

**Report on Countries  
that are Candidates for  
Millennium Challenge  
Account Eligibility for  
Fiscal Year 2013  
and Countries that  
would be Candidates but  
for Legal Prohibitions**

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MILLENNIUM  
CHALLENGE CORPORATION  

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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 (FY) 2013 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:

- ★ The countries that are “candidate countries” for MCA assistance for FY 2013 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);
- ★ 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 determine “eligible countries” from among the “candidate countries” (section 608(b) of the Act); and
- ★ The list of countries determined by the Board to be “eligible countries” for FY 2013, 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 FY 2013

The Act requires the identification of all countries that are candidates for MCA assistance for FY 2013 and the identification of all countries that would be candidate countries but for specified legal prohibitions on assistance. MCC's FY 2012 Appropriations Act, enacted in December 2011 as part of the Consolidated Appropriations Act, 2012 (Pub. L. 112-74) (the FY 2012 Appropriations Act), redefined low income candidate countries for FY 2012 as the 75 poorest countries as identified by the World Bank and provided that a country that changes in the fiscal year from low income to lower middle income (or vice versa) will retain its candidacy status in its former income category for the fiscal year and two subsequent fiscal years.

The provisions of the FY 2012 Appropriations Act that supersede sections 606(a) and (b) of the Act provide that for FY 2013, a country shall be a candidate for MCA assistance if it:

★ Meets one of the following tests:

- \* Has a per capita income that is not greater than the World Bank's lower middle income country threshold for such fiscal year (\$4,035 GNI per capita for FY 2013); and is among the 75 lowest per capita income countries, as identified by the World Bank; or
- \* Has a per capita income that is not greater than the World Bank's lower middle income country threshold for such fiscal year (\$4,035 GNI per capita for FY 2013); but is *not* among the 75 lowest per capita income countries as identified by the World Bank;

*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.

The revised candidate list for FY 2012 established the baseline of those countries for purposes of determining income levels. Due to the provisions requiring countries to retain their former income classification, changes from the low income to lower middle income categories in FY 2013 will go into effect for FY 2016. Countries changing from the lower middle income category to the upper middle income category do not retain their former income classification.

Pursuant to section 606(c) of the Act, the Board identified the following countries as candidate countries under the Act for FY 2013. In so doing, the Board referred to the prohibitions on assistance as applied to countries in the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2012, Pub. L. 112-74, Div. I. (the SFOAA). All section references identified as prohibitions on assistance to a given country are taken from Title VII of the SFOAA, unless another statute is identified.

***Candidate Countries: Low Income Category***

|                                   |                          |                           |                     |
|-----------------------------------|--------------------------|---------------------------|---------------------|
| 1. Afghanistan                    | 15. Djibouti             | 31. Lesotho               | 47. Senegal         |
| 2. Bangladesh                     | 16. Egypt, Arab Republic | 32. Liberia               | 48. Sierra Leone    |
| 3. Benin                          | 17. Ethiopia             | 33. Malawi                | 49. Solomon Islands |
| 4. Bhutan                         | 18. Gambia, The          | 34. Mauritania            | 50. Somalia         |
| 5. Bolivia                        | 19. Georgia              | 35. Micronesia            | 51. South Sudan     |
| 6. Burkina Faso                   | 20. Ghana                | 36. Moldova               | 52. Sri Lanka       |
| 7. Burundi                        | 21. Guatemala            | 37. Mongolia              | 53. Tajikistan      |
| 8. Cambodia                       | 22. Haiti                | 38. Mozambique            | 54. Tanzania        |
| 9. Central African Republic       | 23. Honduras             | 39. Nepal                 | 55. Timor-Leste     |
| 10. Chad                          | 24. India                | 40. Niger                 | 56. Togo            |
| 11. Comoros                       | 25. Indonesia            | 41. Nigeria               | 57. Uganda          |
| 12. Cote D'Ivoire                 | 26. Iraq                 | 42. Pakistan              | 58. Uzbekistan      |
| 13. Congo, Democratic Republic of | 27. Kenya                | 43. Papua New Guinea      | 59. Vanuatu         |
| 14. Congo, Republic of the        | 28. Kiribati             | 44. Philippines           | 60. Vietnam         |
|                                   | 29. Kyrgyz Republic      | 45. Rwanda                | 61. Yemen           |
|                                   | 30. Lao PDR              | 46. Sao Tome and Principe | 62. Zambia          |

*Candidate Countries: Lower Middle Income Category*

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|---------------|---------------------|--------------|-------------|
| 1. Albania    | 5. El Salvador      | 9. Morocco   | 13. Ukraine |
| 2. Armenia    | 6. Guyana*          | 10. Paraguay |             |
| 3. Belize     | 7. Kosovo           | 11. Samoa    |             |
| 4. Cape Verde | 8. Marshall Islands | 12. Tonga    |             |

\*According to the FY 2013 income data, Swaziland (listed under prohibited countries) would have moved up and out of the LIC category and Guyana would have moved back into the LIC category. However, due to the provisions in the FY 2012 Appropriations Act allowing countries to retain their former income classification, both countries will be held in their previous income classification for this year and the next two fiscal years.

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

Countries that would be considered candidate countries for FY 2013, 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 as of September 1, 2012.

*Prohibited Countries: Low Income Category*

- 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 measurable and substantial progress in improving human rights practices and implementing democratic government, and due to its status as a major drug-transit or major illicit drug producing country for FY 2012 (Presidential Determination No. 2011-16 (9/15/2011)).
- Cameroon** is subject to section 7031(b) regarding budget transparency.
- 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.
- Guinea** is subject to section 7031(b) regarding budget transparency.
- Guinea-Bissau** is subject to section 7008 of the SFOAA, which prohibits assistance to the government of a country whose duly elected head of government is deposed by military coup or decree.
- Madagascar** is subject to section 7008 of the 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 7031(b) regarding budget transparency.
- Mali** is subject to section 7008 of the SFOAA, which prohibits assistance to the government of a country whose duly elected head of government is deposed by military coup or decree.

8. **Nicaragua** is subject to section 7031(b) regarding budget transparency.
9. **North Korea** is subject to numerous restrictions, including section 7007 of the SFOAA which prohibits any direct assistance to the government.
10. **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 7012 of the 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, section 7008 of the 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 7043(f).
11. **Swaziland** is subject to section 7031(b) regarding budget transparency.
12. **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 7007 of the SFOAA which prohibits direct assistance, and section 7012 of the 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.
13. **Zimbabwe** is subject to several restrictions, including section 7043(j)(2) 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. **Fiji** is subject to section 7008 of the SFOAA, which prohibits assistance to the government of a country whose duly elected head of government is deposed by military coup or decree.

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 the Foreign Assistance Act or any other provision of law for FY 2013.

