



**MILLENNIUM
CHALLENGE
CORPORATION**

REDUCING POVERTY THROUGH GROWTH

CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

In accordance with section 608(a) of the Millennium Challenge Act of 2003 (the “Act,” Pub. L. 108-199, Division D), the Millennium Challenge Corporation (MCC) is submitting the following report, which lists the countries that are “candidate countries” for Millennium Challenge Account assistance in FY 2007.

In accordance with the provisions of Section 606 of the Act, the Board of Directors of the MCC identified the listed candidate countries on August 11, 2006. As required by the Act, copies of the list are also being published in the Federal Register.

The attached report is being sent to the Congress on August 11, 2006.

Sincerely,

Frances C. McNaught
Vice President
Congressional and Public Affairs

Enclosure:
Report Listing MCA Candidate Countries



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REDUCING POVERTY THROUGH GROWTH

Report on Countries That Are Candidates for Millennium Challenge Account Eligibility for Fiscal Year 2007 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. §§7701, 7707 (a) (“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 progress of such countries achieving lasting economic growth and poverty reduction. The Act requires Millennium Challenge Corporation (“MCC”) 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 and the opportunity to reduce poverty and generate economic growth in the country, will be eligible for MCA assistance for Fiscal Year (FY) 2007. 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 for FY 2007 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 specified legal prohibitions on assistance (Section 608(a) of the Act);
2. The criteria and methodology that the MCC Board of Directors (“Board”) will use to measure and evaluate the relative policy performance of the “candidate countries” consistent with the requirements of subsections (a) and (b) of Section 607 of the Act in order to select “MCA 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 “MCA eligible countries” for FY 2007, with a justification for such eligibility determination and selection for Compact negotiation, including which of the MCA eligible countries the Board will seek to enter into MCA Compacts (Section 608(d) of the Act).

This report is the first of three required reports listed above.

Candidate Countries for FY 2007

The Act requires the identification of all countries that are candidates for MCA assistance for FY 2007 and the identification of all countries that would be candidate countries but for specified legal prohibitions on assistance. Sections 606(a) and (b) of the Act provide that for FY 2007 a country shall be a candidate for the MCA if it:

- meets one of the following two income level tests:
 - has a per capita income equal to or less than the historical ceiling of the International Development Association eligibility for the fiscal year involved (or \$1,675 gross national income (GNI) per capita for FY 2007) (the “low income category”); or
 - is classified as a lower middle income country in the then most recent edition of the World Development Report for Reconstruction and Development published by the International Bank for Reconstruction and Development and has an income greater than the historical ceiling for International Development Association eligibility for the fiscal year involved (or \$1,676 to \$3,465 GNI per capita for FY 2007) (the “lower middle income category”); and
- is not ineligible to receive U.S. economic assistance under Part I of the Foreign Assistance Act of 1961, as amended, (“Foreign Assistance Act”), by reason of the application of the Foreign Assistance Act or any other provision of law.

Pursuant to Section 606(c) of the Act, the Board has identified the following countries as candidate countries under the Act for FY 2007. In so doing, the Board has anticipated that prohibitions against assistance as applied to countries in the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2006 (P.L. 109-102) (FY 2006 FOAA), will again apply for FY 2007, even though the Foreign Operations, Export Financing and Related Programs Appropriations Act for FY 2007 has not yet been enacted and certain findings under other statutes have not yet been made. As noted below, MCC will provide any required updates on subsequent changes in applicable legislation or other circumstances that affects the status of any country as a candidate country for FY 2007.

Candidate Countries: Low Income Category

1. Afghanistan
2. Angola
3. Armenia
4. Azerbaijan
5. Bangladesh
6. Benin
7. Bhutan
8. Bolivia
9. Burkina Faso
10. Burundi
11. Cameroon
12. Central African Republic
13. Chad
14. Comoros
15. Congo, Democratic Republic of the
16. Congo, Republic of the
17. Djibouti
18. East Timor
19. Egypt
20. Eritrea
21. Ethiopia
22. Gambia, The
23. Georgia
24. Ghana
25. Guinea
26. Guinea-Bissau
27. Guyana
28. Haiti
29. Honduras
30. India
31. Indonesia
32. Iraq
33. Kenya
34. Kiribati
35. Kyrgyzstan
36. Laos
37. Lesotho
38. Liberia
39. Madagascar
40. Malawi
41. Mali
42. Mauritania
43. Moldova
44. Mongolia
45. Mozambique
46. Nepal
47. Nicaragua
48. Niger
49. Nigeria
50. Pakistan
51. Papua New Guinea
52. Paraguay
53. Philippines
54. Rwanda
55. Sao Tome and Principe
56. Senegal
57. Sierra Leone
58. Solomon Islands
59. Sri Lanka
60. Tajikistan
61. Tanzania
62. Togo
63. Turkmenistan
64. Uganda
65. Ukraine
66. Vanuatu
67. Vietnam
68. Yemen
69. Zambia

Candidate Countries: Lower Middle Income Category

- | | |
|-----------------------|-------------------------------------|
| 1. Albania | 17. Maldives |
| 2. Algeria | 18. Marshall Islands |
| 3. Belarus | 19. Micronesia, Federated States of |
| 4. Brazil | 20. Montenegro |
| 5. Bulgaria | 21. Morocco |
| 6. Cape Verde | 22. Namibia |
| 7. Colombia | 23. Peru |
| 8. Dominican Republic | 24. Samoa |
| 9. Ecuador | 25. Suriname |
| 10. El Salvador | 26. Swaziland |
| 11. Fiji Islands | 27. Thailand |
| 12. Guatemala | 28. Tonga |
| 13. Jamaica | 29. Tunisia |
| 14. Jordan | 30. Tuvalu |
| 15. Kazakhstan | |
| 16. Macedonia | |

Countries that would be Candidate Countries but for Legal Prohibitions that Prohibit Assistance

Countries that would be considered candidate countries for FY 2007, but are ineligible to receive United States economic assistance under Part I of the Foreign Assistance Act by reason of the application of any provision of the Foreign Assistance Act or any other provision of law are listed below. As noted above, this list is based on legal prohibitions against economic assistance that apply for FY 2006 and that are anticipated to apply again for FY 2007.

Prohibited Countries: Low Income Category

1. Burma is subject to numerous restrictions, including but not limited to Section 570 of the FY 1997 Foreign Operations, Export Financing, and Related Programs Appropriations Act (P.L. 104-208) which prohibits assistance to the government of Burma until it makes progress on improving human rights and implementing democratic government, and due to its status as a major drug-transit or major illicit drug producing country for 2005 (Presidential Determination No. 2005-36 (9/15/2005)) and a Tier III country under the Trafficking Victims Protection Act (Presidential Determination No. 2005-37 (9/21/2005)).
2. Cambodia's central government is subject to Section 554 of the FY 2006 FOAA.
3. The Cote d'Ivoire is subject to Section 508 of the FY 2006 FOAA which prohibits assistance to the government of a country whose duly elected head of government is deposed by decree or military coup.
4. Cuba is subject to numerous restrictions, including but not limited to Section 620A of the Foreign Assistance Act which prohibits assistance to governments supporting international

terrorism, provisions of the Cuban Liberty and Democratic Solidarity Act of 1996 (PL 104-114), and Section 507 of the FY 2006 FOAA.

5. North Korea is subject to numerous restrictions, including but not limited to section 620A of the Foreign Assistance Act which prohibits assistance to governments supporting international terrorism and Section 507 of the FY 2006 FOAA.
6. Somalia is subject to Section 620(q) of the Foreign Assistance Act and Section 512 of the FY 2006 FOAA, which prohibit assistance to countries in default in payment to the U.S. in certain circumstances.
7. Sudan is subject to numerous restrictions, including but not limited to Section 620A of the Foreign Assistance Act which prohibits assistance to governments supporting international terrorism, Section 512 of the FY 2006 FOAA and Section 620(q) of the Foreign Assistance Act which prohibit assistance to countries in default in payment to the U.S. in certain circumstances, Section 508 of the FY 2006 FOAA which prohibits assistance to a country whose duly elected head of government being deposed by military coup or decree, and Section 569 of the FY2006 FOAA.
8. Syria is subject to numerous restrictions, including but not limited to 620A of the Foreign Assistance Act which prohibits assistance to governments supporting international terrorism, Section 507 of the FY 2006 FOAA, and Section 512 of the FY 2006 FOAA and Section 620(q) of the Foreign Assistance Act which prohibit assistance to countries in default in payment to the U.S. in certain circumstances.
9. Uzbekistan's central government is subject to Section 586 of the FY 2006 FOAA, 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.
10. Zimbabwe is subject to Section 620(q) of the Foreign Assistance Act and Section 512 of the FY 2006 FOAA which prohibit assistance to countries in default in payment to the United States in certain circumstances.

Prohibited Countries: Lower Middle Income Category

1. Republika Srpska, which is part of the country of Bosnia and Herzegovina, is subject to Section 561 of the FY 2006 FOAA, which prohibits assistance to any country, entity, or municipality whose competent authorities have failed, as determined by the Secretary of State, to take necessary and significant steps to implement its international legal obligations with respect to the International Criminal Tribunal for the former Yugoslavia.
2. China, according to the Department of State, is not eligible to receive economic assistance from the United States, absent special authority, because of concerns relative to China's record on human rights.

3. Iran is subject to numerous restrictions, including but not limited to Section 620A of the Foreign Assistance Act which prohibits assistance to governments supporting international terrorism and Section 507 of the FY 2006 FOAA.
4. Serbia is subject to Section 561 of the FY 2006 FOAA, which prohibits assistance to any country, entity, or municipality whose competent authorities have failed, as determined by the Secretary of State, to take necessary and significant steps to implement its international legal obligations with respect to the International Criminal Tribunal for the former Yugoslavia. In addition, Section 563 of the FY 2006 FOAA restricts certain assistance for the central Government of Serbia if the Secretary does not make a certification regarding, among other things, cooperation with the International Criminal Tribunal for the former Yugoslavia.

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 by reason of application of Foreign Assistance Act or any other provision of law for FY 2007. MCC will include any required updates on such statutory eligibility that affect countries' identification as candidate countries for FY 2007, 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 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 report.