

Which Countries Will the MCC Choose for FY 2010?

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Background

- Selection round #7; 1st for Obama Admin.
- \$8.4 billion appropriated to date (FY10 pending)
- 19 compacts = \$6.9 billion
 - 1 terminated; 2 partially terminated; 1 partial hold
 - 5 nearing completion – 2nd compact possible
- 21 threshold programs = \$470 million

Selection Process 101

- Candidate:
 - LIC: GNI < \$1855 (63)
 - LMIC: GNI \$1855-\$3855 (35)
 - Legal prohibitions (12)
- Eligibility:
 - Indicators
 - Potential to generate growth
 - Availability of funds
 - Implementation record (2nd compacts)
- Selection: Board meeting on December 9th

MCC Selection Indicators (17)

Ruling Justly					
Political Rights	Civil Liberties	Voice & Accountability	Government Effectiveness	Rule of Law	Control of Corruption
<i>Freedom House</i>	<i>Freedom House</i>	<i>WBI</i>	<i>WBI</i>	<i>WBI</i>	<i>WBI</i>
Investing in People					
Natural Resource Management	Immunization Rate: DPT and Measles, %	Public Expenditure on Health, % of GDP	Public Primary Education Spending, % of GDP	Girls' Primary Education Completion Rate, %	
<i>CIESIN/YCLEP</i>	<i>WHO</i>	<i>WHO</i>	<i>UNESCO/ National Sources</i>	<i>UNESCO/World Bank</i>	
Economic Freedom					
Land Rights & Access	Regulatory Quality	Business Start-Up	Trade Policy	Inflation, %	Fiscal Policy
<i>IFAD/IFC</i>	<i>WBI</i>	<i>IFC</i>	<i>Heritage</i>	<i>IMF</i>	<i>National Sources</i>

Key Considerations This Year

- The indicator conundrum
- Uncertain budget environment
- Balance between implementing old and inputting new
 - 2nd compacts
- Impact of graduates
 - on system: 24 LIC to LMIC graduates since inception
 - this year: 18 changes; notable: Philippines, Indonesia, Colombia
 - 25% LMIC cap
- MCC in broader foreign assistance reform efforts

Currently Eligible Low Income Countries

(selected in FY2009)

COUNTRY	STATUS
Indonesia	Compact Development, Threshold Program
Malawi	Compact Development, Completed Threshold Program
Moldova	Compact Approved, Threshold Program
The Philippines	Compact Development, Completed Threshold Program
Senegal	Compact Signed
Zambia	Compact Development, Completed Threshold Program

Note: Per the MCC's new eligibility policy, compact countries *do not* have to be re-selected unless in the case of second compact development.

LICs that passed but were not selected for FY 2009

- Bhutan
- Bolivia
- Egypt
- Guyana
- Nepal
- Rwanda
- Sri Lanka
- Vietnam

15 LICs Pass for FY 2010

- **Currently eligible (3):** Malawi, Moldova, Zambia
- **Passed last year, but not selected (6):** Bolivia, Egypt, Guyana, Nepal, Rwanda, Vietnam
- **Compact Countries (6):** Benin*, Ghana, Lesotho, Mongolia, Senegal, Tanzania

* Benin regains passing status after three prior years of failing the indicators test.

LIC Compact Countries That Fail

- **Burkina Faso** (Year 1): First year failing after 5 years of passing; Miss by one indicator in Investing in People category
- **Honduras** (Year 5): Fail due to Control of Corruption hard hurdle
- **Mali** (Year 3): 3rd year failing; Miss by one indicator in Investing in People category
- **Mozambique** (Year 2): 3rd year failing; Miss by one indicator in Investing in People category
- **Nicaragua** (Year 4): 2nd year failing; Fail due to Control of Corruption hard hurdle

Predictions: LICs Most Likely to be Selected

- **Currently eligible and likely re-selects:**
Malawi, Moldova, and Zambia
- **New Selection:** Guyana
- **Borderline:** Rwanda

* Moldova compact *approved* (not signed) yesterday

Lower Middle Income Countries

- **Selected for FY 2009:** Colombia and Jordan
- **Not Selected in FY2009 but passed indicators:** Bosnia-Herzegovina, Macedonia, Thailand, Tunisia

Five LMICs Pass for FY 2010

- **Currently eligible:** Jordan
- **Pass for the first time:** Albania (for the first time ever) and Cape Verde (for the first time as an LMIC)
- **Passed last year, but not selected:** Thailand and Bhutan (graduated to LMIC status this year)

* Colombia graduates out - UMIC

LMIC Compact Countries That Fail

- **Armenia** (Year 4): 3rd year failing; Miss by two in Ruling Justly category including failing Control of Corruption
- **El Salvador** (Year 3): 3rd year failing; Misses by one indicator in Investing in People category
- **Georgia** (Year 4): 2nd year failing; Miss by one indicator in Investing in People
- **Morocco** (Year 2): 4th year failing; Miss by two indicators in Investing in People category, fail democracy indicators
- **Vanuatu** (Year 4): 2nd year failing; Miss by one each in Investing in People and Economic Freedom categories

Predictions: LMICs Most Likely to be Selected

- **Currently eligible and likely re-select:** Jordan
- **Re-selected for second compact eligibility:** Cape Verde and Georgia
- **Borderline:** Indonesia and the Philippines

Threshold Program

- Current situation:
 - 13 countries have Threshold programs (two of which are on their second program)
 - 6 countries have completed programs (Burkina Faso, Jordan, Malawi, Philippines, Tanzania, and Zambia)
- Key Issues:
 - Define and restructure Threshold program and selection rationale

Predictions: Threshold Program

- *No new* countries until Threshold program is clarified
- Re-select Liberia and Timor-Leste since they already have Threshold programs in development

Recommendations

1. Be selective. How?

- Consistent record of policy improvement
- High potential for impact on poverty
- Actions inconsistent with MCC principles matter
- Democracy is a priority

Recommendations

2. Premium on implementation of existing compacts.

1. Deliver on promised results to build support in both Congress and with the American public.
2. Counter optics of recent terminations/holds: Madagascar, Honduras, Nicaragua, Armenia.
3. Counter optics of 10 of 18 compact countries currently failing the FY2010 indicators test.

Looking Ahead: Model Re-think?

1. Income categories/caps

- Country graduation will continue. It is only highlighted this year by Indonesia and the Philippines.
- Second compacts – most will be LMICs.
- The LMIC cap at 25% of a limited budget is a big limitation, even with a legislative fix for FY2010.

Looking Ahead: Model Re-think?

2. Mission and delivery modes

- Strayed from mission?
- Innovative finance?
- Threshold Program?

Looking Ahead: Model Re-think?

3. Timing is right: MCC niche in broader foreign assistance landscape?

1. New CEO and management team.
2. White House Presidential Study Directive (PSD).
3. State Department Quadrennial Diplomacy and Development Review (QDDR).
4. Congressional actions: H.R. 2139; S.1524; FAA Rewrite



Questions & Comments

Poverty Levels for Selected Countries

<u>Country</u>	<u>Percent of Population Living in Poverty (%)</u>	<u>Total Population (in millions)</u>	<u>Income Classification</u>
Tanzania ^C	82.4	38.48	LIC
Rwanda ^P	74.43	9.23	LIC
Malawi ^P	73.86	13.23	LIC
Mozambique ^C	68.23	20.53	LIC
Zambia ^P	64.29	11.48	LIC
Burkina Faso ^C	55.04	13.93	LIC
Nepal ^P	54.7	27.09	LIC
Mali ^C	51.43	11.61	LIC
Benin ^C	49.99	8.44	LIC
Lesotho ^C	38.73	1.98	LIC
Senegal ^C	33.5	11.77	LIC
Ghana ^C	29.99	22.54	LIC
Vietnam ^P	22.81	83.1	LIC
Mongolia ^C	22.38	2.55	LIC
Honduras ^C	22.19	6.83	LIC
Bolivia ^P	19.62	9.18	LIC
Nicaragua ^C	15.81	5.46	LIC
Moldova ^P	8.14	3.88	LIC
Guyana ^P	7.29	0.74	LIC
Egypt ^P	1.99	72.85	LIC
Indonesia	21.34 [†]	220.56	LMIC
The Philippines	22.62	84.57	LMIC
Bhutan ^P	26.23	0.69	LMIC
Cape Verde ^C	18.36	0.51	LMIC
El Salvador ^C	13.48	6.67	LMIC
Georgia ^C	13.44	4.47	LMIC
Armenia ^C	4.74	3.02	LMIC
Morocco ^C	2.96	30.14	LMIC
Albania ^P	0.85	3.15	LMIC
Thailand ^P	0.4	63	LMIC
Jordan ^P	0.38	5.41	LMIC
Namibia ^C	43.75	2.02	UMIC

Source: The World Bank's PovcalNet. Figures are based on 2005 PPP at a poverty line of \$1.25/day. Data for Vanuatu is not available.

^C Denotes a compact country

^P Denotes a country that passes the FY2010 indicators test

[†]Figure is average of urban and rural data