MCA Monitor

Fine-Tuning the MCC Selection Process and Indicators

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Summary

The Millennium Challenge Corporation's mission is to promote economic growth and reduce poverty in the best-governed poor countries. Performance on indicators is the foundation of the MCC's country selection process, which is currently under review to answer two key questions: Is the process helping to pick the best-governed poor countries? Is the MCC appropriately selective?

The review takes place at a time when the Obama administration has put a premium on selectivity, economic growth, transparency, and results—core features of the MCC model—in its presidential policy directive on U.S. global development. To inform the review process, the MCA Monitor has conducted a parallel review and offers five key recommendations:

1. If it ain't broke, don't fix it (too much): keep the indicator system clean, clear, and color-coded.
2. Power to the people: in the ruling justly category, government capacity and political voice matter.
3. Some categories are more equal than others: give the investing in people category an equal number of indicators.
4. Watch for countries that punch above (or below) their weight: look out for income bias.
5. The indicators aren't everything: use discretion, but be transparent.

Center for Global Development

The MCA Monitor provides rigorous policy analysis and research on the operations and effectiveness of the Millennium Challenge Corporation. It is part of CGD's Rethinking U.S. Foreign Assistance program that tracks efforts to reform aid programs and improve aid effectiveness.

Fine-Tuning the MCC Selection Process and Indicators

The Millennium Challenge Corporation's mission is to promote economic growth and reduce poverty in the best-governed poor countries. It is the only development agency in the world that identifies potential partner countries by using a set of independent, publicly available indicators produced by a third party. While the MCC board of directors uses its discretion in final selection decisions, performance on the indicators is the foundation of the MCC country selection process.

The MCC uses 17 indicators in three policy categories: ruling justly, investing in people, and economic freedom. The indicators are designed to measure a country's commitment to development and sound policies, the basis for MCC eligibility and development assistance dollars. Though imperfect, the MCC indicators serve as proxies for policy performance and are presented annually in a color-coded set of country scorecards. The MCC board, potential partner countries, and other stakeholders use these scorecards to understand how a country performs in comparison to its peers and whether it is likely to be eligible for MCC assistance.[1]

The MCC has used the indicator system to select countries for eight years, with only minor changes to the process along the way.[2] The MCC is currently reviewing its selection process to answer two key questions:

1. Is the process helping to pick the best-governed poor countries?
2. Is the MCC appropriately selective?

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1 MCC Country Scorecards can be accessed at http://www.mcc.gov/pages/selection/scorecards.

2 In the investing in people category, the natural resource management indicator was added in FY2008 and in FY2004 there was a primary education completion indicator in place of the girls' primary education completion indicator. In the economic freedom category, a country credit rating indicator (FY2004–FY2005), a time to start a business indicator (FY2004–FY2007), and a cost of starting a business indicator (FY2006–FY2007) were all formerly used. The business start-up and land rights and access indicators were introduced in FY2008.

Answering these questions forces the MCC to look at both the rules that guide the decision-making process and the individual indicators that reveal policy performance.

The review takes place at a time when the Obama administration has put a premium on selectivity, economic growth, transparency, and results—core features of the MCC model—in its presidential policy directive on U.S. global development.[3] Enormous pressure on the federal budget is also pushing members of Congress to ask where they will get the best value for the taxpayers' money. Confidence in the MCC's country selection process—and its ability to identify countries with the greatest potential for impact on economic growth and poverty reduction—is a must for the MCC to maintain congressional support and funding in the coming years.

The MCC's policy and evaluation team will present options to the board of directors in September 2011 concerning whether they should make any changes to the indicators and, if so, what changes and when. The MCC would need to approve changes in selection methodology in September for them to take effect in the FY2012 country selection process. To inform this process, the MCA Monitor has conducted a parallel review and offers five key recommendations:

1. **If it ain't broke, don't fix it (too much): keep the indicator system clean, clear, and color-coded.**

2. **Power to the people: in the *ruling justly* category, government capacity *and* political voice matter.**

3. **Some categories are more equal than others: give the *investing in people* category an equal number of indicators.**

4. **Watch for countries that punch above (or below) their weight: look out for income bias.**

5. **The indicators aren't everything: use discretion, but be transparent.**

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3 A fact sheet on the administration's U.S. global development policy can be accessed at http://www.whitehouse.gov/the-press-office/2010/09/22/fact-sheet-us-global-development-policy.

How the MCC Currently Selects Countries

There are three main steps to the MCC's country selection process:

1. **Classify candidate countries**. The MCC identifies candidates as low-income or lower-middle-income using World Bank income data and excludes countries that are otherwise ineligible to receive U.S. development assistance (Burma, North Korea, and China, for example).[4] For FY2011 candidacy, countries with per capita income levels equal to or less than $1905 are considered low-income, and those with per capital income between $1906 and $3945 are considered lower-middle-income countries.

2. **Run the indicators**. The MCC then runs the low-income country group and the lower-middle-income country group through the 17 indicators and produces scorecards showing each country's policy performance.[5] The MCC indicators test requires a country to score above the median on at least half of the indicators in each of the three categories *and* score above the median on the *control of corruption* indicator. Missing data for an indicator equates counts as failing.

3. **Exercise discretion and match expectations to resources**. When making the final decision about which countries are eligible for MCC funds, the board of directors considers a country's policy performance on the scorecards, supplementary information, opportunity for economic growth and poverty reduction, its record implementing compacts (in the case of second compact consideration), and funding levels for a given fiscal year.

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4 MCC's Report on Countries That Are Candidates for Millennium Challenge Account Eligibility for Fiscal Year 2011 and Countries That Would Be Candidates but for Legal Prohibitions, August 2010. http://www.mcc.gov/documents/reports/report-2010001036301-candidate-country-report.pdf

5 MCC Country Scorecards can be accessed at http://www.mcc.gov/pages/selection/scorecards.

Five Key Recommendations

To review the MCC's current selection process and use of the 17 indicators, the MCA Monitor looked at the rules that guide the indicator process (passing requires being above the median in half the indicators for each category; missing data means a country fails that indicator; etc.) and the actual indicators themselves (are these the right indicators; should the measures focus on outcomes or impact?). In the interest of sticking close to the MCC mission and mandate, the MCA Monitor offers the following five key recommendations, recognizing that the selection process seems to be working:

1. If it ain't broke, don't fix it (too much): keep the indicator system clean, clear, and color-coded.

The MCC has completed eight rounds of country selection based on the indicators system.[6] Since the MCC was founded in 2004, the agency has made slight adjustments to the indicators, but the overall decision-making process has remained the same.

In general, the MCC's eligibility indicators are working well to assess countries' relative performance and to guide selection. The MCC's country scorecards are the signature element of the MCC selection process. The MCC's clear, color-coded scorecards for every low-income and lower-middle-income country provide individual scores on each of the 17 indicators and the median score for each income group. The scorecards show countries' present indicator statuses and indicate trends by providing data from the previous few years.

Requiring countries to pass at least half the indicators in each category balances the need to ensure at least a minimum performance in each area with the recognition that any test should include a degree of freedom because all indicators are subject to error.[7]

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6 CGD's Round Eight of the MCA: Which Countries Will the MCC Board Likely Select as Eligible in FY2011? December 2010. http://www.cgdev.org/content/publications/detail/1424647.

7 While this may be better than a single test against a tight criterion, all of the variables used in the MCC are subject to substantial errors, often of an unknown magnitude. Any binary decision on a compact will involve both false acceptance and false rejection errors. This opens the door to

The scorecards are used not only by the MCC and its board of directors, but by the partner countries themselves as well as other policymakers, advocates, and potential private-sector investors. The scorecards alone have created an “MCC effect” by which countries pay close attention to their scores and aim to improve their policy performance in order to pass the indicators test and be considered eligible for assistance. Other development programs and corporations view the indicators test as a stamp of approval that a country is moving in the right direction. And MCC watchers can use the scorecards to judge whether the MCC is being true to its mandate and selecting countries that demonstrate good policy performance against the agency’s own criteria. Above all, the scorecards are an effective communications tool to convey that the MCC cares about policy performance and is finding the better-governed poor countries where the MCC sees the greatest opportunity for economic growth and poverty reduction.

In addition, the MCC’s process seems to be appropriately selective. Currently only one in four countries that are poor enough to qualify as MCC candidates are actually selected as partners. On the basis of funding and board discretion, not all countries that pass the indicators test are selected as eligible for assistance (Bhutan, Thailand, and Vietnam are a few examples of countries that pass the indicators test but are not selected, presumably because they do not fare well on the democracy indicators).[8]

The MCC, therefore, should not make too many changes to a system that is successfully applying tough criteria to select the better-performing poor countries. There seems to be little reason to make major changes in the overall approach. And the MCC should maintain its clear, concise, comparable, and color-coded indicator scorecards to communicate the primary results of its unique selection process.

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some legitimate use of discretion; however, such departures should be justified in a transparent manner if the value of the indicator-driven approach is to be sustained.

8 The MCC board has never explicitly stated its reason for not selecting these countries despite their passing the indicators test.

2. Power to the people: In the ruling justly category, government capacity and political voice matter.

The ruling justly category focuses on identifying countries committed to just and democratic governance. This category, by law, should help select countries that promote political pluralism, equality, and the rule of law; respect human and civil rights; protect private property rights; encourage transparency and accountability of government; and combat corruption.[9]

The MCC uses six indicators to measure a country's commitment to ruling justly:

- Control of Corruption
- Government Effectiveness
- Rule of Law
- Political Rights
- Civil Liberties
- Voice & Accountability

All six *ruling justly* indicators are perceptions-based and come from two sources: Freedom House (political rights and civil liberties) and the World Bank / Brookings Worldwide Governance Indicators (WGI): control of corruption, government effectiveness, rule of law, and voice and accountability. Freedom House uses expert analyst and scholar surveys to rate countries on a scale from "least free" to "most free" in the indicator area. Each WGI in the *ruling justly* category represents an index of multiple surveys and assessments.[10]

All of these indicators have time lags and a range of error, but only the WGI data are constructed by mechanisms that enable a standard error estimate. A criticism of the WGI perceptions-based indicators is that they sometimes fail to capture government actions to improve performance in areas such as corruption or voice and accountability. The challenge is finding better indicators that are consistent from year to year, have broad country coverage, are comparable across countries,

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9 MCC's authorizing legislation can be accessed here: http://www.mcc.gov/documents/reports/mca_legislation.pdf.

10 For a complete description of the methodology behind each ruling justly indicator, see the MCC's Guide to the MCC Indicators and the Selection Process, Fiscal Year 2011.

are analytically rigorous, are available to the public, and use objective, high-quality data developed by a third party. [11]

For these reasons, the MCA Monitor is focused on what the current indicators measure and whether new decision rules could strengthen the process, rather than suggesting new or alternative indicators.[12]

Two distinct dimensions of *ruling justly*

Right now, the indicators measure two distinct dimensions of *ruling justly*: government capability and voice and democracy. The first subset measures the institutions and governing capabilities of a country; the second measures government efforts to respect and protect individual political and civil rights, and the accountability of government to its citizens. The indicators break down between the two as follows

Government Capability:

- Control of corruption
- Government effectiveness
- Rule of law

Voice and Democracy:

- Political rights
- Civil liberties
- Voice and accountability

There are two problems with the current decision-making process in the *ruling justly* category. First, the control of corruption hard hurdle emphasizes governing capabilities over voice and democracy. It allows some countries to pass the indicators while having extremely low scores on voice and democracy (Vietnam and Bhutan are two examples). MCC's founders and authorizing legislation indicate that that the MCC should select countries that balance highly functioning

11 The onus is on the development community to develop new and better indicators and data that address flaws in the data currently available.

12 We tested Transparency International's Corruption Perception Index and the Global Integrity Report against WGI's corruption measure and found differences in scores and rankings, but no difference was discernable enough to change overall results. The Global Integrity Report would be a worthy indicator as it measures publically verifiable information rather than aggregate perceptions, but its country coverage is poor. For instance, the Global Integrity Reports from the last two years only covered 31 of 90 FY2011 MCC candidate countries.

government institutions with an active and civic-minded populace. This fact is not lost on the MCC board of directors who have traditionally compensated for this weakness in the indicator system by using their discretion and not selecting countries that fail the three democracy indicators. However, the board has not been transparent that this is the reason for not selecting a country that otherwise passes the indicators test.

Second, control of corruption is the only hard hurdle in the MCC system. This means a country must pass the control of corruption indicator in order to qualify for MCC assistance. The hard hurdle is an effective way to convey that the MCC will not operate in countries that are weak on combating corruption. But the reality is that the indicator has a two-year time lag and enough uncertainty (especially around the median) to make it an imprecise means of determining whether a country should be in or out of MCC eligibility.[13]

Proposed new rule

To address these shortcomings, the MCC should consider adopting a new rule:

To pass the *ruling justly* category, a country must pass half of the indicators in the category including at least one government capability indicator and at least one voice and democracy indicator.

Application of this new rule would better balance the two core elements of the ruling justly category. It would exchange increased flexibility on the control of corruption indicator with a harder stance on the voice and democracy side. It

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13 The control of corruption indicator has a time lag of two years. It is also a statistical estimate rather than a wholly observed quantity, and thus it cannot accurately pinpoint an exact corruption score, only a range of likely true scores that, in some cases, cross the median. This point is not lost on WGI authors Daniel Kaufmann, Aart Kraay, and Massimo Mastruzzi, who write in their accompanying paper, “These standard errors are essential to the correct interpretation of our estimates of governance, as they capture the inherent uncertainty [in] measuring governance” (Kaufmann, Kraay, Mastruzzi 2010). The estimated standard errors are also dependent on assumptions of independence between underlying data sources, and may be biased if these sources are not truly independent.

Table 1. Full Scorecard Test Results using the New Ruling Justly Rule

Countries in bold have or had an MCC compact.

	Fail → PASS	Pass → FAIL
FY2011	**Honduras, Mongolia**	The Gambia, **Jordan**, Rwanda, Thailand, Vietnam
FY2010	**Honduras**, Kenya, **Nicaragua**	Bhutan, Egypt, **Jordan**, Rwanda, Thailand, Vietnam
FY2009	Kenya, **Nicaragua**, **The Philippines**, Tonga	Bhutan, Egypt, **Jordan**, Nepal, Rwanda, Thailand, Tunisia, Vietnam
FY2008	**Benin, Honduras**, Indonesia, Kenya, Macedonia, Tonga, Zambia	Bhutan, Egypt, **Jordan**, Rwanda, Tunisia, Vietnam
FY2007	**Benin**, Kenya, **Malawi**, Niger, Paraguay, Uganda, Zambia	Bhutan, Egypt, **Jordan**, Maldives, Tunisia, Vietnam
FY2006	Bangladesh, **Georgia**, **Moldova**, Papua New Guinea, Serbia & Montenegro, Ukraine	Bhutan, China, Egypt, **Jordan**, Tunisia, Vietnam
FY2005	Bangladesh, **Malawi**, **Moldova**, **Tanzania**, Ukraine	Bhutan, China, Syria, Vietnam
FY2004	Bolivia, Indonesia, **Malawi**, **Moldova**, Solomon Islands, **Tanzania**	Bhutan, Mauritania, Vietnam

would institutionalize and make public what the MCC board is already doing (i.e., not picking countries that fail the three democracy indicators).[14]

The new rule allows the MCC to make a more nuanced assessment of potential country partners that have strong civil societies and governing capabilities but fail the control of corruption indicator because of time lags or imprecision around the

14 Bhutan and Vietnam have passed the indicators test for seven and eight years, respectively, but have never been selected as compact-eligible presumably because each country has also consistently failed all three "democracy indicators" (what we call the voice and democracy sub-category). The MCC has never expressly stated that these countries (and others) were not selected because they failed the voice and democracy indicators.

median. For example, if the new rule is applied to the FY2011 indicators as shown in Table 1, both Mongolia and Honduras move from failing to passing the *ruling justly* category and thus move from failing to passing the full indicators test. Under the current system, Mongolia scores in the 50th percentile and Honduras scores in the 45th percentile, which means they both fail the hard hurdle. However, both of these scores have a standard error that crosses the median threshold, meaning they are functionally indistinguishable from a country just above the median. Both Mongolia and Honduras pass all five of the other *ruling justly* indicators and the new rule would recognize this achievement and account for the uncertainty in the estimate of control of corruption. For a complete picture of how countries would fare in the *ruling justly* category under the new rule in FY2011 and FY2010, see Appendix A.

In FY2011, five countries—The Gambia, Jordan, Rwanda, Thailand, and Vietnam—move from passing to failing the indicators test because they do not pass any voice and democracy indicators as the new rule requires. Jordan is currently implementing a compact, but the other four countries have never been selected as compact-eligible despite passing the indicators test for multiple years. If the new rule is applied to past selection rounds, the results closely match the MCC's current practices. Table 1 indicates those countries that are affected if the new rule were retroactively applied to past years.

The only country with an MCC compact to move from passing to failing the indicators test because of the new rule is Jordan. Despite passing for many previous years, none of the other countries have ever been selected as compact-eligible. On the other hand, the list of those countries that move from failing to passing the indicators test because of the new rule include several current and past MCC partners.

Readers will note that the new rule also enables some countries with unacceptably low control of corruption scores to pass the *ruling justly* category. That is, some countries have corruption scores so low that, even allowing for a range of uncertainty, they undoubtedly fail and should not be MCC partners. For example, in FY2011 Papua New Guinea would pass the *ruling justly* category despite having a control of corruption score in the 10th percentile.[15] This is clearly an unacceptable corruption score and the board would use its discretion not to select

15 Papua New Guinea fails four of five investing in people indicators so would not pass the full indicators test regardless of how it fares in the ruling justly category.

a country with such a low corruption score. To guide selection in cases where a country fails the control of corruption indicator, the MCC board should consider whether a country's control of corruption score plus one standard error reaches the median. In this way, the MCC board can take into account the inherent uncertainty in the corruption indicator.

Political risk and opportunity of implementing a new rule

The political risks of appearing to soften the MCC's stance on control of corruption are not small, especially when each and every development dollar is under enormous congressional scrutiny. It is easy to imagine political rhetoric suggesting the MCC is backtracking on one of its fundamental principles: not investing U.S. development dollars in corrupt countries. The MCC board should provide the additional information needed to ensure the MCC does not appear weak on corruption. The new approach is much more analytically defensible given the imprecision of the control of corruption indicator.

While changes to the control of corruption indicator may well meet political resistance, strengthening the democracy indicators would likely be met with renewed political enthusiasm in light of the Arab Spring and recent pro-democracy movements in the Middle East. This year, the world witnessed political unrest, uprisings, and a resurgence of calls for democracy in many countries, from Tunisia and Morocco to Egypt and Jordan. The pro-democracy movements underscore the importance of civil liberties, political rights, and voice and accountability in growing economies and stable countries. Efforts to strengthen the weight of MCC's pro-democracy indicators should be all the more welcome to U.S. politicians who have watched recent events and are seeking ways to support continued good policies, economic growth, and poverty reduction in the region.

3. Some categories are more equal than others: give the investing in people category an equal number of indicators.

Since the MCC's inception, the *investing in people* category has had fewer indicators than the six indicators allotted to each the *ruling justly* and *economic freedom* categories. For the first four selection rounds (FY2004-FY2007), the *investing in people* category had four indicators. In FY2008, the MCC board of directors added a fifth indicator. To make the *investing in people* category balanced with the *ruling justly* and *economic freedom* categories, the MCC should add a sixth *investing in people* indicator.

One way to do this would be to retool elements of the five current indicators to create six indicators as follows:

Current system:

1. Immunization Rates
2. Girls' Primary Education Completion Rate
3. Health Expenditures
4. Primary Education Expenditures
5. Natural Resource Management

New approach:

1. Immunization Rates
2. Girls' Primary Education Completion Rate
3. Social Expenditures (Education & Health)
4. Child Mortality
5. Eco-region Protection
6. Access to Improved Water & Sanitation

Under this new approach, only the immunization rates and girls' primary education completion rate indicators remain the same. Instead of two separate indicators for health and education expenditures, the new approach would include one social expenditure indicator that combines the average of the education and health expenditures indicators.[16]

The final three indicators pull out elements already included in the natural resource management indicator, giving them greater distinction. The natural resource management indicator is currently a composite index which is calculated as the average of four equally weighted indicators measuring child mortality, eco-region protection, access to improved sanitation, and access to water.[17] The new

16 The suggestion to combine education and health spending into one category reflects two concerns. First, it allows more indicator weight on performance and effectiveness than on budget inputs that may be ineffectually used. Second, countries may adjust the composition of health and education spending to reflect off-budget donor flows in particular areas; these can be considerable for some low-income countries. An aggregate measure of social spending therefore seems preferable as an indicator of the country's commitment to encouraging human development.

17 The child mortality indicator measures the probability of dying between ages 1 and 5. The eco-region protection indicator assesses a government's commitment to habitat preservation and biodiversity protection. The access to improved water & sanitation indicator is a simple average of two indicators both produced by WHO and UNICEF. The access to improved sanitation

approach would include child mortality, eco-region protection, and access to improved water and sanitation as stand-alone indicators.

If the MCC had used these six *investing in people* indicators in FY2011, a small but important group of countries would have moved from failing to passing the category. In the low-income candidate group, six additional countries pass the *investing in people* category (but still fail the full indicators test): Bangladesh, Comoros, India, Lao PDR, Nepal, and Pakistan.[18] In the lower-middle-income candidate group El Salvador, Georgia, Tonga, and Tunisia pass the *investing in people* category.[19] Two lower-middle-income countries, Swaziland and Vanuatu, move from passing to failing under the six-indicator system.

The above system is only one option of how to incorporate a sixth indicator into the *investing in people* category. The MCC's primary goal should be to add a sixth indicator to the *investing in people* category so it has an equal number of indicators alongside the *ruling justly* and *economic freedom* categories. But the MCC and other experts may have other legitimate options for how best to expand the *investing in people* category from five to six indicators. [20]

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indicator measures the percentage of the population with access to facilities that hygienically separate human waste from human, animal, and insect contact; and the access to improved water indicator measures the percentage of the population with access to at least 20 liters of water per person per day from a nearby, improved source. For the sources and underlying methodology behind all of these indicators, see the MCC's Guide to the MCC Indicators and the Selection Process, FY2011.

18 Madagascar and Zimbabwe also move from failing to passing the investing in people category, but both are statutorily prohibited from receiving MCC funds.

19 Syria, a lower-middle-income country, also moves from failing to passing the investing in people category but is statutorily prohibited from receiving MCC funds.

20 See Measuring Commitment to Health: Global Health Indicators Working Group Report, Ruth Levine et al, 2006; Challenging Foreign Aid, Steve Radelet, 2003.

4. Watch for countries that punch above (or below) their weight: look out for income bias.

The MCC's division of candidate countries into two pools according to income reflects a simple observation: performance on the indicators test depends partly on income; as a result, countries should be judged against their income peers. In FY2011, the median indicator scores of the lower-middle-income group were uniformly higher than their low-income counterparts. For example, the median immunization rate for lower-middle-income countries was 93.5 percent while the low-income median was 81 percent. Similarly, the median girls' primary education completion rate in lower-middle-income countries outpaced the low-income countries 94.3 percent to 70.8 percent. But the relationship between per capita income and the indicator scores is more complex than a simple dichotomy. While medians for the indicators test offer transparency and simplicity, the MCC board could benefit from information that more finely pinpoints a country's policy performance to its income. One way to examine possible income bias in the indicators is to use quantile regression, which can be used to estimate the relationship of an MCC indicator to per capita GNI to show whether a country is over- or underperforming on the basis of relative income.[21]

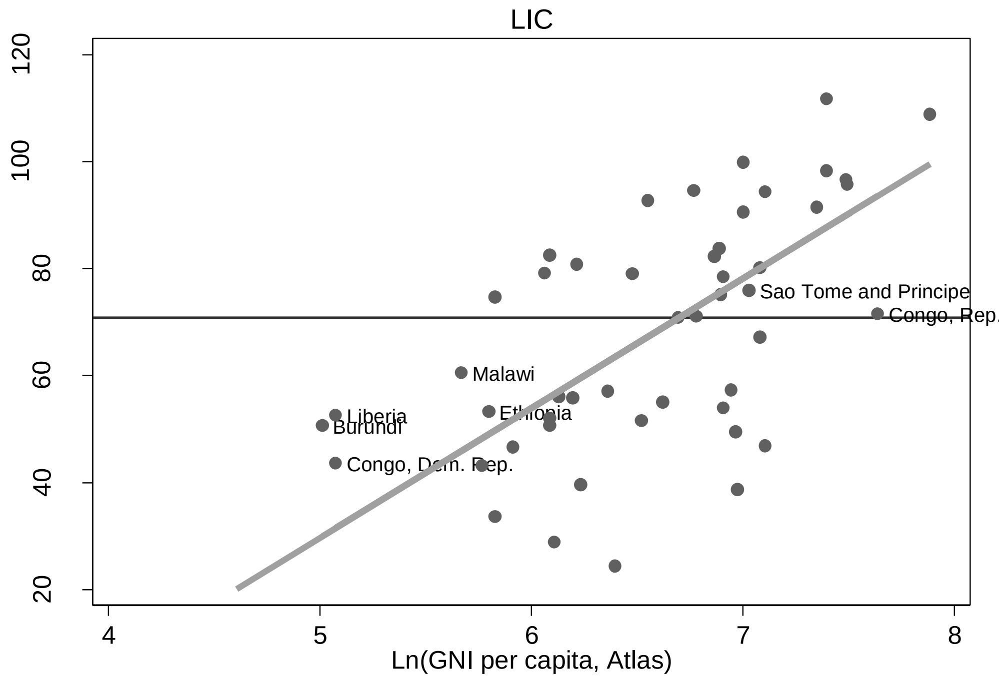
Figure 1 below shows a scatter plot of scores for low-income countries on the girls' primary education completion rate indicator for FY2011. The solid horizontal line represents FY2011's low-income country median for this indicator (70.8 percent). The gray diagonal line is the best-fit line for these data, also representing the scores countries "should" get, conditional on their income.

Figure 1 shows that income matters for performance, even within the low-income group. This is not surprising, as the income levels of the richest countries exceed those of the poorest by a factor of over 12. Most countries that are above the median are also above the income-conditional median, and vice versa. But some very poor countries such as Malawi and Liberia which fail the median test

21 While similar to the method of ordinary least squares commonly used in regression analysis, quantile regression estimates the conditional median of a response variable where OLS estimates the conditional mean of a response. The method estimates a regression of each of the 17 MCC indicators on GNI per capita.

actually pass relative to their income while some richer countries, such as São Tomé and Príncipe and the Republic of Congo, pass the median test but are actually underperforming relative to their income per capita level.

Figure 1. Income Bias for Low Income Countries in the Girls' Primary Education Completion Rate Indicator



This type of analysis would allow the MCC to think of the indicators as a diagnostic test, similar to those used in medicine. It helps identify countries that would be suitable MCC partners but also shows two types of failures: false negatives and false positives. Countries above the gray diagonal line but below the solid MCC mean—Liberia and Malawi in this example—are, in a sense, false negatives. They perform well for their income level, but not well enough in absolute terms to exceed the median of the income group and pass the indicator.[22] The false positives are countries São Tomé and Príncipe and the Republic of

22 Missing country values are omitted from this graph, but are still used to calculate the median, so the solid line may appear to be higher than it should be.

Congo that fall above the solid line but below the gray diagonal. They pass this indicator but underperform according to their per capita income levels.

While this method provides useful additional information to the MCC board, its technical nature probably makes it untenable as a replacement for using medians as the primary decision-making rule in the indicators test. This method could be used, however, to provide additional supplementary information to the MCC board to better inform the selection process. The analysis would provide the board with another small degree of freedom in decision-making, where a particularly good or damning score can be viewed as an outlier, or otherwise important signal that is not already captured in the indicators alone.

5. The indicators aren't everything: use discretion, but be transparent.

While the MCC uses the best indicators that existed at the time the scorecard was created, this is not to say they should never be changed. All indicators remain imperfect proxies for policy performance. The MCC should remain on the cutting edge of using the indicators and spurring improvements in objective, public measurements of countries' policy performance. But the MCC board of directors has and should continue to put the indicators into a broader context, using supplementary information where appropriate, to better understand changes in country performance.

For example, the MCC board of directors should receive briefings from the State Department and intelligence community on current MCC country circumstances. This kind of information could supplement decisions particularly where there are concerns about corruption that might not be reflected in the indicators because of the two-year time lag or imprecision around the median. Other measures that would not be appropriate as a full indicator because of the lack of country coverage or comparability across years could nevertheless provide useful supplementary information to the board. These could include rates of skilled birth attendants, performance on the Open Budget Index or the Global Integrity Report, membership in the Extractive Industries Transparency Initiative, and ranking in the Failed States Index. The MCC might want to consider supporting expanded country coverage of some of these indicators to enable their utilization.

While the MCC board should continue to use a variety of supplementary information and exercise discretion in selecting countries eligible for MCC assistance, it should be explicit and transparent about the type of information it uses and when. The best scenario would be for the board to be fully open and transparent about such choices; in the event that it involves classified information, the MCC board should at least report to Congress about why a country is or is not selected..

Other Options

The MCA Monitor reviewed a number of alternative features of the MCC selection system but chose not to recommend corresponding changes. These include the following:

- *Using absolute thresholds instead of median thresholds*. Absolute medians would work well for some indicators, such as those for immunization rates and girls' primary education completion rates. For example in FY2011, both Guatemala and Ukraine failed the immunization rates indicator despite having rates above 90 percent. However, absolute medians would have limited application, only realistically applying to the lower-middle-income group on the indicators referenced above.

- *Passing half of all the indicators instead of passing half in each category for* ruling justly, investing in people, *and* economic freedom. This idea was proposed early on in the MCC's history, but in order to balance the policy importance of *ruling justly*, *investing in people*, and *economic freedom* in the selection process, the MCC should keep the current rule that requires countries to pass at least half of the indicators in each of the three categories.[23]

- *Using an education quality index or other outcome measures in the* investing in people *category*. It would be ideal to use an education quality index or other outcome measure in the *investing in people* category, but to date there is not sufficient data to make this possible.[24]

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23 The three categories come explicitly from the MCC's authorizing legislation. The legislation states that the MCC is "to provide such assistance in a manner that promotes economic growth and the elimination of extreme poverty and strengthens good governance, economic freedom, and investments in people."

24 Cash on Delivery Aid is one new approach to provide aid based on outcome indicators that may be piloted in Ethiopia in the education sector, but donors are a long way from applying such an approach across countries.

- *Using trends in indicator performance as an additional measure*. Some have suggested that the MCC look at a country's performance on each indicator across the eight years in which the MCC has run the numbers to get a sense of whether a country is improving or declining on a given indicator. While this sounds reasonable, in practice there is too much fluctuation in the income groups, which moves the median and changes a country's relative performance without necessarily indicating an actual change in policy performance.

Possible MCC income category fix

For over a year, the MCC has had pending legislation that would adjust the income categories it uses for selection.[25] Currently the MCC defines its candidate country categories according to the World Bank's historic IDA ceiling for low-income countries and the World Bank's lower-middle-income ceiling for lower-middle-income countries. Under the new proposal, the low-income category would include the 75 poorest countries according to gross national income (GNI) per capita. The lower-middle-income category would be the 76th poorest country at the lower bound and the World Bank's lower-middle-income cutoff ($3905 in FY2011) at the upper bound. Enacting this proposal would produce a stable number of lower-income countries.

If legislated as the MCC requests, the technical adjustment to the income categories would have considerable impact on the overall selection process but minimal impact on the changes recommended in this paper. The recommendation to account for income bias more rigorously would be even more important as the lower-income category grows to 75, expanding the income range. Because the proposal would shift the make-up and medians of the income groups, absolute values instead of median values on key indicators could be helpful in mitigating volatility around the median.

Conclusion

The MCC's country selection process remains at the cutting edge of international development donors. The MCC's focused mission, paired with the unique indicators approach for selecting countries, distinguishes it from its peers and

25 See CGD's From Challenge to Opportunity: A Proposal to Adjust the MCC's Candidacy Selection Method, Sarah Jane Staats, Casey Dunning, and Paolo Abarcar, April 2010.

keeps the focus on good development policies. It also helps policymakers and policy-watchers alike track, monitor, and understand the decision-making rules and ensures the MCC holds true to its mandate of promoting economic growth and poverty reduction in well-governed poor countries.

The MCC should be applauded for taking a proactive look at whether the indicator system is still meeting the dual needs of the MCC: providing adequate selectivity and identifying the better-governed poor countries that could be credible MCC partners. But as the MCC looks to propose changes to the selection process at the September board meeting, it should think carefully about the tradeoffs that any changes would create. For example, do the benefits of changing the process outweigh the costs of altering a well-known and mostly well-functioning system? Do proposed changes keep the process rigorous, selective, and in line with MCC principles? Are the changes meant to help the MCC do its core business better rather than just keeping it in business? Do proposed changes balance the need for nuance around the indicators with an overall process that is clear, concise, and transparent?

More than anything, timing could be the major factor affecting any proposed changes to the MCC selection process. While the September board meeting is the MCC's own deadline for making any changes in time for the FY2012 selection round, the timing coincides with FY2012 budget wrangling on Capitol Hill. Might any proposed changes give rise to doubts among congressional authorizers or appropriators about the direction of the MCC? And will the budget debates take up political space that might otherwise be used to educate and engage members of Congress on subtle changes to MCC processes? The MCC board is still missing two of the four public board members. One wonders whether the MCC should make any major changes without a full board in place to carefully weigh the options.

The MCC's review of the selection process affords it the opportunity to incorporate the lessons it has learned over the past eight years, ensuring that it remains at the vanguard of U.S. development efforts and thinking. Should the MCC propose changes to the selection system, the recommendations here—to keep the changes minimal, buttress the democracy components, give the *investing in people* category an equal number of indicators, and use additional information to check for income bias and other anomalies in the indicators—are the type of moderate adjustments that could fine-tune the MCC's analytically rigorous and mission-defensible approach to selecting partner countries.

Appendix A. The Ruling Justly Category Under the New Rule, FY2011

Voice and Democracy (Political Rights, Civil Liberties, Voice & Accountability)	Governing Capability 0	Governing Capability 1	Governing Capability 2	Governing Capability 3
3	Paraguay (23%) Sierra Leone (40%) Timor-Leste (10%) Ukraine (19%)	Bangladesh (42%) **Belize (81%)** **Comoros (53%)** Indonesia (26%) Kenya (31%) **Liberia (69%)** Papua New Guinea (10%)	**Bolivia (61%)** **El Salvador (74%)** Honduras (45%) **Marshall Islands (52%)** **Micronesia (77%)** Mongolia (50%) **Nicaragua (52%)** **Solomon Islands (87%)** **Tuvalu (71%)**	**Benin (68%)** **Cape Verde (97%)** **Ghana (97%)** **Guyana (73%)** **India (90%)** **Kiribati (95%)** **Lesotho (100%)** **Malawi (79%)** **Mali (63%)** **Moldova (56%)** **Mozambique (84%)** **The Philippines (60%)** **Samoa (87%)** **Sao Tome & Principe (85%)** **Senegal (74%)** **Tanzania (82%)** **Vanuatu (94%)** **Zambia (77%)**
2	Ecuador (16%) Guatemala (39%) Haiti (29%)	Maldives (32%) **Nepal (55%)**	Tonga (29%) Uganda (47%)	**Burkina Faso (81%)** **Georgia (60%)** **Madagascar (94%)**
1	Burundi (27%) Guinea-Bissau (26%) Kosovo (35%) Pakistan (34%)			**Sri Lanka (55%)**
0	Afghanistan (3%) Angola (6%) Burma (0%) Central Afr. Rep. (48%) Chad (11%) Congo, Dem. Rep. (6%) Congo, Rep. (19%) Cote d'Ivoire (23%) Guinea (16%) Iraq (3%) North Korea (8%) Kyrgyz Republic (18%) Lao PDR (24%) Nigeria (37%) Somalia (2%) Sudan (15%) Syria (13%) Tajikistan (32%) Turkmenistan (0%) Yemen (39%) Zimbabwe (5%)	Armenia (42%) Cambodia (21%) Cameroon (44%) China (45%) Eritrea (89%) Swaziland (58%) Togo (35%) Uzbekistan (13%)	Djibouti (92%) Egypt (48%) Mauritania (65%)	**Bhutan (100%)** **Ethiopia (58%)** **The Gambia (71%)** **Jordan (90%)** **Morocco (65%)** **Niger (66%)** **Rwanda (98%)** **Thailand (61%)** **Tunisia (84%)** **Vietnam (76%)**

Governing Capability

(Control of Corruption, Government Effectiveness, Rule of Law)

Note: Countries shaded in green would pass under the new rules while those in **bold** currently pass the Ruling Justly category. Control of corruption percentile rankings are in ( ).

Appendix A, continued. The Ruling Justly Category Under the New Rule, FY2010

Voice and Democracy (Political Rights, Civil Liberties, Voice & Accountability)	0	1	2	3
3	Ecuador (24%) Papua New Guinea (23%) Sierra Leone (27%) Timor-Leste (21%)	**Comoros (55%)** Honduras (44%) Indonesia (41%) Kenya (31%) **Liberia (68%)** Marshall Islands (50%) Nicaragua (45%) Niger (42%) The Philippines (26%)	**Albania (53%)** Bangladesh (24%) **Belize (68%)** **El Salvador (76%)** **Kiribati (85%)** **Micronesia (59%)** **Tuvalu (79%)** Ukraine (35%)	**Benin (84%)** **Cape Verde (100%)** **Ghana (97%)** **Guyana (76%)** **India (89%)** **Lesotho (100%)** **Madagascar (95%)** **Malawi (69%)** **Mali (77%)** **Moldova (65%)** **Mongolia (66%)** **Mozambique (71%)** **Samoa (88%)** **Sao Tome & Principe (82%)** **Senegal (81%)** **Solomon Islands (85%)** **Sri Lanka (94%)** **Tanzania (73%)** **Vanuatu (91%)** **Zambia (74%)**
2	Afghanistan (5%) Nigeria (37%) Paraguay (18%)		Tonga (29%) Uganda (48%)	**Bolivia (79%)** **Burkina Faso (90%)**
1	Burundi (35%) Guinea-Bissau (19%) Guatemala (32%) Haiti (16%)		**Kosovo (61%)**	**Georgia (74%)** **Nepal (58%)**
0	Angola (6%) Azerbaijan (15%) Burma (3%) Cambodia (21%) Cameroon (40%) Central African Rep. (39%) Chad (8%) Congo, Dem. Rep. (13%) Congo, Rep. (9%) Cote d'Ivoire (18%) Guinea (11%) Iran (38%) Iraq (0%) North Korea (2%) Lao PDR (15%) Mauritania (47%) Somalia (0%) Sudan (6%) Syria (12%) Tajikistan (32%) Turkmenistan (3%) Zimbabwe (10%)	Armenia (47%) Eritrea (87%) Kyrgyz Republic (29%) Swaziland (65%) Togo (34%) Uzbekistan (26%) Yemen (56%)	Djibouti (92%) The Gambia (50%) Maldives (44%) Pakistan (52%)	**Bhutan (97%)** **China (56%)** **Egypt (60%)** **Ethiopia (63%)** **Jordan (94%)** **Morocco (71%)** **Rwanda (98%)** **Thailand (62%)** **Tunisia (82%)** **Vietnam (53%)**

Governing Capability

(Control of Corruption, Government Effectiveness, Rule of Law)

Note: Countries shaded in green would pass under the new rules while those in **bold** currently pass the Ruling Justly category. Control of corruption percentile rankings are in ( ).

Appendix B. FY2011 Results – Full Indicators Test

	Status Quo	No Corruption Hard Hurdle	Corruption Hard Hurdle as Median Less Standard Error*	Pass at Least One Indicator in Each of Two Sub-Groups
PASS	1. Benin 2. Bolivia 3. The Gambia 4. Ghana 5. Guyana 6. Jordan 7. Lesotho 8. Malawi 9. Moldova 10. Nicaragua 11. The Philippines 12. Rwanda 13. Senegal 14. Sri Lanka 15. Tanzania 16. Thailand 17. Vietnam 18. Zambia	1. Benin 2. Bolivia 3. The Gambia 4. Ghana 5. Guyana 6. Jordan 7. Honduras 8. Lesotho 9. Malawi 10. Maldives 11. Moldova 12. Mongolia 13. Nicaragua 14. The Philippines 15. Rwanda 16. Senegal 17. Sri Lanka 18. Tanzania 19. Thailand 20. Vietnam 21. Zambia	1. Benin 2. Bolivia 3. The Gambia 4. Ghana 5. Guyana 6. Jordan 7. Honduras 8. Lesotho 9. Malawi 10. Moldova 11. Mongolia 12. Nicaragua 13. The Philippines 14. Rwanda 15. Senegal 16. Sri Lanka 17. Tanzania 18. Thailand 19. Vietnam 20. Zambia	1. Benin 2. Bolivia 3. Ghana 4. Guyana 5. Honduras 6. Lesotho 7. Malawi 8. Moldova 9. Mongolia 10. Nicaragua 11. The Philippines 12. Senegal 13. Sri Lanka 14. Tanzania 15. Zambia
FAIL				1. The Gambia 2. Jordan 3. Rwanda 4. Thailand 5. Vietnam

*Control of Corruption Median becomes 42nd percentile. Cameroon, the Central African Republic, China, Egypt, Honduras, Mongolia, and Uganda would all now pass Control of Corruption with this new standard (but only Honduras and Mongolia pass the full indicators test).

FY2010 Results – Full Indicators Test

	Status Quo	No Corruption Hard Hurdle	Corruption Hard Hurdle as Median Less Standard Error*	Pass at Least One Indicator in Each of Two Sub-Groups
PASS	1. **Albania** 2. **Benin** 3. **Bhutan** 4. **Bolivia** 5. **Cape Verde** 6. **Egypt** 7. **Ghana** 8. **Guyana** 9. **Jordan** 10. **Lesotho** 11. **Malawi** 12. **Moldova** 13. **Mongolia** 14. **Nepal** 15. **Rwanda** 16. **Senegal** 17. **Tanzania** 18. **Thailand** 19. **Vietnam** 20. **Zambia**	1. Albania 2. Benin 3. Bhutan 4. Bolivia 5. Cape Verde 6. Egypt 7. Ghana 8. Guyana 9. Honduras 10. Jordan 11. Kenya 12. Lesotho 13. Malawi 14. Moldova 15. Mongolia 16. Nepal 17. Nicaragua 18. Rwanda 19. Senegal 20. Tanzania 21. Thailand 22. Vietnam 23. Ukraine 24. Zambia	1. Albania 2. Benin 3. Bhutan 4. Bolivia 5. Cape Verde 6. Egypt 7. Ghana 8. Guyana 9. Honduras 10. Jordan 11. Lesotho 12. Malawi 13. Maldives 14. Moldova 15. Mongolia 16. Nepal 17. Nicaragua 18. Rwanda 19. Senegal 20. Tanzania 21. Thailand 22. Vietnam 23. Zambia	1. Albania 2. Benin 3. Bolivia 4. Cape Verde 5. Ghana 6. Guyana 7. Honduras 8. Kenya 9. Lesotho 10. Malawi 11. Moldova 12. Mongolia 13. Nepal 14. Nicaragua 15. Senegal 16. Tanzania 17. Zambia
FAIL				1. Bhutan 2. Egypt 3. Jordan 4. Rwanda 5. Thailand 6. Vietnam

*Control of Corruption Median becomes the 35th percentile. Armenia, Cameroon, Central African Republic, The Gambia, Honduras, Indonesia, Iran, Maldives, Marshall Islands, Mauritania, Nicaragua, Niger, Nigeria, and Uganda would all now pass Control of Corruption with this new standard (but only Honduras, Maldives, and Nicaragua pass the full indicators test).

FY2009 Results – Full Indicators Test

	Status Quo	No Corruption Hard Hurdle	Corruption Hard Hurdle as Median Less Standard Error*	Pass at Least One Indicator in Each of Two Sub-Groups
PASS	1. Bhutan 2. Bolivia 3. Bosnia-Herzegovina 4. Burkina Faso 5. Colombia 6. Egypt 7. Ghana 8. Guyana 9. Honduras 10. Indonesia 11. Jordan 12. Lesotho 13. Macedonia 14. Malawi 15. Moldova 16. Mongolia 17. Nepal 18. Rwanda 19. Senegal 20. Sri Lanka 21. Tanzania 22. Thailand 23. Tunisia 24. Vietnam 25. Zambia	1. Bhutan 2. Bolivia 3. Bosnia-Herzegovina 4. Burkina Faso 5. Colombia 6. Egypt 7. Ghana 8. Guyana 9. Honduras 10. Indonesia 11. Kenya 12. Jordan 13. Lesotho 14. Macedonia 15. Malawi 16. Moldova 17. Mongolia 18. Nepal 19. Nicaragua 20. Paraguay 21. The Philippines 22. Rwanda 23. Senegal 24. Sri Lanka 25. Tanzania 26. Thailand 27. Tonga 28. Tunisia 29. Vietnam 30. Ukraine 31. Zambia	1. Bhutan 2. Bolivia 3. Bosnia-Herzegovina 4. Burkina Faso 5. Colombia 6. Egypt 7. Ghana 8. Guyana 9. Honduras 10. Indonesia 11. Jordan 12. Lesotho 13. Macedonia 14. Malawi 15. Moldova 16. Mongolia 17. Nepal 18. Nicaragua 19. The Philippines 20. Rwanda 21. Senegal 22. Sri Lanka 23. Tanzania 24. Thailand 25. Tunisia 26. Vietnam 27. Zambia	1. Bolivia 2. Bosnia-Herzegovina 3. Burkina Faso 4. Colombia 5. Ghana 6. Guyana 7. Honduras 8. Indonesia 9. Kenya 10. Lesotho 11. Macedonia 12. Malawi 13. Moldova 14. Mongolia 15. Nicaragua 16. The Philippines 17. Senegal 18. Sri Lanka 19. Tanzania 20. Tonga 21. Zambia
FAIL				1. Bhutan 2. Egypt 3. Jordan 4. Nepal 5. Rwanda 6. Thailand 7. Tunisia 8. Vietnam

* Albania, Algeria, Central African Republic, The Gambia, Iran, Marshall Islands, Micronesia, Nicaragua, Niger, Pakistan, Philippines, Swaziland, Syria, Tajikistan, and Timor-Leste would now pass Control of Corruption with this standard (but only Nicaragua and the Philippines pass the full indicators test).

FY2008 Results – Full Indicators Test

	Status Quo	No Corruption Hard Hurdle	Pass at Least One Indicator in Each of Two Sub-Groups
PASS	1. Bhutan 2. Bolivia 3. Burkina Faso 4. Colombia 5. Egypt 6. Georgia 7. Ghana 8. Guyana 9. Jordan 10. Lesotho 11. Malawi 12. Moldova 13. Mongolia 14. Nicaragua 15. The Philippines 16. Rwanda 17. Samoa 18. Senegal 19. Solomon Islands 20. Sri Lanka 21. Tanzania 22. Tunisia 23. Uganda 24. Vanuatu 25. Vietnam	1. Benin 2. Bhutan 3. Bolivia 4. Burkina Faso 5. Colombia 6. Egypt 7. Georgia 8. Ghana 9. Guyana 10. Honduras 11. Indonesia 12. Jordan 13. Kenya 14. Lesotho 15. Macedonia 16. Malawi 17. Moldova 18. Mongolia 19. Nicaragua 20. Paraguay 21. The Philippines 22. Rwanda 23. Samoa 24. Senegal 25. Solomon Islands 26. Sri Lanka 27. Tanzania 28. Tonga 29. Tunisia 30. Uganda 31. Ukraine 32. Vanuatu 33. Vietnam 34. Zambia	1. Benin 2. Bolivia 3. Burkina Faso 4. Colombia 5. Georgia 6. Ghana 7. Guyana 8. Honduras 9. Indonesia 10. Kenya 11. Lesotho 12. Macedonia 13. Malawi 14. Moldova 15. Mongolia 16. Nicaragua 17. The Philippines 18. Samoa 19. Senegal 20. Solomon Islands 21. Sri Lanka 22. Tanzania 23. Tonga 24. Uganda 25. Vanuatu 26. Zambia
FAIL			1. Bhutan 2. Egypt 3. Jordan 4. Rwanda 5. Tunisia 6. Vietnam

FY2007 Results – Full Indicators Test

	Status Quo	No Corruption Hard Hurdle	Pass at Least One Indicator in Each of Two Sub-Groups
PASS	1. Armenia 2. Bhutan 3. Bolivia 4. Brazil 5. Bulgaria 6. Burkina Faso 7. East Timor 8. Egypt 9. El Salvador 10. The Gambia 11. Georgia 12. Honduras 13. Jordan 14. Kiribati 15. Lesotho 16. Maldives 17. Mali 18. Moldova 19. Mongolia 20. Mozambique 21. Namibia 22. Nicaragua 23. Samoa 24. Solomon Islands 25. Tanzania 26. Tunisia 27. Ukraine 28. Vanuatu 29. Vietnam	1. Armenia 2. Benin 3. Bhutan 4. Bolivia 5. Brazil 6. Bulgaria 7. Burkina Faso 8. East Timor 9. Egypt 10. El Salvador 11. The Gambia 12. Georgia 13. Honduras 14. Jordan 15. Kenya 16. Kiribati 17. Lesotho 18. Malawi 19. Maldives 20. Mali 21. Moldova 22. Mongolia 23. Mozambique 24. Namibia 25. Nicaragua 26. Niger 27. Papua New Guinea 28. Paraguay 29. Samoa 30. Solomon Islands 31. Tanzania 32. Tunisia 33. Uganda 34. Ukraine 35. Vanuatu 36. Vietnam 37. Zambia	1. Armenia 2. Benin 3. Bolivia 4. Brazil 5. Bulgaria 6. Burkina Faso 7. East Timor 8. El Salvador 9. The Gambia 10. Georgia 11. Honduras 12. Kenya 13. Kiribati 14. Lesotho 15. Malawi 16. Mali 17. Moldova 18. Mongolia 19. Mozambique 20. Namibia 21. Nicaragua 22. Niger 23. Paraguay 24. Samoa 25. Solomon Islands 26. Tanzania 27. Uganda 28. Ukraine 29. Vanuatu 30. Zambia
FAIL			1. Bhutan 2. Egypt 3. Jordan 4. Maldives 5. Tunisia 6. Vietnam

FY2006 Results – Full Indicators Test

	Status Quo	No Corruption Hard Hurdle	Pass at Least One Indicator in Each of Two Sub-Groups
PASS	1. Armenia 2. Benin 3. Bhutan 4. Bolivia 5. Brazil 6. Bulgaria 7. Burkina Faso 8. China 9. East Timor 10. Egypt 11. El Salvador 12. The Gambia 13. Ghana 14. Honduras 15. India 16. Jordan 17. Kiribati 18. Lesotho 19. Madagascar 20. Mali 21. Mongolia 22. Morocco 23. Mozambique 24. Namibia 25. Nicaragua 26. The Philippines 27. Samoa 28. Sri Lanka 29. Tanzania 30. Thailand 31. Tunisia 32. Uganda 33. Vanuatu 34. Vietnam	1. Armenia 2. Bangladesh 3. Benin 4. Bhutan 5. Bolivia 6. Brazil 7. Bulgaria 8. Burkina Faso 9. China 10. East Timor 11. Egypt 12. El Salvador 13. The Gambia 14. Georgia 15. Ghana 16. Honduras 17. India 18. Jordan 19. Kenya 20. Kiribati 21. Lesotho 22. Madagascar 23. Mali 24. Moldova 25. Mongolia 26. Morocco 27. Mozambique 28. Namibia 29. Nicaragua 30. Papua New Guinea 31. Paraguay 32. The Philippines 33. Samoa 34. Solomon Islands 35. Sri Lanka 36. Tanzania 37. Thailand 38. Tunisia 39. Uganda 40. Ukraine 41. Vanuatu 42. Vietnam	1. Armenia 2. Bangladesh 3. Benin 4. Bolivia 5. Brazil 6. Bulgaria 7. Burkina Faso 8. East Timor 9. El Salvador 10. The Gambia 11. Georgia 12. Ghana 13. Honduras 14. India 15. Kiribati 16. Lesotho 17. Madagascar 18. Mali 19. Moldova 20. Mongolia 21. Morocco 22. Mozambique 23. Namibia 24. Nicaragua 25. Papua New Guinea 26. The Philippines 27. Samoa 28. Serbia & Montenegro 29. Sri Lanka 30. Tanzania 31. Thailand 32. Uganda 33. Ukraine 34. Vanuatu
FAIL			1. Bhutan 2. China 3. Egypt 4. Jordan 5. Tunisia 6. Vietnam

FY2005 Results – Full Indicators Test

	Status Quo	No Corruption Hard Hurdle	Pass at Least One Indicator in Each of Two Sub-Groups
PASS	1. Benin 2. Bhutan 3. Bolivia 4. Burkina Faso 5. China 6. Djibouti 7. Ghana 8. Guyana 9. Honduras 10. Lesotho 11. Mali 12. Mongolia 13. Morocco 14. Nepal 15. Nicaragua 16. The Philippines 17. Senegal 18. Sri Lanka 19. Swaziland 20. Syria 21. Vietnam	1. Bangladesh 2. Benin 3. Bhutan 4. Bolivia 5. Burkina Faso 6. China 7. Djibouti 8. Ghana 9. Guyana 10. Honduras 11. Lesotho 12. Malawi 13. Mali 14. Moldova 15. Mongolia 16. Morocco 17. Nepal 18. Nicaragua 19. Paraguay 20. The Philippines 21. Senegal 22. Sri Lanka 23. Swaziland 24. Syria 25. Tanzania 26. Ukraine 27. Vietnam	1. Bangladesh 2. Benin 3. Bolivia 4. Burkina Faso 5. Djibouti 6. Ghana 7. Guyana 8. Honduras 9. Lesotho 10. Malawi 11. Mali 12. Moldova 13. Mongolia 14. Morocco 15. Nepal 16. Nicaragua 17. The Philippines 18. Senegal 19. Sri Lanka 20. Swaziland 21. Tanzania 22. Ukraine
FAIL			1. Bhutan 2. China 3. Syria 4. Vietnam

FY2004 Results – Full Indicators Test

	Status Quo	No Corruption Hard Hurdle	Pass at Least One Indicator in Each of Two Sub-Groups
PASS	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	1. Albania 2. Armenia 3. Bangladesh 4. Benin 5. Bhutan 6. Bolivia 7. Cape Verde 8. Georgia 9. Ghana 10. Guyana 11. Honduras 12. Indonesia 13. Lesotho 14. Madagascar 15. Malawi 16. Mali 17. Mauritania 18. Moldova 19. Mongolia 20. Nicaragua 21. Senegal 22. Sri Lanka 23. Vanuatu 24. Vietnam	1. Armenia 2. Benin 3. Bolivia 4. Cape Verde 5. Ghana 6. Guyana 7. Honduras 8. Indonesia 9. Lesotho 10. Madagascar 11. Malawi 12. Mali 13. Moldova 14. Mongolia 15. Nicaragua 16. Senegal 17. Solomon Islands 18. Sri Lanka 19. Tanzania 20. Vanuatu
FAIL			1. Bhutan 2. Mauritania 3. Vietnam