

**Which Countries are Most Likely to Qualify for the MCA?**  
**An Update using MCC Data**

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The Millennium Challenge Corporation has posted data for each candidate country for each of the 16 indicators that will be used to select qualifying countries during the first year.<sup>2</sup> This step follows its announcement in early March of the methodology it proposes to use to select countries for the first year of the program.<sup>3</sup> The MCC Board is expected to meet in early May to officially announce the countries that will qualify during the first year. This memo uses the MCC's recently-released data to examine the countries most likely to qualify during the first year.

It is important to emphasize that the lists presented here represent my best *estimate* of the countries most likely to qualify, not an official list of the countries that *will* qualify with certainty. My lists could differ from the administration's final list for at least two reasons.

- First, some of the indicators may be updated or revised before the final decisions are made. The MCC website stresses that the posted data are preliminary and are subject to revision.
- Second, even after the numbers are finalized, the MCC Board will have the power to adjust the list, and could add certain countries that may not fully qualify by the numbers, or drop others that do meet the numerical standards. This element of subjectivity is necessary given the underlying weaknesses in the data, but care must be taken to ensure that it is not overused in a way that would ultimately undermine the credibility of the process.

***The Process***

In the first year, 75 countries with per capita incomes below \$1,415 and that are eligible to borrow from the International Development Association (the World Bank's concessional window) are eligible to compete to qualify for the MCA. Of these countries, 12 are ineligible to receive U.S. foreign assistance, leaving 63 countries that could receive MCA funding.<sup>4</sup> To qualify, a country must score better than the median in half the indicators in each of three broad areas (ruling justly, investing in people, and establishing economic freedom), and must surpass the median on corruption. The medians are based on the full set of 75 countries (rather than 63) since the purpose of the medians is to set benchmarks based on the performance of *all* low-income countries, not

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<sup>2</sup> The data can be found at [http://www.mcc.gov/Operations\\_Country\\_Selection/Country\\_Data\\_Viewer.html](http://www.mcc.gov/Operations_Country_Selection/Country_Data_Viewer.html)

<sup>3</sup> Millennium Challenge Corporation, "Report on the Criteria and Methodology for Determining the Eligibility of Candidate Countries for Millennium Challenge Account Assistance in FY 2004." [http://www.mca.gov/Documents/methodology\\_report.pdf](http://www.mca.gov/Documents/methodology_report.pdf)

<sup>4</sup> The official announcement of the list of eligible countries can be found at [http://www.mca.gov/Documents/candidate\\_report.pdf](http://www.mca.gov/Documents/candidate_report.pdf)

just those eligible for U.S. foreign assistance. As mentioned previously, the MCC Board will use these data as the primary input to its qualification decisions, but it will have the discretion to modify the list under certain circumstances.

### ***The Most Likely Qualifiers***

Table 1 lists the countries most likely to qualify for the MCA in the first year, along with those countries that fall just short of meeting the qualifying standards. Table 2 provides detailed data on each of the 16 indicators for each candidate country, with the median score for each indicator shown at the bottom. According to these data and a strict interpretation of the administration's procedure, 17 countries are likely to qualify in the first year. Eight are from Africa (Benin, Cape Verde, Ghana, Lesotho, Madagascar, Mali, Mauritania, and Senegal), 6 from Asia (Armenia, Bhutan, Mongolia, Sri Lanka, Vanuatu, and Vietnam), and 3 from Latin America (Guyana, Honduras, and Nicaragua). Most of these countries seem to be reasonable choices, including Senegal, Mongolia, and Honduras. Others, however, are more questionable, particularly Bhutan, Vietnam, and Mauritania. All three of these countries miss the three democracy indicators (civil liberties, political rights, and voice and accountability). Bhutan and Vietnam pass the minimum number of hurdles needed to qualify.

This list adds four countries that were not among the most likely to qualify when I last updated the qualification process in March 2004.<sup>5</sup> In the interim, Ghana has released more recent inflation numbers that show the inflation rate for the 12 months ending in March at 11%, well below the hurdle of 20%, giving Ghana enough hurdles to qualify. Madagascar, Mali, and Vanuatu all pass enough hurdles based on the MCC's data for "public spending on primary education" and "public spending on health," which were not publicly available until the recent release by the MCC.

### ***The Near-Miss Countries***

The table shows that three more countries (Bolivia, Bosnia and Herzegovina, and Burkina Faso) would qualify if the administration slightly changed its criteria so that a score *equal* to the median counted as passing a hurdle.<sup>6</sup> Bolivia's corruption score is exactly equal to the median, as are Bosnia and Herzegovina's scores on civil liberties and political rights. Burkina Faso's trade policy score is equal to the median.

Seven countries pass sufficient hurdles overall but do not score above the median on control of corruption and, therefore are eliminated. Albania scores just below the median on the corruption indicator, and Malawi and Moldova are also fairly close to the mark. Bangladesh, Georgia, Indonesia, and Kenya also fall into this category, but are further below the median.

The tables also show seven countries that did not qualify because they missed one hurdle more than allowed by the proposed procedure: Djibouti, East Timor, India, Kiribati,

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<sup>5</sup> "Qualifying for the MCA; An Update," March 19, 2004, <http://www.cgdev.org/Publications/?PubID=100>

<sup>6</sup> The administration's procedure stipulates that a country must perform above the median to pass a hurdle.

Nepal, Sao Tome and Principe, and Tonga. Four of these countries fail to qualify partially because of missing data.

Altogether, 17 countries miss qualifying by just one hurdle, either because their score is equal to the median, they fail the corruption hurdle, or they miss one other hurdle. In addition, Serbia and Montenegro passes sufficient hurdles to qualify, but is eliminated from the MCA (and other U.S. foreign assistance programs) for statutory reasons, and could become eligible through a special determination by the President. The implication is that there are a large number of countries that are relatively close to qualifying for the MCA, some of which conceivably could gain eligibility within a year or two.

**Table 1. Possible Qualifying Countries, Year 1**

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**Most likely to qualify**

- 1 Armenia
- 2 Benin
- 3 Bhutan
- 4 Cape Verde
- 5 Ghana
- 6 Guyana
- 7 Honduras
- 8 Lesotho
- 9 Madagascar
- 10 Mali
- 11 Mauritania
- 12 Mongolia
- 13 Nicaragua
- 14 Senegal
- 15 Sri Lanka
- 16 Vanuatu
- 17 Vietnam

**Qualify if median counts as passing a hurdle**

- 18 Bolivia
- 19 Bosnia and Herzegovina
- 20 Burkina Faso

**Eliminated by corruption**

- 21 Albania
- 22 Bangladesh
- 23 Georgia
- 24 Indonesia
- 25 Kenya
- 26 Malawi
- 27 Moldova

**Missed by one indicator**

- 28 Djibouti
  - 29 East Timor
  - 30 India
  - 31 Kiribati
  - 32 Nepal
  - 33 Sao Tome and Principe
  - 34 Tonga
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Table 2. Possible Qualifying Countries, Year 1

Countries	Ruling Justly						Investing in People				Economic Freedom					Number of passed hurdles				
	Civil Liberties	Political Rights	Voice and Accountability	Government Effectiveness	Rule of Law	Control of Corruption	Public Primary Education Spending, % of GDP	Primary Education Completion Rate, %	Immunization Rate: DPT and Measles, %	Public Expenditure on Health, % of GDP	Country Credit Rating, (1-100, 100=best)	Inflation, %	3-Year Budget Deficit, %	Trade Policy, (1 to 5, 1=best)	Regulatory Quality, (0 to 1, 1=best)	Days to Start a Business	Ruling Justly	Investing in People	Economic Freedom	
	(1 to 7, 1=best)			(0 to 1, 1=best)																
<b>Most likely to qualify</b>																				
1	Armenia	4	4	0.14	0.36	0.35	0.10	1.03	82.4	92.5	1.48	23.2	7.5	-2.16	2	0.81	25	4	2	6
2	Benin	2	2	0.60	0.16	0.36	0.21	1.61	38.5	78.5	1.96	22.9	1.7	-1.92	4	0.13	63	6	2	4
3	Bhutan	5	6	-0.60	1.70	0.89	1.73	1.18	59.3	82.0	3.83	29.9	5.0	-5.53		0.11		3	2	3
4	Cape Verde	1	1	0.97	0.58	0.97	1.15	2.93	117.1	89.5	3.18	23.3	1.6	-3.63	5	0.46		6	4	4
5	Ghana	2	2	0.58	0.78	0.63	0.41	3.36	63.6	80.5	2.56	27.9	11.3	-5.26	4	0.39	84	6	4	3
6	Guyana	2	2	1.21	0.46	0.35	0.32	2.93	89.2	93.0	5.26	27.4	6.0	-15.20	4	0.30		6	4	3
7	Honduras	3	3	0.41	0.05	-0.01	0.04	2.37	67.5	96.0	4.86	29.6	7.3	-4.27	3	0.32	80	5	4	4
8	Lesotho	3	2	0.41	0.52	0.77	0.54	4.91	68.0	74.5	2.50	30.3	-7.5	-2.12	4	0.20	92	6	3	4
9	Madagascar	3	3	0.51	0.40	0.59	0.96	2.67	26.4	61.5	2.37	17.2	-4.1	-4.57	3	0.43	67	6	2	3
10	Mali	2	2	0.75	-0.07	0.24	0.49	2.39	23.4	45.0	1.98	20.9	-1.2	-3.92	3	0.19	61	5	2	4
11	Mauritania	5	6	-0.10	0.62	0.46	1.05	1.81	45.8	82.0	3.50	19.0	7.9	2.60	3	0.69	73	3	2	4
12	Mongolia	2	2	1.00	0.59	1.15	0.67	4.05	82.4	98.0	4.89	25.1	3.1	-5.80	2	0.50	31	6	4	5
13	Nicaragua	3	3	0.65	-0.09	0.15	0.37	1.40	65.4	91.0	2.93	18.0	4.0	-6.56	2	0.27	71	5	3	3
14	Senegal	3	2	0.72	0.60	0.59	0.65	2.15	41.5	57.0	2.18	31.1	-1.2	-1.17	3	0.46	58	6	2	6
15	Sri Lanka	3	3	0.50	0.81	1.01	0.68	0.63	111.1	98.5	1.62	35.5	4.5	-9.26	3	0.81	58	6	2	5
16	Vanuatu	2	2	1.45	0.13	0.46	0.37	2.55	86.3	49.0	2.68	31.3	4.0	-2.08		-0.15		6	3	3
17	Vietnam	6	7	-0.79	0.51	0.39	0.14	0.95	101.0	85.5	0.85	37.4	2.5	-3.62	5	-0.01	63	3	2	3
<b>Qualify if median counts as passing a hurdle</b>																				
18	Bolivia	3	3	0.57	0.25	0.18	0.00	5.55	72.0	80.0	3.58	28.9	3.4	-7.99	3	0.58	67	5	4	4
19	Bosnia and Herzegovina	4	4	0.32	-0.12	-0.10	0.21	2.74	88.1	84.5	8.00	22.2	1.1	-1.82	3	-0.24	59	2	4	5
20	Burkina Faso	4	4	0.30	0.09	0.23	0.78	2.56	25.0	43.5	2.05	19.9	1.8	-4.26	4	0.48	136	4	2	2
<b>Eliminated by corruption</b>																				
21	Albania	3	3	0.53	0.30	-0.14	-0.03	1.77	89.1	97.0	2.52	19.9	3.0	-6.53	4	0.31	47	4	3	3
22	Bangladesh	4	4	0.00	0.25	0.00	-0.30	0.85	69.9	81.0	0.88	29.2	5.3	-3.45	5	-0.37	30	2	2	4
23	Georgia	4	4	0.26	0.01	-0.39	-0.21	0.50	90.0	78.5	0.53	18.3	3.3	-2.11	4	-0.14	30	2	2	3
24	Indonesia	4	3	0.08	0.22	-0.02	-0.34	0.56	90.6	75.5	0.29	33.4	6.2	-2.45	3	0.00	168	3	2	5
25	Kenya	3	3	-0.02	-0.07	-0.26	-0.23	3.60	63.0	81.0	1.50	25.1	11.4	-4.01	5	0.18	61	2	2	3
26	Malawi	4	3	0.01	0.10	0.44	-0.10	2.93	64.0	66.5	3.00	16.8	12.5	-7.17	3	0.33	45	4	3	4
27	Moldova	4	3	0.27	0.15	0.30	-0.07	1.14	78.8	95.5	2.65	19.3	11.1	0.66	2	0.52	42	4	3	5
<b>Missed by one indicator</b>																				
28	Djibouti	5	5	-0.13	-0.10	0.27	0.09	2.20	29.9	62.0	5.40	26.8	-2.2	-2.57	5	-0.07		2	2	3
29	East Timor	3	3	0.76	0.00	-0.32	0.29	1.94	53.9	52.0	2.34	18.5	4.0	2.16		-0.58		4	2	2
30	India	3	2	0.94	0.65	0.85	0.57	1.22	76.0	68.5	1.10	50.7	3.8	-10.08	5	0.35	88	6	1	3
31	Kiribati	1	1	1.66	0.84	0.46	0.37	5.62	93.5	93.5	1.26	23.8	1.4	-23.44		-0.43		6	2	2
32	Nepal	4	5	0.05	0.27	0.28	0.52	1.88	64.6	71.5	0.80	25.4	3.9	-3.73	5	0.18	25	4	1	5
33	Sao Tome and Principe	2	2	1.04	0.13	0.33	0.57		84.0	88.5	6.13	18.8	9.0	-18.26		0.34		6	3	2
34	Tonga	3	5	0.45	0.13	0.14	0.37	4.56		90.0	2.89		8.7	-1.93		-0.15		5	3	2
	<b>Median</b>	4	4	0.00	0.00	0.00	0.00	1.89	63.5	74.5	1.78	20.1	20.0	-3.90	4	0.00	61			
	<b>Mean</b>	4	4	-0.04	0.02	0.00	0.09	2.08	59.8	70.4	2.14	21.2	14.8	-4.91	4	-0.07	71			
<b>Other</b>																				
35	Afghanistan	6	6	-0.74	-0.61	-0.82	-0.53	1.11	8.1	45.5	0.47	10.8	52.4	0.82		-1.14		0	0	1
36	Angola	5	6	-0.83	-0.39	-0.77	-0.30	0.15	28.0	60.5	3.25	17.9	95.2	-5.42		-0.65	146	0	1	0
37	Azerbaijan	5	6	-0.40	-0.18	-0.01	-0.26	1.90	100.2	97.0	0.91	34.6	2.7	-0.83	3	-0.13	106	0	3	4
38	Cameroon	6	6	-0.53	0.15	-0.50	-0.28	1.25	43.2	55.0	1.18	21.6	2.2	2.27	5	-0.19	37	1	0	4
39	Chad	5	6	-0.39	0.02	-0.14	-0.20	1.13	18.7	47.5	2.29	19.1	-1.7	-5.45	5	-0.43	73	1	1	1
40	Comoros	4	5	0.06	-0.06	-0.06	0.09	0.50	33.0	39.0	2.85	17.6	2.5	-4.73		-0.33		2	1	1
41	Congo, Dem. Rep.	4	5	-1.32	-0.83	-1.01	-0.60	0.19	39.8	44.0	0.12	9.3	12.2	-2.70		-1.09	215	0	0	2
42	Congo, Rep.	6	6	-0.53	-0.47	-0.44	-0.12	3.80	44.1	98.5	1.74	14.1	0.2	-2.90	5	-0.31	67	0	2	2
43	Eritrea	6	7	-1.49	0.34	0.27	0.86	5.17	35.4	83.5	6.52	14.8	18.8	-29.67		-0.49		3	3	1
44	Ethiopia	5	5	-0.57	-0.11	0.34	0.47	3.65	24.1	54.0	2.69	16.8	23.5	-7.86	4	-0.32	44	2	2	1
45	Gambia	4	4	-0.46	-0.03	0.28	-0.01	2.00	70.0	90.0	2.27	20.7	13.0	-8.87	4	0.13		1	4	3

Countries	Ruling Justly						Investing in People				Economic Freedom						Number of passed hurdles			
	Civil Liberties	Political Rights	Voice and Accountability	Government Effectiveness	Rule of Law	Control of Corruption	Public Primary Education Spending, % of GDP	Primary Education Completion Rate, %	Immunization Rate: DPT and Measles, %	Public Expenditure on Health, % of GDP	Country Credit Rating, (1-100, 100=best)	Inflation, %	3-Year Budget Deficit, %	Trade Policy, (1 to 5, 1=best)	Regulatory Quality, (0 to 1, 1=best)	Days to Start a Business	Ruling Justly	Investing in People	Economic Freedom	
	(1 to 7, 1=best)			(0 to 1, 1=best)																
46	Guinea	5	6	-0.63	0.00	0.03	0.24	1.26	34.0	50.5	0.84	17.3	6.2	-4.44	5	-0.15	71	2	0	1
47	Haiti	6	6	-0.54	-0.78	-0.98	-0.89	0.38	70.0	48.0	0.79	16.9	40.0	-3.01	4	-0.27	203	0	1	1
48	Kyrgyz Republic	5	6	-0.40	-0.03	-0.05	-0.02	3.76		98.0	2.09	17.9	1.0	-5.19	4	0.22	26	0	3	3
49	Lao PDR	6	7	-1.17	-0.02	-0.27	-0.43	1.03	68.6	55.0	1.22	21.3	12.1	-4.60	5	-0.55	198	0	1	2
50	Mozambique	4	3	0.31	0.37	0.13	-0.19	1.05	36.1	59.0	1.08	23.4	10.8	-5.91	4	0.05	153	4	0	3
51	Niger	4	4	0.39	-0.02	0.00	-0.29	1.95	20.3	35.5	1.55	16.7	-1.4	-2.97	4	0.00	27	1	1	3
52	Nigeria	4	4	-0.13	-0.34	-0.57	-0.53		66.7	33.0	0.66	22.3	18.5	-3.88	5	-0.49	44	0	1	4
53	Pakistan	5	6	-0.54	0.27	0.08	0.09	0.83	59.0	60.0	0.66	26.9	2.2	-3.32	5	-0.08	22	3	0	4
54	Papua New Guinea	3	3	0.41	-0.01	-0.03	-0.08	0.69	58.6	64.0	1.77	29.8	20.7	-3.88		0.24	69	3	0	3
55	Rwanda	5	6	-0.85	-0.05	-0.23	0.23	1.34	28.0	78.5	1.98	11.7	9.1	-2.18	3	-0.26	43	1	2	4
56	Sierra Leone	3	4	0.00	-0.77	-0.47	0.00	0.40	32.0	55.0	0.87	10.4	4.1	-9.58	5	-0.62	26	2	0	2
57	Solomon Islands	3	3	0.93	-0.57	0.14	-0.05	2.00	65.6	74.5	3.20	21.5	12.1	-9.28		-0.57		4	3	2
58	Tajikistan	5	6	-0.38	-0.45	-0.48	-0.25	3.16	95.0	84.0	1.21	14.2	14.5	-1.55	3	-0.61		0	3	3
59	Tanzania	3	4	0.15	0.27	0.29	-0.19	1.50	60.0	89.0	1.27	24.1	4.5	-1.24	5	0.14	35	4	1	5
60	Togo	5	6	-0.63	-0.40	0.11	0.13	2.24	63.5	61.0	0.89	16.8	1.7	-1.59	3	0.05		2	1	4
61	Uganda	4	5	-0.20	0.37	-0.06	-0.10	2.00	65.3	74.5	1.07	23.9	9.4	-4.08	3	0.68	36	1	2	5
62	Yemen, Rep.	5	5	-0.32	-0.10	-0.45	0.12	4.40	58.3	67.0	1.88	27.7	9.1	0.15	3	0.08	96	1	2	5
63	Zambia	4	4	0.17	-0.15	0.26	-0.15	1.79	73.0	81.5	1.78	15.8	26.7	-6.56	4	0.09	40	2	2	2
<b>Eliminated for statutory reasons</b>																				
64	Burundi	5	5	-0.60	-0.68	-0.71	-0.20	1.28	43.1	74.5	0.68	9.9	8.2	-3.90		-0.56	17	0	0	2
65	Cambodia	5	6	0.01	0.22	-0.08	-0.09	0.16	70.0	53.0	0.76	20.4	0.2	-7.22	4	0.26	94	2	1	3
66	Central African Republic	5	7	-0.23	-0.66	-0.10	-0.20	1.10	19.2	37.5	0.26	14.4	-1.1	-0.07	5	-0.07		0	0	1
67	Cote d'Ivoire	5	6	-0.69	-0.12	-0.43	-0.04	1.93	40.5	55.0	1.20	16.1	4.5	-0.85	4	0.33	77	0	1	3
68	Guinea-Bissau	4	6	-0.17	-0.58	-0.22	0.21	2.05	30.8	48.5	1.39	12.0	-2.5	-11.78	5	-0.18		1	1	1
69	Liberia	6	6	-0.97	-0.73	-0.64	-0.17	1.90		54.0		9.7	14.2	-9.57		-0.75		0	1	1
70	Myanmar	7	7	-1.48	-0.51	-0.84	-0.55	0.64		76.0	0.29	16.7	54.9	-4.64	5	-1.17		0	1	0
71	Serbia and Montenegro	2	3	0.37	0.04	-0.17	0.02	1.82	96.1	93.5	5.96	18.9	6.5	-2.37		0.08	44	5	3	4
72	Somalia	7	6	-0.94	-1.20	-1.26	-0.38			42.5	0.00	7.3				-1.35		0	0	0
73	Sudan	7	7	-1.14	-0.33	-0.57	-0.27	1.31	46.0	44.5	0.80	12.2	7.0	-0.79		-0.49		0	0	2
74	Uzbekistan	6	7	-1.09	-0.33	-0.38	-0.21	2.48		97.5	2.23	20.3	21.9	-0.52	5	-0.75	33	0	3	3
75	Zimbabwe	6	6	-0.94	-0.02	-0.55	-0.35	6.19	113.4	58.0		8.7	420.0	-7.09	5	-0.92	122	0	2	0
Number of countries for which data are available		75	75	75	75	75	75	72	68	75	73	74	74	73	57	75	53			
<b>Median</b>		4	4	0.00	0.00	0.00	0.00	1.89	63.5	74.5	1.78	20.1	20.0	-3.90	4	0.00	61			
<b>Mean</b>		4	4	-0.04	0.02	0.00	0.09	2.08	59.8	70.4	2.14	21.2	14.8	-4.91	4	-0.07	71			

Note: The hurdle for the inflation indicator is 20 percent, and this is listed in the Median line.