



# MILLENNIUM CHALLENGE CORPORATION

REDUCING POVERTY THROUGH GROWTH

December 30, 2008

## Introduction to the Threshold Program

On December 11, 2008, the Board of Directors (Board) of the Millennium Challenge Corporation (MCC) selected Liberia and Timor-Leste as eligible for the fiscal year 2009 Millennium Challenge Account (MCA) Threshold Program. During fiscal year 2009, Albania, Guyana, Indonesia, Jordan, Kenya, Kyrgyz Republic, Moldova, Niger, Paraguay, Peru, the Philippines, Rwanda, Sao Tome and Principe, Uganda, Ukraine and Zambia will continue to implement threshold programs.\* Burkina Faso, Malawi, and Tanzania recently completed their threshold programs and are in various stages of compact development or implementation. Additionally, MCC is currently working with Paraguay on development and approval of its second (“Stage II”) threshold program.

The Threshold Program is designed to assist countries that are on the “threshold” of MCA Compact eligibility, meaning they are “close” but have not yet qualified for MCA Compact funding. The Threshold Program is intended to support ongoing reform efforts and to form a part of a country’s overall policy reform agenda. The Board selects countries as eligible for Threshold Program assistance based on their demonstrated commitment to meet the eligibility criteria for MCA Compact funding, including performance on - and improvement of - their scores on 17 policy indicators, based on public information, in three general categories: ruling justly, investing in people, and encouraging economic freedom. Each candidate country's scores on these 17 MCA policy indicators are listed on the MCC website under Country Scorecards.

## Program Implementation

In partnership with MCC, the United States Agency for International Development (USAID) is the primary U.S. government agency overseeing the implementation of the Threshold Program. Other U.S. agencies, including the Treasury and Justice

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\*Jordan and Moldova have also been selected Compact-eligible by MCC.

## Threshold Program Overview

departments, are also involved in implementing or providing assistance under the Threshold Program.

To date, MCC has approved threshold program agreements totaling over \$440 million with 19 countries: Albania, Burkina Faso, Guyana, Indonesia, Jordan, Kenya, Kyrgyz Republic, Malawi, Moldova, Niger, Paraguay, Peru, the Philippines, Sao Tome and Principe, Rwanda, Tanzania, Uganda, Ukraine, and Zambia.

Being declared eligible for Threshold Program assistance does not guarantee that a country will receive such assistance. Only Threshold Country Plans demonstrating a meaningful reform commitment and a high likelihood of successful implementation are approved for Threshold Program assistance.

Further, participation in the Threshold Program does not guarantee eligibility for MCA Compact funding, which continues to depend on a country's performance on the applicable MCA selection criteria. It takes time for reform efforts to be reflected in a country's indicator scores. Countries that have been most successful in moving from a threshold program to compact eligibility are those that have broad reform efforts already underway.

Additionally, if a threshold country is selected for MCA Compact eligibility, it must successfully implement its threshold program and achieve reform benchmarks before Compact approval.

Finally, it is not necessary for countries to participate in the Threshold Program to improve their performance on the MCA indicators and qualify for MCA Compact funding. Any country interested in the possibility of MCA Compact funding in the future can track its policy scores on the MCC website.