



The largest alliance of U.S.-based international nongovernmental organizations focused on the world's poor and most vulnerable people.

April 12, 2010

Dear Member of Congress,

On behalf of InterAction's Millennium Challenge Account (MCA) Working Group, we are writing to endorse the efforts of the Millennium Challenge Corporation (MCC) to make changes to the country selection process to ensure that the MCC has the flexibility to continue to work with the world's poorest people. Recognizing limitations in the current process, InterAction's MCA working group supports changes in the candidacy selection method that redefines the lower-income candidate pool and introduces a three-year gradual graduation timeline.

The MCC must continue to focus on poverty alleviation through economic growth in well-performing *low income countries* (LICs). However, we recognize the challenges facing the MCC in its use of gross national income (GNI) per capita (as stipulated in *section 606* of the Millennium Challenge Act) as the means of measuring the eligible pool of LIC countries. Fluctuations in GNI unrelated to significant material improvements in the welfare of the poor have resulted in the abrupt graduation of LICs to *lower middle income countries* (LMICs) while in the process of compact pipeline planning or compact development. It also threatens to sharply limit the pool of LICs that the MCC can work with in the future.

We understand that the MCC leadership is considering four options to address these challenges: 1) drop the LMIC cap altogether; 2) increase the LMIC cap from 25% to 50%; 3) take the poorest 100 countries as candidates and include a three year gradual graduation timeline; and 4) redefine lower-income candidate pool as the 75 poorest countries, redefine LMIC category as the 76th poorest country to the current LMIC ceiling, and institute a three-year gradual graduation timeline.

The InterAction MCC Working Group does not support dropping the LMIC cap nor does it support lifting the cap from 25% to 50%. Of the four options presented, the InterAction MCA Working Group believes that option #4 offers the best solution. Expanding the pool of LICs to the 75 poorest countries and instituting a three-year gradual graduation timeline would keep the MCC focused on poverty alleviation, while providing it the flexibility it needs to design compacts that result in a significant improvement in the welfare of the world's poorest. We also endorse further improvements to the candidate selection process through the utilization of data and indicators, beyond GNI per capita, which capture a clearer picture of poverty conditions in developing countries.

While having an appropriate candidate pool is an important step in the MCC process, so is the actual country selection by the MCC Board. The MCC board should continue to focus on selecting countries based on objective criteria rather than shorter term political agendas.

President and CEO
Samuel A. Worthington

Chair
Kathy Spahn
Helen Keller International

Vice Chair
Tsehaye Teferra
Ethiopian Community
Development Council

Treasurer
Jonathan Quick
Management Sciences for
Health

Board of Directors
Nancy Aossey
International Medical Corps
Sekyu Chang
Korean American Sharing
Movement
Christopher Elias
PATH
Anne Goddard
ChildFund International
Susan Hayes
Interplast
Benjamin K. Homan
Food for the Hungry
Melanie Macdonald
World Neighbors
Steve Moseley
AED
Carol Peasley
CEDPA
Daniel Pellegrom
Pathfinder International
Robert Radtke
Episcopal Relief and
Development
Farshad Rastegar
Relief International
Jonathan Reckford
Habitat for Humanity
William S. Reese
International Youth Foundation
Carter Roberts
World Wildlife Fund
Zainab Salbi
Women for Women International
Ron Sconyers
Physicians for Peace
Alison Smith
InsideNGO
Richard Stearns
World Vision



The objective country selection process practiced by the MCC is a unique facet of US foreign assistance and strengthens the incentive effect of the MCC.

We look forward to answering any questions you may have concerning our endorsement of an adjustment to the MCC's candidacy selection method. We also reaffirm our support for a full funding of the President's FY2011 Budget Request for the MCC. As always, the MCA Working Group will continue to focus on the MCC to ensure poverty reduction remains the main focus of its candidacy selections.

Sincerely,

Nora O'Connell

Women Thrive Worldwide

Co-Chair, InterAction MCA Working Group

noconnell@womenthrive.org

Dennis Shin

Catholic Relief Services

Co-Chair, InterAction MCA Working Group

dennshin@yahoo.com