Focus on FY2016: Which Countries Will MCC Select This Year?

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Summary

The Millennium Challenge Corporation's (MCC's) board of directors is scheduled to meet on December 16. When it does, the members will vote on which countries will be eligible for MCC assistance for fiscal year (FY) 2016. As always, the board is faced with some hard decisions. Three conditions are notable during this year's selection process: scarce resources, a new MCC selection process, and fierce competition among countries.

CGD's Rethinking US Development Policy Initiative predicts that the MCC board will likely newly select Côte d'Ivoire for eligibility for a first compact; may select India (for specific, limited purposes) or Kosovo for a first compact; will likely reselect Nepal and Niger to continue developing their first compacts; will likely newly select Senegal for a second compact; will likely reselect the Philippines to continue second compact development; may reselect Lesotho and Tanzania to continue developing their second compacts, but the final decision will likely depend on progress made toward resolving current political crises; will likely select Togo for new threshold program eligibility; and may select Sri Lanka for new threshold program eligibility.

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.

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Center for Global Development

Introduction

The Millennium Challenge Corporation's (MCC's) board of directors is scheduled to meet on December 16. When it does, the members will vote on which countries will be eligible for MCC assistance for fiscal year (FY) 2016. As always, the board is faced with some hard decisions. These will likely be framed, in part, by the following overarching issues:

- **A (Likely) Flat-Lined Budget:** Though MCC asked for a huge (40 percent) budget boost for FY2016, it is unlikely to see much, if any, increase in funding this year. With a pipeline of six countries in compact development, some of which will draw on FY2016 funds, MCC will, as always, need to be judicious in its selection of new partners.

- **Regional Prospects:** A top MCC priority is to expand its operations to include regional investments. The agency has noted that the board's selection decisions this year will take into account prospects for regional programming. Countries in areas such as West Africa that already have a number of MCC-eligible countries will be considered on their own merits but may also get additional consideration as the agency eyes a possible future cross-border program in the region.

- **Graduation:** Each year, countries transition from low- and lower-middle-income status to upper-middle-income status and therefore out of MCC candidacy. This year MCC must deal with the graduation of one current partner and the prospect of selecting another potential partner on the verge of graduation. In the short term, MCC will need to decide how to proceed with these countries, taking a stand on whether it should operate in upper-middle-income countries when circumstances allow that to happen.

  In the medium term, MCC, in partnership with Congress, should consider whether the current legislated definition of candidates makes the most sense given large pockets of poverty in many upper-middle-income countries. In this context, MCC should explore, and Congress should be open to, other measures of well-being, such as median income, that may be more appropriate for assessing a country's actual state of development.

- **The Second Compact Landscape:** Over the last five years, most new compact eligibility decisions have been for *second* compacts rather than initial compacts. While second compacts are not automatic, it makes sense for MCC to enter into follow-on partnerships with countries that successfully implement their first compacts and maintain strong policy performance. Many of this year's contenders have been passed over for a second compact in at least one prior year, so a big question is whether and at what point these countries could be reconsidered for a second compact.

It is clear that the prohibition on threshold programs for countries that have completed compacts is overly restrictive, as this could be a useful tool, in some circumstances, for MCC to assess a country's readiness to reengage in a subsequent compact partnership.

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

- will likely newly select **Côte d'Ivoire** for eligibility for a first compact;
- *may* select **India** (for specific, limited purposes) or **Kosovo** for a first compact;
- will likely reselect **Nepal** and **Niger** to continue developing their first compacts;
- will likely newly select **Senegal** for a second compact;
- will likely reselect the **Philippines** to continue second compact development;
- may reselect **Lesotho** and **Tanzania** to continue developing their second compacts, but the final decision will likely depend on progress made toward resolving current political crises;
- will likely select **Togo** for new threshold program eligibility; and,
- may select **Sri Lanka** for new threshold program eligibility.

How the Selection Process Works[1]

In order to secure MCC's multiyear grant funding, a country first must be selected as eligible by MCC's board of directors.[2] 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.

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[1] 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 2016 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 2016*.

[2] 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—as well as four private representatives appointed by the president and confirmed by the Senate who serve in their individual capacities (the majority and minority of both the House of Representatives and the Senate).

- **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.[3] 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.[4] 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.[5] Because of these additional criteria, not all countries that pass the scorecard will be selected.

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 in order to get to the finish line.

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[3] 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.

[4] 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.

[5] 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 small, poor populations?).

The Overarching Issues for FY2016

A (Likely) Flat-Lined Budget

The president's budget request for FY2016 included a substantial increase in funding for MCC ($1.25 billion, or nearly 40 percent more than the approximately $900 million it has received annually for the last five years).[6] While Congress has not yet agreed to final FY2016 appropriations numbers, House and Senate spending bills released this summer maintained roughly level funding for MCC compared to FY2015. Since these bills will be a starting point for budget conversations going forward, the agency is unlikely to see much, if any, of its requested increase this year.

MCC has a current pipeline of six countries developing compacts. At least two of these—Lesotho and Niger—are expected to use FY2016 funds if they are reselected. Nepal and/or the Philippines may also need to draw on FY2016 funds for their compacts. Twenty countries could be considered for 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 factors such as small size or questions about policy performance. As always, the board will need to prioritize, most likely selecting four or fewer new countries.

Regional Prospects

Because important constraints to growth are often cross-border in nature, one of MCC's top new policy priorities is to expand into regionally focused investments. While MCC can, theoretically, pursue regional approaches through individual compacts in neighboring countries that are simultaneously eligible, this has proven extremely difficult in practice. Neighboring countries are rarely concurrently at the same stage of compact eligibility or design, thereby hampering the coordination that would be necessary to undertake a regional investment.

[6] The large increase was likely intended to get MCC's budget closer to the level of its earlier years, when the agency had over $1 billion (annually from 2005 to 2008, and again in 2010). This was one of the most notable increases in the FY2016 international affairs budget request and would support a potential growing future pipeline of countries, as well as a possible shift toward regional investments. The increase also reflects the administration's support for MCC's approach to foreign assistance that is based on selecting well-governed countries, giving these countries a bigger leadership role in project selection and implementation, focusing on results, and committing to high levels of transparency.

[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.

Providing MCC with the authority to pursue concurrent compacts with a single country would be the best way to get around this logistical or sequencing challenge. This would enable MCC to have a standard bilateral investment as well as a separate regionally focused program at the same time.

Legislation introduced in Congress would support the agency pursuing a regional approach by granting MCC concurrent compact authority.[8] With this in mind, MCC is thinking about regions that could make sense either under the existing authority or if it is granted concurrent compact authority.[9] Both West Africa and South Asia have been mentioned as possible focal points for regional investments.[10] While countries in these regions continue to be assessed on their own merits, the prospect of a regional investment likely provides some additional impetus for their selection.

Graduation

In an attempt to ensure that MCC would target its funds to countries with the greatest "need," MCC's founders defined candidate countries in the authorizing

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[8] In early November, the House Foreign Affairs Committee advanced the AGOA Enhancement Act of 2015 (H.R. 2845), which includes concurrent compact authority for MCC. The Millennium Compacts for Regional Economic Integration (M-CORE) Act (H.R. 2571), introduced in the House in May, contains similar authorization language. A companion M-CORE bill (S. 1605) was introduced in the Senate in June.

[9] MCC's *Report on the Criteria and Methodology for Determining the Eligibility of Candidate Countries for Millennium Challenge Account Assistance in Fiscal Year 2016* contains a new section, a "note on potential regional investments," which states that "for countries where regional investments might be contemplated, the Board will also examine additional supplemental information looking at the policy environment from a regional dimension."

[10] The FY2016 Congressional Budget Justification states, "In West Africa and South Asia, MCC could finance the development of infrastructure and policies to facilitate the regional trade in electricity in these two regions." MCC's December 11, 2014, press release, "Readout of the MCC Board of Directors December Quarterly Meeting," states, "The Board also confirmed its support for MCC's exploring strategic, regionally oriented partnerships, especially in South Asia because, under the right circumstances, such an approach may present opportunities to take advantage of higher rates of return on investment and larger-scale reductions in poverty." The "Summary of the December 10, 2014 Board of Directors Meeting" says, "A presentation on the results of exploration of regional approaches to MCC investment was given, following on the conversation begun by the Board in their September meeting. A phased approach to exploration of a potential partnership with India was determined to be appropriate. When approached, India's Washington based economic officers expressed enthusiasm for exploration of a potential partnership." West Africa is mentioned as an example of regional integration in MCC's November 9, 2015, fact sheet "MCC: Maximizing Poverty Reduction through Regional Investments."

legislation as low- and lower-middle-income countries, based on their gross national income (GNI) per capita. Over a decade later, there are reasons to reconsider whether this approach still makes the most sense.

One problem with the current definition is that there is a certain degree of instability. Nearly every year, one or more developing countries "graduate" to upper-middle-income status, at which point they can no longer be selected as eligible. This rule is far more rigid than the more phased and flexible graduation policies of other donors, such as the World Bank, which also use GNI per capita as a threshold.[11] However, with MCC, if a country graduates in the midst of compact development, it can raise questions about whether and how to proceed with the partnership because doing so may seem to deviate from the rules. This is precisely the situation MCC finds itself in with Mongolia this year. Kosovo, another country under consideration this year, may be in a similar situation next year if selected.

The more fundamental issue is that GNI per capita may not be the most appropriate measure for assessing development "need." It does not portray a clear picture of broad-based well-being in a country, especially if there is significant inequality or if growth in national accounts is driven largely by enclave sectors (e.g., mining, offshore oil). For many years, GNI per capita was the only measure of material well-being that was available for almost every country, an important factor that encouraged its use by donors to "categorize" countries for eligibility for certain terms. However, alternative measures are increasingly available. In this environment, other donors, particularly the multilateral development banks that rely substantially on GNI per capita for categorizing countries, are also considering whether such strong reliance on GNI still makes the most sense.[12] MCC, too, should explore—and Congress should be open to considering—whether other measures of well-being can justifiably expand the candidate pool to include currently excluded countries that are, by most reasonable estimates, still very poor.[13]

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[11] See World Bank, *Review of IDA's Graduation Policy*, IDA16 Mid-Term Review (Washington, DC: World Bank, 2012). In practice, the average length of time between a country crossing the income threshold for eligibility for the concessional International Development Association (IDA) and actual graduation is 5.8 years. S. Morris and M. Gleave, *The World Bank at 75* (Washington, DC: Center for Global Development, 2015).

[12] World Bank, *Review of IDA's Graduation Policy*, IDA16 Mid-Term Review (Washington, DC: World Bank, 2012). International Development Association, *IDA Eligibility, Terms, and Graduation Policies*, Discussion Paper for IDA13 Deputies (Washington, DC: International Development Association, 2001).

[13] Because candidates are defined by law, any adjustments to the definition would require a legislative change.

One promising measure is median income. Based on household survey data, this measure captures typical material well-being and gives insight into its distribution in a given country.[14] An upper-middle-income country with a low median income suggests that poverty remains widespread, despite a relatively higher average income. A country like this might be a very reasonable candidate for MCC assistance, especially since the scorecard would screen out countries whose persistent inequality is caused substantially by poor policy choices. A measure such as median income, likely used in concert with the current GNI-based categorization to account for some gaps in country coverage, could create a candidate pool with a much stronger theoretical justification.[15]

Given the existing definition, however, MCC sometimes faces questions about what to do with countries that graduate in the midst of compact development. Technically, MCC can continue to develop a compact and fund the program entirely out of funds from the year(s) the country was eligible. This could complicate MCC's budgeting process because countries' compacts usually draw funds from multiple fiscal years, but adjustments would certainly be possible.

MCC should make decisions about whether or not to pursue engagement with a "graduated" country based on the circumstances of the country in question, such as its need for ongoing grant funding, its poverty profile, and other considerations. A similar situation occurred several years ago with Colombia. Colombia was first selected for compact eligibility in FY2009 but graduated to upper-middle-income status the very next year. MCC decided not to continue compact development in this case, but Colombia is a very different country from Mongolia, the current country in question. The increase in Colombia's GNI per capita was due mainly to its reestimation using more accurate figures, suggesting that the country had probably "really" been upper middle income for some time. Furthermore, the United States was already pouring substantial development assistance into Colombia. Thus, the incremental value of an MCC compact would have been much lower. In contrast, Mongolia's economy has recently experienced rapid GNI per capita growth due to a booming, capital-intensive enclave sector (mining). Its poverty profile and institutions have most likely not developed at the same pace. And while Colombia has been among the top recipients of US development

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[14] N. Birdsall and C. Meyer, *The Median Is the Message: A Good-Enough Measure of Material Well-Being and Shared Development Progress*, Working Paper 351 (Washington, DC: Center for Global Development, 2014).

[15] Median income and other alternative measures of well-being in the context of the World Bank's categorization of countries are discussed in S. Morris and M. Gleave, *The World Bank at 75*, Policy Paper 058 (Washington, DC: Center for Global Development, 2015).

assistance for many years, Mongolia barely makes the top 50.[16] An MCC compact there would be a big deal. Under the current rules, MCC should have a strong justification for continuing to work with a country once it becomes upper middle income. Where Colombia was less defensible, Mongolia makes more sense. MCC is likely to push ahead with its program.

The Second Compact Landscape

Countries within 18 months of completing their first compact can be considered for a second compact. In addition to the standard scorecard criteria, the board looks at whether countries have improved their indicator scores, especially on the democracy and corruption indicators.[17] The board also considers the implementation experience of the first compact, with a focus on the nature of the partnership with the host country government.

Over the last six years, 10 of the 14 countries selected for new compact eligibility have been selected for second compacts (Table 1). This shift toward more second compacts and fewer first compacts should be expected and welcomed. MCC will always seek new partners, but many of MCC's current and former partners remain among the best policy performers and continue to meet, and even improve their performance on, MCC's strict scorecard criteria. If these prior partners implemented their first compacts well, it makes sense for MCC to deepen its efforts to reduce poverty through economic growth in these countries through follow-on partnerships.[18]

Second compacts are not automatic, however. In fact, only about half of all current candidate countries that have concluded a compact with MCC have been selected for second compacts (10 out of 19).[19] The others have been passed over because of policy performance concerns or dissatisfaction with first compact implementation.

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[16] From the Organisation for Economic Co-operation and Development's Creditor Reporting System. The statement is based on the sum of official development assistance commitments from 2009 to 2014.

[17] While improved scorecard policy performance seems like a reasonable expectation in theory, in practice MCC's scorecard indicators are not well suited for capturing this accurately. The indicators are imprecise measures of policy performance, and many are measured with substantial margins of error. For the Control of Corruption indicator, for instance, no apparent "trend" over a few years' time is likely to be statistically significant.

[18] For more information on the rationale for second compacts, see S. Rose, *Subsequent Compacts Are the Future of the Millennium Challenge Corporation*, MCC Monitor Analysis (Washington, DC: Center for Global Development, 2014).

[19] A 20th country, Namibia, has also completed a compact but is no longer a candidate country because it graduated to upper-middle-income country status in FY2010.

This year is the first year that there are no new contenders for second compact eligibility. All possible second compact candidates (Table 2) could have been considered in at least one previous year but were not selected. In some cases, the reasons for passing over a country have been fairly obvious (e.g., they did not pass the scorecard, there was a military coup); others have been less clear (was the first compact partnership difficult?).

Table 1. Current Second Compact Countries

	Year Selected	Compact Signed?
Benin	FY2012	√
Cape Verde	FY2010	√
El Salvador	FY2012	√
Georgia	FY2011	√
Ghana	FY2011	√
Lesotho	FY2014	
Mongolia	FY2015	
Morocco	FY2013	√
Philippines	FY2015	
Tanzania	FY2013	

Table 2. Countries Up for Second Compact Consideration in FY2016

	Year of First Possible Second Compact Consideration[20]	First Compact Implemented without Suspension/Termination	Pass FY2016 Indicator Criteria	Population >500k
Armenia	FY2011		√	√
Burkina Faso	FY2014	√	√	√
Honduras	FY2010			√
Madagascar	FY2010		√	√
Mali	FY2012			√
Moldova	FY2015	√		√
Mozambique	FY2013	√	√	√
Nicaragua	FY2010			√
Senegal	FY2015	√	√	√
Vanuatu	FY2010	√	√	

[20] 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.

For some time, the Center for Global Development's Rethinking US Development Policy initiative has lamented the lack of transparency around second compact eligibility decision making. The scorecards give substantial transparency to the policy performance criteria; however, it is much harder for external observers to understand how well first compacts were implemented, especially when it comes to important considerations like the nature of the partnership.[21] To its credit, MCC has incrementally improved transparency in this area. The agency started publishing more detail on the types of factors it considers when assessing the extent to which the first compact was implemented successfully. It has even highlighted which pieces of the criteria are publicly available and where to find them (though much of the information MCC considers is not publicly available). The agency's new online compact completion summaries also provide a better picture of compact partnerships and whether the partner countries fulfilled key compact conditions. Because the language is fairly diplomatic and glosses over some of the challenges, however, it is not always very clear how MCC really judges the partnerships.[22] Another limitation is that these summaries are only available for countries whose compacts are completed, and most second compact countries have been picked before the first compact closed. So while MCC has certainly improved transparency around its second compact criteria, it is still difficult to know where—and how consistently—MCC draws the line for acceptable first compact performance.

With many second compact contenders having been passed over for multiple years, an emerging policy question is what criteria need to be met for them to be reconsidered? The answer is relatively straightforward for countries passed over for reasons of policy performance. Countries must pass the scorecard (and preferably have positive "trends" on the corruption and democracy hurdles) and/or resolve any remaining policy issues that led to suspension or termination of the initial compact. There may be some countries, however, that meet these criteria but for which MCC still has questions about whether reforms will be sustained, or whether the partner government would tackle politically difficult

[21] The criteria MCC looks at with respect to first compact implementation are, as stated in the *Report on the Criteria and Methodology for Determining the Eligibility of Candidate Countries for Millennium Challenge Account Assistance in Fiscal Year 2016,* "the degree to which there is evidence of strong political will and management capacity," "the degree to which the country has exhibited a commitment and capacity to achieve program results," and "the degree to which the country has implemented the compact in accordance with MCC's core policies and standards."

[22] For instance, the Mozambique compact page (https://www.mcc.gov/where-we-work/program/mozambique-compact) reads, in reference to a water supply activity that was terminated due to underperformance, "The government began working with the World Bank in 2013 to complete this water supply activity." This sounds quite positive, but it actually means that while the government of Mozambique made *commitments* to finish the project, ultimately, it has not been completed.

reforms as part of an MCC program. Typically, MCC can use the threshold program to assess new countries' commitment to working with MCC and their willingness to tackle important growth-constraining reforms. Unfortunately, MCC is legally restricted from offering threshold programs to countries with completed compacts. This prohibition came in response to MCC's decision to select Honduras for a threshold program immediately upon compact completion.[23] While that was a particularly weak choice for a threshold program, there could be useful applications to former compact partners, especially those that have had a major change in government since the compact ended.

For countries passed over due to weak first compact implementation, MCC should better define its statute of limitations. It is reasonable to believe that a different set of actors in a country (after an administration change, for instance), potentially operating in a different sector, could implement a compact more successfully. MCC should clearly articulate what kinds of conditions should be met in these reconsideration cases (e.g., an administration change, a change in ruling party, completion of outstanding commitments made during the first compact or at its closure).

FY2016 Summary Statistics

Eighteen low-income countries and 11 lower-middle-income countries meet the indicator criteria (Table 3).

Table 3. Countries That Pass the FY2016 Scorecards

Low-Income Countries	Lower-Middle-Income Countries
Benin	Armenia
Burkina Faso	Bhutan
Comoros	Cape Verde
Côte d'Ivoire	El Salvador
Ghana	Georgia
India	Kiribati
Lesotho	Kosovo
Liberia	Morocco
Madagascar	Philippines

[23] Honduras was selected for the threshold program in FY2011, right after completing its first compact. Though the compact was implemented well, with strong government commitment, Honduras was passed over for a second compact. It no longer passed the hard-hurdle Control of Corruption indicator and it was dealing with the aftermath of its 2009 coup. It is much more likely that these policy issues were the binding constraint to a second compact, rather than any uncertainty about how well Honduras might implement policy reforms in partnership with the MCC.

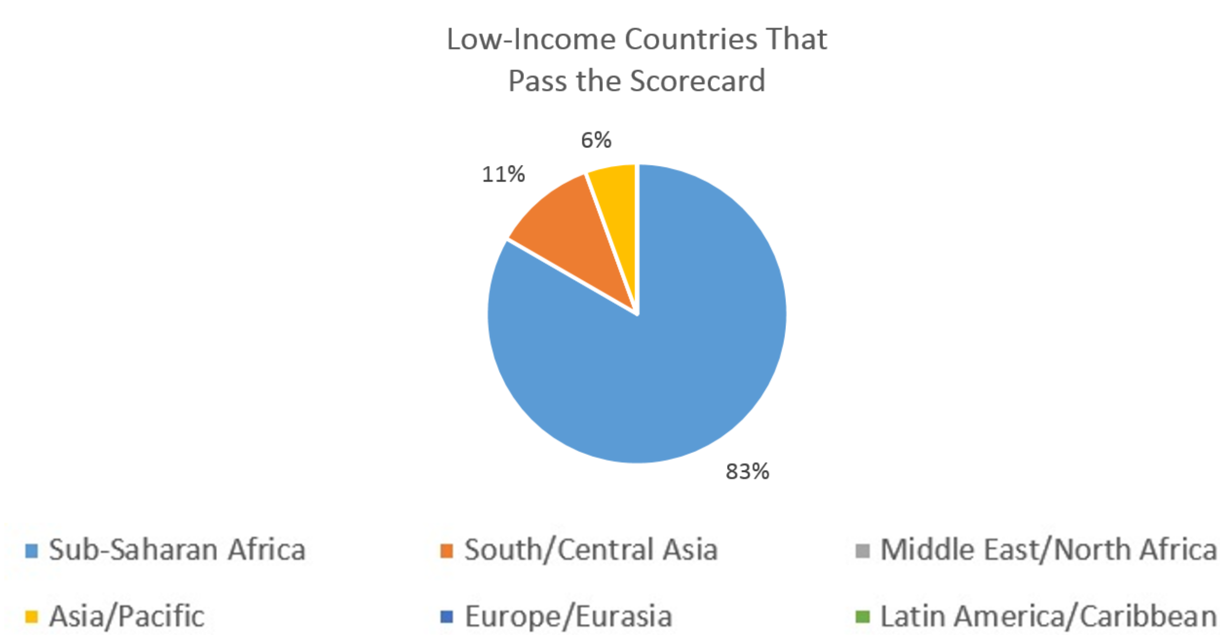
Low-Income Countries	Lower-Middle-Income Countries
Malawi	Samoa
Mozambique	Vanuatu
Nepal	
Niger	
São Tomé and Príncipe	
Senegal	
Solomon Islands	
Tanzania	
Zambia	

Low-Income Countries

There are 53 countries in the low-income country category. Six of these are statutorily prohibited from receiving US foreign assistance, leaving 47 candidate countries.[24]

Sub-Saharan African countries make up the majority of the low-income candidate pool, and the majority of the passing countries (Figure 1). There are very few low-income countries in Latin America, the Middle East, or Europe, and none pass the scorecards.

Figure 1. Low-Income Countries That Pass the Scorecard, by Geographic Region



[24] Statutorily prohibited countries are included in the pool of comparison countries and have a scorecard but they cannot be selected.

Four low-income countries are currently in the process of developing compacts and will need to be reselected: **Lesotho**, **Nepal**, **Niger**, and **Tanzania**. All four pass the indicator criteria this year.

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

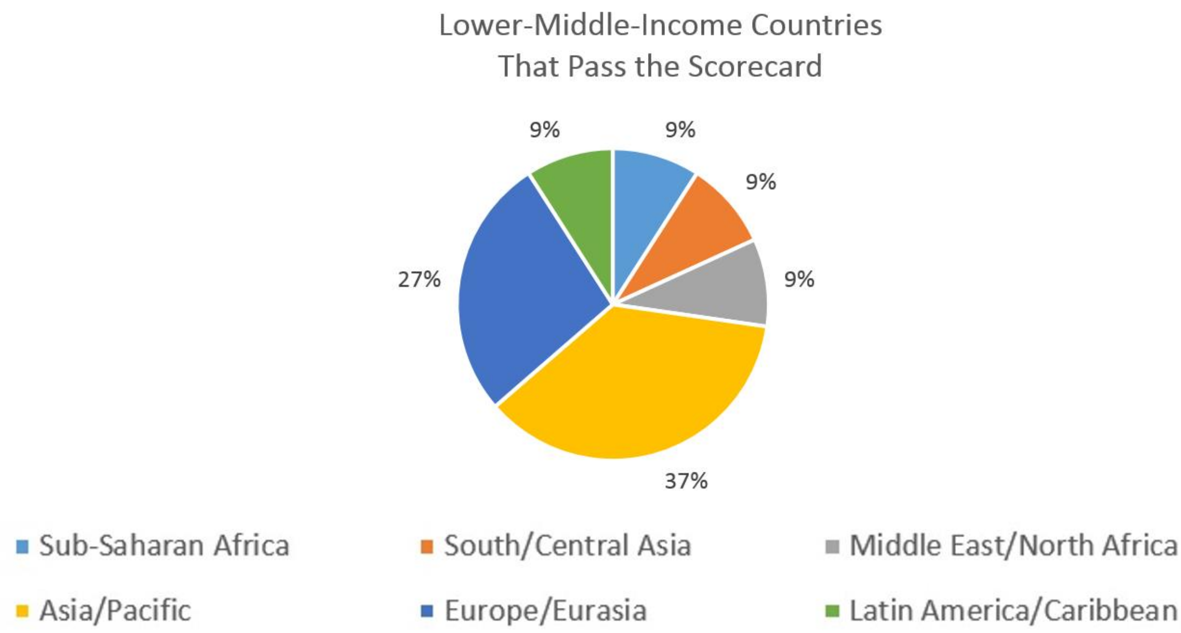
Six low-income countries may be considered for second compact eligibility: **Burkina Faso**, **Madagascar**, **Mali**, **Mozambique**, **Nicaragua**, and **Senegal**. Of these, all but Mali and Nicaragua pass the scorecard.

Lower-Middle-Income Countries

There are 28 countries in the lower-middle-income category. Two of these are statutorily prohibited from receiving US foreign assistance, leaving 26 candidate countries.

The geographic composition of this pool is more varied than that of the low-income candidate pool (Figure 2), and countries from all regions pass the scorecard. The majority of passing countries, however, are in Asia/Pacific and Europe/Eurasia; both regions pass disproportionately to their representation in the candidate pool.

Figure 2. Lower-Middle-Income Countries That Pass the Scorecard, by Geographic Region



One lower-middle-income country, the **Philippines**, is currently in the process of developing a compact and will need to be reselected this year. It passes the indicator criteria.

Six lower-middle-income countries are implementing compacts: **Cape Verde**, **El Salvador**, **Georgia**, **Indonesia**, **Morocco**, and the **Philippines**. These countries do not need to be reselected to continue compact implementation. Only Indonesia fails to 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.

Four lower-middle-income countries are potential candidates for second compact eligibility: **Armenia**, **Honduras**, **Moldova**, and **Vanuatu**. Armenia and Vanuatu pass the scorecards; Honduras and Moldova do not.

Countries Most Likely to Be Selected for First Compact Eligibility

New Selection

Côte d'Ivoire (*low income*) passes the scorecard for the second year in a row and is a prime candidate for compact eligibility this year. In just three years, it has gone from passing only 5 indicators—and none of the hard-hurdle governance indicators—to passing 13, achieving the seventh-highest Control of Corruption score in its peer group this year, as well as continued improvements on the democracy indicators. Following the peaceful and credible general elections in October 2015, further improvements on the democracy indicators are expected. MCC selected Côte d'Ivoire for the threshold program last year. This decision was clear evidence that MCC wanted to engage with Côte d'Ivoire but needed to hedge against the risks of problematic 2015 elections or inconsistent scorecard performance. Having moved past these concerns, Côte d'Ivoire, West Africa's fastest-growing economy, is a natural choice for compact eligibility this year.

Reselection

Nepal (*low income*) was first selected as compact eligible last year, after having spent the three prior years developing a threshold program. Nepal continues its consistently good scorecard performance, passing seven out of the last eight years. MCC and the government of Nepal are working on developing a compact focused on energy and transport, based on the results of the constraints-to-growth analysis. There is no reason to expect that Nepal would not be reselected this year.

Niger (*low income*) was first selected as compact eligible in FY2013, after having completed a threshold program. The compact will focus on access to water for agriculture and livestock production, inefficiencies in business regulation, and/or barriers to trade. Insecurity in the Sahel region remains a consideration, but this was known when the country was initially selected and the board has nevertheless demonstrated its willingness to continue the partnership. The board will most likely reselect Niger again this year.

Countries That Might Be Selected for First Compact Eligibility

New Selection

India (*low income*) is not the first country that comes to mind when most people think about an MCC compact partner, even though it has passed the scorecard for five consecutive years. After all, it is the world's ninth-largest economy, is a foreign aid provider, has $300 trillion in foreign currency reserves, and is a leading global military spender.[25] Indeed, the US government has already shifted its partnership with India away from a traditional donor-recipient model, and India is almost certainly uninterested in a typical MCC compact. However, MCC and India are interested in partnering to explore how to add a regional dimension to the Nepal compact currently in development.[26] The catch is that MCC cannot spend any money (however limited) in a country that has not been selected as eligible. Many stakeholders, especially in Congress, have serious reservations about MCC selecting India for a compact. However, providing limited funds to facilitate a partnership with India to enhance the impact of landlocked Nepal's compact may be defensible. India might not be selected at this meeting or with much fanfare. But some kind of eligibility designation is a real possibility once the nature of a possible partnership is better fleshed out.

[25] The economy size reference is from the International Monetary Fund's (IMF's) October 2015 World Economic Outlook database. The foreign currency reserves reference is from the IMF's International Reserves and Foreign Currency Liquidity India report from November 2, 2015. The military spending reference is from the Stockholm International Peace Research Institute's Military Expenditure Database, referencing 2014 data.

[26] The "Summary of the December 10, 2014 Board of Directors Meeting" says, "A presentation on the results of exploration of regional approaches to MCC investment was given, following on the conversation begun by the Board in their September meeting. A phased approach to exploration of a potential partnership with India was determined to be appropriate. When approached, India's Washington based economic officers expressed enthusiasm for exploration of a potential partnership."

Kosovo (*lower middle income*) passes the scorecard for the first time this year.[27] Kosovo has long been interested in MCC eligibility and its scorecard has improved dramatically in recent years, from passing just 5 indicators in FY2011 to passing 13 this year. MCC has just one other current partner in the Europe/Eurasia region, so an opportunity to expand work in this area may be tempting. However, in many important ways, Kosovo is not an ideal choice. It has passed the Control of Corruption indicator just one time in the last six years, and only barely, meaning there is a good chance it will not pass this critical indicator again next year—if it even has a scorecard next year. Kosovo's per capita income is very close to the upper limit for MCC candidacy ($125 below the ceiling), so there is a real possibility that—if selected—it would graduate out of MCC candidacy during compact development. Kosovo would be a weaker case for a continuing partnership once graduated because it has much lower levels of poverty and inequality than many other candidates, especially when median income is taken into account.[28] Beyond that, Kosovo just signed a Stabilization and Association Agreement with the European Union (EU), 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. The agreement does, however, likely mean that substantial new EU resources may become available.[29] All in all, MCC could prioritize its scarce budgetary resources to countries with greater need. Nonetheless, the board may still choose to select Kosovo this year.

Countries Most Likely to Be Selected for Second Compact Eligibility

New Selection

Senegal (*low income*) just completed its first compact (in September) and could be considered for a second compact this year. The country maintains consistently

[27] Kosovo passed this year partly because of a rule change by MCC that allows data from outside its official data sources to be used for Kosovo's scorecard. Because Kosovo is not a UN member country, its organizations do not report Kosovo's data, resulting in an "n/a" (interpreted as failing) for five of the six Investing in People indicators. This year MCC allowed data from the UN Kosovo Team (UNKT) in cases where UNKT used comparable methodologies to the main UN organizations. As a result of this, Kosovo passed three additional indicators that were formerly failing due to lack of data.

[28] Based on data pulled from the World Bank's PovcalNet in October 2014, the country's median income is nearly $17, higher than all but one other upper-middle-income country (and several high-income countries). There are, however, quality questions around the estimate for Kosovo's median income using the new, 2011 purchasing power parities (PPPs), as no price data were used to calculate the PPPs; instead, a regression was used.

[29] Two current or former MCC partners, Georgia and Moldova, have also signed EU accession agreements, so MCC has demonstrated that it is willing to work with this type of country.

strong scorecard performance (it has passed for 11 out of 13 years). However, it was not selected last year—the first time it could have been considered—presumably due to concerns about first compact implementation. Several of the projects experienced delays. While the published results data are very out of date (nearly a year old), many project-monitoring indicators were still well below target at that time.[30] Senegal has a lot going in its favor, however. President Sall, in office since 2012, is considered a reformist, and the country's scorecard shows improvements on all of the Ruling Justly indicators, as well as several others.[31] Because the board pays special attention to "trends" on the democratic rights and corruption hurdles for countries under consideration for second compacts, Senegal's performance will undoubtedly be viewed favorably. The fact that Senegal is in West Africa, a region MCC is targeting for a potential future regional investment, also works in its favor.

Reselection

The Philippines (*lower middle income*) was selected for a second compact last year and has begun developing a second program while working to finalize its first compact (due to conclude in May 2016). The Philippines passes the scorecard in the lower-middle-income category for the second year in a row. Though the country's Control of Corruption score has fluctuated above and below the median over the years, this year's passing score means the Philippines gets a green light, and the board will surely reselect it.

Countries That Might Be Selected for Second Compact Eligibility

Reselection decisions in two compact development countries will be complicated due to ongoing political crises. MCC undoubtedly wants to continue its relationship with both countries, but their prospects for reselection will depend on events that occur between the publication of this paper and the board meeting. Should conditions in either country worsen or progress insufficiently, the board may choose either to wait and confer FY2016 eligibility at a later date or to reconsider reselection next year.

Lesotho (*low income*) was selected for a second compact in FY2014 and has finalized a constraints-to-growth analysis. The country continues its perfect

[30] See Senegal's *Compact Monitoring and Evaluation Plan* at https://assets.mcc.gov/documents/ME_Plan-SEN-V2-Apr14.pdf and "Table of Key Performance Indicators" at https://assets.mcc.gov/documents/SNG-Q17-KPI.pdf.

[31] The changes are not statistically significant, but that has not historically been a chief concern of MCC's board when assessing improvements and declines in indicators. See S. Rose and F. Wiebe, *MCC at 10: Focus on Policy Performance* (Washington, DC: Center for Global Development, 2015).

passing record (it is the only country to have passed the scorecard every year), but there are serious concerns about military actions over the past year. Last year's 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 has remained turbulent. Many allege that the armed forces are taking steps to stifle the opposition and those loyal to the prior regime, pointing to the killing in June of a former army commander by armed forces.[32] Many other opposition leaders have fled the country.[33] Sometime before the board meeting, the Southern African Development Community (SADC) is due to complete its report on a commission of inquiry into the issues surrounding the death of the army commander. The contents and how the government of Lesotho responds will help MCC's board determine whether a continued partnership makes sense at this time, though the report may not be released before the board meets.[34]

Tanzania (low income) had its second compact sent to the board for approval in September, but a decision was deferred until more was known about how Tanzania would perform on the Control of Corruption indicator and how the October 25 elections would proceed.[35] After all, Tanzania has only barely passed the Control of Corruption indicator for the last two years, and in 2014 several donors withheld budget support in the wake of a government corruption scandal linked to the energy sector (the sector on which the MCC compact will focus).[36] While Tanzania passes the corruption indicator—and the scorecard—this year (as it has for 11 years in a row), a number of issues surrounding the recent elections will complicate MCC's decision. In the run-up to the polls, there were some concerning moves by the government to stifle dissent and control information.[37]

[32] J. Brock, "Killing of Former Lesotho Army Chief Deepens Instability," *Mail and Guardian*, June 29, 2015. African News Agency, "Zuma Sends Cyril to Help Stabilise Lesotho," *Mail and Guardian*, June 30, 2015.

[33] D. Motsamai, "SADC Report on Lesotho: Cause for Hope, or More of the Same?" *Institute for Security Studies*, November 20, 2015.

[34] MCC flagged its concern about events in Lesotho in the vaguely worded June 19, 2015, "Readout of the June 2015 MCC Board of Directors Meeting," saying, "The Board discussed a May 27 State Department statement expressing concerns about the state of the rule of law in Lesotho. MCC has communicated similar concerns directly to the Government of Lesotho and will continue to closely follow the situation."

[35] See the "MCC Statement on Board of Directors' Discussion of Tanzania at September 2015 Meeting" from September 17, 2015.

[36] M. Anderson, "UK and International Donors Suspend Tanzania Aid after Corruption Claims, *The Guardian*, October 13, 2014.

[37] For instance, in May 2015, President Kikwete signed into law cybercrime legislation that punishes the distribution of information deemed inaccurate or misleading. In the run-up to the election, a number of people, including staff of the opposition party, were prosecuted under this law, accused of supplying inaccurate information about public

Potentially more problematic, however, is the postelection political crisis in the semiautonomous region of Zanzibar (where MCC would spend $58.6 million of second compact funds). The national election commission annulled the polls, claiming voting irregularities (the opposition party had earlier released unofficial data suggesting it had won), despite the polls' having received general approval from international observers. The US Embassy in Tanzania issued a statement condemning the annulment and calling for its revocation.[38] MCC is undoubtedly eager to move forward with a second compact with Tanzania, a prominent US government development partner.[39] If there is sufficient progress toward resolving the political crisis, Tanzania will likely be reselected. However, if the US government considers the response insufficient, or if there is an escalation in tensions, the board may decline to reselect Tanzania in December.

Countries That Will Likely Be Selected for Threshold Program Eligibility

New Selection

Togo (*low income*) has undoubtedly caught MCC's attention, now that it is just one indicator short of passing the scorecard. Two years ago, Togo passed just 5 indicators. This year it passes 10.[40] It passes only two Ruling Justly indicators, but it does well on the democracy hurdle, despite having had one family in power for the last 50 years.[41] It has consistently failed the Control of Corruption hurdle, but its score is relatively close to the passing threshold. Togo could conceivably pass this hurdle at some point in the future if the country is serious about reform.[42] Togo is also surrounded by two compact countries with active energy-focused

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officials. Another bill would make it a crime to publish statistics not endorsed by the National Bureau of Statistics.

[38] US Department of State, "U.S. Embassy Statement on Elections in Zanzibar," October 28, 2015.

[39] Tanzania is a focus country for Power Africa, Partnership for Growth, Feed the Future, the President's Emergency Plan for AIDS Relief (PEPFAR), and the Presidential Malaria Initiative. In the five-year period 2009–2013, Tanzania was the 11th-largest recipient of US government official development assistance (from the Creditor Reporting System of the Organisation for Economic Co-operation and Development's Development Assistance Committee).

[40] After the scorecards were printed, the Heritage Foundation released updated Trade Policy data for Togo, which show that the country now passes that indicator. MCC issued a revised scorecard to reflect that change.

[41] President Gnassingbé's father was president of Togo for nearly 40 years. When he died in 2005, the current president was installed and subsequently elected later that year and again in 2010.

[42] Togo's rank on this indicator has ranged from the 38th percentile to the 44th percentile over the last five years.

compacts, Ghana and Benin, and MCC has its eye on West Africa as a potential regional investment. The board will probably select Togo for a new threshold program.

Countries That Might Be Selected for Threshold Program Eligibility

New Selection

Sri Lanka (*lower middle income*) passed the scorecard every year between FY2011 and FY2015 but falls just short on the democracy hard hurdle this year (it fails Political Rights and is right on the threshold for Civil Liberties). Sri Lanka was previously compact eligible (FY2004 through FY2007) but did not finalize a compact, presumably because of the civil war happening at the time. The civil conflict ended in 2009, but MCC's board passed over Sri Lanka for compact or threshold eligibility since then, likely because of a trend toward centralization of power (reflected in the country's relatively low performance on the Political Rights indicator) and concerns about human rights violations. However, presidential and parliamentary elections in 2015 resulted in new leadership, presenting a new opportunity for MCC to engage, using its threshold program to gauge how well it might be able to partner with the new government. The agency's interest in South Asia for a potential regional focus could also boost Sri Lanka's attractiveness. MCC's board takes the democracy hard hurdle seriously and may defer a decision on Sri Lanka until the 2015 elections are reflected in next year's scorecard (which the country may well pass). But the scorecard criteria are less rigid for threshold countries, so Sri Lanka may be selected this year.

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

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

Armenia (*lower middle income*), which completed a compact in 2011, passes the indicator criteria as a lower-middle-income country for the third year in a row. However, the board is unlikely to choose it for a second compact this year. MCC ceased funding one first compact project due to concerns about the conduct of a 2008 election, and questions about democratic rights still seem to loom large. Armenia still performs below the median on the Political Rights indicator. Though its adequate performance on the Civil Liberties indicator means that it technically passes the democracy hard hurdle, MCC and its board may be particularly sensitive to questions about democratic rights because of the history of the first compact. The upward trend on Political Rights may make Armenia a plausible second compact contender in the future, should it surpass the threshold. However, the country's per capita income is also quite close to the upper limit for MCC candidacy, raising the graduation question.

Burkina Faso (*low income*) concluded its compact in July 2014, but it has not yet been selected for a second compact. MCC is unlikely to choose it this year either. Its first compact experienced delays and did not achieve the expected results in several areas.[43] Though Burkina Faso has passed the scorecard five years in a row, there are sufficient questions about the political environment to keep it from being a strong contender. Though the September coup was quickly overturned, and the country is back on track to hold elections before the end of the year, there has likely been too much recent political upheaval for MCC to prioritize Burkina Faso for a second compact at this time.

Madagascar (*low income*) was MCC's first compact country, though the program was cut short due to the 2009 military coup. Statutory restrictions on aid to Madagascar were lifted with the installation of a new democratically elected government in 2014. The country passes for the first time since regaining its MCC candidacy status. The problem is that it barely passes. While the country meets the criteria for 12 indicators, it is just barely above the passing threshold for 7 of these. One of these is the important Control of Corruption indicator, which has also declined steadily over the last several years.[44] MCC could be interested in a second compact with Madagascar at some point in the future but may wait to see if the scorecard improvements can be sustained. MCC is legally barred from pursuing a threshold program with Madagascar given its previous compact, but this would be one of the circumstances in which such a program could be beneficial to the agency.

Mozambique (*low income*) completed its first compact in September 2013 but has been passed over for second compact eligibility for the last three years. Mozambique has passed the scorecard for the last five years, but the board also looks at "trends" in the governance indicators for second compact contenders. Mozambique's score on Control of Corruption has declined some in recent years, and even though this change is not statistically significant and Mozambique still

[43] The results of the roads project, worth over a third of the compact's total value, fell well short of its targets, and the compact overall ended up achieving a negative economic rate of return (the benefits achieved were worth less than the money spent to achieve them). See MCC's Burkina Faso compact page: https://www.mcc.gov/where-we-work/program/burkina-faso-compact.

[44] Madagascar ranks between the 50th and 60th percentile for these seven indicators. It is in the 54th percentile on Control of Corruption, just two countries above the median.

ranks in the top third of all low-income countries, the board may consider this performance to be insufficient. In addition to questions about scorecard 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.[45] The board is unlikely to select Mozambique this year.

There are seven countries that pass the FY2016 indicator criteria that have also passed in at least three recent prior years but have not been selected. These are low-income countries **Comoros**, **São Tomé and Príncipe**, and the **Solomon Islands** and lower-middle-income countries **Bhutan**, **Kiribati**, **Samoa**, and **Vanuatu**. They are likely to be passed over again this year. MCC does not make public the reasons for not selecting countries that pass the indicators, but size is almost certainly the relevant factor. All of these countries have a population under a million. MCC does not have an official minimum size requirement for compact eligibility, but the board has demonstrated its preference not to select any new small island countries.[46] Bhutan, in addition to being small, does not have formal diplomatic relations with the United States.

[45] See the Mozambique compact closeout report: https://www.mcc.gov/where-we-work/program/mozambique-compact.

[46] Cape 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, FY2016

	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	2.07	1.60	68.1	83.5	71.1	53.6	-3.1	15.0	0.00	69.0	1	0.67	24	0.884	
Pass the scorecard																					
Benin	32	49	38	0.34	0.29	0.08	2.47	2.51	100.0	66.5	68.4	46.6	-1.6	-1.1	0.27	58.8	3	0.54	24	0.891	13
Burkina Faso	9	36	40	0.28	0.31	0.34	3.75	2.55	91.9	89.5	62.9	47.6	-3.0	-0.3	0.44	68.2	1	0.57	24	0.891	13
Comoros	25	30	49	-0.83	-0.10	0.33	1.89	--	60.3	80.0	75.8	66.3	6.9	1.3	-0.37	72.0	--	0.67	36	0.770	10
Côte d'Ivoire	17	29	49	0.05	0.23	0.45	1.89	2.07	100.0	65.0	53.5	53.1	-2.6	0.4	0.15	71.8	0	0.62	24	0.949	13
Ghana	37	47	28	0.56	0.86	0.65	3.27	3.70	79.0	95.0	95.7	55.3	-11.4	15.5	0.74	65.0	0	0.81	64	0.924	17
India	35	43	41	0.63	0.75	0.40	1.28	1.04	30.5	83.0	96.6	72.9	-7.4	5.9	0.32	71.0	0	0.72	66	0.880	14
Lesotho	30	41	48	0.32	0.62	1.01	9.07	--	1.4	94.0	83.9	61.2	1.0	3.8	0.34	85.8	0	0.71	20	0.887	17
Liberia	26	30	56	-0.53	0.00	0.08	3.60	0.87	12.9	54.0	54.0	53.0	-3.3	9.9	-0.06	72.8	0	0.55	32	0.961	10
Madagascar	22	30	59	-0.44	0.10	0.06	2.65	0.87	32.6	68.5	70.2	46.7	-3.0	6.1	0.05	77.2	2	0.68	12	0.890	12
Malawi	27	34	49	0.15	0.54	0.10	4.16	2.83	98.3	88.0	75.4	70.2	-4.1	23.8	0.08	72.4	1	0.76	20	0.741	15
Mozambique	23	35	40	0.11	0.00	0.16	3.15	3.27	97.5	81.5	45.7	41.1	-5.6	2.3	0.38	70.8	0	0.77	28	0.913	15
Nepal	24	27	51	0.01	0.16	0.32	2.60	2.94	76.4	90.0	107.0	76.3	1.2	9.0	-0.08	55.6	2	0.73	24	0.899	16
Niger	26	30	47	0.10	0.15	0.23	2.40	2.36	100.0	70.0	44.0	37.2	-4.0	-0.9	0.11	64.6	4	0.61	24	0.847	11
São Tomé and Principe	34	47	28	-0.02	-0.02	0.70	1.99	--	0.0	93.5	97.9	68.3	-4.8	7.0	0.04	73.0	0	0.66	0	0.959	12
Senegal	33	45	48	0.44	0.74	0.88	2.22	2.22	100.0	84.5	64.8	72.0	-5.2	-1.1	0.55	73.8	2	0.65	24	0.884	14
Solomon Islands	25	43	28	-0.23	0.27	0.59	4.82	--	8.6	90.5	86.3	66.1	3.4	5.2	-0.34	73.0	--	0.55	40	0.923	14
Tanzania	28	35	54	0.19	0.43	0.07	2.65	1.74	99.9	98.0	79.8	51.1	-3.7	6.1	0.43	73.2	0	0.80	20	0.884	16
Zambia	26	34	62	0.37	0.59	0.45	2.93	--	100.0	85.5	82.0	57.7	-5.2	7.8	0.26	78.2	0	0.63	76	0.925	16
Eliminated by corruption																					
Bangladesh	21	29	54	0.07	0.12	-0.05	1.31	0.87	18.5	92.0	79.8	79.2	-3.1	7.0	-0.17	63.6	0	0.56	24	0.913	11
Kenya	22	29	59	0.53	0.39	-0.08	1.87	--	78.7	80.0	--	52.6	-6.0	6.9	0.44	65.6	0	0.77	70	0.858	11
Nicaragua	19	35	48	0.00	0.17	-0.02	4.49	1.75	94.5	98.5	83.4	83.4	-0.6	6.0	0.39	86.2	0	0.73	52	0.847	18
Togo	18	29	62	-0.42	-0.03	-0.06	4.49	2.58	98.5	84.5	74.2	41.7	-5.6	0.2	-0.05	66.2	0	0.48	24	0.849	9
Eliminated by democracy																					
Ethiopia	7	11	85	0.37	0.42	0.43	3.09	3.03	86.2	73.5	--	51.4	-1.9	7.4	-0.21	65.0	0	0.86	12	0.820	10
Gambia, The	7	13	84	0.23	0.21	0.18	3.57	2.45	23.2	96.0	72.1	66.1	-7.6	6.2	0.28	65.0	--	0.72	16	0.700	11
Lao PDR	1	11	84	0.45	0.13	0.10	0.97	--	93.6	87.5	99.5	76.7	-3.3	5.5	-0.08	58.6	0	0.75	54	0.740	11
Rwanda	9	16	76	0.86	0.92	1.69	6.55	1.51	49.9	98.5	64.3	69.0	-2.6	1.8	0.95	67.6	2	0.92	92	0.899	12
Vietnam	3	17	92	0.77	0.53	0.36	2.49	1.90	76.7	96.0	97.7	89.6	-6.8	4.1	0.18	83.0	0	0.81	70	0.925	16
Eliminated by corruption and democracy																					
Burundi	11	21	74	-0.26	-0.09	-0.33	4.39	2.46	42.6	94.5	72.4	52.9	-2.9	4.4	0.00	74.2	1	0.73	8	0.968	9
Cambodia	11	20	70	0.16	-0.09	-0.22	1.54	1.09	100.0	95.5	94.7	70.6	-2.4	3.9	0.37	72.2	0	0.71	74	0.579	12
Kyrgyz Republic	14	24	66	0.00	-0.10	-0.24	3.94	--	72.5	96.0	102.3	93.0	-3.1	7.5	0.35	75.0	0	0.77	68	0.964	13
Mauritania	9	22	50	-0.21	0.02	-0.05	1.85	1.72	3.6	84.0	72.0	55.1	-0.7	3.5	0.08	69.0	4	0.64	20	0.946	10
Tajikistan	7	15	78	0.09	-0.12	-0.14	2.07	--	65.9	97.5	97.7	84.3	-0.1	6.1	-0.24	68.6	0	0.69	46	0.931	10
Uganda	11	25	54	0.44	0.45	-0.24	--	1.16	95.5	80.0	53.9	50.9	-3.5	4.6	0.41	72.8	1	0.90	66	0.848	9
Miss by one indicator																					
Mali	17	27	37	-0.28	0.19	0.14	2.83	1.60	43.6	78.5	54.0	49.8	-2.5	0.9	0.22	70.2	3	0.64	24	0.864	9
Pakistan	20	22	67	0.09	0.06	0.05	1.01	--	63.3	68.0	67.1	76.9	-7.3	8.6	0.09	65.0	2	0.67	30	0.921	9
Miss by more than one indicator																					
Afghanistan	11	13	63	-0.51	-0.69	-0.47	1.72	--	2.2	70.5	--	49.7	-0.7	4.7	-0.35	--	4	0.54	36	0.949	4
Cameroon	9	16	66	0.09	-0.03	-0.29	1.77	1.07	61.6	83.5	67.6	54.1	-3.6	1.9	-0.17	61.6	4	0.57	30	0.900	5
Central African Republic	0	6	72	-1.00	-0.89	-0.29	1.97	0.64	100.0	48.0	35.2	35.8	-1.1	11.6	-0.64	52.2	--	0.37	24	0.616	3
Chad	5	16	74	-0.64	-0.28	-0.37	1.31	0.92	68.1	50.0	30.1	24.8	-1.9	1.7	-0.39	49.8	3	0.50	24	0.565	2
Congo, Dem. Rep.	9	16	79	-0.76	-0.59	-0.43	1.86	0.51	70.4	78.5	64.9	40.5	2.1	1.0	-0.57	61.0	6	0.65	24	0.919	4
Djibouti	9	19	75	-0.13	-0.01	0.37	5.33	1.53	7.8	74.5	55.4	65.8	-6.4	2.9	0.23	54.6	1	0.68	4	0.698	6
Guinea	17	24	60	-0.38	-0.54	-0.20	1.68	1.42	99.7	51.5	55.6	46.8	-4.2	9.7	-0.32	61.2	4	0.47	24	0.854	2
Guinea-Bissau	17	23	59	-0.72	-0.52	-0.65	1.11	--	89.8	74.5	56.7	37.0	-1.8	-1.0	-0.50	59.4	--	0.50	24	0.905	5
Haiti	17	24	50	-1.19	-0.35	-0.39	0.70	--	1.6	50.5	--	47.6	-6.1	3.9	-0.26	72.0	2	0.36	8	0.307	3
Sierra Leone	28	37	46	-0.39	-0.08	-0.09	1.69	1.38	55.0	80.5	69.5	39.9	-3.7	8.3	-0.04	69.4	0	0.58	20	0.900	7
Somalia	0	2	79	-1.64	-1.55	-0.83	--	--	3.4	44.0	--	26.6	--	--	-1.34	--	--	--	--	--	0
Yemen, Rep.	9	16	74	-0.57	-0.33	-0.69	1.34	0.22	4.5	81.5	61.8	60.3	-5.8	8.2	-0.07	--	5	0.81	0	0.759	3
Statutorily prohibited																					
Zimbabwe	12	16	70	-0.34	-0.58	-0.53	--	1.01	99.7	91.5	93.2	61.5	-1.3	-0.2	-1.12	50.2	0	0.48	50	0.519	8
Eritrea	1	2	94	-0.78	-0.62	0.00	1.38	--	28.9	95.0	--	52.0	-15.0	12.3	-1.35	69.2	--	0.86	0	0.651	4
Korea, Dem. Rep.	0	3	97	-0.81	-0.70	-0.48	--	--	16.8	96.0	--	--	--	--	-1.43	0.0	--	--	--	--	1
Myanmar	9	16	77	-0.44	-0.33	-0.06	0.48	--	36.1	80.5	96.8	80.7	-2.1	5.9	-0.62	74.2	1	0.67	8	0.809	6
South Sudan	2	13	64	-1.29	-0.96	-0.75	0.79	0.50	82.8	30.5	27.5	33.9	-9.5	1.7	-0.86	--	0	0.54	8	0.453	3
Sudan	2	4	81	-0.77	-0.31	-0.59	1.38	--	10.0	90.0	52.9	46.4	-2.2	36.9	-0.62	50.6	10	0.76	12	0.854	3
Countries with data	53	53	53	53	53	53	49	35	53	53	46	52	51	51	53	49	45	51	51	51	

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

*There is a 0.1 difference between CGD's data (from public sources) and MCC's data for Burundi, the Gambia (Natural Resource Protection), and Djibouti (Child Health) due to different rounding techniques.

**After MCC published its scorecards, the Heritage Foundation revised its Trade Policy score for Togo. MCC will issue a revised scorecard reflecting this change.

Lower-Middle-Income Countries' Scorecard Performance, FY2016

	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' 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	50	0.00	0.00	0.00	3.15	1.50	60.0	90.0	91.7	85.3	-1.9	15.0	0.00	75.2	0	0.76	54	0.931	
Pass the scorecard																					
Armenia	16	30	58	0.28	0.09	0.07	1.89	0.76	100.0	95.0	104.2	95.1	-1.7	3.0	0.58	85.6	0	0.97	68	0.990	15
Bhutan	29	27	59	0.72	0.76	1.79	2.65	1.22	100.0	98.0	92.9	80.5	-3.0	9.6	-0.65	60.0	1	0.91	52	0.943	11
Cabo Verde	37	53	27	0.45	0.99	1.42	3.21	1.89	14.9	94.0	122.1	--	-8.9	-0.2	0.36	68.2	--	0.81	44	0.944	14
El Salvador	35	40	35	0.43	-0.10	0.12	4.63	1.49	63.5	93.5	91.4	88.4	-3.7	1.1	0.71	85.8	0	0.77	78	0.880	14
Georgia	26	38	44	0.94	0.61	1.26	2.03	0.68	48.2	91.5	111.7	94.2	-1.3	3.1	1.29	88.6	0	0.94	84	0.990	16
Kiribati	36	55	29	-0.12	0.26	0.82	8.31	--	100.0	83.0	96.5	62.8	7.4	2.1	-0.60	58.2	--	0.45	16	0.824	10
Kosovo	23	29	45	0.13	-0.07	0.06	2.32	--	56.6	93.5	97.8	90.8	-2.8	0.4	0.21	70.8	0	--	68	0.962	12
Morocco	15	27	69	0.31	0.36	0.25	2.04	2.36	100.0	99.0	86.5	85.0	-5.8	0.4	0.35	81.8	1	0.84	44	0.953	12
Philippines	26	37	45	0.64	0.09	0.07	1.39	1.46	89.3	83.5	90.6	85.3	0.3	4.2	0.35	76.4	2	0.78	42	0.876	12
Samoa	32	49	30	0.88	1.08	0.84	6.72	--	38.5	91.0	104.8	95.1	-5.4	-0.4	0.17	70.6	--	0.80	20	0.958	14
Vanuatu	32	47	25	-0.10	0.51	1.13	3.36	2.72	24.2	58.5	69.3	82.2	-0.3	1.0	0.01	74.0	--	--	64	0.813	11
Eliminated by corruption																					
Guyana	30	41	32	0.23	-0.18	-0.22	4.30	0.98	50.5	98.5	110.8	90.3	-4.7	1.0	-0.17	70.8	0	0.80	12	0.923	10
Honduras	20	29	64	-0.34	-0.56	-0.27	4.28	2.86	86.9	86.5	77.9	85.5	-5.4	6.1	-0.01	78.4	1	0.69	84	0.894	9
Indonesia	30	34	49	0.44	0.07	-0.06	1.20	1.49	70.3	77.5	93.3	80.4	-1.9	6.4	0.26	80.4	1	0.73	56	0.805	11
Moldova	28	35	51	0.07	0.14	-0.33	5.43	1.53	20.7	90.0	86.2	87.2	-1.9	5.1	0.39	73.6	0	0.90	68	0.981	13
Ukraine	25	37	58	0.07	-0.37	-0.48	4.23	1.12	24.3	77.5	99.8	96.6	-4.5	12.1	-0.26	85.8	0	--	74	0.976	10
Eliminated by democracy																					
Sri Lanka	16	25	77	0.54	0.26	0.18	1.43	0.41	91.0	99.0	100.3	96.3	-6.1	3.3	0.28	72.4	0	0.70	48	0.939	10
Swaziland	1	17	79	-0.08	0.13	0.15	6.30	3.81	23.3	92.0	69.2	64.9	1.0	5.7	-0.09	88.8	2	0.73	58	0.862	9
Eliminated by corruption and democracy																					
Egypt, Arab Rep.	8	18	78	-0.37	-0.19	-0.08	2.06	--	72.1	93.5	102.3	95.8	-12.7	10.1	-0.39	70.6	2	0.94	56	0.961	8
Miss by one indicator																					
Micronesia, Fed. Sts.	37	56	21	-0.07	0.11	1.36	11.37	--	44.4	86.0	85.8	78.7	4.7	0.9	-0.69	85.6	--	--	44	0.732	9
Miss by more than one indicator																					
Congo, Rep.	7	23	59	-0.70	-0.66	-0.70	3.19	1.93	100.0	85.0	64.7	53.4	-1.0	0.9	-0.82	52.0	3	0.62	36	0.738	5
Guatemala	24	31	56	-0.26	-0.57	-0.19	2.42	1.50	79.5	70.0	65.2	81.5	-2.1	3.4	0.18	86.4	0	0.74	78	0.899	7
Nigeria	18	25	51	-0.74	-0.67	-0.76	0.88	--	78.6	58.5	43.7	43.6	-1.3	8.1	-0.45	64.8	0	0.65	60	0.847	5
Papua New Guinea	23	36	29	-0.18	-0.43	-0.46	3.61	--	14.2	63.5	64.4	46.2	-6.1	5.3	0.02	85.6	0	0.69	12	0.791	7
Timor-Leste	29	36	35	-0.70	-0.75	-0.14	1.17	--	50.9	75.5	62.9	65.6	38.9	0.7	-0.52	80.0	0	0.14	24	0.970	7
Uzbekistan	0	4	97	-0.18	-0.67	-0.60	3.12	--	19.8	99.0	93.6	91.3	4.1	8.4	-1.37	65.6	0	0.64	66	0.974	7
Statutorily prohibited																					
Bolivia	29	39	47	-0.14	-0.66	-0.13	4.75	2.42	96.9	94.5	92.0	66.9	-0.3	5.8	-0.50	76.6	0	0.79	42	0.740	12
Syrian Arab Republic	-3	2	97	-0.99	-0.93	-1.04	1.51	2.25	4.1	48.5	56.8	93.9	--	--	-1.31	56.6	6	0.64	16	0.944	3
Countries with data	28	28	28	28	28	28	28	19	28	28	28	27	27	27	28	28	23	24	28	28	

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

*There is a 0.1 difference between CGD's data (from public sources) and MCC's data for Bolivia (Natural Resource Protection), Bhutan and Samoa (Child Health) due to different rounding techniques.