as well. According to the MCC, "All donors have committed to working within this framework and we are hopeful that the MCA proposal will harmonize with these efforts." Essentially, the MCC puts the good consultation ball squarely in the GoT court.

The MCA-TZ approach: harmonizing but not enhancing: In Tanzania, the MCA Steering Committee includes two NGO representatives, one local and one international, as well as representatives from three private sector networks. The technical team includes delegates from each of these groups. Thus, NGOs are nominally represented in the formal process. As is common, the MCC and MCA country team are relying on an NGO umbrella group (the largest but certainly not the only one in Tanzania) to represent national NGOs and community groups. While the MCC was right to build on the existing process, there are two aspects of this arrangement that make NGO and community input weaker than it could be at this stage.

First, NGOs were not convened to select their representation to the MCA process; their representation was chosen by the Ministry of Finance and MCA-TZ. This is particularly important because the GoT has a mixed record on dealings with NGOs. Several NGO representatives, both local and international, commented that, on paper, collaboration has increased, but that in practice there are still problems. They described several instances in which the GoT clamped down on NGOs opposed to government policies or its approach to civil society engagement. This is a red flag signaling that working only with government-identified groups may not be enough.

Second, the aggressive schedule set by the MCA-TZ and MCC teams, combined with a lack of resources dedicated to consultation, may weaken the quality of community input. The goal to have a formal proposal to the MCC in July leaves little room for the NGO representatives to manage broader consultation before the proposal is submitted. This means that, at this stage, the umbrella group cannot serve the IISC as it was surely

selected to do—to hear from and inform the organization's constituency about the MCA process and the content of the proposal.

Next steps: Apparently an MCA-TZ outreach coordinator is planning consultation activities that will take place once the first proposal is developed. According to the MCC, at this point “additional consultations—including with potential beneficiaries and those impacted by the program—will be held to shape program and project design.”²

Does this sequence—proposal first, broad consultation second—make sense? In theory it may. It is certainly appropriate to rely on a good PRS to identify target sectors. And it is also okay to sign on to some of the PRS’ specific programs if they too reflect consultation and an assessment of poverty impact. But the MCC must also take seriously potential weaknesses in this approach in Tanzania. The MCC’s challenge here is to strike the right balance between three important factors in its streamlined approach to consultation: (i) supporting existing national strategies and fostering efficiency by relying heavily on the PRS; (ii) maintaining high standards for consultation and pushing Tanzania to raise the bar on civic participation by confronting previous weaknesses; and (iii) making time and space for meaningful consultation on the MCA-specific programs before the proposal is set in stone.

Challenge 2: Making tough choices on what to fund

The GoT first proposed four sectors to the MCC: water, transportation, energy and education. The current proposal process is considering only the first three. Let’s first take a look at how the MCA-TZ landed on these three sectors, then at challenges in choosing between different investments in these areas.

The absence of education: It is a test of the MCC's “country ownership” principle when a sector proposed by the government is left out of a Compact. Some MCA observers suspect that the MCC is encouraging countries to stay away from health and education in their proposals. Was this the case in Tanzania? Probably not. There are several reasons why education has fallen out of the equation in Tanzania. After initial discussions, MCC staff encouraged the Tanzanians to “streamline and focus the proposal to address fewer sectors in a more comprehensive manner.” According to one GoT official, this guidance helped them realize that “We can't rely on the Americans for everything!” and choose a more streamlined focus on infrastructure. Finally, and perhaps most significantly, donors argued that the education sector is saturated, and encouraged the MCC to keep out of this area. Several NGO representatives agreed with this recommendation, and one argued, “there is already a lot of money on the feel-good side [health and education] and the government does not have the capacity to manage it all.” While most respondents agreed that there are fewer gaps in funding for education than in the proposed MCA target areas, there was not complete consensus on this. Two leading donor representatives (one bilateral and one multilateral) argued that primary education is well funded, but there are still large gaps in secondary and higher education, especially when it comes to

² According to the MCC, GoT has organized several important and comprehensive public outreach meetings since the time of this field visit.

infrastructure. Thus, there is not a crystal-clear picture of why education fell out of the proposal, but this MCA observer's impression is that it was the result of an iterative, coordinated process.

All eyes on energy: Of the three focus sectors, energy may prove to be the most challenging and the most interesting to watch. That energy is a priority is not controversial. There was strong consensus among everyone interviewed for this report, including local NGOs, that the power sector is a huge priority in Tanzania. Reflecting this priority, the sector is featured in the PRS in both the economic development and social welfare sections. But those seeking to strengthen the sector face several significant challenges. Energy production and distribution remain in government hands and suffer severe inefficiencies. Tanzania's grid network only reaches a small fraction of the country, and over-reliance on hydropower leads to severe outages in the dry season even where power lines are present. The sector lacks a solid national strategy or financing plan and has been embroiled in harsh debates about fees and tariffs. These factors conspire to make for unreliable service and poor coverage, as well as making the sector financially too precarious to invest in upgrades or expansion, or to attract private investment. Thus, the MCC and MCA-TZ have their work cut out for them as they design investments in the energy sector. There will be plenty of political heat, especially in debates about tariffs. And there will be plenty of tough choices, especially in deciding whether the link between economic growth and poverty reduction will be best made through improving existing services, expanding access or strengthening policies.

Challenge 3: Creating incentives for policy reform

The MCC has a great opportunity to create incentives for policy reform in Tanzania, especially in the energy sector. According to several donors, the overarching priority in the energy sector is getting the policies right, as the existing national energy strategy and financing plan are weak. The MCC has been clear with the GoT that it will not invest in this sector unless plans are strengthened. Apparently the MCC's firmness on this matter has inspired a serious response, with the GoT conducting the due diligence requirements of the MCC. The challenge for the MCC will be sticking to its guns on demanding better strategic and financial plans for the sector, even if this implies delays or cutting sensitive investments from the proposal. If it does, this may be a case of the MCC's incentive effect at work. In the words of one Dar es Salaam-based USG representative, the MCC may be able to "raise the bar" in the energy sector and "catalyze reforms in the sector before spending any money."

Emerging Issues: The MCC Moving Forward

This section identifies key issues and questions that emerge from the Tanzania experience and are echoed in other countries. They represent some of the fundamental issues that the MCC must grapple with as it moves beyond the start-up phase and solidifies its approach in working with partner countries across the globe. All of these issues have one thing in common: a need for clearer MCC definition and articulation of its approach.

The relationship between the MCC and USAID

The Tanzania case offers one illustration of the unclear relationship between USAID and the MCC. USAID has quietly gone from having a leadership role in the Threshold Program to a distant back seat in the Compact design without any clear discussion of changing responsibilities. While this might make sense in terms of focus areas (USAID has already done a lot of work on DG issues in Tanzania, and not in infrastructure), it could impede compact development. According to one government official in Tanzania, USAID was a “crucial broker” during the Threshold Program deliberations because the Agency “understands Washington better than we do and they understand Tanzania better than Washington does.” USAID’s vantage point, he argued, would undoubtedly be useful in the Compact development process as well. But no clear or formal structure is yet in place to bring USAID expertise to bear on the planning of MCA Compact-funded programs in Tanzania.

This ambiguity in Tanzania is consistent with the MCA experience in other countries. Early stories from the first-round of eligible countries highlighted a discord between the MCC and USAID, the MCC restriction on USAID support in proposal development, confusing signals from USAID Washington about missions’ responsibilities in both Threshold and Compact programs, and the MCC’s reliance on USAID for logistical support but not for substantive programmatic planning. Three years into the MCA experiment it seems that the animosity is subsiding, but the relationship is neither clearer nor more formalized. What should the USAID/MCC relationship look like going forward? The answer is clearest in the case of Threshold countries where USAID has come to have a formal leadership role. But what happens in cases like Tanzania, when a country moves from Threshold to Compact? Or in countries like Ghana or Mozambique whose Compact proposal builds solidly on existing USAID programs? The role of USAID in these countries desperately needs to be clarified.

Both the MCC and USAID stand to gain from a clearer relationship that formalizes more cooperation between the two agencies. USAID has a lot to offer the MCC in terms of on-the-ground expertise in specific program areas, the delicacies of working with a given set of government officials, navigating donor relations, and identifying reliable civil society partners. The MCC also has a lot to offer USAID in terms of approach. USAID officials have reported that watching the MCC operate has pushed their thinking on efficiency, fostering country ownership and strengthening monitoring and evaluation practices. A clear definition and articulation of the MCC/USAID relationship in Compact countries would improve synergy in US aid programs, increase learning and exchange of ideas between the two agencies, and lead to more successful programs in both.

The relationship between the Threshold and Compact programs

Related to the issue of the MCC/USAID connection is the question of the relationship between the MCC’s Threshold Program and the Compact process. While GoT and USG officials may be sanguine about the separation between them in Tanzania, there are

plenty of reasons to hope for better coordination between them as a matter of standard practice. Tanzania may be unique in having both programs running simultaneously, but the intention of the Threshold Program is that many of its countries will eventually be eligible for an MCA Compact. In other words, if the Threshold Program works, additional countries will experience the MCC's two programs sequentially. In some respects, this makes the Threshold Program an introduction to the larger operating framework of the MCC. Keeping the two processes separate misses the opportunity for a country to develop systems under the Threshold Program that will later benefit it in the Compact design process. Maintaining separate structures also risks missing opportunities to more strategically use the Threshold Program to enhance the effectiveness of future Compact programs. For example, crafting a Threshold Program that builds capacity of the government and/or indigenous NGOs could make for more rigorous public consultation or poverty impact assessments at the Compact development stage. And Threshold Program investments in combating corruption could be directly applied to ensuring proper use of MCC Compact funds in major infrastructure investments. The MCC's clearer definition of the relationship between the two programs would open opportunities for improvements in both.

The MCC's approach to consultation

The MCC's streamlined approach to consultation in Tanzania raises a complex set of issues that apply in many MCA countries. The MCC has set a high standard for civil society participation in the planning, implementing and monitoring of MCA programs, and claims this high standard as one hallmark of its approach. But most MCA countries have already implemented some sort of participatory planning process, usually in the development of the PRS or equivalent national strategy (and often with the encouragement and support of other donors). The MCC's challenge is to help partner countries find the right balance between building on previous consultative processes, and creating space for civil society to weigh in on specific MCA program plans. The truth is, the right balance will look different in different countries, so the MCC has to be especially diligent in assessing the processes that have come before it and striving to build on and improve them.

The MCC has resources at its disposal to be a leader in fostering participatory planning in its partner countries. It has financial resources in the form of 609(g) funds.³ The MCC could make these available to support capacity building and consultation expenses for civil society groups during the compact development phase. It also has two types of political capital as a resource, one at home and one in partner countries. First, both the Congress and US-based NGOs support the MCC in working to make consultation meaningful, and for keeping high standards for civil society involvement in all phases of the MCA process. Second, civil society in partner countries tends to be quite supportive

³ The term 609(g) comes from that section in the legislation establishing the MCC (http://www.mcc.gov/about_us/key_documents/MCA_Legislation.pdf) that refers to the use of funds "for any eligible country for the purpose of facilitating the development and implementation of the Compact between the United States and the country."

of MCC investments in sticky areas like infrastructure and policy reform. For example, in Tanzania NGOs are extremely supportive of MCC plans to invest in infrastructure for energy, water and transportation (at least the roads component). The same is true in Ghana, where NGOs are broadly supportive of an MCA plan that focuses on private sector development and on infrastructure investments. In both cases NGOs have supported the MCC's reliance on the PRS to set priorities. But in both cases they have also been frustrated by the lack of a formal and timely opportunity to weigh in on specific program design. The MCC and country teams argue that full consultation will occur once the proposals are developed enough for meaningful discussion (and indeed this is starting to happen in Ghana). But how much consultation is enough? When is consultation too early or too late? At what stage of program design should communities be involved in assessing poverty impacts? And perhaps most importantly, what criteria should the MCC use to assess the strength of previous participatory planning, and to decide how much to rely on these processes to set priorities for MCC support?

The MCC has done a lot of thinking about civil society consultation, and deserves praise for offering formal guidance in this area. But after two years of experience, it is time to grapple more concretely with these tough questions, and formalize a way to address them on a country-by-country basis. If the MCC is going to keep high standards for consultation, it will need to articulate clear criteria to judge processes on which its support is based, have mechanisms to hold partner governments accountable to participatory principles, and be transparent in its rationale for choosing a given approach to civil society consultation, especially if it is streamlined.

The MCC's approach to investments in infrastructure

Tanzania has followed a trend among MCA countries; it has targeted the MCC for support of infrastructure investments. All eight compacts the MCC has signed to date, and the Ghana compact scheduled to be signed August 1, include significant investments in infrastructure. The Tanzania compact is also slated to include major investments in infrastructure. There are many theories about why countries choose this focus for MCA compacts: other donors are reluctant to give grants for infrastructure; the MCC signals greatest interest in this area; the MCC's promise of big money entices countries to propose big-ticket items; the social sectors already receive a lot of support; and it is easiest to show high rates of return and immediate impacts on growth in this area.

Whatever the reason, the MCC continues to receive proposals for and commit funding to infrastructure. It also continues to get grief from the US Congress and US-based advocacy community for this. Congressional and NGO concerns are centered on two issues that have plagued donor-funded infrastructure projects for decades: susceptibility to graft and a belief that there are fewer direct benefits for the poor. The MCC is designed to take both of these concerns head-on with its emphasis on good governance, and its mission to directly connect economic growth to poverty reduction. But it has not clearly made its case on how it will avoid the pitfalls of the past. The MCC would benefit from more explicitly and publicly sharing what it has learned about how to address corruption (which is present in even the best performing of the poor countries) and to linking the

poor to the growth benefits from infrastructure investments.

The Tanzania case offers an opportunity for the MCC to clearly articulate its approach in infrastructure and its rationale for supporting given investments. For example, where will the MCC invest in the energy sector? Will it support the MCA-TZ if it wants to focus on making the existing grid and power supply more reliable? This would imply a focus on the urban areas that provide the engine of growth, and where businesses try to thrive and create jobs. Or will it invest in extending the grid to rural areas? This would reach the rural poor more directly, but may have less aggregate impact on income generation and job creation—the keys to poverty reduction. Would the MCC be content with a focus on policy reform to attract private investment to make the sector sustainable? This would allow the sector to improve existing services, become more financially stable, and thereby have the resources to extend to more remote areas. How will the MCC navigate the debate on tariffs and help the MCA-TZ strike the right balance between ensuring the poor's access to services and the sector's financial sustainability?

Parallel questions could be posed about other infrastructure areas for which the MCC has received (and funded) proposals—roads, airports, water, bridges, ports, pipelines, etc. How the MCC and partner countries answer these questions will have different implications for the poor. Decisions about where the MCC invests lie primarily in the hands of partner governments. But the MCC has an important role in setting the standard for ensuring that investments are used well and reflect citizens' priorities and the outcomes of rigorous poverty impact assessments. The MCC would probably get more public support at home, and have an easier time setting high standards, if it made a special effort to publicly explain how it will keep its infrastructure investments clean and committed to directly benefiting the poor.

Innovation in the MCC model

The Tanzania case is an indication that the MCC is increasingly billing itself as a team player. It is engaging with other donors, building on existing national plans, and appears to be more interested in filling already-identified gaps than introducing an MCA-specific process to set priorities. This is all very good news. But where does it leave the MCC's goal of being innovative—a principle on which the MCA was launched and that the MCC continues to espouse?

One innovative aspect of the MCC, of course, is the selection process. No other donors partner with countries chosen primarily by the use of quantifiable indicators. But what is going to be different about the MCC in terms of program design and implementation? The MCC faces a challenging balancing act—working with and learning from other donors and national strategies, yet being a driver of innovation in the aid business. As interested parties look to the MCC to deliver more effective development assistance, perceptions on the ground are important. Here is what USG officials and some MCA observers in Tanzania had to say:

- The MCC's focus on growth is innovative in itself. While other donors talk about growth, the MCC is committed to making it happen and measuring the results.

- The MCC has the guts to take on the hard-core interventions like infrastructure and policy reform. (The World Bank is also heavily involved in these areas, though with loans rather than grants).
- The MCC is eager to look beyond the aid business for ideas. MCC team members commented that they are examining best practices from the private sector, and exploring creative mechanisms like community-based maintenance plans for infrastructure.
- The MCC could be innovative in terms of scale. The MCC's allocation to Tanzania will never trump that of the UK's Department for International Development (with annual budget support scheduled to ramp up to over \$180 million in 2008, not including other project funds) or of the World Bank (\$550 million in IDA loans this year). But the MCC may be willing to commit enough to make it a very influential player in the sectors in which it invests.
- The MCC is willing to talk straight. Other donors may not push too hard on corruption, or be too vocal about criticizing national policies, in order to maintain the good reputations of partner countries. But the MCC has been clear about expectations for tough reforms in the energy sector. And, of course, the MCC targeted corruption directly in the Threshold Program agreement in Tanzania—apparently the first donor-funded program with the guts to specifically name “corruption” rather than general improvements in governance.
- The MCC showed it is willing to cut off support to countries that are not performing, as in the case of The Gambia.

With strong government capacity and robust development planning processes, MCA countries like Tanzania are, on average, safe environments in which to be innovative. As the MCC continues to grow from start-up to mature agency, it will be well-served to more clearly articulate what is innovative about its model. The MCC's clarity and transparency on all the emerging issues mentioned here will count as an important innovation in itself, and will win it more support among MCA observers even as the Corporation strives to blaze its own trail.