


U.S. fund OKs aid for El Salvador, expands list

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WASHINGTON, Nov 8 (Reuters) - The main U.S. development fund on Wednesday approved a five-year, \$461 million aid agreement for El Salvador and added Moldova, Ukraine and Jordan to a list of countries that can apply for U.S. funds in 2007.

The Millennium Challenge Corporation (MCC), which doles out U.S. foreign aid to developing countries based on their performance on wide-ranging criteria, said the funds for El Salvador would help expand access to education, water, sanitation and electricity in the impoverished north.

El Salvador, led by conservative President Tony Saca, is a strong U.S. ally and has a small contingent of troops in Iraq.

But the country's northern area is still scarred by a 12-year civil war in which the United States supported the right-wing Salvadoran government and its army. More than 75,000 people were killed during the 1980-1992 conflict.

MCC chief executive John Danilovich said the decision to grant funding to El Salvador was based on Saca's commitment to sound policies.

"MCC applauds President Saca's leadership and El Salvador's commitment to good governance and to building the necessary institutional framework for MCC funds to be used effectively," Danilovich said in a statement.

"El Salvador is a valued partner in the fight against poverty and we are proud to support the people of El Salvador in their program to build a better life for themselves and their children," he added.

Since its establishment in 2004, the MCC has approved agreements worth almost \$3 billion with 11 countries, including Madagascar, Honduras, Cape Verde, Nicaragua, Georgia, Benin, Vanuatu, Armenia, Ghana, Mali and El Salvador.

## ELIGIBLE COUNTRIES

Wednesday's announcement follows a meeting of the MCC board, chaired by U.S. Secretary of State Condoleezza Rice, which selected Moldova, Ukraine and Jordan to join the 22 nations now eligible for the \$2 billion in MCC aid in fiscal 2007.

"... our newly eligible countries demonstrate that they are, in fact, taking necessary steps to create, reinforce, and maintain a policy environment in which MCC's aid can help them reach specific goals of poverty reduction," Danilovich said.

"Compact-eligibility is the reward for pursuing good policies. These countries are now invited to begin the process of creating their Compacts to reduce poverty," he added.

Still, making it onto the list, which is based on how the country scores on performance tests, does not guarantee countries will get aid.

The tests score governments on political rights, civil liberties, rule of law, corruption, spending on education and health, and economic benchmarks such as inflation, trade policies and the business environment. This year countries are also scored on environmental management and land rights.

The MCC's list of eligible countries is closely watched by development groups and investment firms which see it as a confidence vote in governments in the developing world.

Steve Radelet, a senior fellow at the Washington-based Center for Global Development, said it made sense for the United States to provide generous assistance to Jordan, a strong ally and already a big recipient of U.S. funding, but MCC aid would be much better spent on poorer countries.

"Bringing in such a high profile political partner into the MCC risks politicizing the MCC," Radelet said.

"It is pretty hard to justify from a development perspective giving the next dollar to Jordan when there are plenty of other poor countries like Zambia, which could have qualified for this program and are in greater need," he added.

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