MCC Monitor

MCC Country Eligibility Predictions for FY2017

Sarah Rose
December 2016

Summary

The last board meeting of the Millennium Challenge Corporation (MCC) under the Obama administration will take place on December 13, 2016. On the docket? Selecting which countries will be eligible for MCC assistance for fiscal year (FY) 2017. For the fourteenth year running, CGD's Rethinking US Development Policy Initiative discusses the overarching issues that will impact the decisions and offers its predictions of which countries will be selected.

This year the board will face some particularly tough decisions. It will have to thoughtfully interpret seeming inconsistencies in the data MCC uses to measure countries' policy performance. Four countries that are working toward developing a compact are up for "reselection," but their MCC scorecard performance is somewhat incongruous with the direction of their actual policy environment. Any choice the board makes around these countries poses reputational risks for the agency. The right choice, however, will emphasize good data sense over data fundamentalism. The board will also have to weigh political risk carefully for the current set of prospective partner countries, most of which have had recent episodes of instability. On top of this, MCC faces an unusually uncertain budget environment in the wake of the recent US elections, forcing the board to be judicious in its selection of new partners.

With those considerations in mind, this paper predicts that MCC's board will likely newly select for compact eligibility Sri Lanka, Tunisia (for initial compacts), and Burkina Faso (for a second compact). It will likely reselect for continued compact development Cote d'Ivoire, Nepal (both working toward initial compacts), Mongolia, and Senegal (both working toward second compacts). It will likely defer decisions to reselect Lesotho and the Philippines for continued second compact development until more is known about the direction of their policy environment. It will face a difficult decision about whether to reselect Kosovo to continue developing its initial compact, but will most likely move the country to the threshold program rather than continuing compact eligibility. The board may also select Bangladesh and/or Timor-Leste for new threshold program eligibility, with Timor-Leste the more likely choice. Finally, the board will likely reselect Togo to continue developing its threshold program.

The MCC Monitor provides rigorous policy analysis and research on the operations and effectiveness of the Millennium Challenge Corporation. It is part of CGD's Rethinking US Development Policy Initiative that tracks efforts to reform aid programs and improve aid effectiveness.

Sarah Rose is a senior policy analyst with the Rethinking US Development Policy Initiative at the Center for Global Development (CGD). CGD is grateful for contributions from the William and Flora Hewlett Foundation in support of this work.

Center for Global Development

Introduction

The Millennium Challenge Corporation (MCC) is a week away from its annual partner country selection meeting. The last meeting of the agency's board of directors under the Obama administration will be on December 13. As they do at each year-end meeting, members will vote on which countries will be eligible for MCC assistance for fiscal year (FY) 2017. This year the board will face some particularly tough decisions that will have them grappling with the following issues:

Budget Uncertainty: MCC is accustomed to dealing with a certain level of uncertainty about the funds that will be available for the countries that are picked. It is rare that the budget for the coming fiscal year is finalized by the time the board meets in December. This year, however, there is quite a bit more uncertainty about the budget since it will be the first under a new administration. MCC must, as always, be judicious in its selection of new partners; it cannot pick every country that passes the scorecard.

Smart Use of Data Part 1—When Stable Performers Fail: Countries that are in the process of developing a compact with MCC are typically considered for "reselection" each year until they sign a compact. Two current partners up for reselection this year, Kosovo and Mongolia, fall short on MCC's all-important "Control of Corruption" indicator. In both cases, however, the change reflects insignificant data "noise" rather than any actual deterioration in the anticorruption environment. The future of these two ongoing partnerships thus hinges on how the board chooses to respond to this apparent inconsistency, balancing the need to "play by the rules" and preserve confidence in the agency's hallmark data-driven selection process with the imperative to use data wisely and responsibly. Any choice the board makes around these countries poses reputational risks for the agency. The right choice, however, will emphasize good data sense over data fundamentalism.[1]

Smart Use of Data Part 2—When Declining Performers Continue Passing: Two other partner countries up for reselection, Lesotho and the Philippines, do show signs of an actual decline in policy performance, though they continue to pass the scorecard. This sometimes happens when the data lag behind current events and/or when the indicators do not fully capture or adequately highlight particular policy areas. The policy concerns around Lesotho and the Philippines may not be sufficient to prompt suspension or termination at this time, but the implicit stamp of approval that a vote to reselect gives may be inappropriate. Again, the key point for the board to remember is that while the scorecard data are an important starting point for determining the best places for MCC to invest, rational decisions depend on smart interpretation of that data, especially for decisions about the continuance (or not) of existing partnerships.

[1] Sarah Rose, "MCC Says Data Is in Its DNA—Show Us You Mean It by Using It Right." *Rethinking US Development Policy Blog* (Center for Global Development), October 7, 2016, http://www.cgdev.org/blog/mcc-says-data-its-dna-show-us-you-mean-it-using-it-right

Risky New Partner Choices: Most the countries that might be considered for a new first or second compact have experienced a coup, civil war, or revolution in their not-too-distant past. Countries will not necessarily be disqualified on the basis of a recent tumultuous past. MCC has had successful relationships—and begun promising partnerships—with countries emerging from political upheaval. It does suggest that the board will have to consider risks carefully.

With this framing in mind, the Rethinking US Development Policy Initiative predicts that the MCC board:

- Will newly select **Sri Lanka** and **Tunisia** for first compact eligibility
- Will newly select **Burkina Faso** for second compact eligibility
- Will reselect **Cote d'Ivoire** and **Nepal** to continue developing their initial compacts
- Will reselect **Senegal** to continue developing its second compact
- Will face a difficult decision about whether to reselect **Kosovo** and **Mongolia** to continue developing their second compacts; of the two, **Mongolia** is a more consistent performer and more likely to be reselected
- Will defer decisions to reselect **Lesotho** and **the Philippines** to continue developing their second compacts until more is known about the direction of the policy environment
- May select **Bangladesh** and/or **Timor-Leste** for new threshold program eligibility, with Timor-Leste the more likely choice; if **Kosovo** is not reselected for compact eligibility the board may choose it for threshold program eligibility instead
- Will reselect **Togo** to continue developing its threshold program?

How the Selection Process Works[2]

In order to secure MCC's multiyear grant funding, a country first must be selected as eligible by MCC's board of directors. The board is made up of five government representatives—the Secretary of State, the USAID Administrator, the Secretary of the Treasury, the US Trade Representative, and MCC's CEO. There are also up to four board members from the private sector who serve in their individual capacities, though only

[2] For detail on the selection process, the list of countries that are candidates for selection, and an in-depth description of the methodology MCC considers, see the agency's official reports: the *Report on Countries That Are Candidates for Millennium Challenge Account Eligibility for Fiscal Year 2017 and Countries That Would Be Candidates but for Legal Prohibitions*, and the *Report on the Criteria and Methodology for Determining the Eligibility of Candidate Countries for Millennium Challenge Account Assistance in Fiscal Year 2017*.

three spots are currently filled.[3] Though this will be the last board meeting under the Obama administration, the private members will continue in their roles after the transition.

MCC's board may select countries for one of two programs:

- **Compacts** are five-year, large-scale grants—around $350 million, on average—for projects targeted at reducing poverty by stimulating economic growth.
- **Threshold programs** are smaller and shorter—around $20 million over a two- to three-year implementation period—and support targeted policy reform activities to help a country achieve compact eligibility.

The board selects countries for compact or threshold program eligibility based primarily on their policy performance. Each year MCC compiles country "scorecards" based on a series of 20 quantitative indicators of policy performance produced by independent third parties (e.g., the World Bank, Freedom House). To "pass" the scorecard criteria for eligibility, a country must score better than a certain threshold on at least half of the indicators.[4] In addition, there are two "hard hurdles" that a country must pass: the Control of Corruption indicator and at least one democracy indicator (either the Political Rights or the Civil Liberties indicator). MCC requires a country to pass the scorecard to be considered for a compact. For a threshold program, a country may pass or be close to passing.

The scorecards are the public, transparent face of the selection process, but they are not the only factor the board considers. It also takes into account supplemental information to gain a more complete, detailed, and up-to-date understanding of a country's policy environment than the scorecard indicators can provide.[5] In addition to considering policy performance, MCC must, according to its authorizing legislation, consider "the opportunity to reduce poverty and generate economic growth in the country," as well as the amount of funds available to MCC.[6] For eligibility for a second compact, MCC considers the country's track record implementing its first compact, the degree to which

---

[3] The private board members are proposed by the majority and minority of both the House of Representatives and the Senate, are appointed by the president and confirmed by the Senate. They are appointed for a three-year term which is renewable for a two-year period. Current private members are Morton Halperin, Senator Mike Johanns, and Susan McCue.

[4] For most indicators, the threshold is the median score of the income-level peer group (low income countries or lower middle income countries). Some indicators have fixed minimum or maximum scores.

[5] The indicators are imprecise and lagged by at least a year. Furthermore, none are able to capture every aspect of a particular policy area, nor do they cover all potential policy areas of interest. Twenty numeric scores can only tell MCC so much about the nature of a country's actual policy environment.

[6] MCC seems to interpret the "opportunity to reduce poverty and generate economic growth" criterion in a number of ways, including diplomatic considerations (does the US government have good enough bilateral relations to work there?), logistical considerations (would conflict or security issues make it difficult to work there?), or size considerations (can MCC have a meaningful impact in a huge country? is it efficient to work in tiny countries or countries with low poverty?).

scorecard performance has improved in recent years, and an assessment of the country's commitment to sectoral reform. Because of these additional criteria, not all countries that pass the scorecard will be selected for a first or second compact.

MCC generally requires that countries, once initially selected for compact or threshold program eligibility, be reselected each year during program development until the compact or threshold program agreement is signed. This typically means that a country must be selected as eligible for two to four years in a row.

The Overarching Issues for FY2017

Budget Uncertainty

MCC rarely knows how much money it will have to work with when it asks the board to select countries to use a given fiscal year's funds. More often than not, budgets are not finalized until well after the December board meeting. This year is no different, though uncertainty is compounded since FY2017 will be the first budget under a new administration.

MCC's budget has hovered around $900 million for the last several years. Though President Obama requested $1 billion for MCC for FY2017, the agency is unlikely to see that in full. The markups by the House and Senate that came out over the summer held the prospect for a small boost for MCC—the House came in at $901 million (FY2016's enacted level) and the Senate went up to $905. However, the likelihood of an increase is murky in the wake of the recent elections.

MCC has a current pipeline of seven countries developing compacts. At least three of these—Lesotho, Nepal, and the Philippines—are expected to use FY2017 funds, if they are reselected. Nineteen countries could be considered for new compact eligibility this year.[7] Clearly MCC cannot afford to select all of them. Of course, not all would be top choices, either, based on things like small size or questions about policy performance. As always, the board will have to prioritize, most likely selecting three or fewer new countries.

Smart Use of Data Part 1—When Stable Performers Fail

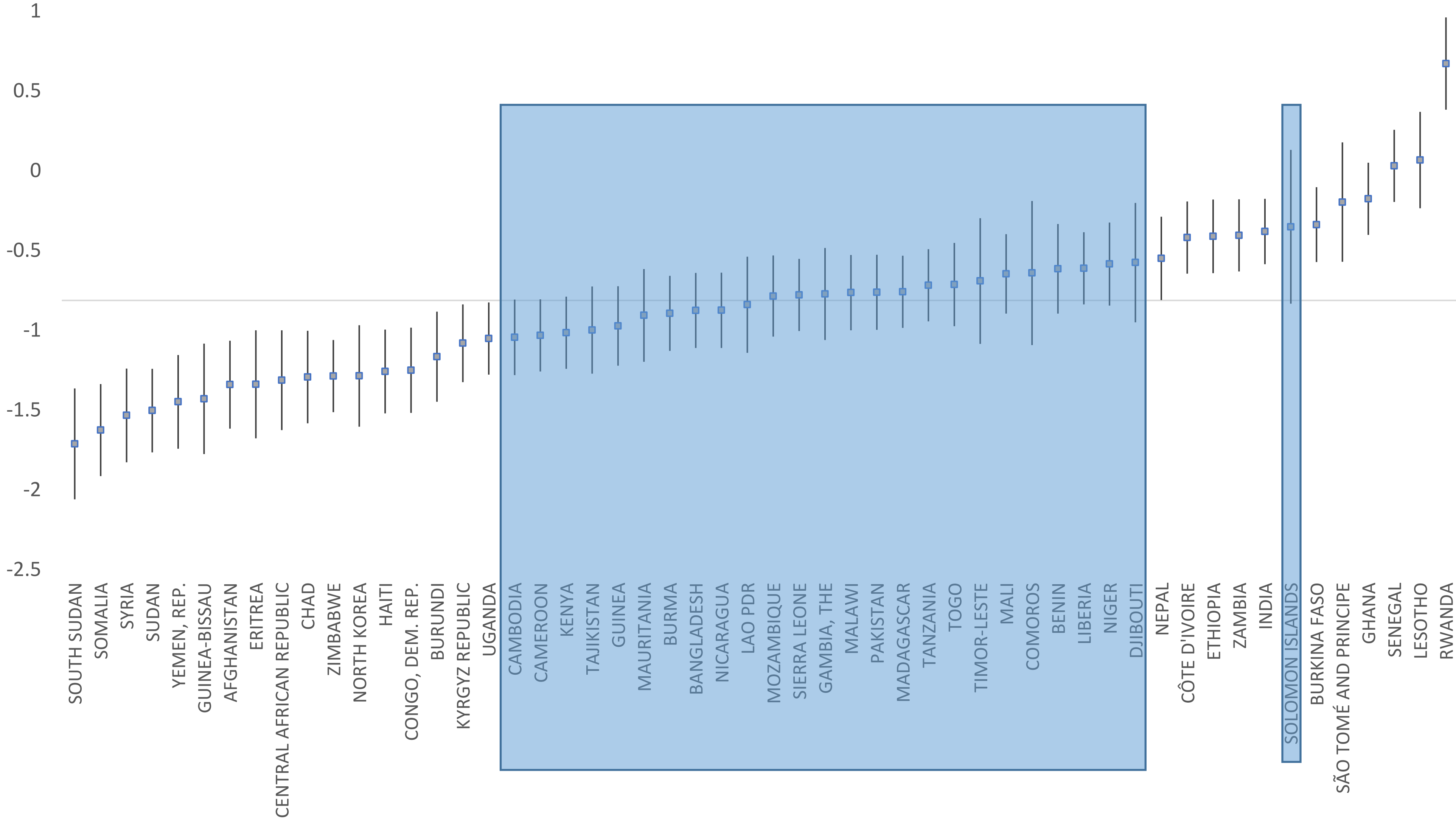
MCC's transparent, indicator-based system for selecting partner countries is a hallmark feature of the agency's model. Such a system helps MCC—whose mission is poverty reduction through economic growth—create incentives for, reward, and support the work of countries making policy choices that promote these same objectives. In many ways, the scorecard system works well. The indicators help weed out the poorest performers and protect against greater intrusion of geopolitical considerations—something MCC's

[7] They pass the scorecard and either are not currently implementing a compact or are within 18 months of completing a compact and up for consideration for a second compact.

eligibility system was explicitly intended to confront. However, problems emerge when criteria governing the interpretation of the data are viewed as ironclad rules, especially when it comes to decisions whether to continue (or not) relationships with current partners. These problems most often arise with respect to the Control of Corruption indicator. Its status as a hard hurdle has made it responsible for many of the instances in which a single country fluctuates between passing and failing the scorecard from one year to the next.

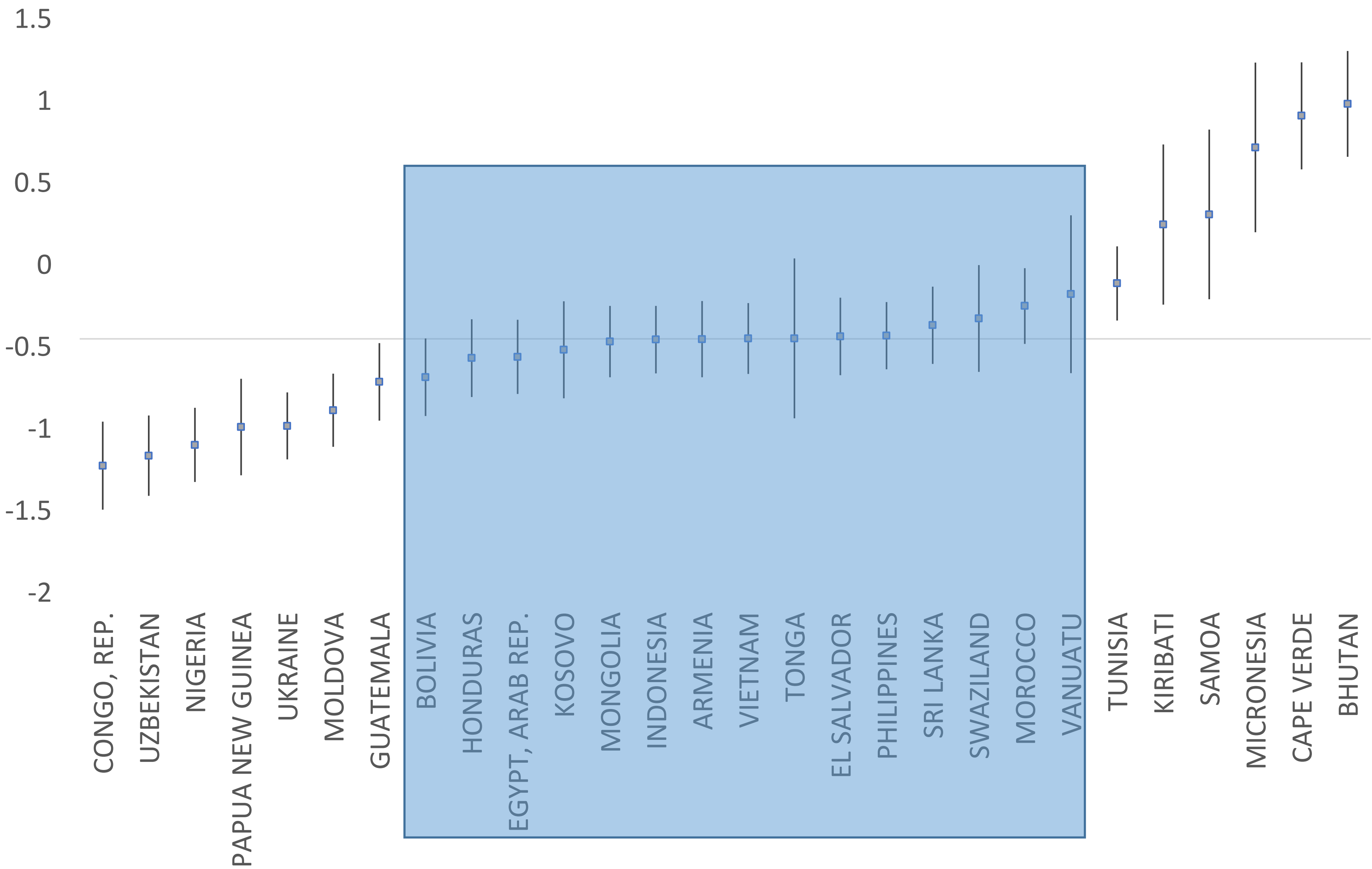
The board has an important role in ensuring MCC does not invest its scarce funds in the most corrupt countries or in countries where corruption is on the rise. The challenge is that the Control of Corruption indicator is an imperfect tool for informing these decisions. First of all, as illustrated in the figures below, around half of each candidate pool has Control of Corruption scores that are statistically indistinguishable from the peer group median and from each other. However, roughly half of these—those whose point estimate scores lie above the median—will be deemed reasonable considerations for MCC partnership while the other half will be considered too corrupt to contemplate selecting.

Low Income Countries' Control of Corruption Scores Including 90% Confidence Interval



The 26 countries shaded blue—48 percent of the candidate pool—have scores statistically indistinguishable from the median (and one another) at the 90 percent level of confidence.

Lower Middle Income Countries' Control of Corruption Scores Including 90% Confidence Interval



The 15 countries shaded blue—54 percent of the candidate pool—have scores statistically indistinguishable from the median (and one another) at the 90% level of confidence.

The Control of Corruption indicator is even less well-suited for monitoring performance on a year-to-year basis. Changes in score from one year to the next are almost always small and essentially never statistically significant. More often than not, these small score changes are just data "noise" and are unassociated with any actual deterioration in policy performance. However, if a country's score was close to the median, and/or if the peer group median increases, this noise can bump a country from passing to failing.

This is part of the reason that some MCC-watchers have advocated dropping the hard hurdle on the Control of Corruption indicator.[8] There is also room for a more moderated stance. Applying concrete decision rules to imprecise data is arguably acceptable for the initial selection decision (i.e., the first time a country is picked to begin developing a compact) since it provides a transparent basis for eligibility decisions, even if being in or out comes down to little more than luck for most middle-performing countries. However, rigid interpretation of imprecise data is inappropriate for determining whether to continue a pre-existing partnership. Absent an actual deterioration in policy, curtailing a partnership with a country (by not reselecting it) or threatening to (by requiring it to pass the scorecard before it will sign a compact) is capricious. MCC's record on this is unfortunately mixed.[9]

The challenge, of course, is balancing a rational, nuanced understanding of the data with the credibility of the selection system and the need to signal the importance of corruption. Some stakeholders, including some members of the board and members of Congress may worry that giving a stamp of approval to countries that fail the Control of Corruption indicator sends a signal that MCC does not play by its own rules. More fundamentally challenging to the agency's credibility, however, is making decisions consistent with data but inconsistent with reality. It puts the US government in a very difficult position when it has to communicate to a partner country government that the deal is off without being able to point to a concrete reason—beyond statistically insignificant data movement—for ending the partnership. This year the board will have to make decisions about reselecting two countries—Kosovo and Mongolia—that do not pass the Control of Corruption indicator. We hope this is the year good data sense wins out over data fundamentalism.

---

[8] Casey Dunning, Charles Kenny, and Jonathan Karver. 2014. Hating on the Hurdle: Reforming the Millennium Challenge Corporation's Approach to Corruption. Center for Global Development: Washington, DC.

[9] Of the nine countries that failed the Control of Corruption indicator at some point during compact development (Benin, the Gambia, Georgia, Indonesia, Mozambique, the Philippines, Timor-Leste, Sierra Leone, and Ukraine) six of them (all but Benin, the Gambia, and Sierra Leone) were reselected at least once, often because the country failed due to transitioning to the more competitive lower middle income group (Georgia and Mozambique were a bit different because they also failed the Control of Corruption indicator at their initial selection). Two of the three cases of first time non-reselection were recent decisions. In FY2014 the board did not reselect Benin and Sierra Leone—instead pursuing "limited engagement"—despite lack of evidence of a policy decline.

Smart Use of Data Part 2—When Declining Performers Continue Passing

The other side to good data sense is knowing that the scorecard does not always reflect actual policy concerns. This year, the board will face reselection decisions for two countries that pass the scorecard but have substantial policy concerns, Lesotho and the Philippines.[10] Lesotho has made little progress in addressing concerns about military actions that have contributed to a turbulent political and security environment over the last few years (see p. 23). The Philippines' new president has engaged in inflammatory anti-American rhetoric and initiated a wave of extrajudicial killings against individuals thought to be involved in drug activity (see p. 24).

MCC has a good track record in revoking eligibility or funding when a country's policy performance declines, even when that country passes the scorecard.[11] It is a trickier situation to navigate when the board is faced with the prospect of potentially reselecting countries that fail the scorecard and holding off on reselecting countries that pass. Here again, it is imperative that a nuanced view of the data—and trust in supplemental information—inform the board's decisions.

Complicating the decision of how to address policy declines in partner countries is that the timing of the selection board meeting does not always align nicely with optimal timing for MCC (or the US government as a whole) to make a statement about a country's policy direction. While a "watch and wait" approach might be best (and advocated by the rest of the US government), MCC is forced to make some form of decision about each of its partners in compact development every year in December. None of these decisions are neutral. The decision to reselect is a tacit stamp of approval. A decision not to reselect is clearly punitive. Even a non-decision (i.e., a non-vote or deferral of the reselection decision) sends a signal of disapproval. In many cases, these signals are appropriate and in line with other US government rhetoric. However, where the US government has not yet settled on the appropriate public response to policy concerns in a partner country, MCC's December board meeting can be an awkward way force the issue.

Risky New Partner Choices

The vision of the "typical" or "ideal" MCC partner country is one that is poor, but well-governed and stable. MCC is already working with most of the countries in the candidate pool that fit this description. Prospective partners coming down the line are somewhat riskier prospects. This has been true for some time, as illustrated by many of MCC's picks in the past four years—post-civil war Cote d'Ivoire, Liberia, and Nepal, and post-coup Niger. It will be true this year as well. Of the eight countries that might be reasonably be considered for a new first or second compact, all but Togo have experienced a coup, civil war, revolution, or other form of political violence in their not-too-distant past.[12]

---

[10] Tanzania passes the scorecard but is not included in this discussion; it was suspended in March this year, so no reselection decision is expected at this year's meeting.

[11] MCC has suspended, terminated, placed an operational hold on, or decided not to reselect during program development 15 of the 38 countries ever selected for compact eligibility.

[12] There are nineteen countries that pass the scorecard and either are not implementing a compact or are within 18 months of completing a first compact and could be considered for a second compact. Of these, ten are small, mostly island states that MCC has typically passed over. Another of these is

Episodes of Political Instability in Countries That Could Be Considered for Compact Eligibility

Country	Event	Year(s)
Burkina Faso	Coup	2015
Madagascar	Coup	2009
Mali	Coup	2012
Mozambique	Low level violent political conflict	2013-present
Sri Lanka	Civil war	1983-2009
Timor-Leste	Political assassination attempts	2008
Tunisia	Revolution	2010-2011

Countries should not necessarily be disqualified from consideration on the basis of a recent tumultuous past. MCC has had successful relationships—and begun promising partnerships—with countries emerging from political upheaval.[13] Indeed, MCC support—both its resources and its "stamp of approval"—can potentially help bolster new democratic governments.

The past is also an imperfect predictor of the future. It turns out that predicting future political instability over the roughly eight year time horizon of an MCC partnership (three years to develop a compact, five to implement it) is very difficult to do, and instability can occur even in seemingly relatively stable countries (like Honduras). That said, risks are heightened where the consolidation of democratic norms is still nascent. The board will have to consider this particularly carefully for this year's set of candidate countries.

India, an unlikely prospect for compact eligibility due to its large size and lack of interest in this type of aid relationship. This leaves eight countries that are plausibly in the running for new compact eligibility this year.

[13] For instance, Georgia was selected as compact eligible on the heels of its Rose revolution and it is now implementing its second compact. Niger's threshold program was paused in the wake of the 2010 coup, but it has since completed the program and has signed a compact.

FY2017 Summary Statistics

Twenty-one low income countries and 12 lower middle income countries meet the indicator criteria.

Countries That Pass the FY2017 Scorecards

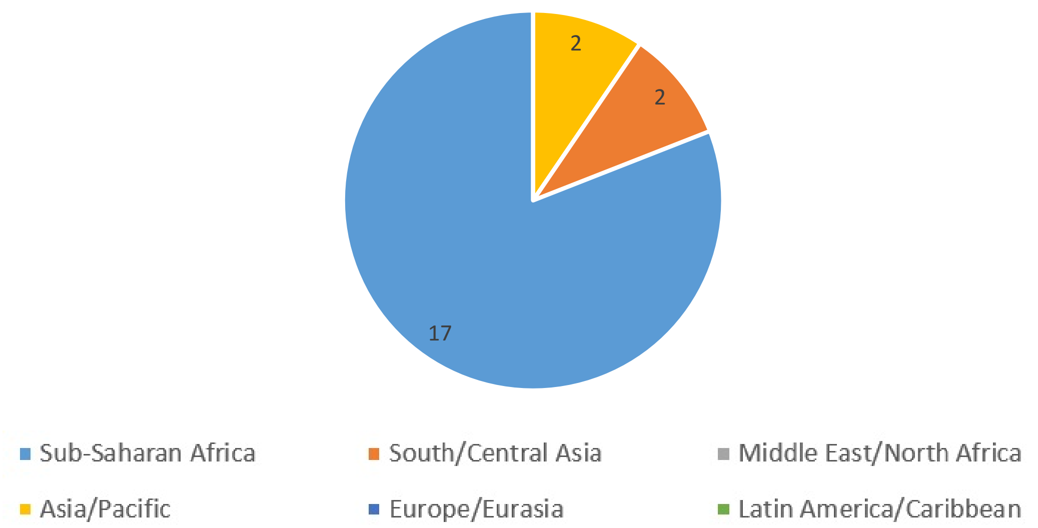
Low Income Countries	Lower Middle Income Countries
Benin	Bhutan
Burkina Faso	Cabo Verde
Comoros	El Salvador
Cote d'Ivoire	Kiribati
Ghana	Micronesia
India	Morocco
Lesotho	Philippines
Liberia	Samoa
Madagascar	Sri Lanka
Malawi	Tonga
Mali	Tunisia
Mozambique	Vanuatu
Nepal	
Niger	
Sao Tome & Principe	
Senegal	
Solomon Islands	
Tanzania	
Timor-Leste	
Togo	
Zambia	

Low Income Countries

There are 54 countries in the low income country scorecard competition. Seven of these are statutorily prohibited from receiving US foreign assistance, leaving 47 candidate countries.[14]

Sub-Saharan African countries make up the majority of the low income candidate pool, and the majority of the passing countries. There are very few low income countries in Latin America, the Middle East, or Europe, and none pass the scorecards.

Low Income Countries That Pass the Scorecard, by Geographic Region



Four low income countries are actively developing compacts and will need to be reselected to progress toward compact signing: **Cote d'Ivoire**, **Lesotho**, **Nepal**, and **Senegal**.[15] All four countries pass the scorecard criteria.

Six low income countries have signed compacts: **Benin**, **Ghana**, **Liberia**, **Malawi**, **Niger**, and **Zambia**. Although they do not need to be reselected to continue compact implementation, all meet the indicator criteria this year.

Five low income countries may be considered for second compact eligibility. All but Nicaragua pass the scorecard criteria this year. All have been considered for second compact eligibility in previous years but have not been chosen.

---

[14] Statutorily prohibited countries are included in the pool of comparison countries and have a scorecard but they cannot be selected. The seven prohibited low income countries are Eritrea, Myanmar, North Korea, South Sudan, Sudan, Syria, and Zimbabwe.

[15] Lesotho has had its compact development process on pause for a year due to concerns about the political and security environment, but it will be reconsidered for reselection again this year. Tanzania had also been developing a compact but since it was suspended in March this year it does not appear on this list of countries actively developing compacts.

Low Income Countries That Could Be Considered for a Second Compact in FY2017

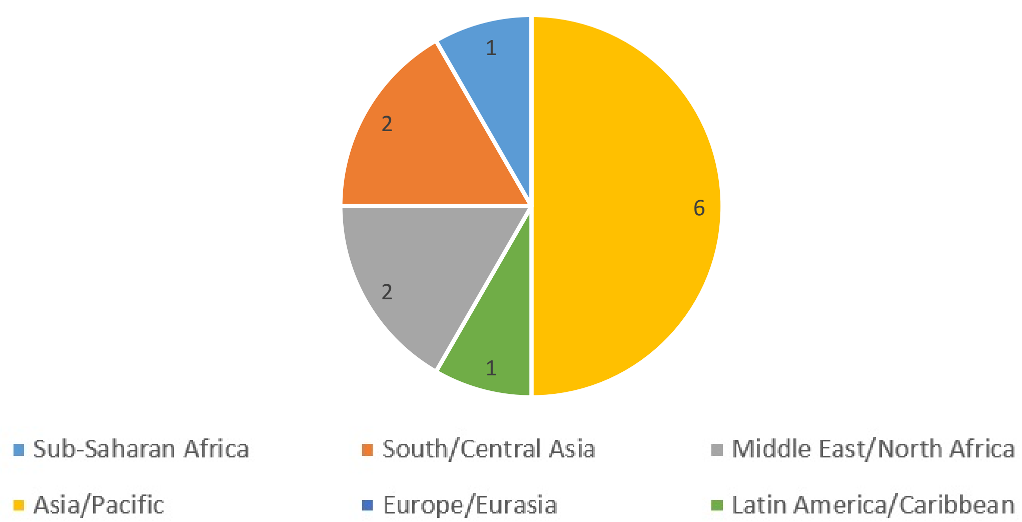
	Year of First Possible Second Compact Consideration[16]	First Compact Implemented Without Suspension/ Termination	Pass FY2017 Scorecard Criteria	Number of Consecutive Years Passing the Scorecard	Population >500k
Burkina Faso	FY2014	✓	✓	6	✓
Madagascar	FY2010		✓	2	✓
Mali	FY2012		✓	1	✓
Mozambique	FY2013	✓	✓	6	✓
Nicaragua	FY2010				✓

Lower Middle Income Countries

There are 28 countries in the lower middle income scorecard competition. One of these is statutorily prohibited from receiving US foreign assistance, leaving 27 candidate countries.[17]

The geographic composition of this pool is more varied than that of the low income candidate pool, and countries from all regions except Europe/Eurasia pass the scorecard. The Asia/Pacific region has the most passing countries.

Lower Middle Income Countries That Pass the Scorecard, by Geographic Region



[16] Based on MCC's guidelines that countries must be within 18 months of completion of the first compact before they can be considered for a subsequent compact.
[17] Bolivia is statutorily prohibited from receiving US foreign assistance.

Three lower middle income countries, **Kosovo**, **Mongolia**, and the **Philippines**, are currently in the process of developing a compact and will need to be reselected this year. Of these three, only the Philippines passes the indicator criteria.

Four lower middle income countries are implementing compacts: **Cabo Verde**, **El Salvador**, **Indonesia**, and **Morocco**. These countries do not need to be reselected to continue compact implementation. All but Indonesia pass the scorecard this year. Indonesia previously graduated from the low income country competition to the more difficult lower middle income country competition after first becoming compact eligible and has not met the criteria in its new group.

Five lower middle income countries are potential candidates for second compact eligibility. Only Vanuatu passes the scorecard criteria, though it has not been chosen in the past, presumably due to its small size.

Lower Middle Income Countries That Could Be Considered for a Second Compact in FY2017

	Year of First Possible Second Compact Consideration[18]	First Compact Implemented Without Suspension/ Termination	Pass FY2017 Scorecard Criteria	Number of Consecutive Years Passing the Scorecard	Population >500k
Armenia	FY2011			0	✓
Honduras	FY2010			0	✓
Indonesia	FY2017	✓		0	✓
Moldova	FY2015	✓		0	✓
Vanuatu	FY2010	✓	✓	6	

Countries Most Likely to Be Selected for First Compact Eligibility

New Selection

Sri Lanka (*lower middle income*) has had a long history with MCC. It was previously compact eligible (FY2004 through FY2007) but did not finalize a compact, presumably because of the civil war happening at the time. Though the civil conflict ended in 2009, MCC's board passed over Sri Lanka for several years, despite its passing the scorecard each year from FY2011 through FY2015. A trend toward centralization of power during

[18] Based on MCC's guidelines that countries must be within 18 months of completion of the first compact before they can be considered for a subsequent compact.

that period and concerns about human rights violations almost certainly swayed the board's decisions. Last year, however, the board selected Sri Lanka for a threshold program. The country did not pass the scorecard, falling just short on the critical democratic rights hurdle. However, MCC understood that 2015's successful presidential and parliamentary elections were not yet reflected in the scorecard and that Sri Lanka would very likely pass in FY2017—which it does. Now, with a year of threshold partnership under its belt—and with more time to assess the policy direction of the country under the new administration—MCC is likely eyeing a compact with Sri Lanka. Certainly the agency's interest in South Asia for a potential regional focus gives a boost to Sri Lanka's prospects. Look for the board to select Sri Lanka this year.

Tunisia (*lower middle income*) is back in the candidate pool after having been classified as upper middle income for the last five years. It also passes the scorecard for the first time. MCC was eager to work with post-revolution Tunisia the last time it was a candidate, selecting it for threshold eligibility in late 2011. Tunisia never got a threshold program, however, because it soon transitioned to upper middle income status and subsequent legal provisions restricted MCC from entering into a threshold program with a country that is no longer a candidate country.[19] MCC will likely welcome a second opportunity to engage. After all, it is a strategic ally of the US government and MCC has very few other partners in the Middle East/North Africa region. One consideration about selecting Tunisia is that it may transition back to upper middle income status (and out of candidacy again) soon.[20] While this is a risk, technically, MCC can develop and implement a compact with a country after it transitions out of candidacy as long as money is available from the fiscal year(s) in which it was determined to be eligible. Though in the past, MCC's efforts to do so was met by some Congressional opposition, the Government Accountability Office (GAO) recently issued an opinion that it is legally admissible.[21] This gives the board more of a green light to select Tunisia, and there is a good change that they will.

Reselection

Cote d'Ivoire (*low income*) passes the scorecard for the third year in a row. Each year since it first passed the scorecard it has passed increasingly more indicators; this year it passes the heavily-weighted Political Rights indicator for the first time. Cote d'Ivoire has

[19] At the time Tunisia was selected (September 2011), MCC already knew that Tunisia would be out of the candidate pool for the coming fiscal year (FY2012).
[20] Its per capita income is just $65 below the lower middle income ceiling.
[21] Last year, for instance, some Congressional overseers pushed back against MCC's decision to continue to work with Mongolia after it graduated, arguing that an upper middle income country is an inappropriate choice and that the agency was skirting its own rules. Others were more supportive of the decision. GAO recently weighed in on the side of continuing to work with upper middle income countries, saying, "MCC is not required to reevaluate the candidacy decision and redetermine whether the country would meet the income criteria for a candidate country in place at the time the compact enters into force" (US Government Accountability Office. Millennium Challenge Corporation--Availability of Appropriations for Compacts. B-327672. Washington, DC, 2016. http://www.gao.gov/products/B-327672).

been working with MCC to develop a compact focused on workforce skills, the economic environment of Abidjan, and regional transport corridors. The board will almost certainly reselect Cote d'Ivoire to continue that process.

Nepal (*low income*) passes the scorecard for the sixth year in a row and has been working with MCC to develop a compact focused on increasing electricity supply and addressing the high cost of transport. There is no reason to think the board would not reselect Nepal this year.

One other country, **Kosovo**, is up for a reselection decision related to first compact eligibility. It is less likely to be reselected for compact eligibility this year, so it is discussed in the section "Countries That Will Likely Be Selected for Threshold Program Eligibility" (p. 17).

Countries Most Likely to Be Selected for Second Compact Eligibility

New Selection

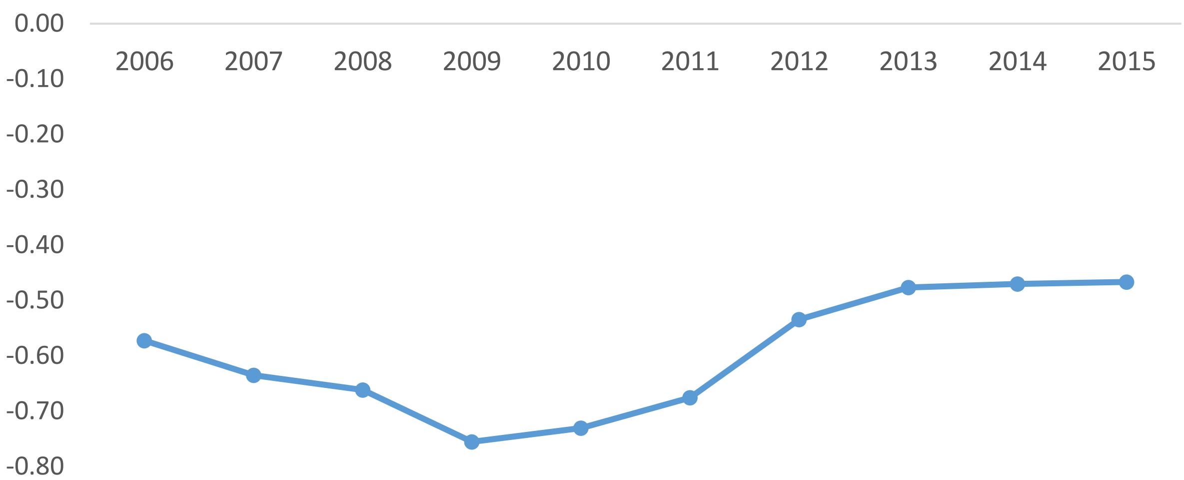
Burkina Faso (*low income*) has passed the scorecard for six years in a row, but has been passed over for a second compact for three years running. Political upheaval (including an attempted 2015 coup) had made the country too risky for MCC to consider seriously for the past few years. While the risk of future instability surely plays into any conversation about a potential second compact for Burkina Faso, there have been some recent significant shifts that change Burkina Faso's prospects. A year ago, the country held what Freedom House called "its most successful presidential and legislative elections ever" after the ouster of the former president of nearly 30 years.[22] It also has the sixth highest Control of Corruption score of all low income countries. Burkina Faso is not a risk-free choice, however. A planned coup attempt was thwarted in October this year, highlighting that democratic norms are not yet well-consolidated in a country that has seen eight successful coups in its post-independence history. In addition to policy considerations, Burkina Faso's geography also works in its favor. MCC has been thinking through a regional approach to its investments in West Africa and has active programs in five of Burkina Faso's adjacent neighbors. The combination of recent policy advances and desirable location make Burkina Faso a strong contender for second compact eligibility this year.

[22] Freedom House. 2015. Burkina Faso. *Freedom in the World—2016*. https://freedomhouse.org/report/freedom-world/2016/burkina-faso

Reselection

Mongolia (*lower middle income*) was selected for a second compact two years ago and has been working on developing a program focused on addressing identified constraints to growth.[23] Last year Mongolia's per capita income edged just above the ceiling for MCC candidacy, so it did not have a scorecard and could not formally be reselected. MCC did, however, indicate its intention to continue working with the country, using funds from the year it was eligible. This year Mongolia is back in the candidate pool again but it fails the scorecard, falling just short on the Control of Corruption indicator.[24] There is no evidence of actual policy deterioration, however. In fact, Mongolia's Control of Corruption score is essentially unchanged over the last several years; there is certainly no evidence of decline. Indeed, a look at Mongolia's scores over the last 10 years shows that assessments of the country's anti-corruption environment remain at historically favorable levels.

Mongolia's Control of Corruption Indicator Scores Over Time[25]



Source: Worldwide Governance Indicators, 2016
http://info.worldbank.org/governance/wgi/index.aspx#home

---

[23] The government of Mongolia's growth diagnostic identified four binding constraints to growth: 1) macroeconomic weaknesses, (2) an unpredictable business environment stemming from inconsistent laws, policies, and regulations, (3) health impacts of poor air quality in the capital city, and (4) costly access to water and sanitation.

[24] Mongolia's fluctuation in and out of candidacy underscores the arbitrariness of the income categorization threshold and highlights the need for a new approach to how MCC defines candidate countries (Sarah Rose, Nancy Birdsall, and Anna Diofasi. 2016. Creating a Better Candidate Pool for the Millennium Challenge Corporation. CGD Policy Paper 082. Center for Global Development: Washington, DC). Though Mongolia was classified as upper middle income for a year, it has remained a relatively poor country, despite having experienced extremely fast (though now waning), mining-fueled growth. This growth raised its per capita income quickly but did not—and could not be expected to—instantly translate into the institutional transformation that will bring poverty reduction and widespread well-being among the population.

[25] The scores on the Y axis show the original data; the scores on MCC's scorecard are normalized so that the median of each country group is zero.

The main factor behind Mongolia's shift from passing to failing is an increase in median performance on the Control of Corruption indicator in the lower middle income country group. This is partly due to changes in the composition of the set of lower middle income countries. Some high performers (e.g., Tonga) joined the group this year and some lower performers (e.g., Syria) moved out. In fact, had this year's median pass-fail threshold remained the same as last year, Mongolia would pass. The rational choice would therefore be to reselect Mongolia and proceed toward signing a compact. Though the board has not always made decisions consistent with a rational interpretation of the Control of Corruption indicator, hopefully this year they will for Mongolia.

Senegal (*low income*) has passed the scorecard each year for the past decade, making it one of the most consistent performers. Many indicators show improvements in the past few years, even though the reformist agenda of president Macky Sall is progressing more slowly than many supporters hoped.[26] MCC and Senegal are still finalizing the focus of the compact, but it will likely have some kind of regional component to it. The board will almost certainly reselect Senegal this year.

Two other countries, **Lesotho** and **the Philippines**, are up for second compact reselection decisions. They are less likely to be reselected, so they are discussed in the section "Countries That Meet the Indicator Criteria but Are Unlikely to Be Selected" (p. 23 for Lesotho, p. 24 for the Philippines).

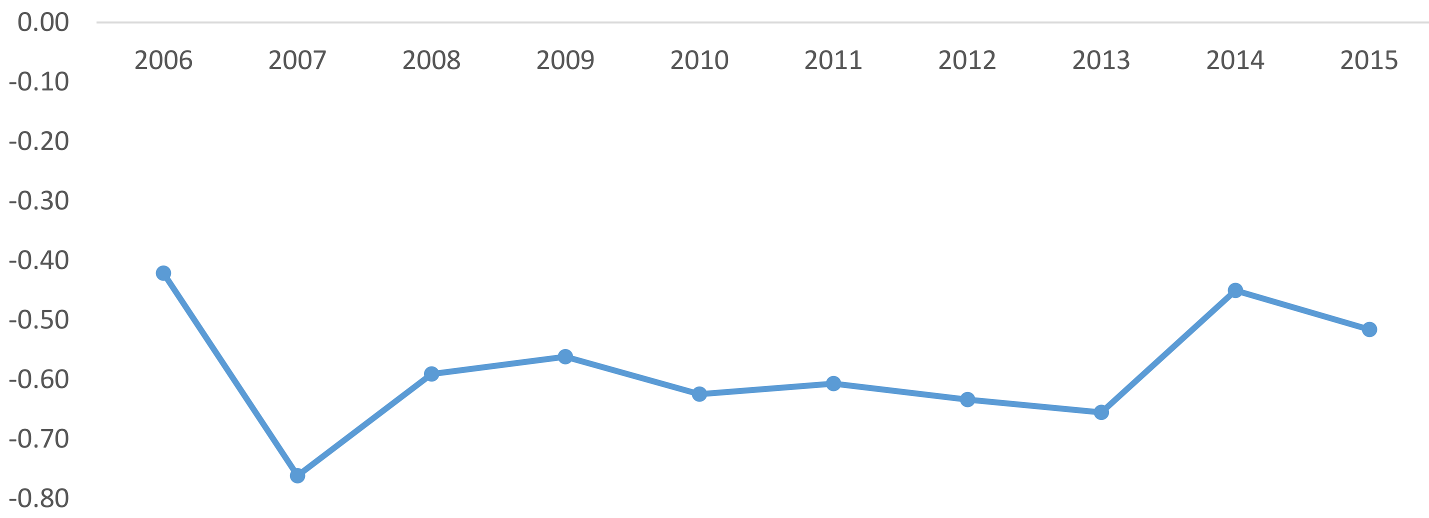
Countries That Will Likely Be Selected for Threshold Program Eligibility

New Selection

Kosovo (*lower middle income*) is one of this year's complicated choices. It was selected as eligible for a compact last year when it passed the scorecard for the first time. It is up for reselection this year but does not pass the scorecard, falling short on the Control of Corruption indicator. Like Mongolia, there is no evidence of an actual decline in policy. In fact, Kosovo still scores higher than any year since its 2008 independence except one. Last year—the year it was selected for compact eligibility—there was a spike.

[26] Economist Intelligence Unit. 2016. Senegal. http://country.eiu.com/senegal

Kosovo's Control of Corruption Indicator Scores Over Time[27]



Source: Worldwide Governance Indicators, 2016
http://info.worldbank.org/governance/wgi/index.aspx#home

That spike will likely end up being important in the decision about Kosovo. Looking carefully at the data, it becomes apparent that just one of the nine data sources underlying Kosovo's composite score—the Gallup World Poll—was responsible for last year's uptick and this year's reversion to prior levels. All the other sources have rated Kosovo exactly the same for three years running.

Data sources that make up Kosovo's composite Control of Corruption score

Source	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Bertelsmann Transformation Index					0.45	0.45	0.45	0.45	0.45	0.40	0.40	0.40	0.40
Business Enterprise Environment Survey						0.67	0.67	0.67	0.67	0.67	0.79	0.79	0.79
Economist Intelligence Unit								0.25	0.25	0.25	0.25	0.25	0.25
Freedom House	0.17	0.17	0.17	0.17	0.21	0.21	0.21	0.21	0.21	0.17	0.17	0.17	0.17
Gallup World Poll				0.19	0.19	0.16	0.31	0.08	0.09	0.10	0.16	0.35	0.15
Global Insight Business Conditions and Risk Indicators												0.50	0.50
Global Integrity Index							0.70	0.70	0.70	0.70			
Transparency International Global Corruption Barometer Survey		0.74	0.75	0.71	0.49	0.64	0.64	0.60	0.60	0.58	0.58	0.58	0.58
World Bank Country Policy and Institutional Assessments						NP	0.40	0.40	0.40	0.40	0.40	0.40	0.40

Source: Worldwide Governance Indicators, 2016
http://info.worldbank.org/governance/wgi/index.aspx#reports

[27] The scores on the Y axis show the original data; the scores on MCC's scorecard are normalized so that the median of each country group is zero.

This suggests that there has probably been little actual measurable change in the policy environment from FY2015 (when Kosovo failed the indicator) through last year (when it passed and was selected as compact eligible) to this year (when it fails once again).[28] When you consider the details of the Gallup World Poll, it is even more clear that the fluctuating score is not tied to actual shifts in policy. The Gallup data come from asking citizens whether or not they feel like corruption is widespread in their country. However, there tends to be a large gap between surveyed perceptions of corruption and surveyed experiences with corruption.[29] It seems particularly problematic that that the fate of Kosovo's MCC partnership status has depended so substantially on this one measure.

In one sense, it would be reasonable for the board to reselect Kosovo for compact eligibility since there has been no decline in actual policy performance since the time they were selected. It is also possible to envision an argument that there has been no actual improvement in policy performance over the last several years and that last year's passing was a non-meaningful blip. Because of this, there is a good chance that the board will not reselect Kosovo this year. In addition, because MCC is facing reselection decisions for not just one but two countries that fail the scorecard, it is probably important for the board to demonstrate that it takes its indicator criteria seriously. There could be concerns that reselecting both would look like the agency is dismissing scorecard performance across the board. Of the two countries, Kosovo ranks lower than Mongolia on the Control of Corruption indicator, and it has passed the scorecard just once, compared with Mongolia which has passed all but two of the eleven years it has been a candidate. Furthermore, Kosovo is arguably the most well-to-do country in the candidate pool, with a median household income that is more than double Mongolia's.[30] This could reasonably make it less of a priority. If Kosovo is indeed not reselected for a compact, MCC will likely select it for the threshold program instead—a sort of consolation prize.

---

[28] This is precisely why the creators of the Worldwide Governance Indicators—the source of the Control of Corruption indicator—always urge attention to margins of error around estimated values.

[29] Charles Kenny, "The Supreme Court Strikes Down the MCC Corruption Hard Hurdle (Well, Sort Of)." *Rethinking US Development Policy Blog* (Center for Global Development), April 14, 2014, http://www.cgdev.org/blog/supreme-court-strikes-down-mcc-corruption-hard-hurdle-well-sort

[30] Kosovo's gross national income is just $85 below the threshold separating lower middle income (and MCC candidacy status) from upper middle income. More telling, it has by far the highest median income of all candidate countries, suggesting it has much lower levels of poverty and inequality than its competitors (Anna Diofasi and Nancy Birdsall, "The World Bank's Poverty Statistics Lack Median Income Data, So We Filled In the Gap Ourselves — Download Available." *Views from the Center Blog* (Center for Global Development), February 6, 2016, http://www.cgdev.org/blog/world-bank-poverty-statistics-lack-median-income-data-so-we-filled-gap-ourselves-download-available). In addition, the country recently signed a Stabilization and Association Agreement with the European Union, a first step for countries on the path to EU membership. EU accession is a long road, and Kosovo will not be admitted any time in the foreseeable future, but the agreement does likely mean that substantial new EU resources may become available.

Reselection

Togo (*low income*) passes the scorecard for the first time this year, an impressive feat considering just three years ago it passed only five indicators. Last year, in recognition of the country's improved scorecard performance, the board selected Togo to begin developing a threshold program. The board will likely reselect Togo to continue developing its threshold program this year. There is, of course, the question of whether the board would choose to move Togo directly to compact eligibility now that the country passes the scorecard. After all, MCC surely has its sights on Togo as a potential future compact partner—not least because of its West African location where MCC is exploring the potential for a regional approach. However, the board is likely to keep Togo as a threshold country for now. With another year or two working toward a threshold program, MCC can both get a better sense of the opportunity for a productive partnership before committing to a compact and see whether Togo can pass the scorecard somewhat consistently.

Countries That May Be Selected for Threshold Program Eligibility

New Selection

Bangladesh's (*low income*) scorecard looks like the scorecard of a threshold country. For six years running it has either passed (once) or come very close to passing, falling just short on the Control of Corruption indicator. MCC has also been thinking through how to take a regional approach to programming in South Asia and may have an eye on new countries in the region. Bangladesh is therefore a possibility for threshold selection, though not an extremely likely one. It has been passed over for threshold eligibility for several years and there have been no major advances in the policy environment that would suggest that this year presents a particular opportunity. In fact, increased government clampdown on political dissent, as well as the recent killing of a USAID employee and gay rights activist seem like reasons that the board might hold off on Bangladesh once again.

Timor-Leste (*low income*) has a long and complicated history with MCC. It was selected as eligible for a compact in FY2006 but never finalized an agreement for unstated reasons likely related to political unrest as well as a repeatedly failing score on the Control of Corruption indicator. Instead, it got a threshold program (focused on anti-corruption and immunization) which concluded in 2014. Timor-Leste passes the scorecard this year for the first time in a decade. After having been classified as a lower middle income country for the last seven years, it moved down to the low income category this year and performs well relative to its low income comparators. Timor-Leste is not a strong candidate for compact eligibility at this time, however. It is small (population 1.2 million) and has a large petroleum sovereign wealth fund. Furthermore, its per capita income is just $25 below the threshold separating the low income category from the lower middle income category, so there is a real possibility that it will move back into the more competitive category soon. If it does, it will almost certainly fail the scorecard again. The board may, however, consider Timor-Leste for the threshold program. The sharp decline in oil prices and declining production has hit Timor-Leste hard and presents risks for future fiscal sustainability. It is also a very poor country, despite the oil wealth that has made it nominally middle income. Nearly half the population lives under $1.90 a day, and its median household income per capita is just $2—on par with Benin, Niger, and Tanzania.[31] By selecting Timor-Leste for a threshold program, MCC has a chance to begin seeing what a partnership might look like while getting a sense of how likely it is to remain a low income country and continue to pass the scorecard.

Countries That Meet the Indicator Criteria but Are Unlikely to Be Selected

Low income countries **Benin**, **Ghana**, **Liberia**, **Malawi**, **Niger**, and **Zambia** and lower middle income countries **Cabo Verde**, **El Salvador**, and **Morocco** all meet the indicator criteria but already have signed compacts in place and are not up for second compact consideration.[32] As such, they will not be considered for reselection this year.

India (*low income*) is not a likely candidate for compact eligibility. Though it regularly passes the scorecard, neither India nor MCC—not to mention many members of Congress—are interested in entering into a standard compact-style relationship. India is, after all, the world's seventh-largest economy, is a foreign aid provider, has $300 billion in foreign currency reserves, and is a leading global military spender.[33] MCC and India have, however, expressed interest in partnering to explore how to add a regional dimension to MCC's South Asian programming, including in Nepal and Sri Lanka.[34] It is unclear what such a partnership would look like, especially since MCC cannot spend money in countries that are not officially eligible. But the board is unlikely to select India for a compact.

[31] Poverty headcount data is from 2007 (most recent data) and comes from the World Bank's World Development Indicators. Median income is also from 2007 (most recent data) and comes from Anna Diofasi and Nancy Birdsall, "The World Bank's Poverty Statistics Lack Median Income Data, So We Filled In the Gap Ourselves — Download Available." *Views from the Center Blog* (Center for Global Development), February 6, 2016, http://www.cgdev.org/blog/world-bank-poverty-statistics-lack-median-income-data-so-we-filled-gap-ourselves-download-available

[32] Cabo Verde is within 18 months of completing its second compact so technically could be considered for a follow on compact, but MCC is not talking about the possibility of third compacts at this time.

[33] The economy size reference is from the International Monetary Fund's (IMF's) October 2016 World Economic Outlook database. The foreign currency reserves reference is from the IMF's International Reserves and Foreign Currency Liquidity India report from May 2, 2016. The military spending reference is from the Stockholm International Peace Research Institute's Military Expenditure Database, referencing 2014 data.

[34] The published summary of MCC's December 16, 2015 board meeting states, "Following the Board's resolution for MCC to explore a strategic partnership with India, MCC has seen a series of engagements directly with the Indian government, interagency collaboration to build upon these engagements, and stakeholder outreach regarding what a potential partnership with India might look like." https://www.mcc.gov/resources/doc/report-december-2015-board-summary

Lesotho (*low income*) has the distinction of being the only country to pass the scorecard every single year. Though it was selected for second compact eligibility three years ago, progress has largely stalled. Last year MCC's board deferred a decision on whether to reselect Lesotho due to a turbulent political and security environment, including serious concerns about military actions.[35] Over the past year, there has been little progress implementing the Southern African Development Community's recommendations to address these challenges. Just recently, the army chief accused of orchestrating a 2014 coup attempt has announced he will step down in early December. MCC will likely wait and see if that happens—and what happens next—before deciding how to proceed with Lesotho. It is unlikely that the board will confidently be able to give Lesotho the green light with a reselection decision by mid-December, so a deferral, once again, is the most likely option.

Madagascar (*low income*) is a country to watch, though it is unlikely to be selected this year. Madagascar was MCC's first compact country, though the program was cut short by a 2009 military coup. Since then, the country has returned to democratic rule (in 2014) and has passed the scorecard two years in a row. The problem is that it continues to barely pass. While it passes 12 indicators, half of these—including the important Control of Corruption hurdle—are barely above the median.[36] This creates substantial uncertainty that the country will continue to pass in the future. Not only that, assessing how Madagascar performs on MCC's non-scorecard criteria for second compact eligibility is tricky. How should the board weigh the extent to which the first compact was successfully implemented (before it was terminated)? When the Malagasy government in charge of implementation was seven years and two administrations ago, the nature of that partnership, the demonstration of that government's political will, etc. seems far less relevant. Furthermore, the criteria for improved scorecard performance is written with the assumption that the second compact would follow on the heels of a first compact. For a country starting over after a coup, does it matter whether Madagascar "improved its overall scorecard policy performance during the partnership," i.e., between 2004 and 2009? It seems that it should not, in which case, what is the relevant timeframe for comparison? Does Madagascar score better than it did at the end of the partnership? It does, on some indicators. Does it show improvements over the last five years? It clearly does for the democracy indicators, but less so for most others. Madagascar would be a good candidate for a threshold program; MCC and the country could begin a partnership while waiting to see if policy improvements can be sustained. Unfortunately, MCC is legally barred from pursuing a threshold program with Madagascar given its previous compact.

---

[35] A 2014 political crisis, in which the prime minister fled claiming an attempted military coup, was quickly reversed, and early 2015 elections brought in a new government. However, the political and security environment have remained turbulent. Many alleged that the armed forces are taking steps to stifle the opposition and those loyal to the prior regime, pointing to the 2015 killing of a former army commander by armed forces. Many other opposition leaders fled the country.

[36] Madagascar ranks between the 50th and 60th percentile for these six indicators.

Mali (*low income*) is a perennial question mark. Since Mali returned to democratic rule in 2013, it should not be discounted as a prospect for a second compact. Certainly the US government has a national security interest in supporting the new democratic regime in a volatile region. And with MCC's sights on regional investments in West Africa, a country that borders three current compact countries is an attractive option. However, while a 2015 peace agreement with rebel groups in the north was a step toward resolving the long-standing conflict, implementation has been slow and the security and political situation remains volatile.[37] In addition, Mali has had inconsistent scorecard performance, alternating passing and failing for the last four years. Though Mali technically passes the scorecard this year, it is a bit of a false pass. Revised Trade Policy data for another country (Togo) received after MCC's data window closed suggest that Mali would actually fail the indicator and, as a result, the scorecard as a whole, falling short of passing the minimum of ten indicators.[38] The board is unlikely to select Mali this year.

Mozambique (*low income*) completed its first compact in September 2013 but has been passed over for second compact eligibility for the last four years. Mozambique has passed the scorecard for the last six years, but the board also looks at "trends" in the governance indicators for second compact contenders. Mozambique's score on the Control of Corruption indicator has consistently registered declines and is now just above the median. There has also been low level violent political conflict in parts of the country since 2013. In addition to questions about scorecard and policy performance, issues related to the implementation of the first compact remain a sticking point. Available information plus a number of anecdotes suggest that even though the compact ultimately met many of its performance targets, there were a number of implementation delays, difficulties with contractors, and at least one unmet policy condition associated with the compact. In addition, the government of Mozambique committed to complete unfinished projects after the compact's closure, but lack of clarity on where this commitment currently stands suggests it may be moving slowly.[39] The board is unlikely to select Mozambique this year.

The Philippines (*lower middle income*), which successfully completed its first compact in May this year, was selected for a second compact two years ago. It will be under consideration for reselection this year. After several years of inconsistent performance on the Control of Corruption indicator, the Philippines has passed the scorecard for the last three years in a row. That said, the board will have to consider a number of policy considerations not reflected in the scorecard. Though the US has long had a close relationship with the Philippines, President Rodrigo Duterte, inaugurated in June this year, has engaged in anti-American rhetoric, insulting senior officials, and threatening to

---

[37] Freedom House. 2015. Mali. *Freedom in the World—2016*. https://freedomhouse.org/report/freedom-world/2016/mali. Economist Intelligence Unit. 2016. Mali. http://country.eiu.com/mali (accessed December 1, 2016).

[38] The Heritage Foundation, the source of the Trade Policy indicator, corrected Togo's data point after the scorecards were finalized. The new data suggest that Togo would pass the indicator, bumping Mali, whose score was just above the median, below the passing threshold.

[39] See MCC's Mozambique compact closeout report: https://www.mcc.gov/where-we-work/program/mozambique-compact.

"break up with America."[40] So far the inflammatory language has not been matched by policy decisions. Also concerning, however, is President Durerte's promulgation of extrajudicial killings of thousands of individuals suspected to be involved in drug activity.[41] Given the current policy environment, it would be a stretch for MCC to give the Philippines the affirmative stamp of approval a reselection decision implies. The more likely outcome is a deferral of the decision to reselect until more is understood about the direction the country will take.

Tanzania (*low income*) was selected for a second compact four years ago but the partnership is currently suspended. In March this year, MCC announced it would halt compact development with the country based on the flawed and unrepresentative conduct of a 2015 election in Zanzibar, as well as moves by the government to stifle dissent and control information.[42] The board is unlikely to reselect Tanzania this year.

There are nine countries that pass the FY2017 scorecard that have also passed in several prior years but have not been selected, presumably due to their small size (all have populations under a million). MCC does not make public the reasons for not selecting countries that pass the indicators. However, even though the agency does not have an official minimum size requirement for compact eligibility, the board has demonstrated its preference not to select new small countries.[43] Low income countries **Comoros**, **São Tomé and Príncipe**, and the **Solomon Islands** and lower middle income countries **Bhutan**, **Kiribati**, **Micronesia**, **Samoa**, **Tonga**, and **Vanuatu** will almost certainly be passed over again this year.

---

[40] Bernal, Buena and Holly Yan. Oct. 4, 2016. "Philippines' President says he'll 'break up' with US, tells Obama 'go to hell'." CNN. http://www.cnn.com/2016/10/04/asia/philippines-duterte-us-breakup/

[41] The US government voiced its concern about the extrajudicial killings. US Embassy Statement. Manila. August 12, 2016. https://ph.usembassy.gov/u-s-embassy-statement/

[42] Cybercrime legislation passed in 2015 punishes the distribution of information deemed inaccurate or misleading. In the run-up to the 2015 election, a number of people, including staff of the opposition party, were prosecuted under this law.

[43] Cabo Verde, which has a population of about half a million people, was selected as eligible in FY2010, but this was for a second compact; it was not a new relationship.

Low Income Countries' Scorecard Performance, FY2017

	Ruling Justly						Investing in People						Economic Freedom								
	Political Rights (0–40, 40 = best)	Civil Liberties (0–60, 60 = best)	Freedom of Information (-4–+104, -4 = best)	Government Effectiveness (-2.5–+2.5, +2.5 = best)	Rule of Law (-2.5–+2.5, +2.5 = best)	Control of Corruption (-2.5–+2.5, +2.5 = best)	Health Expenditures	Primary Education Expenditures	Natural Resource Protection (0–100, 100 = best)	Immunization Rate	Girls' Primary Education Completion Rate	Child Health* (0–100, 100 = best)	Fiscal Policy	Inflation	Regulatory Quality (-2.5–+2.5, +2.5 = best)	Trade Policy** (0–100, 100 = best)	Gender in the Economy (0–20, 0 = best)	Land Rights and Access (0–1, 1 = best)	Access to Credit (0–120, 120 = best)	Business Start-Up (0–1, 1 = best)	Number of passed indicators
Median/Threshold	17	25	60	0.00	0.00	0.00	2.09	1.52	67.0	82	69.6	54.1	-3.4	15.0	0.00	69.8	1	0.67	24	0.928	
Pass the scorecard																					
Benin	33	49	38	0.32	0.25	0.20	2.25	2.14	100.0	77.0	70.2	46.6	-3.9	0.3	0.26	68.7	3	0.55	24	0.979	13
Burkina Faso	21	38	37	0.35	0.30	0.48	2.59	2.94	91.9	89.5	62.1	47.6	-2.7	0.9	0.46	69.2	1	0.57	24	0.921	13
Comoros	24	31	49	-0.59	-0.01	0.17	2.22	2.87	60.3	80.5	75.5	66.3	7.2	2.0	-0.21	70.2	3	0.72	36	0.852	13
Cote d'Ivoire	20	31	47	0.28	0.21	0.39	1.68	1.85	100.0	77.5	50.4	53.1	-2.5	1.2	0.30	72.3	0	0.62	24	0.963	14
Ghana	37	46	31	0.68	0.95	0.64	2.13	1.51	79.0	88.5	100.7	55.3	-9.2	17.2	0.79	65.1	0	0.81	64	0.947	16
India	35	42	41	1.03	0.77	0.43	1.41	1.04	30.5	87.0	99.0	72.9	-7.3	4.9	0.43	72.6	0	0.75	66	0.928	15
Lesotho	28	39	49	0.26	0.66	0.88	8.08	--	1.4	91.5	84.9	61.2	-0.1	5.3	0.43	80.2	0	0.71	50	0.928	18
Liberia	28	33	54	-0.43	-0.04	0.20	3.16	0.85	12.9	58.0	54.0	53.0	-6.0	7.7	-0.06	72.8	0	0.55	36	0.971	10
Madagascar	24	32	58	-0.36	0.14	0.05	1.47	1.29	32.6	63.5	70.8	46.7	-3.2	7.4	0.06	78.0	2	0.68	12	0.929	12
Malawi	27	37	46	0.26	0.50	0.05	6.00	3.40	98.3	87.5	80.1	70.2	-5.5	21.9	0.00	70.5	1	0.76	36	0.870	16
Mali	17	28	37	0.02	0.07	0.17	1.96	1.88	43.6	72.0	50.0	49.8	-2.4	1.4	0.25	70.1	3	0.64	24	0.910	10
Mozambique	22	34	42	0.19	-0.04	0.03	3.94	3.19	97.5	82.5	44.6	41.1	-6.9	2.4	0.32	76.7	0	0.81	28	0.938	16
Nepal	25	26	50	-0.11	0.13	0.26	2.34	2.38	76.4	88.0	111.2	76.3	1.3	7.2	0.03	63.1	2	0.76	24	0.933	16
Niger	24	28	49	0.33	0.22	0.23	2.39	3.54	100.0	69.0	51.7	37.2	-6.6	1.0	0.09	66.4	4	0.61	24	0.941	12
Sao Tome & Principe	34	47	28	0.18	0.02	0.62	3.61	2.16	100.0	94.5	100.6	68.3	-3.3	5.3	0.04	71.8	0	0.66	0	0.972	18
Senegal	33	45	49	0.50	0.68	0.84	2.42	2.22	100.0	84.5	62.7	72.0	-5.1	0.1	0.64	73.1	2	0.65	24	0.914	14
Solomon Islands	25	43	27	-0.09	0.29	0.46	4.64	--	8.6	95.0	87.7	66.1	1.9	0.9	-0.14	73.0	1	0.55	40	0.948	14
Tanzania	27	33	55	0.33	0.40	0.10	2.59	1.71	99.9	98.5	77.1	51.1	-3.4	5.6	0.46	76.0	0	0.80	68	0.919	18
Timor-Leste	29	36	35	-0.11	-0.35	0.12	1.33	4.98	50.9	73.0	99.9	65.6	22.6	0.6	-0.15	80.0	0	0.14	24	0.981	12
Togo	18	30	56	-0.25	0.03	0.10	2.02	2.85	98.5	86.5	78.9	41.7	-5.4	1.8	0.00	66.3	0	0.49	24	0.904	11
Zambia	26	34	63	0.38	0.58	0.41	2.76	--	100.0	90.0	79.9	57.7	-7.0	10.1	0.40	78.3	0	0.66	76	0.943	16
Eliminated by corruption																					
Bangladesh	21	28	62	0.21	0.13	-0.06	0.79	--	18.5	91.0	78.6	79.2	-3.4	6.4	-0.11	63.6	0	0.63	20	0.942	10
Kenya	22	29	60	0.65	0.34	-0.20	3.50	--	78.7	82.0	104.1	52.6	-7.1	6.6	0.53	67.2	0	0.76	70	0.928	12
Nicaragua	19	35	50	0.13	0.13	-0.06	5.10	1.79	94.5	98.5	89.3	83.4	-1.1	4.0	0.39	81.0	0	0.73	52	0.892	18
Eliminated by democracy																					
Ethiopia	4	11	87	0.29	0.39	0.40	2.87	1.08	86.2	82.0	53.3	51.4	-2.3	10.1	-0.19	65.1	0	0.83	12	0.843	9
Gambia, The	5	13	94	0.04	0.17	0.04	5.05	1.43	23.2	97.0	69.0	66.1	-8.3	6.8	0.33	65.0	0	0.72	32	0.798	11
Rwanda	8	16	77	0.89	0.90	1.48	2.87	1.51	49.9	97.5	72.1	69.0	-3.1	2.5	1.07	70.3	2	0.93	92	0.935	14
Eliminated by corruption and democracy																					
Burundi	5	14	80	-0.21	-0.29	-0.35	3.97	2.46	42.6	93.5	70.3	52.9	-3.7	5.6	0.11	74.2	1	0.73	8	0.976	9
Cambodia	11	21	73	0.24	-0.09	-0.23	1.25	1.00	100.0	85.0	96.3	70.6	-1.6	1.2	0.34	80.3	0	0.74	80	0.718	12
Kyrgyzstan	14	24	65	0.03	-0.17	-0.27	3.64	--	72.5	98.0	104.4	93.0	-1.0	6.5	0.35	75.3	0	0.84	68	0.977	14
Laos	1	11	84	0.43	0.08	-0.03	0.94	--	93.6	88.5	99.0	76.7	-4.4	5.3	0.02	74.6	0	0.77	54	0.850	12
Tajikistan	2	14	79	0.11	-0.18	-0.19	1.98	--	65.9	96.5	99.4	84.3	-1.1	5.8	-0.19	73.9	0	0.73	46	0.933	11
Uganda	11	25	57	0.45	0.49	-0.24	1.80	1.16	95.5	80.0	55.3	50.9	-3.4	5.5	0.58	78.3	1	0.90	66	0.900	10
Miss by one indicator																					
Pakistan	20	21	67	0.27	0.04	0.05	0.92	0.87	63.3	66.5	67.0	76.9	-6.2	4.5	0.20	67.2	2	0.66	54	0.947	9
Miss by more than one indicator																					
Afghanistan	10	14	58	-0.40	-0.76	-0.53	2.93	--	2.2	73.0	--	49.7	-1.3	-1.5	-0.19	--	4	0.61	36	0.962	6
Cameroon	9	15	65	0.17	-0.13	-0.22	0.94	1.03	61.6	81.5	67.8	54.1	-3.8	2.8	-0.09	53.4	4	0.57	30	0.931	4
Central African Republic	1	6	71	-0.86	-0.89	-0.50	2.06	0.64	100.0	48.0	34.5	35.8	-1.4	4.5	-0.62	55.2	2	0.37	24	0.705	3
Chad	4	16	74	-0.52	-0.33	-0.48	1.98	0.92	68.1	58.5	29.6	24.8	-3.7	3.7	-0.38	54.7	3	0.50	24	0.681	2
Congo, Dem. Rep.	9	16	78	-0.69	-0.72	-0.44	1.60	1.38	70.4	80.0	60.0	40.5	1.8	1.0	-0.52	64.6	6	0.62	24	0.942	4
Djibouti	9	19	75	-0.02	-0.07	0.24	6.75	1.53	7.8	79.0	59.1	65.8	-11.2	2.1	0.13	54.9	1	0.68	4	0.773	7
Guinea	17	23	61	-0.20	-0.34	-0.16	2.74	1.42	99.7	51.5	55.6	46.8	-6.1	8.2	-0.04	61.2	4	0.47	24	0.892	3
Guinea-Bissau	16	23	60	-0.69	-0.47	-0.62	1.15	1.52	89.8	74.5	55.1	37.0	-3.4	1.5	-0.38	65.2	5	0.50	24	0.940	3
Haiti	17	24	52	-1.07	-0.34	-0.45	1.56	--	1.6	56.5	--	47.6	-5.3	7.5	-0.34	70.6	2	0.36	8	0.530	3
Mauritania	9	21	51	-0.09	0.01	-0.09	1.87	1.42	3.6	71.5	68.7	55.1	-2.5	0.5	-0.04	62.3	4	0.64	26	0.961	7
Sierra Leone	28	37	49	-0.32	-0.07	0.03	1.88	1.19	55.2	81.0	67.6	39.9	-3.5	9.0	-0.05	69.4	2	0.58	20	0.943	6
Somalia	0	2	79	-1.28	-1.51	-0.81	--	--	3.4	44.0	--	26.6	--	--	-1.33	--	--	--	0	0.640	0
Yemen	4	13	79	-0.71	-0.41	-0.64	1.27	2.91	4.5	68.0	61.0	60.3	-7.2	39.4	-0.28	--	5	0.81	0	0.817	3
Statutorily prohibited																					
Eritrea	1	2	94	-0.67	-0.58	-0.53	1.53	--	28.9	90.0	33.8	52.0	-14.6	9.0	-1.29	69.2	0	0.86	0	0.774	4
Korea, Dem. Rep.	0	3	97	-0.70	-0.74	-0.47	--	--	16.8	97.0	--	--	--	--	-1.52	0.0	--	--	--	--	1
Myanmar	11	17	76	-0.30	-0.39	-0.08	1.04	--	36.1	80.5	86.0	80.7	-2.5	11.4	-0.44	74.2	1	0.69	8	0.925	6
South Sudan	2	12	62	-1.24	-1.00	-0.90	1.14	0.50	82.8	25.5	27.0	33.9	-13.1	52.8	-0.87	--	0	0.54	8	0.471	2
Sudan	2	4	85	-0.54	-0.35	-0.69	1.80	--	10.0	90.0	54.2	46.4	-1.9	16.9	-0.68	50.5	10	0.78	12	0.892	3
Syria	-3	2	96	-0.70	-0.60	-0.72	1.51	2.33	4.1	47.0	68.6	93.9	--	--	-0.81	56.6	6	0.62	16	0.958	3
Zimbabwe	12	20	72	-0.21	-0.52	-0.47	2.47	1.02	99.7	86.5	90.9	61.5	-1.5	-2.4	-0.83	52.8	0	0.75	50	0.662	10
Countries with data	54	54	54	54	54	54	52	39	54	54	50	53	51	51	54	50	52	52	53	53	

Note: Shaded indicator scores designate scores that fail per the Millennium Challenge Corporation's (MCC) pass/fail criteria for that indicator. Unavailable data are interpreted as a failed score.

*There is a 0.1 difference between the Center for Global Development's data (from public sources) and MCC's data for Djibouti for Child Health due to different rounding techniques. It does not affect passing/failing or countries' rank order.

**After MCC published its scorecards, the Heritage Foundation revised its Trade Policy score for Togo. MCC notes this change on the country's scorecard; this chart reflects the original data.

Lower Middle Income Countries' Scorecard Performance, FY2017

	Ruling Justly						Investing in People						Economic Freedom								
	Political Rights (0–40, 40 = best)	Civil Liberties (0–60, 60 = best)	Freedom of Information (-4–+104, -4 = best)	Government Effectiveness (-2.5–+2.5, +2.5 = best)	Rule of Law	Control of Corruption	Health Expenditures	Primary Education Expenditures	Natural Resource Protection (0–100, 100 = best)	Immunization Rate	Girls' Secondary Education Enrollment Rate	Child Health* (0–100, 100 = best)	Fiscal Policy	Inflation	Regulatory Quality (-2.5–+2.5, +2.5 = best)	Trade Policy (0–100, 100 = best)	Gender in the Economy (0–20, 0 = best)	Land Rights and Access (0–1, 1 = best)	Access to Credit (0–120, 120 = best)	Business Start-Up (0–1, 1 = best)	Number of passed indicators
Median/Threshold	17	25	51	0.00	0.00	0.00	3.58	1.79	74.8	90	95.5	85.4	-3.0	15	0.00	76.2	0	0.75	59	0.951	
Pass the scorecard																					
Bhutan	29	27	58	0.82	0.88	1.43	2.62	1.89	100.0	98.0	96.3	80.5	-1.0	6.3	-0.31	60.0	1	0.91	52	0.964	13
Cape Verde	37	53	27	0.57	0.92	1.36	3.56	1.93	14.9	92.5	117.5	86.42	-6.6	0.1	0.14	68.2	0	0.81	44	0.960	15
El Salvador	33	36	35	0.18	-0.22	0.01	4.47	1.49	63.5	93.0	101.1	88.4	-3.4	-0.7	0.60	86.5	0	0.77	60	0.919	15
Kiribati	36	55	30	-0.08	0.21	0.70	8.29	--	100.0	85.5	113.3	62.8	27.6	0.6	-0.51	58.2	1	0.45	16	0.891	10
Micronesia	37	56	21	0.00	0.06	1.17	12.43	--	44.4	81.5	85.7	78.7	5.7	-1.0	-0.60	85.6	0	--	44	0.800	11
Morocco	15	26	70	0.36	0.29	0.20	2.00	2.28	99.9	99.0	86.7	85.0	-4.8	1.5	0.22	84.0	1	0.84	50	0.971	12
Philippines	27	38	40	0.53	0.02	0.02	1.61	--	89.3	71.0	95.8	85.3	0.4	1.4	0.36	76.4	2	0.78	42	0.921	13
Samoa	31	49	29	0.91	1.03	0.76	6.54	--	38.5	67.5	100.1	95.1	-4.3	0.9	0.30	70.7	1	0.80	20	0.972	13
Sri Lanka	23	32	61	0.43	0.44	0.08	1.96	0.37	91.0	99.0	98.9	96.3	-6.5	0.9	0.34	74.5	0	0.70	44	0.967	13
Tonga	31	44	29	0.09	0.17	0.00	4.27	--	89.7	74.5	--	95.1	-0.3	-0.1	-0.04	79.7	0	0.48	58	0.958	14
Tunisia	37	42	52	0.31	0.32	0.34	3.97	--	17.8	98.0	100.2	95.7	-5.0	4.9	0.00	63.8	1	0.80	48	0.972	13
Vanuatu	31	47	25	-0.37	0.40	0.27	4.51	2.31	24.2	58.5	71.2	82.2	2.6	2.5	0.02	73.9	0	0.72	68	0.909	12
Eliminated by corruption																					
Armenia	16	30	62	0.28	0.02	0.00	1.93	0.53	100.0	95.5	--	95.1	-2.8	3.7	0.64	80.2	0	0.97	76	0.991	14
Guatemala	23	31	54	-0.30	-0.62	-0.26	2.33	1.50	79.5	86.5	64.9	81.5	-1.8	2.4	0.19	87.0	0	0.74	78	0.930	9
Honduras	19	26	63	-0.40	-0.58	-0.12	4.42	2.87	86.9	86.0	76.3	85.5	-4.4	3.2	0.00	78.4	0	0.69	84	0.924	10
Kosovo	24	28	45	0.00	-0.10	-0.07	2.32	1.32	56.6	93.4	96.1	90.8	-2.5	-0.5	0.10	70.8	0	--	72	0.987	12
Moldova	25	35	52	-0.21	-0.03	-0.44	5.30	1.70	20.7	88.0	86.7	87.2	-2.0	9.6	0.34	80.0	0	0.90	68	0.981	12
Mongolia	36	50	33	0.01	-0.02	-0.02	2.62	1.51	77.5	98.5	95.2	72.2	-9.4	5.9	0.06	74.9	0	0.68	62	0.986	11
Ukraine	25	36	53	-0.10	-0.43	-0.53	3.60	1.17	24.3	39.5	102.6	96.6	-3.5	48.7	-0.18	85.9	0	--	74	0.990	9
Eliminated by democracy																					
Vietnam	3	17	89	0.50	0.10	0.00	3.82	1.90	82.6	97.0	93.5	89.6	-6.5	0.6	-0.10	83.1	0	0.81	70	0.943	13
Eliminated by corruption and democracy																					
Uzbekistan	0	3	98	-0.26	-0.70	-0.71	3.11	--	19.8	99.0	98.5	91.3	1.8	8.5	-1.29	66.8	0	0.64	66	0.985	8
Miss by more than one indicator																					
Congo, Rep.	6	22	59	-0.60	-0.68	-0.77	4.21	1.93	100.0	80.0	65.9	53.4	-9.3	2.0	-0.80	52.2	3	0.69	36	0.820	4
Egypt	9	18	84	-0.34	-0.14	-0.11	2.16	--	72.1	92.5	99.6	95.8	-12.6	11.0	-0.40	70.2	2	0.94	56	0.979	6
Indonesia	31	34	48	0.19	-0.04	0.00	1.08	1.44	70.3	75.0	93.3	80.4	-2.3	6.4	0.19	80.5	1	0.73	60	0.924	9
Nigeria	23	25	49	-0.53	-0.68	-0.65	0.92	--	78.6	55.0	43.7	43.6	-2.3	9.0	-0.44	62.3	0	0.75	64	0.910	7
Papua New Guinea	23	36	29	-0.20	-0.53	-0.54	3.47	--	14.2	61.0	64.9	46.2	-6.2	6.0	-0.16	85.4	0	0.69	66	0.893	7
Swaziland	1	17	82	-0.11	0.10	0.12	7.00	4.20	23.3	84.0	72.2	64.9	-2.0	5.0	-0.11	88.9	2	0.73	52	0.916	7
Statutorily prohibited																					
Bolivia	29	39	49	-0.24	-0.78	-0.23	4.57	2.36	97.2	99.0	97.5	66.9	-3.2	4.1	-0.51	76.0	0	0.79	42	0.839	11
Countries with data	28	28	28	28	28	28	28	18	28	28	26	28	28	28	28	28	28	25	28	28	

Note: Shaded indicator scores designate scores that fail per the Millennium Challenge Corporation's (MCC) pass/fail criteria for that indicator. Unavailable data are interpreted as a failed score.

*There is a 0.1 difference between the Center for Global Development's data (from public sources) and MCC's data for Bhutan and Samoa for Child Health due to different rounding techniques. It does not affect passing/failing or countries' rank order.