



MILLENNIUM

CHALLENGE CORPORATION

UNITED STATES OF AMERICA



MCC COUNTRY SELECTION & ELIGIBILITY

November 2018

MCC has two different types of programs, both underpinned by the same three principles

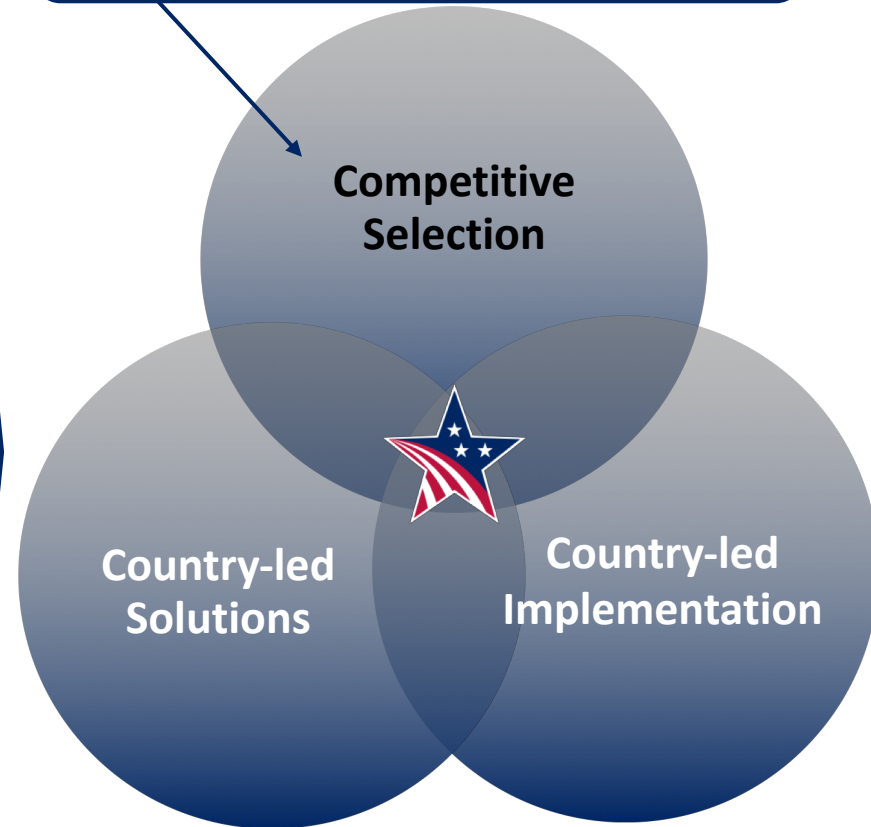
Compact Programs

- Large, five-year grants for countries that meet MCC's eligibility criteria
- Have ranged from \$66m to \$700m, often with large infrastructure components
- Rooted in a Constraints Analysis

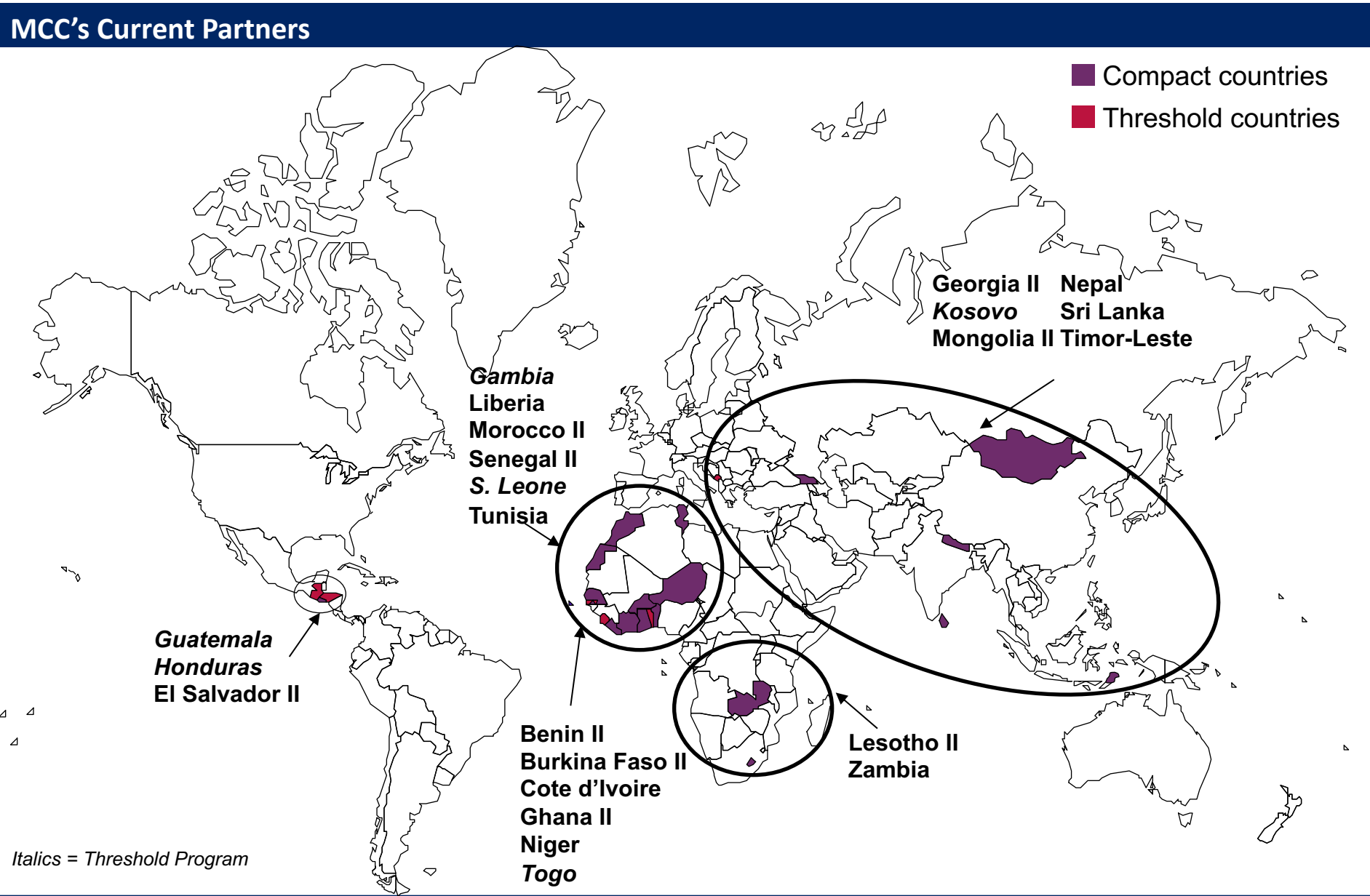
Threshold Programs

- Smaller, 3-4 year grants for countries coming close to meeting MCC's eligibility criteria, and are on a positive trajectory
- Have ranged from \$20m-\$40m, focused on policy and institutional reform
- Rooted in a Constraints Analysis

This is what we're going to discuss in today's session



MCC is currently operating in 23 countries, split out into 17 compacts, and 6 threshold programs ... but how were they chosen?





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COMPETITIVE SELECTION

MCC's MISSION:

MCC works with some of the best-governed of the world's poorest countries, and makes investments that spur economic growth

Selection focuses on two aspects of the mission:

- Who is classified as the world's poorest countries?
- Who is best-governed?

MCC's MISSION:

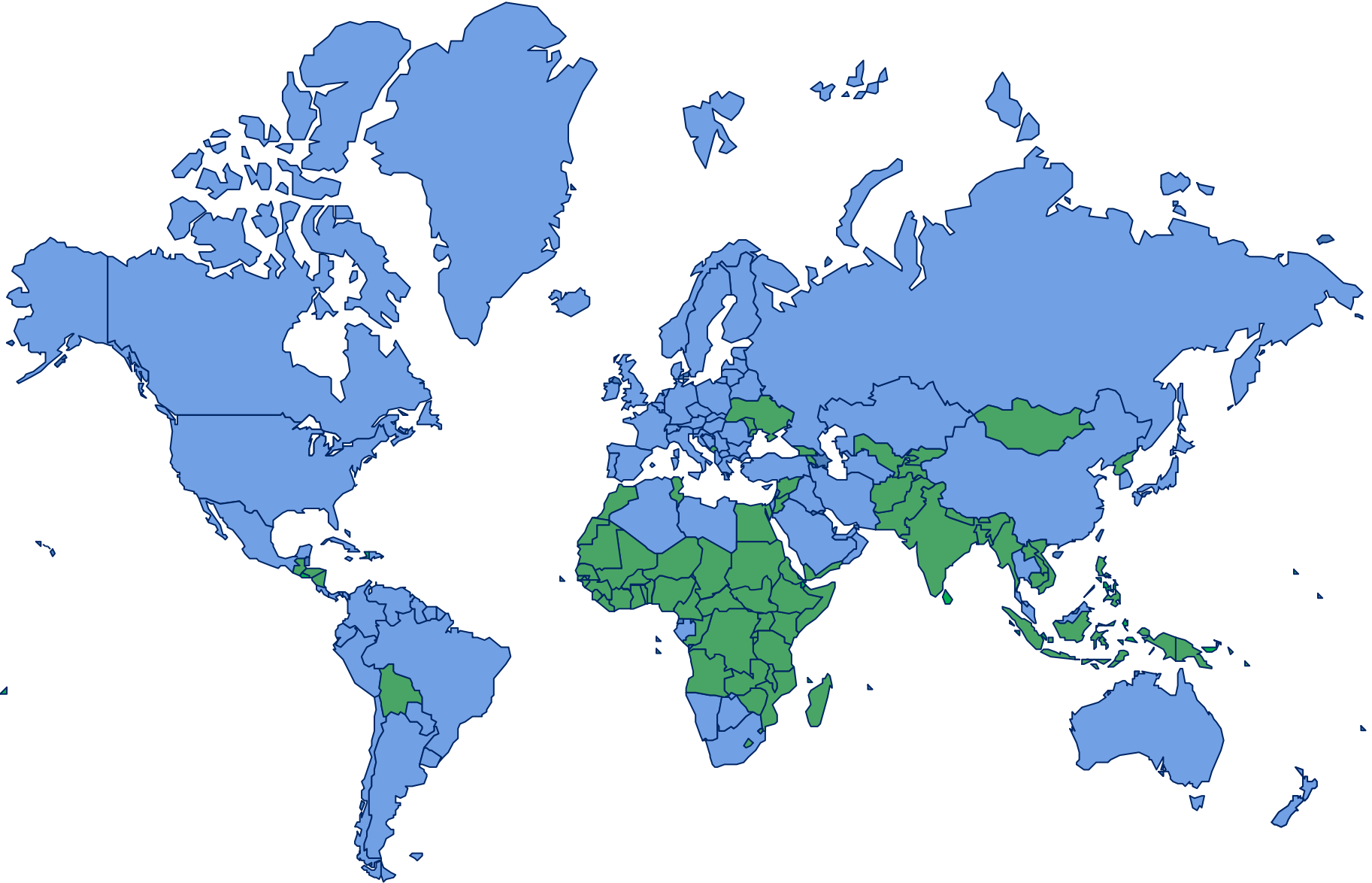
MCC works with some of the best-governed of the world's poorest countries, and makes investments that spur economic growth

QUESTION 1: WHERE ARE THE WORLD'S POOREST COUNTRIES

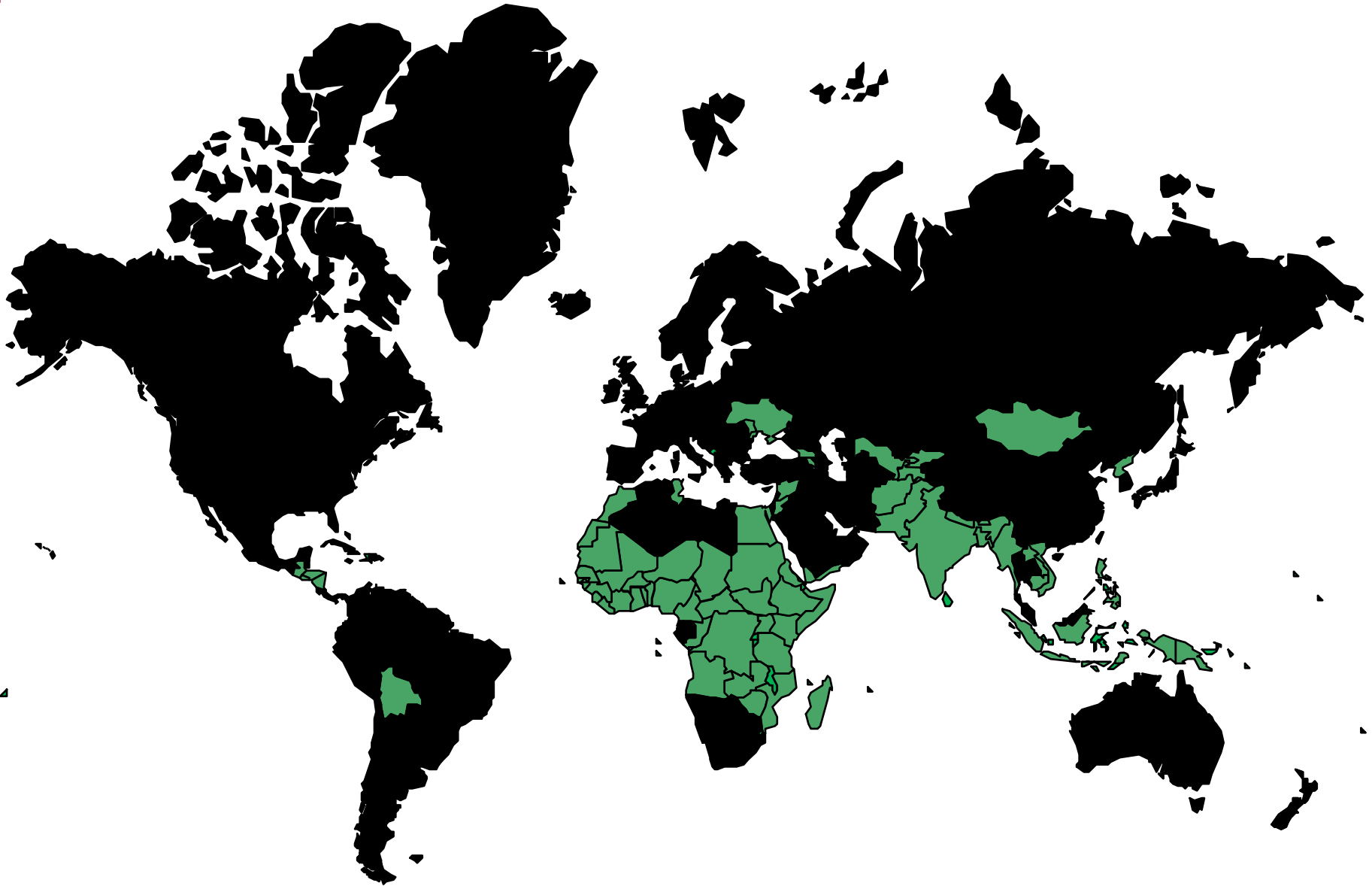
We begin, like every year, with a world of close to 200 countries



MCC's statute defines "poor" as any country below the World Bank's Upper Middle Income (UMIC) / Lower Middle Income (LMIC) threshold – it was \$3,955 Gross National Income (GNI) per capita for FY 2018



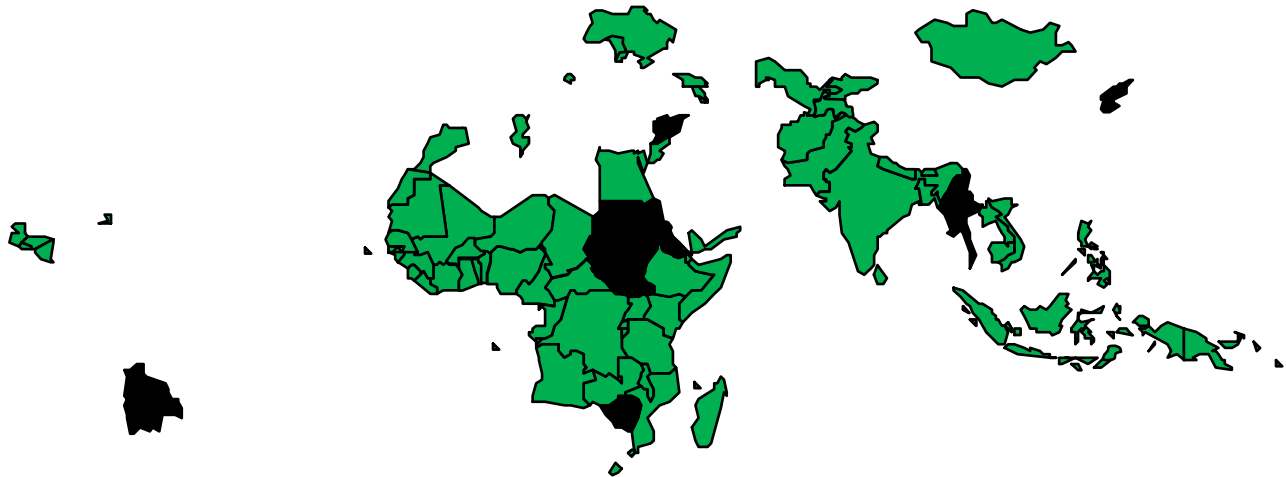
In FY18, 83 countries fit this definition of the “world’s poorest countries”



Thus, MCC's "world" is narrower

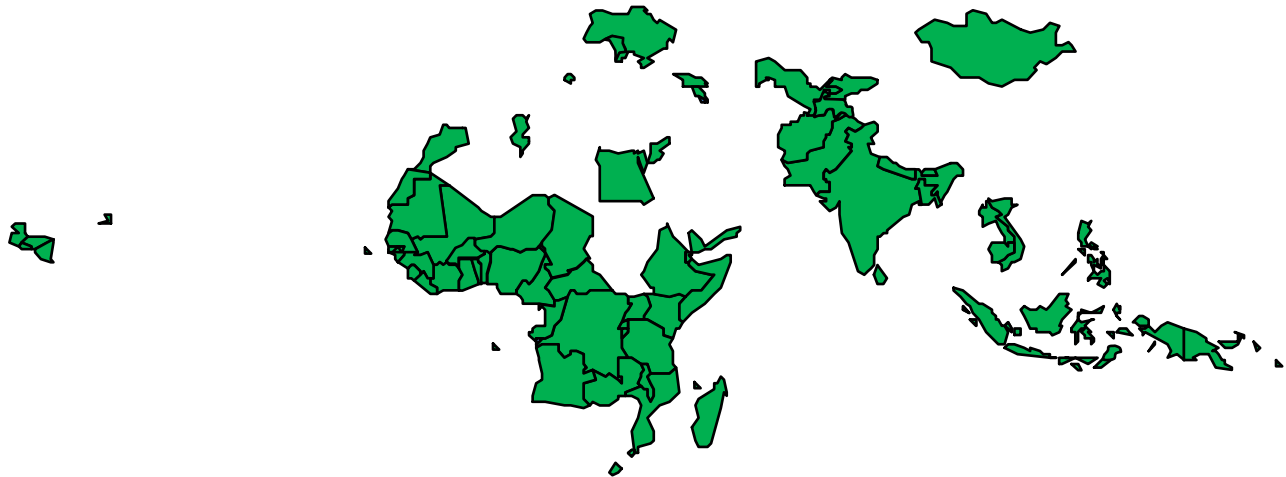


Several of these countries are also statutorily prohibited from receiving US assistance ... they are automatically removed from consideration each year



The remaining 75 countries (in FY18) are what MCC calls “Candidate Countries.”

In August of each year, MCC submits a report to Congress called the “Candidate Country Report” (CCR) ... this is essentially a list of that year’s Low Income (LIC) and Lower Middle Income (LMIC) countries, who among them are prohibited, and thus who are and are not the “candidates” that MCC’s Board can evaluate in the coming fiscal year



WHAT DOES MCC DO?

MCC works with some of the best-governed of the world's poorest countries, and makes investments that spur economic growth

Question 2: Having identified a set of 'the world's poorest countries,' how does MCC try to identify 'the best governed'?

First, we create “Scorecards” measuring the policy performance of each candidate country

Nepal FY18

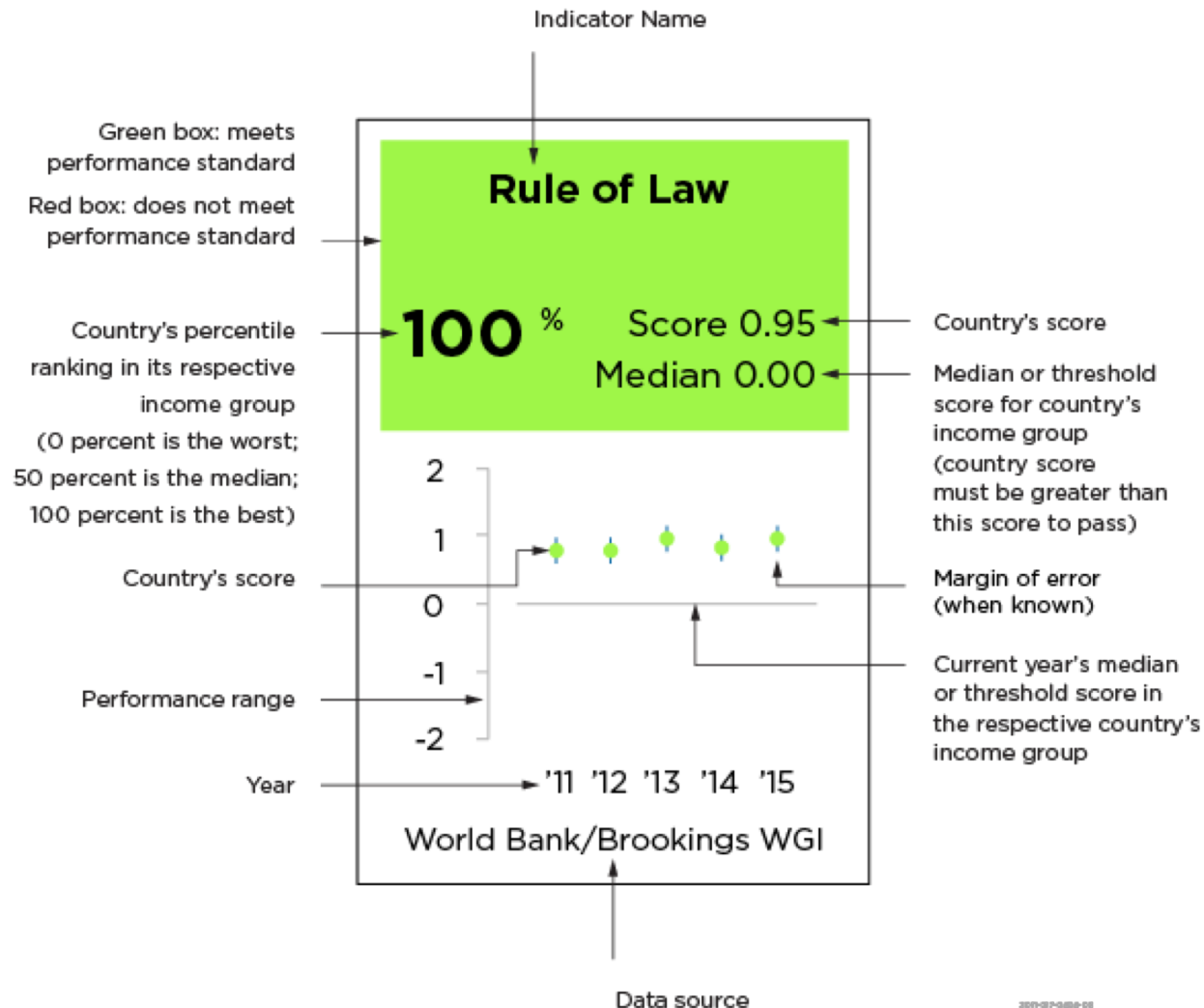
Population 28,983,000
GNI/Cap \$730 (LIC)

Half Scorecard Passed ✓
Control of Corruption ✓
Democratic Rights ✓



- Twenty indicators
 - All are produced by 3rd parties
 - All are independent
 - All are public
 - All cover governance issues critical for driving economic growth
- They fall in to 3 categories
 - Economic Freedom
 - Investing in People
 - Ruling Justly

MCC packs a lot of information in each indicator, but is ultimately looking to see how well the country performs relative to its peers



After creating the scorecard, we look to see if the candidate country is “passing” its scorecard

Nepal FY18

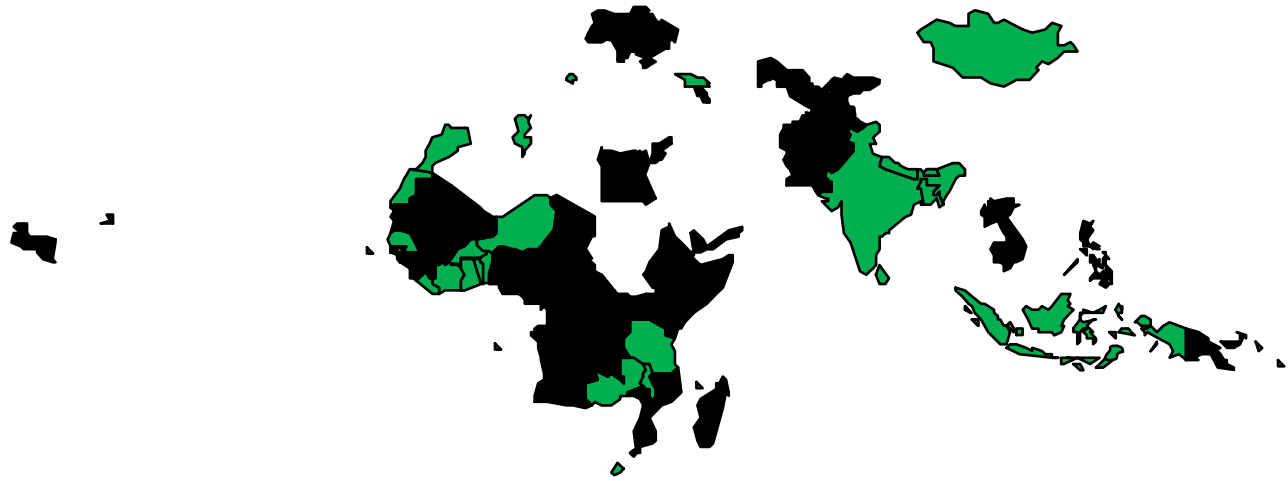
Population 28,983,000
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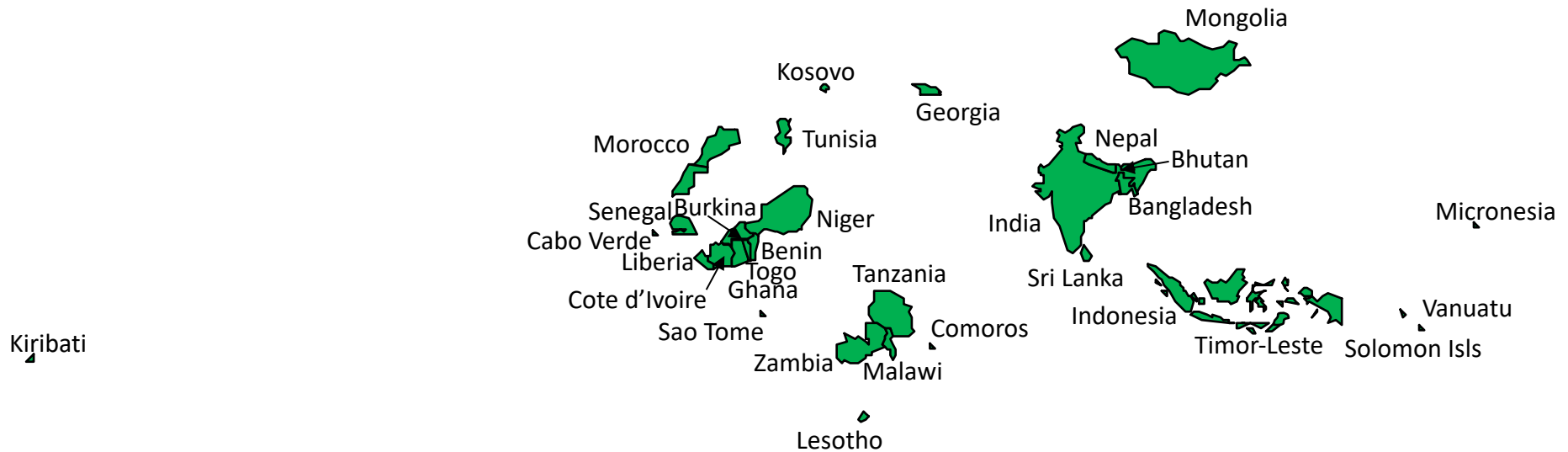


- Three requirements to “Pass”
 - Pass the Control of Corruption indicator
 - Pass either the Political Rights or Civil Liberties indicator
 - Pass at least 10/20 overall
- All three conditions must be met to pass the scorecard!

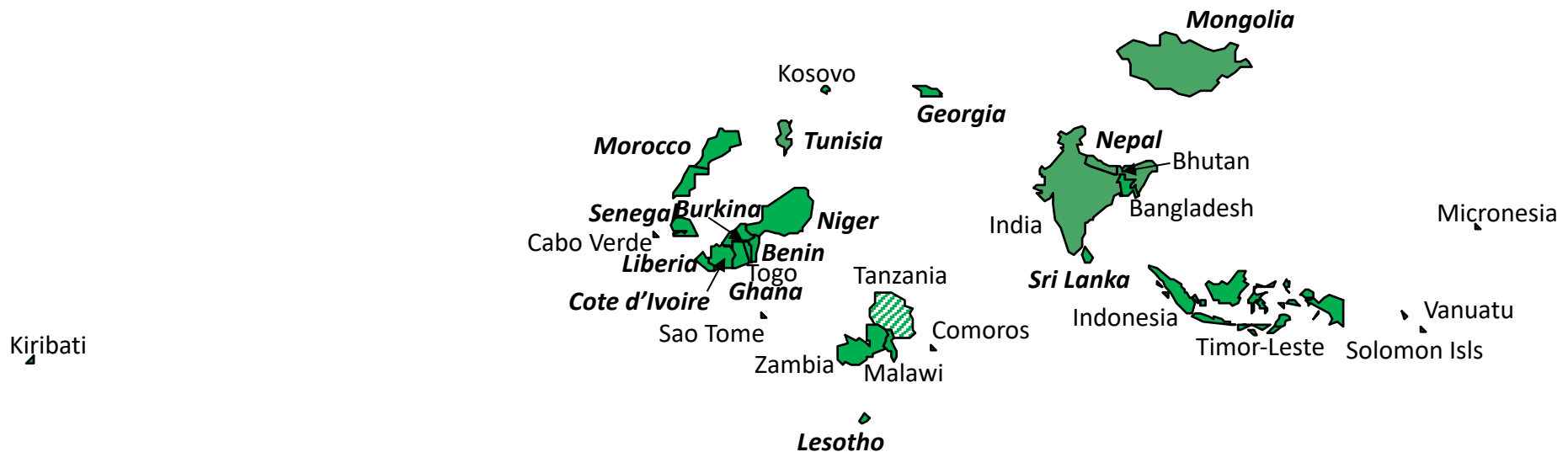
In FY18, while 44 of MCC's 75 candidate countries did not pass their scorecards...



...31 of the 75 candidate countries did pass their scorecards



However, 14 of these 31 countries were already MCC compact partners and not within the 18 month window of closeout (i.e., to be considered for a second compact, the first compact has to be within 18 months of closing out)



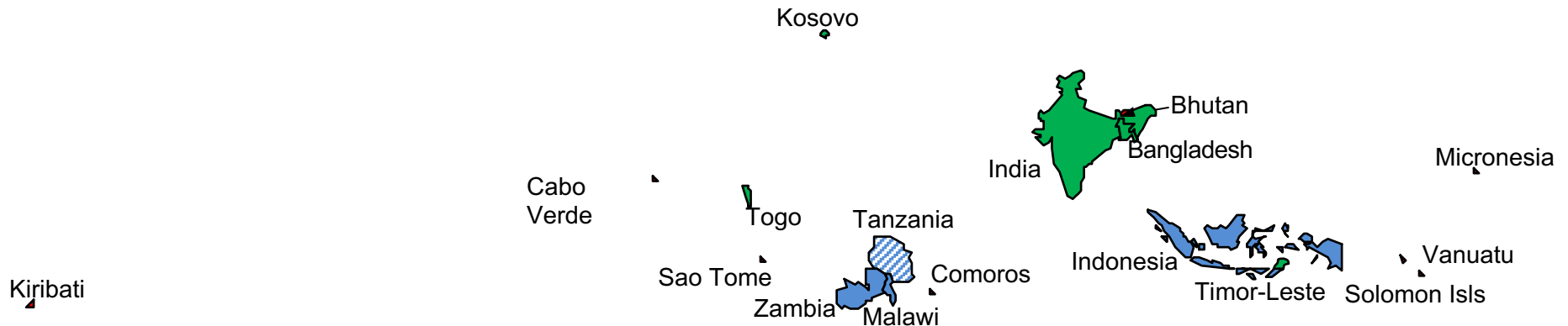
To arrive at the final compact selection decisions, the Board considers several factors

- ① A country's policy performance, primarily as measured by the scorecards, but also through supplemental information – including (where relevant):
 - The “higher bar” if the country is a second compact candidate
 - Additional criteria if the country is on the upper end of the income spectrum
 - Regional considerations
 - Threshold Program
- ② The overall opportunity to reduce poverty and generate economic growth in a given country
- ③ The funding available

These factors and considerations are outlined in the annual Selection Criteria and Methodology Report (“SCMR”), which is submitted as a Report to Congress each September

In FY18, of the remaining 17 countries the Board selected just one

FY18 Example:



Ultimately, the Board selected Timor-Leste for a compact



ELIGIBILITY AFTER SELECTION

By law, MCC must have a policy on suspending or terminating assistance

Section 611(a) of the Act provides that, after consultation with MCC's Board of Directors (Board), the chief executive officer (CEO) may suspend or terminate assistance in whole or in part for an MCA-eligible country, if the CEO determines that:

- *(1) the country is engaged in activities which are contrary to the national security interests of the United States;*
- *(2) the country has engaged in a pattern of actions inconsistent with the criteria used to determine the eligibility of the country; or*
- *(3) the country has failed to adhere to its responsibilities under its Compact.*

Reducing Poverty Through Growth