



# Which Countries Pass the FY2013 Selection Hard Hurdles?

A Preview of Round 10 of the Millennium Challenge Corporation's Country Selection

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## Summary

The Millennium Challenge Corporation (MCC) will soon select eligible countries for FY2013 compact and threshold funding. This marks the MCC's 10th time using its indicators-based selection system, which requires countries to pass two hard hurdles—the control of corruption indicator and either the political rights or civil liberties indicator—to be eligible for compact assistance. This report focuses on countries' performance on these hard hurdles as a good initial prediction of which countries the MCC might select as eligible for the next round of MCC compacts or threshold agreements.

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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.



## **Which Countries Pass the FY2013 Selection Hard Hurdles? A Preview of Round 10 of the Millennium Challenge Corporation's Country Selection**

The Millennium Challenge Corporation (MCC) will soon select eligible countries for FY2013 compact and threshold funding. This marks the MCC's 10th time using its indicators-based selection system, which requires countries to pass two hard hurdles—the control of corruption indicator and either the political rights or civil liberties indicator—to be eligible for compact assistance. This report focuses on countries' performance on these hard hurdles as a good initial prediction of which countries the MCC might select as eligible for the next round of MCC compacts or threshold agreements.

The MCC has used a corruption hard hurdle for all 10 selection rounds, but this is only the second year in which the MCC has used a democratic rights hard hurdle. To pass the corruption hard hurdle, a country must perform above its income-group median on the control of corruption indicator.<sup>1</sup> To pass the democratic rights hard hurdle, a country must score above 17 on the political rights indicator or above 25 on the civil liberties indicator.<sup>2</sup> A country must pass both hard hurdles to pass the full indicators test.

In addition to performance on the hard hurdles, the MCC will base its funding eligibility selections on a country's policy performance on 17 other indicators across three dimensions of governance: ruling justly, encouraging economic freedom, and investing in people. A forthcoming report will detail countries' full indicator test results and offer a forecast of potential compact- and threshold-eligible countries.

While the hard hurdles and the full selection process remain the same this year as in FY2012, the MCC did institute a change to its income group formulation that requires explanation. In its candidate country report, the MCC lists the low income country group as the poorest 75 countries on the basis of gross national income per capita. The lower middle income country group is comprised of the remaining countries beneath the World Bank's lower middle income country

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<sup>1</sup> The control of corruption indicator is from the Worldwide Governance Indicators (WGI), produced by the Brookings Institution and the World Bank.

<sup>2</sup> Both the political rights and civil liberties indicators are produced by Freedom House.

threshold.<sup>3</sup> These income groups only apply to funding determinations after the MCC board has made a country compact- or threshold-eligible.

For the purposes of its scorecard and selection process, the MCC is retaining the World Bank’s International Development Association historical ceiling cutoff as it has used in the past nine selection rounds. In its selection methodology report, the MCC refers to “Scorecard low income countries” and “Scorecard lower middle income countries” to distinguish between the candidate country report income groups and the selection scorecard income groups.<sup>4</sup> For the purposes of this report, low income and lower middle income country designations refer to the scorecard formulation of income cohorts.

	<b>FY13 Scorecard Income Categories</b>	<b>FY13 Funding Income Categories</b>
<b>Low Income Countries</b>	GNI per capita: \$0 to \$1,945. Cutoff is the World Bank’s IDA historical ceiling. (56 LICs)	GNI per capita: \$0 to \$2,900. Cutoff is the 75th poorest country as measured by GNI per capita. (75 LICs)
<b>Lower Middle Income Countries</b>	GNI per capita: \$1,946 to \$4,035. Lower bound is the IDA historical ceiling. Cutoff is the World Bank’s lower middle income country threshold. (33 LMICs)	GNI per capita: \$2,901 to \$4,035. Lower bound is the 76th poorest country according to GNI. Cutoff is the World Bank’s lower middle income country threshold. (14 LMICs)

A country’s performance on the corruption and democratic rights hard hurdles offers an initial insight into how it will fare on the full FY2013 indicators test. Tables 1 and 2 list control of corruption percentile rankings for low income countries and lower middle income countries. Tables 3 and 4 compare low income country and lower middle income country scores on the political rights and civil liberties indicators.

## **Key Findings**

- Of the 56 low income countries, 28 pass the control of corruption hard hurdle and 30 pass the democratic rights hard hurdle. Only 20 countries pass both hard hurdle tests.

<sup>3</sup> See the MCC’s *Report on Countries That Are Candidates for Millennium Challenge Account Eligibility for Fiscal Year 2013 and Countries That Would Be Candidates but for Legal Prohibitions*, August 2012.

<sup>4</sup> See the MCC’s *Report on the Criteria and Methodology for Determining the Eligibility of Candidate Countries for Millennium Challenge Account Assistance in Fiscal Year 2013*, September 2012.

## Countries that Pass Both the Corruption and Democratic Rights Hurdles

Low Income Countries	Lower Middle Income Countries
Benin	Belize
Burkina Faso	Bhutan
Comoros	Bolivia
Ghana	Cape Verde
India	El Salvador
Lesotho	Fiji
Liberia	Georgia
Madagascar	Kiribati
Malawi	Marshall Islands
Mali	Micronesia
Mozambique	Morocco
Nepal	Samoa
Nicaragua	Sri Lanka
Niger	Tonga
São Tomé and Príncipe	Vanuatu
Senegal	
Sierra Leone	
Solomon Islands	
Tanzania	
Zambia	

- Of the 33 lower middle income countries, 16 pass the control of corruption hard hurdle and 28 pass the democratic rights hard hurdle. Fifteen countries pass both hard hurdles.
- Scorecard income group transitions prove especially problematic for some countries this year. Bolivia, Honduras, Moldova, Mongolia, and Timor-Leste all transition from low income to lower middle income status this year. All but Bolivia fail in the more difficult lower middle income peer group, and all but Bolivia are receiving MCC resources. (Honduras and Timor-Leste currently have threshold programs, and Moldova and Mongolia are implementing five-year compacts.) In total, nine countries changed scorecard income pools, and one country—South Sudan—entered the low income pool and MCC candidacy.
- Six of 25 compact countries fail the FY2013 control of corruption hard hurdle. Two countries—Armenia and Honduras—have completed compacts while four—Indonesia, Moldova, Mongolia, and the Philippines—are in compact implementation. Honduras, Moldova, and Mongolia all transitioned from low income to lower middle income status

this year and pass the control of corruption indicator when compared to the FY2013 low income cohort.

- No compact or current threshold country fails the democratic rights hard hurdle, showing the MCC's adherence to a previous de facto focus on democratic rights before the official designation of a democratic rights hard hurdle in the FY2012 selection process.

## **Highlights from the Low Income Category**

- Cambodia, Côte d'Ivoire, and Pakistan posted significant gains in their control of corruption percentile rankings this year compared to FY2012. Eritrea and Nigeria posted significant losses in their rankings.<sup>5</sup> This is a record low level of movement in the MCC's corruption rankings. Indeed, this year's top-five performers are the same in composition and rank order as in FY2012.
- Percentile rankings depend on a country's rank within an income group that changes annually, so gains or losses in raw control of corruption scores offer a better year-to-year picture of a country's efforts to lower corruption. Cambodia, Mauritania, and Pakistan post notable gains in their raw control of corruption scores as compared to FY2012. Only Nigeria posts a notable loss in its control of corruption score.<sup>6</sup>
- Highlighting the relative stasis in the low income cohort, this year sees no new passers or failers on the control of corruption percentile ranking or the democratic rights hard hurdle.
- Côte d'Ivoire, Myanmar, and Niger showed noteworthy improvements in the democratic rights hard hurdle indicators. Côte d'Ivoire improved its political rights score by 7 points to score 11 in FY2013. Myanmar improved both its political rights and civil liberties by a combined 6 points. Niger posted an impressive 14 point increase in its political rights indicator to score 26 this year. Of this group, only Niger passes the democratic rights hard hurdle.
- Both the Democratic Republic of the Congo and The Gambia saw substantive drops in their democratic rights hard hurdle indicator scores. The DRC dropped 11 points on its civil liberties indicator, and The

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<sup>5</sup> Significant is defined as a gain or loss of 10 or more percentile points in a country's FY2013 percentile ranking as compared to its FY2012 ranking.

<sup>6</sup> Notable is defined as a gain or loss of 0.1 or more in a country's raw Worldwide Governance Indicator control of corruption score as compared to its FY2012 score.

Gambia dropped a combined 14 points on both indicators. Neither passes the hard hurdle.

## Highlights from the Lower Middle Income Category

- Armenia, El Salvador, Fiji, and Marshall Islands post significant gains in their control of corruption percentile rankings. Egypt and Micronesia post significant losses in their rankings as compared to FY2012.<sup>7</sup>
- Many countries in the lower middle income group saw major movements in their Worldwide Governance Indicators raw control of corruption scores. Fiji, Georgia, Iraq, and Kiribati post notable gains in their scores while Albania, Belize, Egypt, and Micronesia post notable losses.<sup>8</sup>
- After passing for the last six years, Moldova fails the corruption hard hurdle because of its transition to the lower middle income group, which has a higher standard.
- Mongolia fails the corruption hard hurdle because of its income classification transition. Mongolia was the median country on control of corruption in FY2011 but passed the hard hurdle every other year.
- There were no new passers or failers on the democratic rights hard hurdle this year.
- Both the Republic of the Congo and Egypt saw noteworthy increases in their democratic rights hard hurdle indicator scores. The Republic of the Congo increased its civil liberties score by 12 points. Egypt increased scores on both indicators by 5 points each. Neither passes the democratic rights hard hurdle however.

Below are highlights of some MCC compact and threshold countries. The selections include countries that are about to complete first compacts or threshold programs, are developing second compacts or have not yet entered into force on first compacts.

## Low Income Countries

### Benin

The MCC board of directors made Benin compact-eligible in the FY2012 selection round, and it is currently developing its second compact worth an

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<sup>7</sup> See footnote 5.

<sup>8</sup> See footnote 6.

estimated \$250 million. While Benin was close to the corruption median last year, it registered marked improvement on its corruption ranking this year, scoring in the 62nd percentile. It also easily passes the democratic rights hard hurdle.

### **Ghana**

Ghana was made eligible for its second compact in FY2011 and is developing its second agreement, slated to be worth \$300 million. Ghana scores extremely well on the control of corruption, political rights, and civil liberties indicators, easily passing both hard hurdles. Among low income countries, it has the highest political rights score and ties for the second highest score on the civil liberties indicator.

### **Lesotho**

Lesotho is scheduled to finish its first compact, worth \$363 million, in September 2013. The compact aims to improve the provision of water supplies, improve health outcomes, and remove barriers to foreign and local private investment. It ranks in the 98th percentile on control of corruption and easily passes the democratic rights hard hurdle.

### **Liberia**

Liberia will complete its \$15 million threshold program in September 2013. Threshold projects focus on improving land rights and access, increasing girls' primary education enrollment, and improving Liberia's trade policy and practice. Liberia scores in the 82nd percentile on control of corruption and easily passes the democratic rights hard hurdle, scoring 26 on political rights and 34 on civil liberties.

### **Mali**

The MCC board terminated Mali's MCC compact after the March 2012 coup d'état. Despite this, Mali easily passes both hard hurdles this year. Strong performance on these indicators in spite of the political reality in Mali is largely due to a two-year lag in both the corruption and democratic rights indicator data.

### **Mozambique**

Mozambique will complete its \$507 million compact in September 2013. The compact is designed to increase the productive capacity of the population in the Northern districts. It scores in the 85th percentile on control of corruption and easily passes the democratic rights hard hurdle.

### **Nepal**

The MCC board made Nepal eligible for its revised threshold program in FY2012. It is currently working on its constraints-to-growth analysis that will determine the program's policy reforms. Nepal's scores on the control of corruption and civil liberties indicators hover right above the threshold, but it does just pass both hard hurdles.



## **Niger**

After its threshold program was temporarily suspended due to unconstitutional actions in 2009, Niger was reinstated in 2011 under the MCC's revised threshold program and is currently carrying out a roughly \$20 million program estimated for completion in 2014. Niger scores in the 64th percentile on control of corruption and posts an impressive gain in its political rights score this year to pass both democratic rights indicators.

## **Tanzania**

Tanzania will complete its \$698 million compact in September 2013. Tanzania's compact seeks to increase household incomes through targeted investments in transportation, energy, and water. It scores in the 76th percentile on control of corruption and easily passes the democratic rights hard hurdle.

## **Lower Middle Income Countries**

### **El Salvador**

The MCC board made El Salvador eligible for a second compact last year, and it is currently developing its next compact for an estimated \$280 million. El Salvador posted a significant improvement in its corruption ranking, scoring in the 81st percentile. It also easily passes the democratic rights hard hurdle.

### **Georgia**

After being made compact-eligible in FY2011, Georgia is finalizing the development of a second compact worth \$130 million. Georgia easily passes the control of corruption hard hurdle, scoring in the 84th percentile. It also passes the democratic rights hard hurdle.

### **Honduras**

Honduras was made eligible for a revamped threshold program in FY2012 and completed a five-year compact in 2010. Honduras's gross national income per capita puts it just into lower middle income status this year. Because of the more difficult threshold, Honduras fails the corruption hard hurdle. However, when compared to the FY2013 low income cohort, Honduras passes the control of corruption indicator. It also passes the democratic rights hard hurdle.

### **Indonesia**

Indonesia signed a \$600 million compact in November 2011 that has not yet entered into force. Indonesia easily passes the democratic rights hard hurdle but fails the corruption hurdle, scoring in the 28th percentile. Indonesia is the only

compact country failing the control of corruption indicator that cannot be considered against the low income cohort.<sup>9</sup>

### **Moldova**

Moldova just began the third year of implementation on its \$262 million compact. This year, Moldova transitioned from low income to lower middle income status. Moldova fails the lower middle income corruption hard hurdle but easily passes the hurdle when compared to the FY2013 low income group. It also easily passes the democratic rights hard hurdle.

### **Mongolia**

Mongolia is in the final year of implementing its \$285 million compact which is due to close in September 2013. Like Honduras and Moldova, it transitioned from low income to lower middle income status this year. It fails the corruption hard hurdle as a result but passes it when compared to the FY2013 low income group. Mongolia also easily passes the democratic rights hard hurdle.

### **Morocco**

Morocco is due to complete its \$698 million compact in September 2013. Morocco easily passes the corruption hard hurdle, scoring in the 72nd percentile. However, it only narrowly passes the democratic rights hard hurdle, failing the political rights indicator with a score of 15 and just passing the civil liberties indicator with a score of 28.

### **Philippines**

The Philippines is in the second year of implementing its \$434 million compact. It fails the corruption hard hurdle, scoring in the 19th percentile. When compared to the FY2013 low income peer group (it transitioned in FY2012), it passes the control of corruption indicator. It also easily passes the democratic rights hard hurdle.

### **Timor-Leste**

Timor-Leste is currently implementing an \$11 million threshold program due to be completed in October 2013. Timor-Leste has bounced around the income threshold for the past three years and this year transitions from low income back to lower middle income country. As such, Timor-Leste fails the corruption hard hurdle, scoring in the 6th percentile; it would also fail the corruption indicator

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<sup>9</sup> The MCC's approach to income classification transition states that the MCC board may consider the indicator performance of a country that transitioned from low income to lower middle income category both relative to its lower middle income peers as well as in comparison to the current fiscal year's low income pool for a period of three years. Indonesia transitioned from low income to lower middle income status in FY2010 and thus can only be compared to its lower middle income peers this year.

when compared to the FY2013 low income cohort. Timor-Leste does, however, easily pass the democratic rights hard hurdle.

## **Upper Middle Income Countries**

### **Jordan**

Jordan is in the first year of implementing its \$275 million compact. In FY2012, Jordan transitioned from lower middle to upper middle income status and out of MCC candidacy. When Jordan's indicator scores are compared to the FY2013 lower middle income cohort, it easily passes the corruption hard hurdle. Nonetheless, it fails the democratic rights hurdle, scoring 10 on political rights and 25 on civil liberties.

### **Namibia**

Namibia is in the fourth year of implementing its \$304 million compact. It transitioned from lower middle to upper middle income status in FY2010. When compared to the FY2013 lower middle income group, it easily passes both the corruption and democratic rights hard hurdles.

### **Tunisia**

The MCC board of directors made Tunisia eligible for the MCC's revamped threshold program in FY2011, and in FY2012 it transitioned from lower middle to upper middle income status. Tunisia passes both the corruption and democratic rights hard hurdles when its scores are compared to the FY2013 lower middle income peers.

**Table 1. Scorecard Low Income Country Percentile Rankings on FY2013 Control of Corruption Indicator**

Country	CoC Percentile Rank	Country	CoC Percentile Rank
Rwanda	100%	Uganda	49%
Lesotho <sup>C</sup>	98%	Kenya	47%
Ghana <sup>CD, CC</sup>	96%	Cameroon	45%
Madagascar <sup>CT</sup>	95%	Togo	44%
Djibouti	93%	Bangladesh	42%
São Tomé and Príncipe	91%	Pakistan	40%
Burkina Faso <sup>C</sup>	89%	Guinea-Bissau	38%
Malawi <sup>C</sup>	87%	Lao PDR	36%
Mozambique <sup>C</sup>	85%	Cambodia	35%
Solomon Islands	84%	Côte d'Ivoire	33%
Liberia <sup>T</sup>	82%	Papua New Guinea	31%
The Gambia	80%	Burundi	29%
Zambia <sup>C</sup>	78%	Kyrgyz Republic	27%
Tanzania <sup>C</sup>	76%	Nigeria	25%
Eritrea	75%	Tajikistan	24%
India	73%	Guinea	22%
Mauritania	71%	Yemen, Rep.	20%
Mali <sup>CT</sup>	69%	Chad	18%
Senegal <sup>C</sup>	67%	Haiti	16%
Vietnam	65%	Sudan	15%
Niger <sup>T</sup>	64%	Zimbabwe	13%
Benin <sup>CD, CC</sup>	62%	Uzbekistan	11%
Ethiopia	60%	Congo, Dem. Rep.	9%
Comoros	58%	North Korea	7%
Nicaragua <sup>CC</sup>	56%	Afghanistan	5%
Nepal <sup>T</sup>	55%	South Sudan	4%
Sierra Leone	53%	Myanmar	2%
Central African Republic	51%	Somalia	0%

<sup>C</sup> Indicates country is receiving compact assistance.

<sup>T</sup> Indicates country is receiving threshold assistance.

<sup>CD</sup> Indicates country is developing a second compact.

<sup>CC</sup> Indicates a country has completed a compact.

<sup>CT</sup> Indicates a country's compact was terminated.

**Table 2. Scorecard Lower Middle Income Country Percentile Rankings on FY2013 Control of Corruption Indicator**

<b>Country</b>	<b>CoC Percentile Rank</b>
Cape Verde <sup>c, cc</sup>	100%
Bhutan	97%
Vanuatu <sup>cc</sup>	94%
Kiribati	91%
Samoa	88%
Georgia <sup>cd, cc</sup>	84%
El Salvador <sup>cd, cc</sup>	81%
Marshall Islands	78%
Belize	75%
Morocco <sup>c</sup>	72%
Swaziland	69%
Tonga	66%
Micronesia	63%
Sri Lanka	59%
Bolivia	56%
Fiji	53%
Guatemala	50%
Armenia <sup>cc</sup>	47%
Guyana	44%
Albania	41%
Moldova <sup>c</sup>	38%
Kosovo	34%
Egypt	31%
Indonesia <sup>c</sup>	28%
Mongolia <sup>c</sup>	25%
Paraguay	22%
Philippines <sup>c</sup>	19%
Honduras <sup>t, cc</sup>	16%
Syria	13%
Ukraine	9%
Timor-Leste <sup>t</sup>	6%
Republic of the Congo	3%
Iraq	0%

<sup>c</sup> Indicates country is receiving compact assistance.

<sup>t</sup> Indicates country is receiving threshold assistance.

<sup>cd</sup> Indicates country is developing a second compact.

<sup>cc</sup> Indicates a country has completed a compact.

**Table 3. Scorecard Low Income Country Performance on FY2013 Democratic Rights Hard Hurdle**

(A country must score above 17 on political rights or above 25 on civil liberties to pass the democratic rights hard hurdle.)

PASS			FAIL		
Country	Political Rights	Civil Liberties	Country	Political Rights	Civil Liberties
Bangladesh	25	33	Afghanistan	10	13
Benin <sup>CD, CC</sup>	32	49	Burundi	13	22
Burkina Faso <sup>C</sup>	16	35	Cambodia	9	21
Comoros	25	30	Cameroon	7	16
Ghana <sup>CD, CC</sup>	37	47	Central African Republic	17	22
Guinea-Bissau	18	27	Chad	5	16
Haiti	20	25	Congo, Dem. Rep.	9	11
India	34	43	Côte d'Ivoire	11	13
Kenya	21	36	Djibouti	9	20
Lesotho <sup>C</sup>	28	41	Eritrea	2	4
Liberia <sup>T</sup>	26	34	Ethiopia	7	12
Madagascar <sup>CT</sup>	7	32	The Gambia	7	17
Malawi <sup>C</sup>	25	32	Guinea	14	20
Mali <sup>CT</sup>	31	41	Korea, Dem. Rep.	0	2
Mozambique <sup>C</sup>	23	36	Kyrgyz Republic	16	25
Nepal <sup>T</sup>	21	27	Lao PDR	0	12
Nicaragua <sup>CC</sup>	17	34	Mauritania	11	22
Niger <sup>T</sup>	26	30	Myanmar	4	10
Nigeria	21	28	Rwanda	8	17
Pakistan	20	23	Somalia	0	1
Papua New Guinea	23	36	South Sudan	11	22
São Tomé and Príncipe	33	47	Sudan	2	4
Senegal <sup>C</sup>	28	43	Tajikistan	8	18
Sierra Leone	28	39	Uzbekistan	0	4
Solomon Islands	22	42	Vietnam	2	17
Tanzania <sup>C</sup>	28	36	Yemen, Rep.	8	15
Togo	17	27	Zimbabwe	8	12
Uganda	13	29			
Zambia <sup>C</sup>	29	34			

<sup>C</sup> Indicates country is receiving compact assistance.

<sup>T</sup> Indicates country is receiving threshold assistance.

<sup>CD</sup> Indicates country is developing a second compact.

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<sup>CT</sup> Indicates a country's compact was terminated.

**Table 4. Scorecard Lower Middle Income Country Performance on FY2013 Democratic Rights Hard Hurdle**

(A country must score above 17 on political rights or above 25 on civil liberties to pass the democratic rights hard hurdle.)

PASS			FAIL		
Country	Political Rights	Civil Liberties	Country	Political Rights	Civil Liberties
Albania	24	39	Republic of the Congo	7	22
Armenia <sup>CC</sup>	11	29	Egypt	11	24
Belize	37	51	Iraq	12	13
Bhutan	19	24	Swaziland	1	20
Bolivia	28	38	Syrian Arab Republic	0	6
Cape Verde <sup>C, CC</sup>	37	53			
El Salvador <sup>CD, CC</sup>	35	41			
Fiji	7	28			
Georgia <sup>CD, CC</sup>	22	36			
Guatemala	24	34			
Guyana	31	41			
Honduras <sup>T, CC</sup>	19	33			
Indonesia <sup>C</sup>	30	35			
Kiribati	36	55			
Kosovo	15	26			
Marshall Islands	36	55			
Micronesia	37	56			
Moldova <sup>C</sup>	28	37			
Mongolia <sup>C</sup>	35	50			
Morocco <sup>C</sup>	15	28			
Paraguay	28	36			
Philippines <sup>C</sup>	26	36			
Samoa	32	49			
Sri Lanka	17	28			
Timor-Leste <sup>T</sup>	28	34			
Tonga	29	42			
Ukraine	23	37			
Vanuatu <sup>CC</sup>	32	48			

<sup>C</sup> Indicates country is receiving compact assistance.

<sup>T</sup> Indicates country is receiving threshold assistance.

<sup>CD</sup> Indicates country is developing a second compact.

<sup>CC</sup> Indicates a country has completed a compact.