

Millennium Challenge Corporation

**Report on Countries
that are Candidates for
Millennium Challenge
Account Eligibility for
Fiscal Year 2011 and
Countries that would be
Candidates but for Legal
Prohibitions**

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MILLENNIUM
CHALLENGE CORPORATION
UNITED STATES OF AMERICA

Summary

This report to Congress is provided in accordance with section 608(a) of the Millennium Challenge Act of 2003, as amended, 22 U.S.C. §§7701, 7707(a) (the “Act”).

The Act authorizes the provision of Millennium Challenge Account (MCA) assistance for countries that enter into a Millennium Challenge Compact with the United States to support policies and programs that advance the progress of such countries to achieve lasting economic growth and poverty reduction. The Act requires the Millennium Challenge Corporation (MCC) to take a number of steps in selecting countries with which MCC will seek to enter into a compact, including (a) determining the countries that will be eligible for MCA assistance for fiscal year 2011 (FY11) based on a country’s demonstrated commitment to (i) just and democratic governance, (ii) economic freedom, and (iii) investments in its people; and (b) considering the opportunity to reduce poverty and generate economic growth in the country. 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 FY11 based on per capita income levels and 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 policy performance of the “candidate countries” consistent with the requirements of subsections (a) and (b) of section 607 of the Act in order to determine “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 FY11, identification of such countries with which the Board will seek to enter into compacts, and a justification for such eligibility determination and selection for compact negotiation (section 608(d) of the Act).

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

Candidate Countries for FY11

The Act requires the identification of all countries that are candidates for MCA assistance for FY11 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 FY11 a country shall be a candidate for MCA assistance if it:

- ★ Meets one of the following two income 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 \$1,905 gross national income (GNI) per capita for FY11) (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 \$1,906 to \$3,945 GNI per capita for FY11) (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, (the “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 FY11. In so doing, the Board has anticipated that prohibitions against assistance as applied to countries in the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2010 (Div. F, Pub. L. 111-117) (the “FY10 SFOAA”), will again apply for FY11, even though the Department of State, Foreign Operations, and Related Programs Appropriations Act for FY11 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 affect the status of any country as a candidate country for FY11.

Candidate Countries: Low Income Category

- | | |
|--------------------------------|---------------------------|
| 1. Afghanistan | 29. Liberia |
| 2. Bangladesh | 30. Malawi |
| 3. Benin | 31. Mali |
| 4. Bolivia | 32. Mauritania |
| 5. Burkina Faso | 33. Moldova |
| 6. Burundi | 34. Mongolia |
| 7. Cambodia | 35. Mozambique |
| 8. Cameroon | 36. Nepal |
| 9. Central African Republic | 37. Nicaragua |
| 10. Chad | 38. Niger |
| 11. Comoros | 39. Nigeria |
| 12. Congo, Republic of the | 40. Pakistan |
| 13. Dem. Republic of the Congo | 41. Papua New Guinea |
| 14. Djibouti | 42. Philippines |
| 15. Ethiopia | 43. Rwanda |
| 16. Gambia, The | 44. Sao Tome and Principe |
| 17. Ghana | 45. Senegal |
| 18. Guinea | 46. Sierra Leone |
| 19. Guinea Bissau | 47. Solomon Islands |
| 20. Guyana | 48. Somalia |
| 21. Haiti | 49. Tajikistan |
| 22. Honduras | 50. Tanzania |
| 23. India | 51. Togo |
| 24. Kenya | 52. Uganda |
| 25. Kiribati | 53. Vietnam |
| 26. Kyrgyz Republic | 54. Yemen |
| 27. Lao PDR | 55. Zambia |
| 28. Lesotho | |

Candidate Countries: Lower Middle Income Category

- | | |
|---------------------------|------------------|
| 1. Angola | 17. Morocco |
| 2. Armenia | 18. Paraguay |
| 3. Belize | 19. Samoa |
| 4. Bhutan | 20. Sri Lanka |
| 5. Cape Verde | 21. Swaziland |
| 6. Ecuador | 22. Thailand |
| 7. Egypt, Arab Republic | 23. Timor-Leste |
| 8. El Salvador | 24. Tonga |
| 9. Georgia | 25. Tunisia |
| 10. Guatemala | 26. Turkmenistan |
| 11. Indonesia | 27. Tuvalu |
| 12. Jordan | 28. Ukraine |
| 13. Kosovo | 29. Vanuatu |
| 14. Maldives | |
| 15. Marshall Islands | |
| 16. Micronesia, Fed. Sts. | |

Countries that Would Be Candidate Countries but for Legal Prohibitions that Prohibit Assistance

Countries that would be considered candidate countries for FY11, 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 fiscal year 2010 and that are anticipated to apply again for FY11.

Prohibited Countries: Low Income Category

1. **Burma** is subject to numerous restrictions, including section 570 of the fiscal year 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 2009 (Presidential Determination No. 2009-30 (9/15/2009)).

2. **Cote d'Ivoire** is subject to section 7008 of the FY10 SFOAA and similar provisions of prior-year appropriations acts, which prohibit assistance to the government of a country whose duly elected head of government is deposed by military coup or decree. Cote d'Ivoire is also subject to section 7086(c) of the FY10 SFOAA, which restricts economic and security assistance under the SFOAA for the central government of a country that fails to make its annual national budget publicly available.
3. **Eritrea** is subject to restrictions due to its status as a Tier III country under the Trafficking Victims Protection Act, as amended, 22 U.S.C. sections 7101 et seq.
4. **Madagascar** is subject to section 7008 of the FY10 SFOAA, which prohibits assistance to the government of a country whose duly elected head of government is deposed by military coup or decree and also section 7086(c) of the FY10 SFOAA regarding budget transparency.
5. **North Korea** is subject to numerous restrictions, including section 7007 of the FY10 SFOAA, which prohibits any direct assistance to the government.
6. **Sudan** is subject to numerous restrictions, including section 620A of the Foreign Assistance Act, which prohibits assistance to governments supporting international terrorism; section 7012 of the FY10 SFOAA and section 620(q) of the Foreign Assistance Act, both of which prohibit assistance to countries in default on payment to the U.S. in certain circumstances; section 7008 of the FY10 SFOAA, which prohibits assistance to the government of a country whose duly elected head of government is deposed by military coup or decree; and section 7070(f) of the FY10 SFOAA.
7. **Uzbekistan's** central government is subject to section 7076(a) of the fiscal year 2009 SFOAA, which is largely incorporated by reference and carried forward by section 7075 of the FY10 SFOAA. This restriction states that funds (other than expanded international military education and training funds) may be made available for assistance to the central government of Uzbekistan 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.
8. **Zimbabwe** is subject to several restrictions, including section 7070(i)(2) of the FY10 SFOAA, which prohibits assistance (except for macroeconomic growth assistance) to the central government of Zimbabwe unless the Secretary of State determines and reports to Congress that the rule of law has been restored in Zimbabwe.

Prohibited Countries: Lower Middle Income Category

1. **China** is not eligible to receive economic assistance from the United States, absent special authority, because of concerns relating to China's record on human rights.

2. **Iraq** is subject to section 620(t) of the Foreign Assistance Act, which prohibits assistance to any country which has severed diplomatic relations with the United States until such diplomatic relations are restored and an agreement to furnish such assistance has been negotiated and entered into after the resumption of diplomatic relations.
3. **Syria** is subject to numerous restrictions, including 620A of the Foreign Assistance Act, which prohibits assistance to governments supporting international terrorism; section 7007 of the FY10 SFOAA, which prohibits direct assistance; and section 7012 of the FY10 SFOAA and section 620(q) of the Foreign Assistance Act, both of which prohibit assistance to countries in default in payment to the U.S. in certain circumstances.

The 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, 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 the Foreign Assistance Act or any other provision of law for FY11. MCC will include any required updates on such statutory eligibility that affect countries' identification as candidate countries for FY11, 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 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.