

**Report on Countries
that are Candidates for
Millennium Challenge
Account Eligibility for
Fiscal Year 2012
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 2012 (FY 2012) 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 2012 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 “MCA eligible countries” from among the “candidate countries” (section 608(b) of the Act); and
- ★ The list of countries determined by the Board to be “MCA eligible countries” for FY 2012, 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. This report was initially published in September 2011. In December 2011, Congress enacted changes in MCC’s FY 2012 appropriation that redefined candidate countries for FY 2012 as part of the Consolidated Appropriations Act, 2012 (Pub. L. 112-74) (the “Appropriations Act”).¹ While this does not affect the compact or threshold program eligibility decisions made at the December 2011 MCC Board meeting, it does alter the income classification of some candidate countries. As such, it is necessary for MCC to revise its FY 2012 Candidate Country Report. This revised report incorporates the new definitions and the subsequent reclassification of countries.

Candidate Countries for FY 2012

The Act requires the identification of all countries that are candidates for MCA assistance for FY 2012 and the identification of all countries that would be candidate countries but for specified legal prohibitions on assistance. Due to provisions in the Appropriations Act, the FY 2012 candidate pool must be structured differently than in past years. The new provisions define low income as the 75 poorest countries and provide for gradual graduation from the low income to lower middle income category. This year’s newly-issued candidate list will establish the baseline of those countries for purposes of determining income

¹ The changes to the Act enacted in the Appropriations Act only apply to the FY 2012 selection process. The relevant language would need to be included in next year’s appropriations act or in an amendment to the Act in order for these changes to continue beyond FY 2012.

levels. The provisions of the Appropriations Act that supplant Sections 606 (a) and (b) of the Act provide that for FY 2012, 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 (\$3,975 GNI per capita for FY12); 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 (\$3,975 GNI per capita for FY12); 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.

Pursuant to section 606(c) of the Act, the Board identified the following countries as candidate countries under the Act for FY 2012 at its March 22, 2012 meeting. 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 (SFOAA), Pub. L. 112-74, Div. I. All section references identified as prohibitions on assistance to a given country are taken from Title VII of the FY 2012 SFOAA, unless another statute is identified.

Candidate Countries: Low Income Category

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

Candidate Countries: Lower Middle Income Category

- | | | | |
|---------------|---------------------|--------------|-------------------|
| 1. Angola* | 5. El Salvador | 9. Morocco | 13. Turkmenistan* |
| 2. Armenia | 6. Guyana | 10. Paraguay | 14. Ukraine |
| 3. Belize | 7. Kosovo | 11. Samoa | |
| 4. Cape Verde | 8. Marshall Islands | 12. Tonga | |

* Countries are currently prohibited from assistance due to Section 7031 of the SFOAA, which prohibits assistance to governments where there is a lack of financial management and budget transparency. However, with minor exception, they are expected to receive waivers. Where waivers are granted, these countries will be considered candidate countries for FY 2012.

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

Countries that would be considered candidate countries for FY 2012, 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 December 2011.

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)).
- 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.
- 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.
- North Korea** is subject to numerous restrictions, including section 7007 of the SFOAA which prohibits any direct assistance to the government.
- 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).

6. **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.
7. **Uzbekistan's** central government is subject to section 7076(a) of the FY 2009 SFOAA, which is carried forward by section 7063 of the FY 2012 SFOAA. This may be waived for six months at a time by the Secretary of State. The restriction limits the provision of funds (other than expanded international military education and training funds).
8. **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 2012.

