



Millennium Challenge Corporation

Reducing Poverty Through Growth

Report on Countries That Are Candidates for Millennium Challenge Account Eligibility in Fiscal Year 2006 and Countries That Would Be Candidates But For Legal Prohibitions

Summary

This report to Congress is provided in accordance with Section 608(a) of the Millennium Challenge Act of 2003, 22 U.S.C.A.7701, 7707 (a) (“Act”).

The Act authorizes the provision of Millennium Challenge Account (MCA) assistance to countries that enter into Compacts with the United States to support policies and programs that advance the prospects of such countries achieving lasting economic growth and poverty reduction. The Act requires Millennium Challenge Corporation (MCC) to take a number of steps in determining the countries that, based on their demonstrated commitment to just and democratic governance, economic freedom and investing in their people, will be eligible for MCA assistance during Fiscal Year (FY) 2006. These steps include the submission of reports to the congressional committees specified in the Act and the publication of Notices in the Federal Register that identify:

1. The countries that are “candidate countries” for MCA assistance during FY 2006 based on their per-capita income levels and their eligibility to receive assistance under U.S. law and countries that would be candidate countries but for legal prohibitions on assistance (Section 608(a) of the Act);
2. The criteria and methodology that the MCC Board of Directors (“Board”) will use to measure and evaluate the relative policy performance of the “candidate countries” consistent with the requirements of Section 607 of the Act in order to select “MCA eligible countries” from among the “candidate countries” (Section 608(b) of the Act); and
3. The list of countries determined by the Board to be “MCA eligible countries” for FY 2006, including which of the MCA eligible countries the Board will seek to enter into MCA Compacts (Section 608(d) of the Act).

This report is the first of three required reports listed above.

Candidate Countries for FY 2006

The Act requires the identification of all countries that are candidates for MCA assistance in FY 2006 and the identification of all countries that would be candidate countries but for legal prohibitions on assistance. Sections 606(a) and (b) of the Act provide that during FY 2006 a country shall be a candidate for the MCA if it:

- meets one of the following two income level tests:
 - has a per capita income equal to or less than the historical ceiling of the International Development Association eligibility for the fiscal year involved (or \$1,575 gross national income (GNI) per capita for FY 2006) (the “Low Income Category”); or
 - is classified as a lower middle income country in the then most recent edition of the World Development Report for Reconstruction and Development published by the International Bank and has an income greater than the historical ceiling for International Development Association eligibility for the fiscal year involved (or \$1,575 to \$3,255 GNI per capita for FY 2006) (the “Lower Middle Income Category”); and
- is not subject to legal provisions that prohibit it from receiving U.S. economic assistance under Part I of the Foreign Assistance Act of 1961, as amended, or any other provision of law.

Pursuant to Section 606(c) of the Act, the Board has identified the following countries as candidate countries under the Act for FY 2006. In so doing, the Board has anticipated that prohibitions against assistance that applied to countries during FY 2005 will again apply during FY 2006, even though the Foreign Operations, Export Financing and Related Appropriations Act for FY 2006 has not yet been enacted and certain findings under other statutes have not yet been made. As noted below, MCC will provide any required updates on subsequent changes in applicable legislation or other circumstances that would affect the status of countries as candidate countries for FY 2006.

Low Income Category

1. Afghanistan
2. Angola
3. Armenia
4. Azerbaijan
5. Bangladesh
6. Benin
7. Bhutan
8. Bolivia
9. Burkina Faso
10. Cameroon
11. Chad
12. China
13. Comoros
14. Congo, Democratic Republic of the
15. Congo, Republic of the
16. Djibouti
17. East Timor
18. Egypt
19. Eritrea
20. Ethiopia

21. Gambia
22. Georgia
23. Ghana
24. Guinea
25. Guinea-Bissau
26. Guyana
27. Haiti
28. Honduras
29. India
30. Indonesia
31. Iraq
32. Kenya
33. Kiribati
34. Kyrgyzstan
35. Laos
36. Lesotho
37. Liberia
38. Madagascar
39. Malawi
40. Mali
41. Mauritania
42. Moldova
43. Mongolia
44. Morocco
45. Mozambique
46. Nepal
47. Nicaragua
48. Niger
49. Nigeria
50. Pakistan
51. Papua New Guinea
52. Paraguay
53. Philippines
54. Rwanda
55. Sao Tome and Principe
56. Senegal
57. Sierra Leone
58. Solomon Islands
59. Sri Lanka
60. Tajikistan
61. Tanzania
62. Togo
63. Turkmenistan
64. Uganda
65. Ukraine
66. Vanuatu

67. Vietnam
68. Yemen
69. Zambia

Lower Middle Income Category

1. Albania
2. Algeria
3. Belarus
4. Brazil
5. Bulgaria
6. Cape Verde
7. Colombia
8. Dominican Republic
9. Ecuador
10. El Salvador
11. Fiji Islands
12. Guatemala
13. Jamaica
14. Jordan
15. Kazakhstan
16. Macedonia
17. Maldives
18. Marshall Islands
19. Micronesia, Federated States of
20. Namibia
21. Peru
22. Romania
23. Samoa
24. Suriname
25. Swaziland
26. Thailand
27. Tonga
28. Tunisia
29. Tuvalu

Countries that would be Candidate Countries but for Statutory Provisions that Prohibit Assistance

Countries that would be considered candidate countries during FY 2006, but are subject to legal provisions that prohibit them from receiving U.S. economic assistance under Part I of the Foreign Assistance Act of 1961, as amended (“Foreign Assistance Act”), or any other provision of law are listed below. As noted above, this list is based on legal prohibitions against economic assistance that apply during FY 2005 and that are anticipated to apply again during FY 2006.

1. Bosnia and Herzegovina is subject to Section 561 of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2005 (“FY 2005 Appropriations Act”), which prohibits assistance to any country whose competent authorities have failed, as determined by the Secretary of State, to take necessary and significant steps to implement its international legal obligations with respect to the International Criminal Tribunal for the former Yugoslavia.
2. Burma is subject to Section 570 of the FY 1997 Foreign Operations Act which prohibits assistance to the government with certain narrow exceptions. In addition, Burma has been identified as a major drug-transit or major illicit drug producing country for 2005 (Presidential Determination No.2004-47, 9/28/04) and designated as having “failed demonstrably” to adhere to its international obligations and take the measures required by Section 489(a)(1) of the Foreign Assistance Act, thus making Burma ineligible for assistance. Burma is listed as a Tier III country under the Trafficking Victims Protection Act for not complying with minimum standards for eliminating trafficking and not making significant efforts to comply (Presidential Determination No. 2004-46, 9/10/04).
3. Burundi is subject to Section 508 of the FY 2005 Appropriations Act which prohibits assistance to the government of a country whose duly elected head of government is deposed by decree or military coup.
4. Section 554(b) of the FY 2005 Appropriations Act prohibits assistance to the central Government of Cambodia, except in specified circumstances.
5. The Central African Republic is subject to Section 508 of the FY 2005 Appropriations Act which prohibits assistance to the government of a country whose duly elected head of government is deposed by decree or military coup.
6. The Cote d’Ivoire is subject to Section 508 of the FY 2005 Appropriations Act which prohibits assistance to the government of a country whose duly elected head of government is deposed by decree or military coup.
7. Section 507 of the FY 2005 Appropriations Act prohibits direct assistance to Cuba. The Cuban Liberty and Democratic Solidarity Act of 1996 (PL 104-114) requires the President to take all necessary steps to ensure that no funds or other assistance is provided to the Cuban government. Cuba is also subject to Section 620A of the Foreign Assistance Act.
8. Section 507 of the FY 2005 Appropriations Act prohibits direct assistance to Iran. Iran is also subject to Section 620A of the Foreign Assistance Act.
9. Section 507 of the FY 2005 Appropriations Act prohibits direct assistance to North Korea. North Korea is also subject to Section 620A of the Foreign Assistance Act.

10. Serbia and Montenegro is subject to Section 561 of the FY 2005 Appropriations Act which prohibits assistance to any country whose competent authorities have failed, as determined by the Secretary of State, to take necessary and significant steps to implement its international legal obligations with respect to the International Criminal Tribunal for the former Yugoslavia.
11. Somalia is subject to Section 620(q) of the Foreign Assistance Act and Section 512 of the FY 2005 Appropriations Act which prohibit assistance to countries in default in payment to the U.S. in certain circumstances.
12. Sudan is subject to Section 620(q) of the Foreign Assistance Act and Section 512 of the FY 2005 Appropriations Act which prohibit assistance to countries in default in payment to the U.S. in certain circumstances. Sudan also is subject to Section 508 of the FY 2005 Appropriations Act and Section 620A of the Foreign Assistance Act. Sudan is also prohibited from receiving assistance under the Trafficking Victims Protection Act for not complying with minimum standards for eliminating trafficking and not making significant efforts to comply (Presidential Determination No. 2004-46, 9/10/04).
13. Section 507 of the FY 2005 Appropriations Act prohibits direct assistance to Syria. Syria is also subject to Section 620A of the Foreign Assistance Act.
14. Section 577 of the FY 2005 Appropriations Act requires that funds appropriated for assistance to the central Government of Uzbekistan may be made available only if the Secretary of State determines and reports to the Congress that the government is making substantial and continuing progress in meeting its commitments under a framework agreement with the U.S.
15. Zimbabwe is subject to Section 620(q) of the Foreign Assistance Act and Section 512 of the FY 2005 Appropriations Act which prohibit assistance to countries in default in payment to the U.S. in certain circumstances.

Countries identified above as candidate countries, as well as countries that would be considered candidate countries but for the applicability of legal provisions that prohibit U.S. economic assistance, may be the subject of future statutory restrictions or determinations, or changed country circumstances, that affect their legal eligibility for assistance under Part I of the Foreign Assistance Act or any other provision of law during FY 2006. MCC will include any required updates on such statutory eligibility that affect countries' identification as candidate countries for FY 2006, at such time as it publishes the Notices required by Sections 608(b) and 608(d) of the Act or at other appropriate times. Any such updates with regard to the legal eligibility or ineligibility of particular countries identified in this report will not affect the date on which the Board is authorized to determine eligible countries from among candidate countries which, in accordance with Section 608(a) of the Act, shall be no sooner than 90 days from the date of publication of this report.