

Report on Countries That Are Candidates for Millennium Challenge Account Eligibility in FY 2005 and Countries That Would Be Candidates But For Legal Prohibitions

Summary

This report to Congress is provided in accordance with Section 608(a) of the Millennium Challenge Act of 2003, 22 U.S.C.A. 7701, 7707(a) (the "Act").

The Act authorizes the provision of Millennium Challenge Account ("MCA") assistance to countries that enter into compacts with the United States to support policies and programs that advance the prospects of such countries achieving lasting economic growth and poverty reduction. The Act requires the Millennium Challenge Corporation to take a number of steps in determining the countries that, based on their demonstrated commitment to just and democratic governance, economic freedom and investing in their people, will be eligible for MCA assistance during Fiscal Year 2005. These steps include the submission of reports to the congressional committees specified in the Act and the publication of Notices in the Federal Register that identify:

1. The countries that are "candidate countries" for MCA assistance during Fiscal Year 2005 based on their per-capita income levels and their eligibility to receive assistance under U.S. law and countries that would be candidate countries but for legal prohibitions on assistance (Section 608(a) of the Act);
2. The criteria and methodology that the Board of Directors of the Millennium Challenge Corporation (the "Board") will use to measure and evaluate the relative policy performance of the candidate countries consistent with the requirements of Section 607 of the Act in order to select "eligible countries" from among the "candidate countries" (Section 608(b) of the Act); and
3. The list of countries determined by the Board to be "eligible countries" for Fiscal Year 2005, including which of the eligible countries the Board will seek to enter into MCA compacts (Section 608(d) of the Act).

This Notice is the first of the three required Notices listed above.

Candidate Countries for FY 2005

The Act requires the identification of all countries that are candidates for MCA assistance in FY 2005 and the identification of all countries that would be candidate countries but for legal prohibitions on assistance. Section 606(a) of the Act provides that, during FY 2005, countries shall be candidates for the MCA if they:

- have a per capita income equal to or less than the historical ceiling of the International Development Association for the fiscal year involved (or \$1465 for FY 2005); and
- are not subject to legal provisions that prohibit them from receiving United States economic assistance under Part I of the Foreign Assistance Act of 1961, as amended.

Pursuant to Section 606(c) of the Act, the Board of Directors of the Millennium Challenge Corporation has identified the following countries as candidate countries under the Act for FY 2005. In so doing, the Board has anticipated that prohibitions against assistance that applied to countries during FY 2004 will again apply during FY 2005, even though the Foreign Operations, Export Financing and Related Appropriations Act for FY 2005 has not yet been enacted and certain findings under other statutes have not yet been made. As noted below, the Millennium Challenge Corporation will provide any required updates on subsequent changes in applicable legislation or other circumstances that would affect the status of countries as candidate countries for FY 2005.

1. Afghanistan
2. Angola
3. Armenia
4. Azerbaijan
5. Bangladesh
6. Benin
7. Bhutan
8. Bolivia
9. Burkina Faso
10. Cameroon
11. Chad
12. China
13. Comoros
14. Congo, Dem. Rep.
15. Congo, Rep. (Brazzaville)
16. Djibouti
17. Egypt, Arab Rep. Of
18. Equatorial Guinea
19. Eritrea
20. Ethiopia
21. Gambia
22. Georgia
23. Ghana
24. Guinea
25. Guyana
26. Haiti
27. Honduras
28. India

29. Indonesia
30. Iraq¹
31. Kenya
32. Kiribati
33. Kyrgyz Republic
34. Lao PDR
35. Lesotho
36. Madagascar
37. Malawi
38. Mali
39. Mauritania
40. Moldova
41. Mongolia
42. Morocco
43. Mozambique
44. Nepal
45. Nicaragua
46. Niger
47. Nigeria
48. Pakistan
49. Papua New Guinea
50. Paraguay
51. Philippines
52. Rwanda
53. Sao Tome and Principe
54. Senegal
55. Sierra Leone
56. Solomon Islands
57. Sri Lanka
58. Swaziland
59. Tajikistan
60. Tanzania
61. Timor-Leste
62. Togo
63. Turkmenistan
64. Tuvalu
65. Uganda
66. Ukraine

¹ Iraq is identified as a candidate country on a provisional basis. Iraq is subject to Section 620(t) of the Foreign Assistance Act of 1961, as amended, which prohibits assistance to countries with which the United States severed diplomatic relations, unless diplomatic relations have been resumed and an agreement for the furnishing of assistance has subsequently been entered into. While the United States has resumed diplomatic relations with Iraq, an assistance agreement, which would satisfy Section 620(t), has not yet been completed. If such an agreement has not been entered into by the date on which the MCC Board determines eligible countries pursuant to Section 607 of the Act, Iraq will not be treated as a candidate country as of that date.

67. Vanuatu
68. Vietnam
69. Yemen, Rep.
70. Zambia

Albania, Bosnia and Herzegovina, Cape Verde, and Tonga were candidate countries for FY 2004 but are not candidate countries for FY 2005, due to increases in their levels of per capita income above the historical ceiling of the International Development Association. In addition, Serbia & Montenegro, which would have been a candidate country for FY 2004 but for legal prohibitions that apply to Serbia, is not a candidate country for FY 2005 due to an increase in its per capita income above the International Development Association historical ceiling.

Countries that would be Candidate Countries but for Statutory Provisions that Prohibit Assistance

Countries that would be considered candidate countries during FY 2005 but are subject to legal provisions that prohibit them from receiving U.S. economic assistance under Part I of the Foreign Assistance Act of 1961, as amended (the “Foreign Assistance Act”) are listed below. As noted above, this list is based on legal prohibitions against economic assistance that apply during FY 2004 that are anticipated to apply again during FY 2005.

1. Burma. Section 570 of the FY 1997 Foreign Operations Act prohibits assistance to the government with certain narrow exceptions. In addition, Burma has been identified as a major drug-transit or major illicit drug producing country for 2004 (Presidential Determination No. 2003-38, dated 9/15/03) and designated as having “failed demonstrably” to adhere to its international obligations and take the measures required by Section 489(a)(1) of the Foreign Assistance Act, thus making Burma ineligible for assistance. Burma is listed as a Tier III country under the Trafficking Victims Protection Act for not complying with minimum standards for eliminating trafficking and not making significant efforts to comply (Presidential Determination No. 2003-35, 9/9/03).
2. Burundi is subject to Section 508 of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2004 (“FY 2004 Appropriations Act”), which prohibits assistance to the government of a country whose duly elected head of government has been deposed by a military coup.
3. Cambodia is subject to Section 561(b) of the FY 2004 Appropriations Act, which prohibits assistance to the central government of Cambodia, except in specified circumstances.

4. Central African Republic is subject to Section 508 of the FY 2004 Appropriations Act.
5. Cote d'Ivoire is subject Section 508 of the FY 2004 Appropriations Act.
6. Cuba. Section 507 of the FY 2004 Appropriations Act prohibits direct assistance to Cuba. The Cuban Liberty and Democratic Solidarity Act of 1996, PL 104-114 requires the President to take all necessary steps to ensure that no funds or other assistance is provided to the Cuban government.
7. Guinea-Bissau is subject to Section 508 of the FY 2004 Appropriations Act.
8. Liberia is subject to Section 620(q) of the Foreign Assistance Act and Section 512 of the FY 2004 Appropriations Act, both of which prohibit assistance under Part I of the Foreign Assistance Act based on past due indebtedness to the United States.
9. Somalia is subject to Section 620(q) of the Foreign Assistance Act and Section 512 of the FY 2004 Appropriations Act.
10. Sudan is subject to: Section 620(q) of the Foreign Assistance Act and Section 512 of the FY 2004 Appropriations Act. Sudan also is subject to Section 508 of the FY 2004 Appropriations Act and Section 620A of the Foreign Assistance Act.
11. Syrian Arab Republic. Section 507 of the FY 2004 Appropriations Act prohibits direct assistance to Syria.
12. Uzbekistan is subject to Section 568 of the FY 2004 Appropriations Act, which requires that funds appropriated for assistance to the central Government of Uzbekistan may be made available only if the Secretary of State determines and reports to the Congress that the government is making substantial and continuing progress in meeting its commitments under a framework agreement with the United States.
13. Zimbabwe is subject to Section 620(q) of the Foreign Assistance Act and Section 512 of the FY 2004 Appropriations Act.

Countries identified above as candidate countries, as well as countries that would be considered candidate countries but for the applicability of legal provisions that prohibit U. S. economic assistance, may be the subject of future statutory restrictions or determinations, or changed country circumstances, that affect their legal eligibility for assistance under Part I of the Foreign Assistance Act during FY 2005. The Millennium Challenge Corporation will include any required

updates on such statutory eligibility that affect countries' identification as candidate countries for FY 2005, at such time as it publishes the Notices required by Sections 608(b) and 608(d) of the Act or at other appropriate times. Any such updates with regard to the legal eligibility or ineligibility of particular countries identified in this report will not affect the date on which the Board of Directors is authorized to determine eligible countries from among candidate countries which, in accordance with Section 608(a) of the Act, shall be no sooner than 90 days from the date of publication of this Notice.