Fiscal Year 2007

Guidance for Compact-Eligible Countries

MILLENNIUM CHALLENGE CORPORATION
MCC
UNITED STATES OF AMERICA

REDUCING POVERTY THROUGH GROWTH

Table of Contents

Chapter 1:

Letter of Welcome to the MCC

MILLENNIUM CHALLENGE CORPORATION ★ UNITED STATES OF AMERICA ★ MCC

Reducing Poverty Through Growth

MILLENNIUM
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REDUCING POVERTY THROUGH GROWTH

Welcome to the MCA Process:

On behalf of the United States Government and the Millennium Challenge Corporation (MCC), I am pleased to welcome you to the Millennium Challenge Account (MCA) Compact Process.

As you know, the MCA is an initiative by the United States to support policies and programs that advance a country's progress in achieving sustainable economic growth and poverty reduction. As an eligible country, you are invited to develop and submit to MCC a proposal that can form the basis for negotiating a Compact.

"Country ownership" is central to MCC's approach. MCC staff are here to work with you, to answer questions as needed, and even to facilitate contact with MCA counterparts in other countries. However, the development of a Compact proposal is – first and foremost – a country's own process. MCC will ask you to think critically about the constraints to economic growth. MCC will ask you to use a consultative process to develop your compact. But most of all, MCC will ask you to take the lead in developing and implementing a compact that leads to poverty reduction through economic growth.

This collection of documents is intended to provide additional information and guidance as you begin the Compact development process. They provide an overview of the Compact development process, as well as full information on MCC's expectations and requirements during Compact development and implementation.

Should you have any questions, please do not hesitate to contact us. Frances Reid is the Managing Director for your region, and she can be reached at (202) 521-4088.

Again, congratulations on your selection for compact eligibility. We look forward to working together as partners on activities to improve the lives of your citizens.

875 FIFTEENTH STREET NW | WASHINGTON, DC | 20005-2221 | P: (202) 521-3600 | F: (202) 521-3700 | WWW.MCC.GOV

Chapter 2:

Fact Sheet and Primer on Millennium Challenge Corporation

Reducing Poverty Through Growth

MILLENNIUM CHALLENGE CORPORATION

FACT SHEET
WWW.MCC.GOV

November 8, 2006

PRIMER TO THE MILLENNIUM CHALLENGE CORPORATION

Who We Are

The Millennium Challenge Account (MCA) is an innovative foreign assistance program designed to "reduce poverty through sustainable economic growth" in some of the poorest countries in the world. The Millennium Challenge Corporation (MCC) is an independent United States Government corporation established by President Bush on January 23, 2004, to administer the MCA. MCA provides incentive for policy reforms by rewarding countries with additional resources that complement those of other bilateral U.S. development programs and other donors.

> *"The world's help must encourage developing countries to make the right choices for their own people, and these choices are plain. Good government is an essential condition of development. So the Millennium Challenge Account will reward nations that root out corruption, respect human rights, and adhere to the rule of law."*
>
> **President George W. Bush**
> March 14, 2002

The MCA grew out of the United States' commitment at the Monterrey Summit on Financing for Development where President Bush called for a "new compact for global development," which links greater contributions from developed nations to greater responsibility from developing nations.

MCC is managed by a Chief Executive Officer and a public-private Board of Directors comprised of the Secretary of State, Secretary of the Treasury, U.S. Trade Representative, USAID Administrator and four individuals from the private sector appointed by the President with the advice and consent of the Senate. It draws its diverse staff from other government agencies, the private sector, universities, international development agencies and non-government organizations.

What We Do

Each year MCC's Board of Directors meets to select countries eligible to develop a proposal for MCA assistance. The Board looks at how the poorest countries of the world have performed on sixteen independent and transparent policy "indicators." These indicators measure how well countries perform in three broad policy categories: ruling justly, investing in people, and encouraging economic freedom.

The Board selects MCA eligible countries that are above the median on at least half of the indicators in each of the three categories and above the median on the corruption indicator. The Board may consider additional information and take into account factors such as data gaps or lags to select the countries that will be eligible for MCA assistance.

Recognizing that development is achieved by a country's own efforts, policies, and people, MCC gives selected countries the opportunity to identify their own

> *"So, in a short span of time, having very simple indicators to start a business, you can see that the Millennium Challenge Account has affected two dozen countries. So 24 countries in one way or another have come to us and either have asked for ways to reform, have already reformed, or would like to be bench-marked so that they are considered for the Millennium Challenge Account….That is, in my view, quite a success."*
>
> **Simeon Djankov**
> Manager of the Monitoring and Analysis Unit in the Private Sector Vice Presidency of International Finance Corporation
> June 24, 2005

priorities for achieving sustainable economic growth and poverty reduction. Countries develop their MCA proposals in broad consultation with their own society. MCC teams then work in partnership to help countries develop an MCA program which will reduce poverty and sustain economic growth. The MCA program is reflected in a Compact that defines responsibilities and includes measurable objectives and targets to assess progress. The Compact also describes how the country will manage and implement its MCA program, including how it will ensure financial accountability, transparency, and fair and open procurement.

What We've Achieved

Since its creation in 2004, MCC has approved nearly $3 billion in assistance.

- Currently 25 countries are eligible for MCA Compact assistance: Armenia, Benin, Burkina Faso, Bolivia, Cape Verde, East Timor, El Salvador, Georgia, Ghana, Honduras, Jordan, Lesotho, Madagascar, Mali, Moldova, Mongolia, Morocco, Mozambique, Namibia, Nicaragua, Senegal, Sri Lanka, Tanzania, Ukraine, and Vanuatu. The MCC Board suspended The Gambia from participation in the program on July 16, 2006, due to a pattern of actions inconsistent with MCC's selection criteria.

- Of the 25 countries eligible for Compact assistance, MCC has approved 11 Compacts worth nearly $3 billion with: Madagascar, Honduras, Cape Verde, Nicaragua, Georgia, Benin, Vanuatu, Armenia, Ghana, Mali, and El Salvador. MCC is actively working toward finalizing Compacts with the remaining countries.

From Our Partners

"On this occasion, our thanks go for new assistance in fighting poverty through a special investment of $175 million, a grant through the program of the Millennium Challenge Account. This visionary program will play a pivotal role within the context of democracy, freedom, national security and trade. This new kind of assistance makes it clear that there is a shared commitment in the task of reducing poverty and creating prosperity and we are committed to this."

President of Nicaragua Enrique Bolaños
July 14, 2005

- To provide further incentive for policy reform, MCC's legislation established a Threshold Program for countries that demonstrate a significant commitment to meeting the eligibility criteria but fall short on one or two indicators. Threshold assistance helps countries address specific areas of policy weakness identified in the MCA selection indicators. The following countries are currently eligible for Threshold Program assistance: Albania, Burkina Faso, East Timor, Guyana, Indonesia, Kenya, Kyrgyz Republic, Jordan, Malawi, Moldova, Niger, Paraguay, Peru, Philippines, Rwanda, Saõ Tomé and Principe, Tanzania Uganda, Ukraine, and Zambia. Yemen was suspended in November 2005 from participating in the Threshold Program.

- MCC has approved eleven Threshold Agreements totaling nearly $286 million with: Burkina Faso, Malawi, Tanzania, Albania, Paraguay, Zambia, Philippines, Ukraine, Jordan, Indonesia, and Moldova.

From Our Partners

"The MCA, because it's a partnership-type program, it encourages human capacity, the strengthening of institutions, all elements that are very important for the development. And it also promotes competitive tools and elements that are necessary for economic growth. It's a program that does not give fish to people, but gives them the fishing rod and teaches them how to fish, thus allowing -- the program -- for people to be able to fish for their own consumption and to continue their own development. We think that only growth will allow us to ensure that people have their own necessary income and that will allow us to fight poverty."

Prime Minister of Cape Verde Jose Maria Neves
July 13, 2005

Chapter 3:

Overview of Millennium Challenge Account Eligibility

MILLENNIUM CHALLENGE CORPORATION
MCC
UNITED STATES OF AMERICA

REDUCING POVERTY THROUGH GROWTH

Overview of Millennium Challenge Account Country Eligibility

Last updated: November, 2006

Once a year, MCC determines which countries are "eligible" to apply for Compact funding based on their performance on 16 quantitative policy indicators. These countries are selected from a group of "candidate" countries that are announced by MCC in late summer and posted on the MCC website. MCC compiles a scorecard for each candidate country that illustrates its performance on the 16 indicators. Your country's scorecard is included in this section, as are descriptions of each of the policy indicators. The data that underlie the indicator scorecards are updated once a year and posted on MCC's website in the fall.

Being selected as eligible for MCA assistance indicates that your country has performed well on many of the policy indicators in the past. MCC expects this good policy performance to continue after your country has been selected. As a result, each eligible country is required to maintain or improve its policy performance in order to be considered eligible in the future and to continue to receive assistance. MCC has adopted a "Suspension and Termination Policy" (included in this section) that defines each eligible country's responsibility to maintain its policy performance and lists the consequences of failing to do so, including possible suspension of assistance or termination of an MCA-financed program. When requested, MCC can provide policy guidance on possible reforms that your country can undertake to improve its performance on selected indicators.

Chapter 4:

Country Scorecard

MILLENNIUM CHALLENGE CORPORATION

Reducing Poverty Through Growth

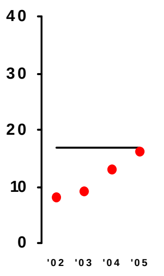
MILLENNIUM
CHALLENGE
CORPORATION

Afghanistan FY07

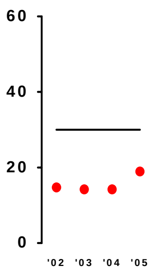
Population:
GNI/Cap: LIC

Ruling Justly

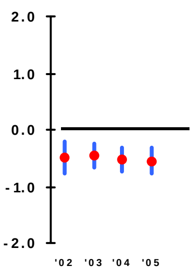
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	16 (46%)	19 (24%)	-0.55 (5%)	-0.31 (23%)	-0.84 (4%)	-0.57 (22%)
Median	17	30	0.00	0.00	0.00	0.00



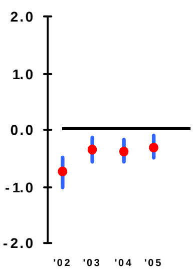
Sources: Freedom House



Freedom House



World Bank Institute



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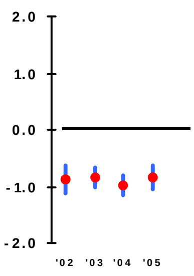
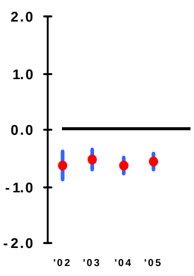


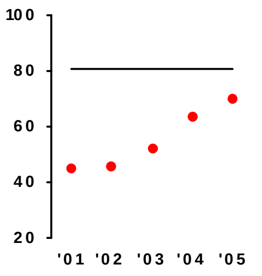
World Bank Institute



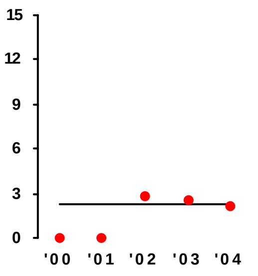
World Bank Institute

Investing In People

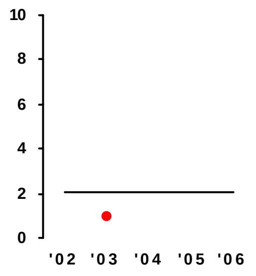
	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	70 (27%)	2.13 (47%)	0.94 (20%)	n/a
Median	81	2.22	2.07%	66.7



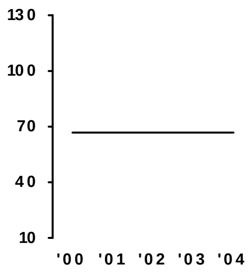
Sources: World Health Org.



World Health Org.



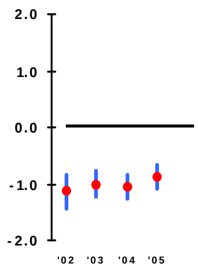
UNESCO/National Sources



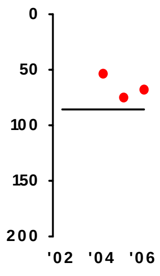
UNESCO/World Bank

Economic Freedom

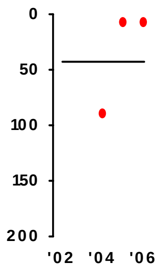
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	-0.87 (14%)	67.4 (61%)	8 (100%)	n/a	13.20 (19%)	-1.29% (68%)
Median	0.00	85.7	43	59.1		-2.54%
Max.					15	



Sources: World Bank Inst.



Intl. Finance Corp.



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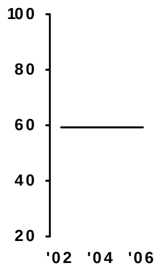
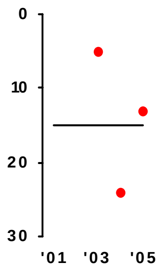
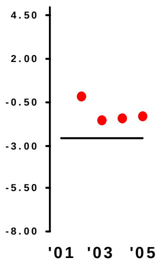


Heritage Foundation



Intl. Monetary Fund



National Sources

How to Read this Scorecard: Each MCC Candidate Country receives a scorecard annually assessing performance in 3 policy categories: Ruling Justly, Investing in People, and Economic Freedom. For each indicator box (from top to bottom): the name of the indicator or policy, the country's data, or score, indicated by a green or red line representing a passing or failing score. Next to the score, is the country's percentile ranking in its respective Low Income or Lower Middle Income group (0% is worst; 50% is the median; 100% is best). Under the score/ranking, is the median score for the respective income group, above which countries have to score in order to pass the indicator. The white box represents a trend line of performance with each red dot assigned to a score on the vertical axis and the year on the horizontal access. The black line running through the dots represents the current year's median. Data sources are below the box.

For more information regarding the Millennium Challenge Account Selection Process and these indicators, please consult MCC's website: www.mcc.gov

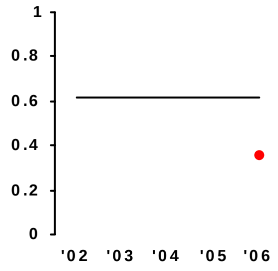
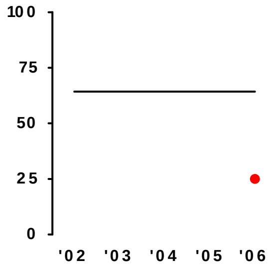
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Afghanistan FY07

Population:
GNI/Cap: LIC

Supplemental Information

Land Rights and Access	Natural Resource Management
0.357 (8%)	24.85 (0%)
Median 0.617	Median 64.08
	

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For more information regarding the Millennium Challenge Account Selection Process and these indicators, please consult MCC's website: www.mcc.gov

10/10/2006

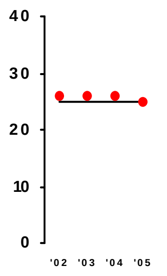
MILLENNIUM
CHALLENGE
CORPORATION

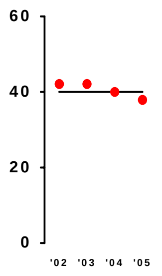
Albania FY07

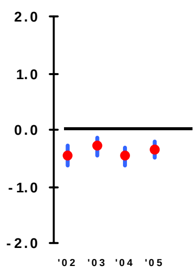
Population: 3,111,720
GNI/Cap: $2,580 LMIC

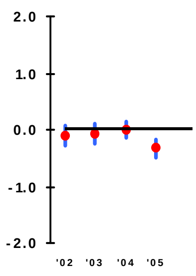
Ruling Justly

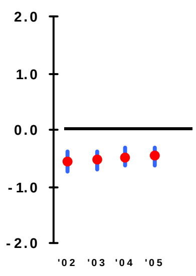
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	25 (48%)	38 (42%)	-0.34 (16%)	-0.33 (29%)	-0.47 (6%)	0.04 (58%)
Median	25	40	0.00	0.00	0.00	0.00

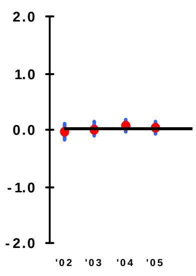








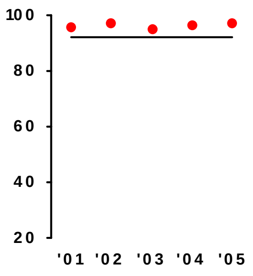


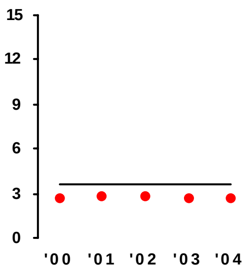


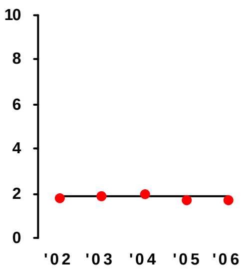
Sources: Freedom House | Freedom House | World Bank Institute | World Bank Institute | World Bank Institute | World Bank Institute

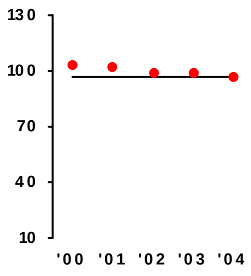
Investing In People

	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	97.5 (81%)	2.74 (32%)	1.67 (45%)	97.3 (54%)
Median	92.5	3.66	1.88%	97.3





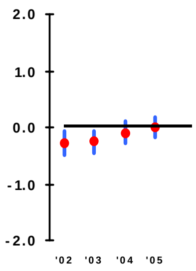


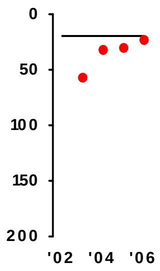


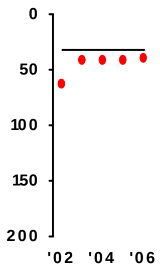
Sources: World Health Org. | World Health Org. | UNESCO/National Sources | UNESCO/World Bank

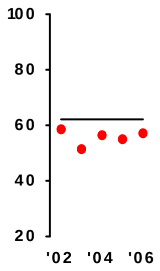
Economic Freedom

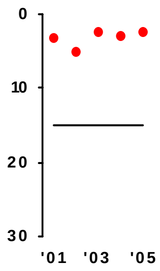
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	-0.01 (45%)	22.4 (44%)	39 (41%)	57.4 (32%)	2.40 (69%)	-4.41% (14%)
Median	0.00	19.8	33	62.1	Max. 15	-1.37%

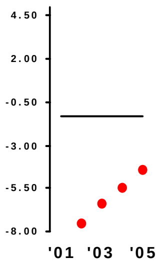












Sources: World Bank Inst. | Intl. Finance Corp. | Intl. Finance Corp. | Heritage Foundation | Intl. Monetary Fund | National Sources

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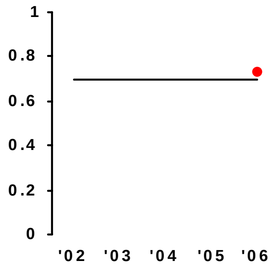
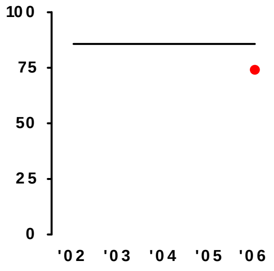
For more information regarding the Millennium Challenge Account Selection Process and these indicators, please consult MCC's website: www.mcc.gov

10/6/2006

Albania FY07

Population: 3,111,720
GNI/Cap: $2,580 LMIC

Supplemental Information

Land Rights and Access	Natural Resource Management
🟩 0.733 (70%)	🟥 74.41 (36%)
Median 0.696	**Median** 86.15
	
IFAD/IFC	CIESIN/YCELP

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10/10/2006

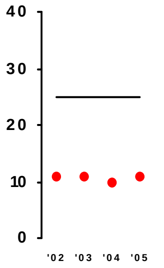
MILLENNIUM
CHALLENGE
CORPORATION

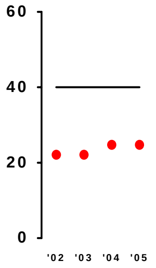
Algeria FY07

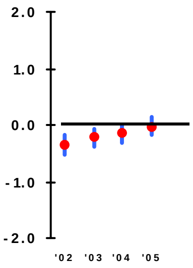
Population: 32,357,570
GNI/Cap: $2,730 LMIC

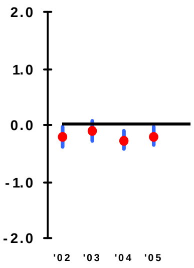
Ruling Justly

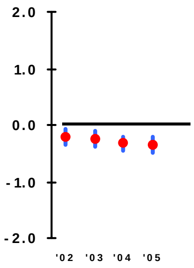
Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data 11 (23%)	25 (23%)	-0.02 (45%)	-0.20 (39%)	-0.34 (29%)	-0.95 (23%)
Median 25	Median 40	Median 0.00	Median 0.00	Median 0.00	Median 0.00

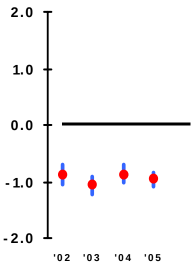








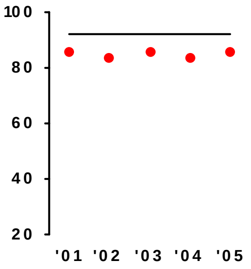


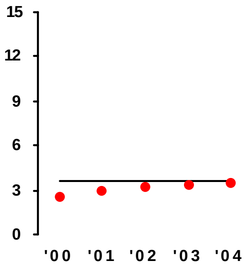


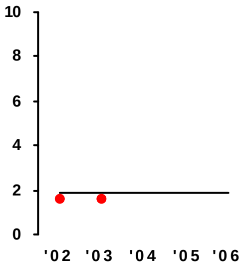
Sources: Freedom House | Freedom House | World Bank Institute | World Bank Institute | World Bank Institute | World Bank Institute

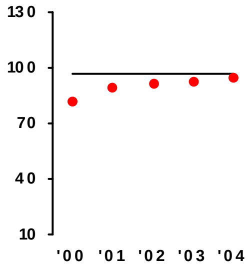
Investing In People

Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data 85.5 (29%)	3.47 (45%)	1.64 (41%)	94.5 (29%)
Median 92.5	Median 3.66	Median 1.88%	Median 97.3





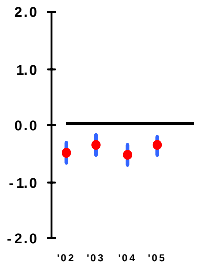


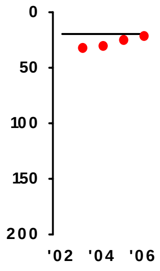


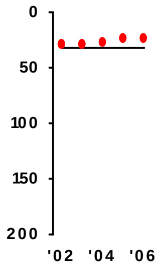
Sources: World Health Org. | World Health Org. | UNESCO/National Sources | UNESCO/World Bank

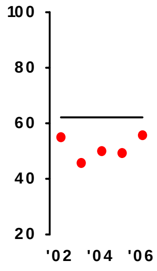
Economic Freedom

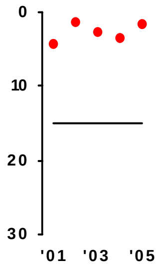
Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data -0.36 (16%)	21.5 (47%)	24 (69%)	56.0 (20%)	1.60 (90%)	9.64% (100%)
Median 0.00	Median 19.8	Median 33	Median 62.1	Max. 15	Median -1.37%

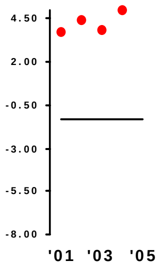












Sources: World Bank Inst. | Intl. Finance Corp. | Intl. Finance Corp. | Heritage Foundation | Intl. Monetary Fund | National Sources

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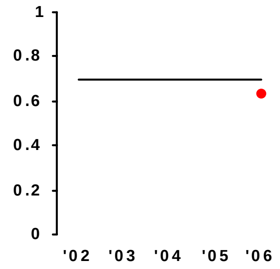
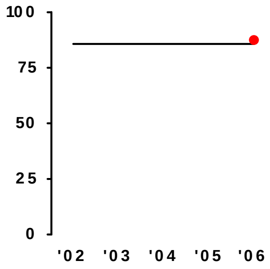
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Algeria FY07

Population: 32,357,570
GNI/Cap: $2,730 LMIC

Supplemental Information

Land Rights and Access	Natural Resource Management
0.636 (26%)	**87.12 (54%)**
Median 0.696	**Median 86.15**
	
IFAD/IFC	CIESIN/YCELP

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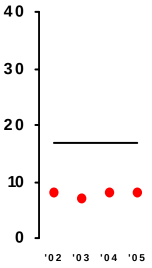
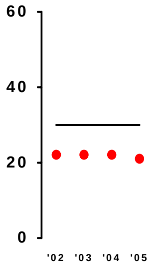
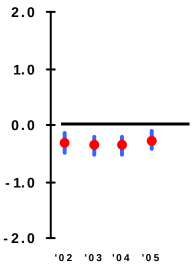
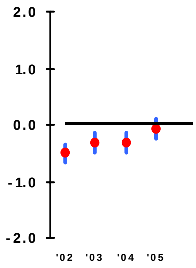
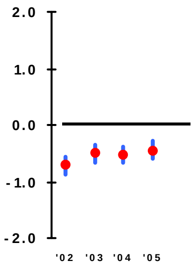
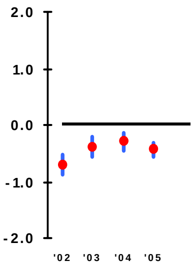
10/10/2006

MILLENNIUM
CHALLENGE
CORPORATION

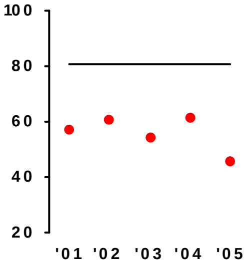
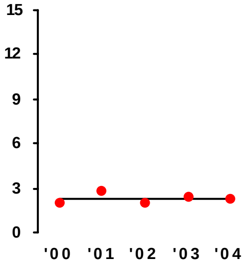
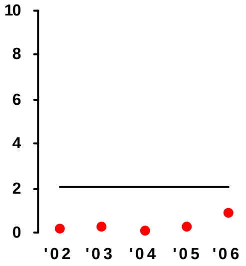
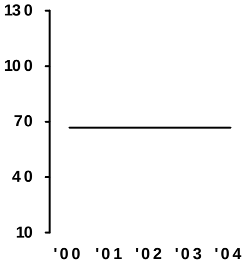
Angola FY07

Population: 15,490,050
GNI/Cap: $1,350 LIC

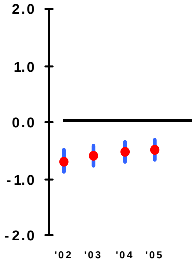
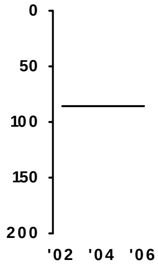
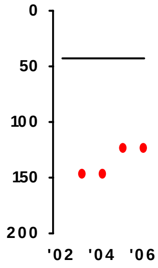
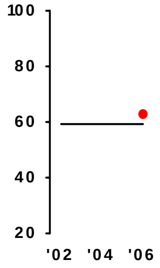
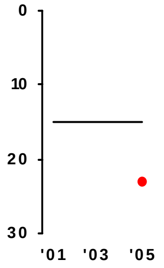
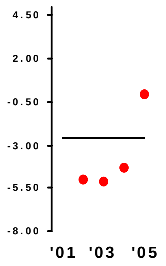
Ruling Justly

Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data 8 (18%)	21 (29%)	-0.26 (23%)	-0.06 (40%)	-0.44 (21%)	-0.44 (33%)
Median 17	**Median** 30	**Median** 0.00	**Median** 0.00	**Median** 0.00	**Median** 0.00
					
Sources: Freedom House	Freedom House	World Bank Institute	World Bank Institute	World Bank Institute	World Bank Institute

Investing In People

Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data 46 (6%)	2.25 (53%)	0.92 (18%)	n/a
Median 81	**Median** 2.22	**Median** 2.07%	**Median** 66.7
			
Sources: World Health Org.	World Health Org.	UNESCO/National Sources	UNESCO/World Bank

Economic Freedom

Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data -0.48 (18%)	486.7 (1%)	124 (7%)	63.0 (62%)	23.00 (3%)	-0.04% (78%)
Median 0.00	**Median** 85.7	**Median** 43	**Median** 59.1	**Max.** 15	**Median** -2.54%
					
Sources: World Bank Inst.	Intl. Finance Corp.	Intl. Finance Corp.	Heritage Foundation	Intl. Monetary Fund	National Sources

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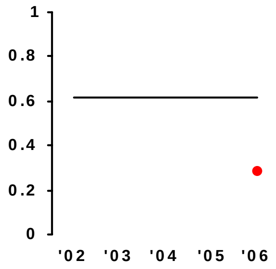
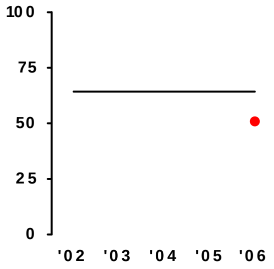
10/6/2006

Angola FY07

Supplemental Information

Land Rights and Access	Natural Resource Management
0.282 (2%)	**50.50 (19%)**
Median 0.617	**Median 64.08**
	

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10/10/2006

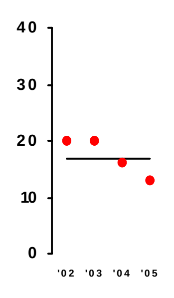
MILLENNIUM
CHALLENGE
CORPORATION

Armenia FY07

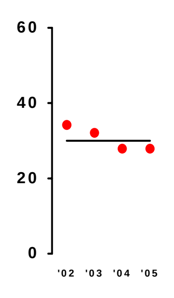
Population: 3,026,089
GNI/Cap: $1,470 LIC

Ruling Justly

	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	13 (41%)	28 (47%)	0.18 (69%)	0.72 (92%)	0.38 (79%)	0.07 (53%)
Median	17	30	0.00	0.00	0.00	0.00



Sources: Freedom House



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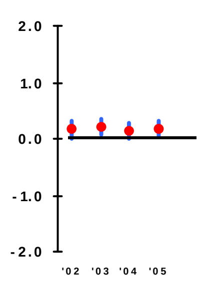
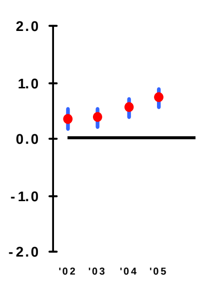


World Bank Institute



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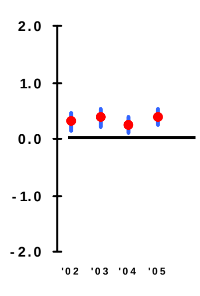

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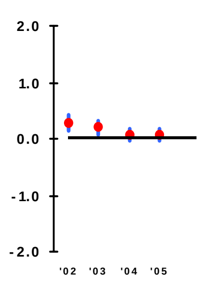
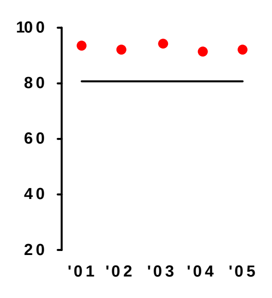


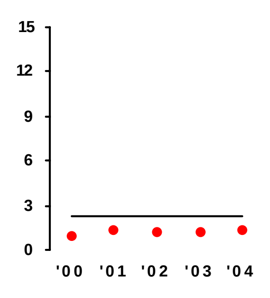
World Bank Institute

Investing In People

	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	92 (79%)	1.30 (19%)	2.57 (66%)	107.6 (98%)
Median	81	2.22	2.07%	66.7



Sources: World Health Org.



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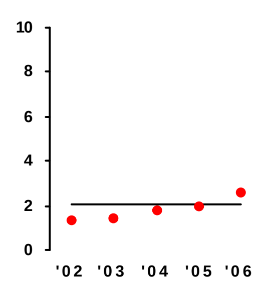
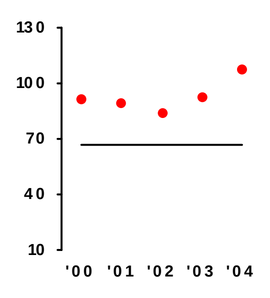


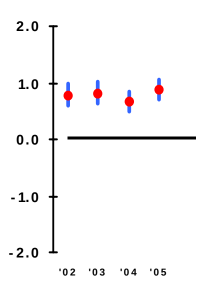
UNESCO/National Sources



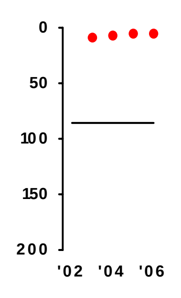
UNESCO/World Bank

Economic Freedom

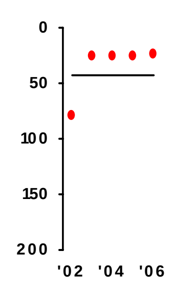
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	0.87 (100%)	5.1 (99%)	24 (85%)	75.6 (100%)	0.60 (99%)	-1.83% (63%)
Median	0.00	85.7	43	59.1	Max. 15	-2.54%



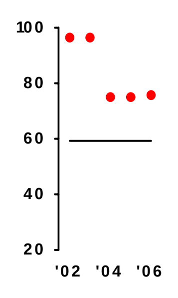
Sources: World Bank Inst.



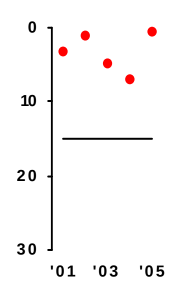
Intl. Finance Corp.



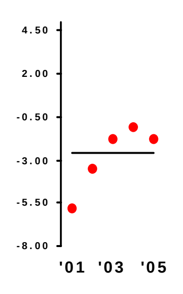
Intl. Finance Corp.



Heritage Foundation



Intl. Monetary Fund



National Sources

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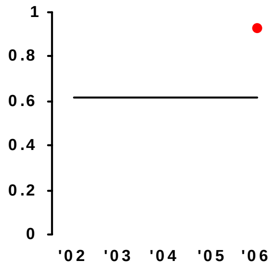
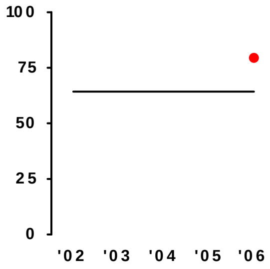
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Armenia FY07

Population: 3,026,089
GNI/Cap: $1,470 LIC

Supplemental Information

Land Rights and Access	Natural Resource Management
0.933 (98%)	79.08 (87%)
Median 0.617	**Median** 64.08
	

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10/10/2006

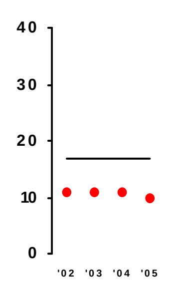
MILLENNIUM
CHALLENGE
CORPORATION

Azerbaijan FY07

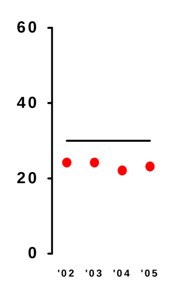
Population: 8,306,400
GNI/Cap: $1,240 LIC

Ruling Justly

	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	10 (31%)	23 (36%)	-0.19 (36%)	0.16 (63%)	0.00 (50%)	-0.44 (32%)
Median	17	30	0.00	0.00	0.00	0.00



Sources: Freedom House



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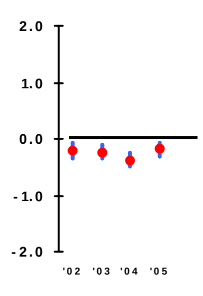
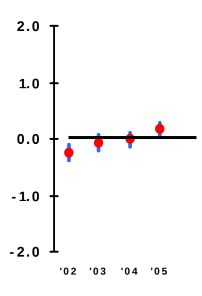
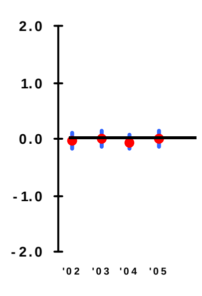


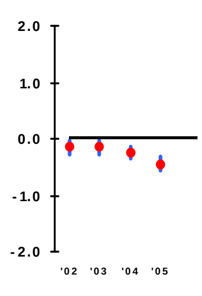
World Bank Institute



World Bank Institute



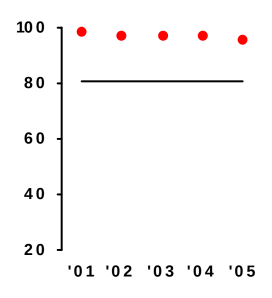
World Bank Institute



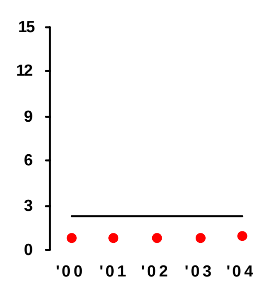
World Bank Institute

Investing In People

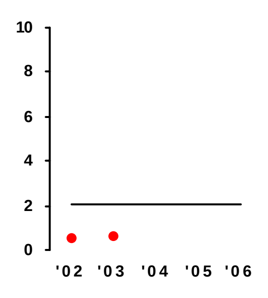
	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	95.5 (87%)	0.90 (6%)	0.59 (8%)	95.2 (85%)
Median	81	2.22	2.07%	66.7



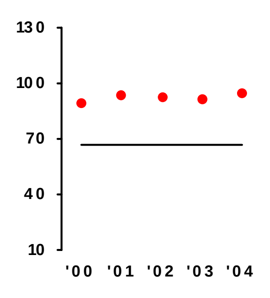
Sources: World Health Org.



World Health Org.



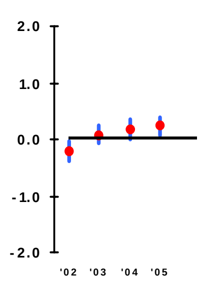
UNESCO/National Sources



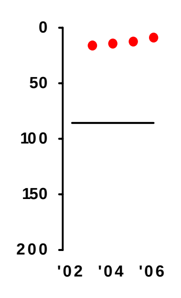
UNESCO/World Bank

Economic Freedom

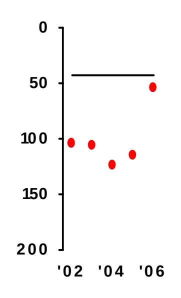
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	0.23 (69%)	9.5 (94%)	53 (38%)	67.6 (71%)	9.70 (38%)	0.58% (84%)
Median	0.00	85.7	43	59.1		-2.54%
Max.					15	



Sources: World Bank Inst.



Intl. Finance Corp.



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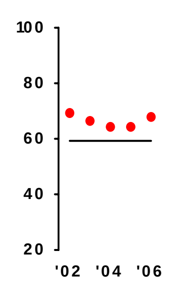
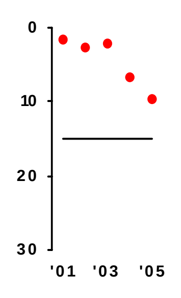
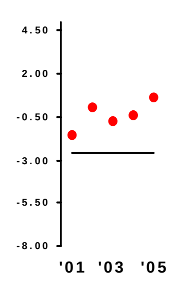


Heritage Foundation



Intl. Monetary Fund



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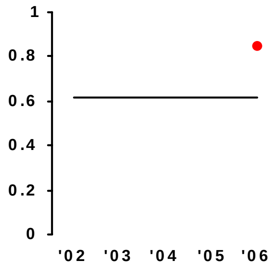
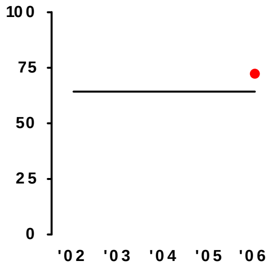
10/6/2006

Azerbaijan FY07

Population: 8,306,400
GNI/Cap: $1,240 LIC

Supplemental Information

Land Rights and Access	Natural Resource Management
0.851 (95%)	**71.94 (73%)**
Median 0.617	**Median 64.08**
	

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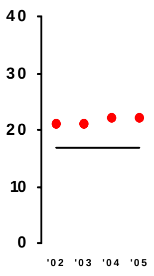
MILLENNIUM
CHALLENGE
CORPORATION

Bangladesh FY07

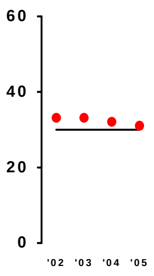
Population: 139,214,500
GNI/Cap: $470 LIC

Ruling Justly

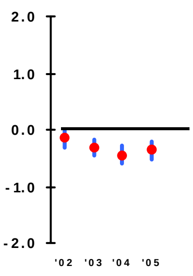
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	22 (55%)	31 (51%)	-0.36 (18%)	0.00 (49%)	-0.03 (46%)	0.21 (55%)
Median	17	30	0.00	0.00	0.00	0.00



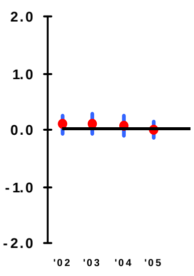
Sources: Freedom House



Freedom House



World Bank Institute



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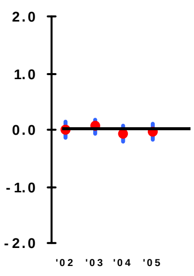

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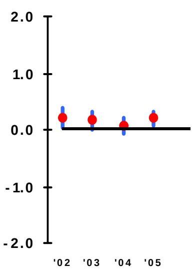
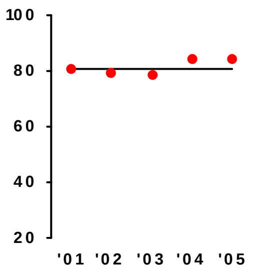


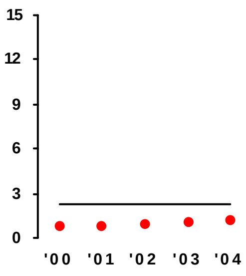
World Bank Institute

Investing In People

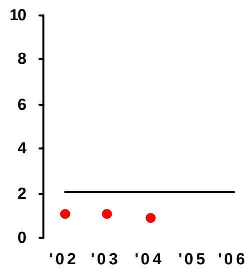
	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	84.5 (59%)	1.14 (16%)	0.90 (17%)	78.8 (62%)
Median	81	2.22	2.07%	66.7



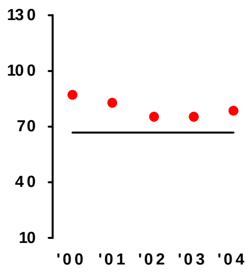
Sources: World Health Org.



World Health Org.



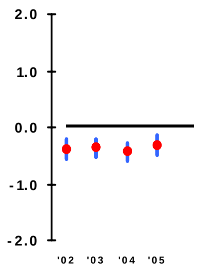
UNESCO/National Sources



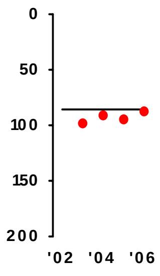
UNESCO/World Bank

Economic Freedom

	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	-0.31 (31%)	87.6 (47%)	37 (64%)	48.2 (12%)	7.00 (59%)	-2.64% (48%)
Median	0.00	85.7	43	59.1		-2.54%
Max.					15	



Sources: World Bank Inst.



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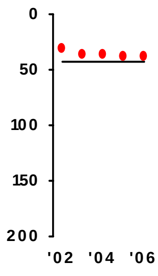

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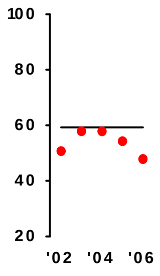

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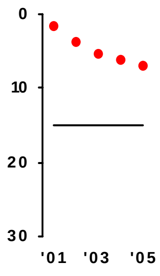

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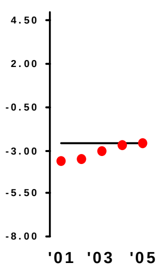

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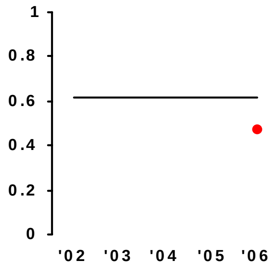
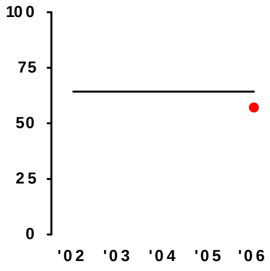
10/6/2006

Supplemental Information

Land Rights and Access	Natural Resource Management
0.473 (17%)	**57.13 (38%)**
Median 0.617	**Median** 64.08
	

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10/10/2006

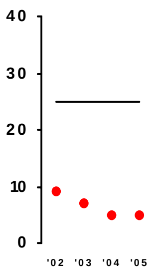
MILLENNIUM CHALLENGE CORPORATION

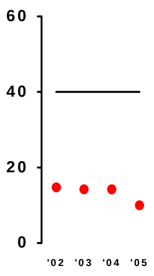
Belarus FY07

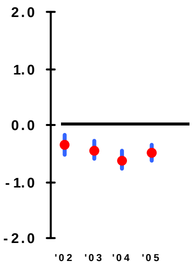
Population: 9,824,469
GNI/Cap: $2,760 LMIC

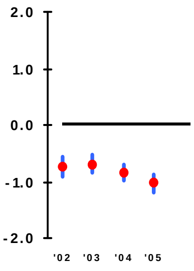
Ruling Justly

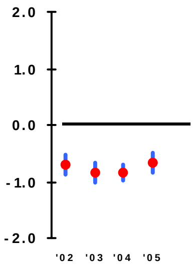
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	5 (6%)	10 (0%)	-0.49 (10%)	-1.03 (0%)	-0.66 (3%)	-1.71 (0%)
Median	25	40	0.00	0.00	0.00	0.00

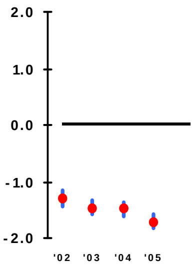








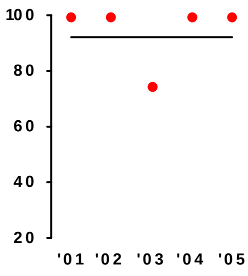


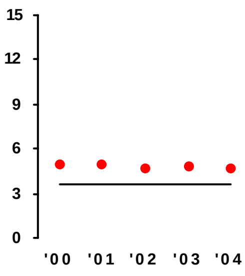


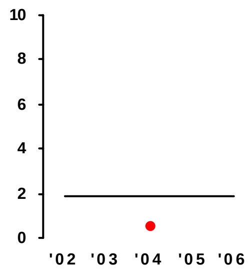
Sources: Freedom House | Freedom House | World Bank Institute | World Bank Institute | World Bank Institute | World Bank Institute

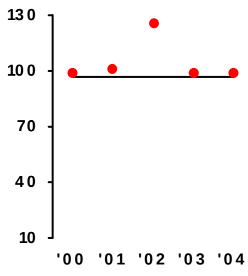
Investing In People

	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	99 (97%)	4.71 (77%)	0.56 (0%)	98.7 (71%)
Median	92.5	3.66	1.88%	97.3





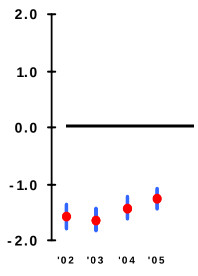


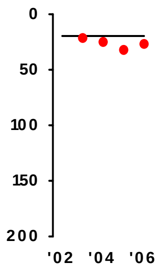


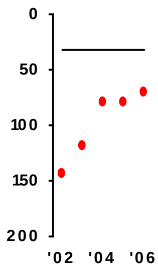
Sources: World Health Org. | World Health Org. | UNESCO/National Sources | UNESCO/World Bank

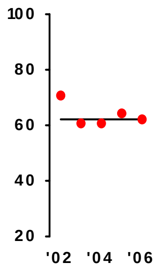
Economic Freedom

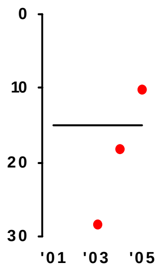
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	-1.26 (0%)	26.1 (38%)	69 (16%)	62.2 (52%)	10.30 (10%)	-0.40% (71%)
Median	0.00	19.8	33	62.1	Max. 15	-1.37%

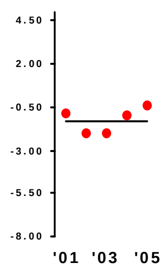












Sources: World Bank Inst. | Intl. Finance Corp. | Intl. Finance Corp. | Heritage Foundation | Intl. Monetary Fund | National Sources

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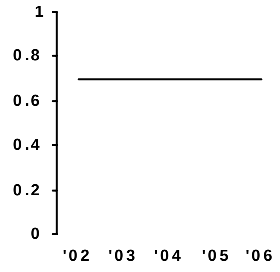
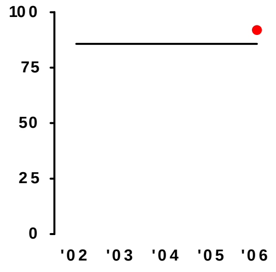
10/6/2006

Belarus FY07

Population: 9,824,469
GNI/Cap: $2,760 LMIC

Supplemental Information

Land Rights and Access	Natural Resource Management
n/a	91.89 (75%)
Median 0.696	Median 86.15
	
IFAD/IFC	CIESIN/YCELP

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10/10/2006

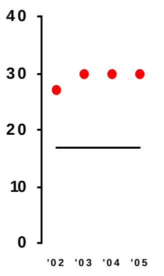
MILLENNIUM
CHALLENGE
CORPORATION

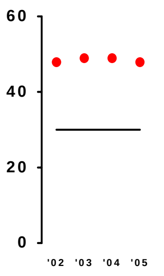
Benin FY07

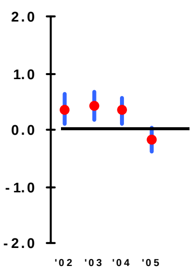
Population: 8,177,208
GNI/Cap: $510 LIC

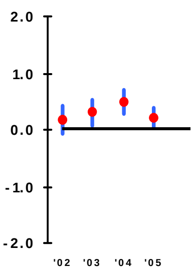
Ruling Justly

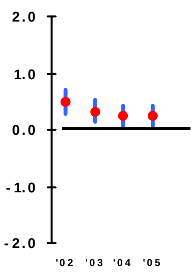
Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data 30 (87%)	48 (96%)	-0.18 (38%)	0.21 (65%)	0.25 (72%)	1.05 (90%)
Median 17	Median 30	Median 0.00	Median 0.00	Median 0.00	Median 0.00

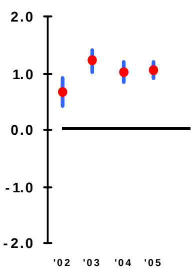








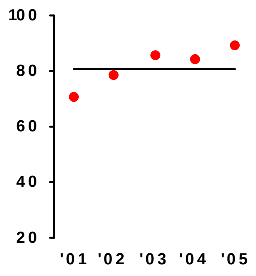


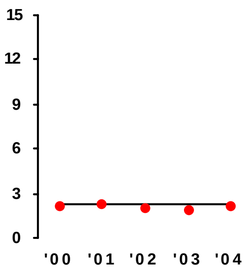


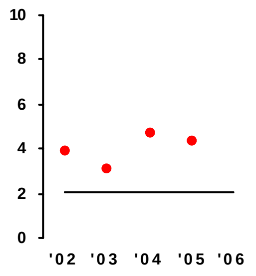
Sources: Freedom House | Freedom House | World Bank Institute | World Bank Institute | World Bank Institute | World Bank Institute

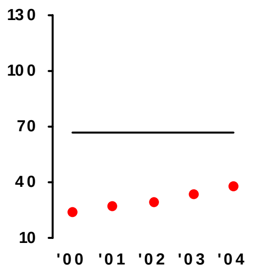
Investing In People

Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data 89 (72%)	2.12 (45%)	4.38 (92%)	38.3 (18%)
Median 81	Median 2.22	Median 2.07%	Median 66.7





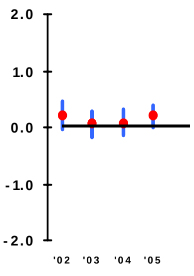


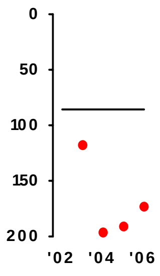


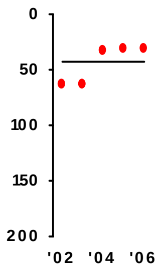
Sources: World Health Org. | World Health Org. | UNESCO/National Sources | UNESCO/World Bank

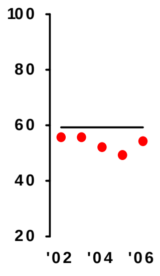
Economic Freedom

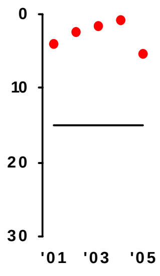
Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data 0.21 (64%)	173.3 (25%)	31 (72%)	54.6 (37%)	5.40 (74%)	-1.27% (70%)
Median 0.00	Median 85.7	Median 43	Median 59.1	Max. 15	Median -2.54%

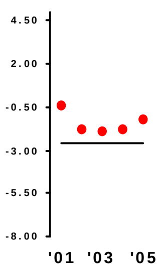












Sources: World Bank Inst. | Intl. Finance Corp. | Intl. Finance Corp. | Heritage Foundation | Intl. Monetary Fund | National Sources

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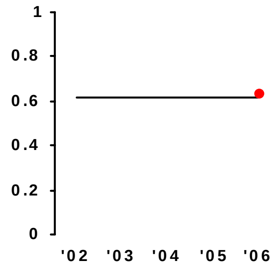
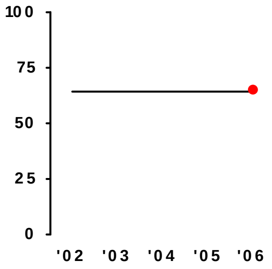
10/6/2006

Millennium Challenge Corporation

Benin FY07

Population: 8,177,208
GNI/Cap: $510 LIC

Supplemental Information

Land Rights and Access		Natural Resource Management	
0.633 (55%)		**65.51 (57%)**	
Median	**0.617**	**Median**	**64.08**
			

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10/10/2006

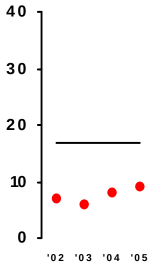
MILLENNIUM
CHALLENGE
CORPORATION

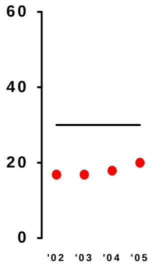
Bhutan FY07

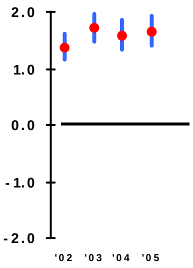
Population: 896,011
GNI/Cap: $870 LIC

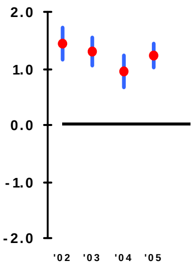
Ruling Justly

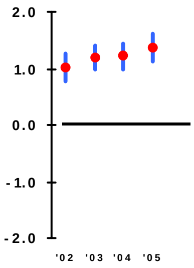
Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data 9 (24%)	20 (28%)	1.66 (100%)	1.23 (100%)	1.36 (97%)	-0.34 (42%)
Median 17	Median 30	Median 0.00	Median 0.00	Median 0.00	Median 0.00

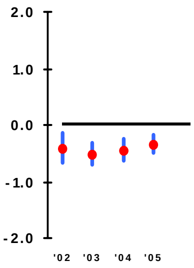








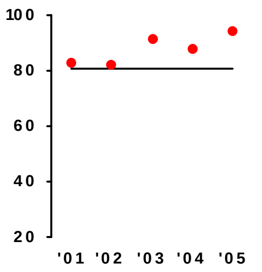


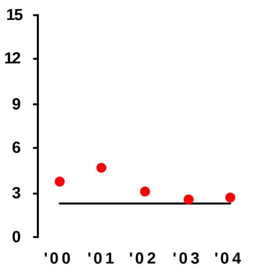


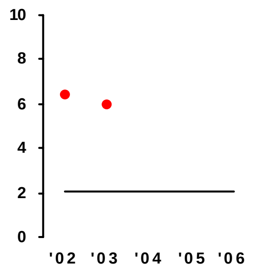
Sources: Freedom House | Freedom House | World Bank Institute | World Bank Institute | World Bank Institute | World Bank Institute

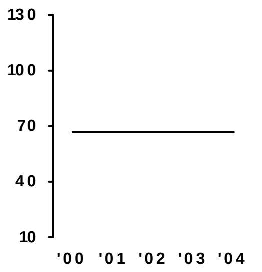
Investing In People

Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data 94 (85%)	2.65 (65%)	5.95 (97%)	n/a
Median 81	Median 2.22	Median 2.07%	Median 66.7





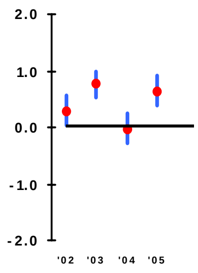


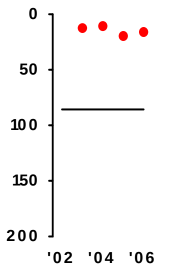


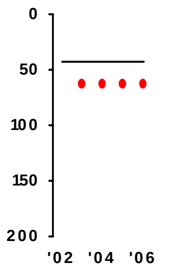
Sources: World Health Org. | World Health Org. | UNESCO/National Sources | UNESCO/World Bank

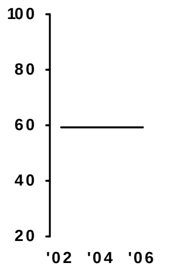
Economic Freedom

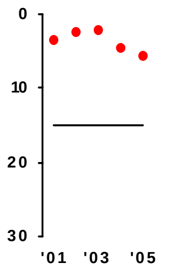
Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data 0.64 (95%)	16.6 (88%)	62 (29%)	n/a	5.50 (72%)	-4.87% (19%)
Median 0.00	Median 85.7	Median 43	Median 59.1	Max. 15	Median -2.54%

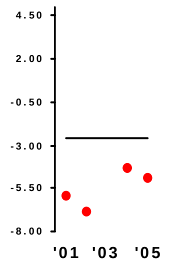












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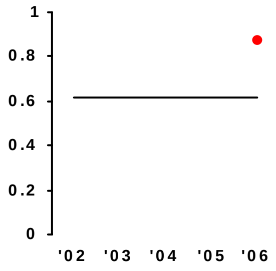
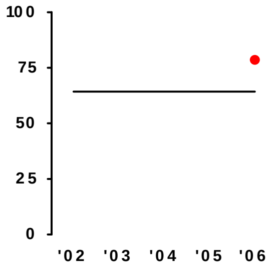
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Bhutan FY07

Population: 896,011
GNI/Cap: $870 LIC

Supplemental Information

Land Rights and Access	Natural Resource Management
0.873 (97%)	**78.84 (86%)**
Median 0.617	**Median 64.08**
	

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10/10/2006

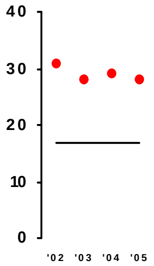
MILLENNIUM
CHALLENGE
CORPORATION

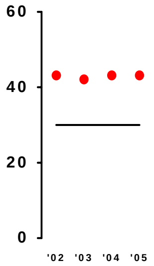
Bolivia FY07

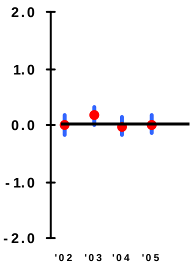
Population: 9,009,045
GNI/Cap: $1,010 LIC

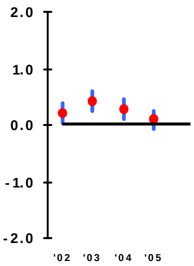
Ruling Justly

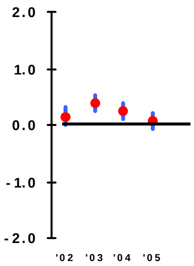
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	28 (82%)	43 (86%)	0.01 (51%)	0.10 (54%)	0.06 (59%)	0.62 (76%)
Median	17	30	0.00	0.00	0.00	0.00

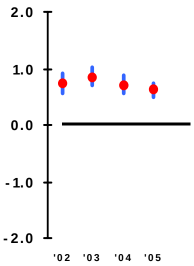








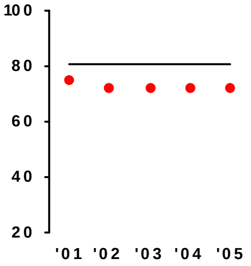


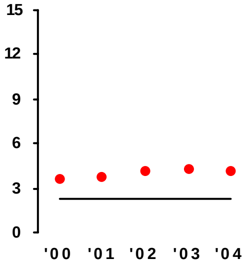


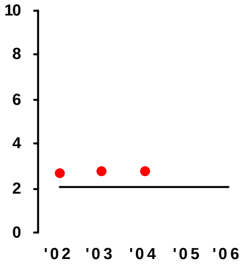
Sources: Freedom House | Freedom House | World Bank Institute | World Bank Institute | World Bank Institute | World Bank Institute

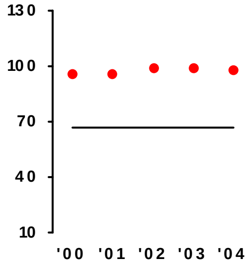
Investing In People

	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	72.5 (31%)	4.10 (86%)	2.81 (72%)	97.9 (92%)
Median	81	2.22	2.07%	66.7





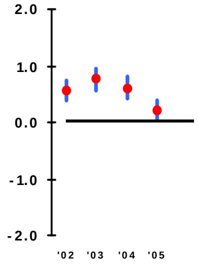


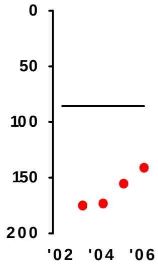


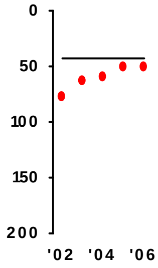
Sources: World Health Org. | World Health Org. | UNESCO/National Sources | UNESCO/World Bank

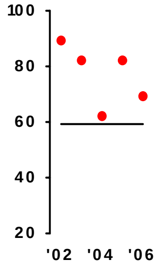
Economic Freedom

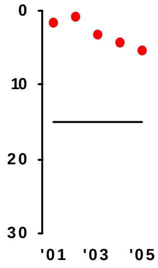
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	0.23 (68%)	140.6 (29%)	50 (42%)	69.4 (77%)	5.40 (74%)	-5.25% (15%)
Median	0.00	85.7	43	59.1	Max. 15	-2.54%

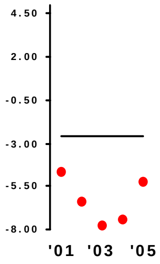












Sources: World Bank Inst. | Intl. Finance Corp. | Intl. Finance Corp. | Heritage Foundation | Intl. Monetary Fund | National Sources

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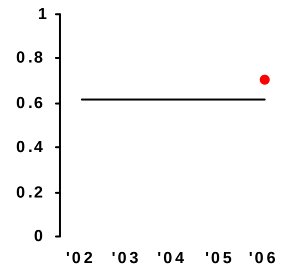
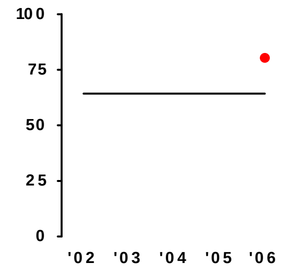
10/6/2006

Supplemental Information

<table>
<tr><th>Land Rights and Access</th><th>Natural Resource Management</th></tr>
<tr><td>0.705 (74%)</td><td>80.14 (90%)</td></tr>
<tr><td>Median 0.617</td><td>Median 64.08</td></tr>
<tr><td> </td><td> </td></tr>
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10/10/2006

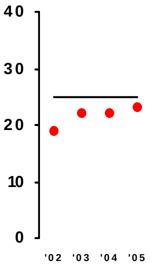
MILLENNIUM
CHALLENGE
CORPORATION

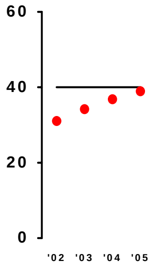
Bosnia and Herzegovina FY07

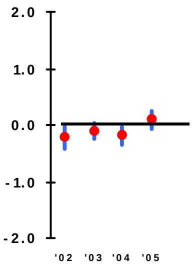
Population: 3,909,479
GNI/Cap: $2,440 LMIC

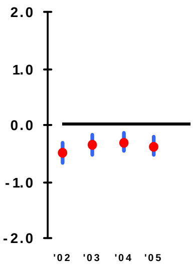
Ruling Justly

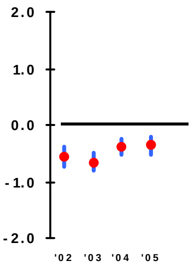
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	23 (42%)	39 (48%)	0.10 (55%)	-0.37 (26%)	-0.36 (26%)	-0.15 (45%)
Median	25	40	0.00	0.00	0.00	0.00

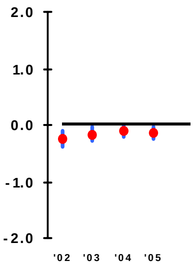








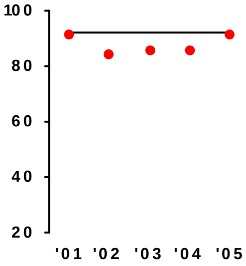


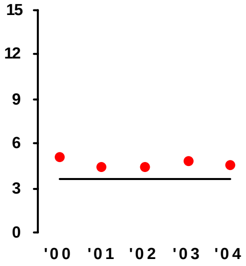


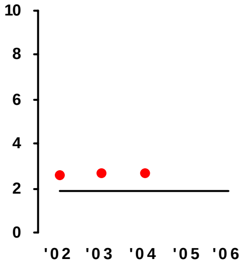
Sources: Freedom House | Freedom House | World Bank Institute | World Bank Institute | World Bank Institute | World Bank Institute

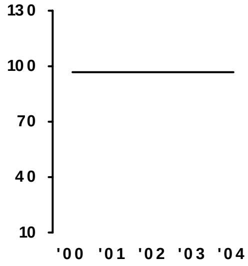
Investing In People

	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	91.5 (48%)	4.59 (71%)	2.67 (79%)	n/a
Median	92.5	3.66	1.88%	97.3





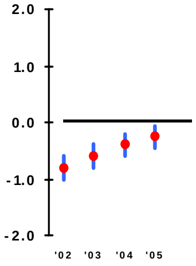


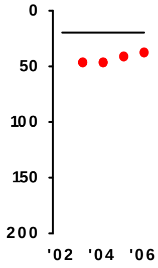


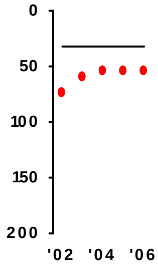
Sources: World Health Org. | World Health Org. | UNESCO/National Sources | UNESCO/World Bank

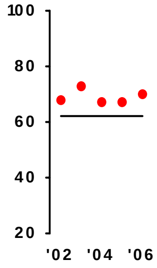
Economic Freedom

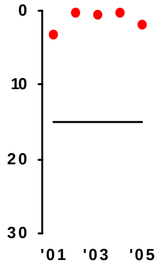
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	-0.26 (19%)	37.0 (25%)	54 (25%)	70.2 (84%)	1.90 (79%)	-0.72% (64%)
Median	0.00	19.8	33	62.1	Max. 15	-1.37%

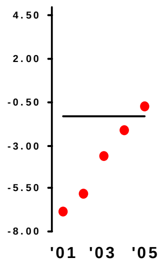












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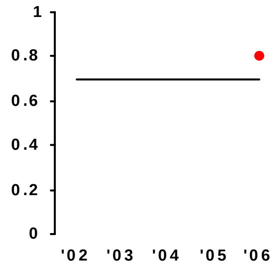
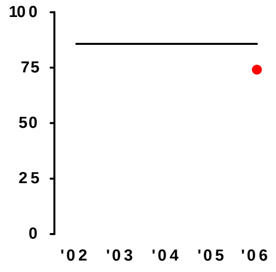
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Bosnia and Herzegovina FY07

Population: 3,909,479
GNI/Cap: $2,440 LMIC

Supplemental Information

Land Rights and Access		Natural Resource Management	
0.804 (91%)		73.72 (32%)	
Median	**0.696**	**Median**	**86.15**
			

IFAD/IFC

CIESIN/YCELP

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10/10/2006

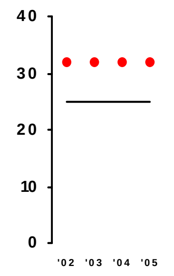
MILLENNIUM
CHALLENGE
CORPORATION

Brazil FY07

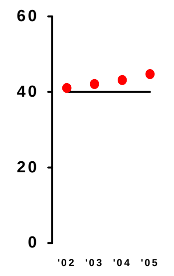
Population: 183,912,500
GNI/Cap: $3,460 LMIC

Ruling Justly

	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	32 (68%)	45 (71%)	0.13 (58%)	0.07 (71%)	-0.04 (45%)	0.33 (71%)
Median	25	40	0.00	0.00	0.00	0.00



Sources: Freedom House



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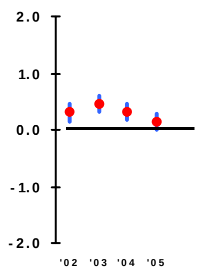
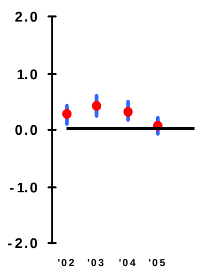


World Bank Institute



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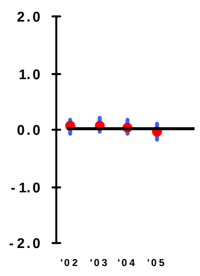

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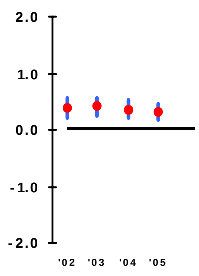
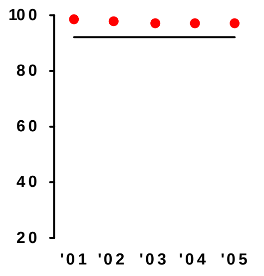


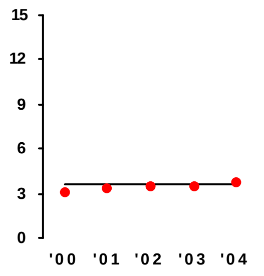
World Bank Institute

Investing In People

	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	97.5 (81%)	3.76 (55%)	2.36 (66%)	n/a
Median	92.5	3.66	1.88%	97.3



Sources: World Health Org.



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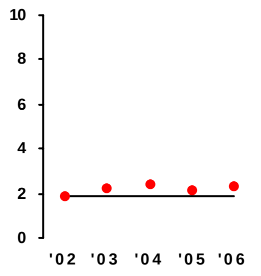
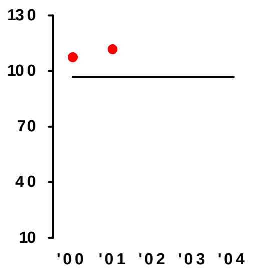


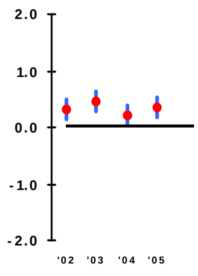
UNESCO/National Sources



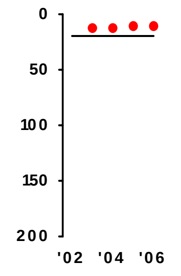
UNESCO/World Bank

Economic Freedom

	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	0.34 (71%)	9.9 (72%)	152 (3%)	64.0 (72%)	6.90 (31%)	-3.68% (25%)
Median	0.00	Median 19.8	Median 33	Median 62.1	Max. 15	Median -1.37%



Sources: World Bank Inst.



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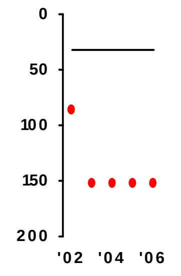

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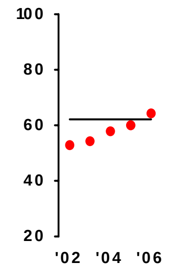

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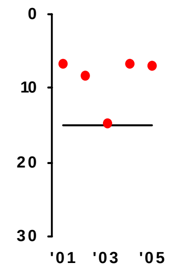
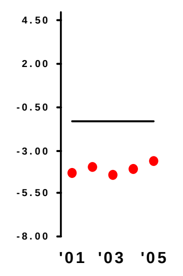


Intl. Monetary Fund



National Sources

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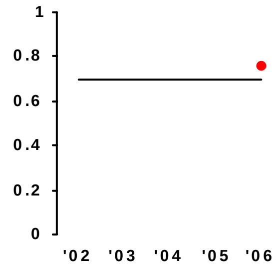
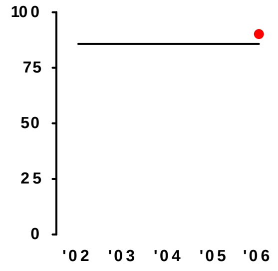
10/6/2006

Brazil FY07

Population: 183,912,500
GNI/Cap: $3,460 LMIC

Supplemental Information

Land Rights and Access		**Natural Resource Management**	
0.761 (78%)		**90.08 (64%)**	
Median	**0.696**	**Median**	**86.15**
			

IFAD/IFC

CIESIN/YCELP

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10/10/2006

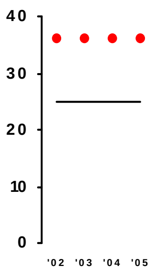
MILLENNIUM
CHALLENGE
CORPORATION

Bulgaria FY07

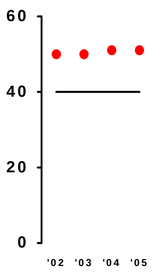
Population: 7,761,000
GNI/Cap: $3,450 LMIC

Ruling Justly

	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	36 (87%)	51 (87%)	0.36 (81%)	0.39 (90%)	0.19 (61%)	0.55 (81%)
Median	25	40	0.00	0.00	0.00	0.00



Sources: Freedom House



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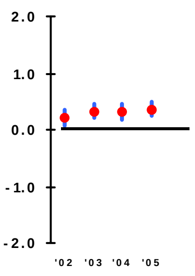
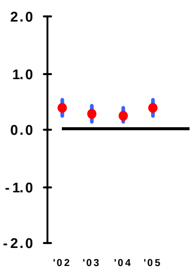
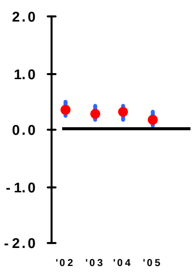


World Bank Institute



World Bank Institute



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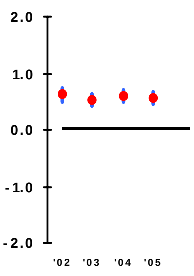
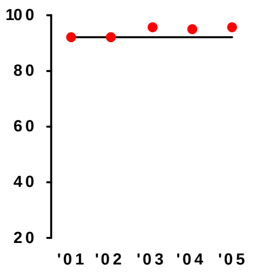


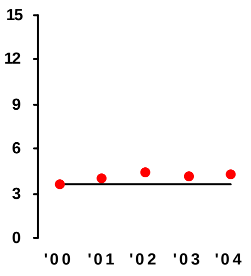
World Bank Institute

Investing In People

	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	96 (68%)	4.28 (65%)	0.81 (10%)	97.4 (58%)
Median	92.5	3.66	1.88%	97.3



Sources: World Health Org.



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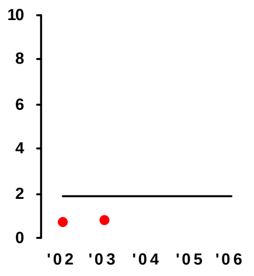
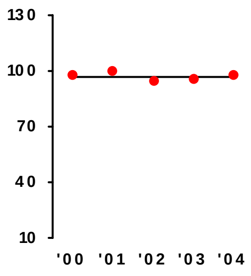


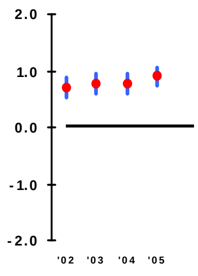
UNESCO/National Sources



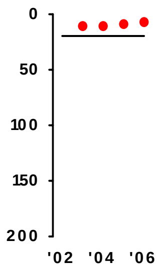
UNESCO/World Bank

Economic Freedom

	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	0.90 (100%)	7.9 (84%)	32 (56%)	60.8 (40%)	5.00 (38%)	1.21% (86%)
Median	0.00	19.8	33	62.1	Max. 15	-1.37%



Sources: World Bank Inst.



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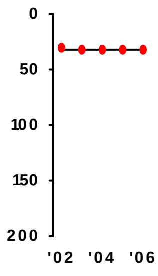

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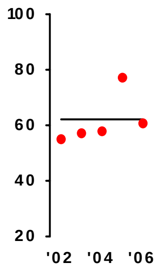
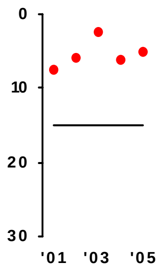
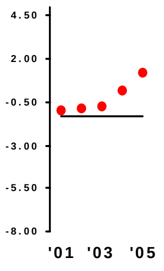


Heritage Foundation



Intl. Monetary Fund



National Sources

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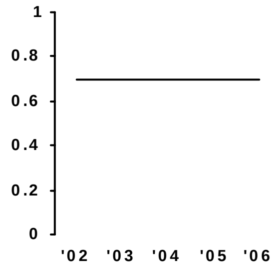
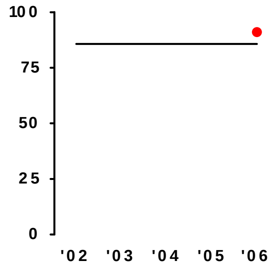
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Bulgaria FY07

Population: 7,761,000
GNI/Cap: $3,450 LMIC

Supplemental Information

Land Rights and Access	Natural Resource Management
n/a	91.07 (68%)
Median 0.696	**Median** 86.15
	
IFAD/IFC	CIESIN/YCELP

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10/10/2006

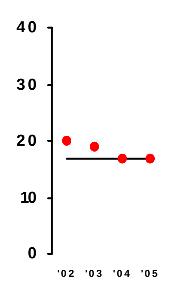
MILLENNIUM
CHALLENGE
CORPORATION

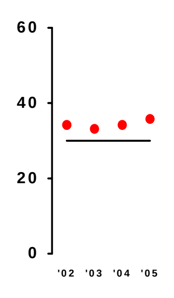
Burkina Faso FY07

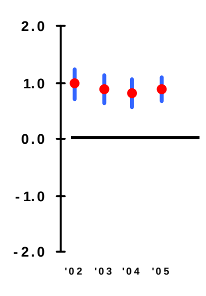
Population: 12,821,690
GNI/Cap: $400 LIC

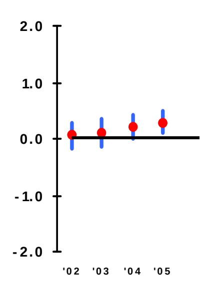
Ruling Justly

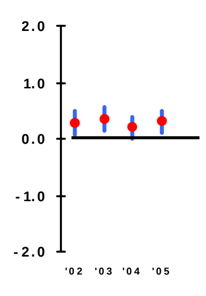
Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data 17 (49%)	36 (68%)	0.88 (96%)	0.30 (69%)	0.30 (76%)	0.34 (60%)
Median 17	Median 30	Median 0.00	Median 0.00	Median 0.00	Median 0.00
Sources: Freedom House	Freedom House	World Bank Institute	World Bank Institute	World Bank Institute	World Bank Institute

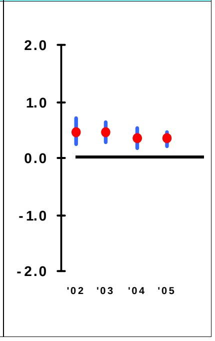






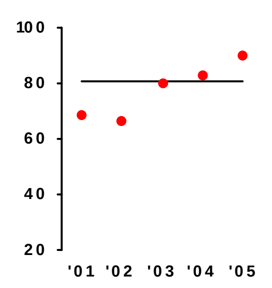


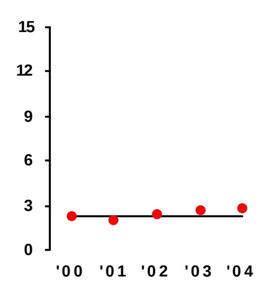


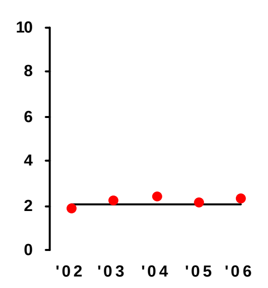


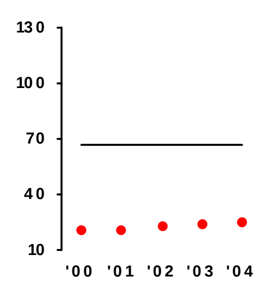
Investing In People

Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data 90 (73%)	2.79 (70%)	2.36 (60%)	25.3 (7%)
Median 81	Median 2.22	Median 2.07%	Median 66.7
Sources: World Health Org.	World Health Org.	UNESCO/National Sources	UNESCO/World Bank



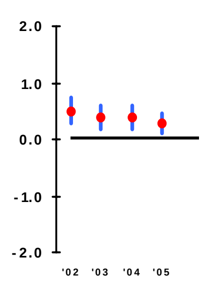


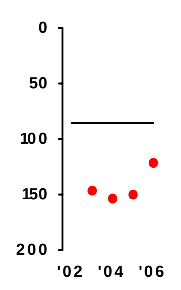


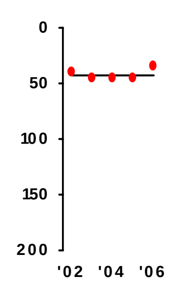


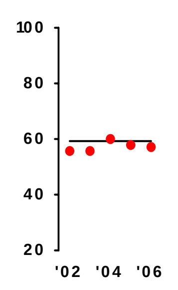
Economic Freedom

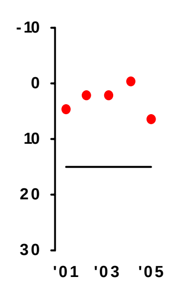
Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data 0.29 (74%)	120.8 (39%)	34 (68%)	57.2 (43%)	6.40 (69%)	-4.04% (33%)
Median 0.00	Median 85.7	Median 43	Median 59.1	Max. 15	Median -2.54%
Sources: World Bank Inst.	Intl. Finance Corp.	Intl. Finance Corp.	Heritage Foundation	Intl. Monetary Fund	National Sources

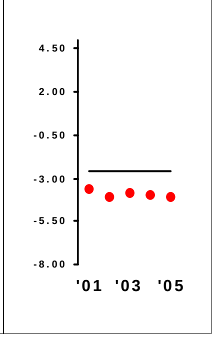












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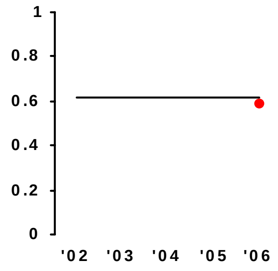
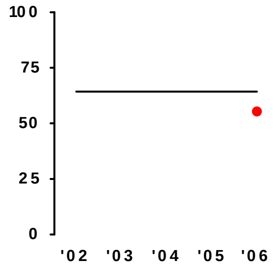
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Burkina Faso FY07

Population: 12,821,690
GNI/Cap: $400 LIC

Supplemental Information

Land Rights and Access	Natural Resource Management
0.587 (41%)	55.01 (27%)
Median 0.617	**Median** 64.08
	

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10/10/2006

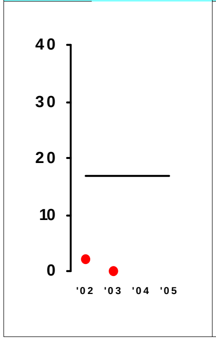
MILLENNIUM
CHALLENGE
CORPORATION

Burma FY07

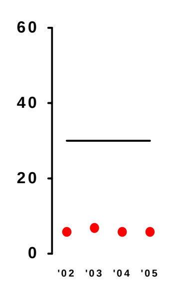
Population: 50,003,990
GNI/Cap: LIC

Ruling Justly

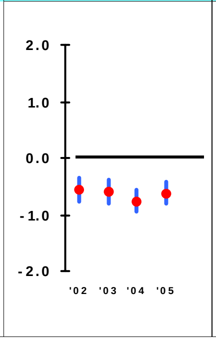
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	-1 (0%)	6 (4%)	-0.62 (3%)	-0.72 (6%)	-0.72 (8%)	-1.44 (0%)
Median	17	30	0.00	0.00	0.00	0.00



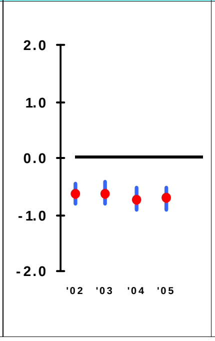
Sources: Freedom House



Freedom House



World Bank Institute



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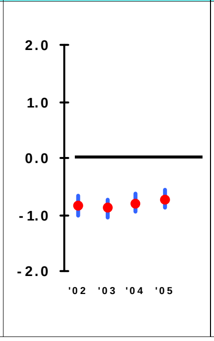
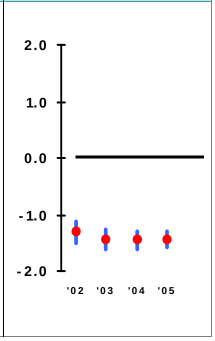


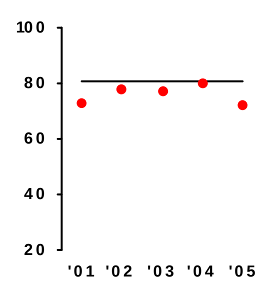
World Bank Institute



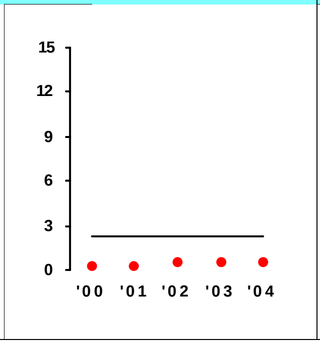
World Bank Institute

Investing In People

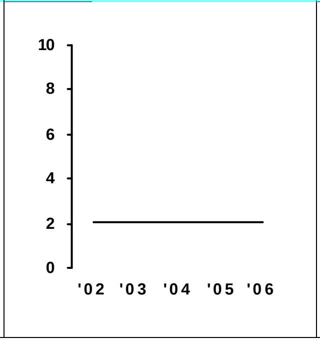
	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	72.5 (31%)	0.59 (0%)	n/a	75.1 (54%)
Median	81	2.22	2.07%	66.7



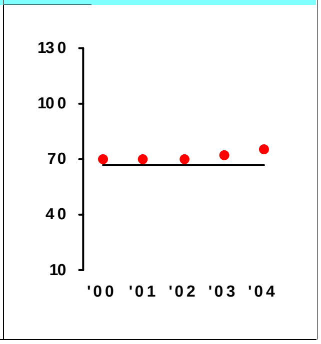
Sources: World Health Org.



World Health Org.



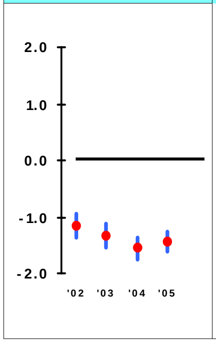
UNESCO/National Sources



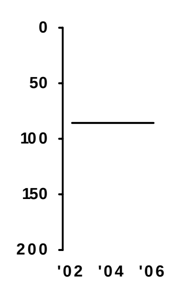
UNESCO/World Bank

Economic Freedom

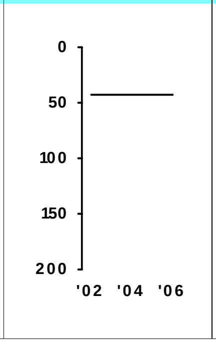
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	-1.44 (4%)	n/a	n/a	72.2 (86%)	10.10 (36%)	-4.47% (23%)
Median	0.00	85.7	43	59.1	Max. 15	-2.54%



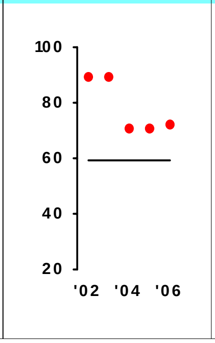
Sources: World Bank Inst.



Intl. Finance Corp.



Intl. Finance Corp.



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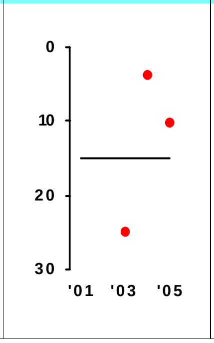
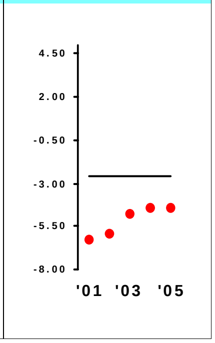


Intl. Monetary Fund



National Sources

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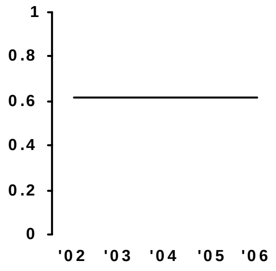
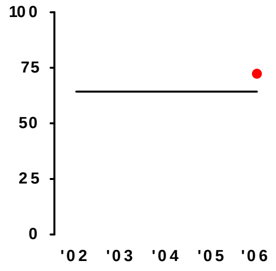
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Burma FY07

Population: 50,003,990
GNI/Cap: LIC

Supplemental Information

Land Rights and Access		Natural Resource Management	
n/a		72.74 (77%)	
Median	0.617	Median	64.08
			

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10/10/2006

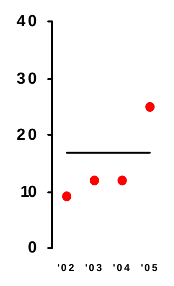
Millennium
Challenge
Corporation

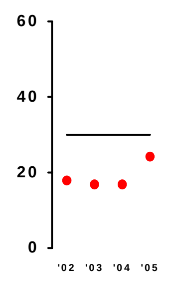
Burundi FY07

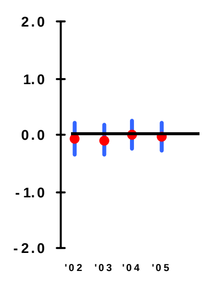
Population: 7,281,837
GNI/Cap: $100 LIC

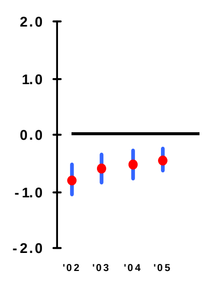
Ruling Justly

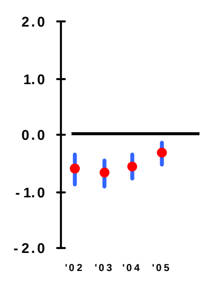
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	25 (69%)	24 (40%)	-0.04 (44%)	-0.45 (18%)	-0.33 (23%)	-0.44 (35%)
	Median 17	Median 30	Median 0.00	Median 0.00	Median 0.00	Median 0.00
	Sources: Freedom House	Freedom House	World Bank Institute	World Bank Institute	World Bank Institute	World Bank Institute

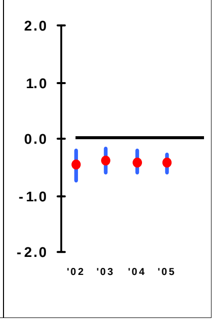






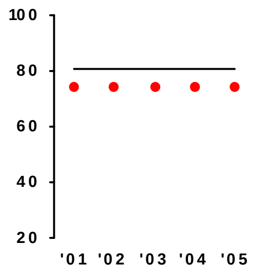


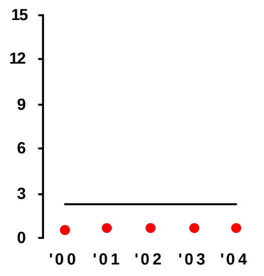


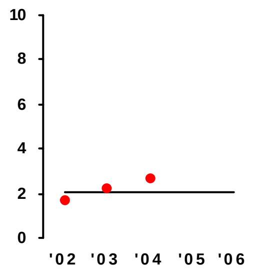


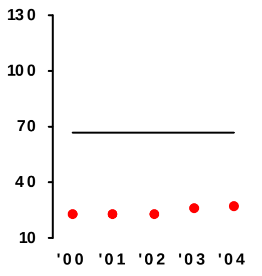
Investing In People

	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	74.5 (36%)	0.73 (4%)	2.64 (71%)	26.9 (8%)
	Median 81	Median 2.22	Median 2.07%	Median 66.7
	Sources: World Health Org.	World Health Org.	UNESCO/National Sources	UNESCO/World Bank



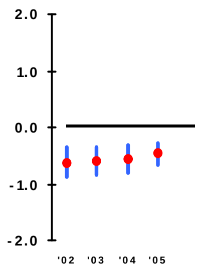


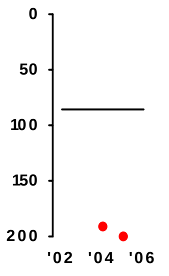


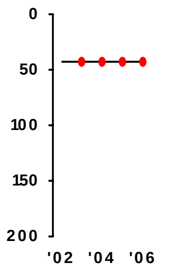


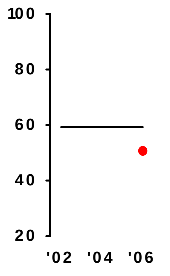
Economic Freedom

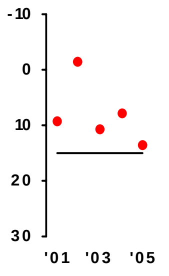
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	-0.47 (21%)	222.4 (14%)	43 (53%)	51.0 (20%)	13.40 (18%)	-5.80% (14%)
	Median 0.00	Median 85.7	Median 43	Median 59.1	Max. 15	Median -2.54%
	Sources: World Bank Inst.	Intl. Finance Corp.	Intl. Finance Corp.	Heritage Foundation	Intl. Monetary Fund	National Sources

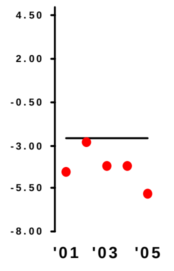












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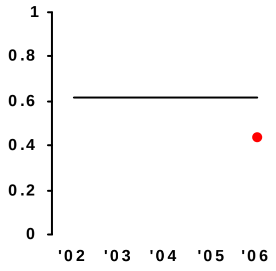
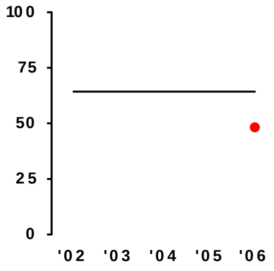
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Burundi FY07

Population: 7,281,837
GNI/Cap: $100 LIC

Supplemental Information

Land Rights and Access		Natural Resource Management	
0.436 (12%)		48.24 (14%)	
Median	0.617	Median	64.08
			

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10/10/2006

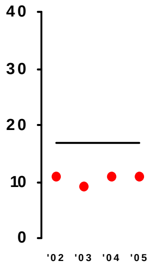
MILLENNIUM
CHALLENGE
CORPORATION

Cambodia FY07

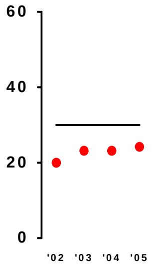
Population: 13,798,120
GNI/Cap: $380 LIC

Ruling Justly

	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	11 (32%)	24 (40%)	-0.30 (21%)	-0.05 (42%)	-0.29 (27%)	-0.22 (45%)
Median	17	30	0.00	0.00	0.00	0.00



Sources: Freedom House



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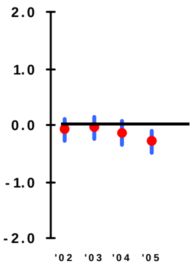
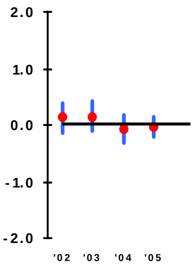
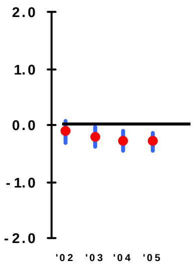


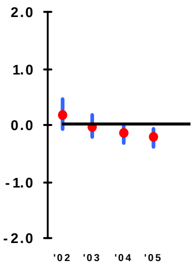
World Bank Institute



World Bank Institute



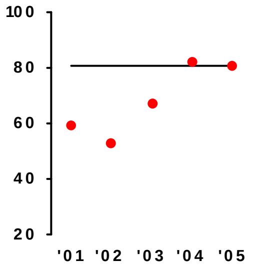
World Bank Institute



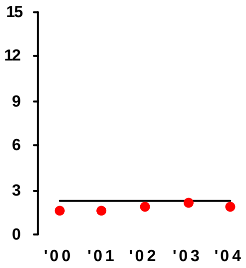
World Bank Institute

Investing In People

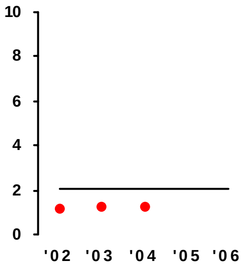
	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	80.5 (49%)	1.88 (38%)	1.29 (29%)	77.8 (59%)
Median	81	2.22	2.07%	66.7



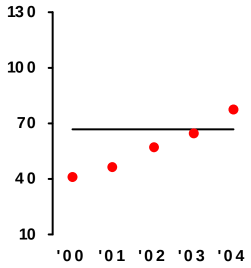
Sources: World Health Org.



World Health Org.



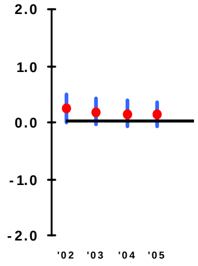
UNESCO/National Sources



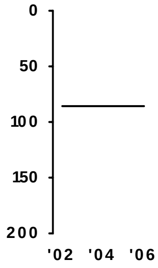
UNESCO/World Bank

Economic Freedom

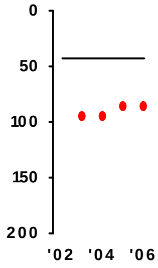
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	0.13 (56%)	236.4 (10%)	86 (14%)	68.4 (74%)	5.80 (70%)	-4.71% (21%)
Median	0.00	85.7	43	59.1	Max. 15	-2.54%



Sources: World Bank Inst.



Intl. Finance Corp.



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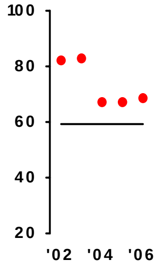
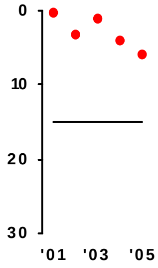


Heritage Foundation



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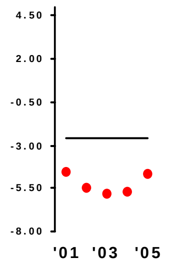

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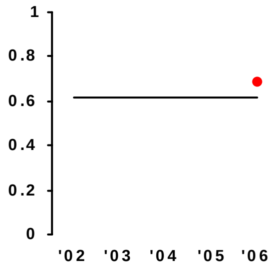
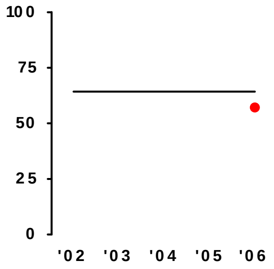
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Cambodia FY07

Population: 13,798,120
GNI/Cap: $380 LIC

Supplemental Information

Land Rights and Access		Natural Resource Management	
0.690 (70%)		57.13 (36%)	
Median	0.617	Median	64.08
			

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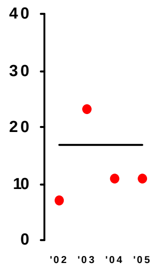
MILLENNIUM
CHALLENGE
CORPORATION

Cameroon FY07

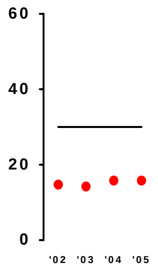
Population: 16,037,750
GNI/Cap: $1,010 LIC

Ruling Justly

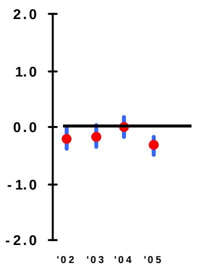
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	11 (32%)	16 (17%)	-0.33 (19%)	0.00 (50%)	-0.18 (36%)	-0.48 (27%)
Median	17	30	0.00	0.00	0.00	0.00



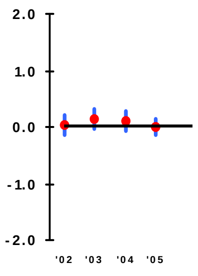
Sources: Freedom House



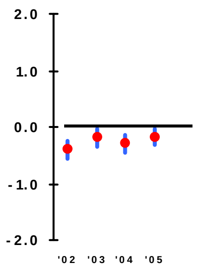
Freedom House



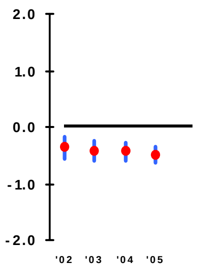
World Bank Institute



World Bank Institute



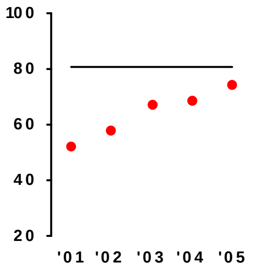
World Bank Institute



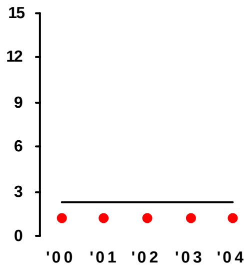
World Bank Institute

Investing In People

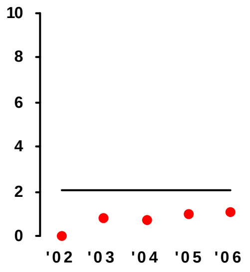
	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	74 (35%)	1.27 (18%)	1.08 (23%)	57.6 (41%)
Median	81	2.22	2.07%	66.7



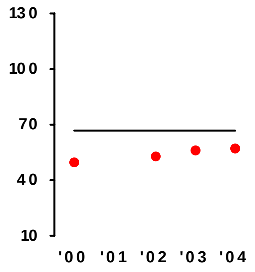
Sources: World Health Org.



World Health Org.



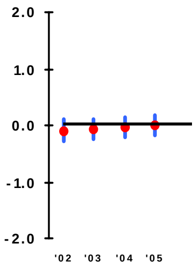
UNESCO/National Sources



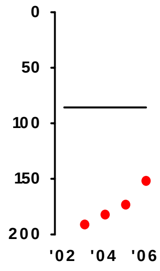
UNESCO/World Bank

Economic Freedom

	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	0.00 (50%)	152.2 (26%)	37 (64%)	49.8 (17%)	2.00 (92%)	1.37% (92%)
Median	0.00	85.7	43	59.1	Max. 15	-2.54%



Sources: World Bank Inst.



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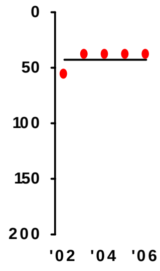

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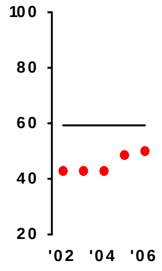
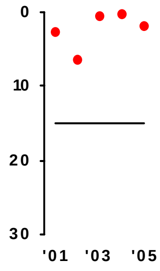
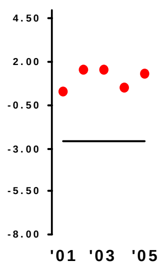


Heritage Foundation



Intl. Monetary Fund



National Sources

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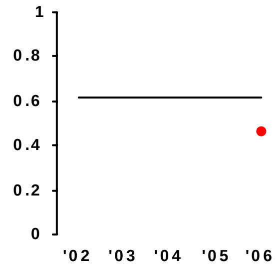
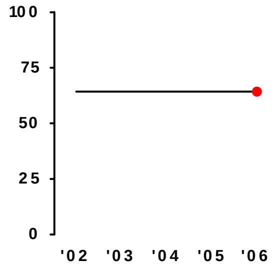
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Cameroon FY07

Population: 16,037,750
GNI/Cap: $1,010 LIC

Supplemental Information

Land Rights and Access	Natural Resource Management
0.460 (14%)	63.89 (49%)
Median 0.617	Median 64.08
	

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10/10/2006

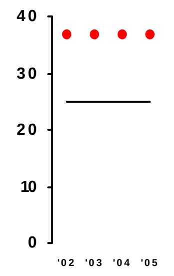
MILLENNIUM
CHALLENGE
CORPORATION

Cape Verde FY07

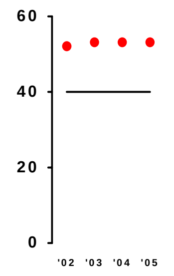
Population: 495,171
GNI/Cap: $1,870 LMIC

Ruling Justly

	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	37 (90%)	53 (90%)	0.62 (97%)	0.05 (58%)	0.58 (77%)	0.80 (90%)
Median	25	40	0.00	0.00	0.00	0.00



Sources: Freedom House



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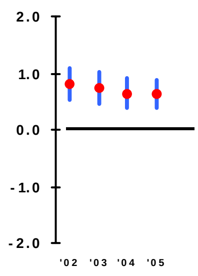
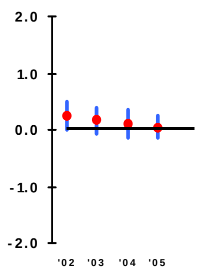
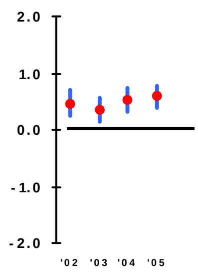


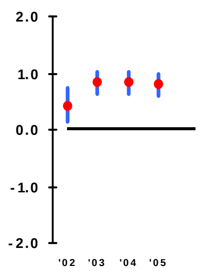
World Bank Institute



World Bank Institute



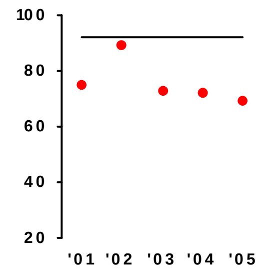
World Bank Institute



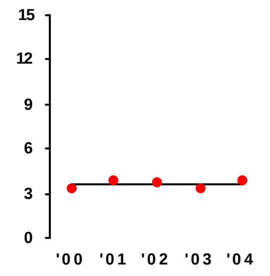
World Bank Institute

Investing In People

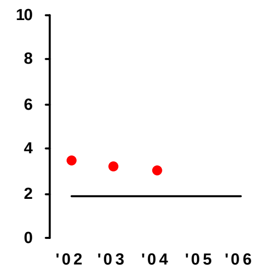
	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	69 (6%)	3.89 (58%)	3.02 (86%)	95.3 (33%)
Median	92.5	3.66	1.88%	97.3



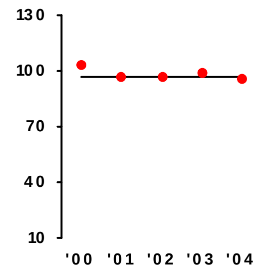
Sources: World Health Org.



World Health Org.



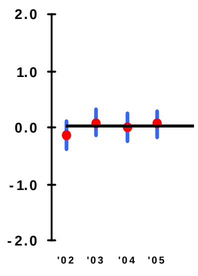
UNESCO/National Sources



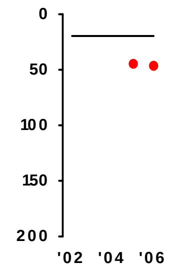
UNESCO/World Bank

Economic Freedom

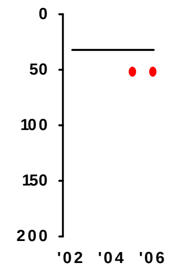
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	0.06 (55%)	45.6 (16%)	52 (28%)	31.2 (4%)	0.40 (100%)	-4.20% (21%)
Median	0.00	19.8	33	62.1	Max. 15	-1.37%



Sources: World Bank Inst.



Intl. Finance Corp.



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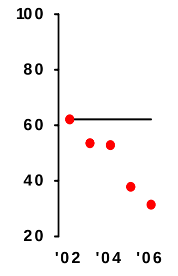
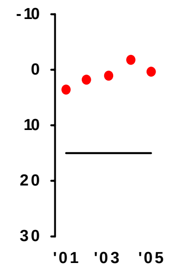
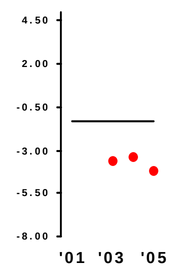


Heritage Foundation



Intl. Monetary Fund



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10/6/2006

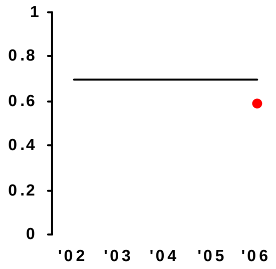
MILLENNIUM
CHALLENGE
CORPORATION

Cape Verde FY07

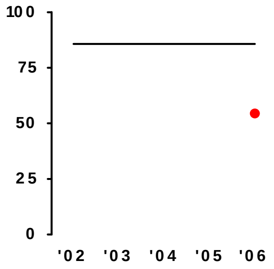
Population: 495,171
GNI/Cap: $1,870 LMIC

Supplemental Information

Land Rights and Access		Natural Resource Management	
0.589 (22%)		54.88 (4%)	
Median	0.696	**Median**	86.15



IFAD/IFC



CIESIN/YCELP

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10/10/2006

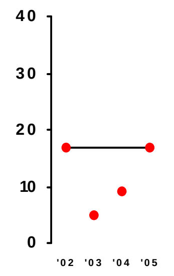
MILLENNIUM CHALLENGE CORPORATION

Central African Republic FY07

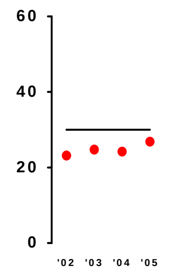
Population: 3,985,971
GNI/Cap: $350 LIC

Ruling Justly

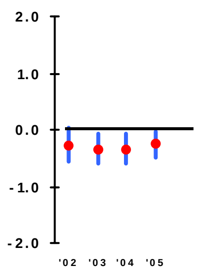
Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data 17 (49%)	27 (45%)	-0.26 (26%)	-0.57 (9%)	-0.44 (19%)	-0.43 (36%)
Median 17	Median 30	Median 0.00	Median 0.00	Median 0.00	Median 0.00



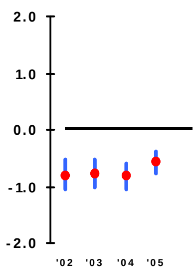
Sources: Freedom House



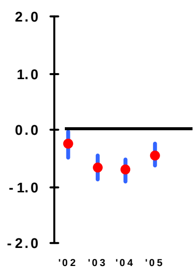
Freedom House



World Bank Institute



World Bank Institute



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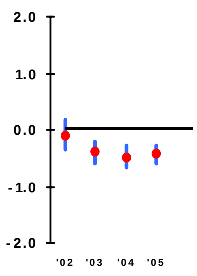
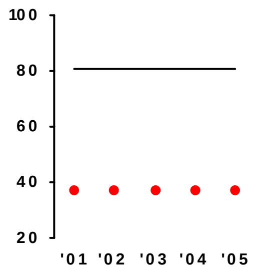


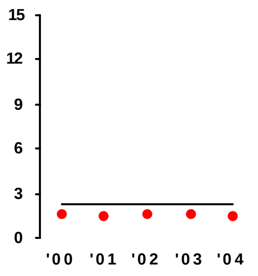
World Bank Institute

Investing In People

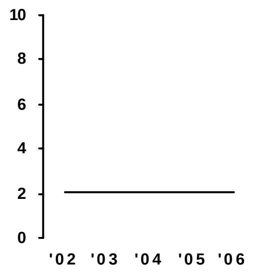
Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data 37.5 (4%)	1.50 (27%)	n/a	16.5 (0%)
Median 81	Median 2.22	Median 2.07%	Median 66.7



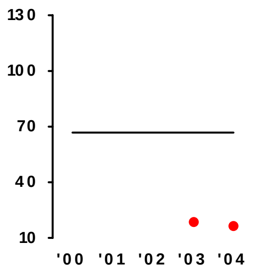
Sources: World Health Org.



World Health Org.



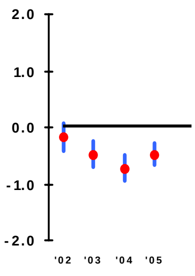
UNESCO/National Sources



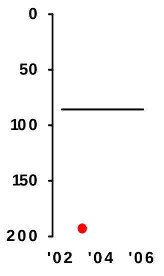
UNESCO/World Bank

Economic Freedom

Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data -0.48 (19%)	209.3 (18%)	14 (99%)	44.2 (8%)	2.90 (89%)	-4.32% (26%)
Median 0.00	Median 85.7	Median 43	Median 59.1	Max. 15	Median -2.54%



Sources: World Bank Inst.



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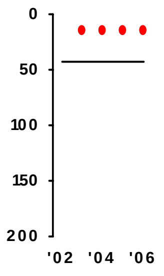

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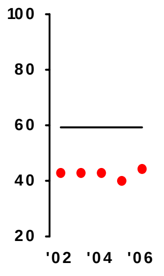

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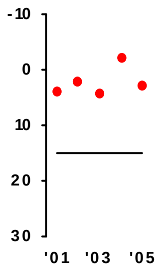

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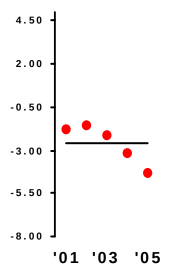

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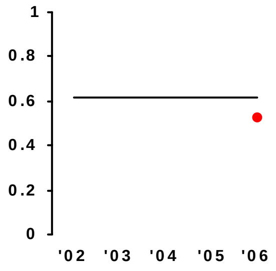
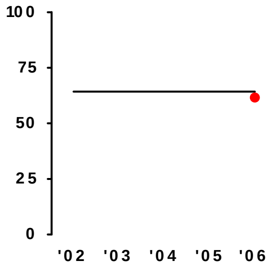
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Central African Republic FY07

Population: 3,985,971
GNI/Cap: $350 LIC

Supplemental Information

Land Rights and Access		Natural Resource Management	
0.530 (26%)		61.72 (45%)	
Median	**0.617**	**Median**	**64.08**
			

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10/10/2006

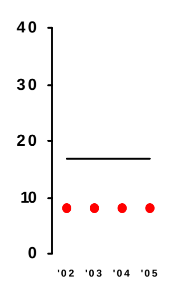
MILLENNIUM
CHALLENGE
CORPORATION

Chad FY07

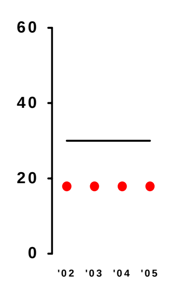
Population: 9,447,944
GNI/Cap: $400 LIC

Ruling Justly

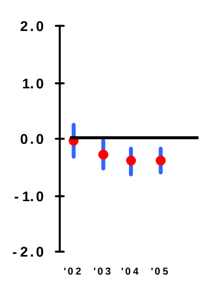
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	8 (18%)	18 (21%)	-0.40 (15%)	-0.23 (27%)	-0.39 (22%)	-0.53 (23%)
Median	17	30	0.00	0.00	0.00	0.00



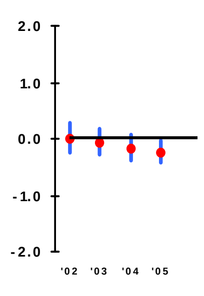
Sources: Freedom House



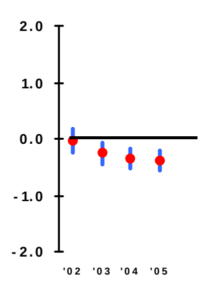
Freedom House



World Bank Institute



World Bank Institute



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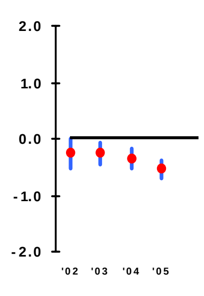
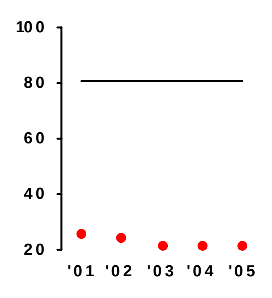


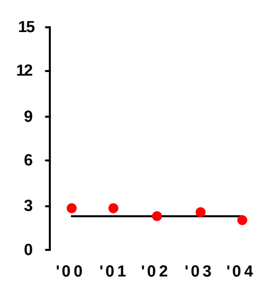
World Bank Institute

Investing In People

	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	21.5 (0%)	2.00 (43%)	n/a	23.5 (5%)
Median	81	2.22	2.07%	66.7



Sources: World Health Org.



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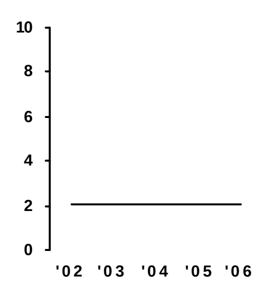
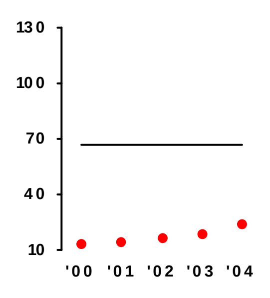


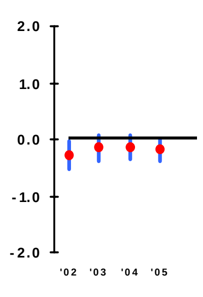
UNESCO/National Sources



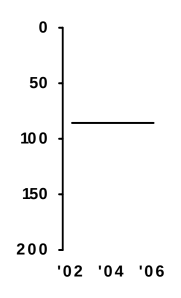
UNESCO/World Bank

Economic Freedom

	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	-0.19 (40%)	226.1 (13%)	75 (21%)	52.0 (22%)	7.90 (50%)	-3.23% (41%)
Median	0.00	85.7	43	59.1	Max. 15	-2.54%



Sources: World Bank Inst.



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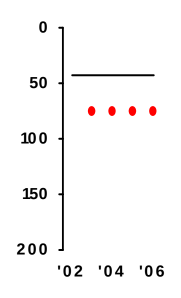

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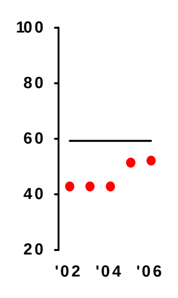

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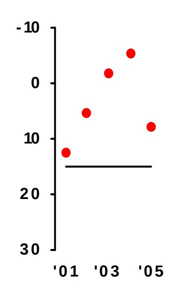

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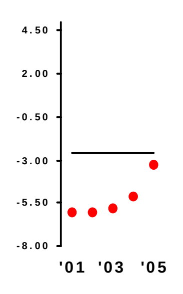

National Sources

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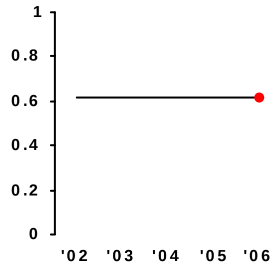
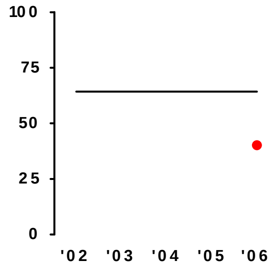
10/6/2006

Millennium
Challenge
Corporation

Chad FY07

Population: 9,447,944
GNI/Cap: $400 LIC

Supplemental Information

Land Rights and Access		**Natural Resource Management**	
0.613 (47%)		**40.39 (5%)**	
Median	**0.617**	**Median**	**64.08**
			

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10/10/2006

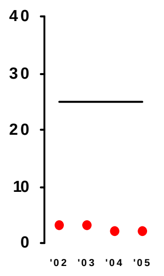
Millennium
Challenge
Corporation

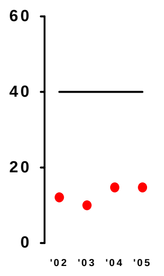
China FY07

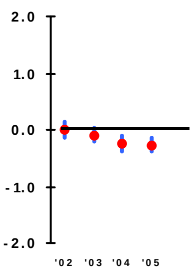
Population: 1,296,157,000
GNI/Cap: $1,740 LMIC

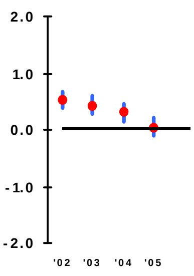
Ruling Justly

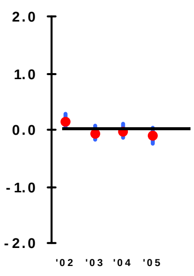
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	2 (3%)	15 (3%)	-0.28 (19%)	0.05 (55%)	-0.10 (42%)	-1.69 (3%)
Median	25	40	0.00	0.00	0.00	0.00
Sources:	Freedom House	Freedom House	World Bank Institute	World Bank Institute	World Bank Institute	World Bank Institute

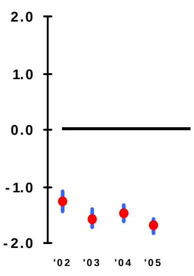






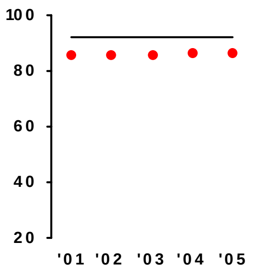


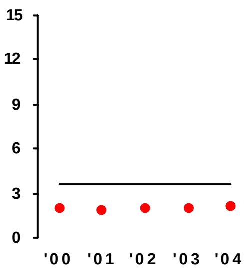


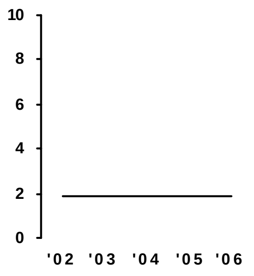


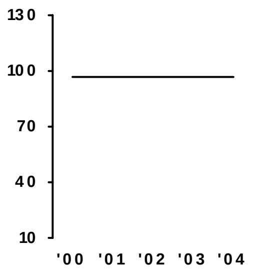
Investing In People

	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	86.5 (35%)	2.08 (10%)	n/a	n/a
Median	92.5	3.66	1.88%	97.3
Sources:	World Health Org.	World Health Org.	UNESCO/National Sources	UNESCO/World Bank



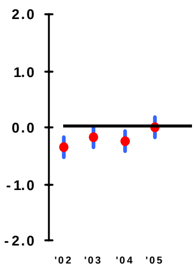


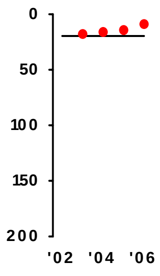


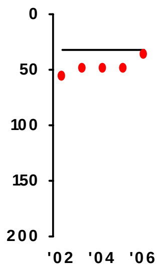


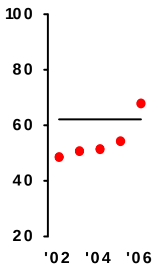
Economic Freedom

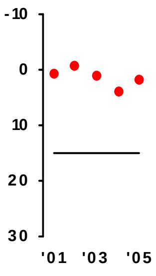
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	-0.01 (42%)	9.3 (81%)	35 (47%)	68.0 (80%)	1.80 (83%)	-1.75% (46%)
Median	0.00	19.8	33	62.1	Max. 15	-1.37%
Sources:	World Bank Inst.	Intl. Finance Corp.	Intl. Finance Corp.	Heritage Foundation	Intl. Monetary Fund	National Sources

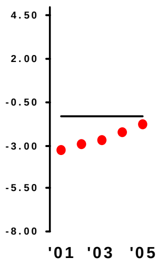












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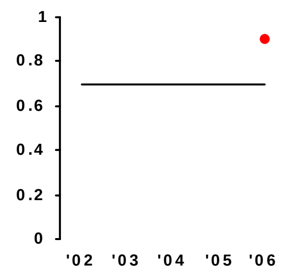
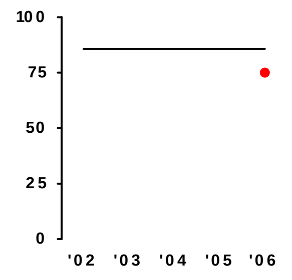
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

China FY07

Population: 1,296,157,000
GNI/Cap: $1,740 LMIC

Supplemental Information

Land Rights and Access	Natural Resource Management
0.899 (100%)	74.99 (39%)
Median 0.696	Median 86.15
	
IFAD/IFC	CIESIN/YCELP

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10/10/2006

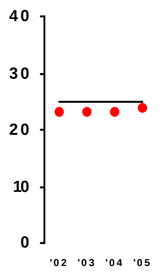
MILLENNIUM
CHALLENGE
CORPORATION

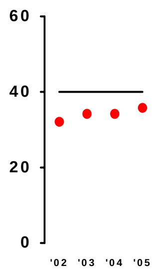
Colombia FY07

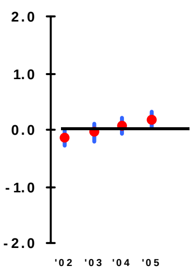
Population: 44,915,020
GNI/Cap: $2,290 LMIC

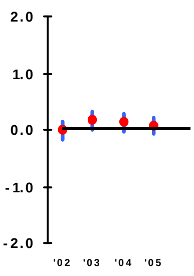
Ruling Justly

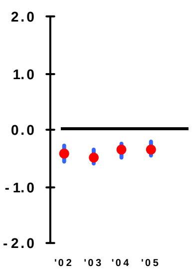
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	24 (45%)	36 (35%)	0.19 (71%)	0.07 (61%)	-0.34 (32%)	-0.35 (35%)
Median	25	40	0.00	0.00	0.00	0.00

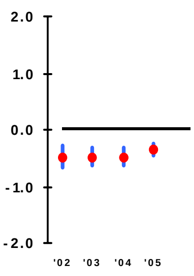








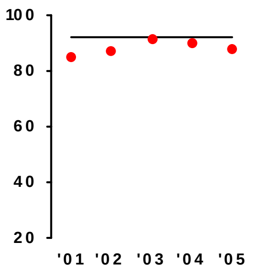


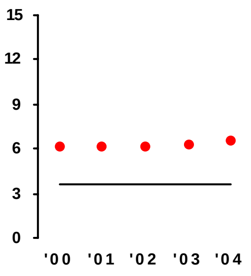


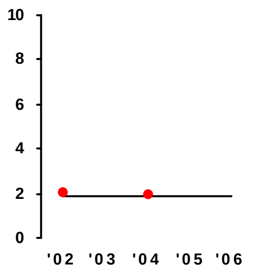
Sources: Freedom House | Freedom House | World Bank Institute | World Bank Institute | World Bank Institute | World Bank Institute

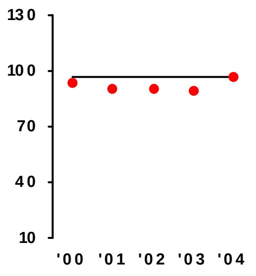
Investing In People

	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	88 (42%)	6.61 (97%)	1.96 (52%)	96.4 (42%)
Median	92.5	3.66	1.88%	97.3





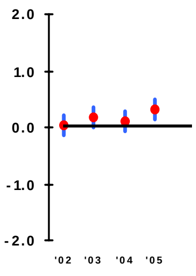


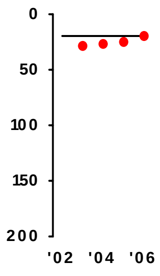


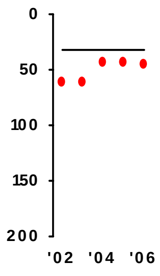
Sources: World Health Org. | World Health Org. | UNESCO/National Sources | UNESCO/World Bank

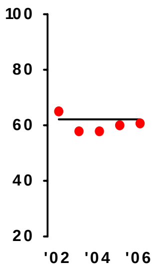
Economic Freedom

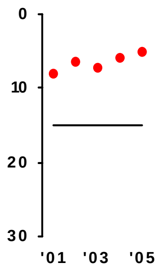
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	0.32 (68%)	19.8 (50%)	44 (38%)	60.8 (40%)	5.00 (38%)	-1.31% (57%)
Median	0.00	19.8	33	62.1		-1.37%
Max.					15	

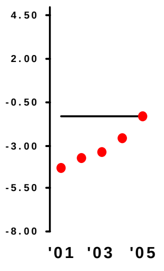












Sources: World Bank Inst. | Intl. Finance Corp. | Intl. Finance Corp. | Heritage Foundation | Intl. Monetary Fund | National Sources

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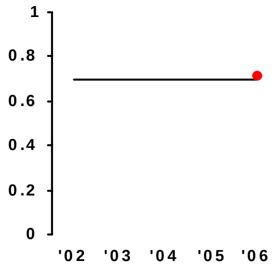
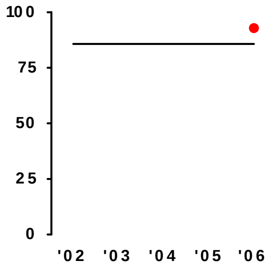
10/6/2006

Colombia FY07

Population: 44,915,020
GNI/Cap: $2,290 LMIC

Supplemental Information

Land Rights and Access	Natural Resource Management
0.712 (61%)	**92.95 (82%)**
Median 0.696	**Median 86.15**
	
IFAD/IFC	CIESIN/YCELP

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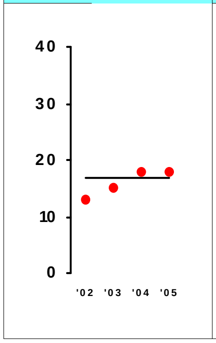
MILLENNIUM
CHALLENGE
CORPORATION

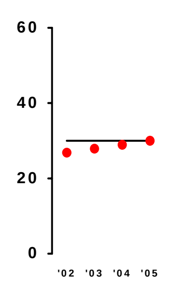
Comoros FY07

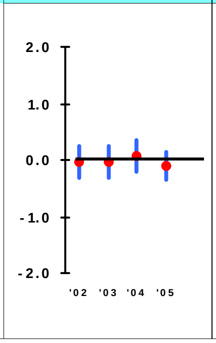
Population: 587,944
GNI/Cap: $640 LIC

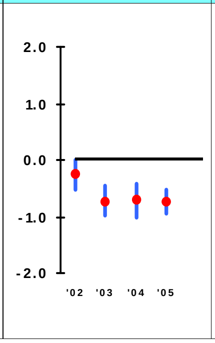
Ruling Justly

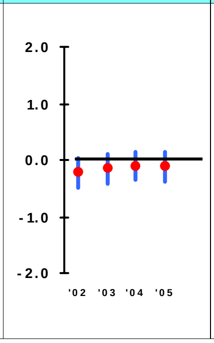
Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data 18 (53%)	30 (50%)	-0.10 (41%)	-0.74 (5%)	-0.12 (41%)	0.44 (65%)
Median 17	Median 30	Median 0.00	Median 0.00	Median 0.00	Median 0.00

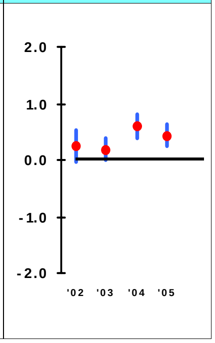








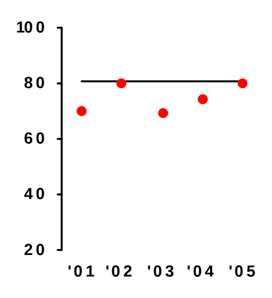


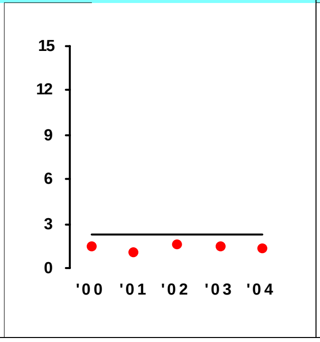


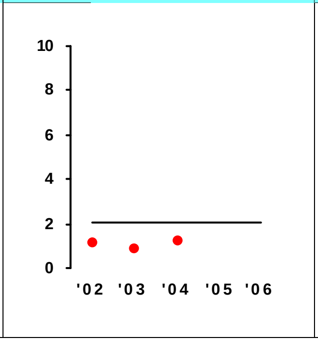
Sources: Freedom House | Freedom House | World Bank Institute | World Bank Institute | World Bank Institute | World Bank Institute

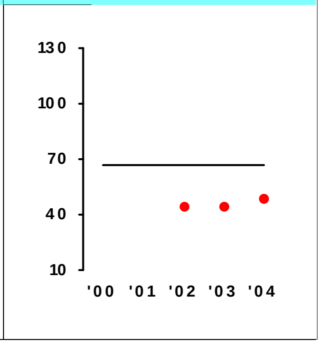
Investing In People

Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data 80 (46%)	1.37 (22%)	1.22 (28%)	49.0 (31%)
Median 81	Median 2.22	Median 2.07%	Median 66.7





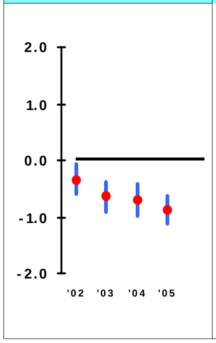


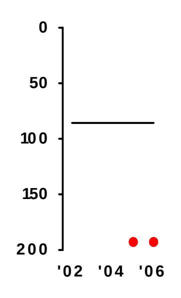


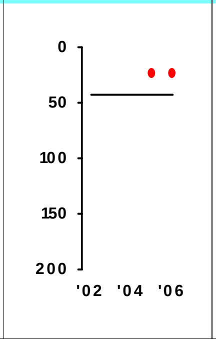
Sources: World Health Org. | World Health Org. | UNESCO/National Sources | UNESCO/World Bank

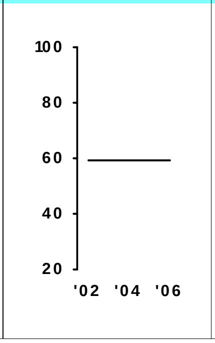
Economic Freedom

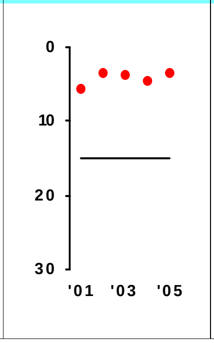
Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data -0.88 (13%)	192.3 (21%)	23 (86%)	n/a	3.60 (84%)	-1.90% (62%)
Median 0.00	Median 85.7	Median 43	Median 59.1	Max. 15	Median -2.54%

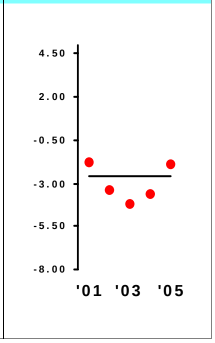












Sources: World Bank Inst. | Intl. Finance Corp. | Intl. Finance Corp. | Heritage Foundation | Intl. Monetary Fund | National Sources

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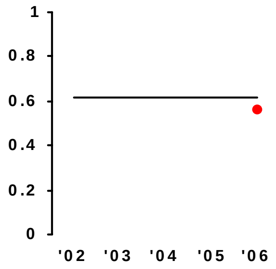
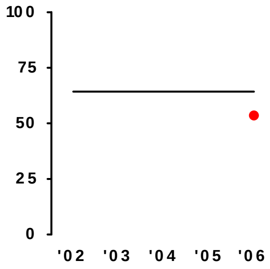
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Comoros FY07

Population: 587,944
GNI/Cap: $640 LIC

Supplemental Information

Land Rights and Access		Natural Resource Management	
0.561 (36%)		53.69 (23%)	
Median	0.617	Median	64.08
			

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10/10/2006

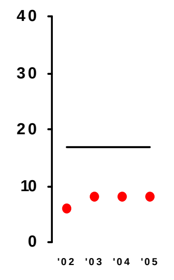
Millennium
Challenge
Corporation

Congo, Dem. Rep. FY07

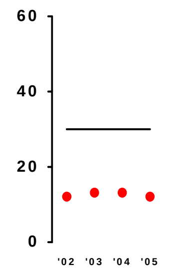
Population: 55,852,890
GNI/Cap: $120 LIC

Ruling Justly

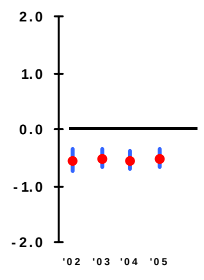
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	8 (18%)	12 (13%)	-0.52 (6%)	-0.75 (3%)	-0.92 (3%)	-0.93 (13%)
Median	17	30	0.00	0.00	0.00	0.00



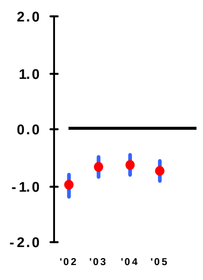
Sources: Freedom House



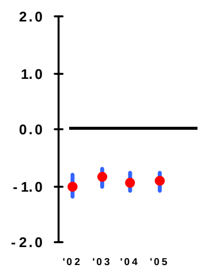
Freedom House



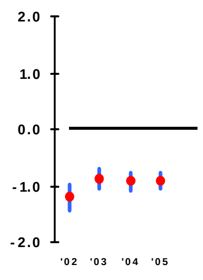
World Bank Institute



World Bank Institute



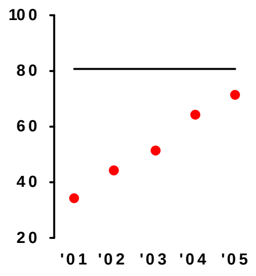
World Bank Institute



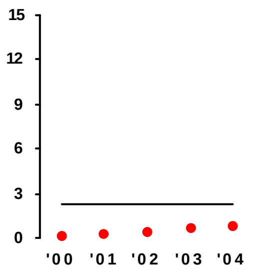
World Bank Institute

Investing In People

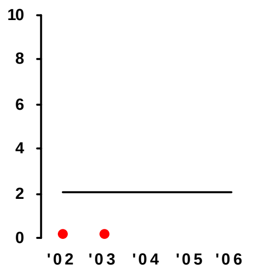
	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	71.5 (29%)	0.78 (5%)	0.19 (2%)	31.1 (13%)
Median	81	2.22	2.07%	66.7



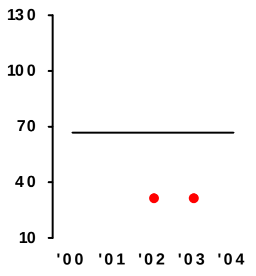
Sources: World Health Org.



World Health Org.



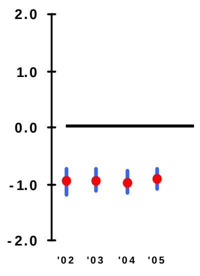
UNESCO/National Sources



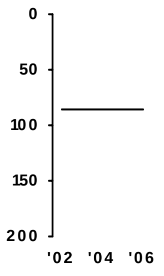
UNESCO/World Bank

Economic Freedom

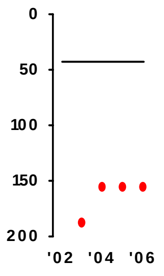
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	-0.91 (12%)	481.1 (3%)	155 (4%)	54.8 (40%)	21.40 (4%)	-4.23% (29%)
Median	0.00	85.7	43	59.1	Max. 15	-2.54%



Sources: World Bank Inst.



Intl. Finance Corp.



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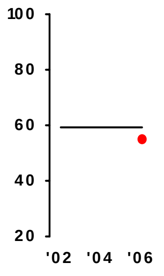
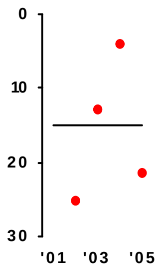
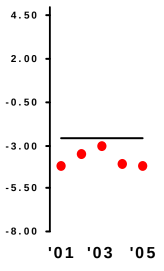


Heritage Foundation



Intl. Monetary Fund



National Sources

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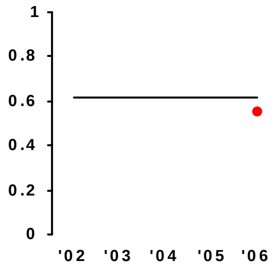
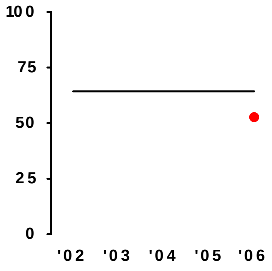
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Congo, Dem. Rep. FY07

Population: 55,852,890
GNI/Cap: $120 LIC

Supplemental Information

Land Rights and Access	Natural Resource Management
0.554 (35%)	**52.27 (21%)**
Median 0.617	**Median 64.08**
	

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10/10/2006

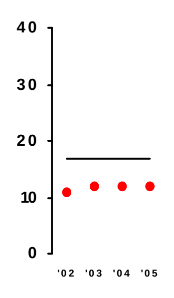
MILLENNIUM
CHALLENGE
CORPORATION

Congo, Rep. FY07

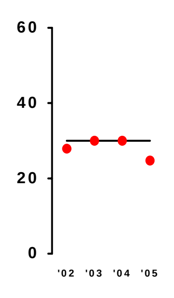
Population: 3,882,947
GNI/Cap: $950 LIC

Ruling Justly

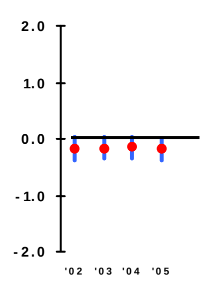
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	12 (38%)	25 (44%)	-0.19 (33%)	-0.41 (19%)	-0.58 (13%)	0.00 (50%)
Median	17	30	0.00	0.00	0.00	0.00



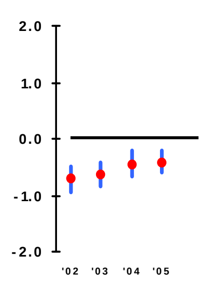
Sources: Freedom House



Freedom House



World Bank Institute



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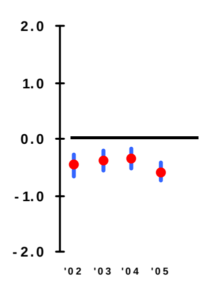

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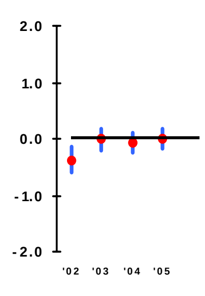
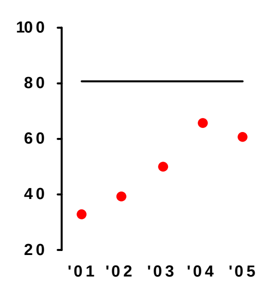


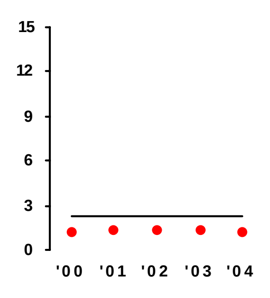
World Bank Institute

Investing In People

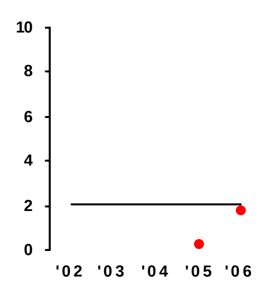
	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	60.5 (17%)	1.19 (17%)	1.81 (40%)	63.2 (48%)
Median	81	2.22	2.07%	66.7



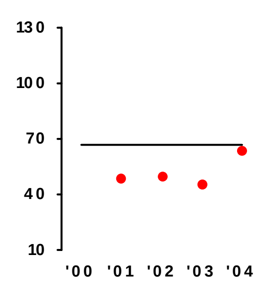
Sources: World Health Org.



World Health Org.



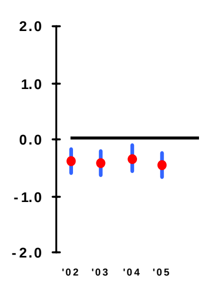
UNESCO/National Sources



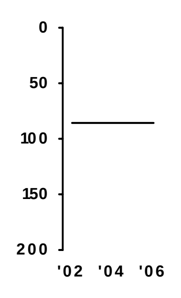
UNESCO/World Bank

Economic Freedom

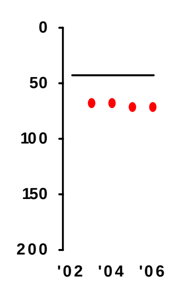
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	-0.45 (24%)	214.8 (17%)	71 (25%)	44.4 (9%)	2.50 (91%)	6.71% (99%)
Median	0.00	85.7	43	59.1	Max. 15	-2.54%



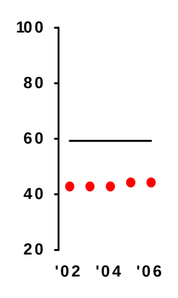
Sources: World Bank Inst.



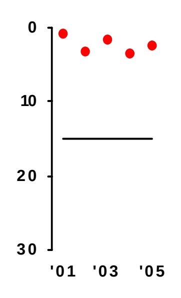
Intl. Finance Corp.



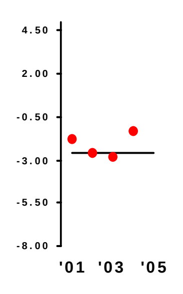
Intl. Finance Corp.



Heritage Foundation



Intl. Monetary Fund



National Sources

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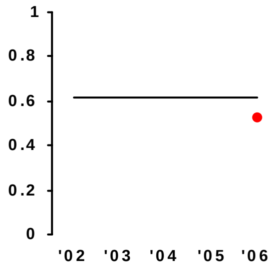
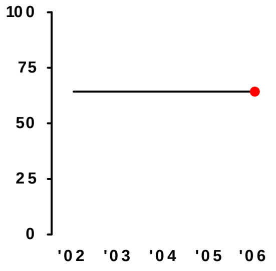
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Congo, Rep. FY07

Population: 3,882,947
GNI/Cap: $950 LIC

Supplemental Information

Land Rights and Access	Natural Resource Management
0.527 (23%)	64.27 (51%)
Median 0.617	**Median** 64.08
	

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10/10/2006

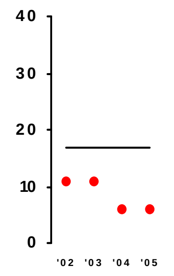
MILLENNIUM
CHALLENGE
CORPORATION

Cote d'Ivoire FY07

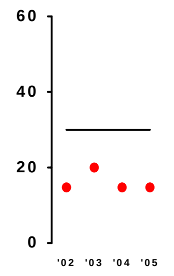
Population: 17,871,900
GNI/Cap: $840 LIC

Ruling Justly

	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	6 (15%)	15 (15%)	-0.41 (13%)	-0.48 (15%)	-0.63 (10%)	-0.79 (17%)
Median	17	30	0.00	0.00	0.00	0.00



Sources: Freedom House



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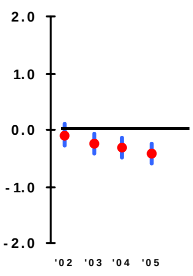
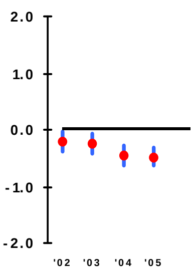
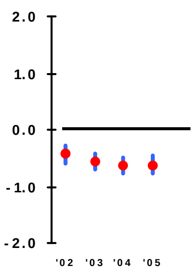


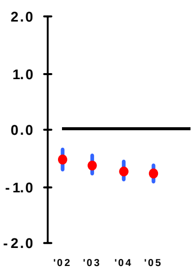
World Bank Institute



World Bank Institute



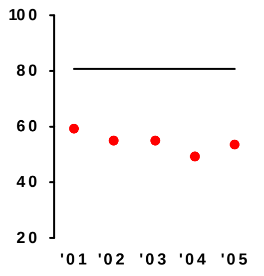
World Bank Institute



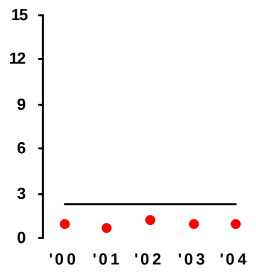
World Bank Institute

Investing In People

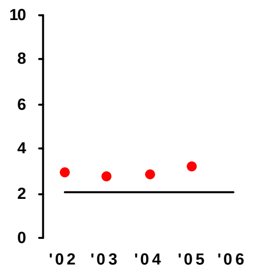
	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	53.5 (10%)	0.90 (6%)	3.17 (74%)	n/a
Median	81	2.22	2.07%	66.7



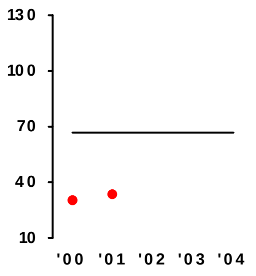
Sources: World Health Org.



World Health Org.



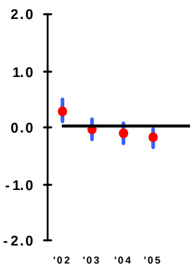
UNESCO/National Sources



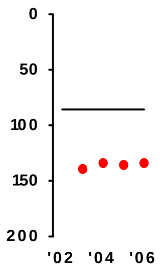
UNESCO/World Bank

Economic Freedom

	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	-0.19 (37%)	134.1 (33%)	45 (47%)	58.6 (46%)	3.90 (82%)	-2.10% (59%)
Median	0.00	85.7	43	59.1	Max. 15	-2.54%



Sources: World Bank Inst.



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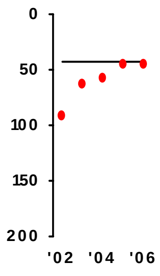

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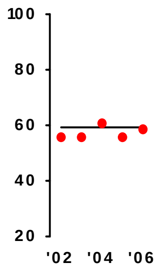

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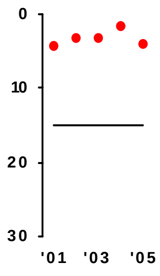
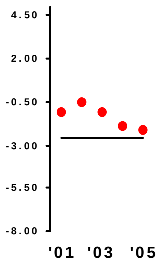


Intl. Monetary Fund



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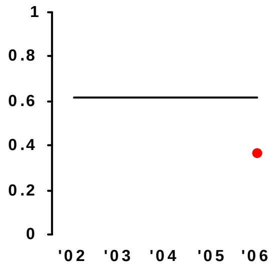
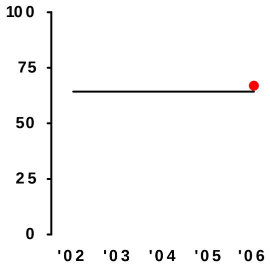
10/10/2006

Cote d'Ivoire FY07

Population: 17,871,900
GNI/Cap: $840 LIC

Supplemental Information

Land Rights and Access	Natural Resource Management
0.365 (9%)	67.23 (66%)
Median 0.617	**Median** 64.08
	

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10/6/2006

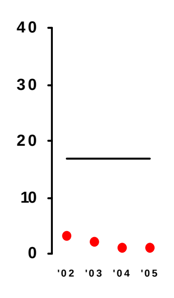
MILLENNIUM
CHALLENGE
CORPORATION

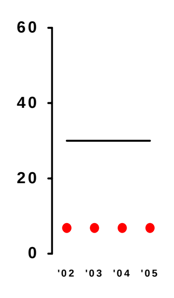
Cuba FY07

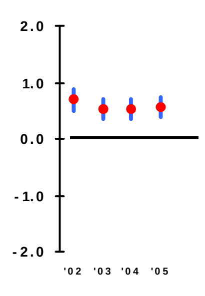
Population: 11,244,990
GNI/Cap: LIC

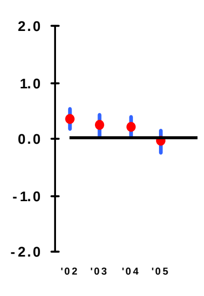
Ruling Justly

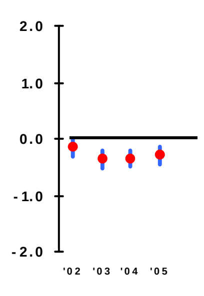
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	1 (5%)	7 (6%)	0.57 (90%)	-0.05 (44%)	-0.30 (26%)	-1.16 (5%)
Median	17	30	0.00	0.00	0.00	0.00

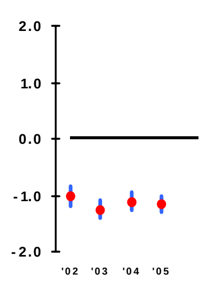








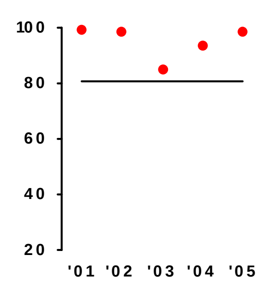


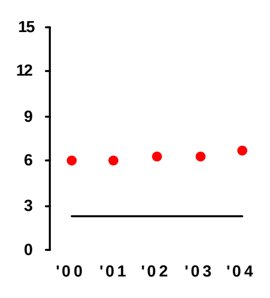


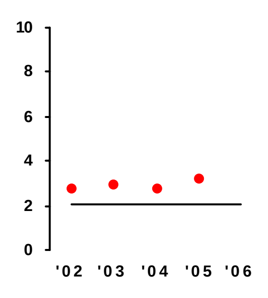
Sources: Freedom House | Freedom House | World Bank Institute | World Bank Institute | World Bank Institute | World Bank Institute

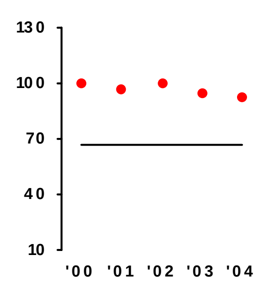
Investing In People

	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	98.5 (92%)	6.66 (96%)	3.25 (77%)	92.1 (80%)
Median	81	2.22	2.07%	66.7





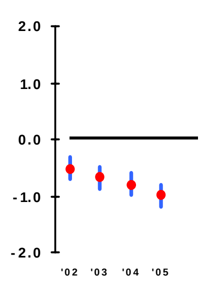


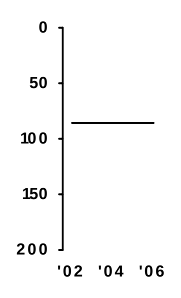


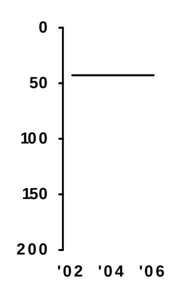
Sources: World Health Org. | World Health Org. | UNESCO/National Sources | UNESCO/World Bank

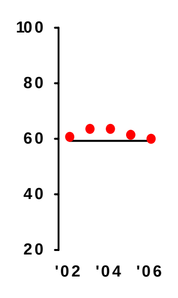
Economic Freedom

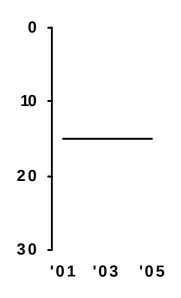
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	-1.00 (8%)	n/a	n/a	60.2 (54%)	n/a	n/a
Median	0.00	85.7	43	59.1	Max. 15	-2.54%

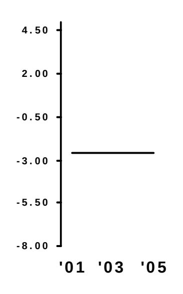












Sources: World Bank Inst. | Intl. Finance Corp. | Intl. Finance Corp. | Heritage Foundation | Intl. Monetary Fund | National Sources

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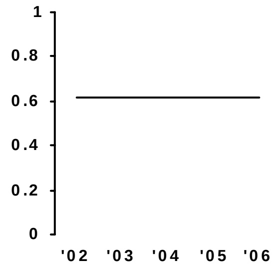
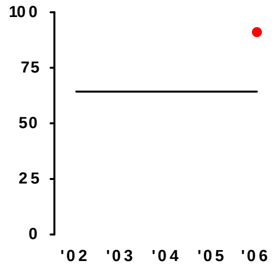
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Cuba FY07

Population:	11,244,990
GNI/Cap:	LIC

Supplemental Information

Land Rights and Access	Natural Resource Management
n/a	90.73 (99%)
Median 0.617	**Median** 64.08
	

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10/10/2006

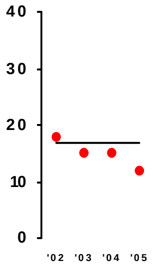
MILLENNIUM
CHALLENGE
CORPORATION

Djibouti FY07

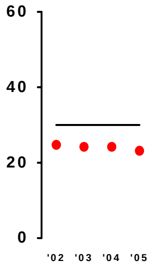
Population: 779,102
GNI/Cap: $1,020 LIC

Ruling Justly

	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	12 (38%)	23 (36%)	0.18 (68%)	0.05 (51%)	-0.03 (49%)	-0.13 (47%)
Median	17	30	0.00	0.00	0.00	0.00



Sources: Freedom House



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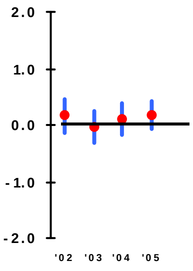
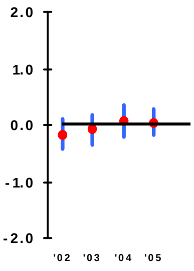


World Bank Institute



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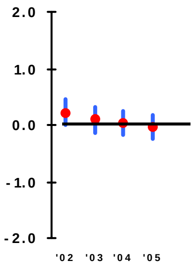

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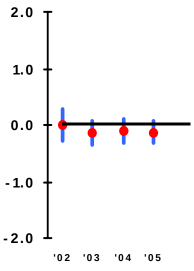
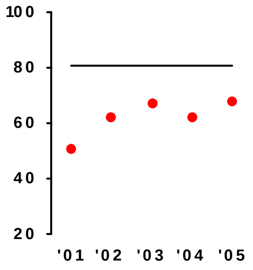


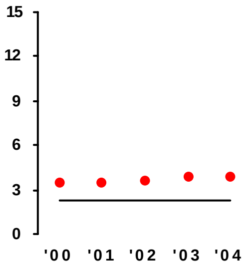
World Bank Institute

Investing In People

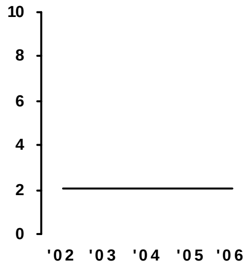
	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	68 (24%)	3.90 (84%)	n/a	28.9 (10%)
Median	81	2.22	2.07%	66.7



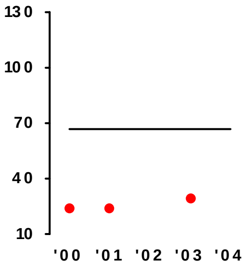
Sources: World Health Org.



World Health Org.



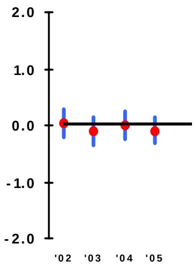
UNESCO/National Sources



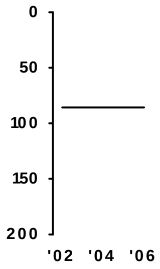
UNESCO/World Bank

Economic Freedom

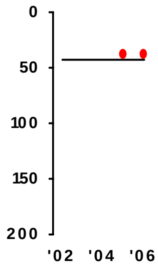
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	-0.10 (42%)	222.0 (15%)	37 (64%)	23.6 (0%)	3.10 (88%)	-1.39% (66%)
Median	0.00	85.7	43	59.1	Max. 15	-2.54%



Sources: World Bank Inst.



Intl. Finance Corp.



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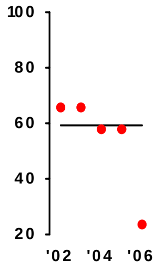
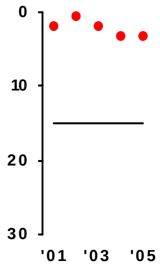


Heritage Foundation



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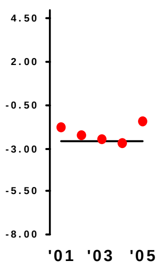

National Sources

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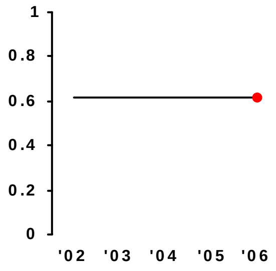
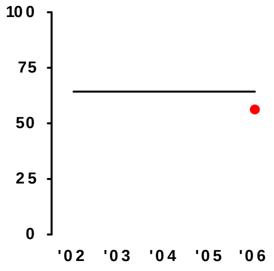
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Djibouti FY07

Population:	779,102
GNI/Cap: $1,020	LIC

Supplemental Information

Land Rights and Access	Natural Resource Management
0.617 (50%)	**56.18 (30%)**
Median 0.617	**Median 64.08**
	

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10/10/2006

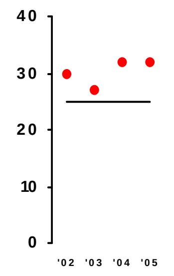
MILLENNIUM
CHALLENGE
CORPORATION

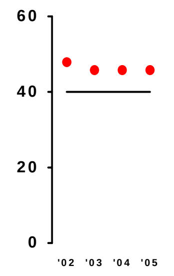
Dominican Republic FY07

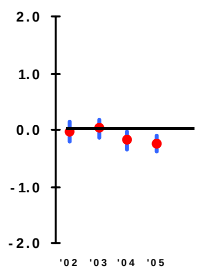
Population: 8,767,870
GNI/Cap: $2,370 LMIC

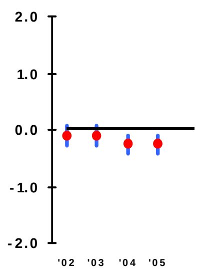
Ruling Justly

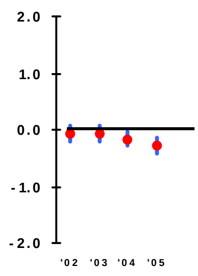
Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data 32 (68%)	46 (77%)	-0.25 (23%)	-0.25 (35%)	-0.29 (35%)	0.17 (65%)
Median 25	Median 40	Median 0.00	Median 0.00	Median 0.00	Median 0.00

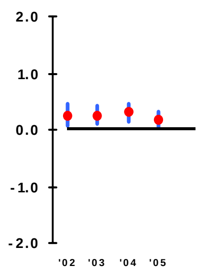








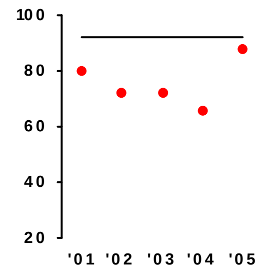


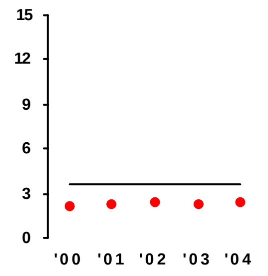


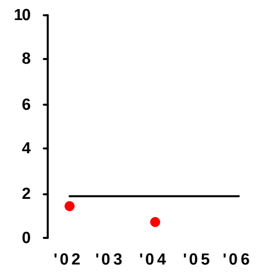
Sources: Freedom House	Freedom House	World Bank Institute	World Bank Institute	World Bank Institute	World Bank Institute

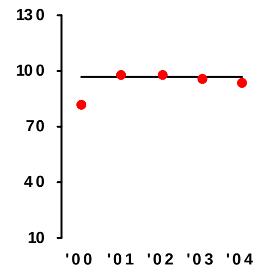
Investing In People

Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data 88 (42%)	2.36 (23%)	0.73 (3%)	93.4 (25%)
Median 92.5	Median 3.66	Median 1.88%	Median 97.3





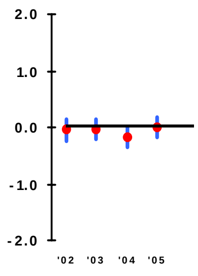


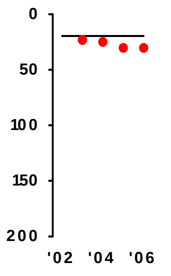


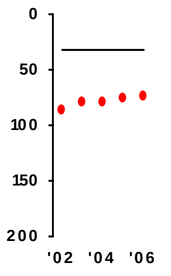
Sources: World Health Org.	World Health Org.	UNESCO/National Sources	UNESCO/World Bank

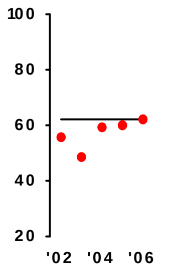
Economic Freedom

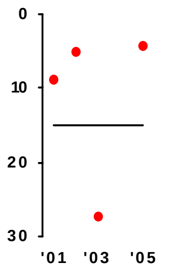
Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data 0.00 (48%)	30.2 (34%)	73 (9%)	62.4 (60%)	4.20 (48%)	-2.73% (39%)
Median 0.00	Median 19.8	Median 33	Median 62.1	Max. 15	Median -1.37%

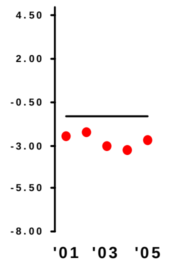












Sources: World Bank Inst.	Intl. Finance Corp.	Intl. Finance Corp.	Heritage Foundation	Intl. Monetary Fund	National Sources

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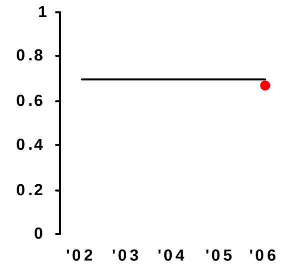
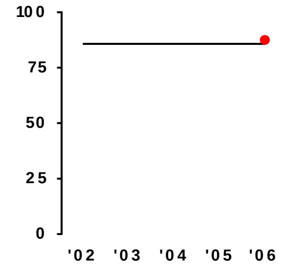
10/6/2006

Millennium
Challenge
Corporation

Dominican Republic FY07

Population: 8,767,870
GNI/Cap: $2,370 LMIC

Supplemental Information

Land Rights and Access	Natural Resource Management
0.667 (30%)	87.81 (61%)
Median 0.696	**Median** 86.15
	
IFAD/IFC	CIESIN/YCELP

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10/10/2006

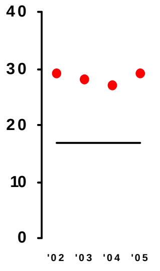
MILLENNIUM
CHALLENGE
CORPORATION

East Timor FY07

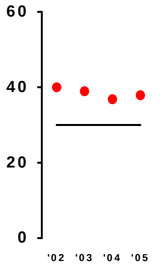
Population: 924,642
GNI/Cap: $750 LIC

Ruling Justly

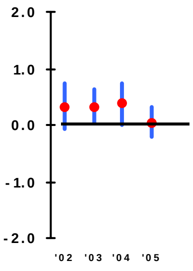
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	29 (83%)	38 (74%)	0.05 (55%)	-0.08 (35%)	0.29 (73%)	0.90 (85%)
Median	17	30	0.00	0.00	0.00	0.00



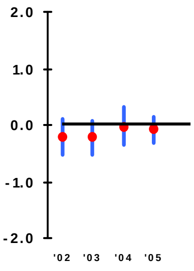
Sources: Freedom House



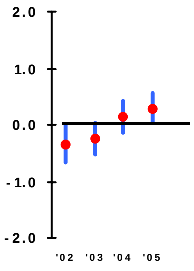
Freedom House



World Bank Institute



World Bank Institute



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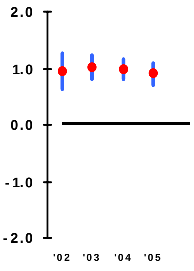
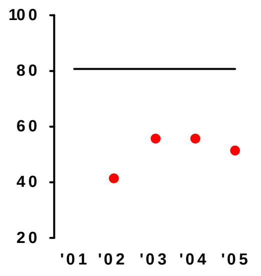


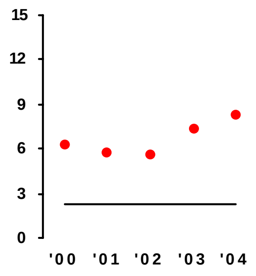
World Bank Institute

Investing In People

	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	51.5 (9%)	8.29 (97%)	4.77 (94%)	n/a
Median	81	2.22	2.07%	66.7



Sources: World Health Org.



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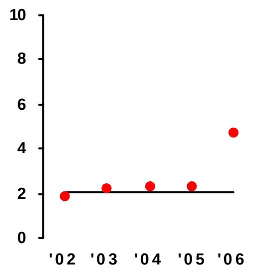
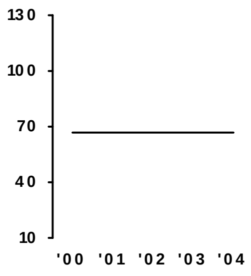


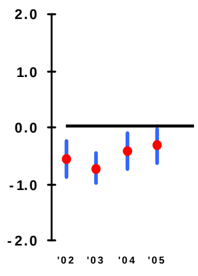
UNESCO/National Sources



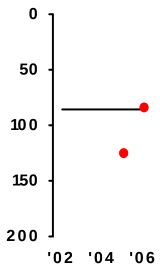
UNESCO/World Bank

Economic Freedom

	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	-0.33 (29%)	83.3 (51%)	92 (13%)	n/a	0.90 (97%)	45.60% (100%)
Median	0.00	85.7	43	59.1	Max. 15	-2.54%



Sources: World Bank Inst.



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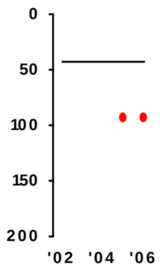

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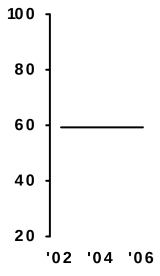
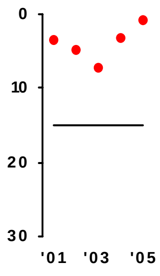


Heritage Foundation



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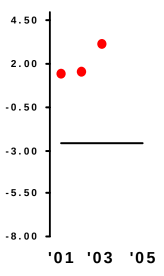

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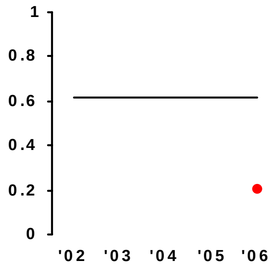
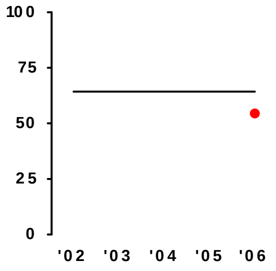
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

East Timor FY07

Population: 924,642
GNI/Cap: $750 LIC

Supplemental Information

Land Rights and Access		Natural Resource Management	
0.208 (0%)		54.70 (25%)	
Median	**0.617**	**Median**	**64.08**
			

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10/10/2006

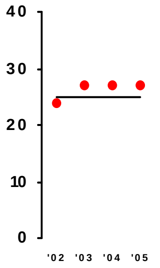
MILLENNIUM
CHALLENGE
CORPORATION

Ecuador FY07

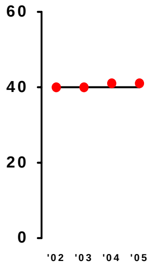
Population: 13,039,980
GNI/Cap: $2,630 LMIC

Ruling Justly

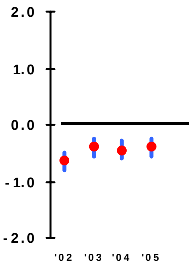
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	27 (55%)	41 (52%)	-0.40 (13%)	-0.85 (3%)	-0.46 (10%)	-0.20 (39%)
Median	25	40	0.00	0.00	0.00	0.00



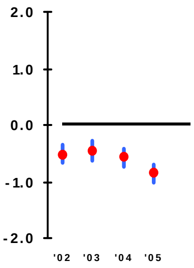
Sources: Freedom House



Freedom House



World Bank Institute



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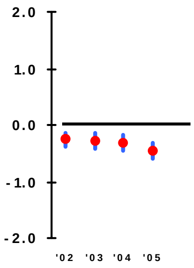
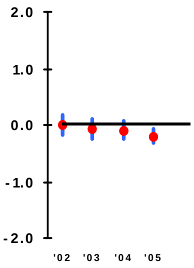


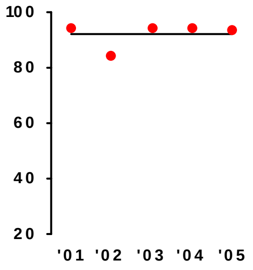
World Bank Institute



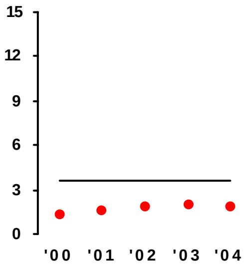
World Bank Institute

Investing In People

	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	93.5 (52%)	1.92 (3%)	1.10 (21%)	101.1 (79%)
Median	92.5	3.66	1.88%	97.3



Sources: World Health Org.



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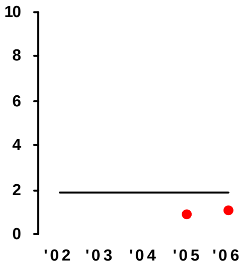
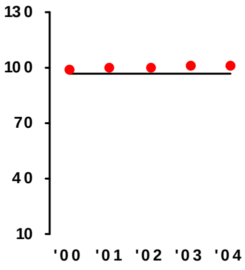


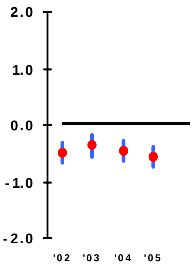
UNESCO/National Sources



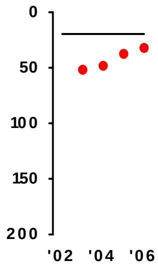
UNESCO/World Bank

Economic Freedom

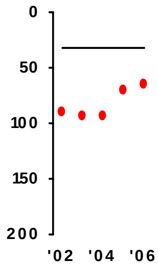
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	-0.56 (6%)	31.8 (31%)	65 (19%)	62.0 (48%)	2.10 (72%)	1.48% (93%)
Median	0.00	19.8	33	62.1	Max. 15	-1.37%



Sources: World Bank Inst.



Intl. Finance Corp.



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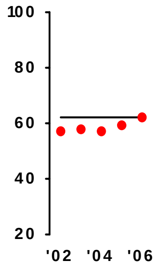
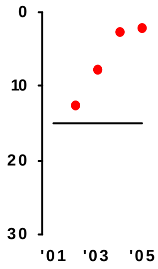


Heritage Foundation



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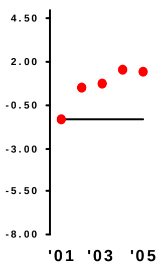

National Sources

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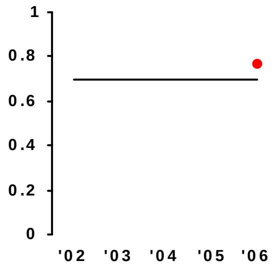
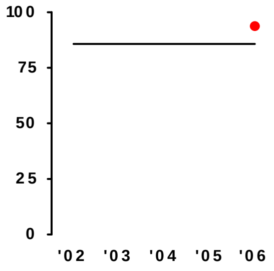
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Ecuador FY07

Population: 13,039,980
GNI/Cap: $2,630 LMIC

Supplemental Information

Land Rights and Access	Natural Resource Management
0.771 (83%)	**93.51 (86%)**
Median **0.696**	**Median** **86.15**
	

IFAD/IFC

CIESIN/YCELP

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10/10/2006

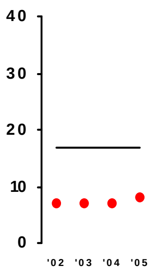
MILLENNIUM
CHALLENGE
CORPORATION

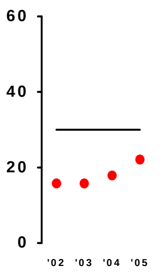
Egypt, Arab Rep. FY07

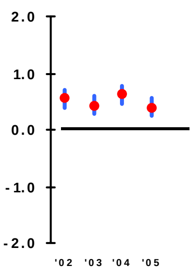
Population: 72,642,220
GNI/Cap: $1,250 LIC

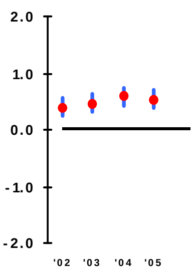
Ruling Justly

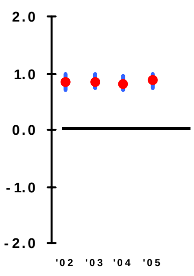
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	8 (18%)	22 (35%)	0.40 (81%)	0.54 (83%)	0.86 (95%)	-0.43 (37%)
Median	17	30	0.00	0.00	0.00	0.00
	Sources: Freedom House	Freedom House	World Bank Institute	World Bank Institute	World Bank Institute	World Bank Institute

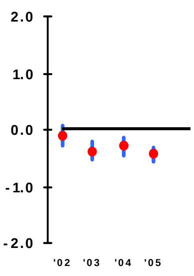






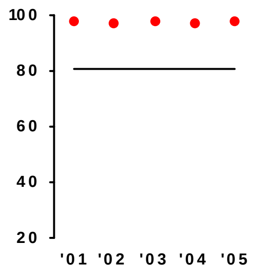


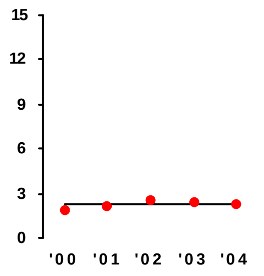


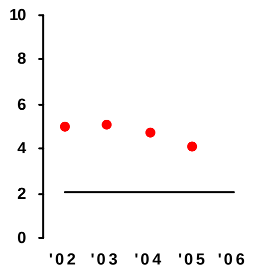


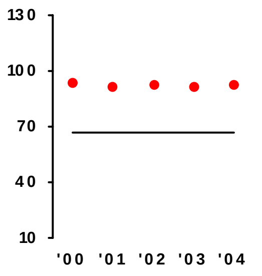
Investing In People

	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	98 (91%)	2.23 (51%)	4.08 (89%)	92.8 (82%)
Median	81	2.22	2.07%	66.7
	Sources: World Health Org.	World Health Org.	UNESCO/National Sources	UNESCO/World Bank



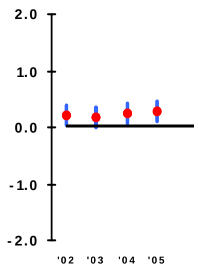


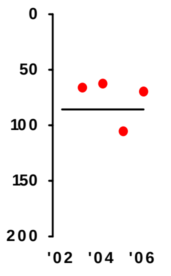


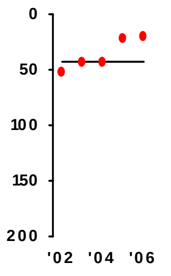


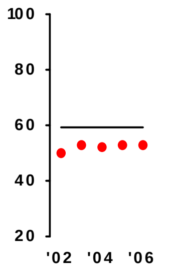
Economic Freedom

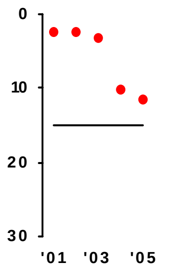
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	0.28 (73%)	68.8 (58%)	19 (93%)	52.6 (25%)	11.40 (28%)	-8.78% (5%)
Median	0.00	85.7	43	59.1		-2.54%
Max.					15	
	Sources: World Bank Inst.	Intl. Finance Corp.	Intl. Finance Corp.	Heritage Foundation	Intl. Monetary Fund	National Sources

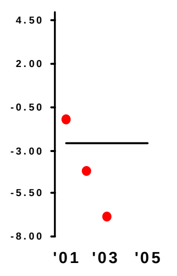












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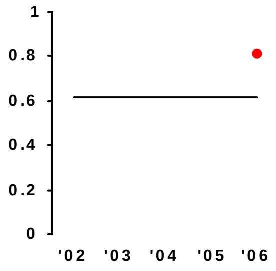
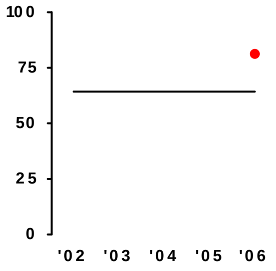
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Egypt, Arab Rep. FY07

Population: 72,642,220
GNI/Cap: $1,250 LIC

Supplemental Information

Land Rights and Access		Natural Resource Management	
0.816 (89%)		**81.52 (94%)**	
Median	**0.617**	**Median**	**64.08**
			

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10/10/2006

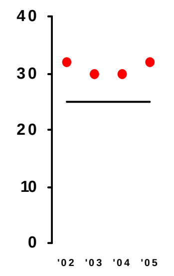
MILLENNIUM
CHALLENGE
CORPORATION

El Salvador FY07

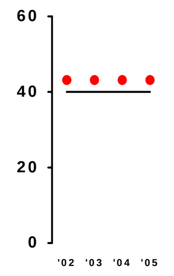
Population: 6,762,439
GNI/Cap: $2,450 LMIC

Ruling Justly

	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	32 (68%)	43 (65%)	0.02 (52%)	-0.14 (42%)	0.00 (52%)	0.22 (68%)
Median	25	40	0.00	0.00	0.00	0.00



Sources: Freedom House



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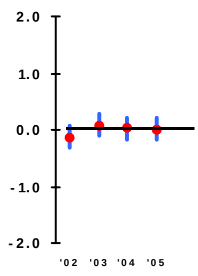
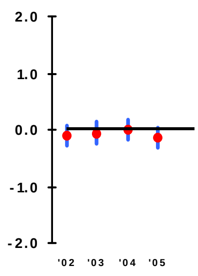


World Bank Institute



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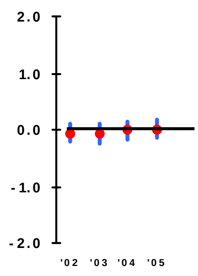
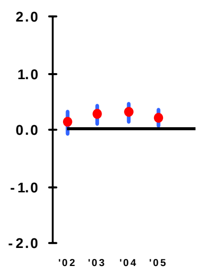


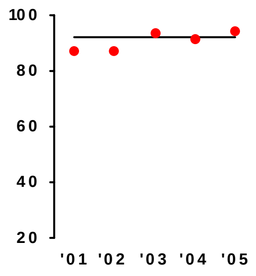
World Bank Institute



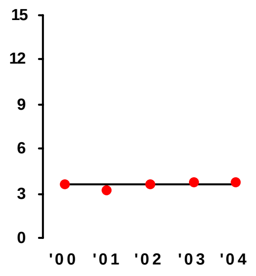
World Bank Institute

Investing In People

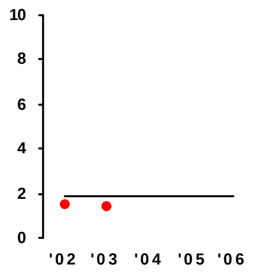
	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	94 (55%)	3.72 (52%)	1.44 (34%)	86.2 (21%)
Median	92.5	3.66	1.88%	97.3



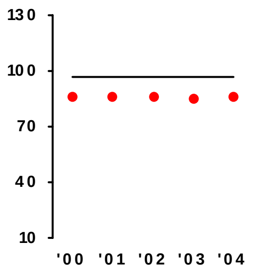
Sources: World Health Org.



World Health Org.



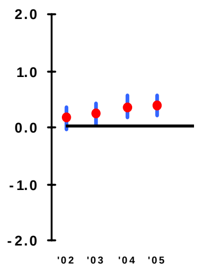
UNESCO/National Sources



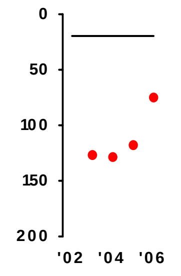
UNESCO/World Bank

Economic Freedom

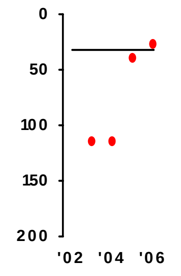
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	0.39 (81%)	75.6 (6%)	26 (63%)	71.4 (92%)	3.70 (55%)	-3.20% (32%)
Median	0.00	19.8	33	62.1	Max. 15	-1.37%



Sources: World Bank Inst.



Intl. Finance Corp.



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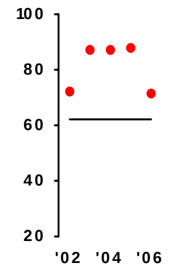
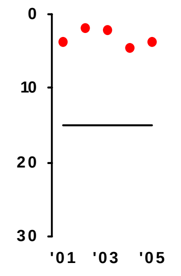


Heritage Foundation



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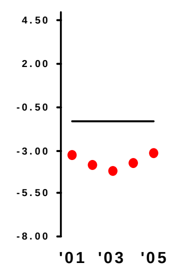

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10/6/2006

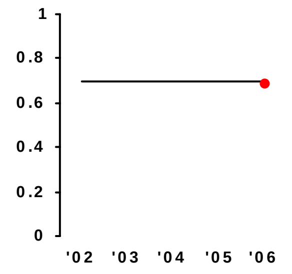
MILLENNIUM
CHALLENGE
CORPORATION

El Salvador FY07

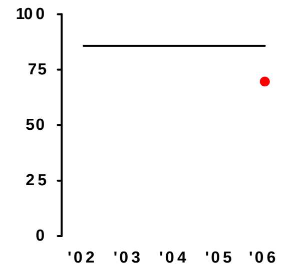
Population: 6,762,439
GNI/Cap: $2,450 LMIC

Supplemental Information

Land Rights and Access		Natural Resource Management	
0.692 (43%)		69.67 (21%)	
Median	0.696	Median	86.15



IFAD/IFC



CIESIN/YCELP

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10/10/2006

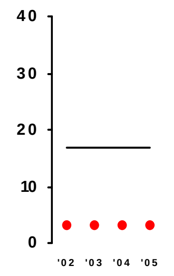
MILLENNIUM
CHALLENGE
CORPORATION

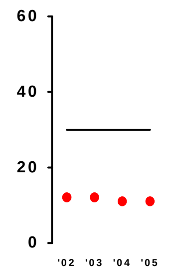
Eritrea FY07

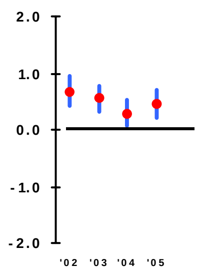
Population: 4,231,538
GNI/Cap: $220 LIC

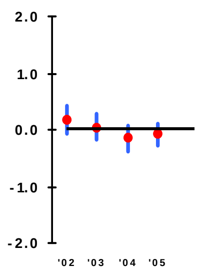
Ruling Justly

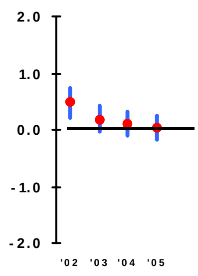
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	3 (12%)	11 (12%)	0.46 (83%)	-0.08 (33%)	0.03 (56%)	-1.12 (8%)
Median	17	30	0.00	0.00	0.00	0.00

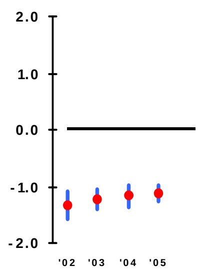








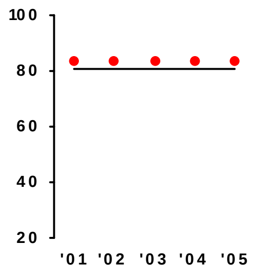


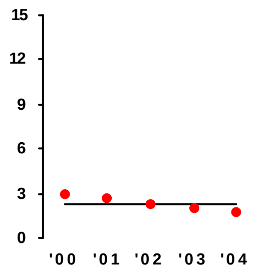


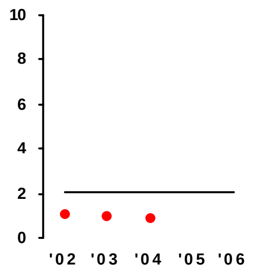
Sources: Freedom House | Freedom House | World Bank Institute | World Bank Institute | World Bank Institute | World Bank Institute

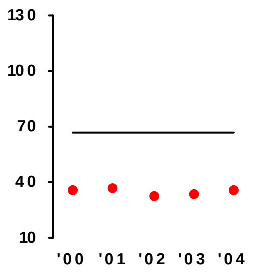
Investing In People

	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	83.5 (55%)	1.77 (36%)	0.87 (12%)	35.5 (15%)
Median	81	2.22	2.07%	66.7





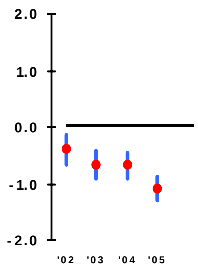


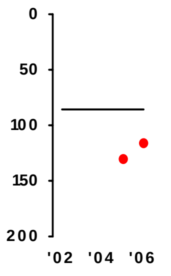


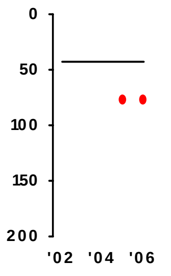
Sources: World Health Org. | World Health Org. | UNESCO/National Sources | UNESCO/World Bank

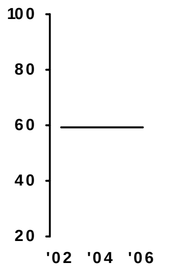
Economic Freedom

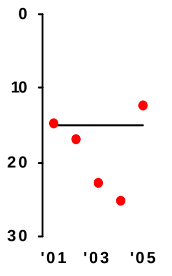
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	-1.08 (6%)	115.9 (40%)	76 (19%)	n/a	12.40 (22%)	-18.97% (1%)
Median	0.00	85.7	43	59.1	Max. 15	-2.54%

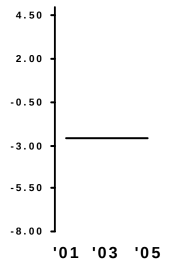












Sources: World Bank Inst. | Intl. Finance Corp. | Intl. Finance Corp. | Heritage Foundation | Intl. Monetary Fund | National Sources

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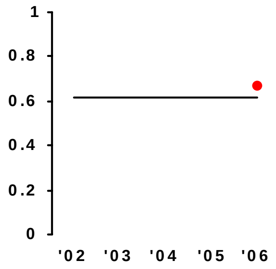
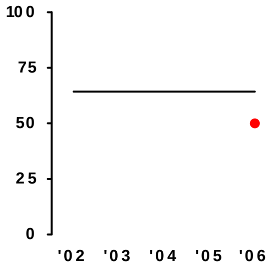
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Eritrea FY07

Population: 4,231,538
GNI/Cap: $220 LIC

Supplemental Information

<table>
<tr><th colspan="2">Land Rights and Access</th><th colspan="2">Natural Resource Management</th></tr>
<tr><td colspan="2">0.668 (62%)</td><td colspan="2">50.07 (18%)</td></tr>
<tr><td>Median</td><td>0.617</td><td>Median</td><td>64.08</td></tr>
<tr><td colspan="2">
</td><td colspan="2">
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10/10/2006

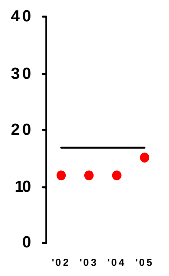
MILLENNIUM
CHALLENGE
CORPORATION

Ethiopia FY07

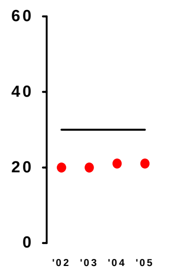
Population: 69,960,840
GNI/Cap: $160 LIC

Ruling Justly

Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data 15 (45%)	21 (29%)	0.03 (54%)	-0.07 (37%)	0.07 (62%)	-0.39 (38%)
Median 17	Median 30	Median 0.00	Median 0.00	Median 0.00	Median 0.00



Sources: Freedom House



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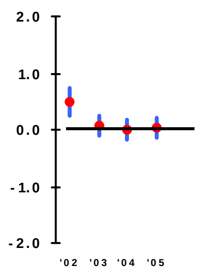
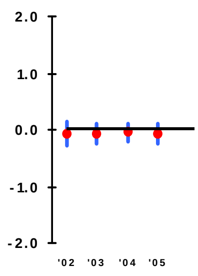


World Bank Institute



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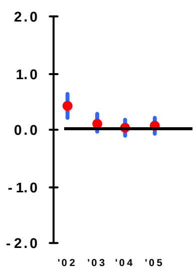

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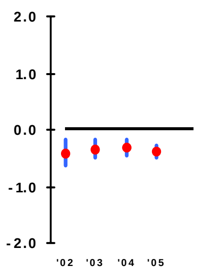
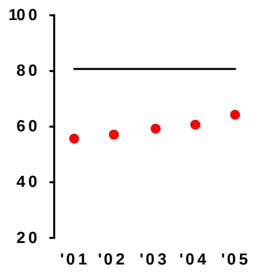


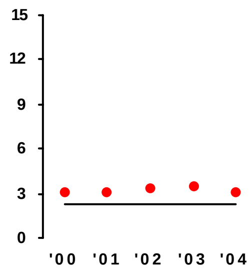
World Bank Institute

Investing In People

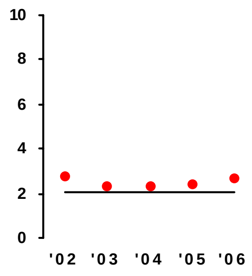
Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data 64 (19%)	3.04 (74%)	2.64 (69%)	43.2 (25%)
Median 81	Median 2.22	Median 2.07%	Median 66.7



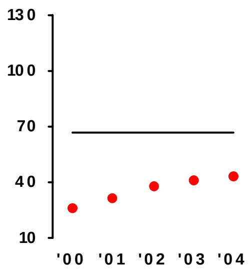
Sources: World Health Org.



World Health Org.



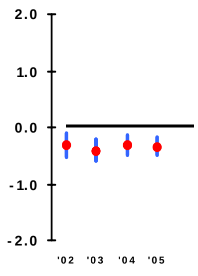
UNESCO/National Sources



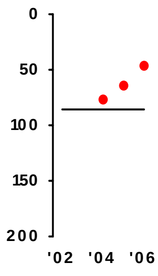
UNESCO/World Bank

Economic Freedom

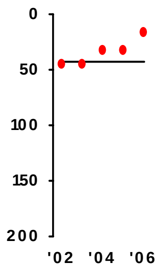
Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data -0.33 (28%)	45.9 (72%)	16 (97%)	53.0 (31%)	6.80 (66%)	-5.01% (16%)
Median 0.00	Median 85.7	Median 43	Median 59.1	Max. 15	Median -2.54%



Sources: World Bank Inst.



Intl. Finance Corp.



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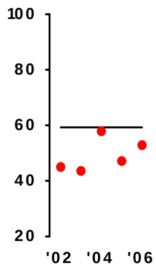
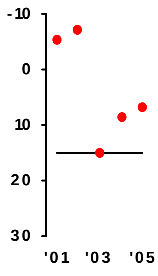


Heritage Foundation



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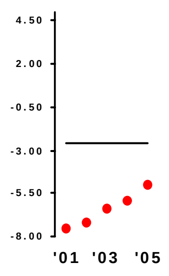

National Sources

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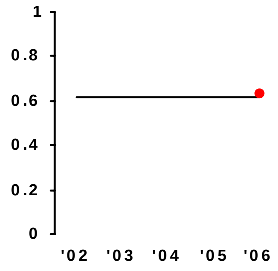
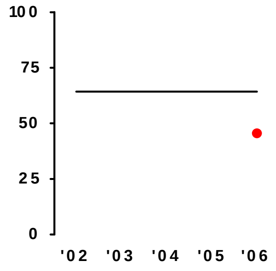
10/6/2006

Ethiopia FY07

Population: 69,960,840
GNI/Cap: $160 LIC

Supplemental Information

Land Rights and Access		Natural Resource Management	
0.637 (56%)		45.82 (9%)	
Median	0.617	Median	64.08
			

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10/10/2006

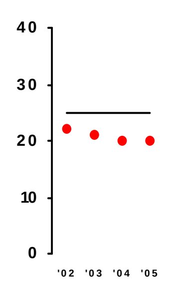
MILLENNIUM CHALLENGE CORPORATION

Fiji FY07

Population: 840,814
GNI/Cap: $3,280 LMIC

Ruling Justly

	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	20 (35%)	42 (55%)	-0.19 (29%)	0.07 (68%)	0.12 (58%)	0.14 (61%)
Median	25	40	0.00	0.00	0.00	0.00



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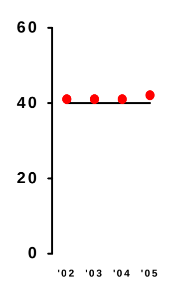

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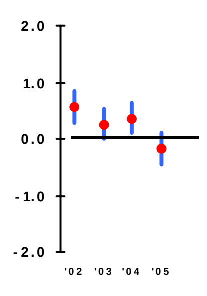
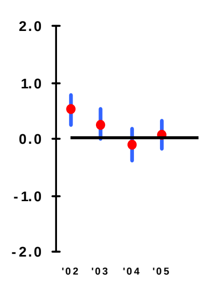


World Bank Institute



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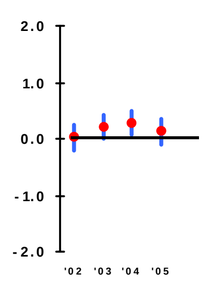

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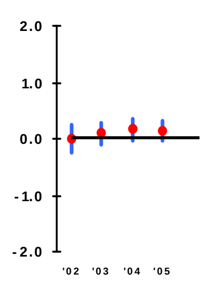
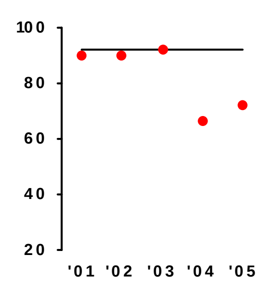


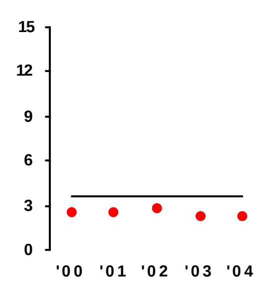
World Bank Institute

Investing In People

	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	72.5 (10%)	2.29 (16%)	2.50 (72%)	105.1 (88%)
Median	92.5	3.66	1.88%	97.3



Sources: World Health Org.



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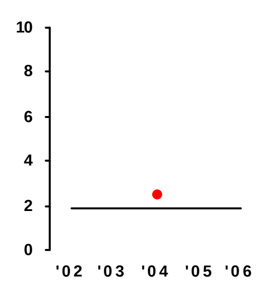
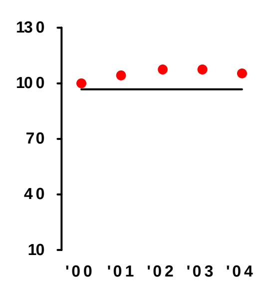


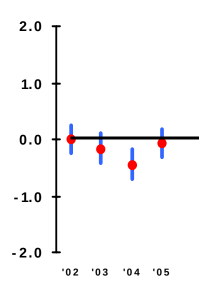
UNESCO/National Sources



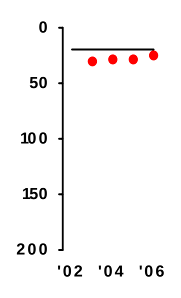
UNESCO/World Bank

Economic Freedom

	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	-0.08 (39%)	25.8 (41%)	46 (34%)	55.2 (16%)	3.70 (55%)	-4.21% (18%)
Median	0.00	19.8	33	62.1	Max. 15	-1.37%



Sources: World Bank Inst.



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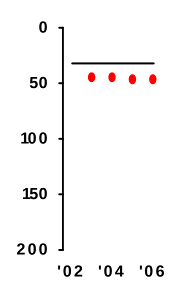
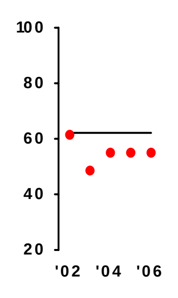


Intl. Finance Corp.



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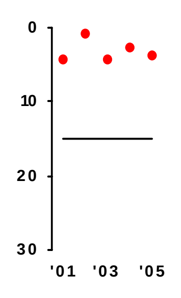
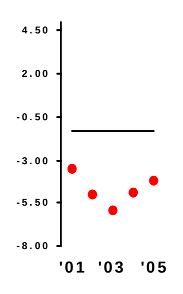


Intl. Monetary Fund



National Sources

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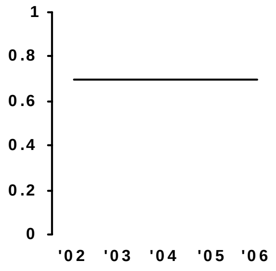
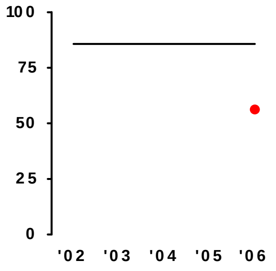
10/6/2006

Fiji FY07

Population: 840,814
GNI/Cap: $3,280 LMIC

Supplemental Information

Land Rights and Access	Natural Resource Management
n/a	56.26 (7%)
Median 0.696	**Median** 86.15
	
IFAD/IFC	CIESIN/YCELP

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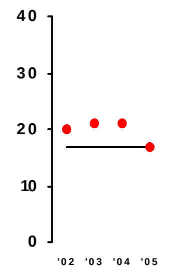
MILLENNIUM
CHALLENGE
CORPORATION

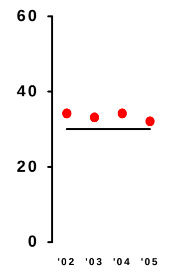
Gambia FY07

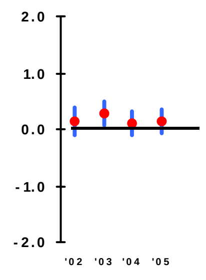
Population: 1,477,666
GNI/Cap: $290 LIC

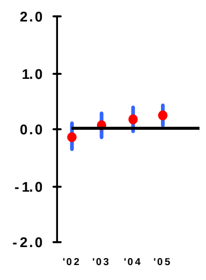
Ruling Justly

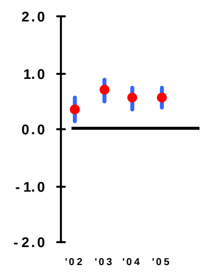
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	17 (49%)	32 (56%)	0.13 (64%)	0.25 (67%)	0.56 (85%)	-0.01 (49%)
Median	17	30	0.00	0.00	0.00	0.00

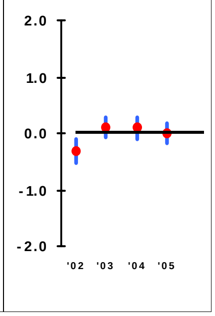








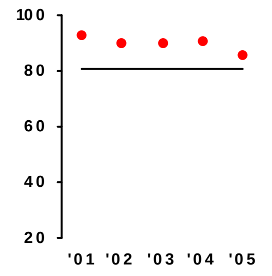


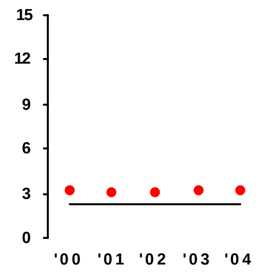


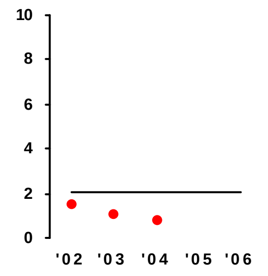
Sources: Freedom House | Freedom House | World Bank Institute | World Bank Institute | World Bank Institute | World Bank Institute

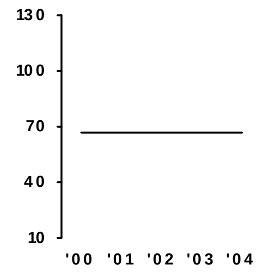
Investing In People

	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	86 (64%)	3.18 (77%)	0.84 (11%)	n/a
Median	81	2.22	2.07%	66.7





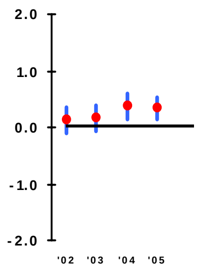


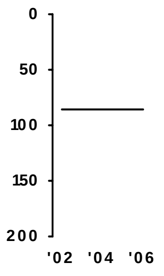


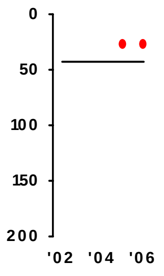
Sources: World Health Org. | World Health Org. | UNESCO/National Sources | UNESCO/World Bank

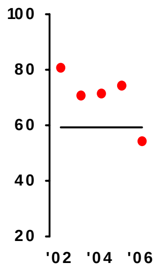
Economic Freedom

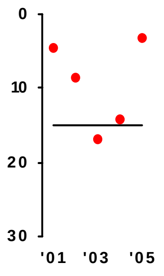
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	0.33 (79%)	292.1 (6%)	27 (79%)	54.6 (37%)	3.20 (86%)	-6.35% (11%)
Median	0.00	85.7	43	59.1	Max. 15	-2.54%

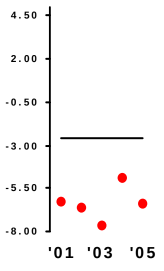












Sources: World Bank Inst. | Intl. Finance Corp. | Intl. Finance Corp. | Heritage Foundation | Intl. Monetary Fund | National Sources

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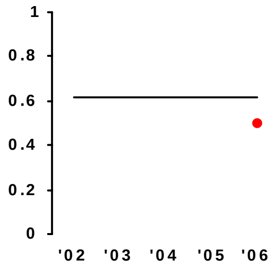
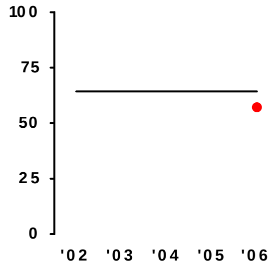
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Gambia FY07

Population: 1,477,666
GNI/Cap: $290 LIC

Supplemental Information

Land Rights and Access	Natural Resource Management
0.502 (21%)	56.75 (32%)
Median 0.617	**Median** 64.08
	

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10/10/2006

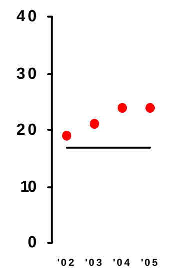
MILLENNIUM
CHALLENGE
CORPORATION

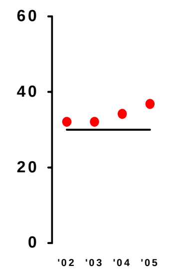
Georgia FY07

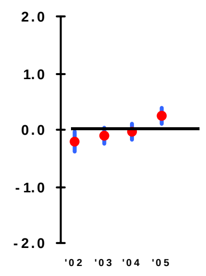
Population: 4,517,981
GNI/Cap: $1,350 LIC

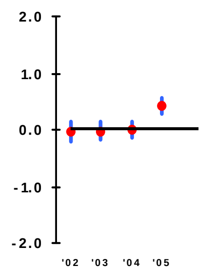
Ruling Justly

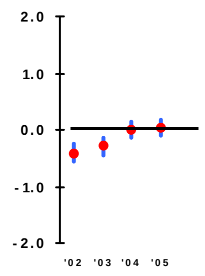
Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data 24 (63%)	37 (72%)	0.25 (78%)	0.42 (77%)	0.02 (53%)	0.44 (67%)
Median 17	Median 30	Median 0.00	Median 0.00	Median 0.00	Median 0.00

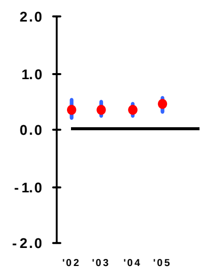








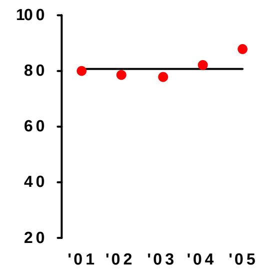


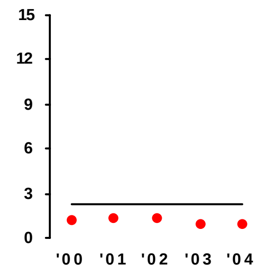


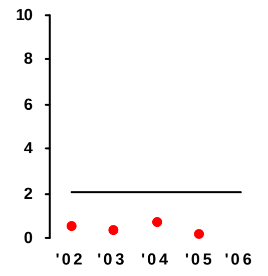
Sources: Freedom House | Freedom House | World Bank Institute | World Bank Institute | World Bank Institute | World Bank Institute

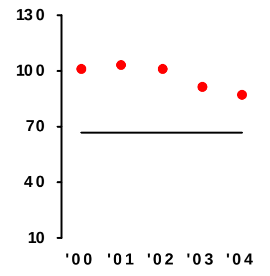
Investing In People

Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data 88 (71%)	0.91 (9%)	0.14 (0%)	87.5 (70%)
Median 81	Median 2.22	Median 2.07%	Median 66.7





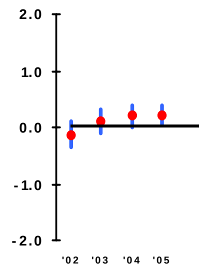


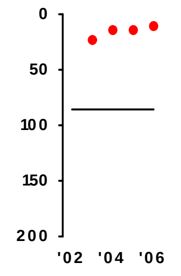


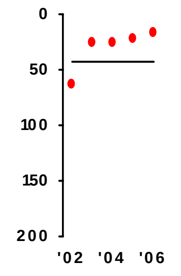
Sources: World Health Org. | World Health Org. | UNESCO/National Sources | UNESCO/World Bank

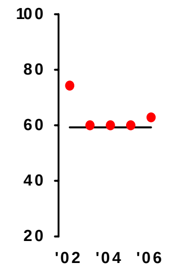
Economic Freedom

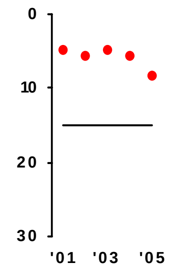
Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data 0.21 (65%)	10.9 (92%)	16 (97%)	62.6 (60%)	8.30 (45%)	-0.26% (77%)
Median 0.00	Median 85.7	Median 43	Median 59.1	Max. 15	Median -2.54%

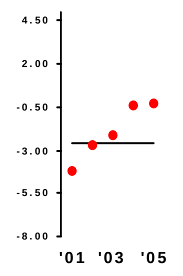












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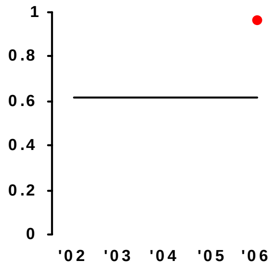
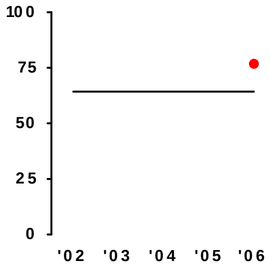
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Georgia FY07

Population: 4,517,981
GNI/Cap: $1,350 LIC

Supplemental Information

Land Rights and Access	Natural Resource Management
0.961 (100%)	**76.36 (83%)**
Median 0.617	**Median 64.08**
	

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10/10/2006

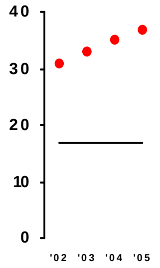
MILLENNIUM
CHALLENGE
CORPORATION

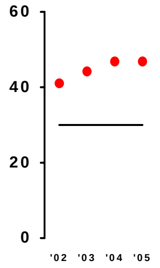
Ghana FY07

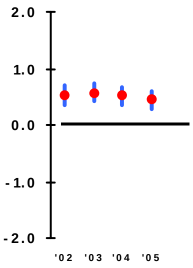
Population: 21,664,440
GNI/Cap: $450 LIC

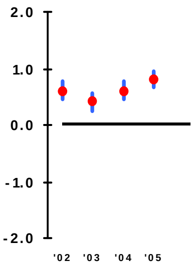
Ruling Justly

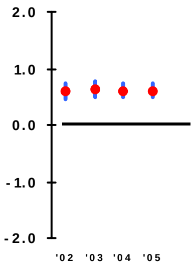
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	37 (99%)	47 (94%)	0.44 (82%)	0.80 (97%)	0.61 (88%)	1.13 (94%)
Median	17	30	0.00	0.00	0.00	0.00

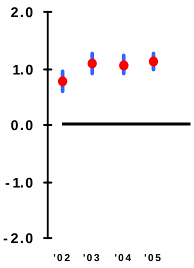








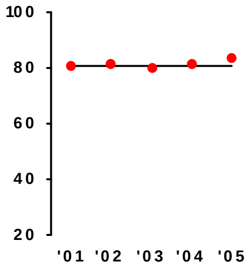


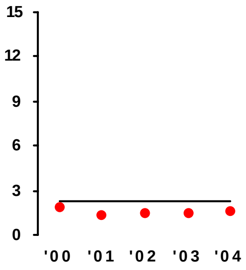


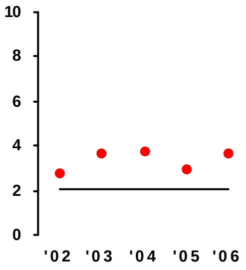
Sources: Freedom House | Freedom House | World Bank Institute | World Bank Institute | World Bank Institute | World Bank Institute

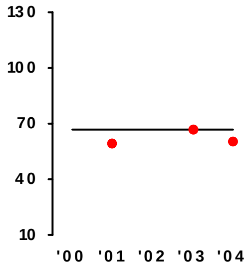
Investing In People

	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	83.5 (55%)	1.55 (29%)	3.70 (86%)	59.9 (43%)
Median	81	2.22	2.07%	66.7





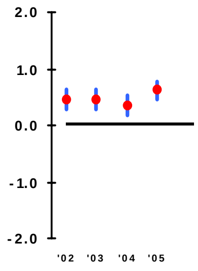


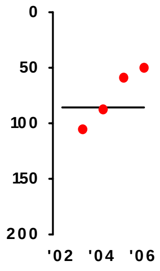


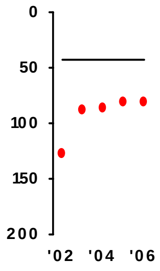
Sources: World Health Org. | World Health Org. | UNESCO/National Sources | UNESCO/World Bank

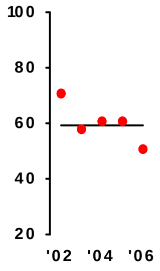
Economic Freedom

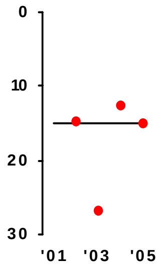
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	0.62 (92%)	49.6 (69%)	81 (17%)	50.4 (18%)	15.10 (15%)	-2.71% (47%)
Median	0.00	85.7	43	59.1	Max. 15	-2.54%

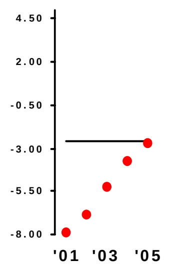












Sources: World Bank Inst. | Intl. Finance Corp. | Intl. Finance Corp. | Heritage Foundation | Intl. Monetary Fund | National Sources

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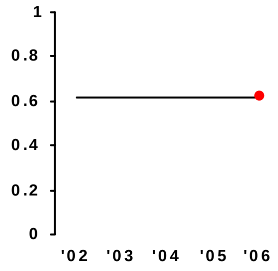
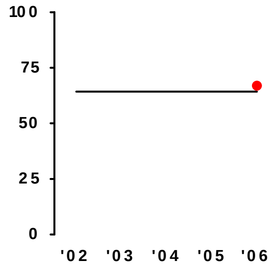
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Ghana FY07

Population: 21,664,440
GNI/Cap: $450 LIC

Supplemental Information

Land Rights and Access	Natural Resource Management
0.626 (52%)	**66.95 (65%)**
Median 0.617	**Median 64.08**
	

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10/10/2006

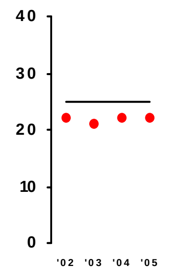
MILLENNIUM
CHALLENGE
CORPORATION

Guatemala FY07

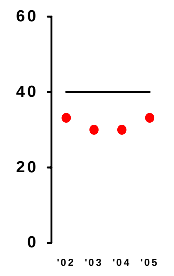
Population: 12,294,790
GNI/Cap: $2,400 LMIC

Ruling Justly

	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	🟥 22 (39%)	🟥 33 (32%)	🟥 -0.57 (3%)	🟥 -0.53 (19%)	🟥 -0.66 (0%)	🟥 -0.40 (32%)
Median	25	40	0.00	0.00	0.00	0.00



Sources: Freedom House



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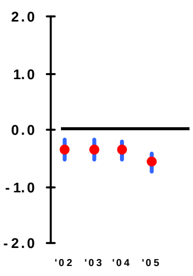
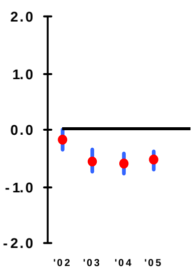


World Bank Institute



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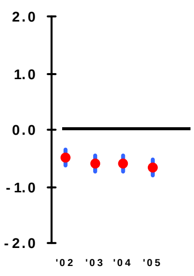
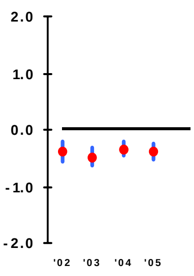


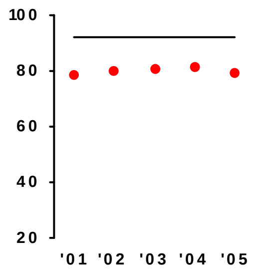
World Bank Institute



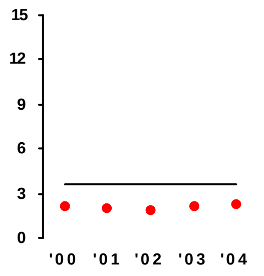
World Bank Institute

Investing In People

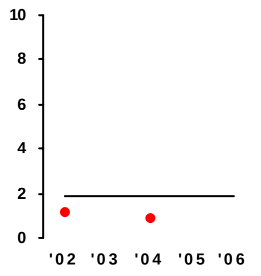
	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	🟥 79 (16%)	🟥 2.28 (13%)	🟥 0.87 (14%)	🟥 65.4 (4%)
Median	92.5	3.66	1.88%	97.3



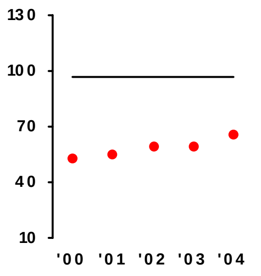
Sources: World Health Org.



World Health Org.



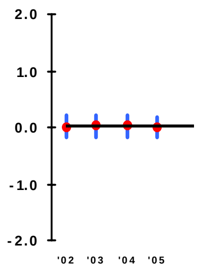
UNESCO/National Sources



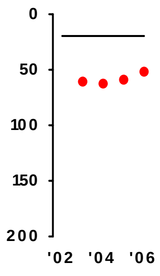
UNESCO/World Bank

Economic Freedom

	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	🟩 0.00 (52%)	🟥 52.1 (13%)	🟩 30 (59%)	🟩 70.2 (84%)	🟩 9.10 (21%)	🟩 -1.32% (54%)
Median	0.00	19.8	33	62.1	Max. 15	-1.37%



Sources: World Bank Inst.



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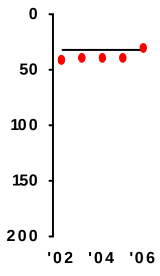

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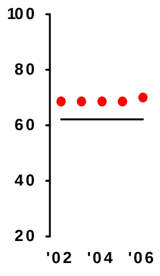
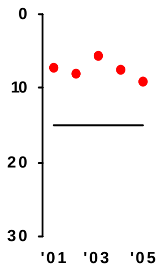
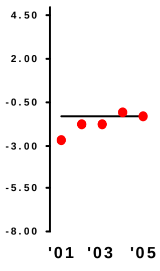


Heritage Foundation



Intl. Monetary Fund



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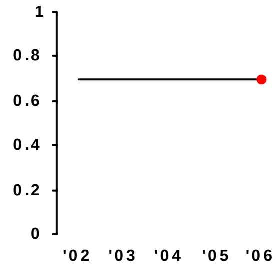
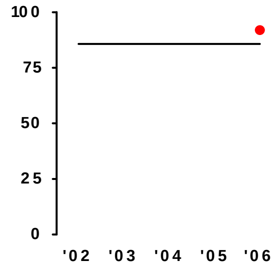
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Guatemala FY07

Population: 12,294,790
GNI/Cap: $2,400 LMIC

Supplemental Information

Land Rights and Access	Natural Resource Management
0.696 (52%)	**91.71 (71%)**
Median 0.696	**Median 86.15**
	

IFAD/IFC

CIESIN/YCELP

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10/10/2006

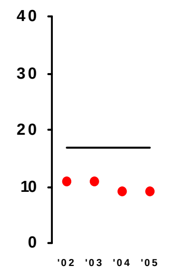
MILLENNIUM
CHALLENGE
CORPORATION

Guinea FY07

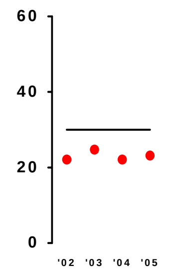
Population: 9,201,759
GNI/Cap: $370 LIC

Ruling Justly

	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	9 (24%)	23 (36%)	-0.02 (47%)	-0.13 (32%)	-0.27 (31%)	-0.47 (29%)
Median	17	30	0.00	0.00	0.00	0.00



Sources: Freedom House



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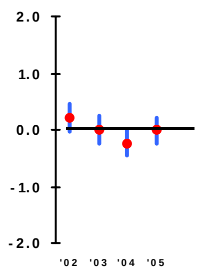
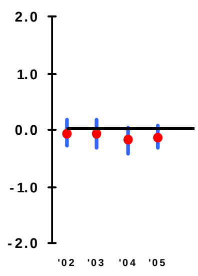


World Bank Institute



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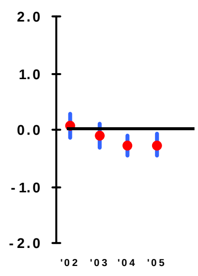

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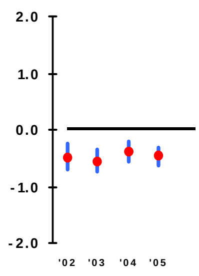
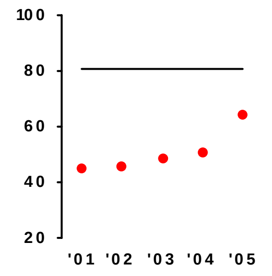


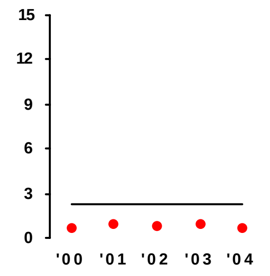
World Bank Institute

Investing In People

	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	64 (19%)	0.72 (3%)	1.18 (26%)	38.8 (20%)
Median	81	2.22	2.07%	66.7



Sources: World Health Org.



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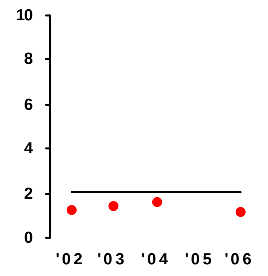
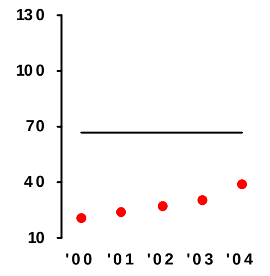


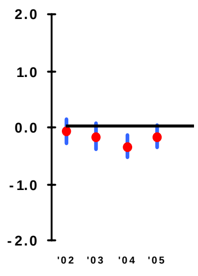
UNESCO/National Sources



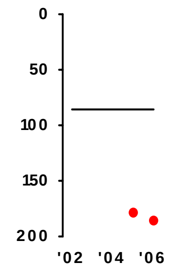
UNESCO/World Bank

Economic Freedom

	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	-0.17 (41%)	186.5 (24%)	49 (43%)	42.8 (6%)	31.40 (1%)	-3.92% (34%)
Median	0.00	85.7	43	59.1	Max. 15	-2.54%



Sources: World Bank Inst.



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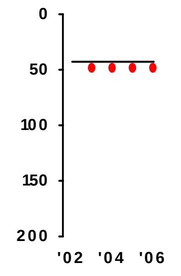

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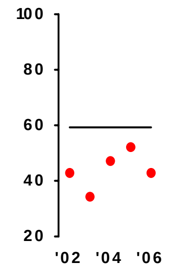

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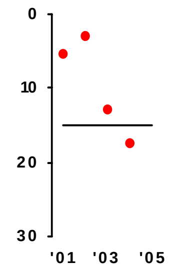

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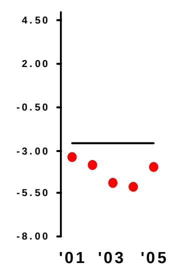

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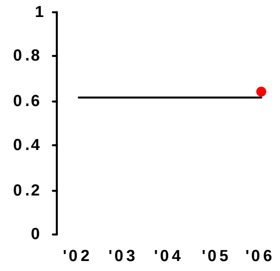
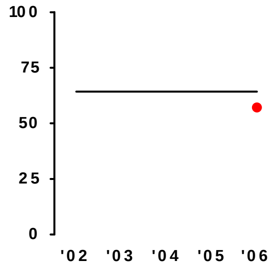
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Guinea FY07

Population: 9,201,759
GNI/Cap: $370 LIC

Supplemental Information

Land Rights and Access	Natural Resource Management
0.640 (58%)	57.08 (35%)
Median 0.617	Median 64.08
	

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10/10/2006

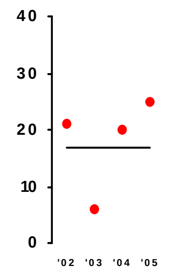
MILLENNIUM
CHALLENGE
CORPORATION

Guinea-Bissau FY07

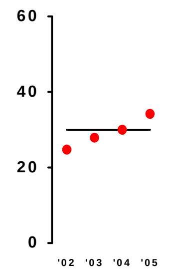
Population:	1,539,712
GNI/Cap: $180	LIC

Ruling Justly

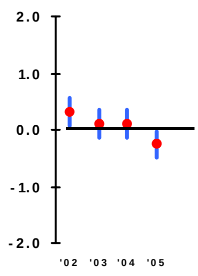
Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data 25 (69%)	34 (60%)	-0.25 (28%)	-0.56 (10%)	-0.49 (17%)	0.40 (63%)
Median 17	Median 30	Median 0.00	Median 0.00	Median 0.00	Median 0.00



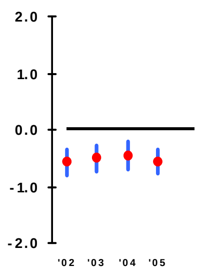
Sources: Freedom House



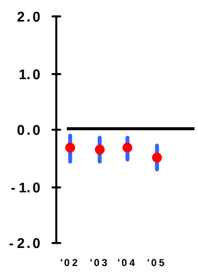
Freedom House



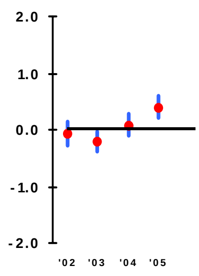
World Bank Institute



World Bank Institute



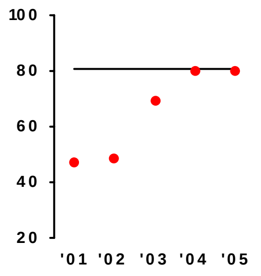
World Bank Institute



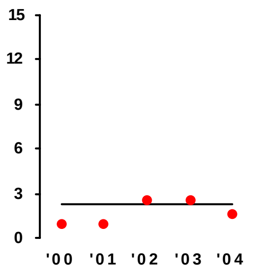
World Bank Institute

Investing In People

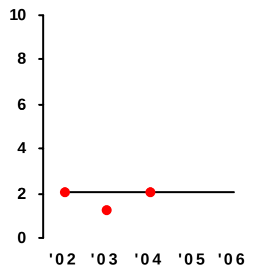
Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data 80 (46%)	1.62 (31%)	2.05 (49%)	n/a
Median 81	Median 2.22	Median 2.07%	Median 66.7



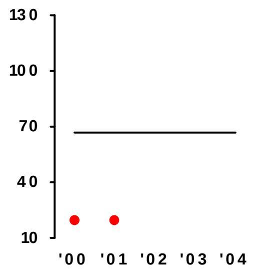
Sources: World Health Org.



World Health Org.



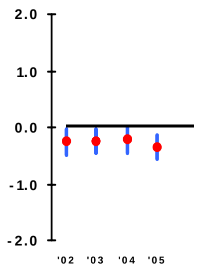
UNESCO/National Sources



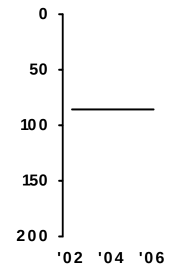
UNESCO/World Bank

Economic Freedom

Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data -0.36 (27%)	261.2 (7%)	233 (0%)	52.8 (29%)	3.40 (85%)	-14.22% (3%)
Median 0.00	Median 85.7	Median 43	Median 59.1	Max. 15	Median -2.54%



Sources: World Bank Inst.



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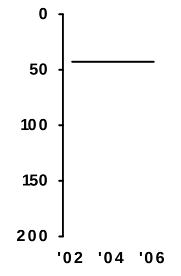

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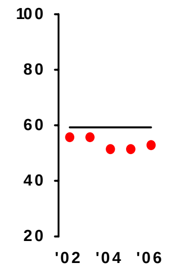
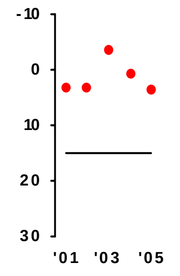


Heritage Foundation



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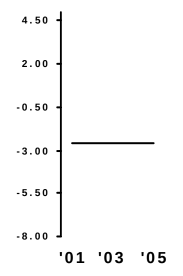

National Sources

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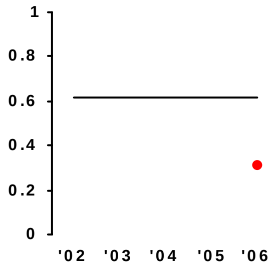
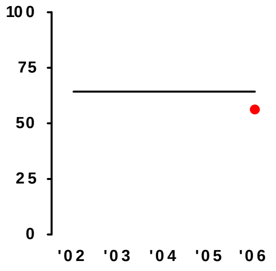
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Guinea-Bissau FY07

Population: 1,539,712
GNI/Cap: $180 LIC

Supplemental Information

Land Rights and Access		**Natural Resource Management**	
0.308 (3%)		**56.31 (31%)**	
Median	**0.617**	**Median**	**64.08**
 		 	

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10/10/2006

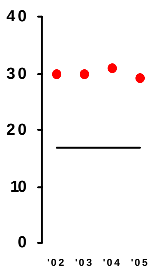
MILLENNIUM
CHALLENGE
CORPORATION

Guyana FY07

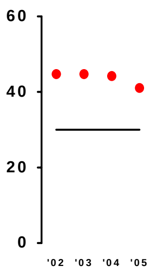
Population: 750,232
GNI/Cap: $1,010 LIC

Ruling Justly

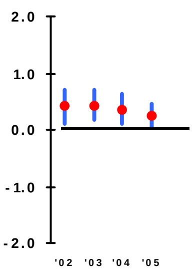
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	29 (83%)	41 (82%)	0.24 (77%)	0.38 (72%)	0.04 (58%)	1.20 (96%)
Median	17	30	0.00	0.00	0.00	0.00



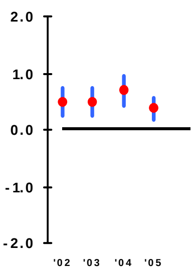
Sources: Freedom House



Freedom House



World Bank Institute



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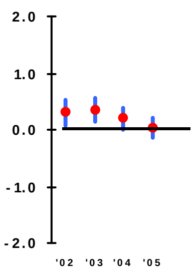

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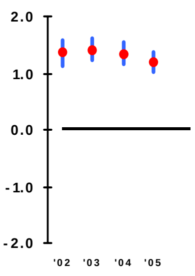
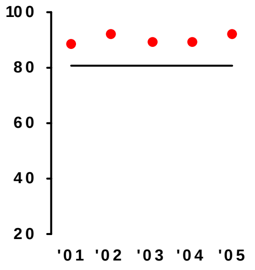


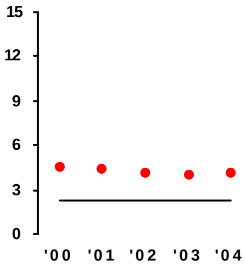
World Bank Institute

Investing In People

	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	92.5 (82%)	4.12 (87%)	1.78 (38%)	91.5 (79%)
Median	81	2.22	2.07%	66.7



Sources: World Health Org.



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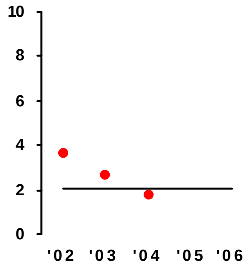
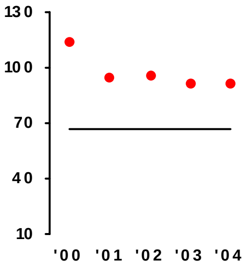


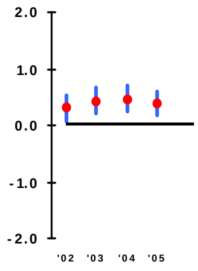
UNESCO/National Sources



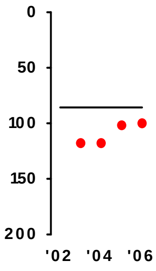
UNESCO/World Bank

Economic Freedom

	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	0.38 (81%)	100.2 (44%)	46 (46%)	58.8 (48%)	6.90 (62%)	-8.83% (4%)
Median	0.00	85.7	43	59.1	Max. 15	-2.54%



Sources: World Bank Inst.



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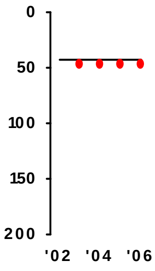

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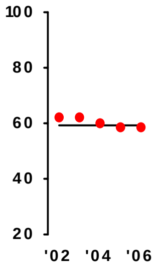
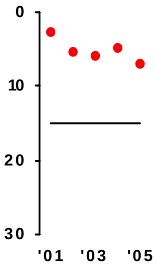
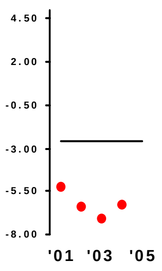


Heritage Foundation



Intl. Monetary Fund



National Sources

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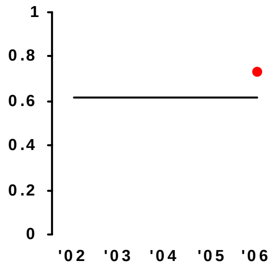
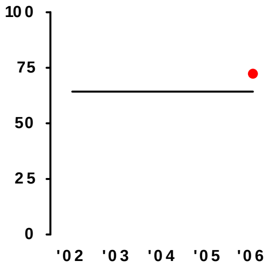
10/6/2006

Guyana FY07

Population: 750,232
GNI/Cap: $1,010 LIC

Supplemental Information

Land Rights and Access	Natural Resource Management
0.733 (82%)	72.70 (75%)
Median 0.617	Median 64.08
	

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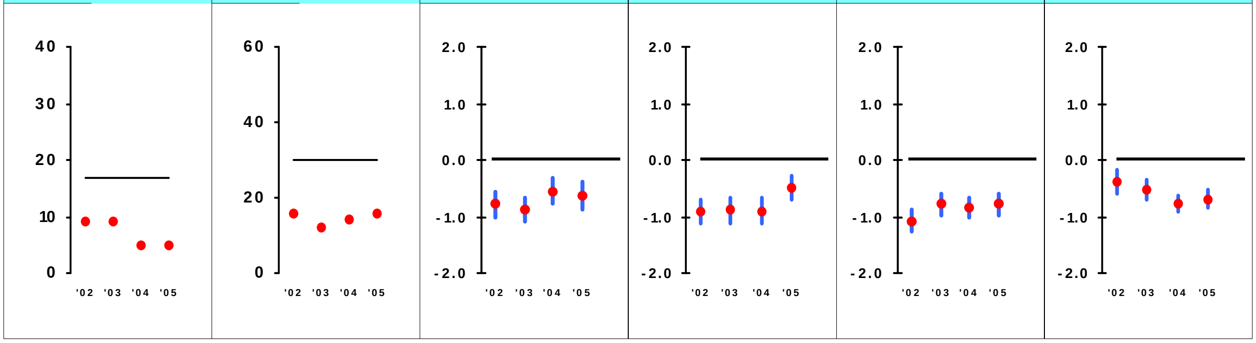
Millennium
Challenge
Corporation

Haiti FY07

Population: 8,406,941
GNI/Cap: $450 LIC

Ruling Justly

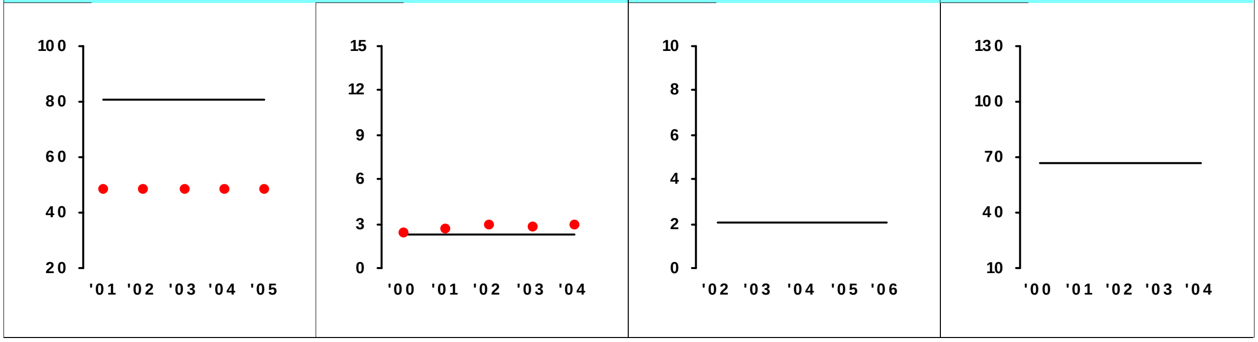
Political Rights		Civil Liberties		Control of Corruption		Government Effectiveness		Rule of Law		Voice and Accountability	
Data	5 (13%)		16 (17%)		-0.63 (1%)		-0.49 (13%)		-0.78 (5%)		-0.69 (19%)
Median	17	Median	30	Median	0.00	Median	0.00	Median	0.00	Median	0.00



Sources: Freedom House | Freedom House | World Bank Institute | World Bank Institute | World Bank Institute | World Bank Institute

Investing In People

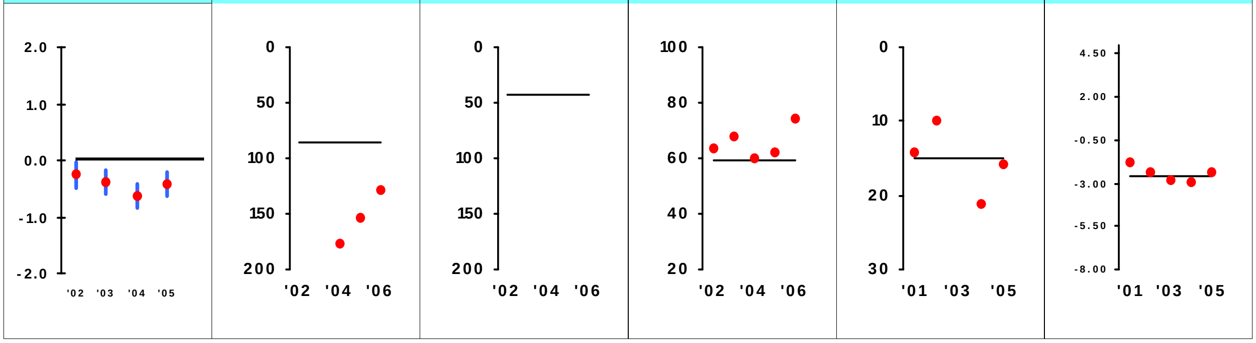
Immunization Rates		Health Expenditures		Primary Education Expenditures		Girls' Primary Education Completion Rate	
Data	48.5 (8%)		2.91 (71%)		n/a		n/a
Median	81	Median	2.22	Median	2.07%	Median	66.7



Sources: World Health Org. | World Health Org. | UNESCO/National Sources | UNESCO/World Bank

Economic Freedom

Regulatory Quality		Cost Of Starting A Business		Days To Start A Business		Trade Policy		Inflation		Fiscal Policy	
Data	-0.42 (26%)		127.7 (36%)		203 (1%)		74.2 (94%)		15.80 (12%)		-2.36% (55%)
Median	0.00	Median	85.7	Median	43	Median	59.1	Max.	15	Median	-2.54%



Sources: World Bank Inst. | Intl. Finance Corp. | Intl. Finance Corp. | Heritage Foundation | Intl. Monetary Fund | National Sources

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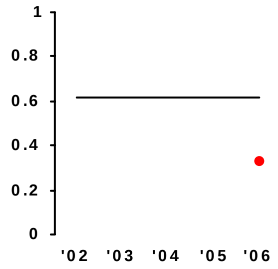
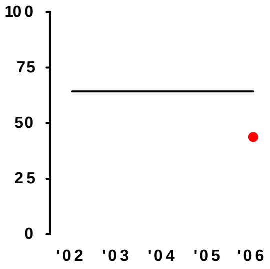
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Haiti FY07

Population: 8,406,941
GNI/Cap: $450 LIC

Supplemental Information

Land Rights and Access	Natural Resource Management
0.331 (5%)	43.92 (6%)
Median 0.617	Median 64.08
	

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10/10/2006

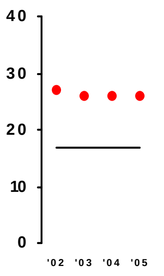
MILLENNIUM
CHALLENGE
CORPORATION

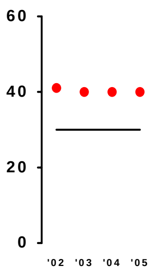
Honduras FY07

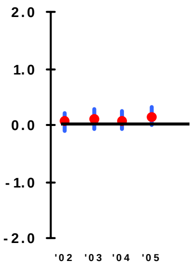
Population: 7,048,327
GNI/Cap: $1,190 LIC

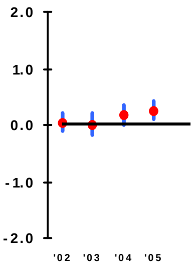
Ruling Justly

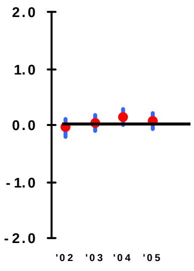
Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data 26 (76%)	40 (79%)	0.15 (67%)	0.26 (68%)	0.06 (60%)	0.58 (73%)
Median 17	Median 30	Median 0.00	Median 0.00	Median 0.00	Median 0.00

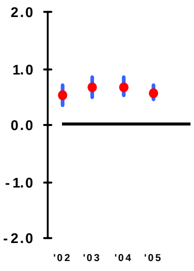








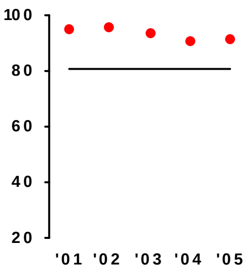


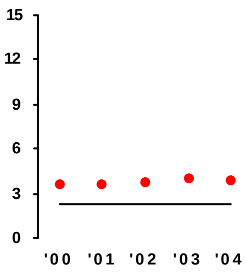


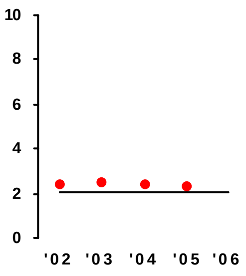
Sources: Freedom House | Freedom House | World Bank Institute | World Bank Institute | World Bank Institute | World Bank Institute

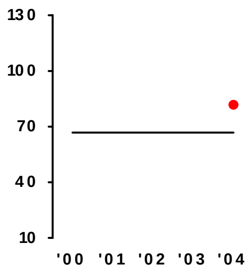
Investing In People

Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data 91.5 (78%)	3.83 (82%)	2.33 (58%)	81.8 (64%)
Median 81	Median 2.22	Median 2.07%	Median 66.7





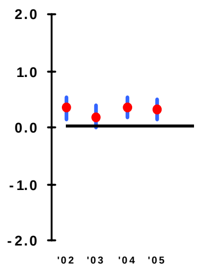


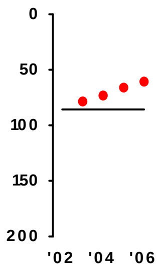


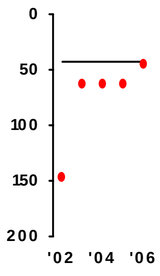
Sources: World Health Org. | World Health Org. | UNESCO/National Sources | UNESCO/World Bank

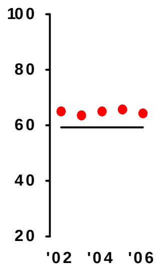
Economic Freedom

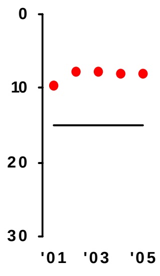
Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data 0.31 (77%)	60.6 (64%)	44 (49%)	64.4 (65%)	8.10 (47%)	-4.08% (30%)
Median 0.00	Median 85.7	Median 43	Median 59.1	Max. 15	Median -2.54%

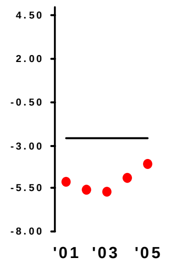












Sources: World Bank Inst. | Intl. Finance Corp. | Intl. Finance Corp. | Heritage Foundation | Intl. Monetary Fund | National Sources

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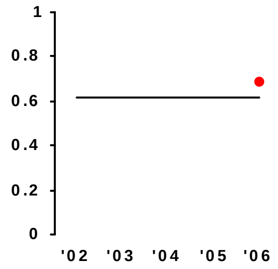
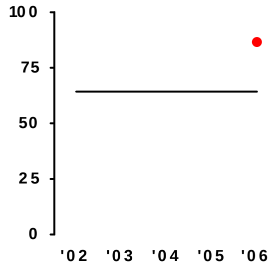
10/6/2006

Honduras FY07

Population: 7,048,327
GNI/Cap: $1,190 LIC

Supplemental Information

Land Rights and Access	Natural Resource Management
0.687 (67%)	86.42 (96%)
Median 0.617	Median 64.08
	

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10/10/2006

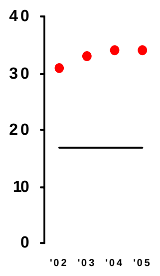
MILLENNIUM
CHALLENGE
CORPORATION

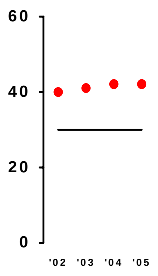
India FY07

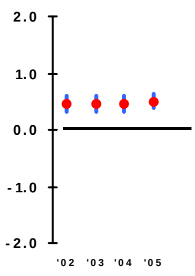
Population: 1,079,721,000
GNI/Cap: $720 LIC

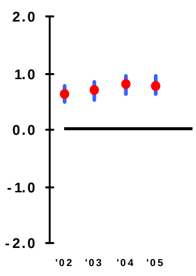
Ruling Justly

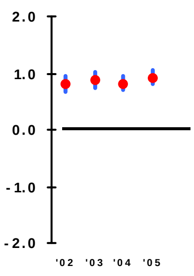
Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data 34 (96%)	42 (83%)	0.51 (85%)	0.78 (96%)	0.93 (96%)	1.07 (91%)
Median 17	Median 30	Median 0.00	Median 0.00	Median 0.00	Median 0.00

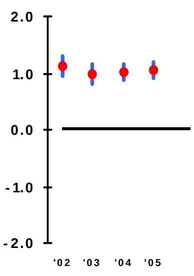








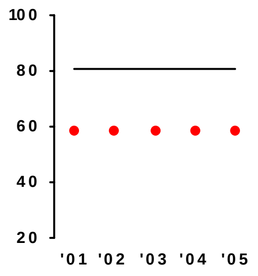


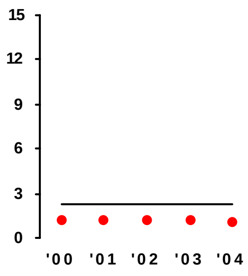


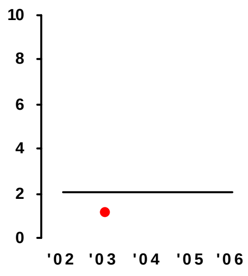
Sources: Freedom House | Freedom House | World Bank Institute | World Bank Institute | World Bank Institute | World Bank Institute

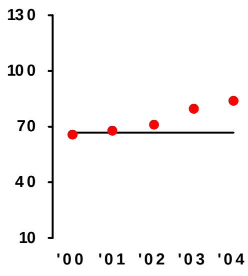
Investing In People

Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data 58.5 (12%)	1.09 (13%)	1.18 (25%)	83.9 (67%)
Median 81	Median 2.22	Median 2.07%	Median 66.7





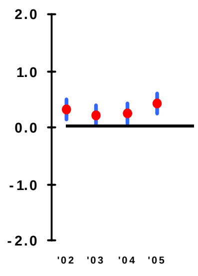


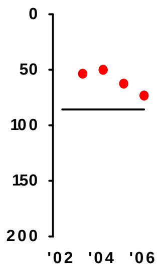


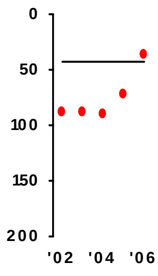
Sources: World Health Org. | World Health Org. | UNESCO/National Sources | UNESCO/World Bank

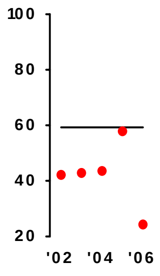
Economic Freedom

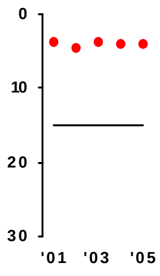
Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data 0.41 (82%)	73.7 (56%)	35 (67%)	24.0 (2%)	4.00 (81%)	-7.93% (7%)
Median 0.00	Median 85.7	Median 43	Median 59.1	Max. 15	Median -2.54%

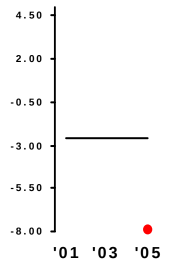












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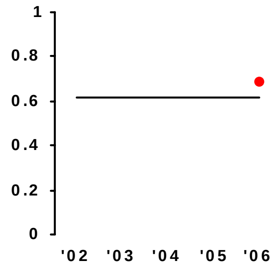
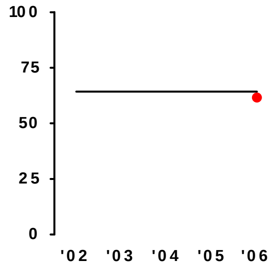
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

India FY07

Population: 1,079,721,000
GNI/Cap: $720 LIC

Supplemental Information

Land Rights and Access	Natural Resource Management
🟩 0.691 (71%)	🟥 61.59 (44%)
Median 0.617	**Median** 64.08
	

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10/10/2006

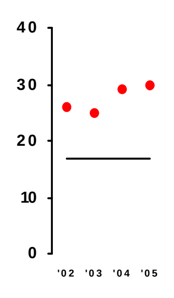
MILLENNIUM
CHALLENGE
CORPORATION

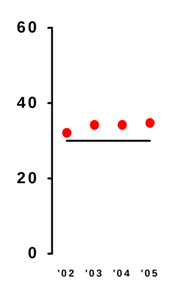
Indonesia FY07

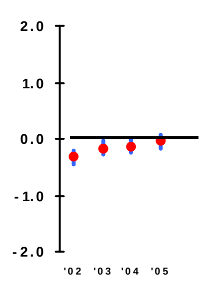
Population: 217,587,500
GNI/Cap: $1,280 LIC

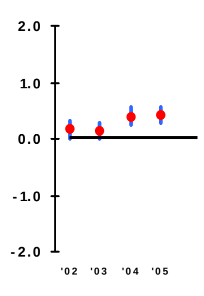
Ruling Justly

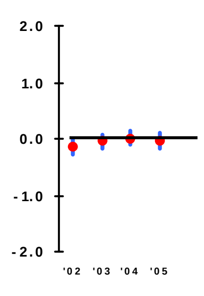
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	30 (87%)	35 (64%)	-0.04 (45%)	0.42 (76%)	-0.03 (47%)	0.50 (71%)
Median	17	30	0.00	0.00	0.00	0.00

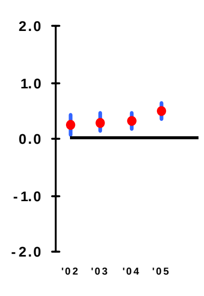








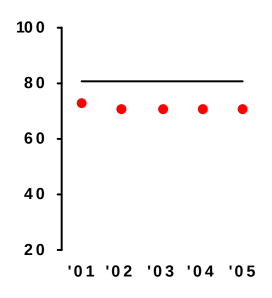


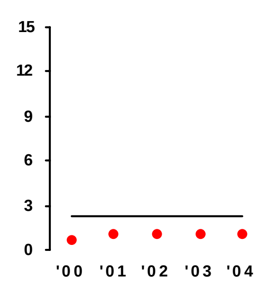


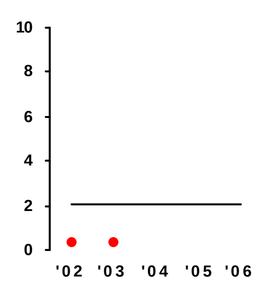
Sources: Freedom House | Freedom House | World Bank Institute | World Bank Institute | World Bank Institute | World Bank Institute

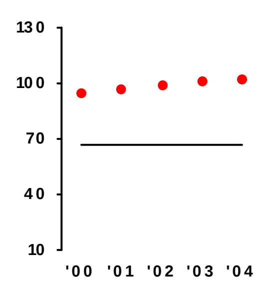
Investing In People

	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	71 (28%)	1.11 (14%)	0.35 (3%)	102.1 (95%)
Median	81	2.22	2.07%	66.7





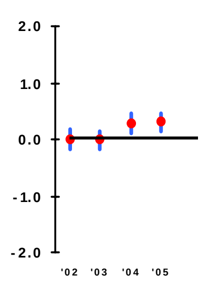


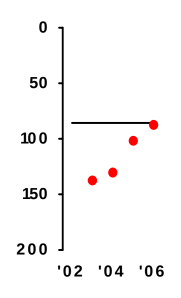


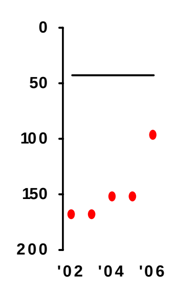
Sources: World Health Org. | World Health Org. | UNESCO/National Sources | UNESCO/World Bank

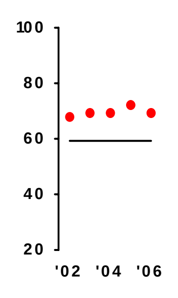
Economic Freedom

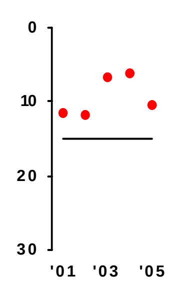
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	0.31 (76%)	86.7 (49%)	97 (10%)	69.6 (78%)	10.50 (32%)	-1.10% (73%)
Median	0.00	Median 85.7	Median 43	Median 59.1	Max. 15	Median -2.54%

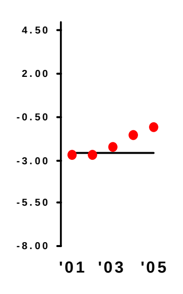












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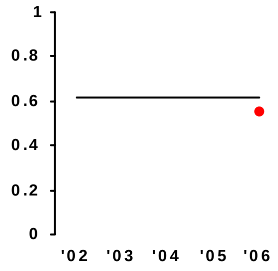
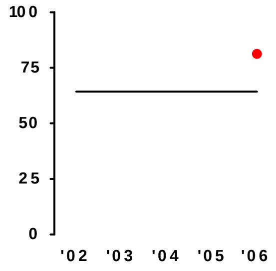
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Indonesia FY07

Population: 217,587,500
GNI/Cap: $1,280 LIC

Supplemental Information

Land Rights and Access	Natural Resource Management
0.550 (33%)	81.47 (92%)
Median 0.617	Median 64.08
	

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10/10/2006

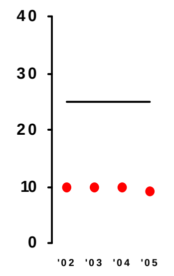
Millennium Challenge Corporation

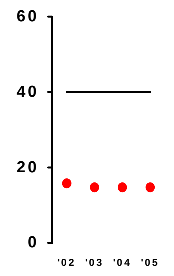
Iran, Islamic Rep. FY07

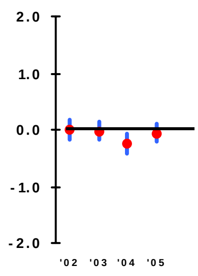
Population: 67,005,950
GNI/Cap: $2,770 LMIC

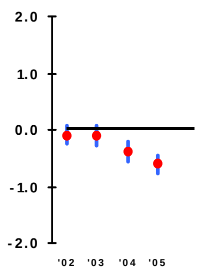
Ruling Justly

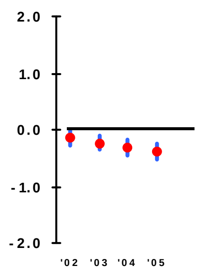
Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data 9 (13%)	15 (3%)	-0.06 (42%)	-0.61 (13%)	-0.39 (19%)	-1.46 (6%)
Median 25	Median 40	Median 0.00	Median 0.00	Median 0.00	Median 0.00
Sources: Freedom House	Freedom House	World Bank Institute	World Bank Institute	World Bank Institute	World Bank Institute

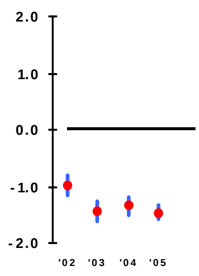






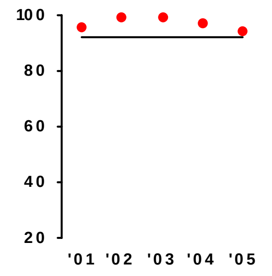


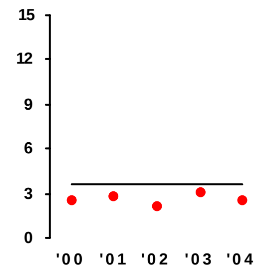


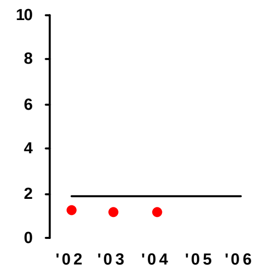


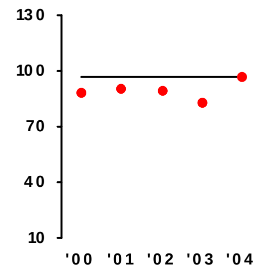
Investing In People

Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data 94.5 (58%)	2.61 (29%)	1.12 (24%)	96.9 (46%)
Median 92.5	Median 3.66	Median 1.88%	Median 97.3
Sources: World Health Org.	World Health Org.	UNESCO/National Sources	UNESCO/World Bank



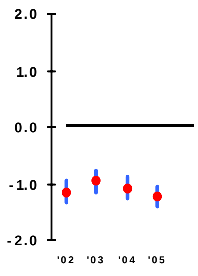


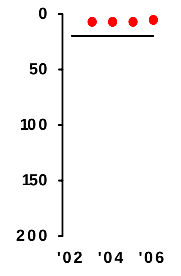


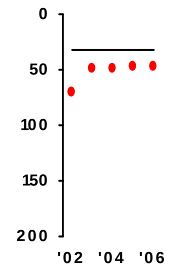


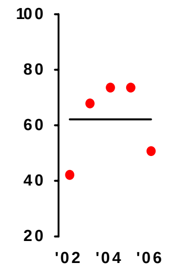
Economic Freedom

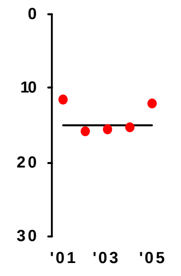
Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data -1.22 (3%)	5.4 (100%)	47 (31%)	50.4 (12%)	12.10 (7%)	1.27% (89%)
Median 0.00	Median 19.8	Median 33	Median 62.1	Max. 15	Median -1.37%
Sources: World Bank Inst.	Intl. Finance Corp.	Intl. Finance Corp.	Heritage Foundation	Intl. Monetary Fund	National Sources

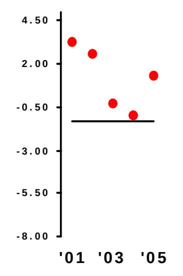












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For more information regarding the Millennium Challenge Account Selection Process and these indicators, please consult MCC's website: www.mcc.gov

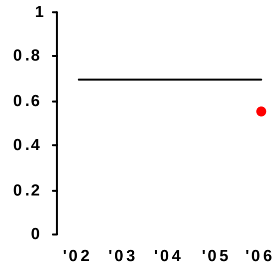
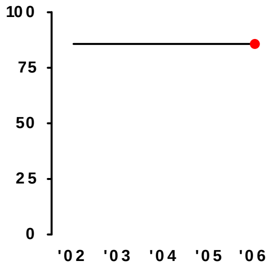
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Iran, Islamic Rep. FY07

Population: 67,005,950
GNI/Cap: $2,770 LMIC

Supplemental Information

Land Rights and Access	Natural Resource Management
0.552 (13%)	85.71 (46%)
Median 0.696	Median 86.15
	
IFAD/IFC	CIESIN/YCELP

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10/10/2006

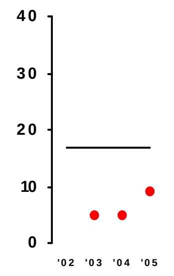
Millennium Challenge Corporation

Iraq FY07

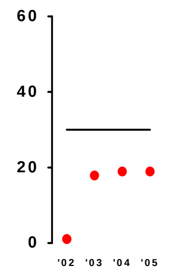
Population:
GNI/Cap: LIC

Ruling Justly

	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	9 (24%)	19 (24%)	-0.45 (10%)	-0.74 (4%)	-0.97 (1%)	-0.75 (18%)
Median	17	30	0.00	0.00	0.00	0.00



Sources: Freedom House



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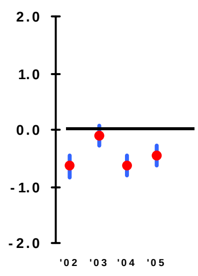
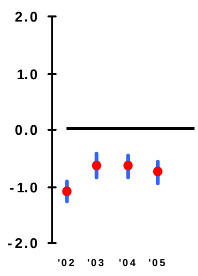
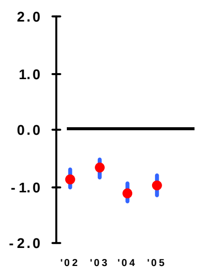


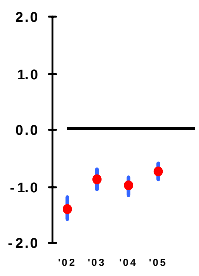
World Bank Institute



World Bank Institute



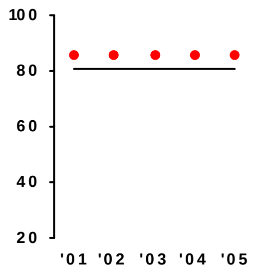
World Bank Institute



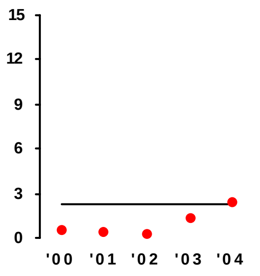
World Bank Institute

Investing In People

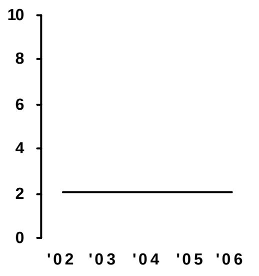
	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	85.5 (62%)	2.43 (58%)	n/a	62.7 (46%)
Median	81	2.22	2.07%	66.7



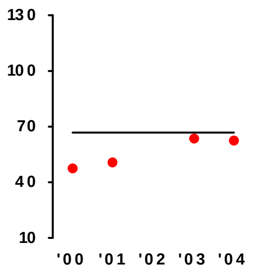
Sources: World Health Org.



World Health Org.



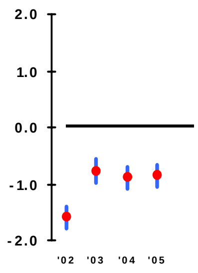
UNESCO/National Sources



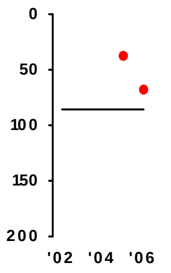
UNESCO/World Bank

Economic Freedom

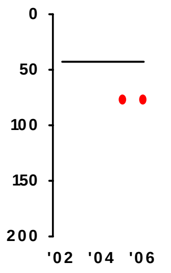
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	-0.85 (15%)	67.6 (60%)	77 (18%)	70.0 (82%)	n/a	n/a
Median	0.00	85.7	43	59.1	Max. 15	-2.54%



Sources: World Bank Inst.



Intl. Finance Corp.



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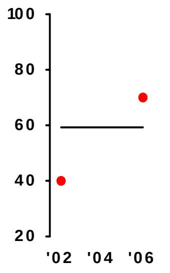
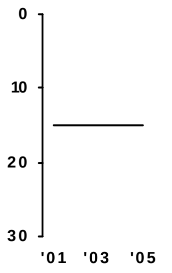
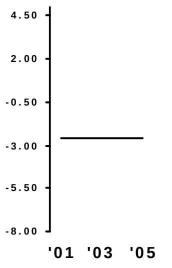


Heritage Foundation



Intl. Monetary Fund



National Sources

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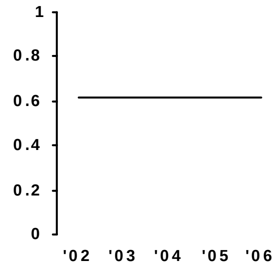
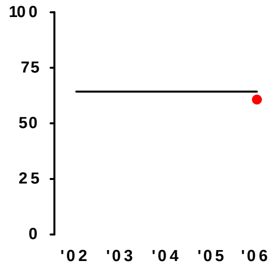
10/6/2006

Millennium Challenge Corporation

Iraq FY07

Population:
GNI/Cap: LIC

Supplemental Information

Land Rights and Access		Natural Resource Management	
n/a		60.62 (42%)	
Median	0.617	Median	64.08
			

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10/10/2006

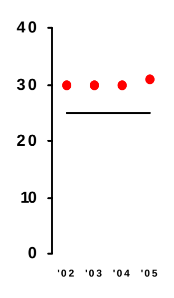
MILLENNIUM
CHALLENGE
CORPORATION

Jamaica FY07

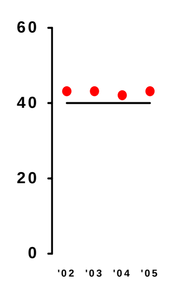
Population: 2,644,593
GNI/Cap: $3,400 LMIC

Ruling Justly

	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	31 (61%)	43 (65%)	-0.08 (32%)	0.04 (52%)	-0.17 (39%)	0.54 (77%)
Median	25	40	0.00	0.00	0.00	0.00



Sources: Freedom House



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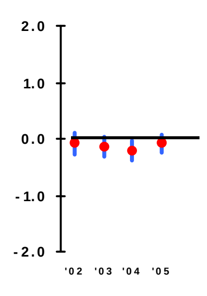
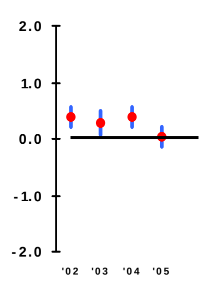


World Bank Institute



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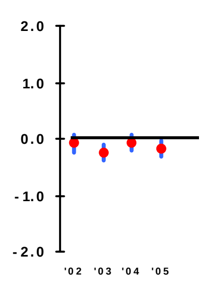
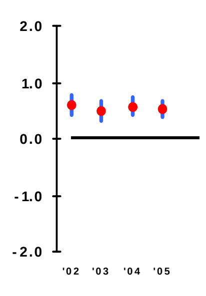


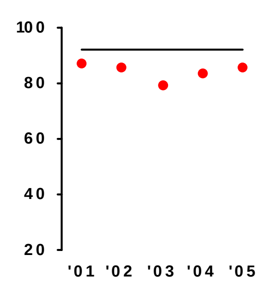
World Bank Institute



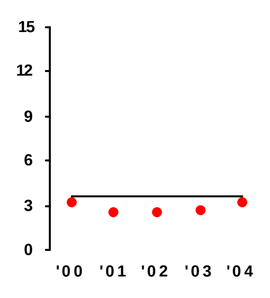
World Bank Institute

Investing In People

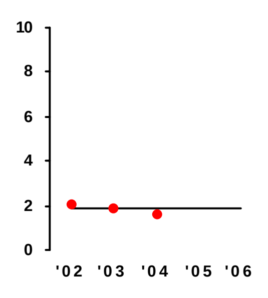
	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	86 (32%)	3.17 (39%)	1.59 (38%)	85.7 (17%)
Median	92.5	3.66	1.88%	97.3



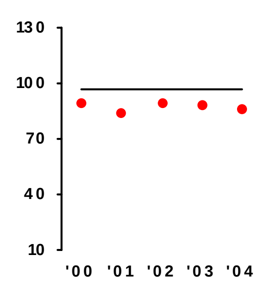
Sources: World Health Org.



World Health Org.



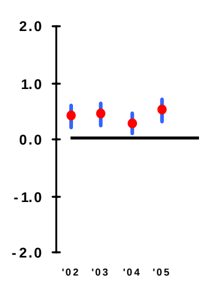
UNESCO/National Sources



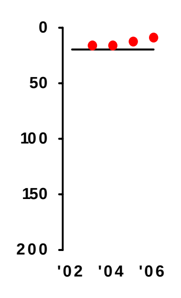
UNESCO/World Bank

Economic Freedom

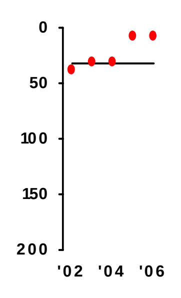
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	0.51 (90%)	9.4 (75%)	8 (100%)	60.4 (36%)	15.30 (3%)	-5.83% (0%)
Median	0.00	19.8	33	62.1	Max. 15	-1.37%



Sources: World Bank Inst.



Intl. Finance Corp.



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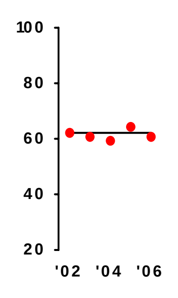

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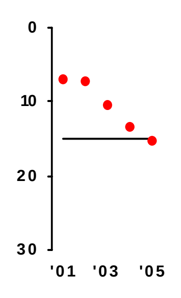
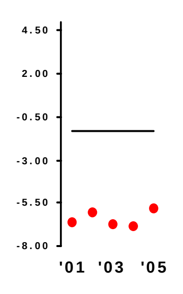


Intl. Monetary Fund



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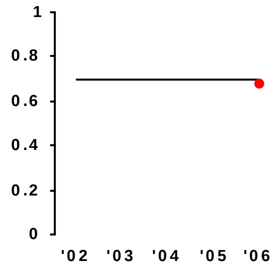
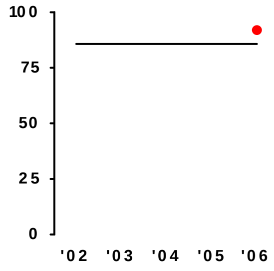
10/6/2006

MILLENNIUM CHALLENGE CORPORATION

Jamaica FY07

Population:	2,644,593
GNI/Cap: $3,400	LMIC

Supplemental Information

Land Rights and Access		Natural Resource Management	
0.676 (35%)		92.35 (79%)	
Median	0.696	Median	86.15
			
IFAD/IFC		CIESIN/YCELP	

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10/10/2006

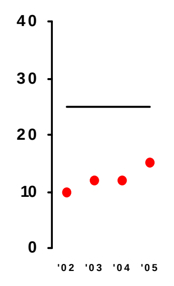
MILLENNIUM
CHALLENGE
CORPORATION

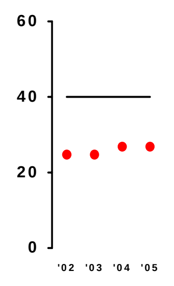
Jordan FY07

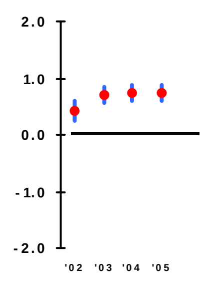
Population: 5,439,952
GNI/Cap: $2,500 LMIC

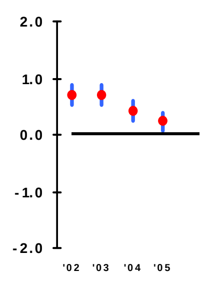
Ruling Justly

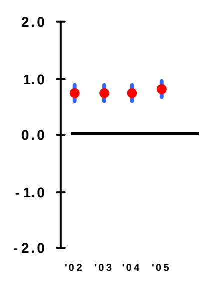
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	15 (26%)	27 (29%)	0.74 (100%)	0.24 (77%)	0.81 (87%)	-0.77 (29%)
Median	25	40	0.00	0.00	0.00	0.00

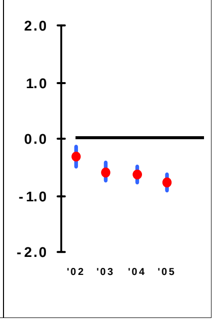








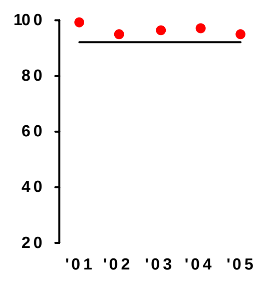


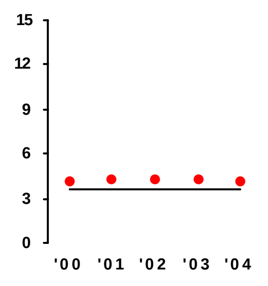


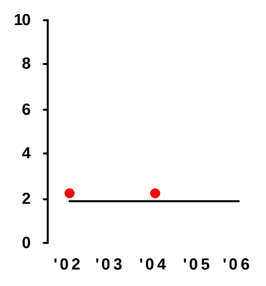
Sources: Freedom House | Freedom House | World Bank Institute | World Bank Institute | World Bank Institute | World Bank Institute

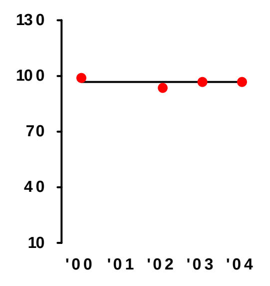
Investing In People

	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	95 (61%)	4.13 (61%)	2.19 (59%)	96.3 (38%)
Median	92.5	3.66	1.88%	97.3





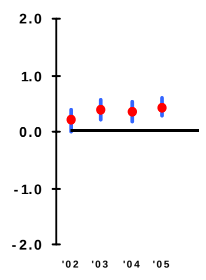


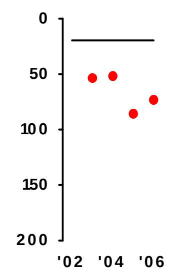


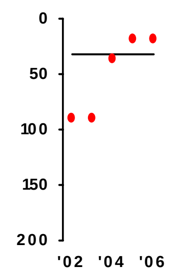
Sources: World Health Org. | World Health Org. | UNESCO/National Sources | UNESCO/World Bank

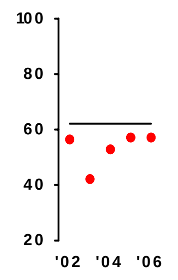
Economic Freedom

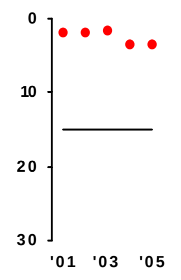
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	0.43 (84%)	73.0 (9%)	18 (81%)	57.2 (28%)	3.50 (59%)	-2.64% (43%)
Median	0.00	19.8	33	62.1	Max. 15	-1.37%

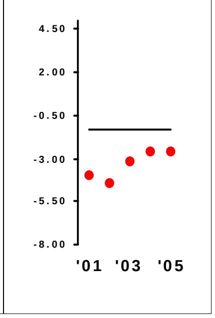












Sources: World Bank Inst. | Intl. Finance Corp. | Intl. Finance Corp. | Heritage Foundation | Intl. Monetary Fund | National Sources

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10/6/2006

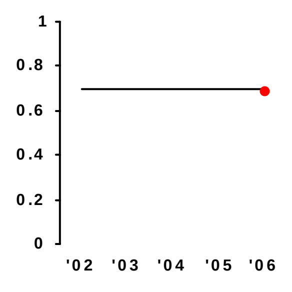
MILLENNIUM
CHALLENGE
CORPORATION

Jordan FY07

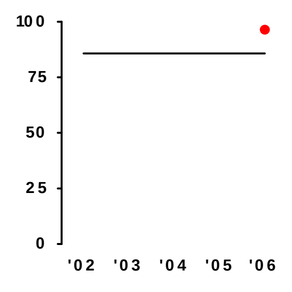
Population: 5,439,952
GNI/Cap: $2,500 LMIC

Supplemental Information

Land Rights and Access		Natural Resource Management	
0.687 (39%)		96.26 (93%)	
Median	**0.696**	**Median**	**86.15**



IFAD/IFC



CIESIN/YCELP

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10/10/2006

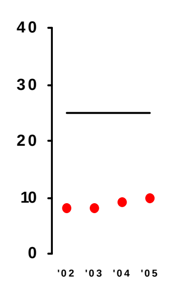
MILLENNIUM
CHALLENGE
CORPORATION

Kazakhstan FY07

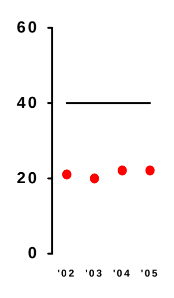
Population: 14,993,530
GNI/Cap: $2,930 LMIC

Ruling Justly

Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data 10 (19%)	22 (16%)	-0.52 (6%)	-0.55 (16%)	-0.41 (13%)	-1.22 (13%)
Median 25	Median 40	Median 0.00	Median 0.00	Median 0.00	Median 0.00



Sources: Freedom House



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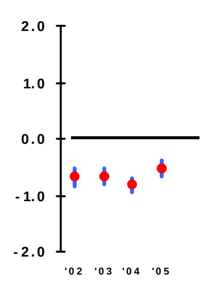
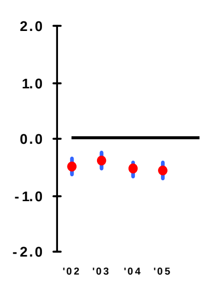
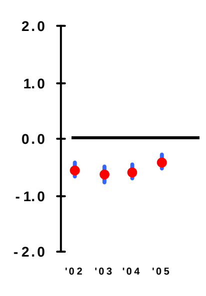


World Bank Institute



World Bank Institute



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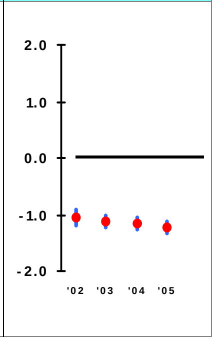
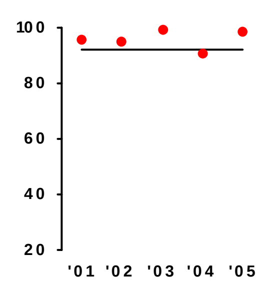


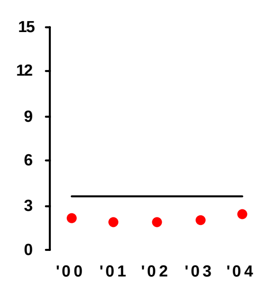
World Bank Institute

Investing In People

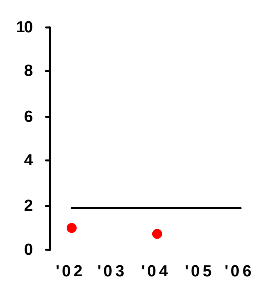
Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data 98.5 (94%)	2.46 (26%)	0.73 (7%)	109.5 (92%)
Median 92.5	Median 3.66	Median 1.88%	Median 97.3



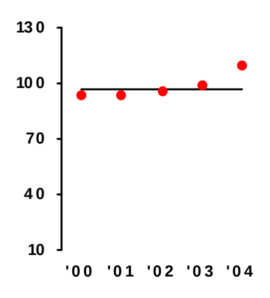
Sources: World Health Org.



World Health Org.



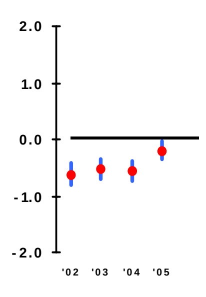
UNESCO/National Sources



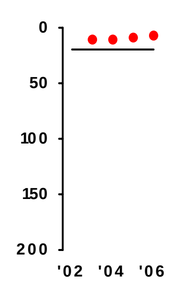
UNESCO/World Bank

Economic Freedom

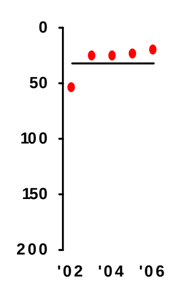
Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data -0.20 (23%)	7.0 (91%)	20 (72%)	64.2 (76%)	7.60 (28%)	3.82% (96%)
Median 0.00	Median 19.8	Median 33	Median 62.1	Max. 15	Median -1.37%



Sources: World Bank Inst.



Intl. Finance Corp.



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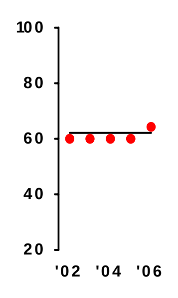
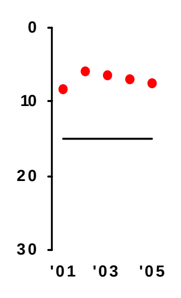
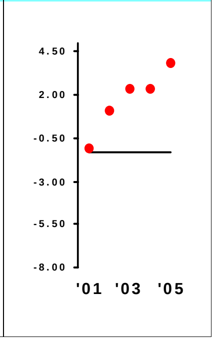


Heritage Foundation



Intl. Monetary Fund



National Sources

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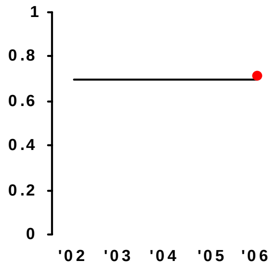
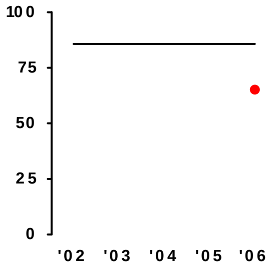
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Kazakhstan FY07

Population: 14,993,530
GNI/Cap: $2,930 LMIC

Supplemental Information

Land Rights and Access	Natural Resource Management
0.716 (65%)	65.38 (18%)
Median 0.696	Median 86.15
 	
IFAD/IFC	CIESIN/YCELP

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10/10/2006

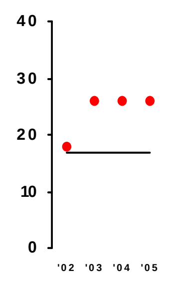
Millennium Challenge Corporation

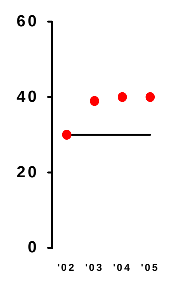
Kenya FY07

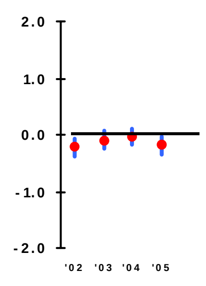
Population: 33,467,330
GNI/Cap: $530 LIC

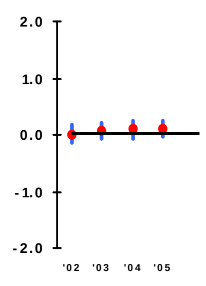
Ruling Justly

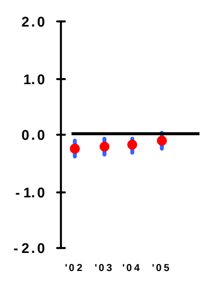
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	26 (76%)	40 (79%)	-0.19 (35%)	0.12 (58%)	-0.10 (42%)	0.59 (74%)
	Median 17	Median 30	Median 0.00	Median 0.00	Median 0.00	Median 0.00

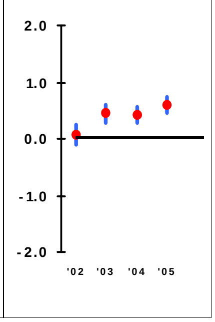








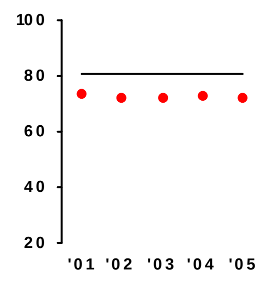


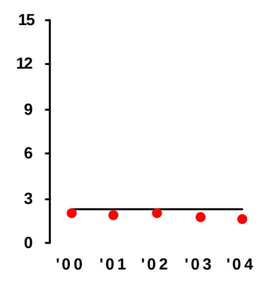


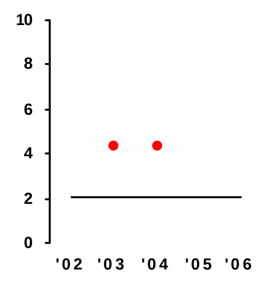
Sources: Freedom House | Freedom House | World Bank Institute | World Bank Institute | World Bank Institute | World Bank Institute

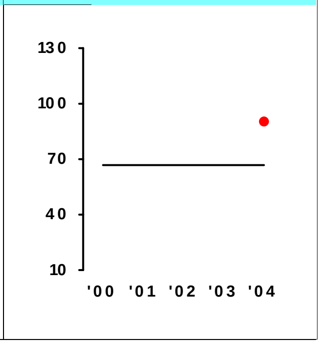
Investing In People

	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	72.5 (31%)	1.59 (30%)	4.38 (91%)	90.3 (74%)
	Median 81	Median 2.22	Median 2.07%	Median 66.7





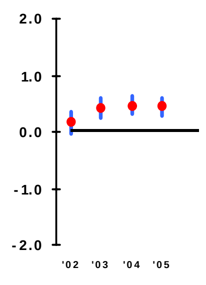


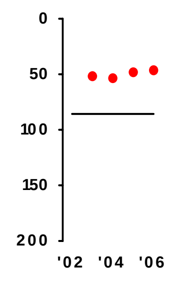


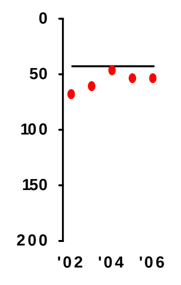
Sources: World Health Org. | World Health Org. | UNESCO/National Sources | UNESCO/World Bank

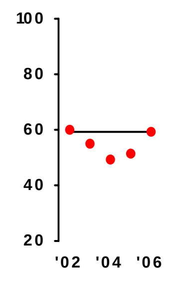
Economic Freedom

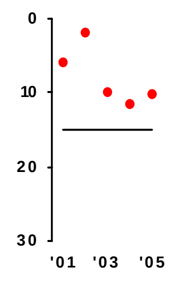
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	0.44 (85%)	46.3 (71%)	54 (35%)	59.4 (51%)	10.30 (34%)	-1.66% (64%)
	Median 0.00	Median 85.7	Median 43	Median 59.1	Max. 15	Median -2.54%

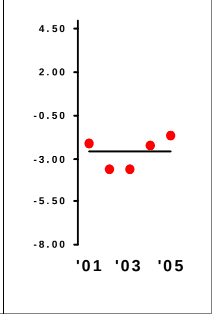












Sources: World Bank Inst. | Intl. Finance Corp. | Intl. Finance Corp. | Heritage Foundation | Intl. Monetary Fund | National Sources

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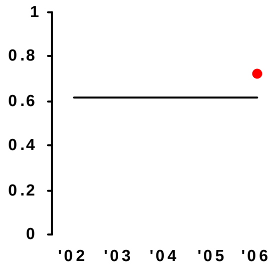
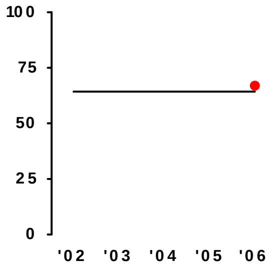
10/6/2006

Supplemental Information

Land Rights and Access	Natural Resource Management
0.720 (79%)	**66.53 (62%)**
Median 0.617	**Median 64.08**
	

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10/10/2006

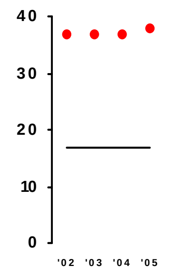
MILLENNIUM CHALLENGE CORPORATION

Kiribati FY07

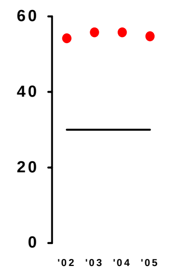
Population: 97,813
GNI/Cap: $1,390 LIC

Ruling Justly

	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	38 (100%)	55 (100%)	1.04 (97%)	0.40 (73%)	1.60 (100%)	1.58 (100%)
Median	17	30	0.00	0.00	0.00	0.00



Sources: Freedom House



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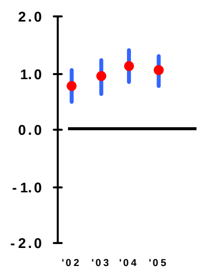
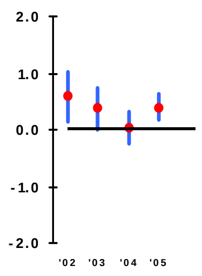
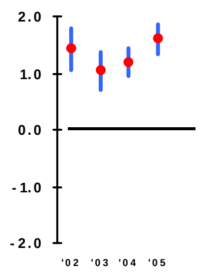


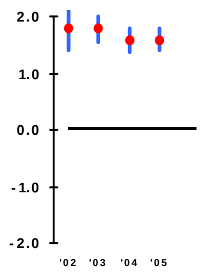
World Bank Institute



World Bank Institute



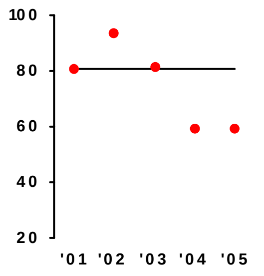
World Bank Institute



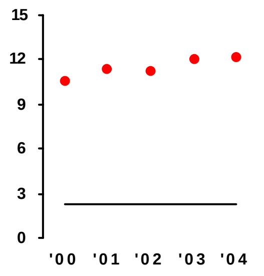
World Bank Institute

Investing In People

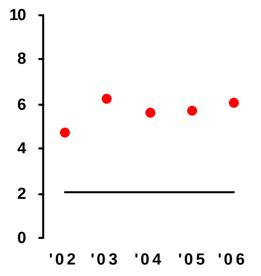
	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	59 (13%)	12.15 (100%)	6.05 (98%)	120.3 (100%)
Median	81	2.22	2.07%	66.7



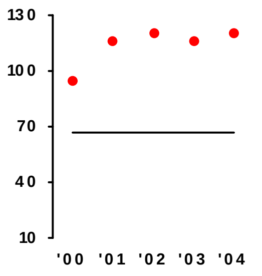
Sources: World Health Org.



World Health Org.



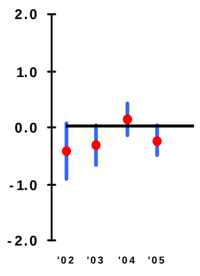
UNESCO/National Sources



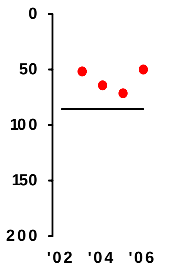
UNESCO/World Bank

Economic Freedom

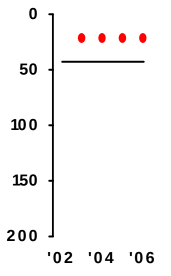
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	-0.23 (36%)	50.0 (68%)	21 (90%)	n/a	0.00 (100%)	-32.40% (0%)
Median	0.00	85.7	43	59.1	Max. 15	-2.54%



Sources: World Bank Inst.



Intl. Finance Corp.



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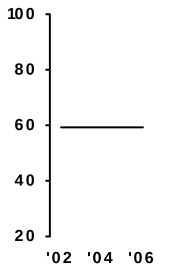
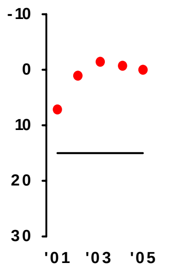
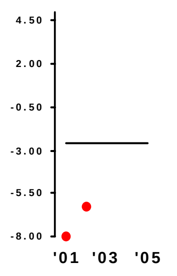


Heritage Foundation



Intl. Monetary Fund



National Sources

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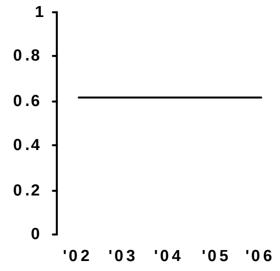
10/6/2006

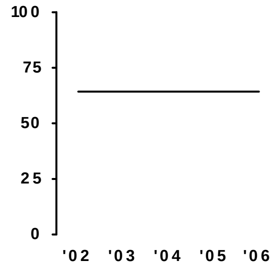
Kiribati FY07

Population: 97,813
GNI/Cap: $1,390 LIC

Supplemental Information

Land Rights and Access		Natural Resource Management	
n/a		n/a	
Median	**0.617**	**Median**	**64.08**





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10/10/2006

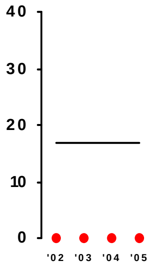
MILLENNIUM
CHALLENGE
CORPORATION

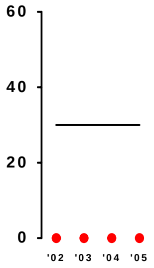
Korea, Dem. Rep. FY07

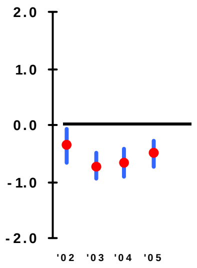
Population:	22,383,780
GNI/Cap:	LIC

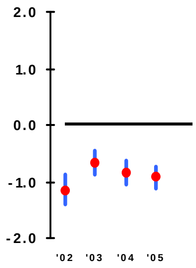
Ruling Justly

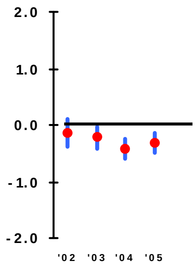
Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data 0 (1%)	0 (0%)	-0.50 (8%)	-0.92 (1%)	-0.31 (24%)	-1.34 (1%)
Median 17	Median 30	Median 0.00	Median 0.00	Median 0.00	Median 0.00

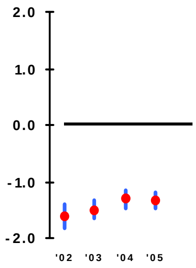








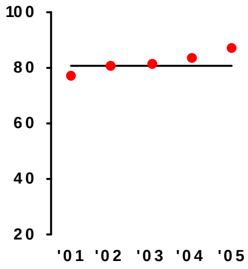


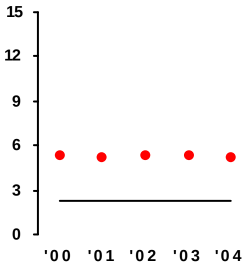


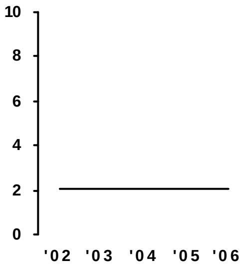
Sources: Freedom House Freedom House World Bank Institute World Bank Institute World Bank Institute World Bank Institute

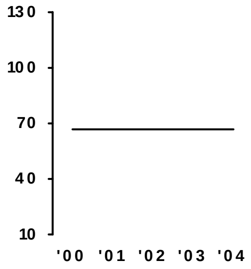
Investing In People

Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data 87.5 (67%)	5.26 (94%)	n/a	n/a
Median 81	Median 2.22	Median 2.07%	Median 66.7





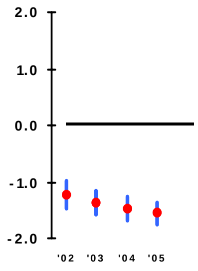


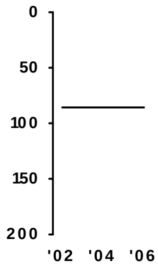


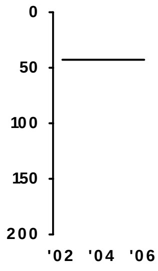
Sources: World Health Org. World Health Org. UNESCO/National Sources UNESCO/World Bank

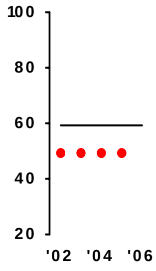
Economic Freedom

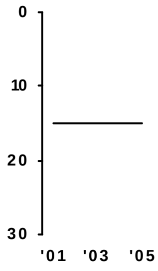
Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data -1.55 (1%)	n/a	n/a	n/a	n/a	n/a
Median 0.00	Median 85.7	Median 43	Median 59.1	Max. 15	Median -2.54%

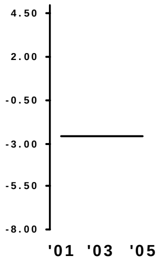












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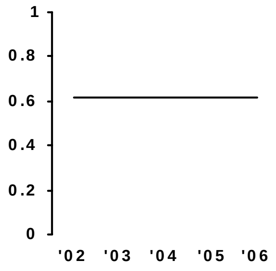
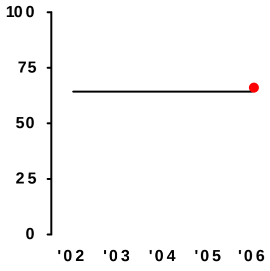
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Korea, Dem. Rep. FY07

Population: 22,383,780
GNI/Cap: LIC

Supplemental Information

Land Rights and Access		Natural Resource Management	
n/a		66.05 (60%)	
Median	0.617	Median	64.08
			

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10/10/2006

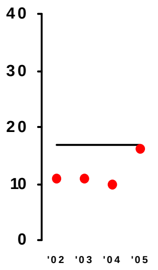
MILLENNIUM
CHALLENGE
CORPORATION

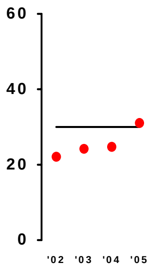
Kyrgyz Republic FY07

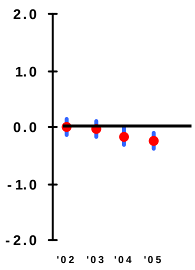
Population: 5,092,802
GNI/Cap: $440 LIC

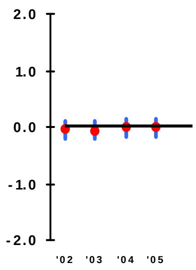
Ruling Justly

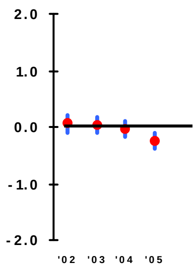
Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data 16 (46%)	31 (51%)	-0.24 (32%)	-0.01 (47%)	-0.23 (33%)	-0.31 (44%)
Median 17	Median 30	Median 0.00	Median 0.00	Median 0.00	Median 0.00

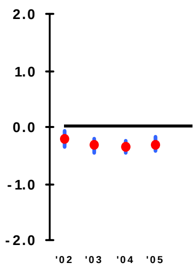








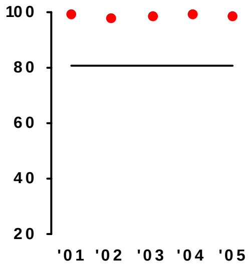


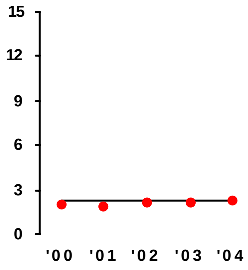


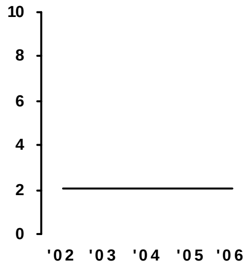
Sources: Freedom House | Freedom House | World Bank Institute | World Bank Institute | World Bank Institute | World Bank Institute

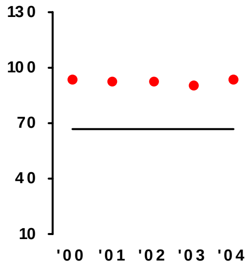
Investing In People

Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data 98.5 (92%)	2.21 (48%)	n/a	93.4 (84%)
Median 81	Median 2.22	Median 2.07%	Median 66.7





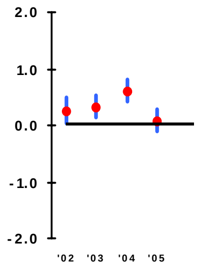


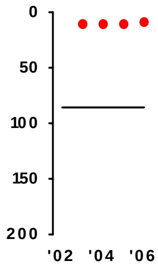


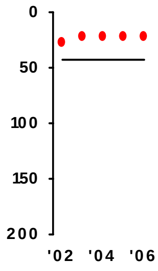
Sources: World Health Org. | World Health Org. | UNESCO/National Sources | UNESCO/World Bank

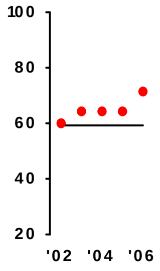
Economic Freedom

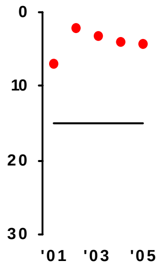
Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data 0.09 (53%)	9.8 (93%)	21 (90%)	71.4 (83%)	4.30 (78%)	-4.43% (25%)
Median 0.00	Median 85.7	Median 43	Median 59.1	Max. 15	Median -2.54%

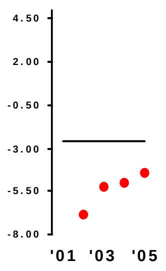












Sources: World Bank Inst. | Intl. Finance Corp. | Intl. Finance Corp. | Heritage Foundation | Intl. Monetary Fund | National Sources

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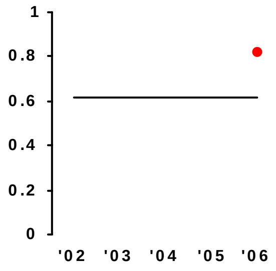
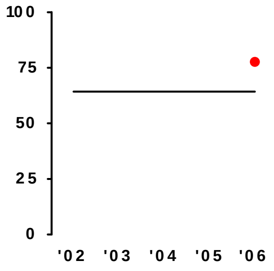
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Kyrgyz Republic FY07

Population: 5,092,802
GNI/Cap: $440 LIC

Supplemental Information

Land Rights and Access	**Natural Resource Management**
0.825 (91%)	**77.88 (84%)**
Median 0.617	**Median 64.08**
	

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10/10/2006

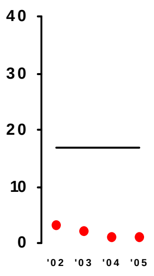
MILLENNIUM
CHALLENGE
CORPORATION

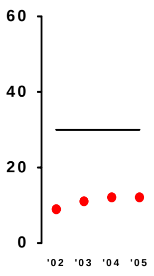
Lao PDR FY07

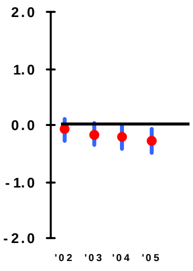
Population: 5,791,695
GNI/Cap: $440 LIC

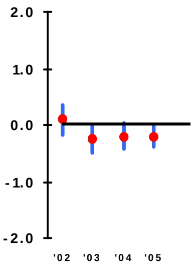
Ruling Justly

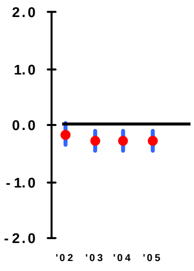
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	1 (5%)	12 (13%)	-0.28 (22%)	-0.20 (28%)	-0.28 (28%)	-0.83 (15%)
Median	17	30	0.00	0.00	0.00	0.00
Sources:	Freedom House	Freedom House	World Bank Institute	World Bank Institute	World Bank Institute	World Bank Institute

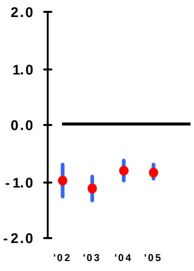






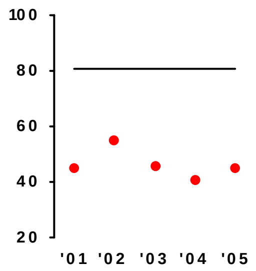


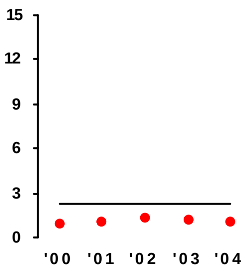


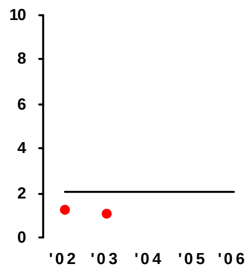


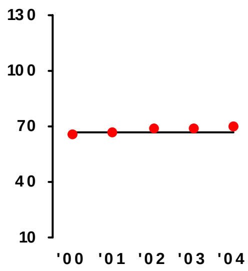
Investing In People

	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	45 (5%)	1.07 (12%)	1.04 (22%)	69.6 (52%)
Median	81	2.22	2.07%	66.7
Sources:	World Health Org.	World Health Org.	UNESCO/National Sources	UNESCO/World Bank



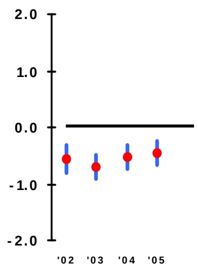


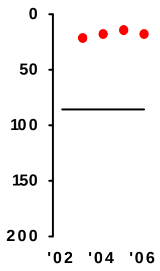


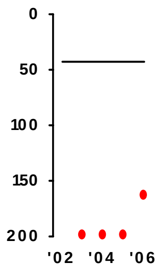


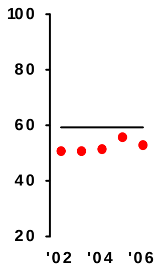
Economic Freedom

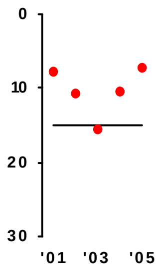
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	-0.45 (23%)	17.3 (86%)	163 (3%)	53.0 (31%)	7.20 (57%)	-3.91% (36%)
Median	0.00	85.7	43	59.1	Max. 15	-2.54%
Sources:	World Bank Inst.	Intl. Finance Corp.	Intl. Finance Corp.	Heritage Foundation	Intl. Monetary Fund	National Sources

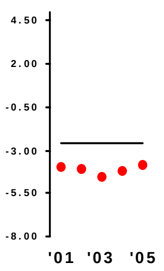












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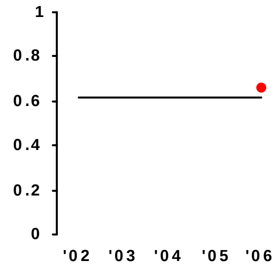
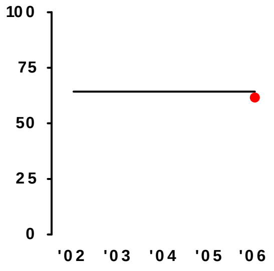
10/6/2006

Lao PDR FY07

Population: 5,791,695
GNI/Cap: $440 LIC

Supplemental Information

Land Rights and Access	Natural Resource Management
0.664 (61%)	61.58 (43%)
Median 0.617	Median 64.08
	

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10/10/2006

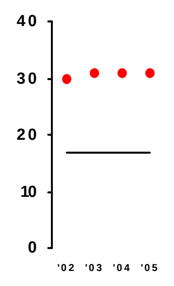
MILLENNIUM
CHALLENGE
CORPORATION

Lesotho FY07

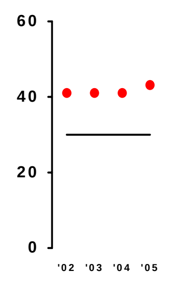
Population: 1,797,972
GNI/Cap: $960 LIC

Ruling Justly

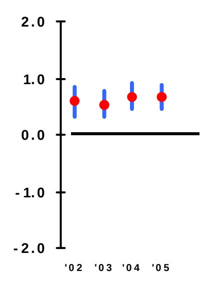
Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data 31 (91%)	43 (86%)	0.67 (92%)	0.60 (90%)	0.65 (90%)	0.99 (87%)
Median 17	Median 30	Median 0.00	Median 0.00	Median 0.00	Median 0.00



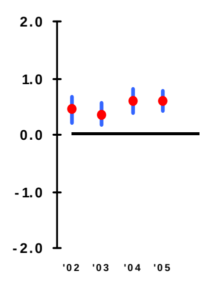
Sources: Freedom House



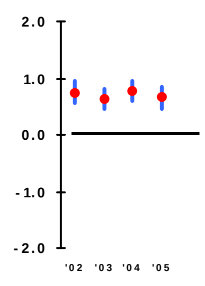
Freedom House



World Bank Institute



World Bank Institute



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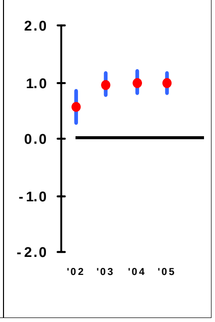
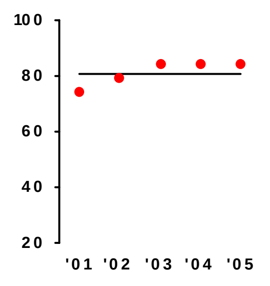


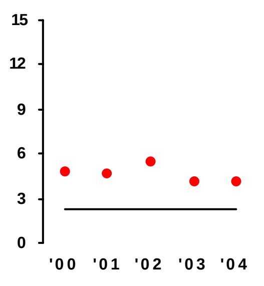
World Bank Institute

Investing In People

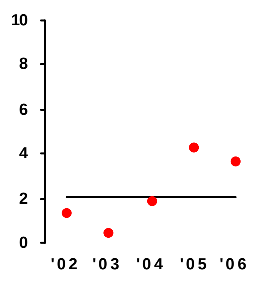
Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data 84 (58%)	4.18 (88%)	3.69 (85%)	82.0 (66%)
Median 81	Median 2.22	Median 2.07%	Median 66.7



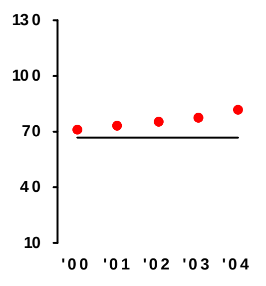
Sources: World Health Org.



World Health Org.



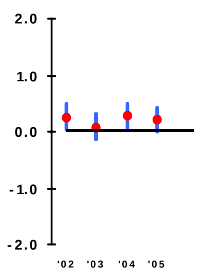
UNESCO/National Sources



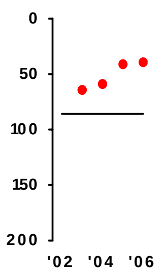
UNESCO/World Bank

Economic Freedom

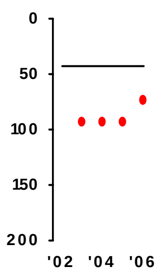
Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data 0.21 (63%)	39.9 (75%)	73 (24%)	72.8 (91%)	4.00 (81%)	4.61% (95%)
Median 0.00	Median 85.7	Median 43	Median 59.1	Max. 15	Median -2.54%



Sources: World Bank Inst.



Intl. Finance Corp.



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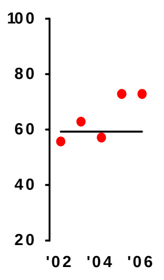
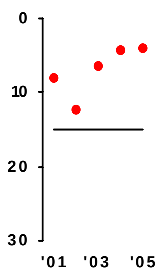
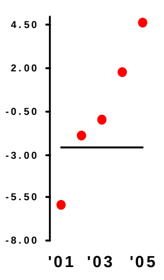


Heritage Foundation



Intl. Monetary Fund



National Sources

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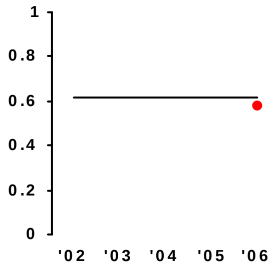
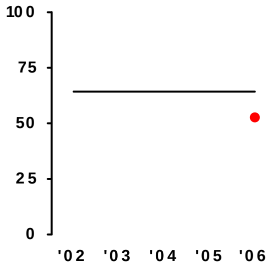
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Lesotho FY07

Population: 1,797,972
GNI/Cap: $960 LIC

Supplemental Information

Land Rights and Access	Natural Resource Management
0.578 (39%)	52.94 (22%)
Median 0.617	Median 64.08
	

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10/10/2006

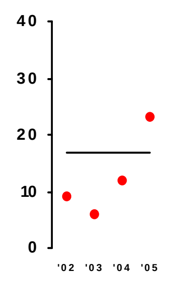
Millennium Challenge Corporation

Liberia FY07

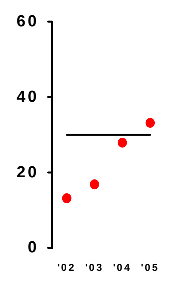
Population: 3,240,578
GNI/Cap: $130 LIC

Ruling Justly

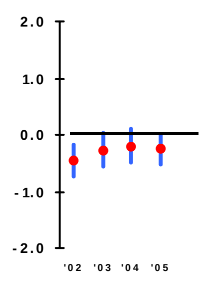
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	23 (59%)	33 (58%)	-0.26 (24%)	-0.47 (17%)	-0.76 (6%)	-0.21 (46%)
Median	17	30	0.00	0.00	0.00	0.00



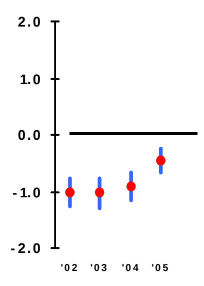
Sources: Freedom House



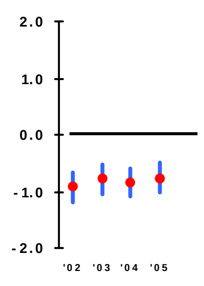
Freedom House



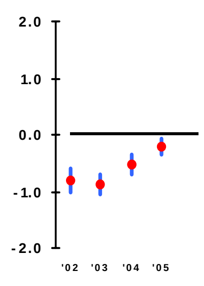
World Bank Institute



World Bank Institute



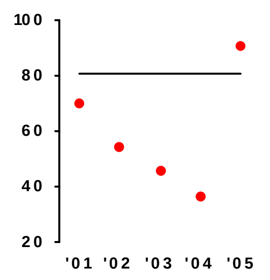
World Bank Institute



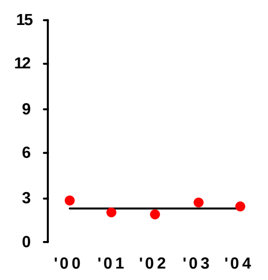
World Bank Institute

Investing In People

	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	90.5 (74%)	2.44 (60%)	n/a	n/a
Median	81	2.22	2.07%	66.7



Sources: World Health Org.



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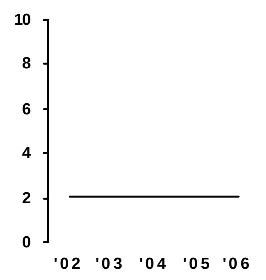
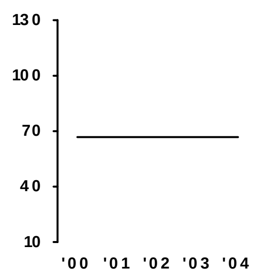


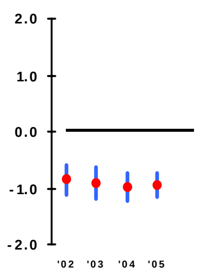
UNESCO/National Sources



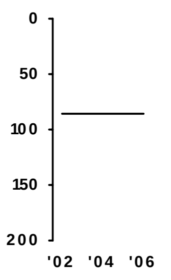
UNESCO/World Bank

Economic Freedom

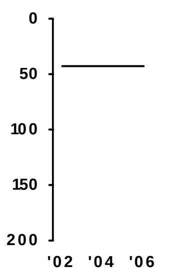
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	-0.94 (10%)	n/a	n/a	n/a	6.90 (62%)	n/a
Median	0.00	85.7	43	59.1	Max. 15	-2.54%



Sources: World Bank Inst.



Intl. Finance Corp.



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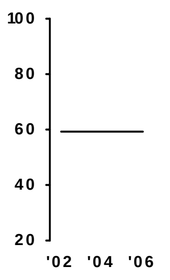
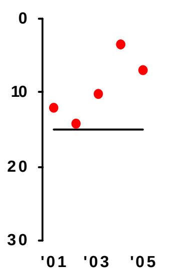


Heritage Foundation



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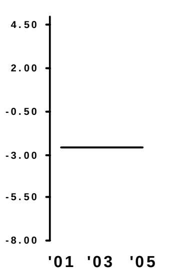

National Sources

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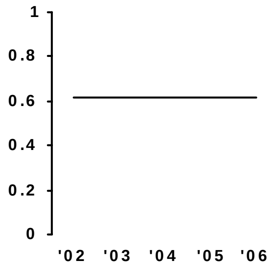
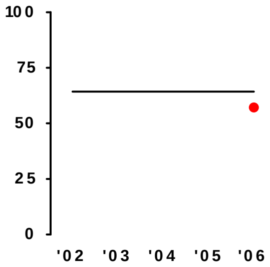
10/6/2006

MILLENNIUM CHALLENGE CORPORATION

Liberia FY07

Population: 3,240,578
GNI/Cap: $130 LIC

Supplemental Information

Land Rights and Access		Natural Resource Management	
n/a		56.76 (34%)	
Median	0.617	Median	64.08
			

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10/6/2006

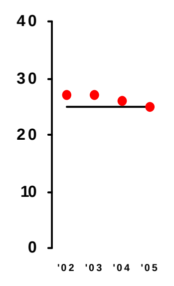
MILLENNIUM
CHALLENGE
CORPORATION

Macedonia FY07

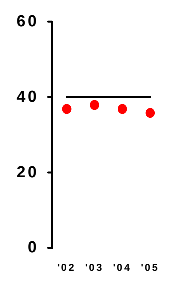
Population: 2,030,491
GNI/Cap: $2,830 LMIC

Ruling Justly

	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	25 (48%)	36 (35%)	-0.08 (35%)	-0.12 (45%)	0.00 (48%)	-0.01 (48%)
Median	25	40	0.00	0.00	0.00	0.00



Sources: Freedom House



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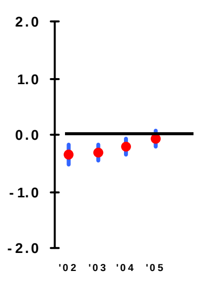
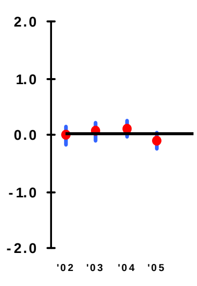
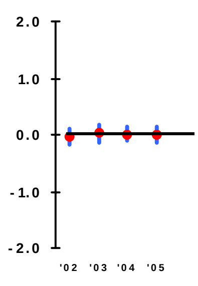


World Bank Institute



World Bank Institute



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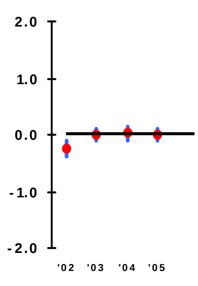
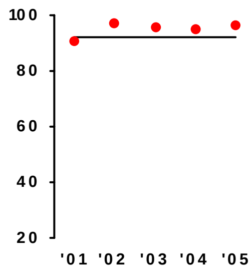


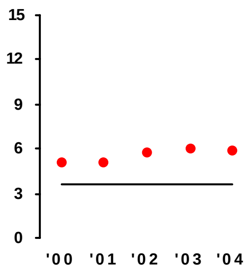
World Bank Institute

Investing In People

	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	96.5 (71%)	5.88 (94%)	1.36 (31%)	97.3 (50%)
Median	92.5	3.66	1.88%	97.3



Sources: World Health Org.



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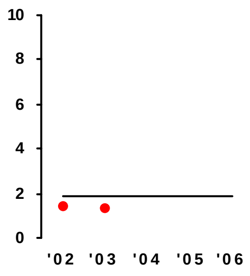
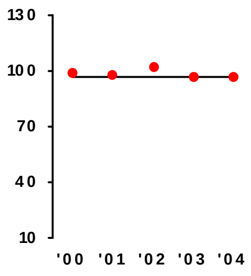


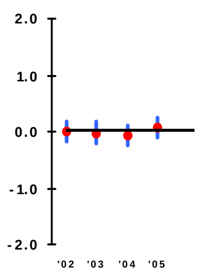
UNESCO/National Sources



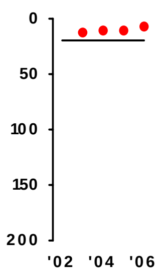
UNESCO/World Bank

Economic Freedom

	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	0.07 (58%)	7.4 (88%)	18 (81%)	63.8 (68%)	0.50 (97%)	0.19% (79%)
Median	0.00	19.8	33	62.1	Max. 15	-1.37%



Sources: World Bank Inst.



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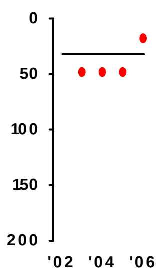

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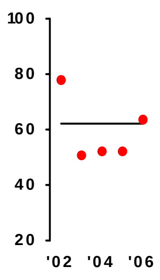

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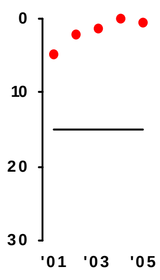

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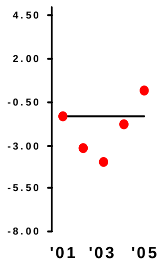

National Sources

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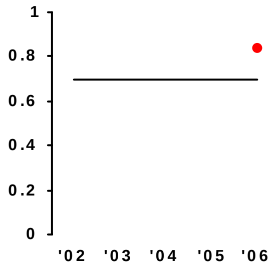
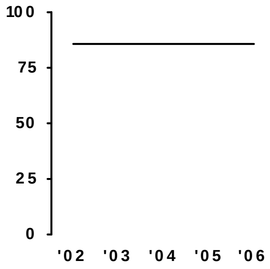
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Macedonia FY07

Population: 2,030,491
GNI/Cap: $2,830 LMIC

Supplemental Information

Land Rights and Access		Natural Resource Management	
0.840 (96%)		n/a	
Median	**0.696**	**Median**	**86.15**
			
IFAD/IFC		CIESIN/YCELP	

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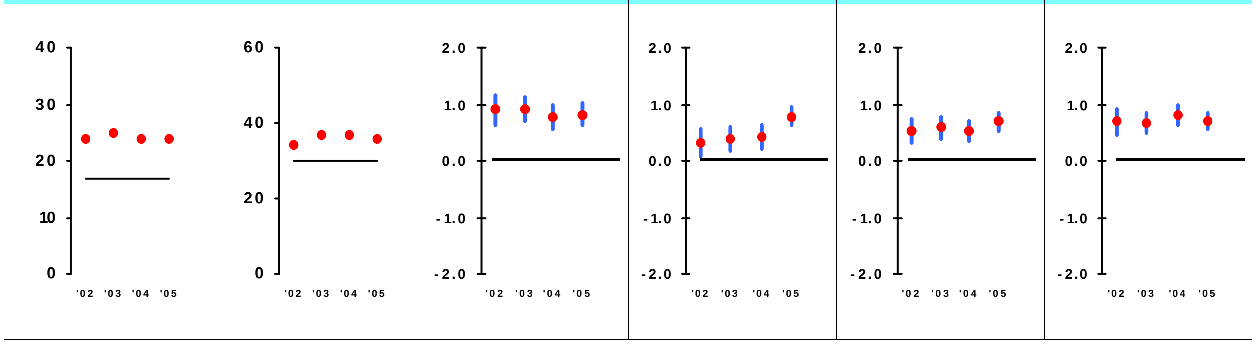
MILLENNIUM
CHALLENGE
CORPORATION

Madagascar FY07

Population: 18,112,720
GNI/Cap: $290 LIC

Ruling Justly

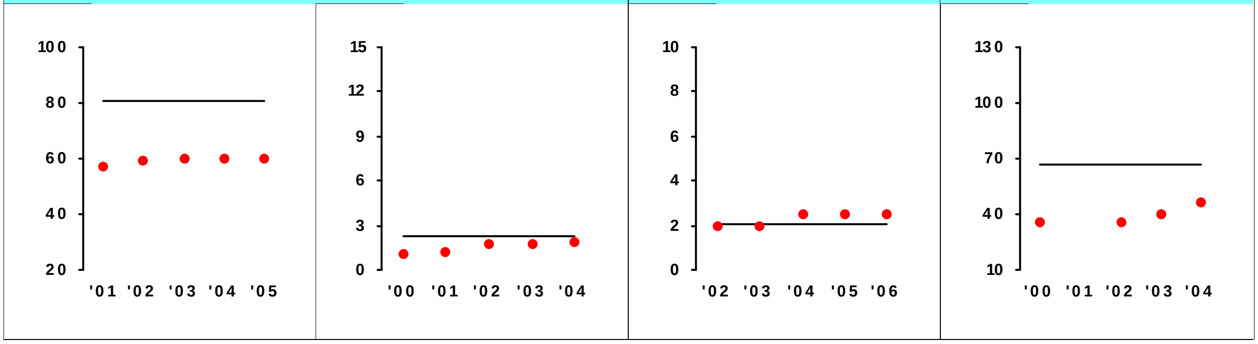
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	24 (63%)	36 (68%)	0.82 (94%)	0.78 (95%)	0.69 (91%)	0.71 (82%)
Median	17	Median 30	Median 0.00	Median 0.00	Median 0.00	Median 0.00



Sources: Freedom House | Freedom House | World Bank Institute | World Bank Institute | World Bank Institute | World Bank Institute

Investing In People

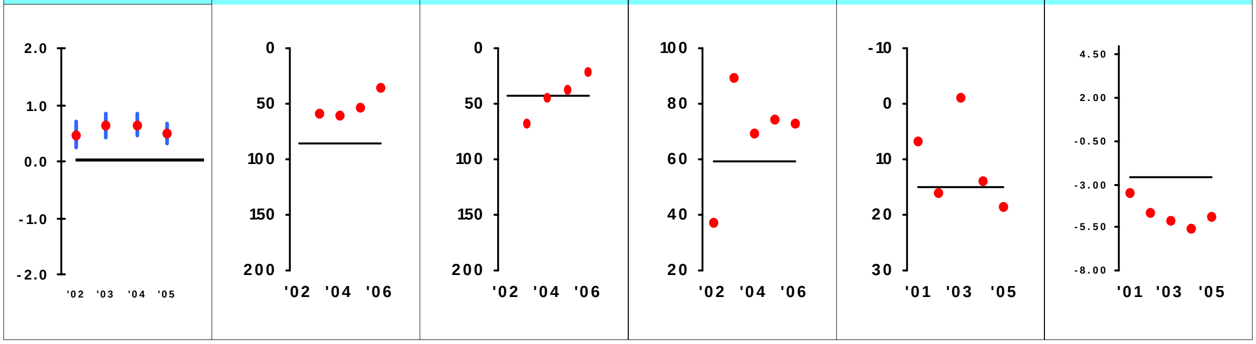
	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	60 (15%)	1.93 (39%)	2.54 (65%)	46.0 (30%)
Median	81	Median 2.22	Median 2.07%	Median 66.7



Sources: World Health Org. | World Health Org. | UNESCO/National Sources | UNESCO/World Bank

Economic Freedom

	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	0.49 (88%)	35.0 (78%)	21 (90%)	72.8 (91%)	18.40 (7%)	-4.94% (18%)
Median	0.00	Median 85.7	Median 43	Median 59.1	Max. 15	Median -2.54%



Sources: World Bank Inst. | Intl. Finance Corp. | Intl. Finance Corp. | Heritage Foundation | Intl. Monetary Fund | National Sources

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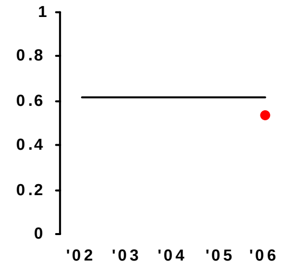
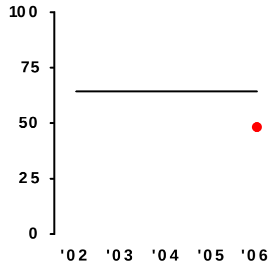
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Madagascar FY07

Population: 18,112,720
GNI/Cap: $290 LIC

Supplemental Information

Land Rights and Access	Natural Resource Management
0.538 (29%)	**48.00 (13%)**
Median 0.617	**Median 64.08**
	

IFAD/IFC

CIESIN/YCELP

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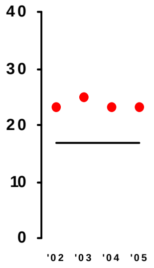
10/10/2006

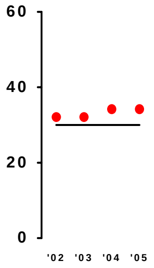
Malawi FY07

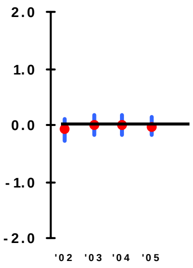
Population: 12,608,270
GNI/Cap: $160 LIC

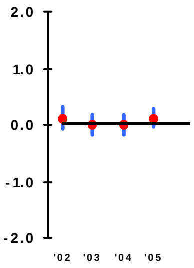
Ruling Justly

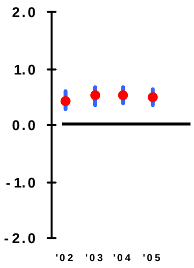
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	23 (59%)	34 (60%)	-0.03 (46%)	0.12 (59%)	0.49 (83%)	0.27 (58%)
Median	17	30	0.00	0.00	0.00	0.00

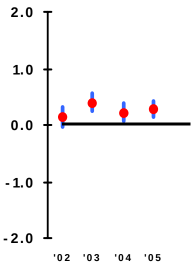








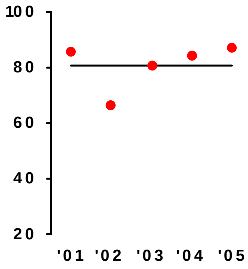


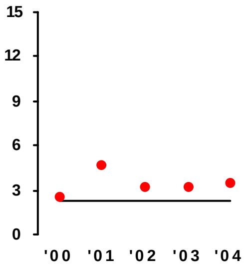


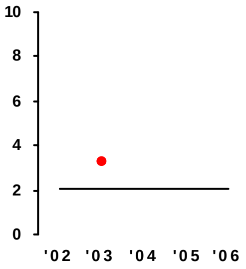
Sources: Freedom House | Freedom House | World Bank Institute | World Bank Institute | World Bank Institute | World Bank Institute

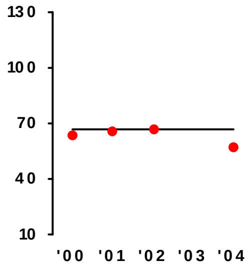
Investing In People

	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	87.5 (67%)	3.42 (79%)	3.31 (78%)	57.2 (39%)
Median	81	2.22	2.07%	66.7





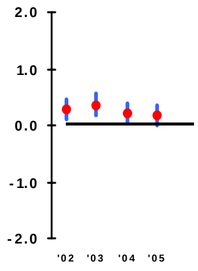


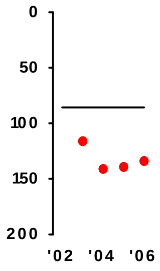


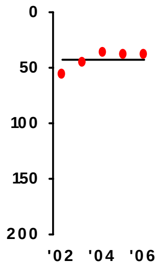
Sources: World Health Org. | World Health Org. | UNESCO/National Sources | UNESCO/World Bank

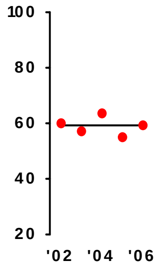
Economic Freedom

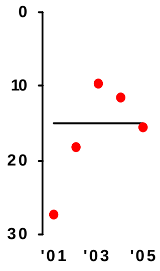
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	0.17 (62%)	134.7 (32%)	37 (64%)	59.6 (52%)	15.50 (14%)	-6.17% (12%)
Median	0.00	85.7	43	59.1	Max. 15	-2.54%

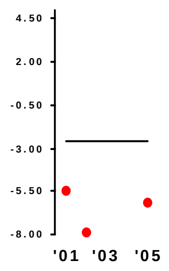












Sources: World Bank Inst. | Intl. Finance Corp. | Intl. Finance Corp. | Heritage Foundation | Intl. Monetary Fund | National Sources

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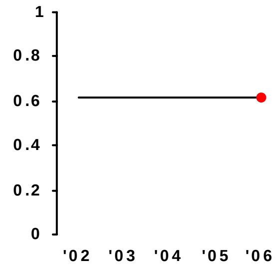
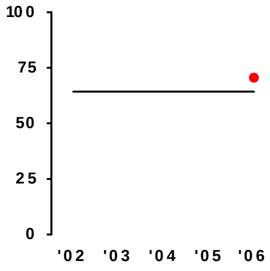
10/6/2006

Malawi FY07

Population: 12,608,270
GNI/Cap: $160 LIC

Supplemental Information

<table>
<tr><th>Land Rights and Access</th><th>Natural Resource Management</th></tr>
<tr><td>0.615 (48%)</td><td>70.84 (68%)</td></tr>
<tr><td>Median 0.617</td><td>Median 64.08</td></tr>
<tr><td>
</td><td>
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10/10/2006

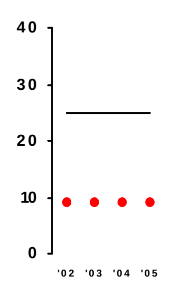
MILLENNIUM
CHALLENGE
CORPORATION

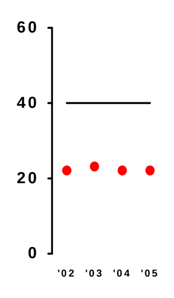
Maldives FY07

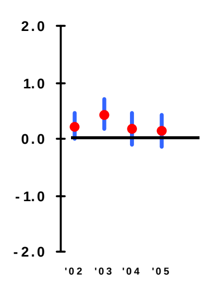
Population: 321,196
GNI/Cap: $2,390 LMIC

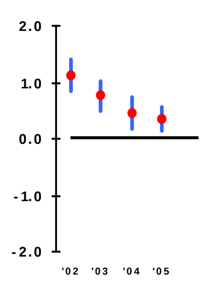
Ruling Justly

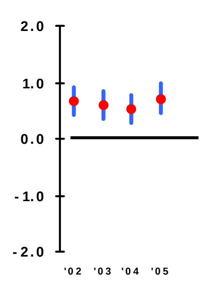
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	9 (13%)	22 (16%)	0.13 (61%)	0.34 (84%)	0.71 (84%)	-1.12 (19%)
Median	25	40	0.00	0.00	0.00	0.00

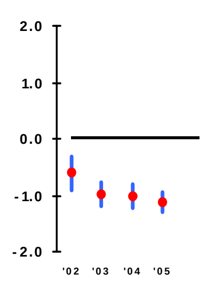








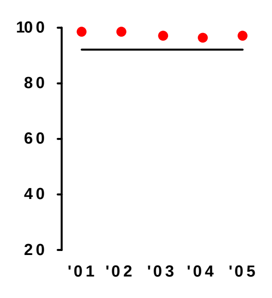


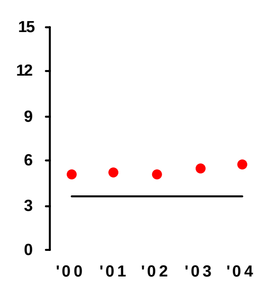


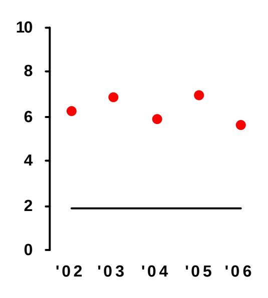
Sources: Freedom House | Freedom House | World Bank Institute | World Bank Institute | World Bank Institute | World Bank Institute

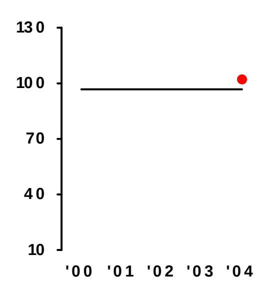
Investing In People

	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	97.5 (81%)	5.70 (87%)	5.66 (93%)	101.7 (83%)
Median	92.5	3.66	1.88%	97.3





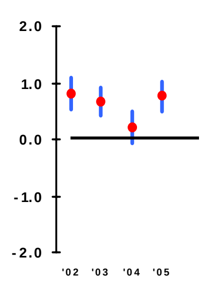


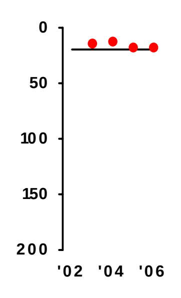


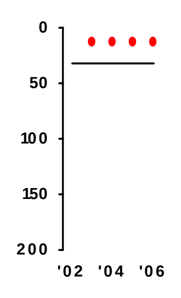
Sources: World Health Org. | World Health Org. | UNESCO/National Sources | UNESCO/World Bank

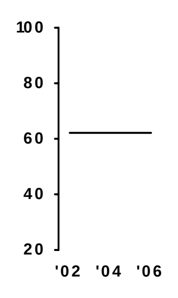
Economic Freedom

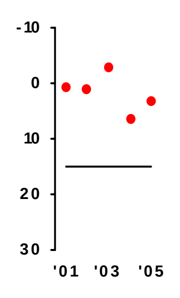
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	0.77 (97%)	18.1 (56%)	13 (91%)	n/a	3.30 (62%)	-5.70% (4%)
Median	0.00	19.8	33	62.1	Max. 15	-1.37%

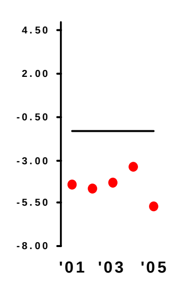












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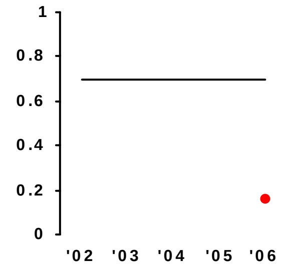
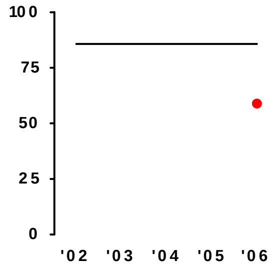
10/6/2006

Maldives FY07

Population: 321,196
GNI/Cap: $2,390 LMIC

Supplemental Information

Land Rights and Access	Natural Resource Management
0.156 (0%)	58.82 (11%)
Median 0.696	Median 86.15
	
IFAD/IFC	CIESIN/YCELP

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10/10/2006

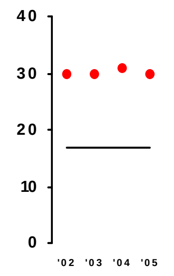
MILLENNIUM
CHALLENGE
CORPORATION

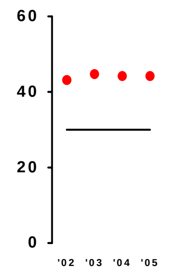
Mali FY07

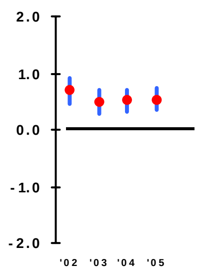
Population: 13,124,020
GNI/Cap: $380 LIC

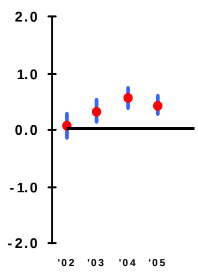
Ruling Justly

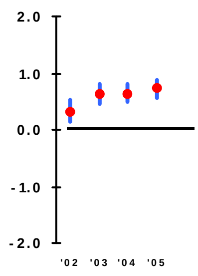
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	30 (87%)	44 (91%)	0.53 (87%)	0.44 (78%)	0.72 (92%)	1.18 (95%)
Median	17	30	0.00	0.00	0.00	0.00

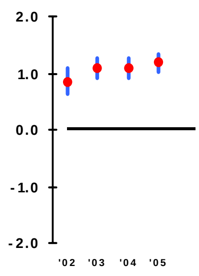








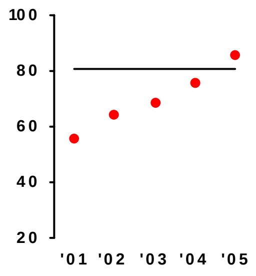


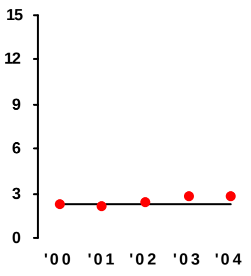


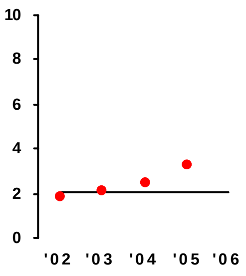
Sources: Freedom House | Freedom House | World Bank Institute | World Bank Institute | World Bank Institute | World Bank Institute

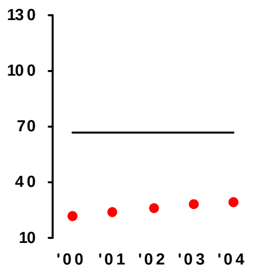
Investing In People

	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	85.5 (62%)	2.78 (69%)	3.34 (80%)	29.6 (11%)
Median	81	2.22	2.07%	66.7





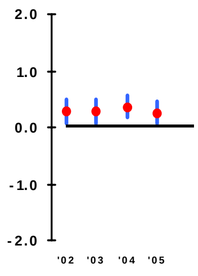


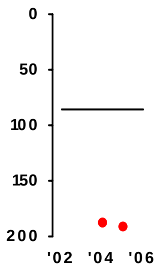


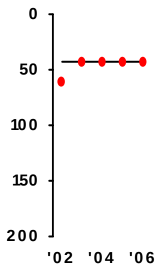
Sources: World Health Org. | World Health Org. | UNESCO/National Sources | UNESCO/World Bank

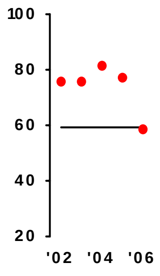
Economic Freedom

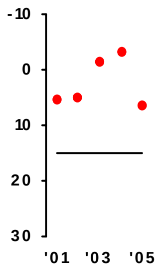
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	0.26 (72%)	201.9 (19%)	42 (54%)	58.8 (48%)	6.40 (69%)	-2.36% (56%)
Median	0.00	85.7	43	59.1	Max. 15	-2.54%

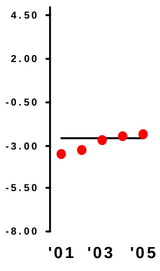












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10/6/2006

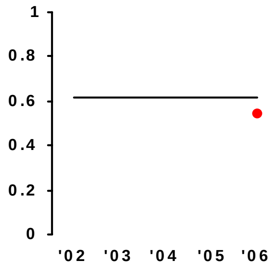
MILLENNIUM
CHALLENGE
CORPORATION

Mali FY07

Population: 13,124,020
GNI/Cap: $380 LIC

Supplemental Information

Land Rights and Access		Natural Resource Management	
0.543 (30%)		43.97 (8%)	
Median	**0.617**	**Median**	**64.08**



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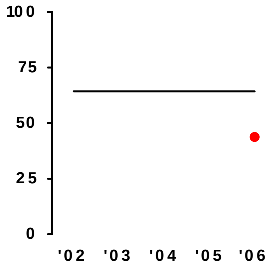

CIESIN/YCELP

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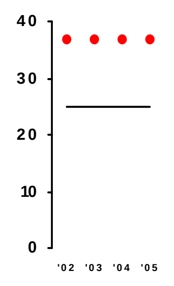
MILLENNIUM
CHALLENGE
CORPORATION

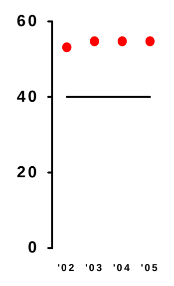
Marshall Islands FY07

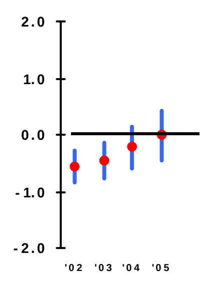
Population: 61,218
GNI/Cap: $2,930 LMIC

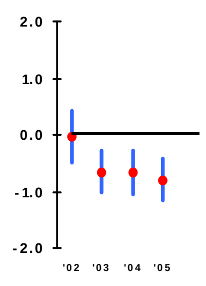
Ruling Justly

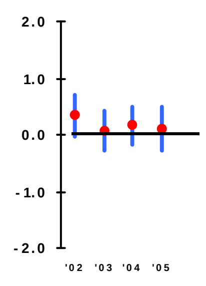
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	37 (90%)	55 (94%)	-0.02 (48%)	-0.80 (6%)	0.10 (55%)	1.15 (100%)
Median	25	40	0.00	0.00	0.00	0.00

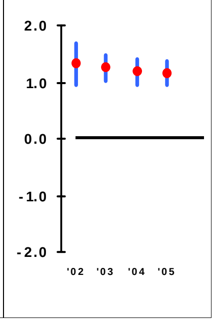








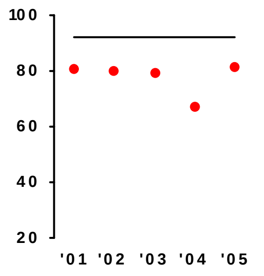


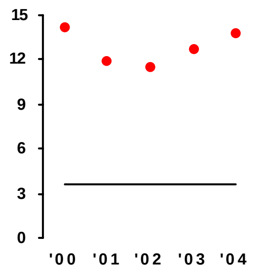


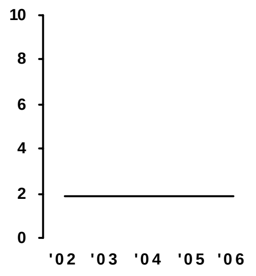
Sources: Freedom House | Freedom House | World Bank Institute | World Bank Institute | World Bank Institute | World Bank Institute

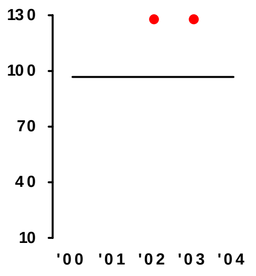
Investing In People

	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	81.5 (23%)	13.85 (100%)	n/a	127.5 (100%)
Median	92.5	3.66	1.88%	97.3





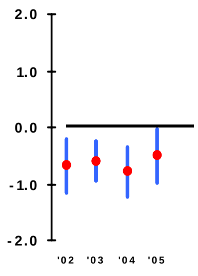


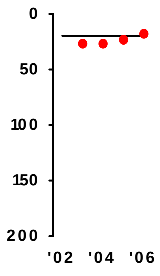


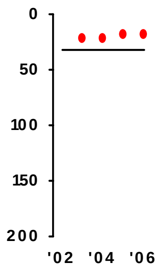
Sources: World Health Org. | World Health Org. | UNESCO/National Sources | UNESCO/World Bank

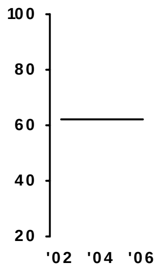
Economic Freedom

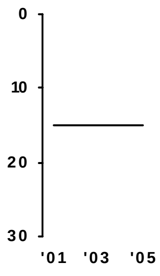
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	-0.50 (10%)	18.1 (53%)	17 (84%)	n/a	n/a	n/a
Median	0.00	19.8	33	62.1	Max. 15	-1.37%

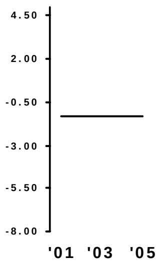












Sources: World Bank Inst. | Intl. Finance Corp. | Intl. Finance Corp. | Heritage Foundation | Intl. Monetary Fund | National Sources

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For more information regarding the Millennium Challenge Account Selection Process and these indicators, please consult MCC's website: www.mcc.gov

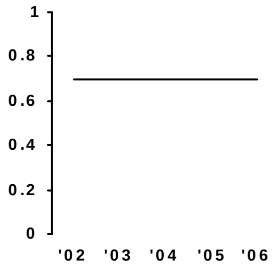
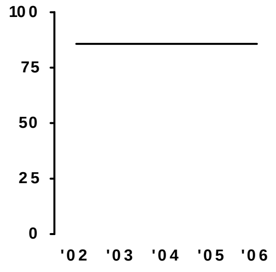
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Marshall Islands FY07

Population: 61,218
GNI/Cap: $2,930 LMIC

Supplemental Information

Land Rights and Access	Natural Resource Management
n/a	**n/a**
Median 0.696	**Median 86.15**
	
IFAD/IFC	CIESIN/YCELP

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10/10/2006

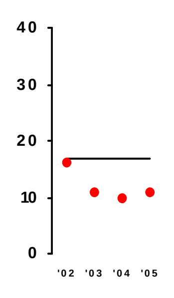
Millennium Challenge Corporation

Mauritania FY07

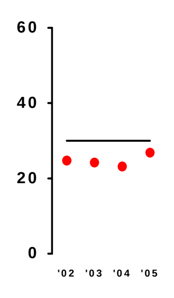
Population: 2,980,357
GNI/Cap: $560 LIC

Ruling Justly

	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	11 (32%)	27 (45%)	0.56 (88%)	0.70 (91%)	0.30 (74%)	-0.38 (40%)
Median	17	30	0.00	0.00	0.00	0.00



Sources: Freedom House



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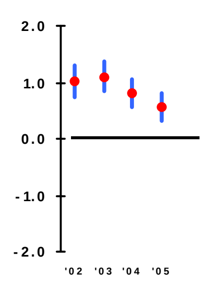
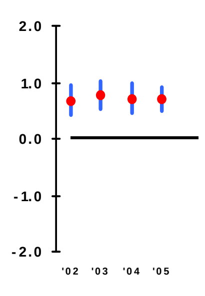
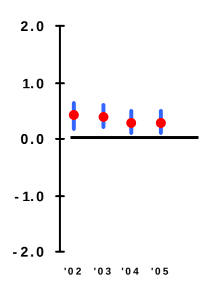


World Bank Institute



World Bank Institute



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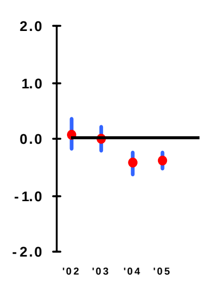
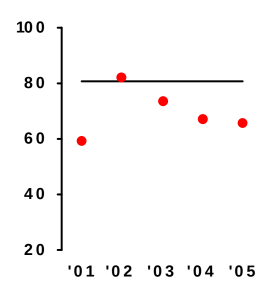


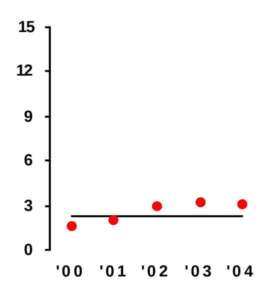
World Bank Institute

Investing In People

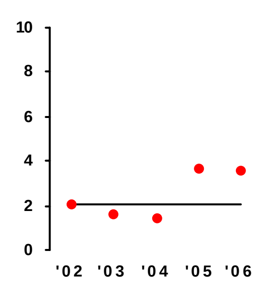
	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	66 (23%)	3.13 (75%)	3.59 (83%)	41.0 (21%)
Median	81	2.22	2.07%	66.7



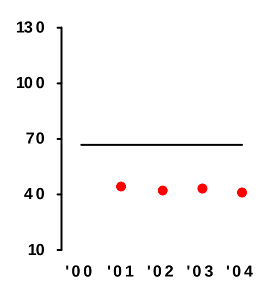
Sources: World Health Org.



World Health Org.



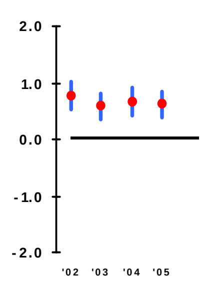
UNESCO/National Sources



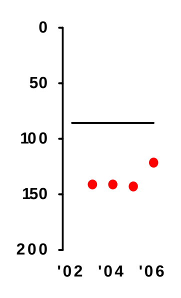
UNESCO/World Bank

Economic Freedom

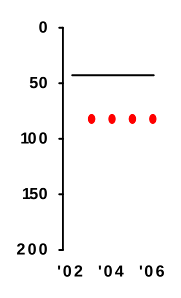
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	0.62 (91%)	121.6 (38%)	82 (15%)	57.6 (45%)	12.10 (24%)	-7.88% (8%)
Median	0.00	85.7	43	59.1		-2.54%
Max.					15	



Sources: World Bank Inst.



Intl. Finance Corp.



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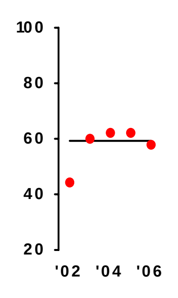
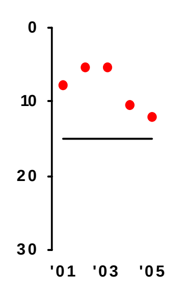
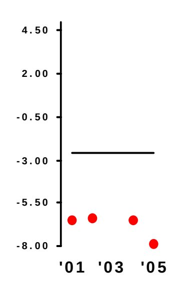


Heritage Foundation



Intl. Monetary Fund



National Sources

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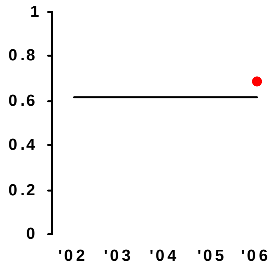
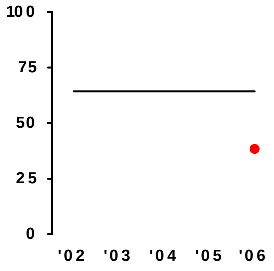
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Mauritania FY07

Population: 2,980,357
GNI/Cap: $560 LIC

Supplemental Information

Land Rights and Access	Natural Resource Management
0.687 (68%)	**38.19 (3%)**
Median 0.617	**Median 64.08**
	
IFAD/IFC	CIESIN/YCELP

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10/10/2006

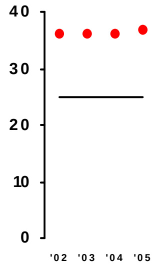
MILLENNIUM
CHALLENGE
CORPORATION

Micronesia, Fed. Sts. FY07

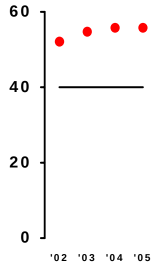
Population: 109,691
GNI/Cap: $2,300 LMIC

Ruling Justly

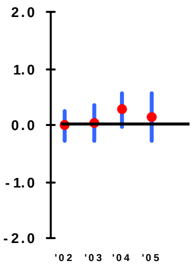
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	37 (90%)	56 (97%)	0.13 (65%)	0.07 (65%)	1.10 (94%)	1.07 (97%)
Median	25	40	0.00	0.00	0.00	0.00



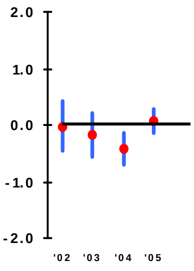
Sources: Freedom House



Freedom House



World Bank Institute



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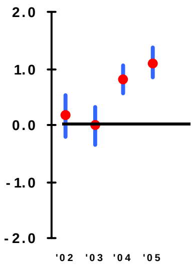

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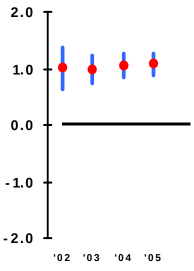
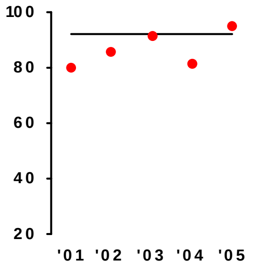


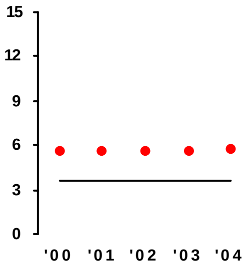
World Bank Institute

Investing In People

	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	95 (61%)	5.81 (90%)	10.23 (100%)	n/a
Median	92.5	3.66	1.88%	97.3



Sources: World Health Org.



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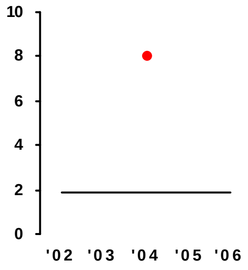
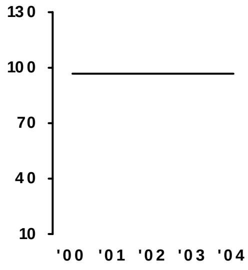


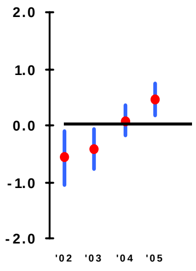
UNESCO/National Sources



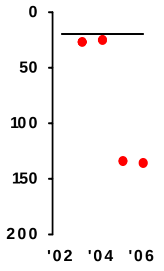
UNESCO/World Bank

Economic Freedom

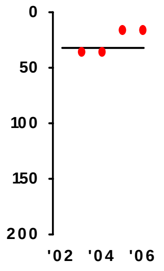
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	0.46 (87%)	135.9 (3%)	16 (88%)	n/a	n/a	n/a
Median	0.00	19.8	33	62.1	Max. 15	-1.37%



Sources: World Bank Inst.



Intl. Finance Corp.



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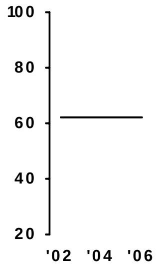

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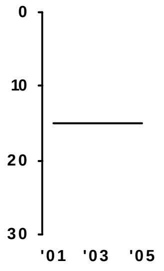

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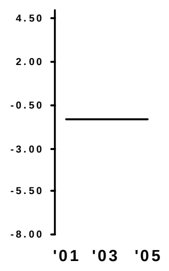

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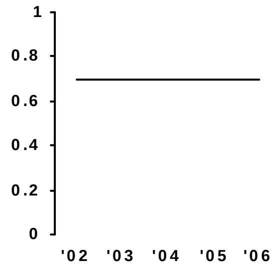
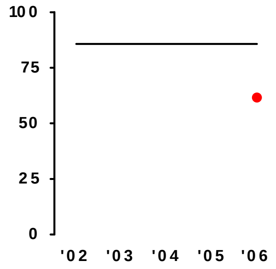
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Micronesia, Fed. Sts. FY07

Population: 109,691
GNI/Cap: $2,300 LMIC

Supplemental Information

Land Rights and Access	Natural Resource Management
n/a	61.41 (14%)
Median 0.696	Median 86.15
	

IFAD/IFC

CIESIN/YCELP

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10/10/2006

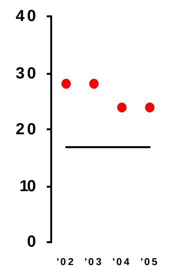
MILLENNIUM
CHALLENGE
CORPORATION

Moldova FY07

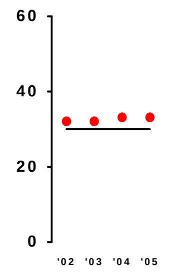
Population: 4,217,911
GNI/Cap: $880 LIC

Ruling Justly

	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	24 (63%)	33 (58%)	0.06 (59%)	0.14 (60%)	0.25 (71%)	0.22 (56%)
Median	17	30	0.00	0.00	0.00	0.00



Sources: Freedom House



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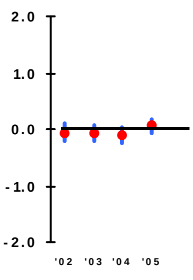

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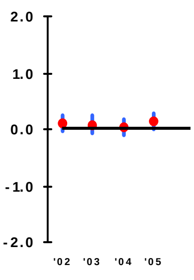

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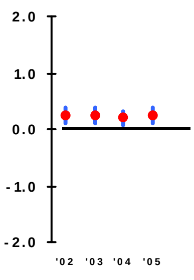

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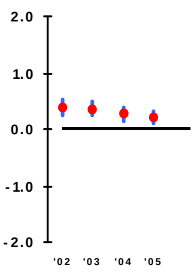
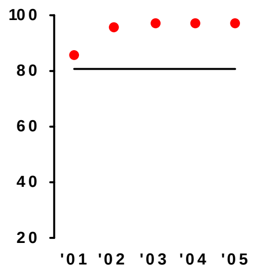


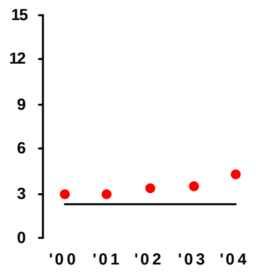
World Bank Institute

Investing In People

	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	97.5 (90%)	4.22 (90%)	0.89 (15%)	91.5 (77%)
Median	81	2.22	2.07%	66.7



Sources: World Health Org.



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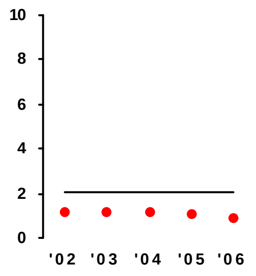
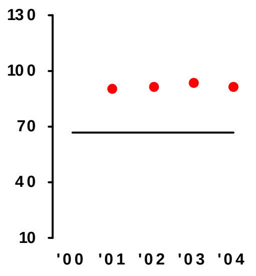


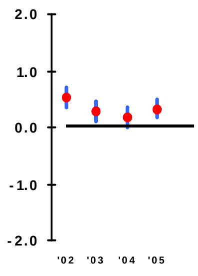
UNESCO/National Sources



UNESCO/World Bank

Economic Freedom

	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	0.33 (78%)	13.3 (90%)	30 (76%)	74.4 (97%)	11.90 (26%)	0.99% (88%)
	Median 0.00	Median 85.7	Median 43	Median 59.1	Max. 15	Median -2.54%



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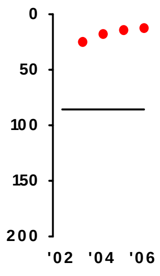
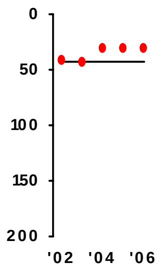


Intl. Finance Corp.



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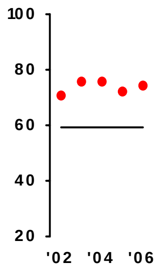

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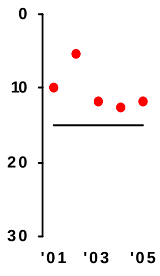
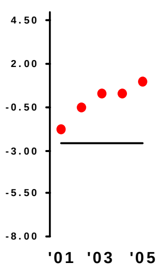


Intl. Monetary Fund



National Sources

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10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Moldova FY07

Population: 4,217,911
GNI/Cap: $880 LIC

Supplemental Information

<table>
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<tr><td colspan="2">0.845 (94%)</td><td colspan="2">71.64 (70%)</td></tr>
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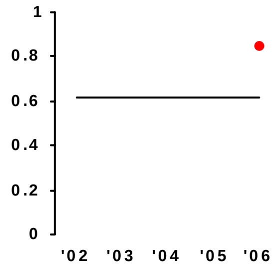
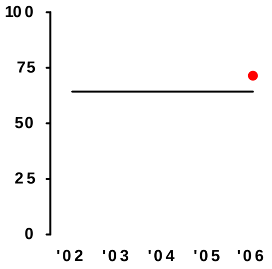
<tr><td colspan="2">
</td><td colspan="2">
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IFAD/IFC

CIESIN/YCELP

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10/10/2006

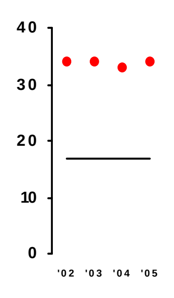
Millennium Challenge Corporation

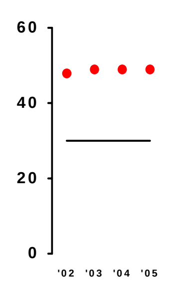
Mongolia FY07

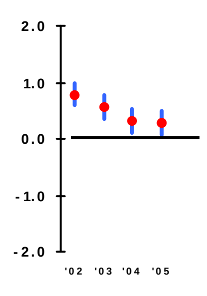
Population: 2,514,678
GNI/Cap: $690 LIC

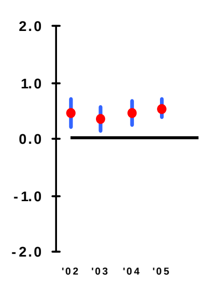
Ruling Justly

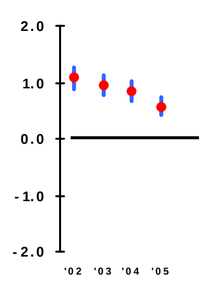
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	34 (96%)	49 (99%)	0.27 (79%)	0.54 (85%)	0.58 (86%)	1.07 (92%)
	Median 17	Median 30	Median 0.00	Median 0.00	Median 0.00	Median 0.00

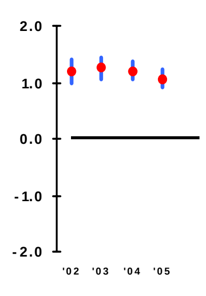








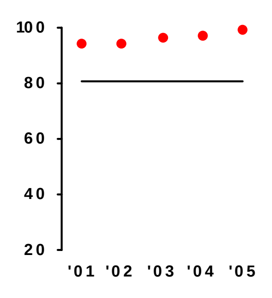


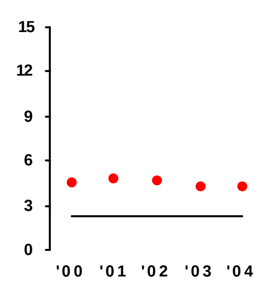


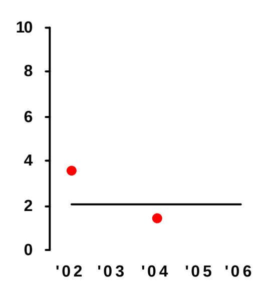
Sources: Freedom House | Freedom House | World Bank Institute | World Bank Institute | World Bank Institute | World Bank Institute

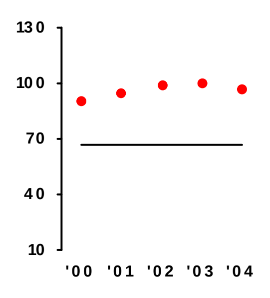
Investing In People

	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	99 (96%)	4.35 (92%)	1.42 (32%)	96.3 (87%)
	Median 81	Median 2.22	Median 2.07%	Median 66.7





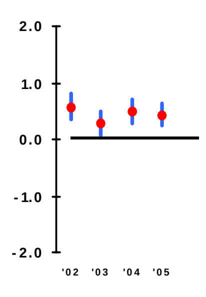


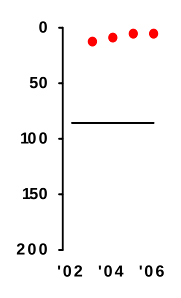


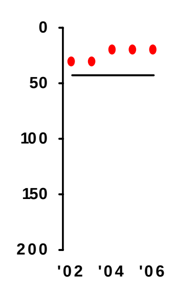
Sources: World Health Org. | World Health Org. | UNESCO/National Sources | UNESCO/World Bank

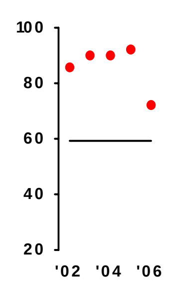
Economic Freedom

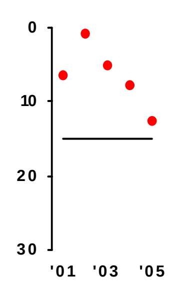
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	0.43 (83%)	5.1 (100%)	20 (92%)	72.0 (85%)	12.50 (20%)	-1.04% (74%)
	Median 0.00	Median 85.7	Median 43	Median 59.1	Max. 15	Median -2.54%

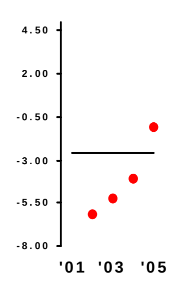












Sources: World Bank Inst. | Intl. Finance Corp. | Intl. Finance Corp. | Heritage Foundation | Intl. Monetary Fund | National Sources

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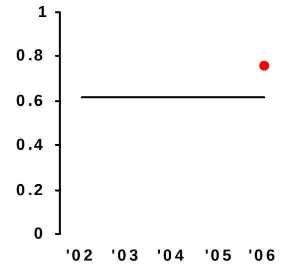
10/6/2006

Mongolia FY07

Population: 2,514,678
GNI/Cap: $690 LIC

Supplemental Information

Land Rights and Access		Natural Resource Management	
0.758 (85%)		71.41 (69%)	
Median	0.617	Median	64.08



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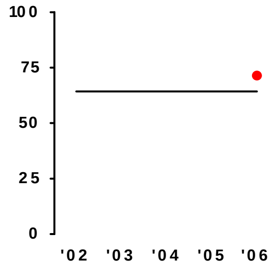

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10/10/2006

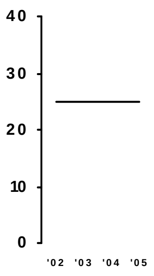
MILLENNIUM
CHALLENGE
CORPORATION

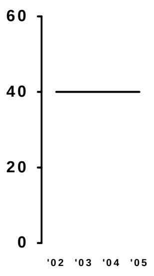
Montenegro FY07

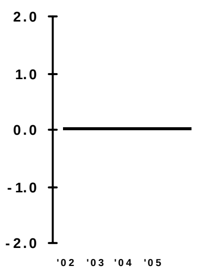
Population:
GNI/Cap: $3,330 LMIC

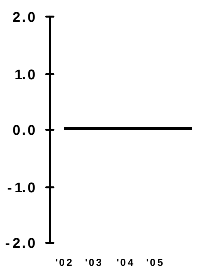
Ruling Justly

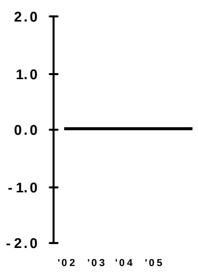
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	n/a	n/a	n/a	n/a	n/a	n/a
Median	25	Median 40	Median 0.00	Median 0.00	Median 0.00	Median 0.00
Sources:	Freedom House	Freedom House	World Bank Institute	World Bank Institute	World Bank Institute	World Bank Institute

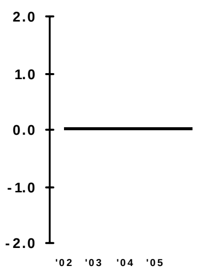






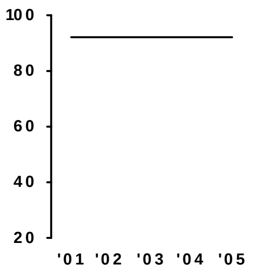


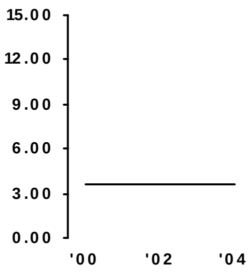


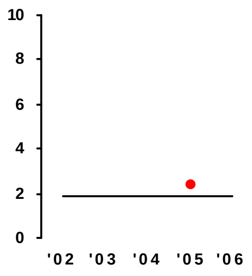


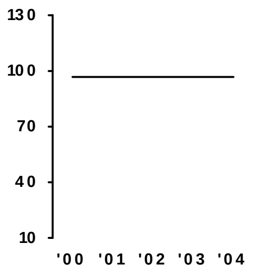
Investing In People

	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	n/a	n/a	2.40 (69%)	n/a
Median	92.5	Median 3.66	Median 1.88%	Median 97.3
Sources:	World Health Org.	World Health Org.	UNESCO/National Sources	UNESCO/World Bank



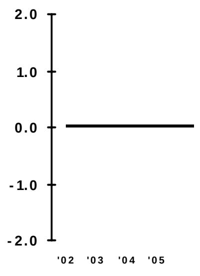


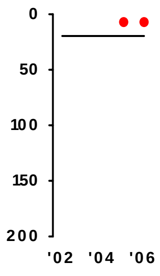


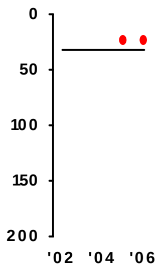


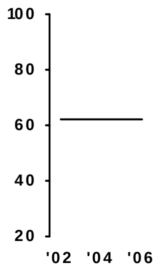
Economic Freedom

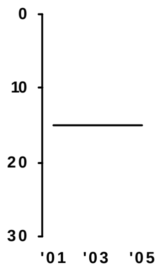
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	n/a	6.6 (94%)	24 (69%)	n/a	n/a	n/a
Median	0.00	Median 19.8	Median 33	Median 62.1	Max. 15	Median -1.37%
Sources:	World Bank Inst.	Intl. Finance Corp.	Intl. Finance Corp.	Heritage Foundation	Intl. Monetary Fund	National Sources

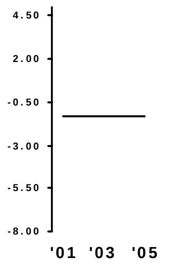












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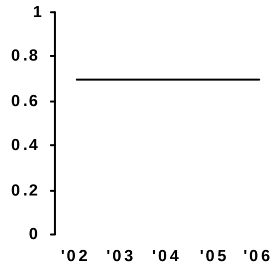
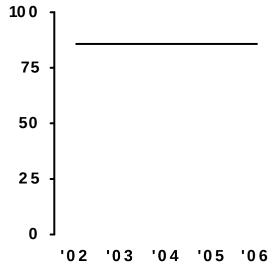
10/19/2006

MILLENNIUM
CHALLENGE
CORPORATION

Montenegro FY07

Population:
GNI/Cap: $3,330 LMIC

Supplemental Information

Land Rights and Access	**Natural Resource Management**
n/a	**n/a**
Median **0.696**	**Median** **86.15**
	
IFAD/IFC	CIESIN/YCELP

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10/10/2006

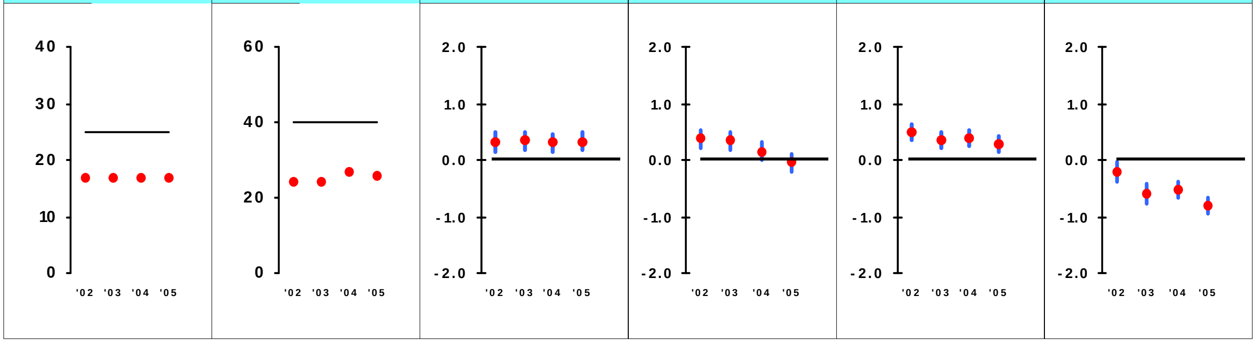
MILLENNIUM
CHALLENGE
CORPORATION

Morocco FY07

Population: 29,823,710
GNI/Cap: $1,730 LMIC

Ruling Justly

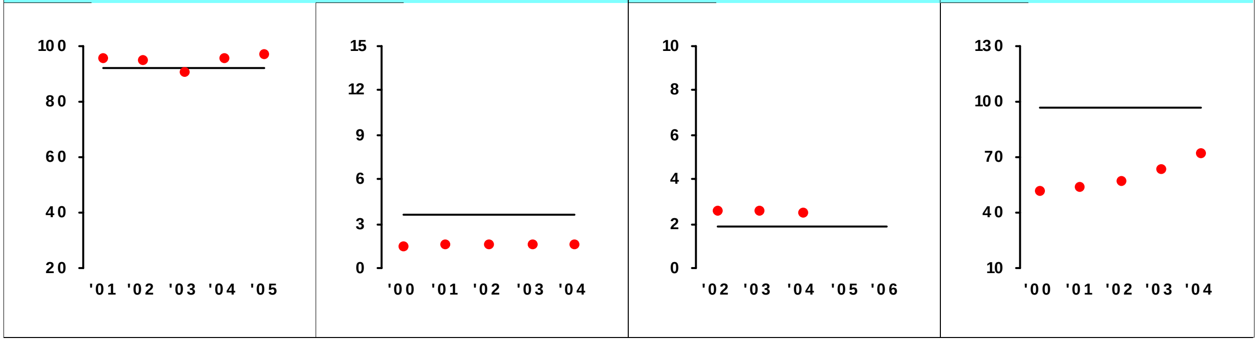
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	17 (32%)	26 (26%)	0.32 (77%)	-0.04 (48%)	0.27 (68%)	-0.80 (26%)
Median	25	40	0.00	0.00	0.00	0.00



Sources: Freedom House | Freedom House | World Bank Institute | World Bank Institute | World Bank Institute | World Bank Institute

Investing In People

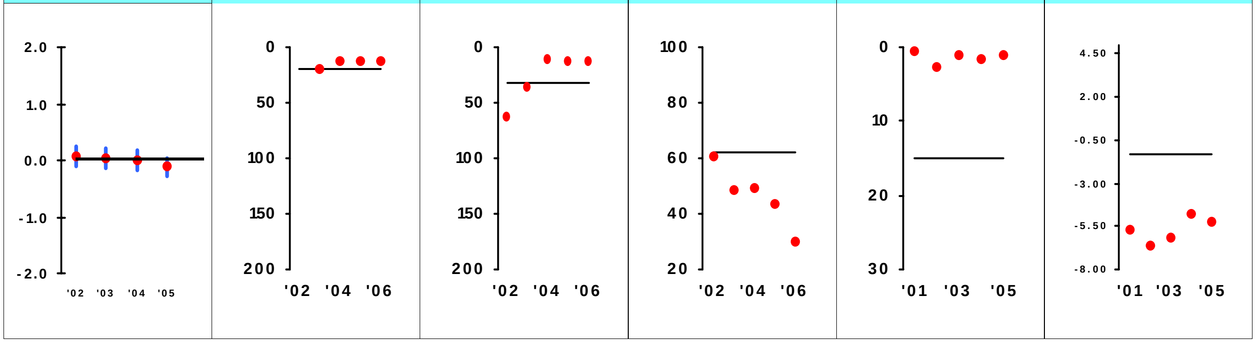
	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	97.5 (81%)	1.63 (0%)	2.54 (76%)	72.0 (8%)
Median	92.5	3.66	1.88%	97.3



Sources: World Health Org. | World Health Org. | UNESCO/National Sources | UNESCO/World Bank

Economic Freedom

	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	-0.12 (32%)	12.7 (63%)	12 (94%)	30.2 (0%)	1.00 (93%)	-5.24% (7%)
	Median 0.00	Median 19.8	Median 33	Median 62.1	Max. 15	Median -1.37%



Sources: World Bank Inst. | Intl. Finance Corp. | Intl. Finance Corp. | Heritage Foundation | Intl. Monetary Fund | National Sources

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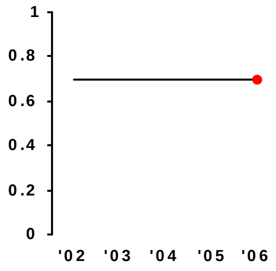
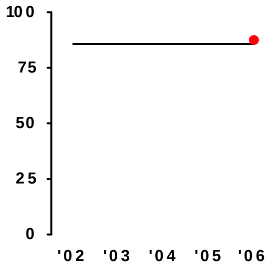
10/6/2006

Morocco FY07

Population: 29,823,710
GNI/Cap: $1,730 LMIC

Supplemental Information

Land Rights and Access	Natural Resource Management
0.695 (48%)	**87.30 (57%)**
Median 0.696	**Median 86.15**
	
IFAD/IFC	CIESIN/YCELP

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10/10/2006

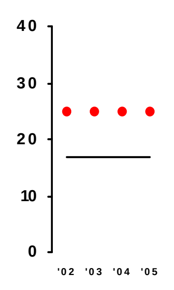
Millennium
Challenge
Corporation

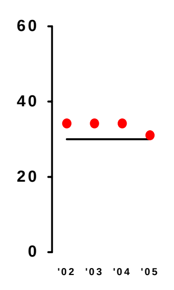
Mozambique FY07

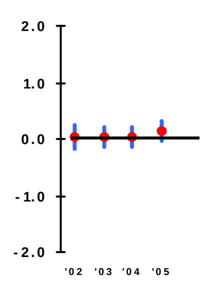
Population: 19,423,920
GNI/Cap: $310 LIC

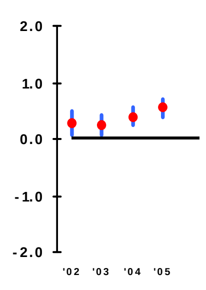
Ruling Justly

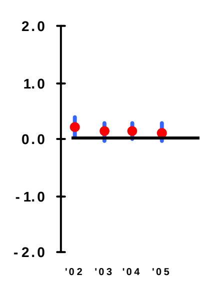
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	25 (69%)	31 (51%)	0.14 (65%)	0.55 (86%)	0.12 (64%)	0.65 (77%)
Median	17	30	0.00	0.00	0.00	0.00

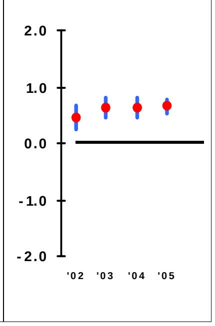








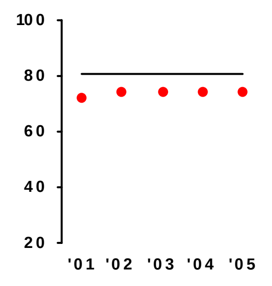


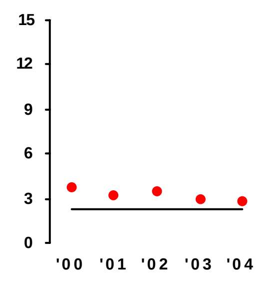


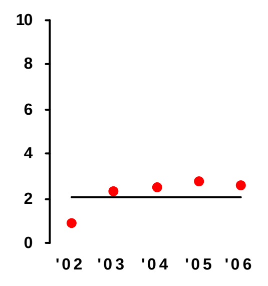
Sources: Freedom House | Freedom House | World Bank Institute | World Bank Institute | World Bank Institute | World Bank Institute

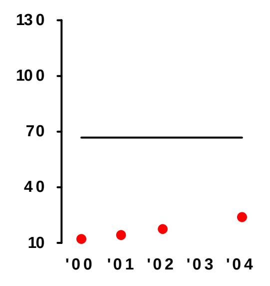
Investing In People

	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	74.5 (36%)	2.77 (68%)	2.63 (68%)	23.4 (3%)
Median	81	2.22	2.07%	66.7





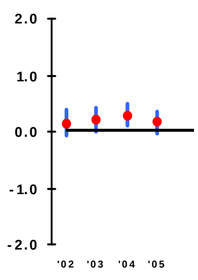


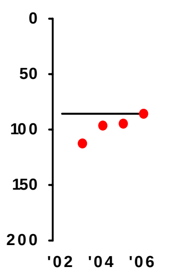


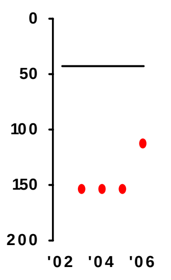
Sources: World Health Org. | World Health Org. | UNESCO/National Sources | UNESCO/World Bank

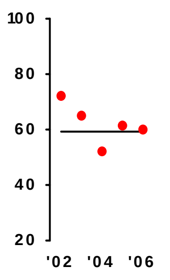
Economic Freedom

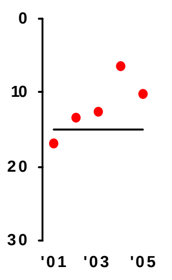
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	0.16 (59%)	85.7 (50%)	113 (8%)	60.2 (54%)	10.10 (36%)	-3.49% (40%)
Median	0.00	85.7	43	59.1	Max. 15	-2.54%

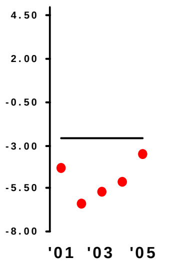












Sources: World Bank Inst. | Intl. Finance Corp. | Intl. Finance Corp. | Heritage Foundation | Intl. Monetary Fund | National Sources

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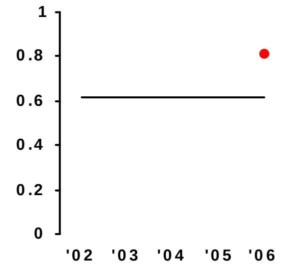
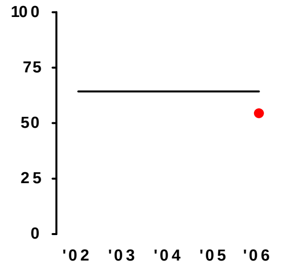
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Mozambique FY07

Population: 19,423,920
GNI/Cap: $310 LIC

Supplemental Information

Land Rights and Access		Natural Resource Management	
0.813 (88%)		54.82 (26%)	
Median	0.617	Median	64.08
			

IFAD/IFC

CIESIN/YCELP

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10/10/2006

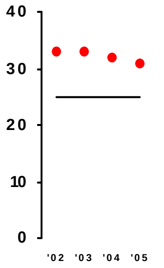
MILLENNIUM
CHALLENGE
CORPORATION

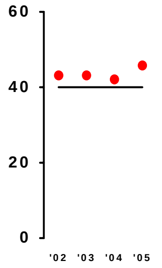
Namibia FY07

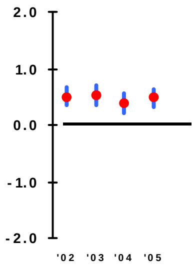
Population: 2,009,251
GNI/Cap: $2,990 LMIC

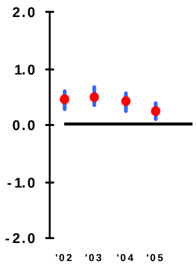
Ruling Justly

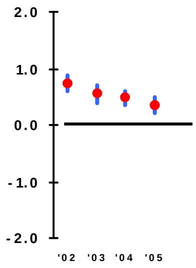
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	31 (61%)	46 (77%)	0.48 (87%)	0.25 (81%)	0.36 (71%)	0.33 (74%)
Median	25	40	0.00	0.00	0.00	0.00

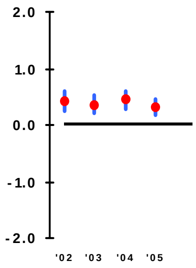








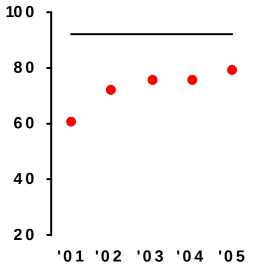


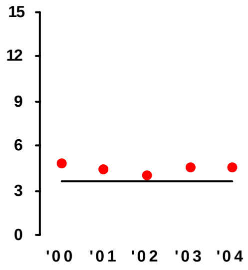


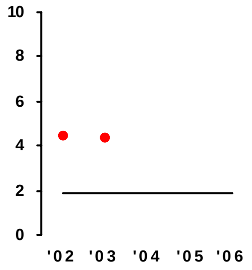
Sources: Freedom House	Freedom House	World Bank Institute	World Bank Institute	World Bank Institute	World Bank Institute

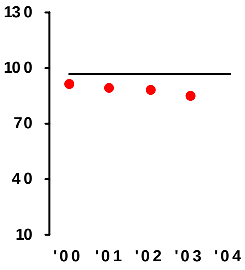
Investing In People

	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	79.5 (19%)	4.61 (74%)	4.34 (90%)	85.3 (13%)
Median	92.5	3.66	1.88%	97.3





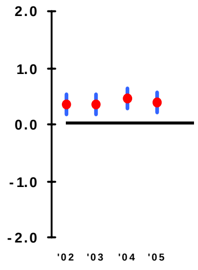


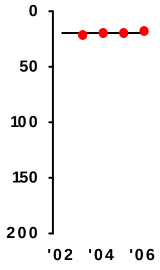


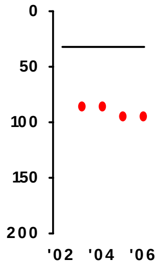
Sources: World Health Org.	World Health Org.	UNESCO/National Sources	UNESCO/World Bank

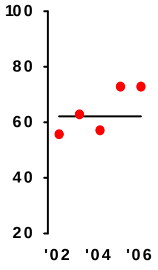
Economic Freedom

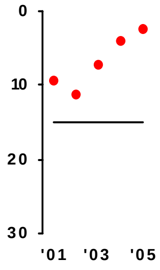
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	0.38 (77%)	18.0 (59%)	95 (6%)	72.8 (96%)	2.40 (69%)	-5.06% (11%)
Median	0.00	19.8	33	62.1	Max. 15	-1.37%

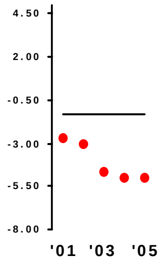












Sources: World Bank Inst.	Intl. Finance Corp.	Intl. Finance Corp.	Heritage Foundation	Intl. Monetary Fund	National Sources

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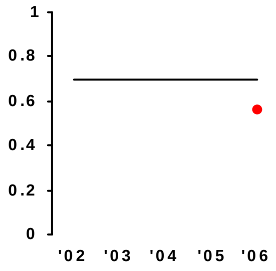
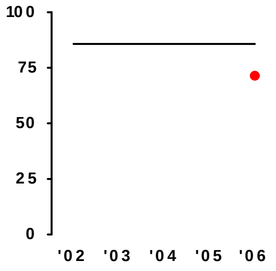
10/6/2006

Namibia FY07

Population: 2,009,251
GNI/Cap: $2,990 LMIC

Supplemental Information

Land Rights and Access	**Natural Resource Management**
0.561 (17%)	**71.86 (25%)**
Median 0.696	**Median 86.15**
	
IFAD/IFC	CIESIN/YCELP

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10/10/2006

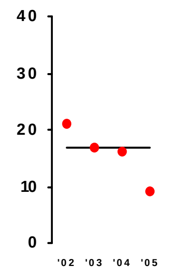
MILLENNIUM
CHALLENGE
CORPORATION

Nepal FY07

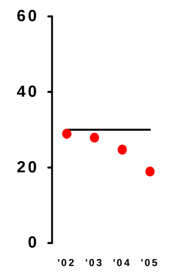
Population: 26,591,180
GNI/Cap: $270 LIC

Ruling Justly

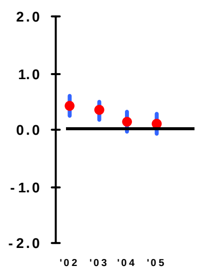
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	9 (24%)	19 (24%)	0.11 (62%)	-0.07 (36%)	0.03 (55%)	-0.47 (28%)
Median	17	30	0.00	0.00	0.00	0.00



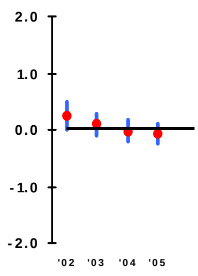
Sources: Freedom House



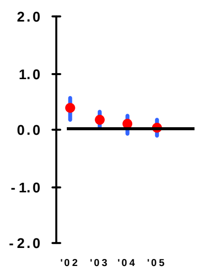
Freedom House



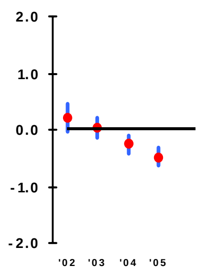
World Bank Institute



World Bank Institute



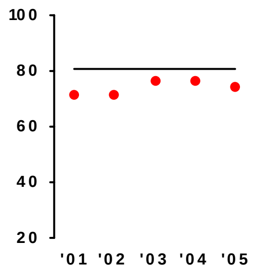
World Bank Institute



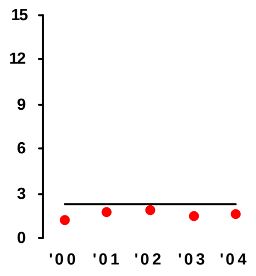
World Bank Institute

Investing In People

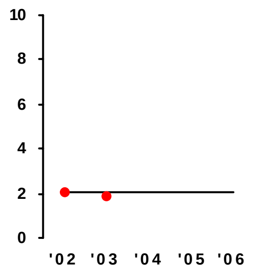
	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	74.5 (36%)	1.65 (34%)	1.91 (45%)	65.0 (49%)
Median	81	2.22	2.07%	66.7



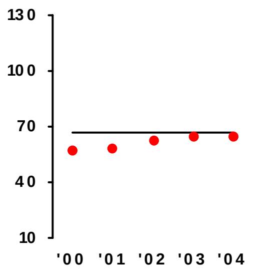
Sources: World Health Org.



World Health Org.



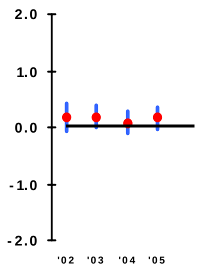
UNESCO/National Sources



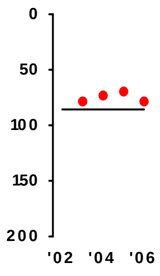
UNESCO/World Bank

Economic Freedom

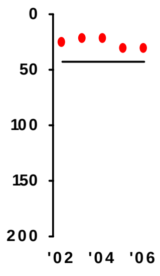
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	0.16 (60%)	78.5 (53%)	31 (72%)	48.8 (14%)	4.50 (76%)	-1.14% (71%)
Median	0.00	85.7	43	59.1		-2.54%
Max.					15	



Sources: World Bank Inst.



Intl. Finance Corp.



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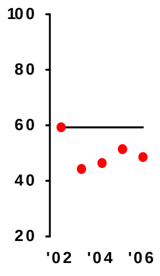
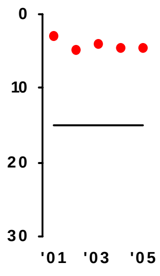
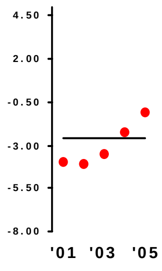


Heritage Foundation



Intl. Monetary Fund



National Sources

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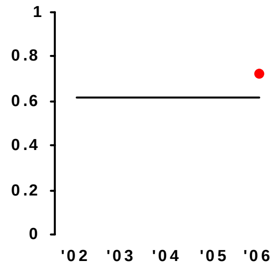
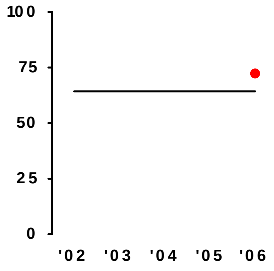
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Nepal FY07

Population: 26,591,180
GNI/Cap: $270 LIC

Supplemental Information

Land Rights and Access	**Natural Resource Management**
0.724 (80%)	**72.04 (74%)**
Median 0.617	**Median 64.08**
	
IFAD/IFC	CIESIN/YCELP

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10/10/2006

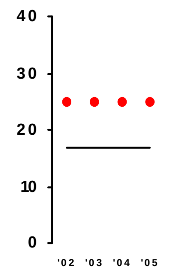
MILLENNIUM CHALLENGE CORPORATION

Nicaragua FY07

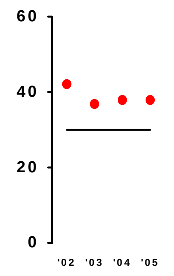
Population: 5,376,140
GNI/Cap: $910 LIC

Ruling Justly

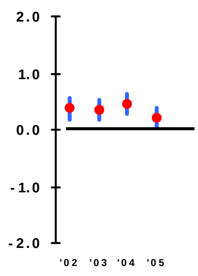
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	25 (69%)	38 (74%)	0.20 (73%)	0.11 (56%)	0.14 (65%)	0.70 (81%)
Median	17	30	0.00	0.00	0.00	0.00



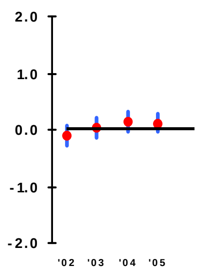
Sources: Freedom House



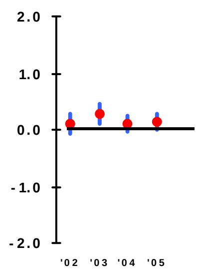
Freedom House



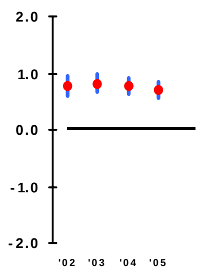
World Bank Institute



World Bank Institute



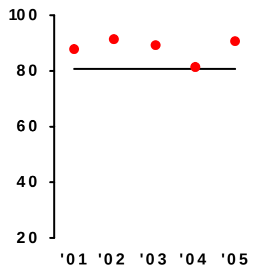
World Bank Institute



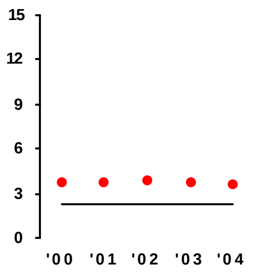
World Bank Institute

Investing In People

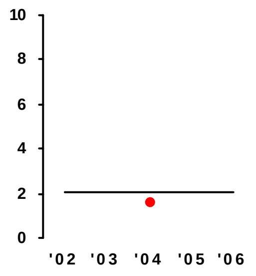
	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	91 (77%)	3.66 (81%)	1.59 (35%)	77.0 (56%)
Median	81	2.22	2.07%	66.7



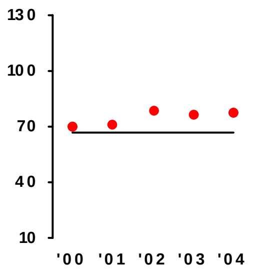
Sources: World Health Org.



World Health Org.



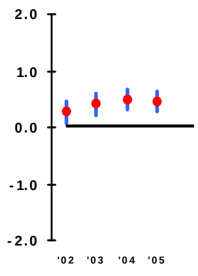
UNESCO/National Sources



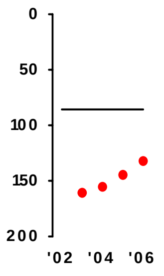
UNESCO/World Bank

Economic Freedom

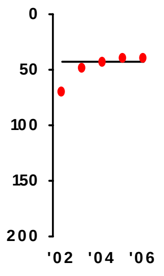
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	0.44 (86%)	131.6 (35%)	39 (58%)	72.6 (89%)	9.60 (39%)	-1.36% (67%)
Median	0.00	85.7	43	59.1	Max. 15	-2.54%



Sources: World Bank Inst.



Intl. Finance Corp.



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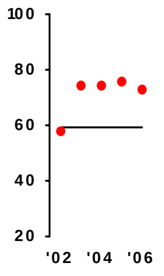
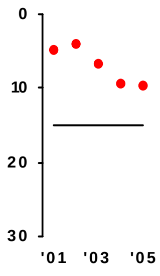


Heritage Foundation



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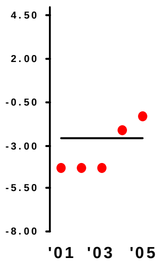

National Sources

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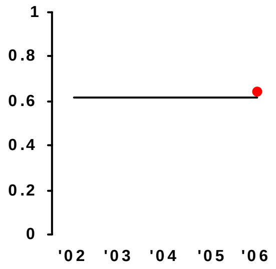
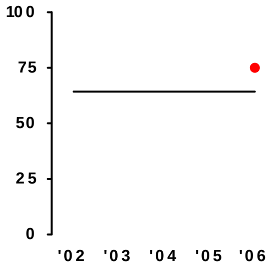
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Nicaragua FY07

Population: 5,376,140
GNI/Cap: $910 LIC

Supplemental Information

Land Rights and Access	Natural Resource Management
0.643 (59%)	**75.36 (81%)**
Median 0.617	**Median 64.08**
	
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10/10/2006

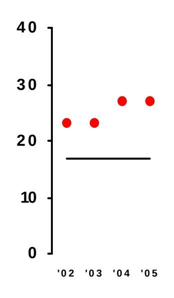
MILLENNIUM
CHALLENGE
CORPORATION

Niger FY07

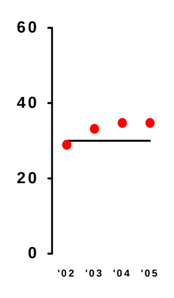
Population: 13,498,800
GNI/Cap: $240 LIC

Ruling Justly

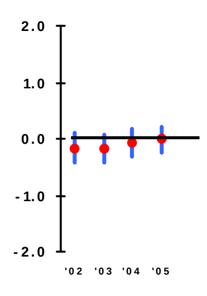
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	27 (79%)	35 (64%)	-0.01 (49%)	0.11 (55%)	0.02 (51%)	0.66 (78%)
Median	17	30	0.00	0.00	0.00	0.00



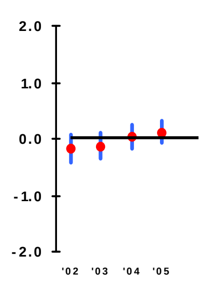
Sources: Freedom House



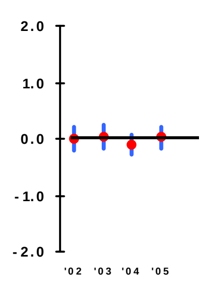
Freedom House



World Bank Institute



World Bank Institute



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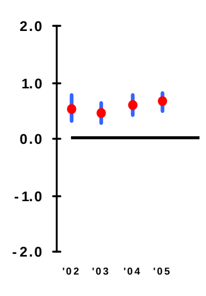
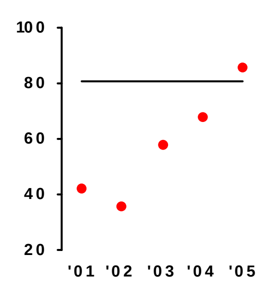


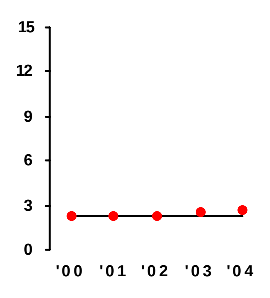
World Bank Institute

Investing In People

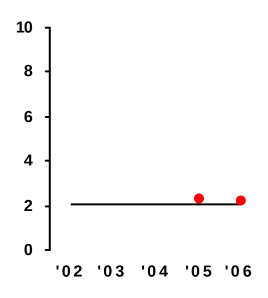
	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	86 (64%)	2.67 (66%)	2.22 (52%)	20.0 (2%)
Median	81	2.22	2.07%	66.7



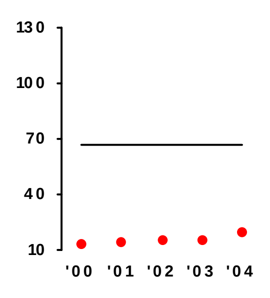
Sources: World Health Org.



World Health Org.



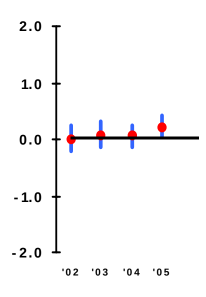
UNESCO/National Sources



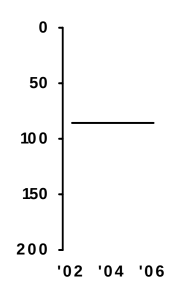
UNESCO/World Bank

Economic Freedom

	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	0.22 (67%)	416.8 (4%)	24 (85%)	52.6 (25%)	7.80 (51%)	-2.88% (45%)
Median	0.00	85.7	43	59.1	Max. 15	-2.54%



Sources: World Bank Inst.



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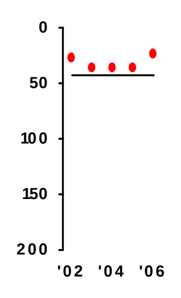

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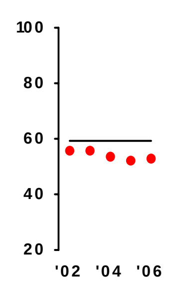

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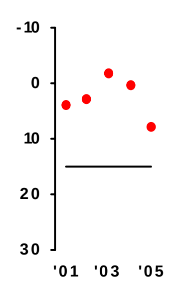
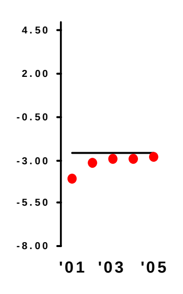


Intl. Monetary Fund



National Sources

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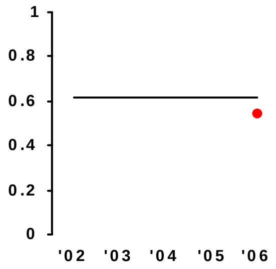
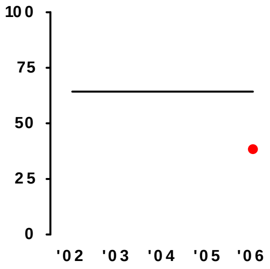
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Niger FY07

Population: 13,498,800
GNI/Cap: $240 LIC

Supplemental Information

Land Rights and Access	Natural Resource Management
0.549 (32%)	38.31 (4%)
Median 0.617	**Median** 64.08
	
IFAD/IFC	CIESIN/YCELP

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10/10/2006

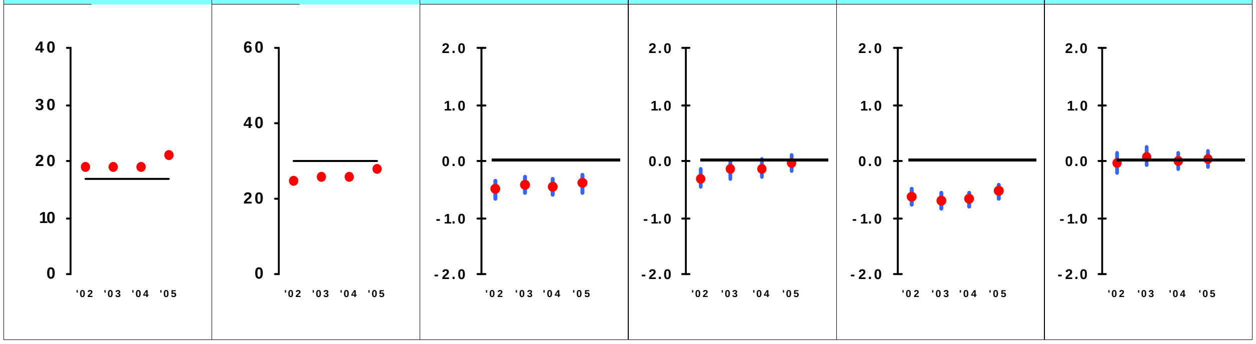
MILLENNIUM
CHALLENGE
CORPORATION

Nigeria FY07

Population: 128,708,900
GNI/Cap: $560 LIC

Ruling Justly

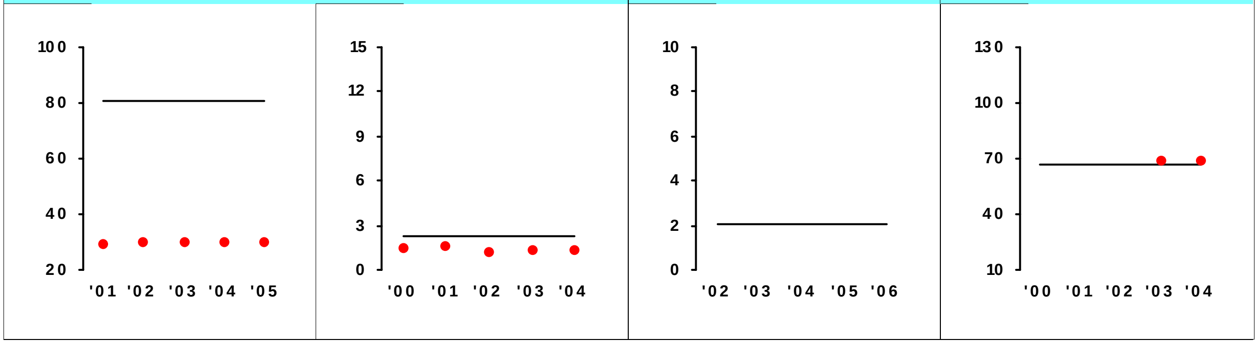
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	21 (54%)	28 (47%)	-0.40 (14%)	-0.03 (46%)	-0.54 (15%)	0.03 (51%)
Median	17	30	0.00	0.00	0.00	0.00



Sources: Freedom House Freedom House World Bank Institute World Bank Institute World Bank Institute World Bank Institute

Investing In People

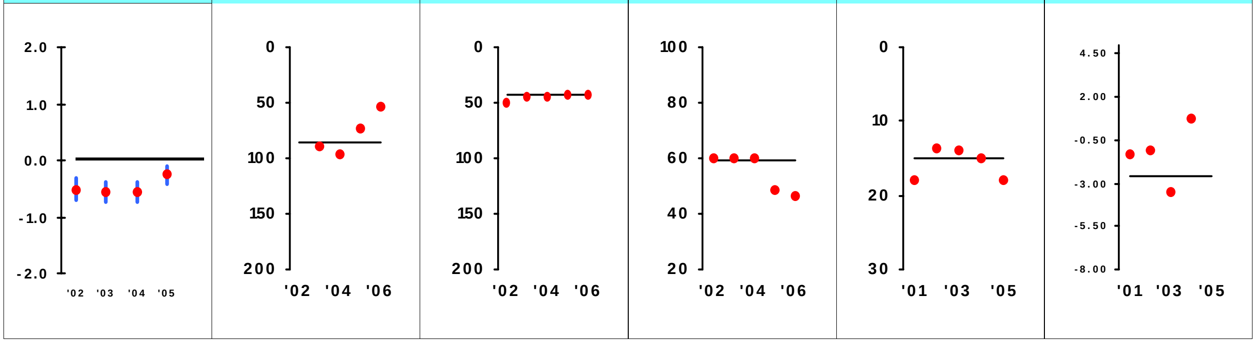
	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	30 (1%)	1.40 (23%)	n/a	68.4 (51%)
Median	81	2.22	2.07%	66.7



Sources: World Health Org. World Health Org. UNESCO/National Sources UNESCO/World Bank

Economic Freedom

	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	-0.25 (35%)	54.4 (67%)	43 (53%)	46.2 (11%)	17.90 (9%)	5.30% (97%)
Median	0.00	85.7	43	59.1	Max. 15	-2.54%



Sources: World Bank Inst. Intl. Finance Corp. Intl. Finance Corp. Heritage Foundation Intl. Monetary Fund National Sources

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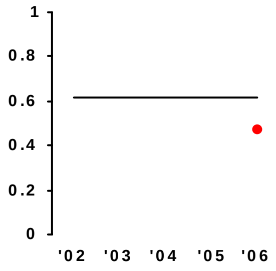
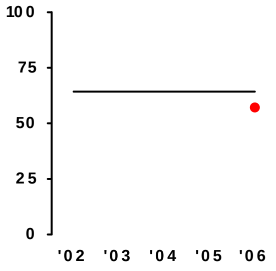
10/6/2006

Nigeria FY07

Population: 128,708,900
GNI/Cap: $560 LIC

Supplemental Information

Land Rights and Access	Natural Resource Management
0.475 (18%)	**57.35 (39%)**
Median 0.617	**Median 64.08**
	
IFAD/IFC	CIESIN/YCELP

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10/10/2006

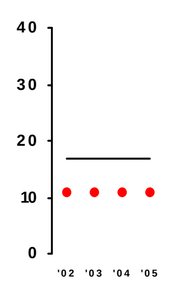
Millennium Challenge Corporation

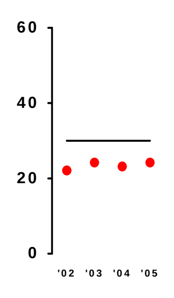
Pakistan FY07

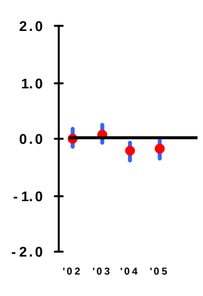
Population: 152,061,300
GNI/Cap: $690 LIC

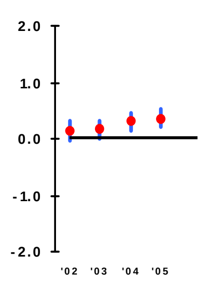
Ruling Justly

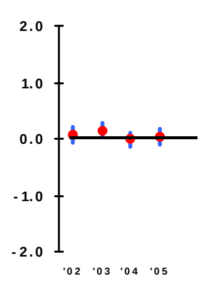
Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data 11 (32%)	24 (40%)	-0.19 (37%)	0.36 (71%)	0.03 (54%)	-0.52 (24%)
Median 17	Median 30	Median 0.00	Median 0.00	Median 0.00	Median 0.00

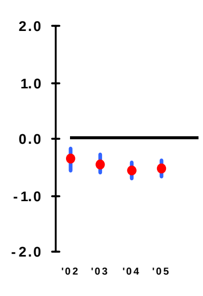








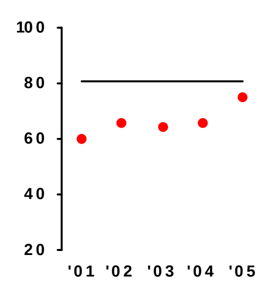


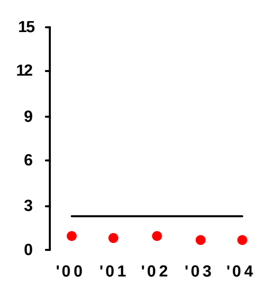


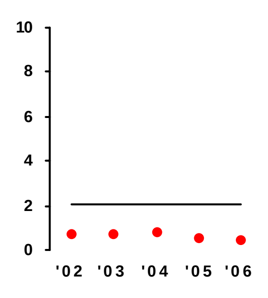
Sources: Freedom House | Freedom House | World Bank Institute | World Bank Institute | World Bank Institute | World Bank Institute

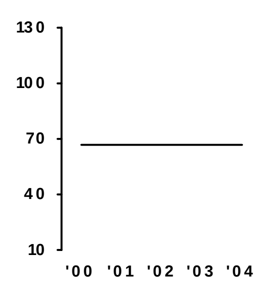
Investing In People

Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data 75 (40%)	0.67 (1%)	0.49 (6%)	n/a
Median 81	Median 2.22	Median 2.07%	Median 66.7





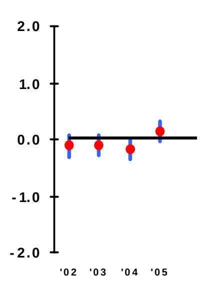


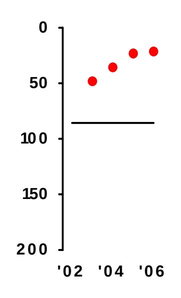


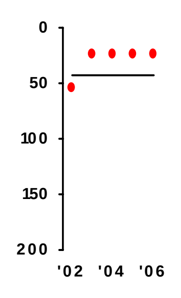
Sources: World Health Org. | World Health Org. | UNESCO/National Sources | UNESCO/World Bank

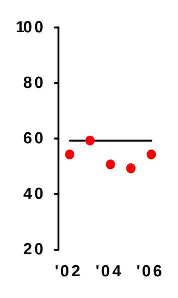
Economic Freedom

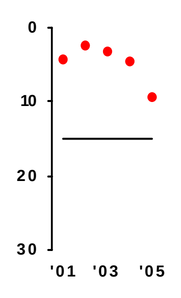
Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data 0.15 (58%)	21.3 (82%)	24 (85%)	54.0 (35%)	9.30 (41%)	-2.04% (60%)
Median 0.00	Median 85.7	Median 43	Median 59.1	Max. 15	Median -2.54%

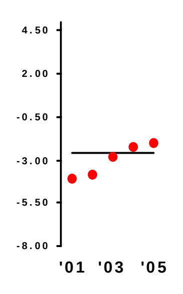












Sources: World Bank Inst. | Intl. Finance Corp. | Intl. Finance Corp. | Heritage Foundation | Intl. Monetary Fund | National Sources

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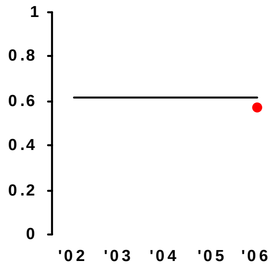
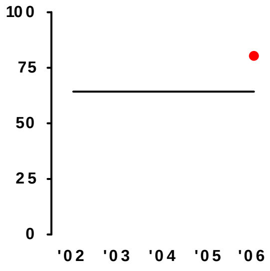
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Pakistan FY07

Population: 152,061,300
GNI/Cap: $690 LIC

Supplemental Information

Land Rights and Access		Natural Resource Management	
0.569 (38%)		80.10 (88%)	
Median	**0.617**	**Median**	**64.08**
			

IFAD/IFC

CIESIN/YCELP

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10/10/2006

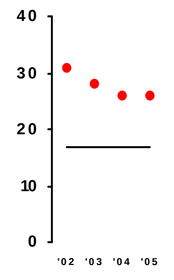
MILLENNIUM
CHALLENGE
CORPORATION

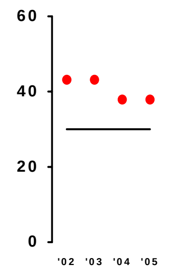
Papua New Guinea FY07

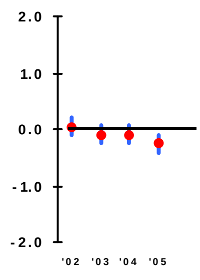
Population: 5,771,947
GNI/Cap: $660 LIC

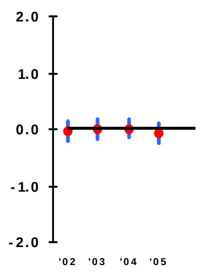
Ruling Justly

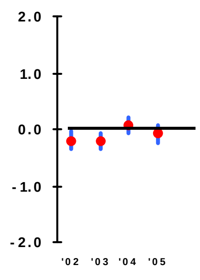
Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data 26 (76%)	38 (74%)	-0.25 (29%)	-0.06 (38%)	-0.08 (44%)	0.67 (79%)
Median 17	Median 30	Median 0.00	Median 0.00	Median 0.00	Median 0.00
Sources: Freedom House	Freedom House	World Bank Institute	World Bank Institute	World Bank Institute	World Bank Institute

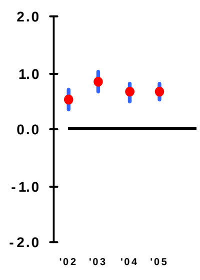






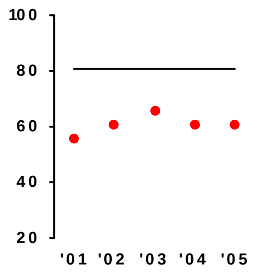


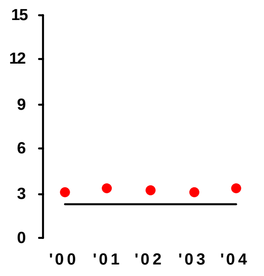


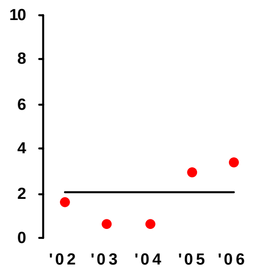


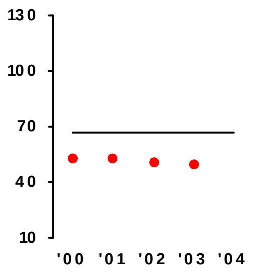
Investing In People

Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data 60.5 (17%)	3.32 (78%)	3.38 (82%)	49.5 (33%)
Median 81	Median 2.22	Median 2.07%	Median 66.7
Sources: World Health Org.	World Health Org.	UNESCO/National Sources	UNESCO/World Bank



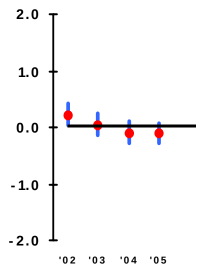


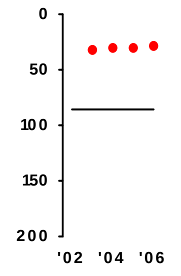


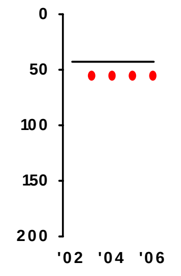


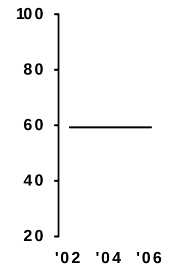
Economic Freedom

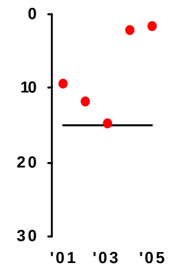
Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data -0.10 (44%)	28.2 (81%)	56 (33%)	n/a	1.70 (95%)	1.17% (90%)
Median 0.00	Median 85.7	Median 43	Median 59.1	Max. 15	Median -2.54%
Sources: World Bank Inst.	Intl. Finance Corp.	Intl. Finance Corp.	Heritage Foundation	Intl. Monetary Fund	National Sources

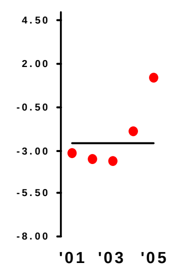












How to Read this Scorecard: Each MCC Candidate Country receives a scorecard annually assessing performance in 3 policy categories: Ruling Justly, Investing in People, and Economic Freedom. For each indicator box (from top to bottom): the name of the indicator or policy, the country's data, or score, indicated by a green or red line representing a passing or failing score. Next to the score, is the country's percentile ranking in its respective Low Income or Lower Middle Income group (0% is worst; 50% is the median; 100% is best). Under the score/ranking, is the median score for the respective income group, above which countries have to score in order to pass the indicator. The white box represents a trend line of performance with each red dot assigned to a score on the vertical axis and the year on the horizontal access. The black line running through the dots represents the current year's median. Data sources are below the box.

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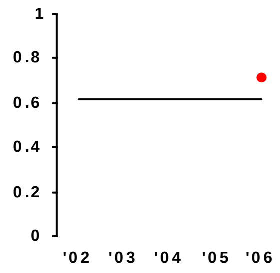
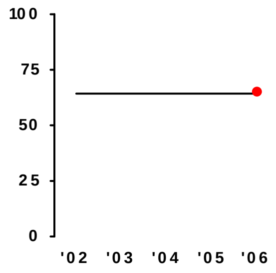
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Papua New Guinea FY07

Population: 5,771,947
GNI/Cap: $660 LIC

Supplemental Information

Land Rights and Access		Natural Resource Management	
0.711 (76%)		**64.76 (55%)**	
Median	**0.617**	**Median**	**64.08**
			

IFAD/IFC

CIESIN/YCELP

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10/10/2006

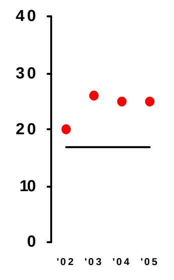
MILLENNIUM
CHALLENGE
CORPORATION

Paraguay FY07

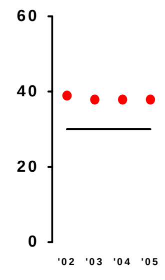
Population: 6,017,196
GNI/Cap: $1,280 LIC

Ruling Justly

	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	25 (69%)	38 (74%)	-0.37 (17%)	0.07 (53%)	-0.16 (38%)	0.52 (72%)
Median	17	30	0.00	0.00	0.00	0.00



Sources: Freedom House



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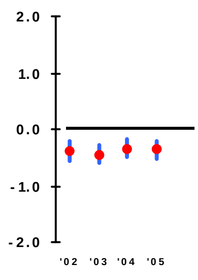
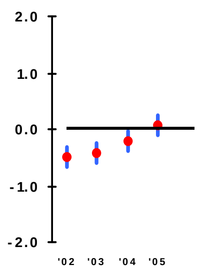
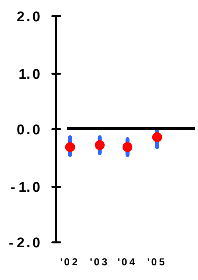


World Bank Institute



World Bank Institute



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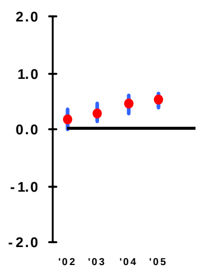
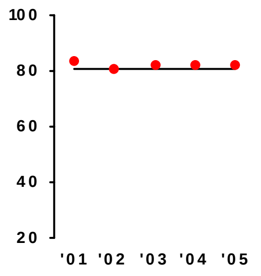


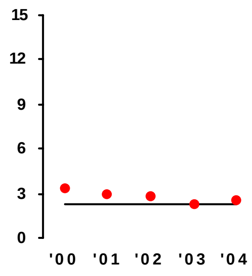
World Bank Institute

Investing In People

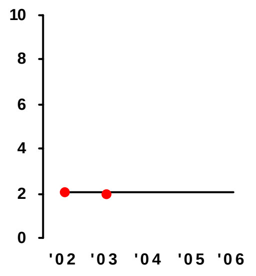
	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	82.5 (53%)	2.55 (62%)	2.00 (48%)	91.1 (75%)
Median	81	2.22	2.07%	66.7



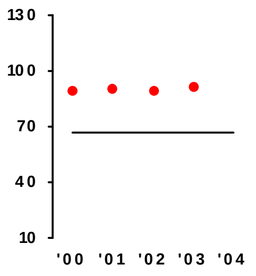
Sources: World Health Org.



World Health Org.



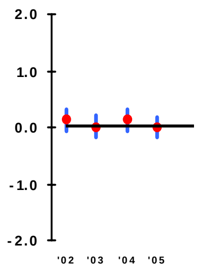
UNESCO/National Sources



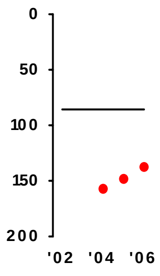
UNESCO/World Bank

Economic Freedom

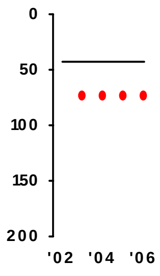
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	-0.01 (49%)	136.8 (31%)	74 (22%)	69.6 (78%)	6.80 (66%)	1.06% (89%)
Median	0.00	85.7	43	59.1	Max. 15	-2.54%



Sources: World Bank Inst.



Intl. Finance Corp.



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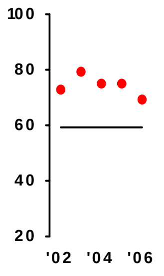
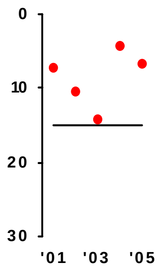
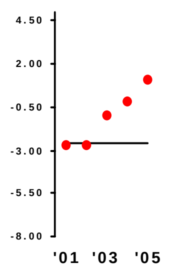


Heritage Foundation



Intl. Monetary Fund



National Sources

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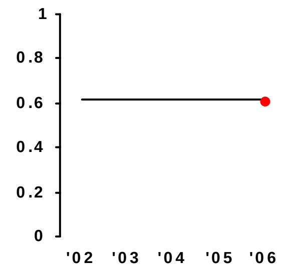
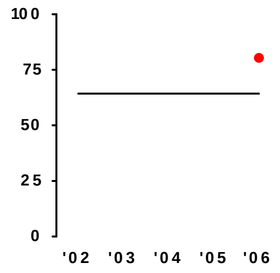
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Paraguay FY07

Population: 6,017,196
GNI/Cap: $1,280 LIC

Supplemental Information

Land Rights and Access	Natural Resource Management
0.607 (44%)	80.52 (91%)
Median 0.617	Median 64.08
	
IFAD/IFC	CIESIN/YCELP

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10/10/2006

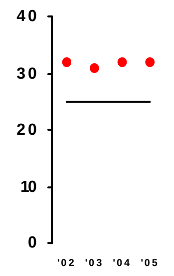
MILLENNIUM CHALLENGE CORPORATION

Peru FY07

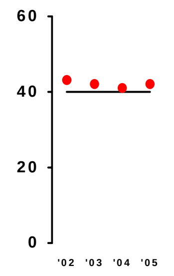
Population: 27,562,390
GNI/Cap: $2,610 LMIC

Ruling Justly

Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data 32 (68%)	42 (55%)	-0.08 (39%)	-0.44 (23%)	-0.39 (16%)	0.01 (52%)
Median 25	Median 40	Median 0.00	Median 0.00	Median 0.00	Median 0.00



Sources: Freedom House



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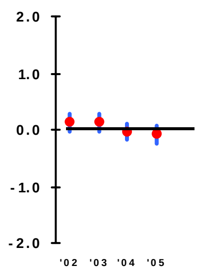
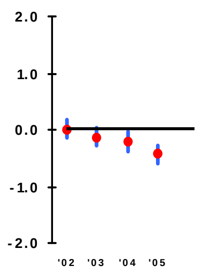
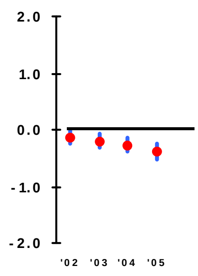


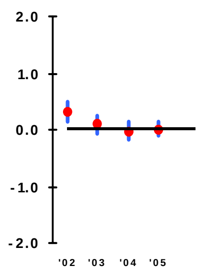
World Bank Institute



World Bank Institute



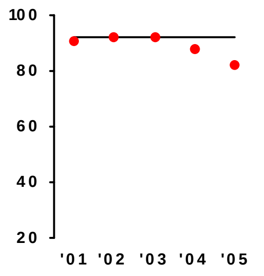
World Bank Institute



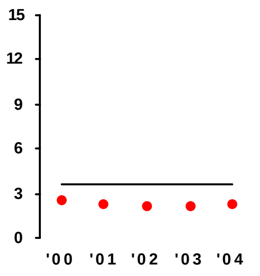
World Bank Institute

Investing In People

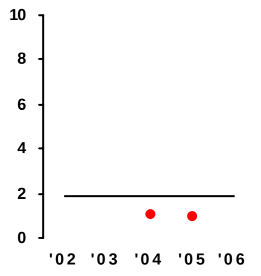
Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data 82 (26%)	2.29 (16%)	0.99 (17%)	98.9 (75%)
Median 92.5	Median 3.66	Median 1.88%	Median 97.3



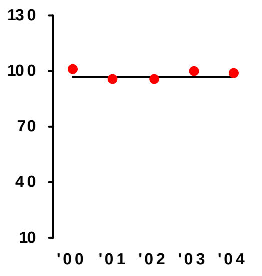
Sources: World Health Org.



World Health Org.



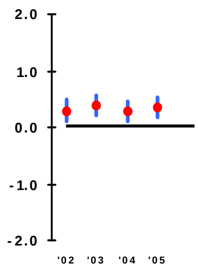
UNESCO/National Sources



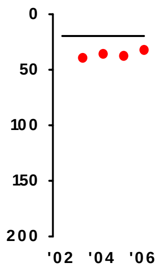
UNESCO/World Bank

Economic Freedom

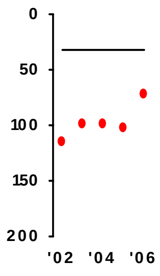
Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data 0.36 (74%)	32.5 (28%)	72 (13%)	62.2 (52%)	1.60 (90%)	-1.10% (61%)
Median 0.00	Median 19.8	Median 33	Median 62.1	Max. 15	Median -1.37%



Sources: World Bank Inst.



Intl. Finance Corp.



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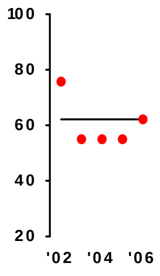

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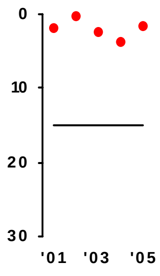

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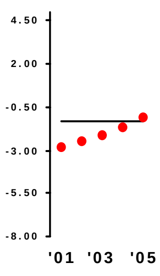

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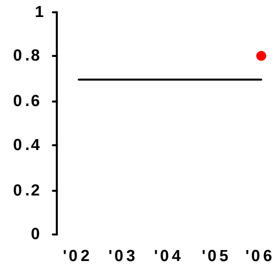
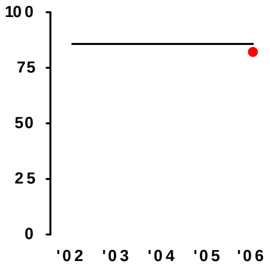
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Peru FY07

Population: 27,562,390
GNI/Cap: $2,610 LMIC

Supplemental Information

Land Rights and Access		Natural Resource Management	
0.804 (87%)		82.02 (43%)	
Median	**0.696**	**Median**	**86.15**
 		 	
IFAD/IFC		CIESIN/YCELP	

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10/10/2006

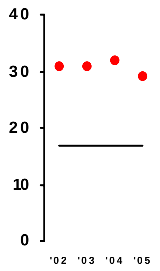
MILLENNIUM
CHALLENGE
CORPORATION

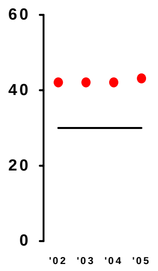
Philippines FY07

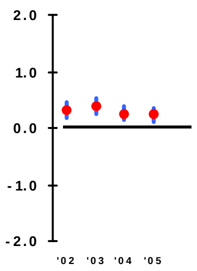
Population: 81,617,020
GNI/Cap: $1,300 LIC

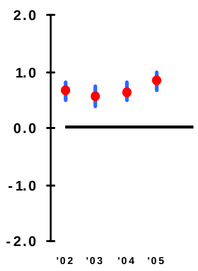
Ruling Justly

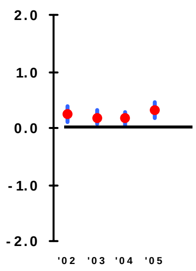
Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data 29 (83%)	43 (86%)	0.24 (76%)	0.83 (99%)	0.32 (77%)	0.72 (83%)
Median 17	Median 30	Median 0.00	Median 0.00	Median 0.00	Median 0.00
Sources: Freedom House	Freedom House	World Bank Institute	World Bank Institute	World Bank Institute	World Bank Institute

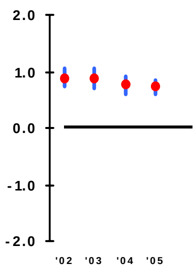






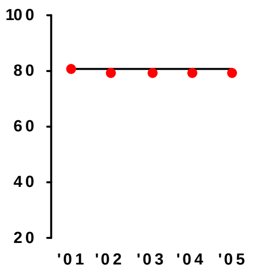


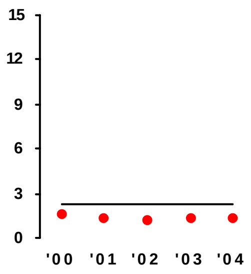


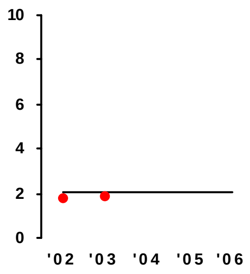


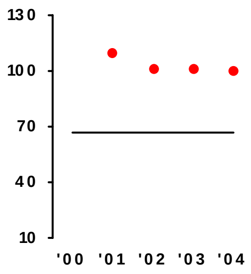
Investing In People

Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data 79.5 (45%)	1.32 (21%)	1.90 (43%)	99.9 (93%)
Median 81	Median 2.22	Median 2.07%	Median 66.7
Sources: World Health Org.	World Health Org.	UNESCO/National Sources	UNESCO/World Bank



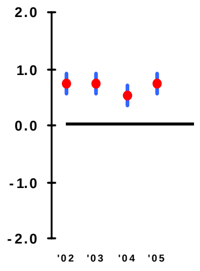


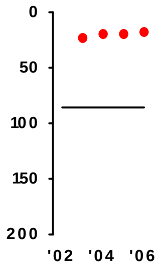


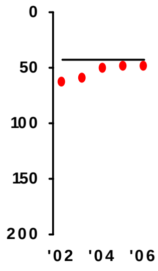


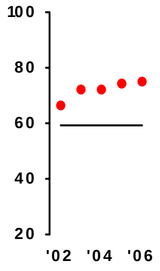
Economic Freedom

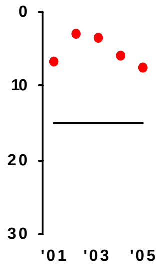
Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data 0.74 (96%)	18.7 (85%)	48 (44%)	74.8 (98%)	7.60 (53%)	-3.15% (44%)
Median 0.00	Median 85.7	Median 43	Median 59.1	Max. 15	Median -2.54%
Sources: World Bank Inst.	Intl. Finance Corp.	Intl. Finance Corp.	Heritage Foundation	Intl. Monetary Fund	National Sources

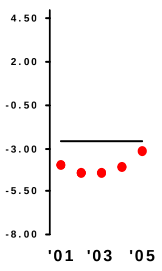












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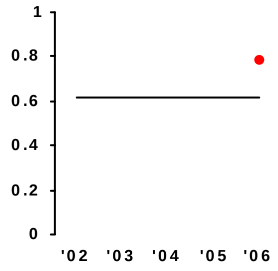
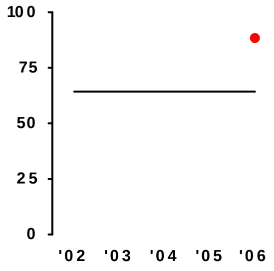
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Philippines FY07

Population: 81,617,020
GNI/Cap: $1,300 LIC

Supplemental Information

Land Rights and Access	Natural Resource Management
0.782 (86%)	**88.46 (97%)**
Median 0.617	**Median 64.08**
	
IFAD/IFC	CIESIN/YCELP

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10/10/2006

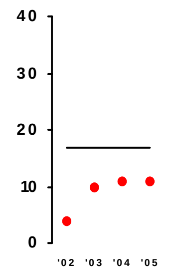
Millennium Challenge Corporation

Rwanda FY07

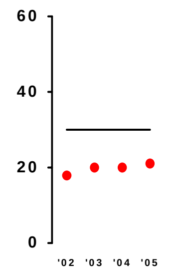
Population: 8,882,365
GNI/Cap: $230 LIC

Ruling Justly

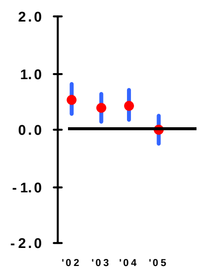
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	11 (32%)	21 (29%)	0.01 (53%)	-0.15 (31%)	-0.16 (37%)	-0.60 (21%)
Median	17	30	0.00	0.00	0.00	0.00



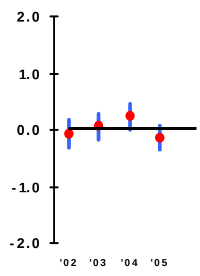
Sources: Freedom House



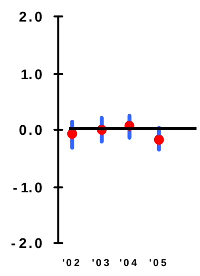
Freedom House



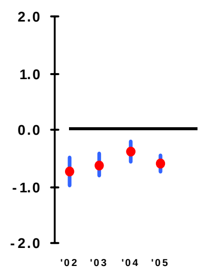
World Bank Institute



World Bank Institute



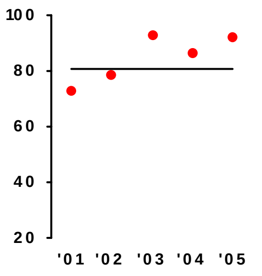
World Bank Institute



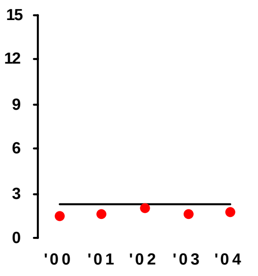
World Bank Institute

Investing In People

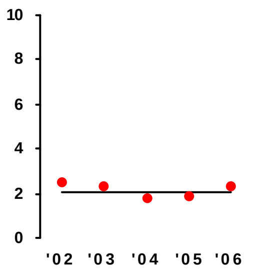
	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	92 (79%)	1.72 (35%)	2.31 (57%)	36.8 (16%)
Median	81	2.22	2.07%	66.7



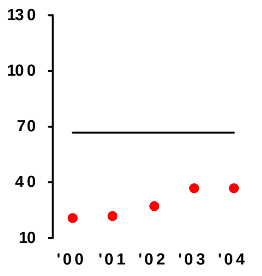
Sources: World Health Org.



World Health Org.



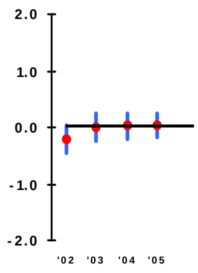
UNESCO/National Sources



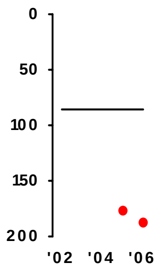
UNESCO/World Bank

Economic Freedom

	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	0.03 (51%)	188.3 (22%)	16 (97%)	66.8 (69%)	9.20 (42%)	-0.65% (75%)
Median	0.00	85.7	43	59.1		-2.54%
Max.					15	



Sources: World Bank Inst.



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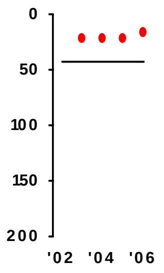

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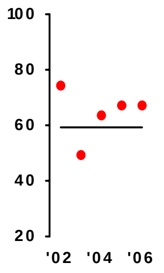
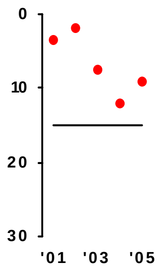
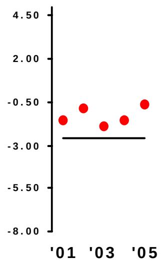


Heritage Foundation



Intl. Monetary Fund



National Sources

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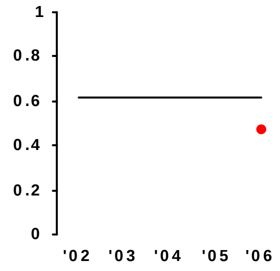
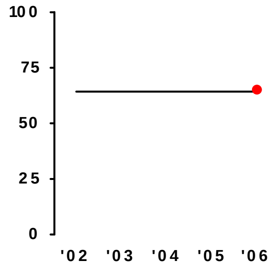
10/6/2006

Supplemental Information

Land Rights and Access	Natural Resource Management
0.469 (15%)	64.81 (56%)
Median 0.617	Median 64.08
	
IFAD/IFC	CIESIN/YCELP

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10/10/2006

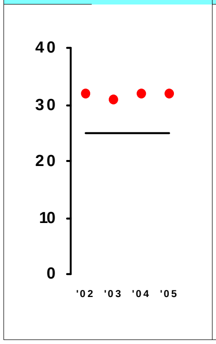
Millennium Challenge Corporation

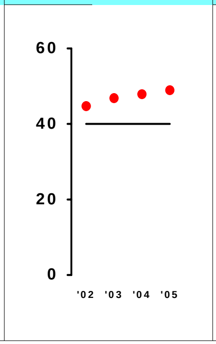
Samoa FY07

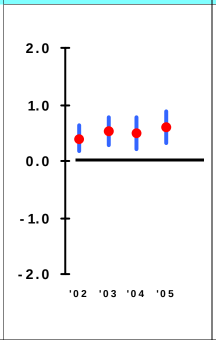
Population: 183,746
GNI/Cap: $2,090 LMIC

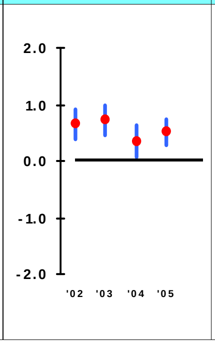
Ruling Justly

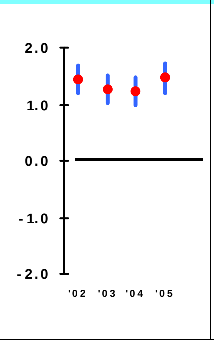
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	32 (68%)	49 (84%)	0.59 (94%)	0.51 (94%)	1.47 (97%)	0.59 (84%)
Median	25	40	0.00	0.00	0.00	0.00
	Sources: Freedom House	Freedom House	World Bank Institute	World Bank Institute	World Bank Institute	World Bank Institute

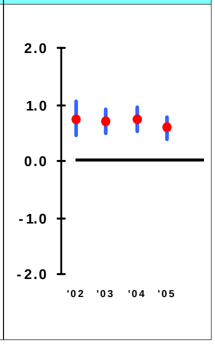






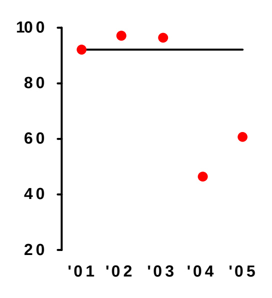


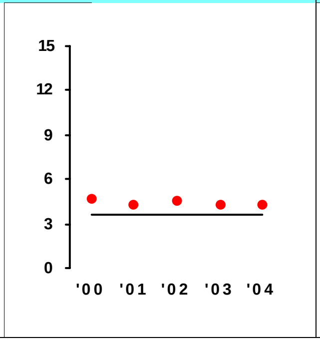


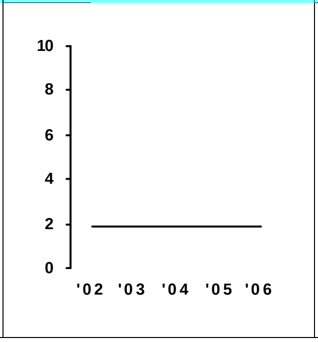


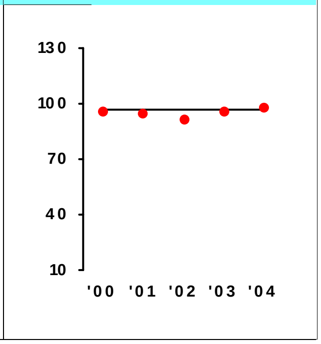
Investing In People

	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	60.5 (0%)	4.32 (68%)	n/a	98.2 (67%)
Median	92.5	3.66	1.88%	97.3
	Sources: World Health Org.	World Health Org.	UNESCO/National Sources	UNESCO/World Bank



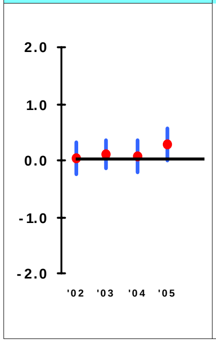


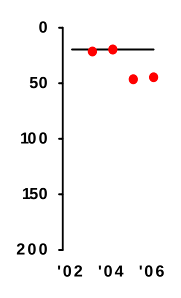


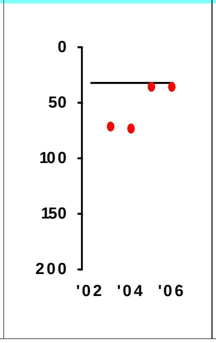


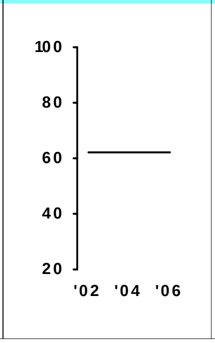
Economic Freedom

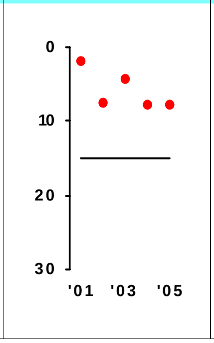
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	0.28 (65%)	45.5 (19%)	35 (47%)	n/a	7.80 (24%)	-0.40% (68%)
Median	0.00	19.8	33	62.1	Max. 15	-1.37%
	Sources: World Bank Inst.	Intl. Finance Corp.	Intl. Finance Corp.	Heritage Foundation	Intl. Monetary Fund	National Sources

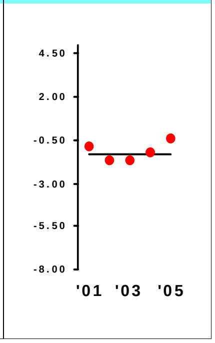












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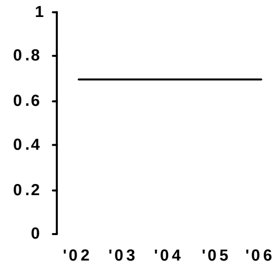
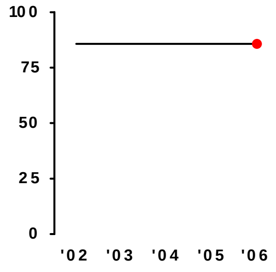
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Samoa FY07

Population: 183,746
GNI/Cap: $2,090 LMIC

Supplemental Information

Land Rights and Access		Natural Resource Management	
n/a		86.15 (50%)	
Median	0.696	Median	86.15
			
IFAD/IFC		CIESIN/YCELP	

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10/10/2006

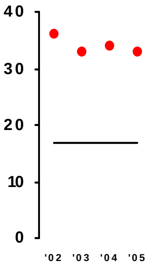
MILLENNIUM
CHALLENGE
CORPORATION

Sao Tome and Principe FY07

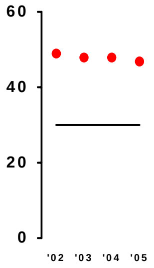
Population: 152,964
GNI/Cap: $390 LIC

Ruling Justly

	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	33 (94%)	47 (94%)	0.05 (56%)	0.14 (62%)	0.21 (67%)	1.27 (97%)
Median	17	30	0.00	0.00	0.00	0.00



Sources: Freedom House



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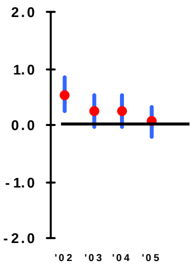
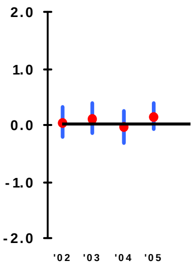


World Bank Institute



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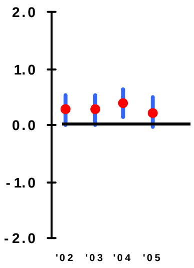

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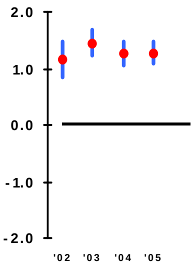
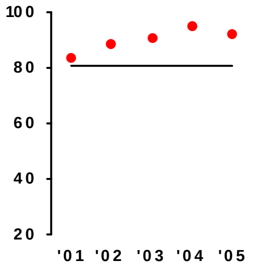


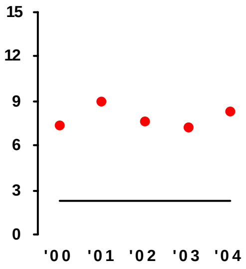
World Bank Institute

Investing In People

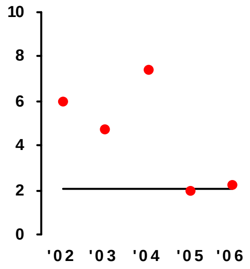
	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	92.5 (82%)	8.31 (99%)	2.23 (55%)	77.0 (57%)
Median	81	2.22	2.07%	66.7



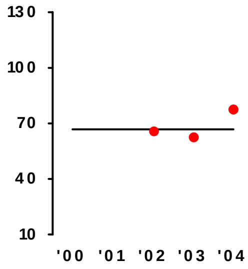
Sources: World Health Org.



World Health Org.



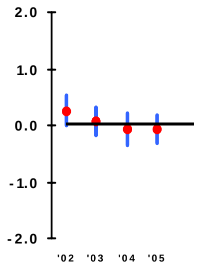
UNESCO/National Sources



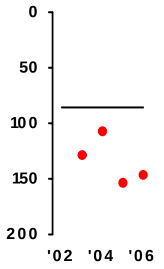
UNESCO/World Bank

Economic Freedom

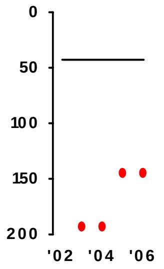
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	-0.09 (45%)	147.2 (28%)	144 (6%)	n/a	16.30 (11%)	5.23% (96%)
Median	0.00	85.7	43	59.1	Max. 15	-2.54%



Sources: World Bank Inst.



Intl. Finance Corp.



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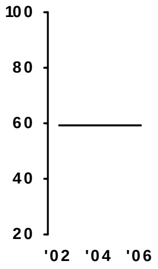
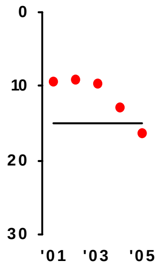


Heritage Foundation



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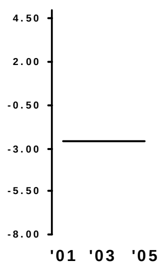

National Sources

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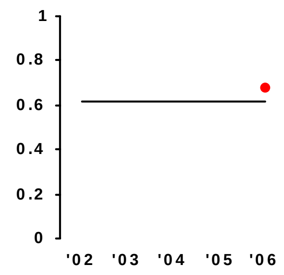
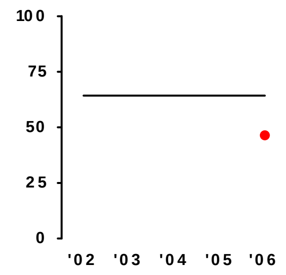
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Sao Tome and Principe FY07

Population: 152,964
GNI/Cap: $390 LIC

Supplemental Information

Land Rights and Access	Natural Resource Management
0.681 (64%)	46.18 (10%)
Median 0.617	Median 64.08
	
IFAD/IFC	CIESIN/YCELP

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10/10/2006

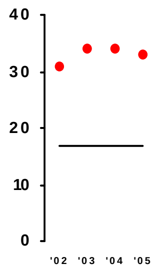
MILLENNIUM
CHALLENGE
CORPORATION

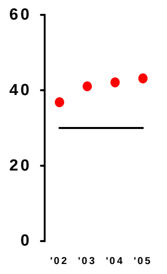
Senegal FY07

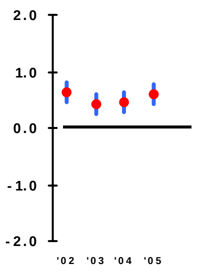
Population: 11,385,910
GNI/Cap: $710 LIC

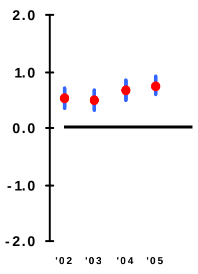
Ruling Justly

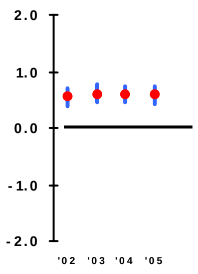
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	33 (94%)	43 (86%)	0.60 (91%)	0.75 (94%)	0.58 (87%)	1.01 (88%)
Median	17	30	0.00	0.00	0.00	0.00

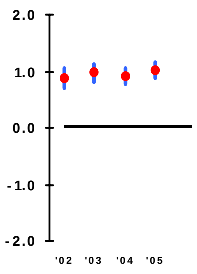








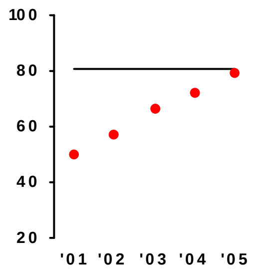


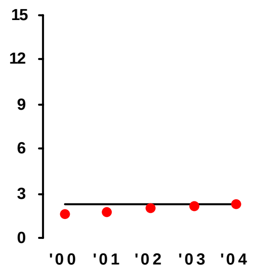


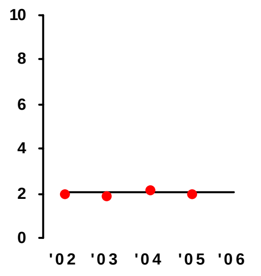
Sources: Freedom House · Freedom House · World Bank Institute · World Bank Institute · World Bank Institute · World Bank Institute

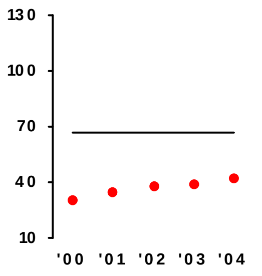
Investing In People

	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	79 (44%)	2.24 (52%)	1.95 (46%)	41.7 (23%)
Median	81	2.22	2.07%	66.7





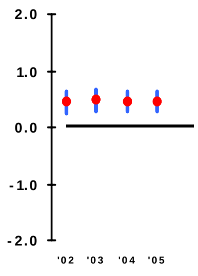


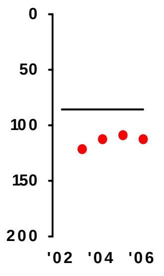


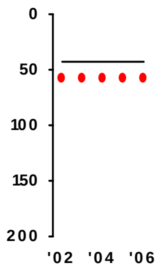
Sources: World Health Org. · World Health Org. · UNESCO/National Sources · UNESCO/World Bank

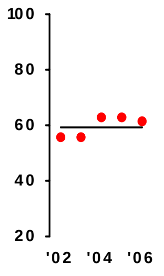
Economic Freedom

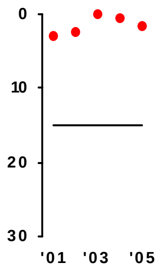
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	0.45 (87%)	112.6 (43%)	58 (31%)	61.6 (58%)	1.70 (95%)	-2.48% (52%)
Median	0.00	85.7	43	59.1	Max. 15	-2.54%

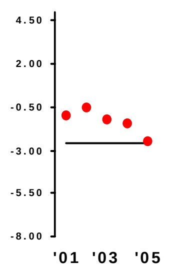












Sources: World Bank Inst. · Intl. Finance Corp. · Intl. Finance Corp. · Heritage Foundation · Intl. Monetary Fund · National Sources

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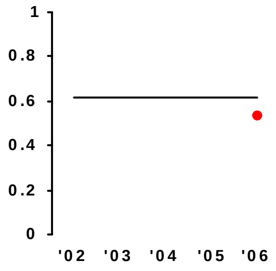
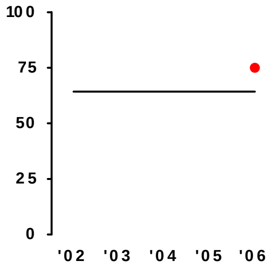
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Senegal FY07

Population: 11,385,910
GNI/Cap: $710 LIC

Supplemental Information

Land Rights and Access	Natural Resource Management
0.537 (27%)	**75.10 (79%)**
Median 0.617	**Median 64.08**
	
IFAD/IFC	CIESIN/YCELP

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10/10/2006

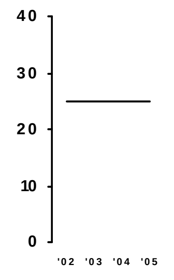
MILLENNIUM
CHALLENGE
CORPORATION

Serbia FY07

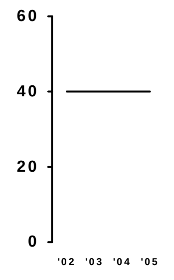
Population:
GNI/Cap: $3,197 LMIC

Ruling Justly

	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	n/a	n/a	n/a	n/a	n/a	n/a
Median	25	40	0.00	0.00	0.00	0.00



Sources: Freedom House



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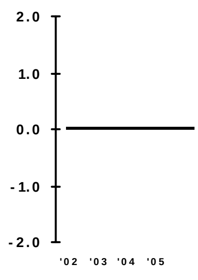

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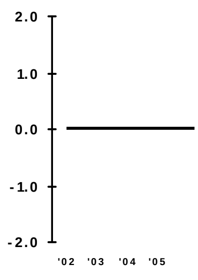

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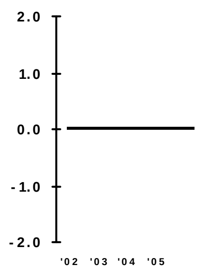

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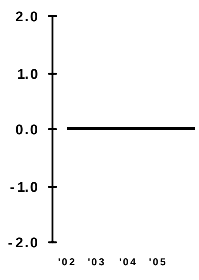
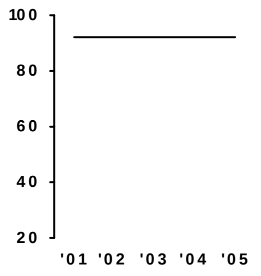


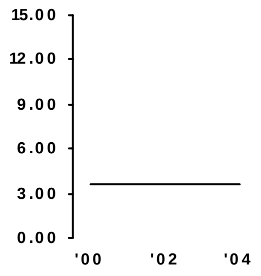
World Bank Institute

Investing In People

	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	n/a	n/a	1.80 (48%)	n/a
Median	92.5	3.66	1.88%	97.3



Sources: World Health Org.



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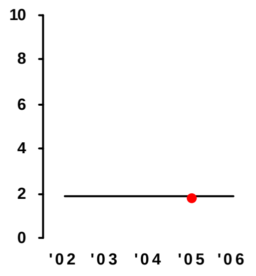
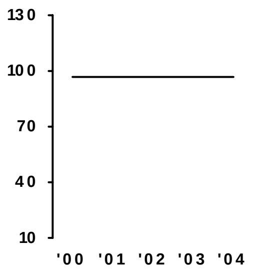


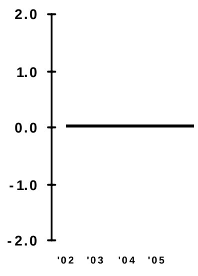
UNESCO/National Sources



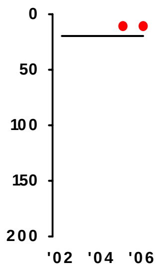
UNESCO/World Bank

Economic Freedom

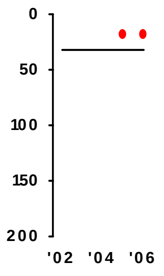
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	n/a	10.2 (69%)	18 (81%)	n/a	17.30 (14%)	n/a
Median	0.00	19.8	33	62.1	Max. 15	-1.37%



Sources: World Bank Inst.



Intl. Finance Corp.



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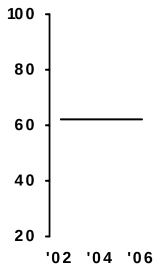
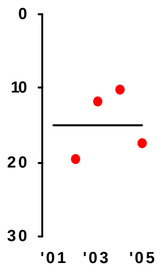


Heritage Foundation



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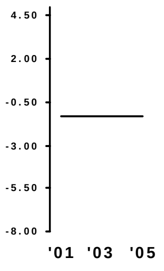

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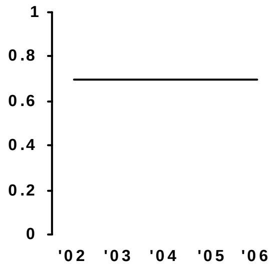
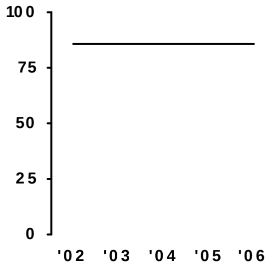
10/6/2006

Serbia FY07

Population:
GNI/Cap: $3,197 LMIC

Supplemental Information

Land Rights and Access	**Natural Resource Management**
n/a	**n/a**
Median 0.696	**Median 86.15**
	

IFAD/IFC

CIESIN/YCELP

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10/10/2006

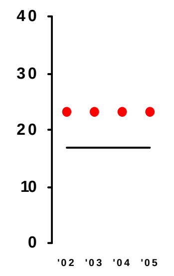
MILLENNIUM
CHALLENGE
CORPORATION

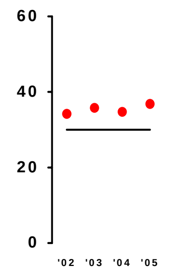
Sierra Leone FY07

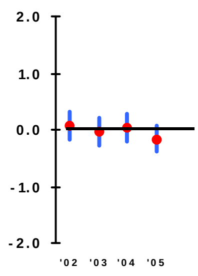
Population: 5,336,449
GNI/Cap: $220 LIC

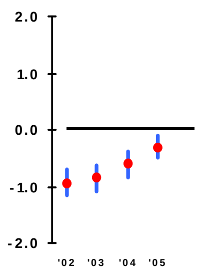
Ruling Justly

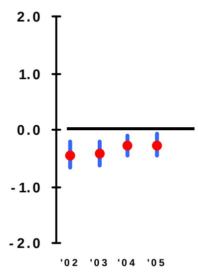
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	23 (59%)	37 (72%)	-0.17 (40%)	-0.31 (24%)	-0.28 (29%)	0.33 (59%)
Median	17	30	0.00	0.00	0.00	0.00

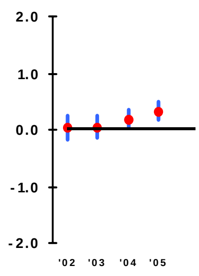








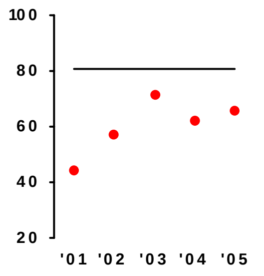


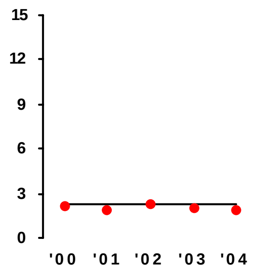


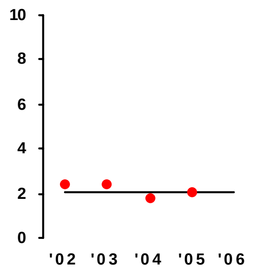
Sources: Freedom House | Freedom House | World Bank Institute | World Bank Institute | World Bank Institute | World Bank Institute

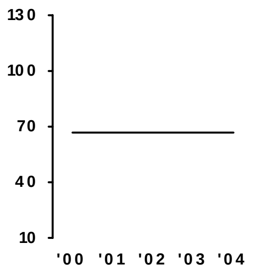
Investing In People

	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	65.5 (22%)	1.94 (40%)	2.09 (51%)	n/a
Median	81	2.22	2.07%	66.7





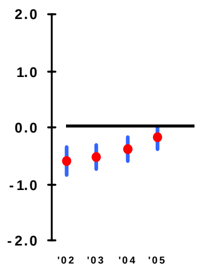


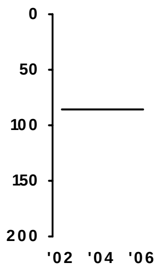


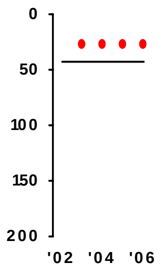
Sources: World Health Org. | World Health Org. | UNESCO/National Sources | UNESCO/World Bank

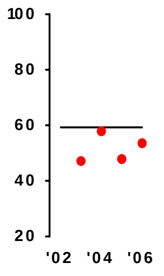
Economic Freedom

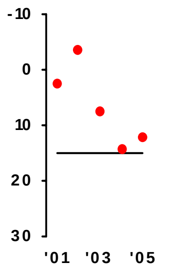
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	-0.19 (38%)	1,194.5 (0%)	26 (81%)	53.4 (34%)	12.10 (24%)	-4.31% (27%)
Median	0.00	85.7	43	59.1		-2.54%
Max.					15	

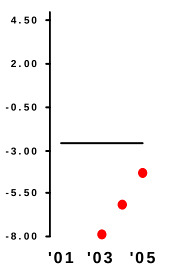












Sources: World Bank Inst. | Intl. Finance Corp. | Intl. Finance Corp. | Heritage Foundation | Intl. Monetary Fund | National Sources

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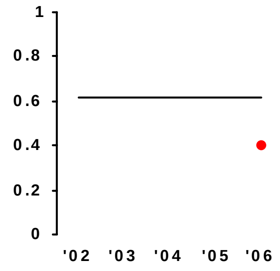
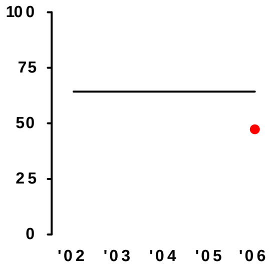
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Sierra Leone FY07

Population: 5,336,449
GNI/Cap: $220 LIC

Supplemental Information

Land Rights and Access	Natural Resource Management
0.405 (11%)	47.24 (12%)
Median 0.617	**Median** 64.08
	
IFAD/IFC	CIESIN/YCELP

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10/10/2006

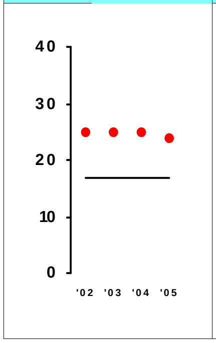
MILLENNIUM CHALLENGE CORPORATION

Solomon Islands FY07

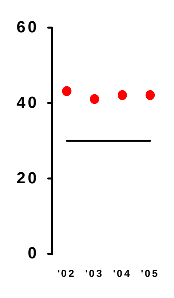
Population: 465,793
GNI/Cap: $590 LIC

Ruling Justly

	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	24 (63%)	42 (83%)	0.84 (95%)	0.21 (64%)	-0.06 (45%)	0.99 (86%)
Median	17	30	0.00	0.00	0.00	0.00



Sources: Freedom House



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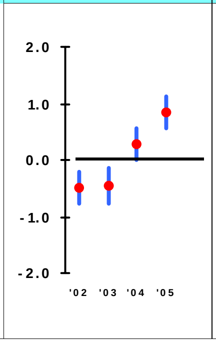
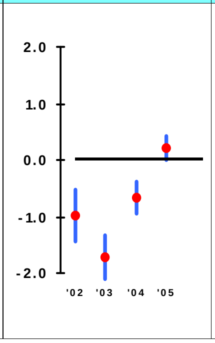


World Bank Institute



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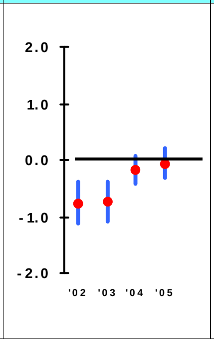

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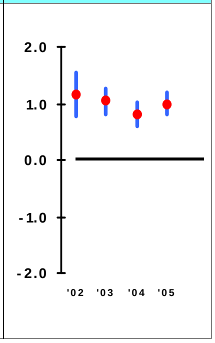
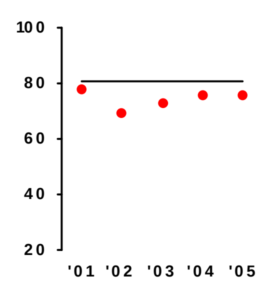


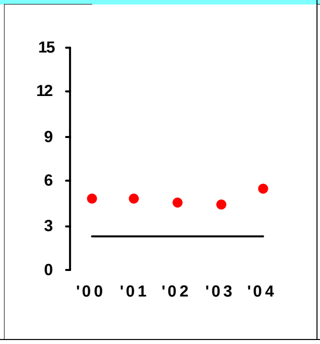
World Bank Institute

Investing In People

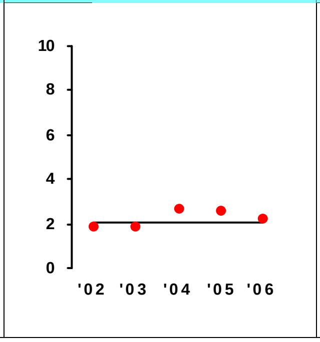
	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	76 (41%)	5.53 (95%)	2.23 (54%)	n/a
Median	81	2.22	2.07%	66.7



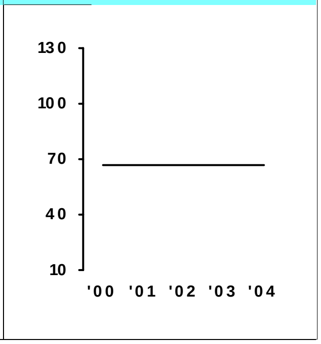
Sources: World Health Org.



World Health Org.



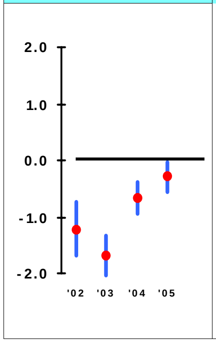
UNESCO/National Sources



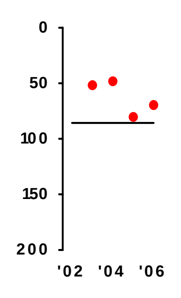
UNESCO/World Bank

Economic Freedom

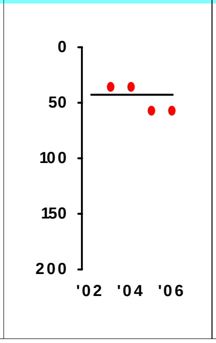
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	-0.29 (32%)	68.9 (57%)	57 (32%)	n/a	7.30 (54%)	2.79% (93%)
Median	0.00	85.7	43	59.1		-2.54%
Max.					15	



Sources: World Bank Inst.



Intl. Finance Corp.



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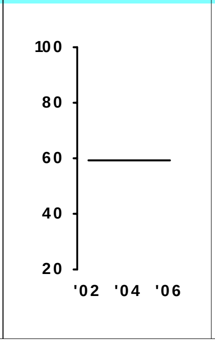
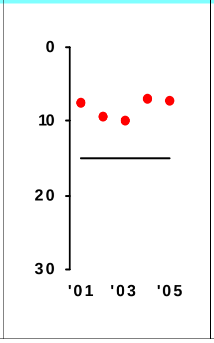
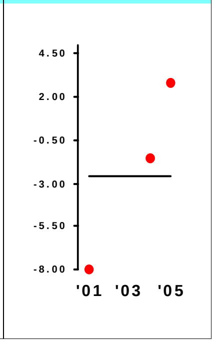


Heritage Foundation



Intl. Monetary Fund



National Sources

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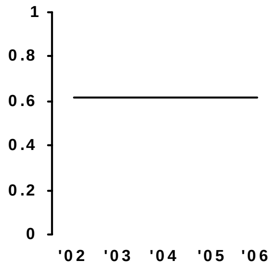
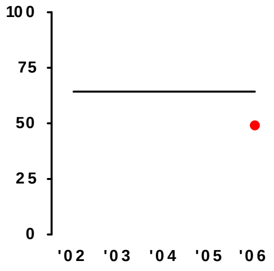
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Solomon Islands FY07

Population: 465,793
GNI/Cap: $590 LIC

Supplemental Information

Land Rights and Access	Natural Resource Management
n/a	49.44 (17%)
Median 0.617	**Median** 64.08
	
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10/10/2006

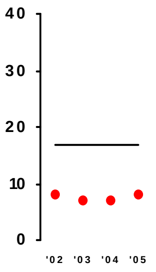
MILLENNIUM
CHALLENGE
CORPORATION

Somalia FY07

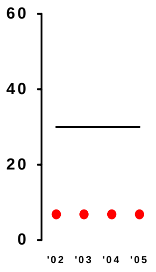
Population: 7,964,414
GNI/Cap: LIC

Ruling Justly

	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	8 (18%)	7 (6%)	-0.92 (0%)	-1.32 (0%)	-1.52 (0%)	-1.17 (4%)
Median	17	30	0.00	0.00	0.00	0.00



Sources: Freedom House



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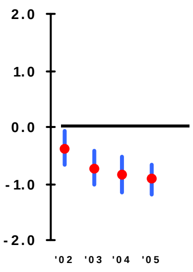
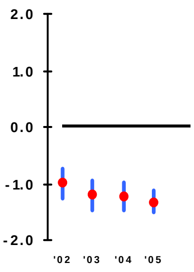


World Bank Institute



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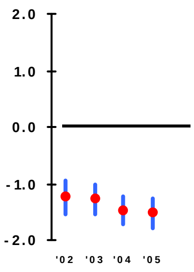

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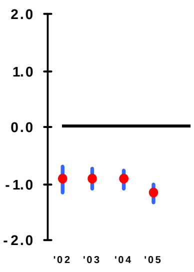
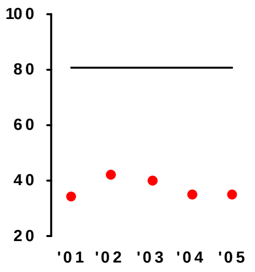


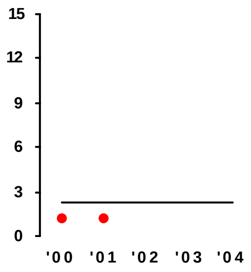
World Bank Institute

Investing In People

	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	35 (3%)	n/a	n/a	n/a
Median	81	2.22	2.07%	66.7



Sources: World Health Org.



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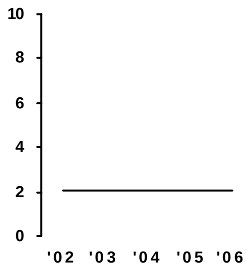
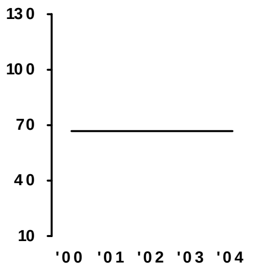


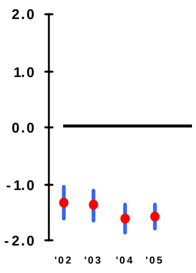
UNESCO/National Sources



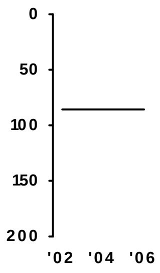
UNESCO/World Bank

Economic Freedom

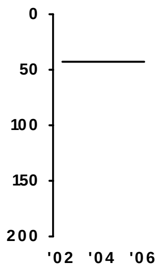
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	-1.59 (0%)	n/a	n/a	n/a	n/a	n/a
Median	0.00	85.7	43	59.1	Max. 15	-2.54%



Sources: World Bank Inst.



Intl. Finance Corp.



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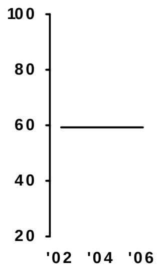

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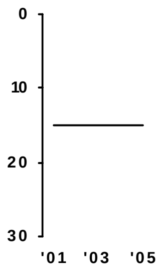
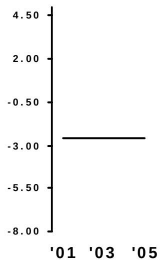


Intl. Monetary Fund



National Sources

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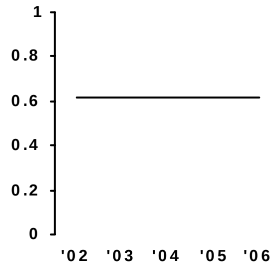
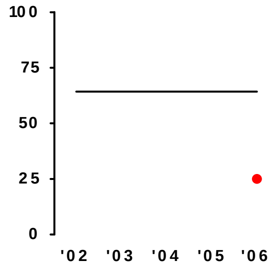
10/6/2006

Somalia FY07

Population: 7,964,414
GNI/Cap: LIC

Supplemental Information

Land Rights and Access		Natural Resource Management	
n/a		25.32 (1%)	
Median	0.617	Median	64.08
			
IFAD/IFC		CIESIN/YCELP	

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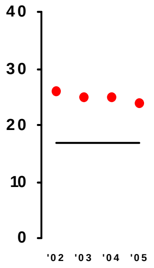
Millennium Challenge Corporation

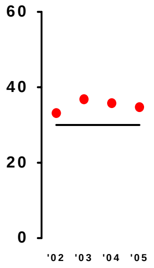
Sri Lanka FY07

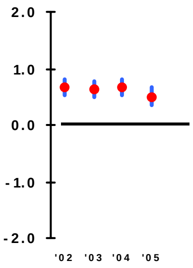
Population: 19,419,190
GNI/Cap: $1,160 LIC

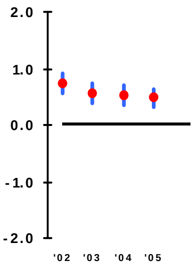
Ruling Justly

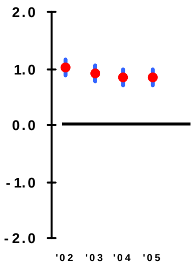
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	24 (63%)	35 (64%)	0.51 (86%)	0.48 (81%)	0.84 (94%)	0.45 (68%)
Median	17	30	0.00	0.00	0.00	0.00

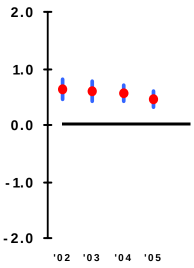








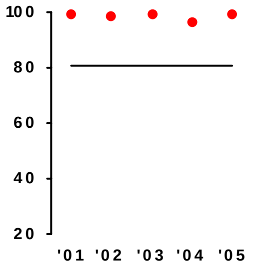


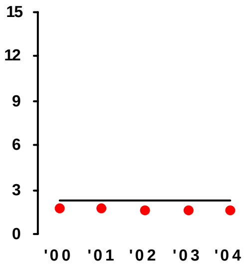


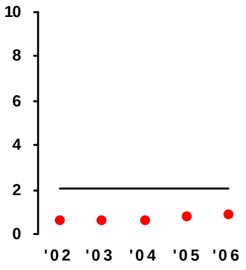
Sources: Freedom House | Freedom House | World Bank Institute | World Bank Institute | World Bank Institute | World Bank Institute

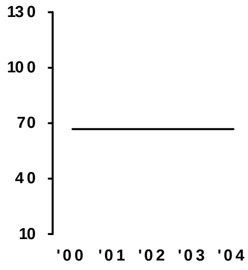
Investing In People

	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	99 (96%)	1.63 (32%)	0.88 (14%)	n/a
Median	81	2.22	2.07%	66.7





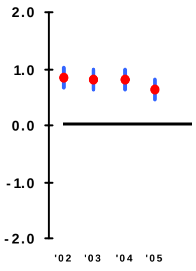


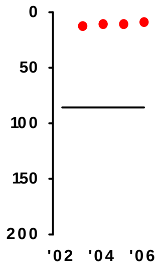


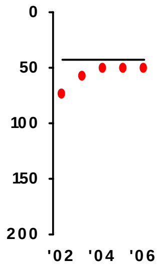
Sources: World Health Org. | World Health Org. | UNESCO/National Sources | UNESCO/World Bank

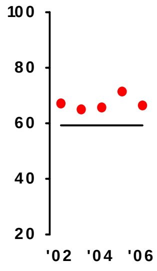
Economic Freedom

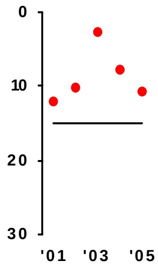
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	0.63 (94%)	9.2 (96%)	50 (42%)	66.4 (68%)	10.60 (31%)	-7.60% (10%)
Median	0.00	85.7	43	59.1	Max. 15	-2.54%

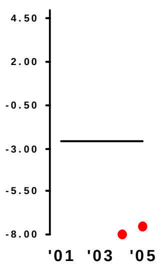












Sources: World Bank Inst. | Intl. Finance Corp. | Intl. Finance Corp. | Heritage Foundation | Intl. Monetary Fund | National Sources

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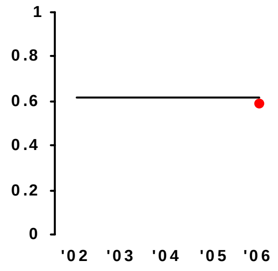
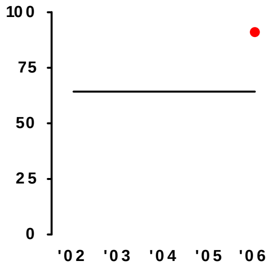
10/6/2006

Sri Lanka FY07

Population: 19,419,190
GNI/Cap: $1,160 LIC

Supplemental Information

Land Rights and Access	Natural Resource Management
0.589 (42%)	**90.77 (100%)**
Median 0.617	**Median 64.08**
	
IFAD/IFC	CIESIN/YCELP

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10/10/2006

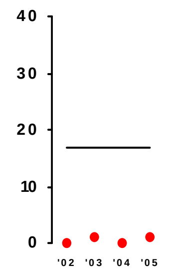
MILLENNIUM
CHALLENGE
CORPORATION

Sudan FY07

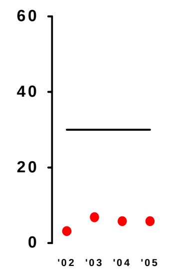
Population: 35,522,990
GNI/Cap: $640 LIC

Ruling Justly

	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	1 (5%)	6 (4%)	-0.57 (4%)	-0.41 (21%)	-0.64 (9%)	-1.13 (6%)
Median	17	30	0.00	0.00	0.00	0.00



Sources: Freedom House



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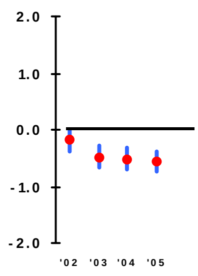
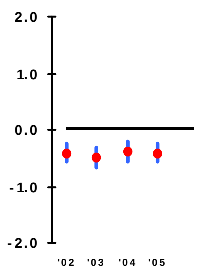
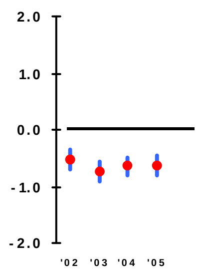


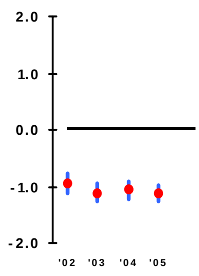
World Bank Institute



World Bank Institute



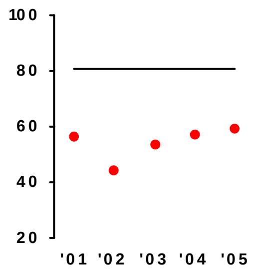
World Bank Institute



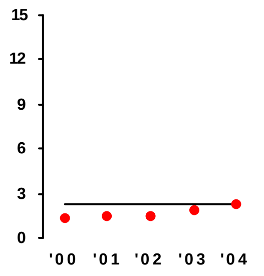
World Bank Institute

Investing In People

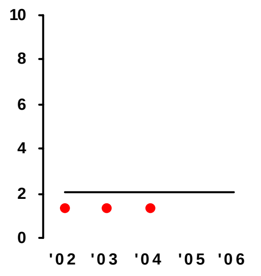
	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	59.5 (14%)	2.31 (56%)	1.31 (31%)	44.5 (26%)
Median	81	2.22	2.07%	66.7



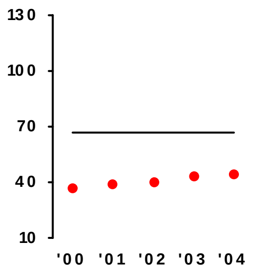
Sources: World Health Org.



World Health Org.



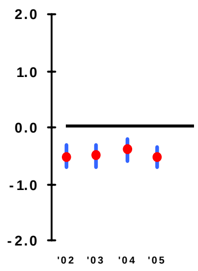
UNESCO/National Sources



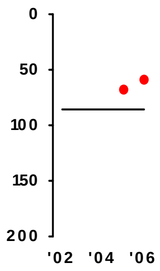
UNESCO/World Bank

Economic Freedom

	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	-0.53 (17%)	58.6 (65%)	39 (58%)	40.8 (3%)	8.50 (43%)	0.15% (82%)
Median	0.00	85.7	43	59.1	Max. 15	-2.54%



Sources: World Bank Inst.



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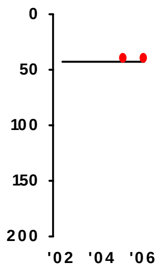

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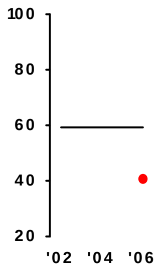
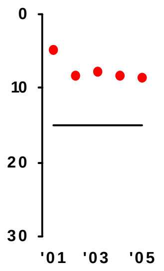
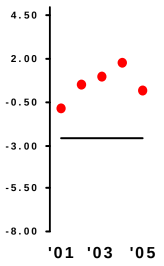


Heritage Foundation



Intl. Monetary Fund



National Sources

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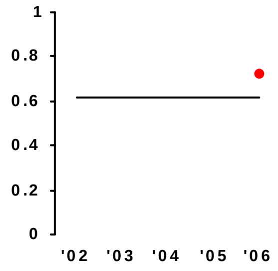
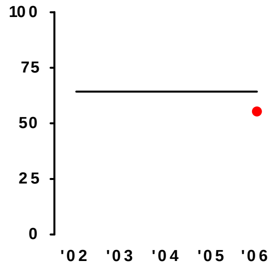
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Sudan FY07

Population: 35,522,990
GNI/Cap: $640 LIC

Supplemental Information

Land Rights and Access	Natural Resource Management
0.719 (77%)	55.40 (29%)
Median 0.617	Median 64.08
	
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10/10/2006

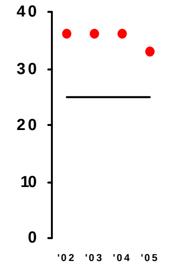
MILLENNIUM
CHALLENGE
CORPORATION

Suriname FY07

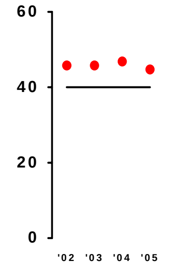
Population: 446,460
GNI/Cap: $2,540 LMIC

Ruling Justly

Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data 33 (84%)	45 (71%)	0.47 (84%)	0.13 (74%)	0.23 (65%)	0.71 (87%)
Median 25	Median 40	Median 0.00	Median 0.00	Median 0.00	Median 0.00



Sources: Freedom House



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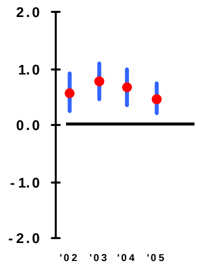
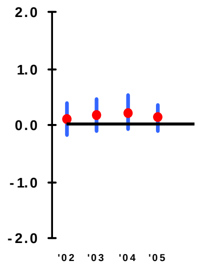


World Bank Institute



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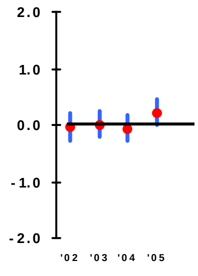

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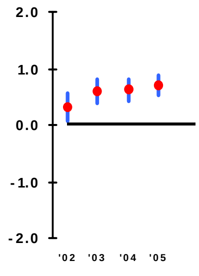
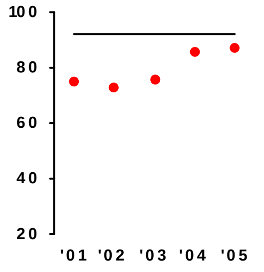


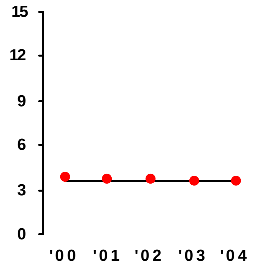
World Bank Institute

Investing In People

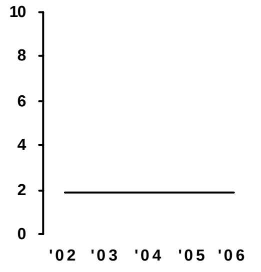
Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data 87 (39%)	3.60 (48%)	n/a	n/a
Median 92.5	Median 3.66	Median 1.88%	Median 97.3



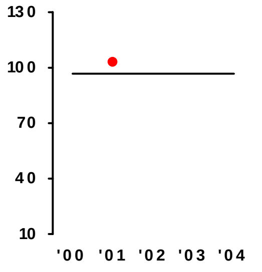
Sources: World Health Org.



World Health Org.



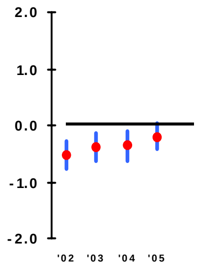
UNESCO/National Sources



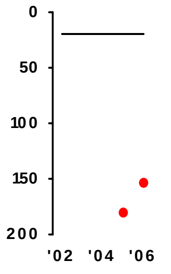
UNESCO/World Bank

Economic Freedom

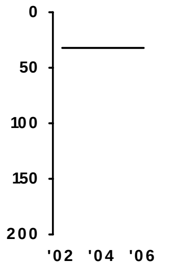
Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data -0.20 (26%)	153.8 (0%)	694 (0%)	56.6 (24%)	9.90 (14%)	-1.37% (50%)
Median 0.00	Median 19.8	Median 33	Median 62.1	Max. 15	Median -1.37%



Sources: World Bank Inst.



Intl. Finance Corp.



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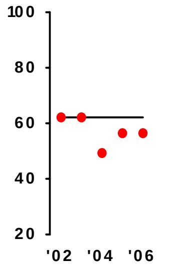
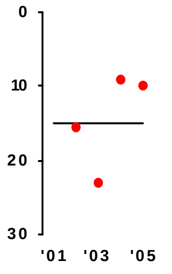


Heritage Foundation



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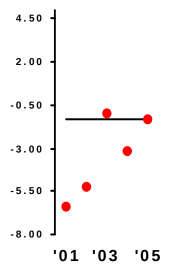

National Sources

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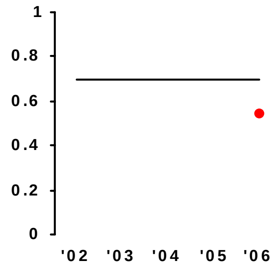
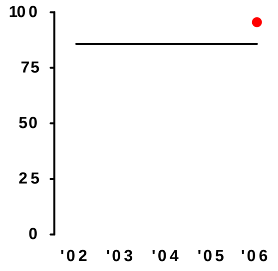
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Suriname FY07

Population: 446,460
GNI/Cap: $2,540 LMIC

Supplemental Information

Land Rights and Access		Natural Resource Management	
0.544 (9%)		95.70 (89%)	
Median	**0.696**	**Median**	**86.15**
 		 	
IFAD/IFC		CIESIN/YCELP	

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10/10/2006

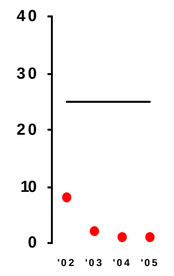
MILLENNIUM
CHALLENGE
CORPORATION

Swaziland FY07

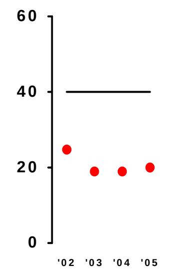
Population: 1,119,841
GNI/Cap: $2,280 LMIC

Ruling Justly

	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	1 (0%)	20 (13%)	-0.19 (26%)	-0.68 (10%)	-0.37 (23%)	-1.32 (10%)
Median	25	40	0.00	0.00	0.00	0.00



Sources: Freedom House



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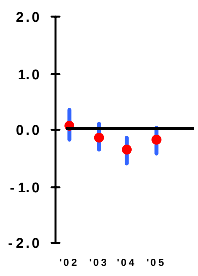
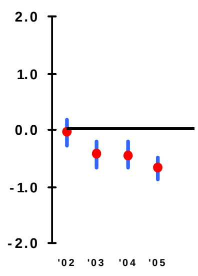
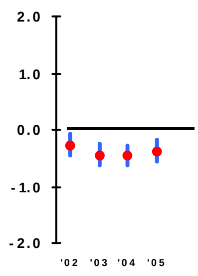


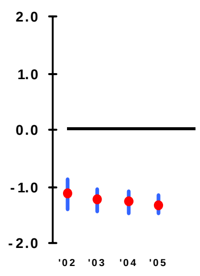
World Bank Institute



World Bank Institute



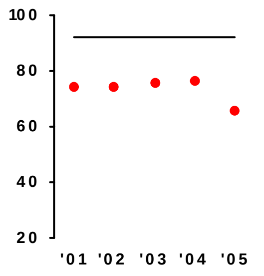
World Bank Institute



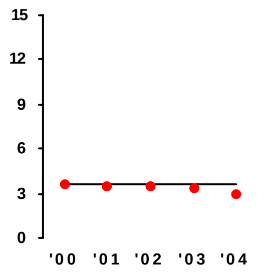
World Bank Institute

Investing In People

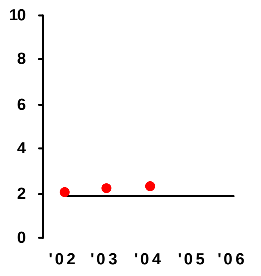
	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	65.5 (3%)	2.98 (35%)	2.35 (62%)	64.2 (0%)
Median	92.5	3.66	1.88%	97.3



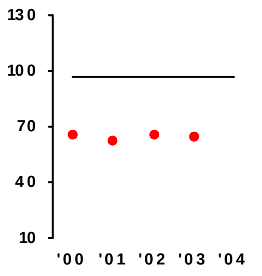
Sources: World Health Org.



World Health Org.



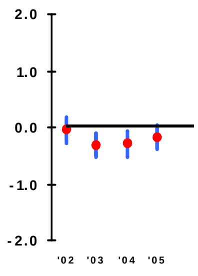
UNESCO/National Sources



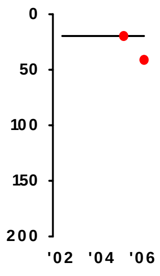
UNESCO/World Bank

Economic Freedom

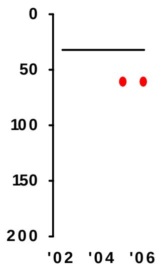
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	-0.17 (29%)	41.1 (22%)	61 (22%)	72.8 (96%)	4.80 (41%)	-3.36% (29%)
Median	0.00	19.8	33	62.1	Max. 15	-1.37%



Sources: World Bank Inst.



Intl. Finance Corp.



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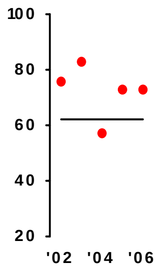
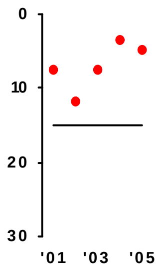
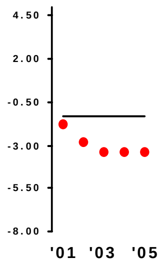


Heritage Foundation



Intl. Monetary Fund



National Sources

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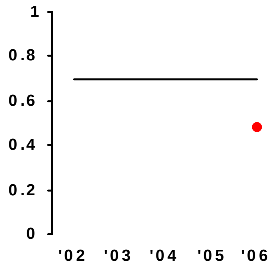
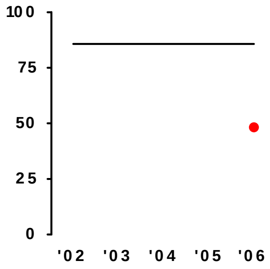
10/6/2006

Swaziland FY07

Population: 1,119,841
GNI/Cap: $2,280 LMIC

Supplemental Information

Land Rights and Access	**Natural Resource Management**
0.485 (4%)	**47.94 (0%)**
Median 0.696	**Median 86.15**
 	
IFAD/IFC	CIESIN/YCELP

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10/10/2006

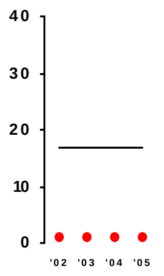
MILLENNIUM
CHALLENGE
CORPORATION

Syrian Arab Republic FY07

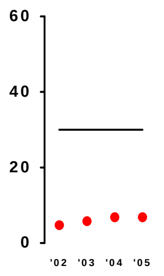
Population: 18,582,150
GNI/Cap: $1,380 LIC

Ruling Justly

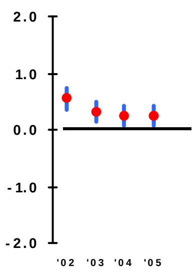
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	🟥 1 (5%)	🟥 7 (6%)	🟩 0.24 (74%)	🟥 -0.33 (22%)	🟩 0.42 (82%)	🟥 -0.95 (10%)
Median	17	30	0.00	0.00	0.00	0.00



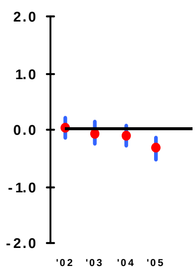
Sources: Freedom House



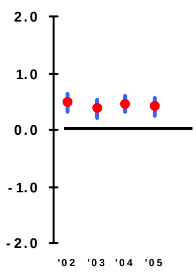
Freedom House



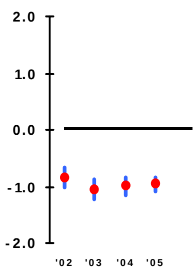
World Bank Institute



World Bank Institute



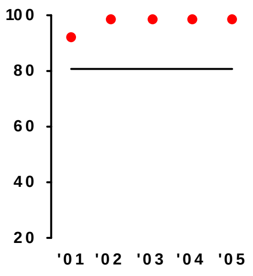
World Bank Institute



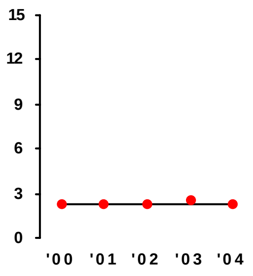
World Bank Institute

Investing In People

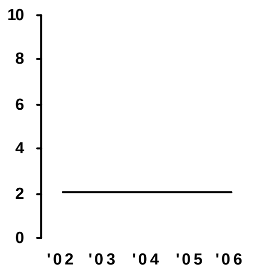
	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	🟩 98.5 (92%)	🟥 2.21 (48%)	🟥 n/a	🟩 104.3 (97%)
Median	81	2.22	2.07%	66.7



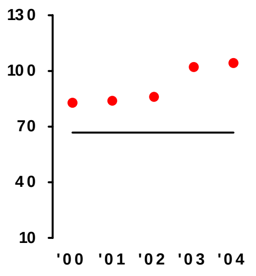
Sources: World Health Org.



World Health Org.



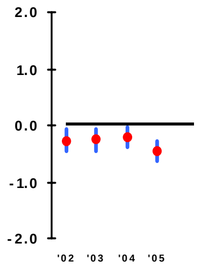
UNESCO/National Sources



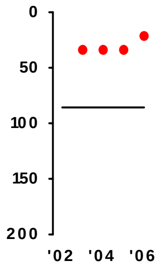
UNESCO/World Bank

Economic Freedom

	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	🟥 -0.46 (22%)	🟩 21.1 (83%)	🟥 43 (53%)	🟥 49.0 (15%)	🟩 7.20 (57%)	🟥 -3.67% (37%)
Median	0.00	85.7	43	59.1	Max. 15	-2.54%



Sources: World Bank Inst.



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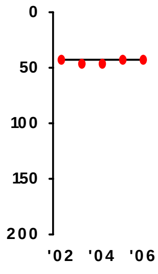

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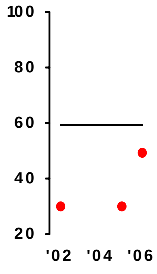

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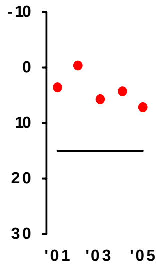
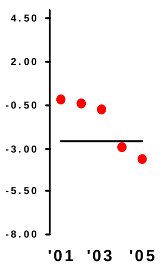


Intl. Monetary Fund



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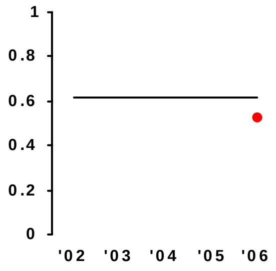
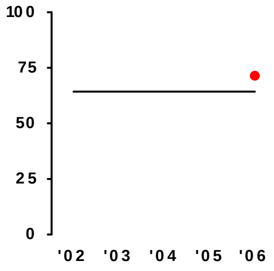
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Syrian Arab Republic FY07

Population: 18,582,150
GNI/Cap: $1,380 LIC

Supplemental Information

Land Rights and Access		Natural Resource Management	
0.528 (24%)		71.65 (71%)	
Median	0.617	Median	64.08
			
IFAD/IFC		CIESIN/YCELP	

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10/10/2006

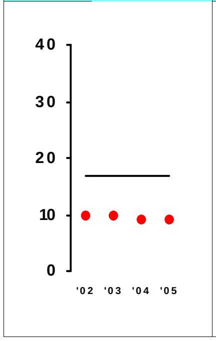
MILLENNIUM
CHALLENGE
CORPORATION

Tajikistan FY07

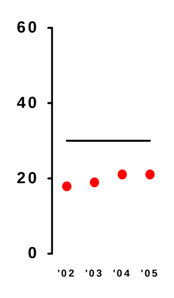
Population: 6,430,265
GNI/Cap: $330 LIC

Ruling Justly

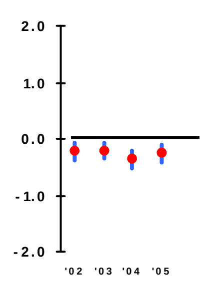
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	9 (24%)	21 (29%)	-0.26 (27%)	-0.16 (29%)	-0.15 (40%)	-0.46 (31%)
Median	17	30	0.00	0.00	0.00	0.00



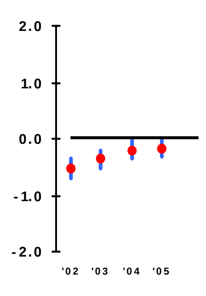
Sources: Freedom House



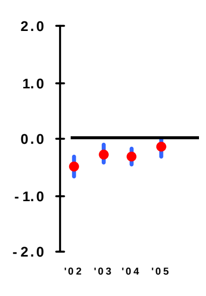
Freedom House



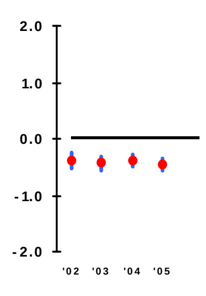
World Bank Institute



World Bank Institute



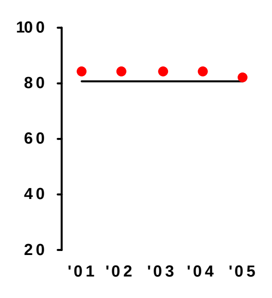
World Bank Institute



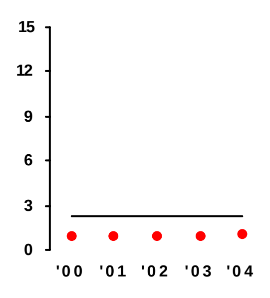
World Bank Institute

Investing In People

	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	82.5 (53%)	1.03 (10%)	0.72 (9%)	89.6 (72%)
Median	81	2.22	2.07%	66.7



Sources: World Health Org.



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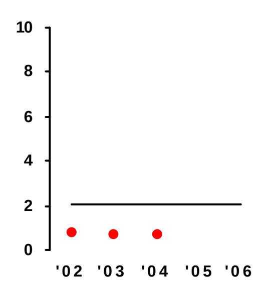
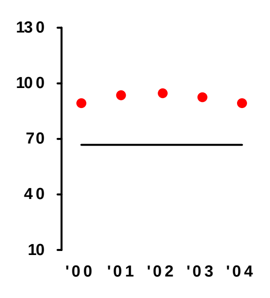


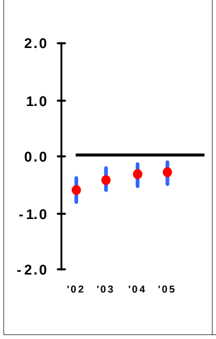
UNESCO/National Sources



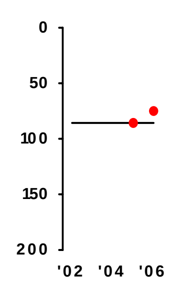
UNESCO/World Bank

Economic Freedom

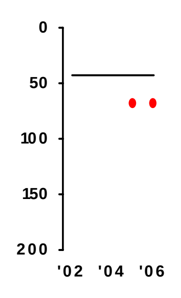
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	-0.29 (33%)	75.1 (54%)	67 (26%)	65.8 (66%)	7.10 (58%)	-2.44% (53%)
Median	0.00	85.7	43	59.1	Max. 15	-2.54%



Sources: World Bank Inst.



Intl. Finance Corp.



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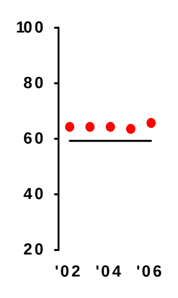
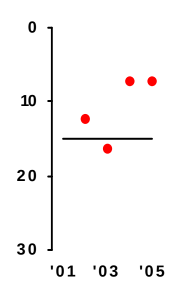


Heritage Foundation



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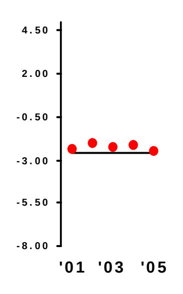

National Sources

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10/6/2006

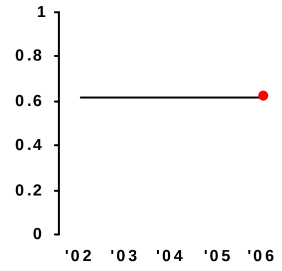
MILLENNIUM
CHALLENGE
CORPORATION

Tajikistan FY07

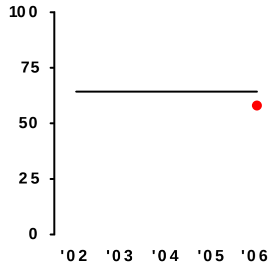
Population: 6,430,265
GNI/Cap: $330 LIC

Supplemental Information

Land Rights and Access		Natural Resource Management	
0.626 (53%)		57.60 (40%)	
Median	**0.617**	**Median**	**64.08**



IFAD/IFC



CIESIN/YCELP

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10/10/2006

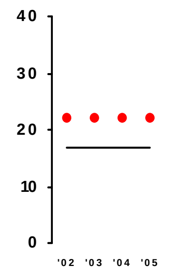
MILLENNIUM
CHALLENGE
CORPORATION

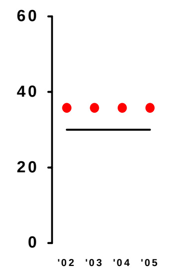
Tanzania FY07

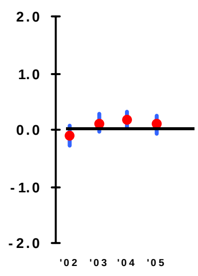
Population: 37,626,920
GNI/Cap: $340 LIC

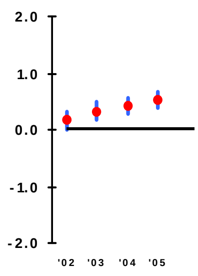
Ruling Justly

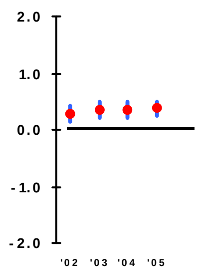
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	22 (55%)	36 (68%)	0.09 (60%)	0.53 (82%)	0.37 (78%)	0.40 (64%)
Median	17	**Median** 30	**Median** 0.00	**Median** 0.00	**Median** 0.00	**Median** 0.00

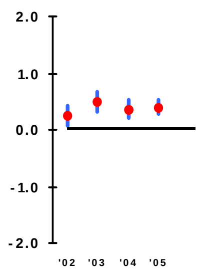








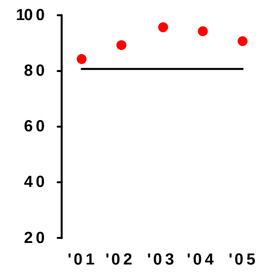


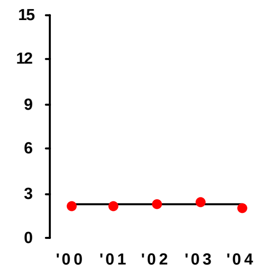


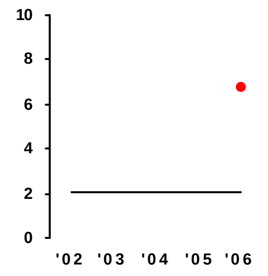
Sources: Freedom House | Freedom House | World Bank Institute | World Bank Institute | World Bank Institute | World Bank Institute

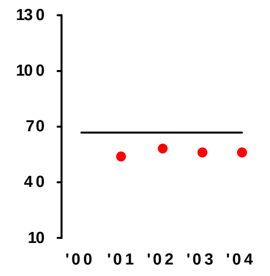
Investing In People

	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	90.5 (74%)	2.01 (44%)	6.75 (100%)	56.3 (38%)
Median	81	**Median** 2.22	**Median** 2.07%	**Median** 66.7





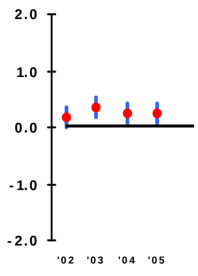


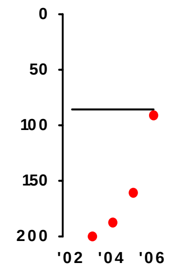


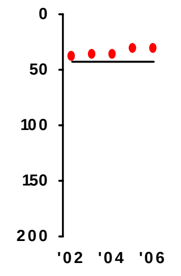
Sources: World Health Org. | World Health Org. | UNESCO/National Sources | UNESCO/World Bank

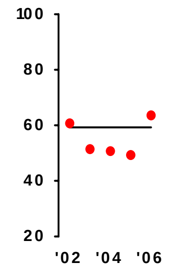
Economic Freedom

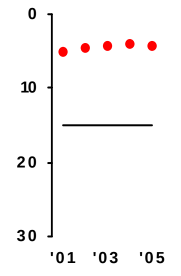
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	0.24 (71%)	91.6 (46%)	30 (76%)	63.6 (63%)	4.40 (77%)	-2.54% (51%)
Median	0.00	**Median** 85.7	**Median** 43	**Median** 59.1	**Max.** 15	**Median** -2.54%

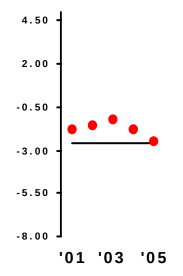












Sources: World Bank Inst. | Intl. Finance Corp. | Intl. Finance Corp. | Heritage Foundation | Intl. Monetary Fund | National Sources

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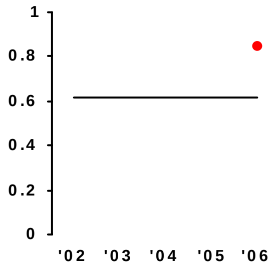
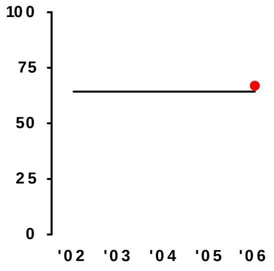
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Tanzania FY07

Population: 37,626,920
GNI/Cap: $340 LIC

Supplemental Information

Land Rights and Access	Natural Resource Management
0.845 (92%)	**66.69 (64%)**
Median 0.617	**Median 64.08**
	
IFAD/IFC	CIESIN/YCELP

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10/10/2006

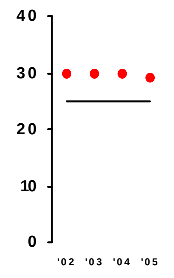
MILLENNIUM
CHALLENGE
CORPORATION

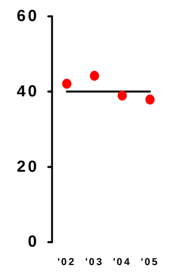
Thailand FY07

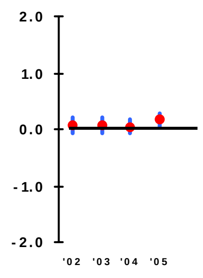
Population: 63,693,660
GNI/Cap: $2,750 LMIC

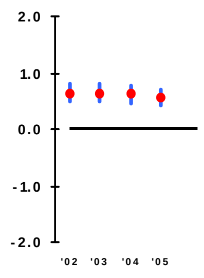
Ruling Justly

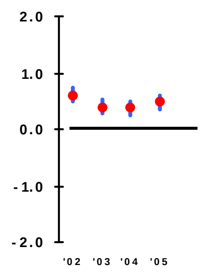
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	29 (58%)	38 (42%)	0.17 (68%)	0.56 (97%)	0.48 (74%)	0.04 (55%)
Median	25	40	0.00	0.00	0.00	0.00

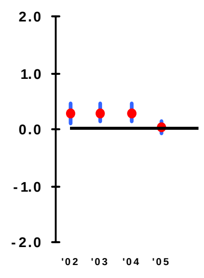








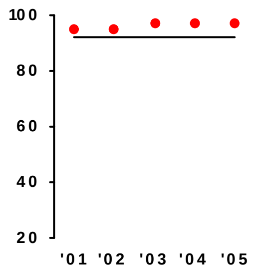


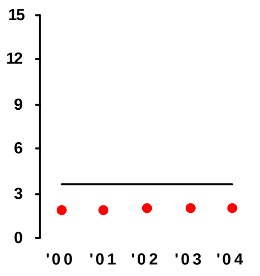


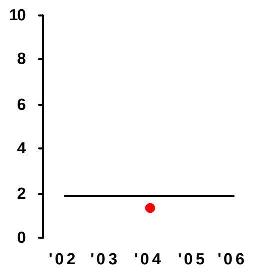
Sources: Freedom House | Freedom House | World Bank Institute | World Bank Institute | World Bank Institute | World Bank Institute

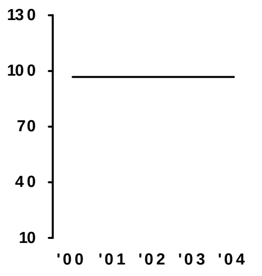
Investing In People

	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	97 (74%)	2.03 (6%)	1.32 (28%)	n/a
Median	92.5	3.66	1.88%	97.3





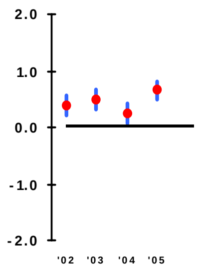


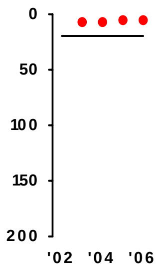


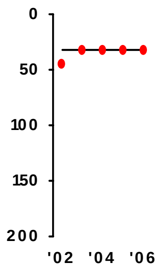
Sources: World Health Org. | World Health Org. | UNESCO/National Sources | UNESCO/World Bank

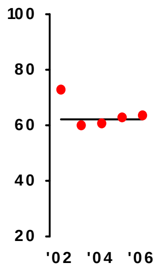
Economic Freedom

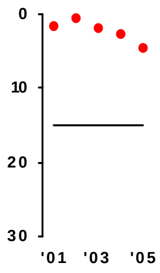
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	0.65 (94%)	5.8 (97%)	33 (50%)	63.4 (64%)	4.50 (45%)	0.82% (82%)
Median	0.00	19.8	33	62.1	Max. 15	-1.37%

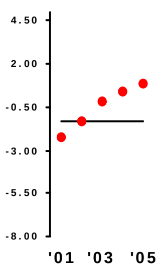












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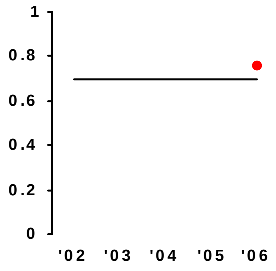
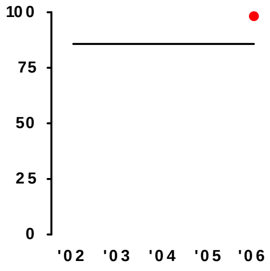
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Thailand FY07

Population: 63,693,660
GNI/Cap: $2,750 LMIC

Supplemental Information

Land Rights and Access	Natural Resource Management
0.757 (74%)	**98.05 (96%)**
Median 0.696	**Median 86.15**
	
IFAD/IFC	CIESIN/YCELP

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10/10/2006

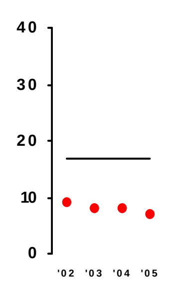
MILLENNIUM
CHALLENGE
CORPORATION

Togo FY07

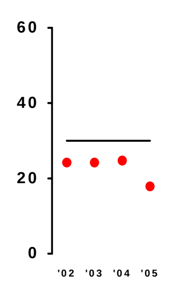
Population: 5,988,380
GNI/Cap: $350 LIC

Ruling Justly

	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	7 (17%)	18 (21%)	0.12 (63%)	-0.48 (14%)	-0.23 (35%)	-0.52 (26%)
Median	17	30	0.00	0.00	0.00	0.00



Sources: Freedom House



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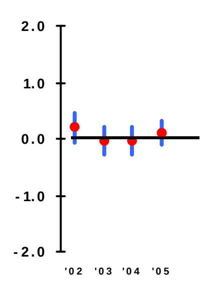
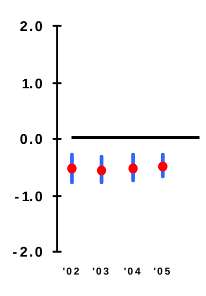
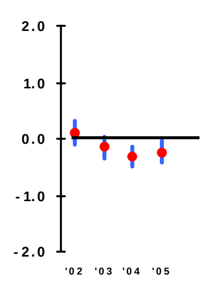


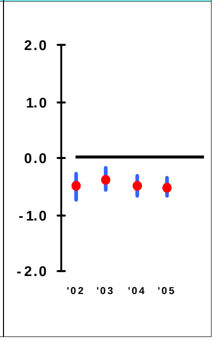
World Bank Institute



World Bank Institute



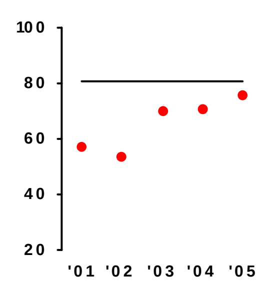
World Bank Institute



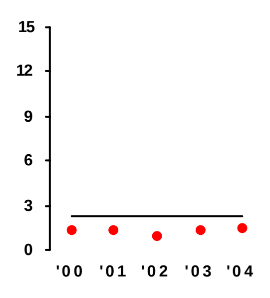
World Bank Institute

Investing In People

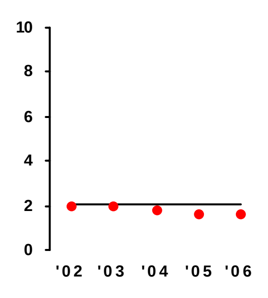
	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	76 (41%)	1.44 (26%)	1.61 (37%)	55.0 (36%)
Median	81	2.22	2.07%	66.7



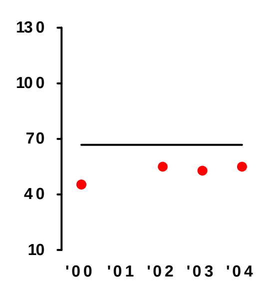
Sources: World Health Org.



World Health Org.



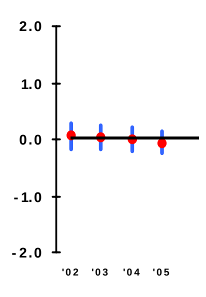
UNESCO/National Sources



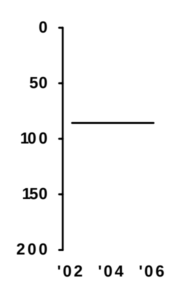
UNESCO/World Bank

Economic Freedom

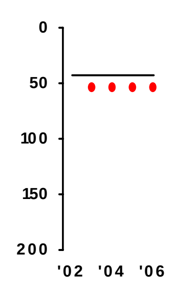
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	-0.05 (47%)	252.7 (8%)	53 (38%)	52.0 (22%)	6.80 (66%)	0.82% (86%)
Median	0.00	85.7	43	59.1	Max. 15	-2.54%



Sources: World Bank Inst.



Intl. Finance Corp.



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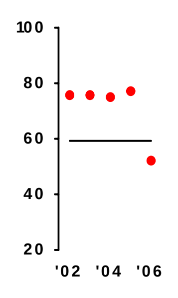
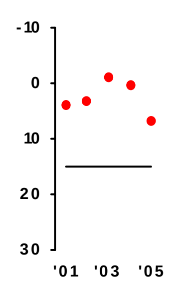
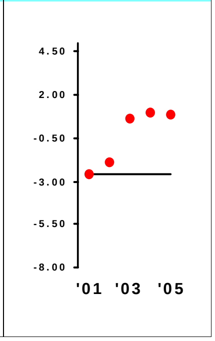


Heritage Foundation



Intl. Monetary Fund



National Sources

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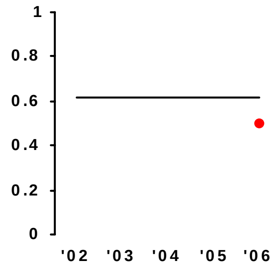
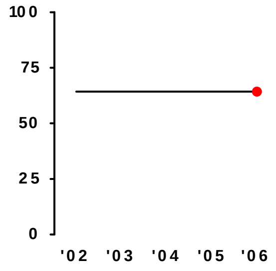
10/6/2006

Togo FY07

Supplemental Information

Land Rights and Access	Natural Resource Management
0.501 (20%)	64.31 (52%)
Median 0.617	Median 64.08
	

IFAD/IFC

CIESIN/YCELP

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10/10/2006

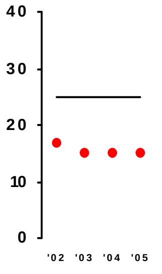
MILLENNIUM
CHALLENGE
CORPORATION

Tonga FY07

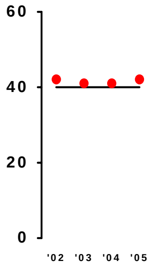
Population: 101,982
GNI/Cap: $2,190 LMIC

Ruling Justly

	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	15 (26%)	42 (55%)	-0.87 (0%)	-0.32 (32%)	0.83 (90%)	-0.19 (42%)
Median	25	40	0.00	0.00	0.00	0.00



Sources: Freedom House



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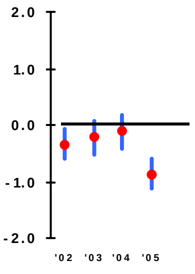
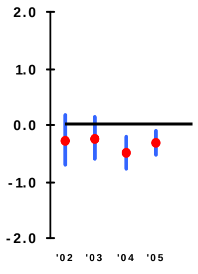
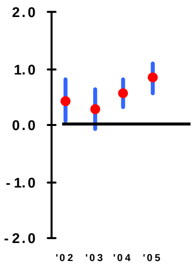


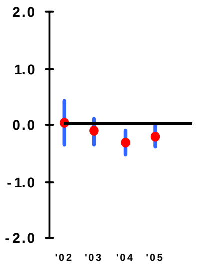
World Bank Institute



World Bank Institute



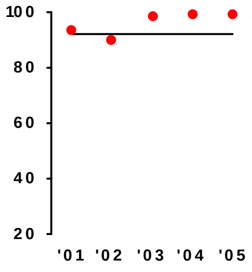
World Bank Institute



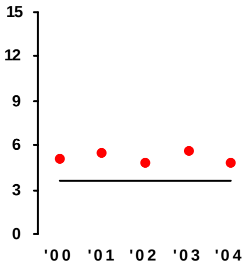
World Bank Institute

Investing In People

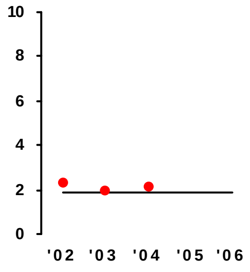
	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	99 (97%)	4.84 (84%)	2.14 (55%)	n/a
Median	92.5	3.66	1.88%	97.3



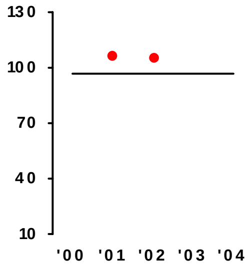
Sources: World Health Org.



World Health Org.



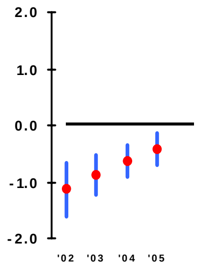
UNESCO/National Sources



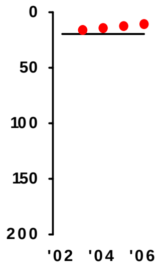
UNESCO/World Bank

Economic Freedom

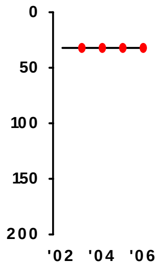
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	-0.42 (13%)	10.3 (66%)	32 (56%)	n/a	9.50 (17%)	0.08% (75%)
Median	0.00	19.8	33	62.1	Max. 15	-1.37%



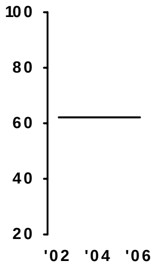
Sources: World Bank Inst.



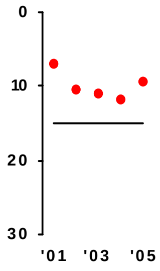
Intl. Finance Corp.



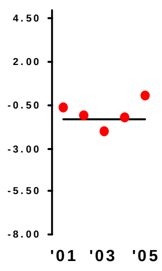
Intl. Finance Corp.



Heritage Foundation



Intl. Monetary Fund



National Sources

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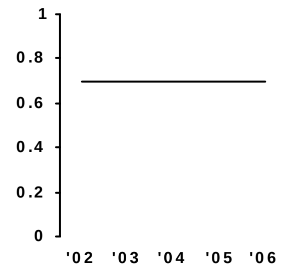
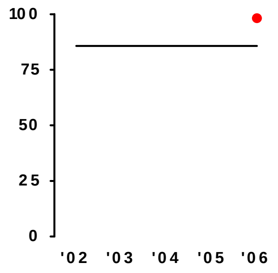
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Tonga FY07

Population: 101,982
GNI/Cap: $2,190 LMIC

Supplemental Information

Land Rights and Access		Natural Resource Management	
n/a		98.42 (100%)	
Median	0.696	Median	86.15
			
IFAD/IFC		CIESIN/YCELP	

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10/10/2006

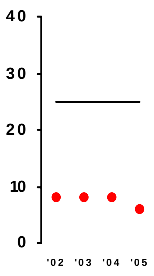
MILLENNIUM
CHALLENGE
CORPORATION

Tunisia FY07

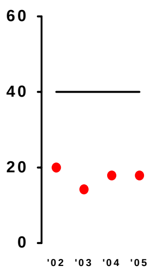
Population: 9,932,400
GNI/Cap: $2,890 LMIC

Ruling Justly

	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	6 (10%)	18 (10%)	0.54 (90%)	0.59 (100%)	0.58 (81%)	-1.16 (16%)
Median	25	40	0.00	0.00	0.00	0.00



Sources: Freedom House



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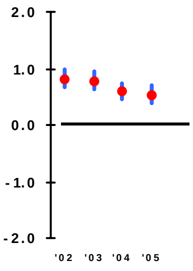
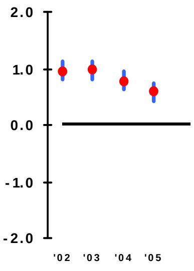


World Bank Institute



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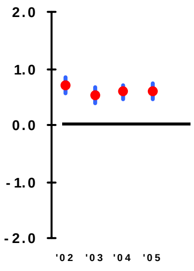
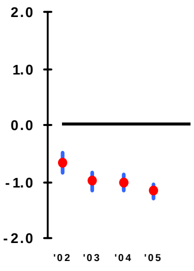


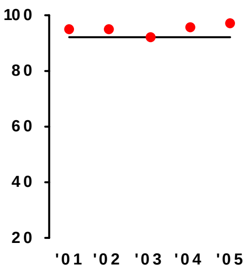
World Bank Institute



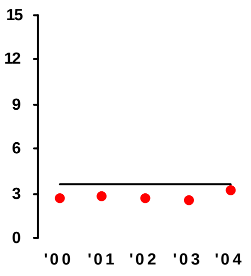
World Bank Institute

Investing In People

	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	97 (74%)	3.22 (42%)	2.85 (83%)	97.5 (63%)
Median	92.5	3.66	1.88%	97.3



Sources: World Health Org.



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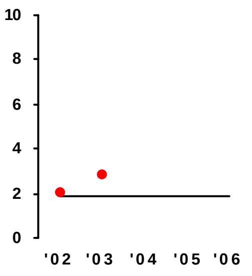
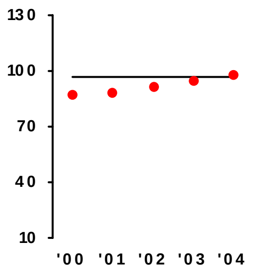


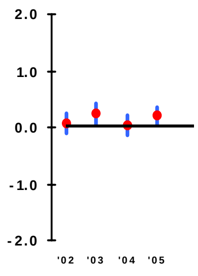
UNESCO/National Sources



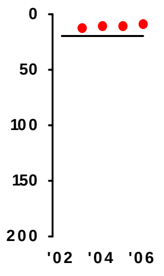
UNESCO/World Bank

Economic Freedom

	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	0.20 (61%)	9.3 (78%)	11 (97%)	33.6 (8%)	2.00 (76%)	-2.86% (36%)
Median	0.00	19.8	33	62.1	Max. 15	-1.37%



Sources: World Bank Inst.



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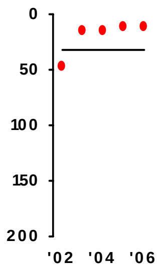

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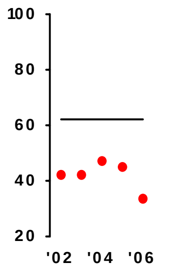

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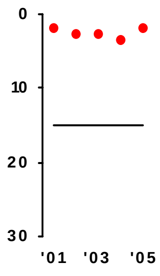
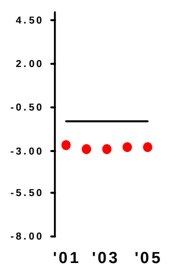


Intl. Monetary Fund



National Sources

How to Read this Scorecard: Each MCC Candidate Country receives a scorecard annually assessing performance in 3 policy categories: Ruling Justly, Investing in People, and Economic Freedom. For each indicator box (from top to bottom): the name of the indicator or policy, the country's data, or score, indicated by a green or red line representing a passing or failing score. Next to the score, is the country's percentile ranking in its respective Low Income or Lower Middle Income group (0% is worst; 50% is the median; 100% is best). Under the score/ranking, is the median score for the respective income group, above which countries have to score in order to pass the indicator. The white box represents a trend line of performance with each red dot assigned to a score on the vertical axis and the year on the horizontal access. The black line running through the dots represents the current year's median. Data sources are below the box.

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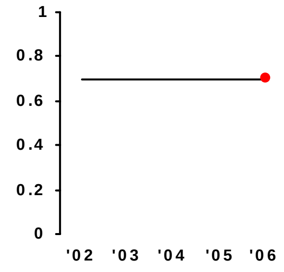
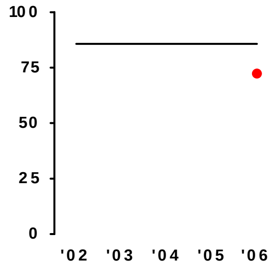
10/6/2006

Tunisia FY07

Population: 9,932,400
GNI/Cap: $2,890 LMIC

Supplemental Information

Land Rights and Access	Natural Resource Management
0.708 (57%)	72.06 (29%)
Median 0.696	Median 86.15
	

IFAD/IFC

CIESIN/YCELP

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10/10/2006

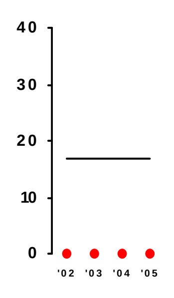
MILLENNIUM
CHALLENGE
CORPORATION

Turkmenistan FY07

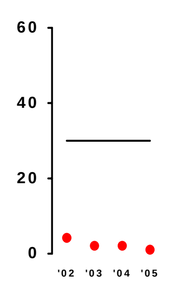
Population: 4,766,009
GNI/Cap: LIC

Ruling Justly

Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data 0 (1%)	1 (1%)	-0.48 (9%)	-0.67 (8%)	-0.57 (14%)	-1.24 (3%)
Median 17	Median 30	Median 0.00	Median 0.00	Median 0.00	Median 0.00



Sources: Freedom House



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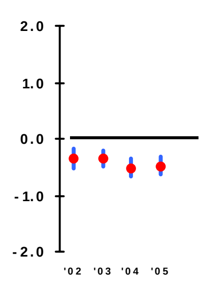
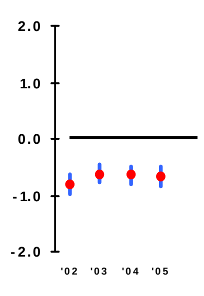
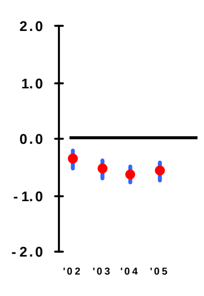


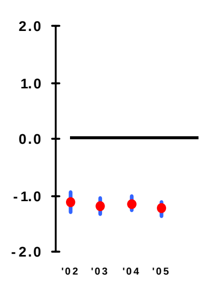
World Bank Institute



World Bank Institute



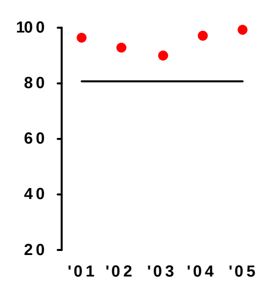
World Bank Institute



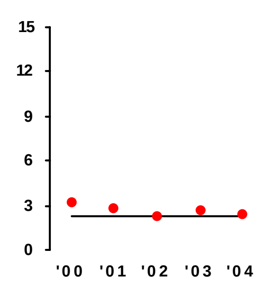
World Bank Institute

Investing In People

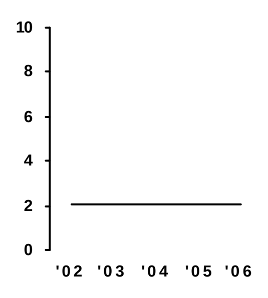
Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data 99 (96%)	2.44 (60%)	n/a	n/a
Median 81	Median 2.22	Median 2.07%	Median 66.7



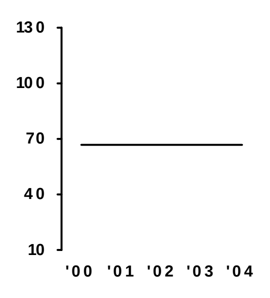
Sources: World Health Org.



World Health Org.



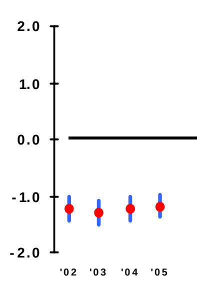
UNESCO/National Sources



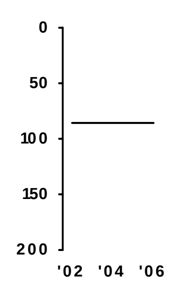
UNESCO/World Bank

Economic Freedom

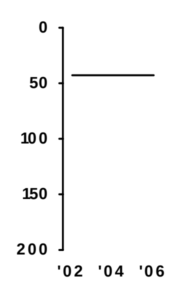
Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data -1.19 (5%)	n/a	n/a	74.2 (94%)	10.70 (30%)	0.00% (79%)
Median 0.00	Median 85.7	Median 43	Median 59.1	Max. 15	Median -2.54%



Sources: World Bank Inst.



Intl. Finance Corp.



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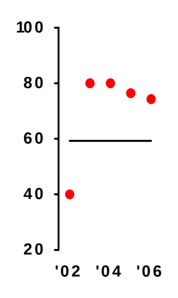
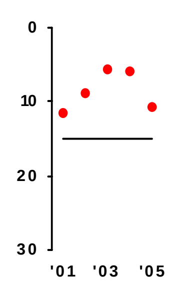
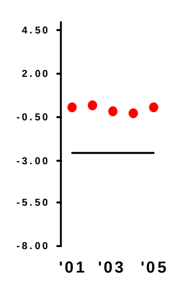


Heritage Foundation



Intl. Monetary Fund



National Sources

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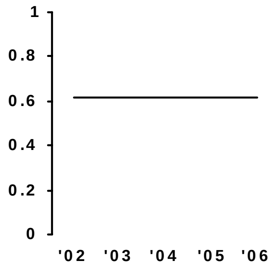
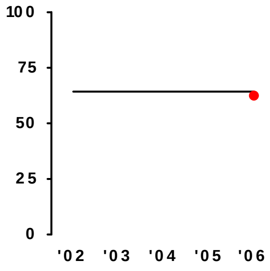
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Turkmenistan FY07

Population: 4,766,009
GNI/Cap: LIC

Supplemental Information

Land Rights and Access	Natural Resource Management
n/a	**62.68 (48%)**
Median 0.617	**Median 64.08**
	
IFAD/IFC	CIESIN/YCELP

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10/10/2006

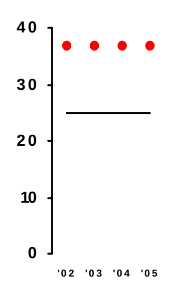
MILLENNIUM
CHALLENGE
CORPORATION

Tuvalu FY07

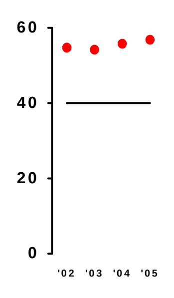
Population:
GNI/Cap: $2,478 LMIC

Ruling Justly

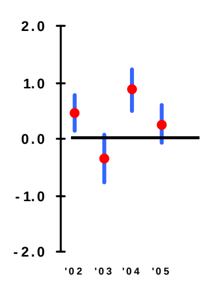
Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data 37 (90%)	57 (100%)	0.26 (74%)	0.39 (87%)	1.58 (100%)	1.00 (94%)
Median 25	Median 40	Median 0.00	Median 0.00	Median 0.00	Median 0.00



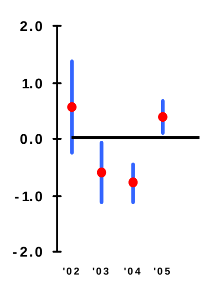
Sources: Freedom House



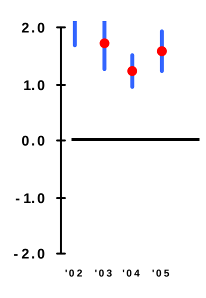
Freedom House



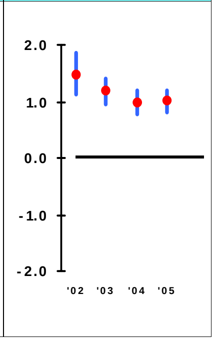
World Bank Institute



World Bank Institute



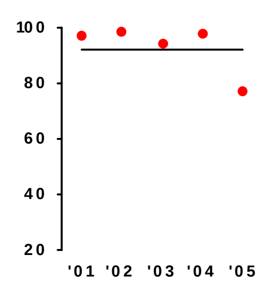
World Bank Institute



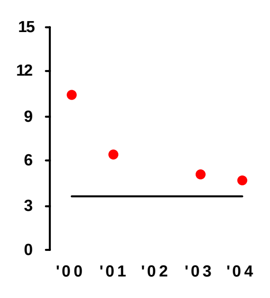
World Bank Institute

Investing In People

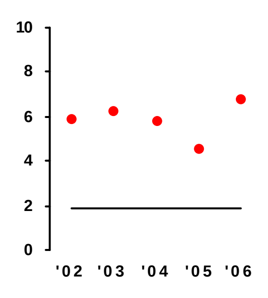
Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data 77.5 (13%)	4.72 (81%)	6.75 (97%)	113.3 (96%)
Median 92.5	Median 3.66	Median 1.88%	Median 97.3



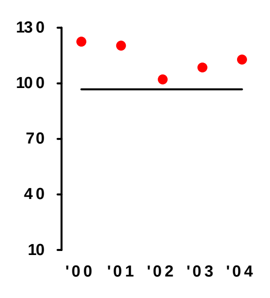
Sources: World Health Org.



World Health Org.



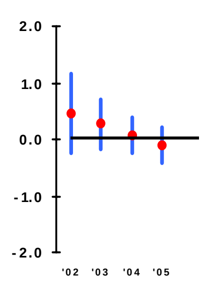
UNESCO/National Sources



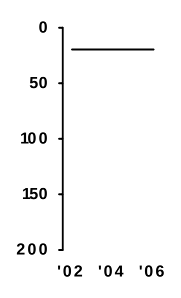
UNESCO/World Bank

Economic Freedom

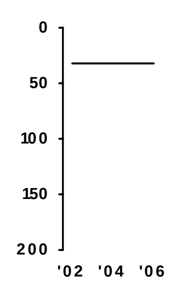
Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data -0.10 (35%)	n/a	n/a	n/a	n/a	n/a
Median 0.00	Median 19.8	Median 33	Median 62.1	Max. 15	Median -1.37%



Sources: World Bank Inst.



Intl. Finance Corp.



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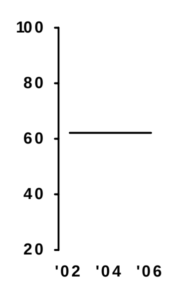
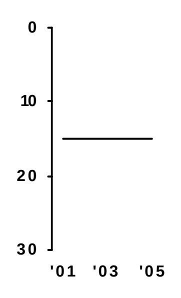
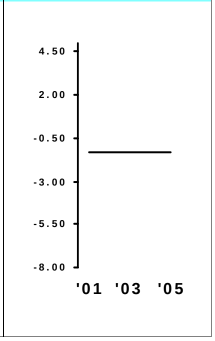


Heritage Foundation



Intl. Monetary Fund



National Sources

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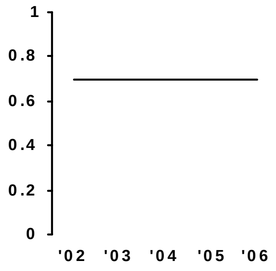
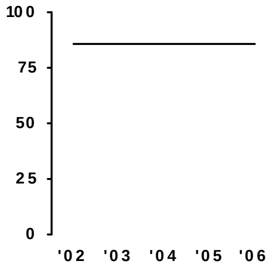
10/6/2006

Tuvalu FY07

Population:
GNI/Cap: $2,478 LMIC

Supplemental Information

Land Rights and Access	Natural Resource Management
n/a	**n/a**
Median 0.696	**Median 86.15**
	
IFAD/IFC	CIESIN/YCELP

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10/10/2006

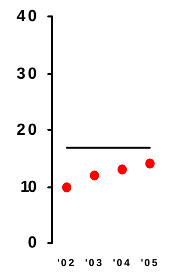
MILLENNIUM
CHALLENGE
CORPORATION

Uganda FY07

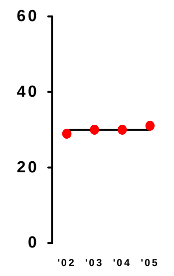
Population: 27,820,560
GNI/Cap: $280 LIC

Ruling Justly

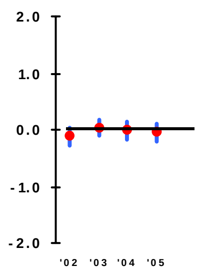
Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data 14 (44%)	31 (51%)	-0.05 (42%)	0.42 (74%)	0.10 (63%)	0.12 (54%)
Median 17	Median 30	Median 0.00	Median 0.00	Median 0.00	Median 0.00



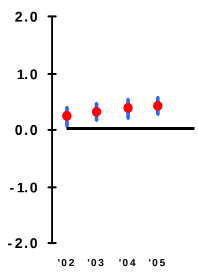
Sources: Freedom House



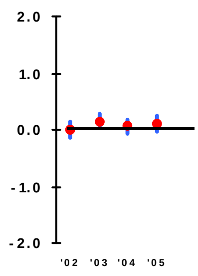
Freedom House



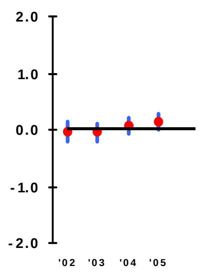
World Bank Institute



World Bank Institute



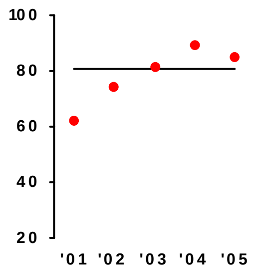
World Bank Institute



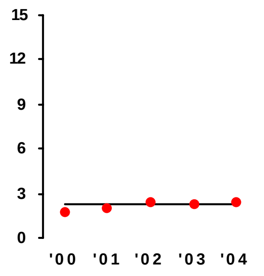
World Bank Institute

Investing In People

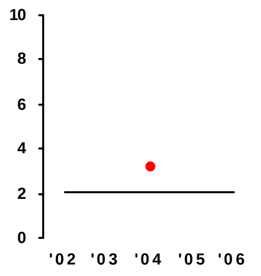
Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data 85 (60%)	2.42 (57%)	3.18 (75%)	53.3 (34%)
Median 81	Median 2.22	Median 2.07%	Median 66.7



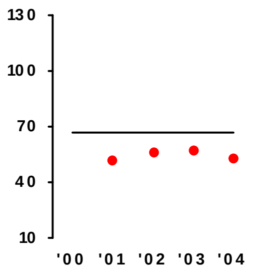
Sources: World Health Org.



World Health Org.



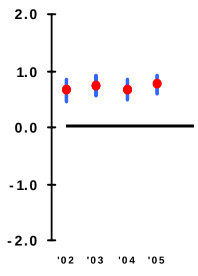
UNESCO/National Sources



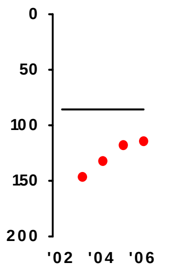
UNESCO/World Bank

Economic Freedom

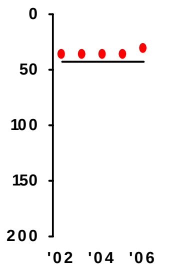
Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data 0.76 (97%)	114.0 (42%)	30 (76%)	69.0 (75%)	8.00 (49%)	-2.19% (58%)
Median 0.00	Median 85.7	Median 43	Median 59.1	Max. 15	Median -2.54%



Sources: World Bank Inst.



Intl. Finance Corp.



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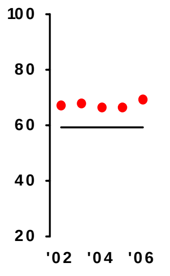

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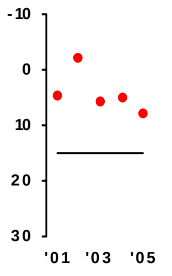
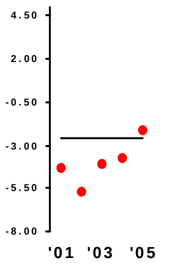


Intl. Monetary Fund



National Sources

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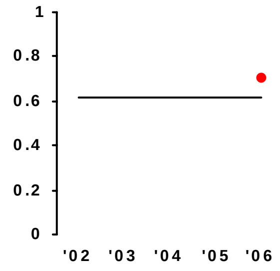
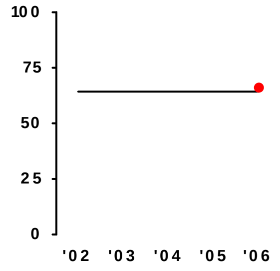
10/6/2006

Uganda FY07

Population: 27,820,560
GNI/Cap: $280 LIC

Supplemental Information

Land Rights and Access	**Natural Resource Management**
0.701 (73%)	**66.14 (61%)**
Median 0.617	**Median 64.08**
	
IFAD/IFC	CIESIN/YCELP

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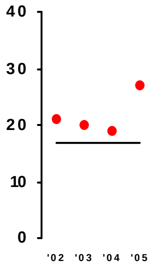
Millennium
Challenge
Corporation

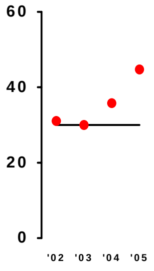
Ukraine FY07

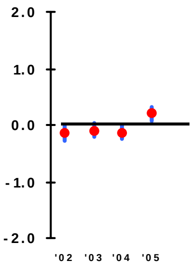
Population: 47,451,290
GNI/Cap: $1,520 LIC

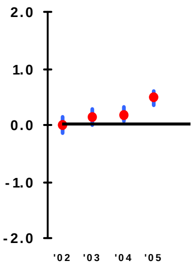
Ruling Justly

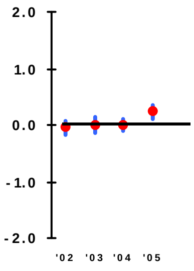
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	27 (79%)	45 (92%)	0.19 (72%)	0.48 (79%)	0.24 (69%)	0.46 (69%)
Median	17	30	0.00	0.00	0.00	0.00

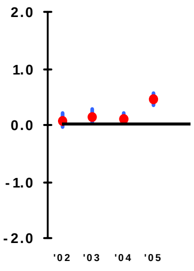








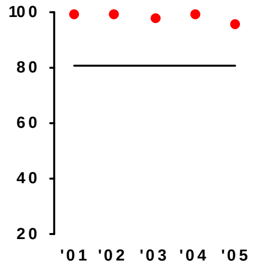


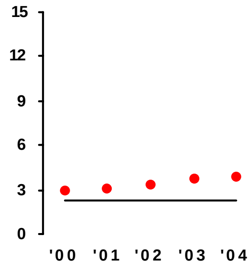


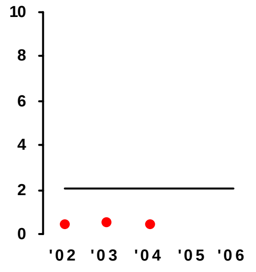
Sources: Freedom House | Freedom House | World Bank Institute | World Bank Institute | World Bank Institute | World Bank Institute

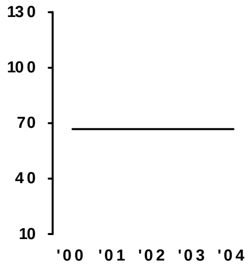
Investing In People

	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	96 (88%)	3.86 (83%)	0.41 (5%)	n/a
Median	81	2.22	2.07%	66.7





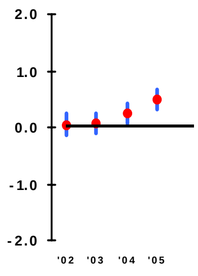


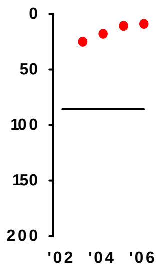


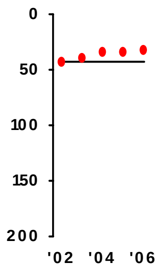
Sources: World Health Org. | World Health Org. | UNESCO/National Sources | UNESCO/World Bank

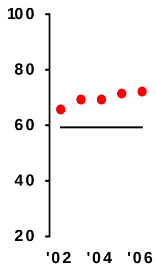
Economic Freedom

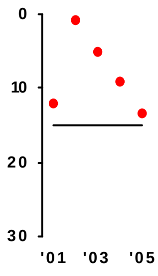
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	0.50 (90%)	9.2 (97%)	33 (69%)	72.2 (86%)	13.50 (16%)	-2.55% (49%)
Median	0.00	85.7	43	59.1	Max. 15	-2.54%

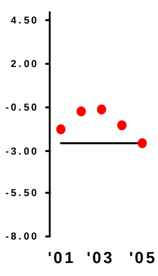












Sources: World Bank Inst. | Intl. Finance Corp. | Intl. Finance Corp. | Heritage Foundation | Intl. Monetary Fund | National Sources

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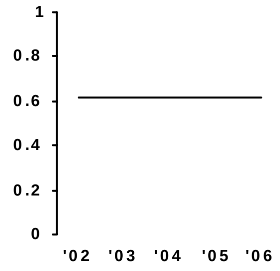
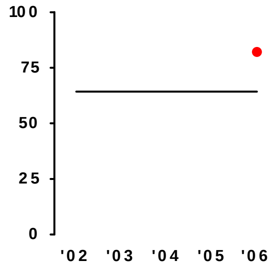
10/6/2006

Ukraine FY07

Population: 47,451,290
GNI/Cap: $1,520 LIC

Supplemental Information

Land Rights and Access	Natural Resource Management
n/a	82.43 (95%)
Median 0.617	Median 64.08
	

IFAD/IFC

CIESIN/YCELP

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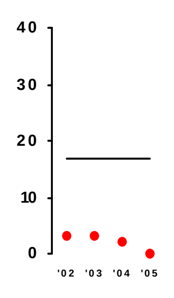
Millennium Challenge Corporation

Uzbekistan FY07

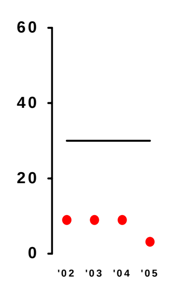
Population: 26,209,060
GNI/Cap: $510 LIC

Ruling Justly

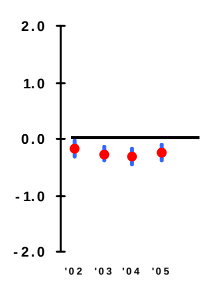
Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data 0 (1%)	3 (3%)	-0.25 (31%)	-0.31 (26%)	-0.47 (18%)	-1.04 (9%)
Median 17	Median 30	Median 0.00	Median 0.00	Median 0.00	Median 0.00



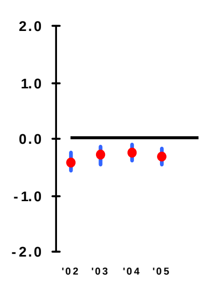
Sources: Freedom House



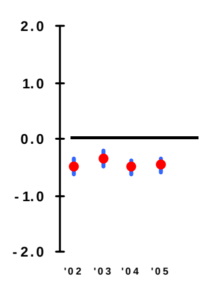
Freedom House



World Bank Institute



World Bank Institute



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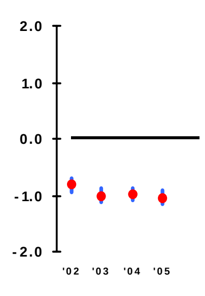
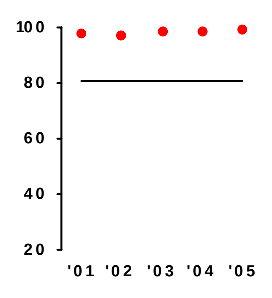


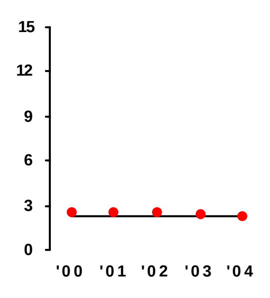
World Bank Institute

Investing In People

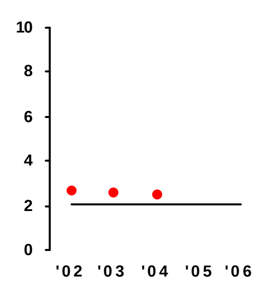
Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data 99 (96%)	2.28 (55%)	2.48 (63%)	96.5 (89%)
Median 81	Median 2.22	Median 2.07%	Median 66.7



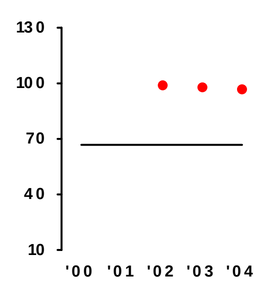
Sources: World Health Org.



World Health Org.



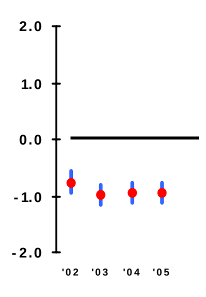
UNESCO/National Sources



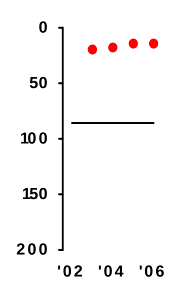
UNESCO/World Bank

Economic Freedom

Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data -0.95 (9%)	14.1 (89%)	29 (78%)	68.2 (72%)	21.00 (5%)	0.63% (85%)
Median 0.00	Median 85.7	Median 43	Median 59.1	Max. 15	Median -2.54%



Sources: World Bank Inst.



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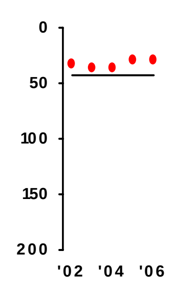

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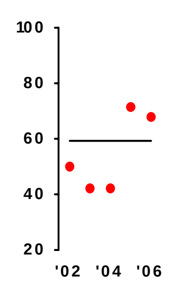

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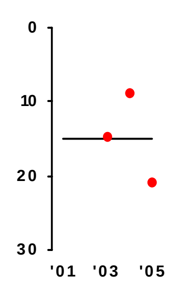

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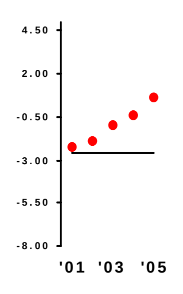

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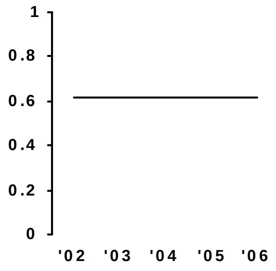
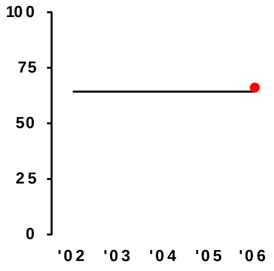
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Uzbekistan FY07

Population: 26,209,060
GNI/Cap: $510 LIC

Supplemental Information

Land Rights and Access		Natural Resource Management	
n/a		65.73 (58%)	
Median	**0.617**	**Median**	**64.08**
			
IFAD/IFC		CIESIN/YCELP	

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10/10/2006

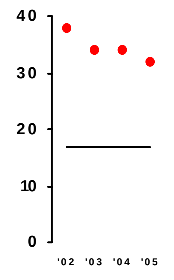
MILLENNIUM
CHALLENGE
CORPORATION

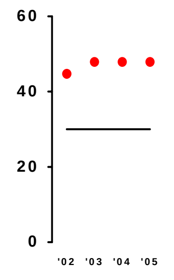
Vanuatu FY07

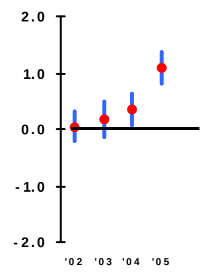
Population: 207,331
GNI/Cap: $1,600 LIC

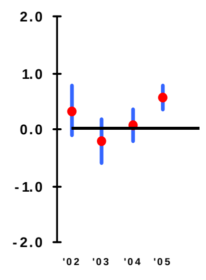
Ruling Justly

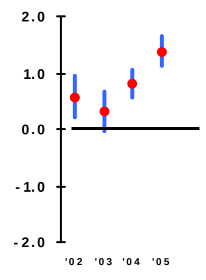
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	32 (92%)	48 (96%)	1.08 (99%)	0.57 (87%)	1.37 (99%)	1.31 (99%)
Median	17	Median 30	Median 0.00	Median 0.00	Median 0.00	Median 0.00

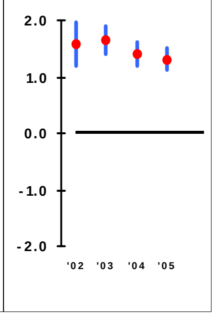








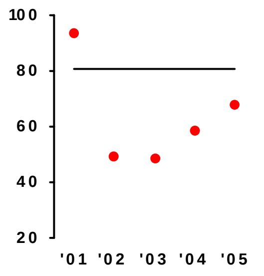


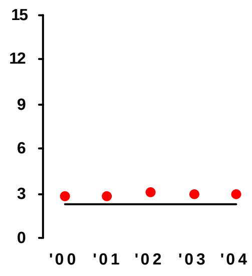


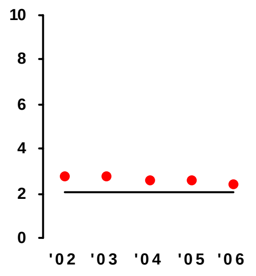
Sources: Freedom House — Freedom House — World Bank Institute — World Bank Institute — World Bank Institute — World Bank Institute

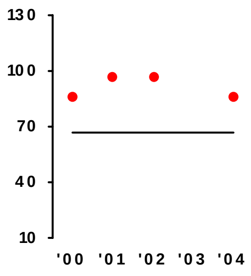
Investing In People

	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	68 (24%)	2.91 (71%)	2.43 (62%)	86.2 (69%)
Median	81	Median 2.22	Median 2.07%	Median 66.7





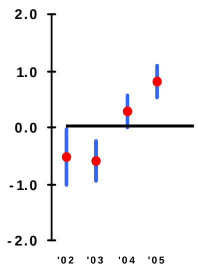


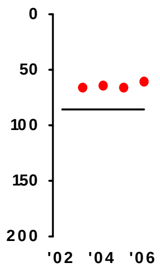


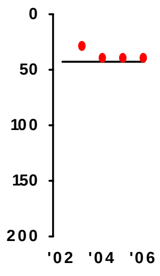
Sources: World Health Org. — World Health Org. — UNESCO/National Sources — UNESCO/World Bank

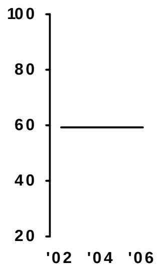
Economic Freedom

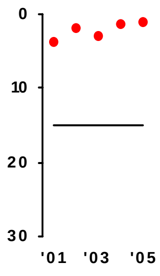
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	0.81 (99%)	61.3 (63%)	39 (58%)	n/a	1.00 (96%)	0.07% (81%)
Median	0.00	Median 85.7	Median 43	Median 59.1	Max. 15	Median -2.54%

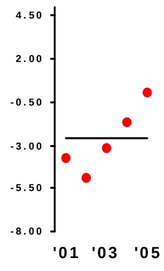












Sources: World Bank Inst. — Intl. Finance Corp. — Intl. Finance Corp. — Heritage Foundation — Intl. Monetary Fund — National Sources

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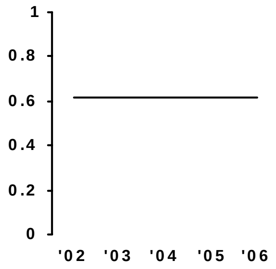
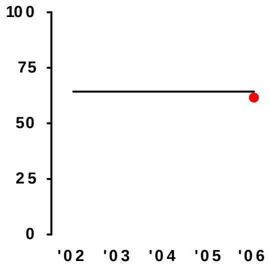
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Vanuatu FY07

Population: 207,331
GNI/Cap: $1,600 LIC

Supplemental Information

Land Rights and Access	**Natural Resource Management**
n/a	**61.74 (47%)**
Median 0.617	**Median 64.08**
	

IFAD/IFC

CIESIN/YCELP

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10/10/2006

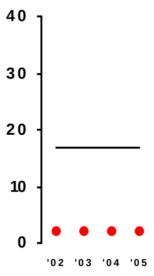
MILLENNIUM
CHALLENGE
CORPORATION

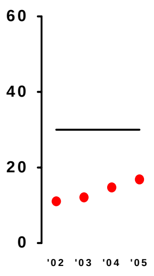
Vietnam FY07

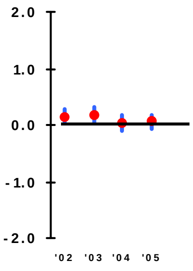
Population: 82,162,090
GNI/Cap: $620 LIC

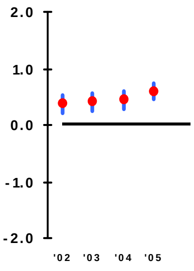
Ruling Justly

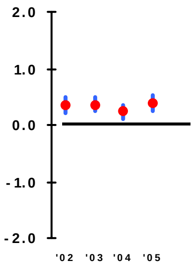
Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data 2 (10%)	17 (19%)	0.06 (58%)	0.59 (88%)	0.39 (81%)	-0.89 (14%)
Median 17	Median 30	Median 0.00	Median 0.00	Median 0.00	Median 0.00
Sources: Freedom House	Freedom House	World Bank Institute	World Bank Institute	World Bank Institute	World Bank Institute

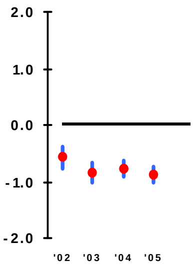






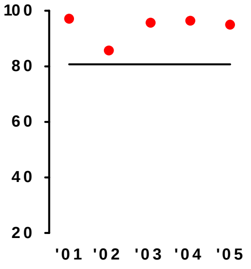


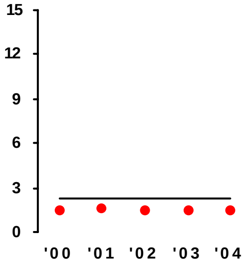


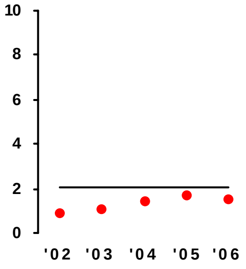


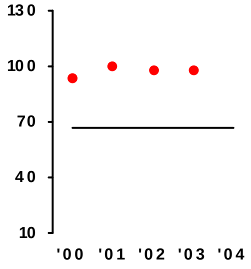
Investing In People

Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data 95 (86%)	1.43 (25%)	1.51 (34%)	97.6 (90%)
Median 81	Median 2.22	Median 2.07%	Median 66.7
Sources: World Health Org.	World Health Org.	UNESCO/National Sources	UNESCO/World Bank



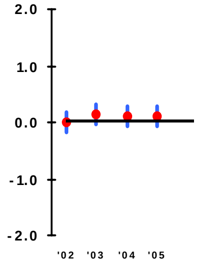


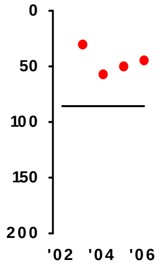


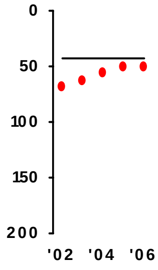


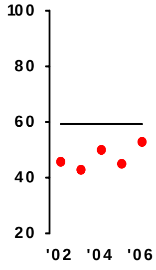
Economic Freedom

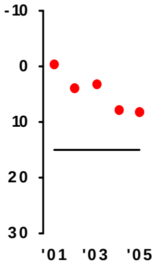
Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data 0.12 (54%)	44.5 (74%)	50 (42%)	52.6 (25%)	8.20 (46%)	-4.07% (32%)
Median 0.00	Median 85.7	Median 43	Median 59.1	Max. 15	Median -2.54%
Sources: World Bank Inst.	Intl. Finance Corp.	Intl. Finance Corp.	Heritage Foundation	Intl. Monetary Fund	National Sources

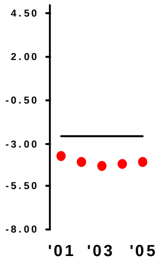












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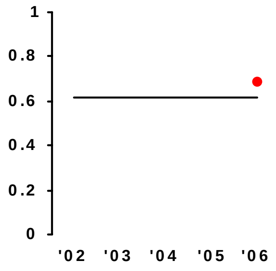
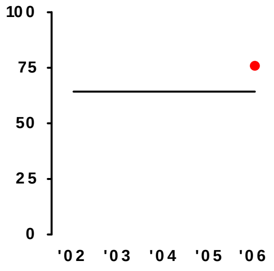
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Vietnam FY07

Population: 82,162,090
GNI/Cap: $620 LIC

Supplemental Information

Land Rights and Access		Natural Resource Management	
0.684 (65%)		75.73 (82%)	
Median	**0.617**	**Median**	**64.08**
			
IFAD/IFC		CIESIN/YCELP	

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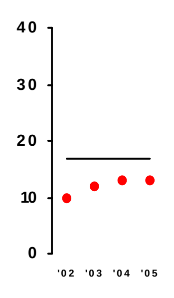
MILLENNIUM
CHALLENGE
CORPORATION

Yemen, Rep. FY07

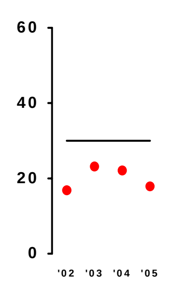
Population: 20,329,350
GNI/Cap: $600 LIC

Ruling Justly

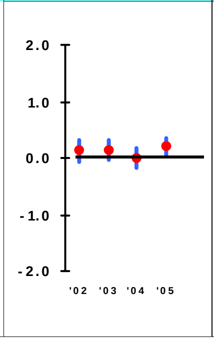
	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	13 (41%)	18 (21%)	0.19 (71%)	-0.05 (41%)	-0.26 (32%)	-0.35 (41%)
Median	**17**	**30**	**0.00**	**0.00**	**0.00**	**0.00**



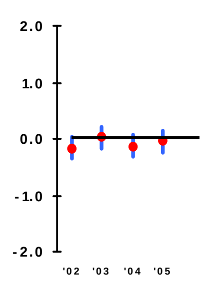
Sources: Freedom House



Freedom House



World Bank Institute



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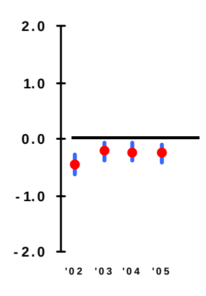

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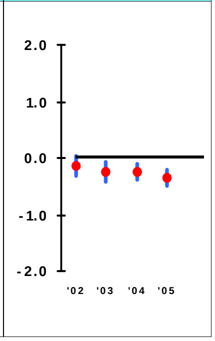
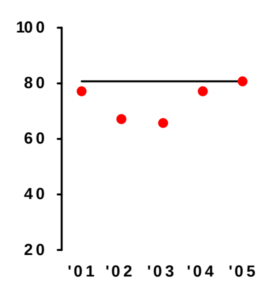


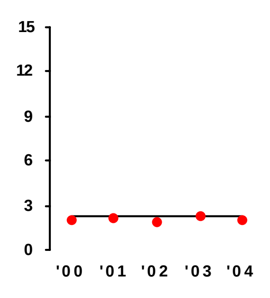
World Bank Institute

Investing In People

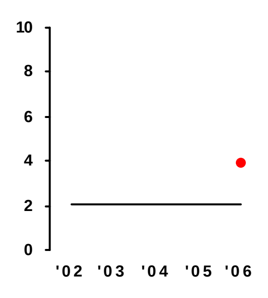
	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	81 (50%)	1.98 (42%)	3.97 (88%)	45.6 (28%)
Median	**81**	**2.22**	**2.07%**	**66.7**



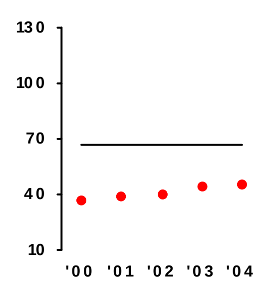
Sources: World Health Org.



World Health Org.



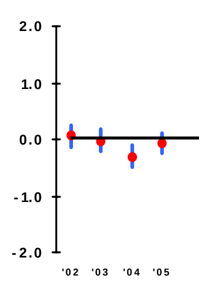
UNESCO/National Sources



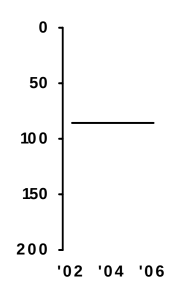
UNESCO/World Bank

Economic Freedom

	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	-0.07 (46%)	228.0 (11%)	63 (28%)	56.6 (42%)	11.80 (27%)	-3.17% (42%)
Median	**0.00**	**85.7**	**43**	**59.1**	**Max. 15**	**-2.54%**



Sources: World Bank Inst.



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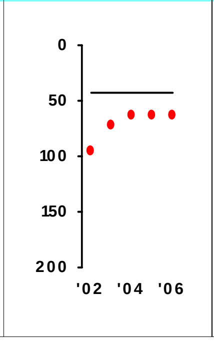

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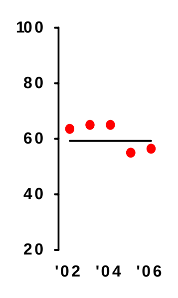
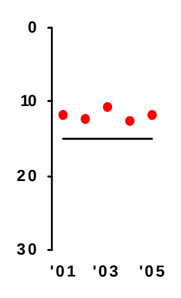
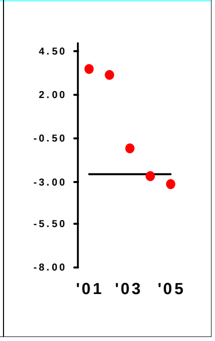


Heritage Foundation



Intl. Monetary Fund



National Sources

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10/6/2006

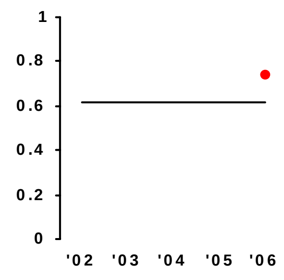
MILLENNIUM
CHALLENGE
CORPORATION

Yemen, Rep. FY07

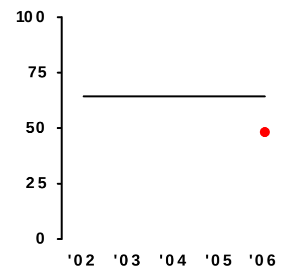
Population: 20,329,350
GNI/Cap: $600 LIC

Supplemental Information

Land Rights and Access		Natural Resource Management	
0.741 (83%)		48.60 (16%)	
Median	**0.617**	**Median**	**64.08**



IFAD/IFC



CIESIN/YCELP

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10/10/2006

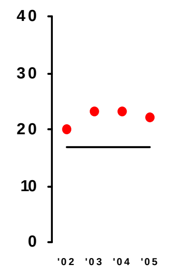
MILLENNIUM
CHALLENGE
CORPORATION

Zambia FY07

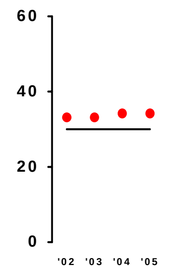
Population: 11,478,890
GNI/Cap: $490 LIC

Ruling Justly

	Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data	22 (55%)	34 (60%)	0.00 (50%)	-0.05 (45%)	0.23 (68%)	0.37 (62%)
Median	17	30	0.00	0.00	0.00	0.00



Sources: Freedom House



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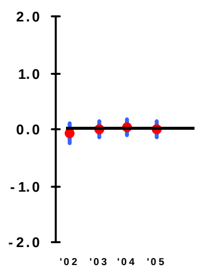
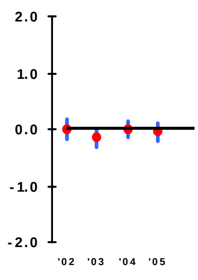


World Bank Institute



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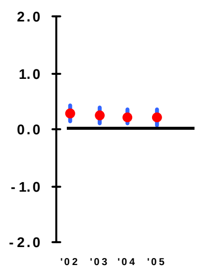

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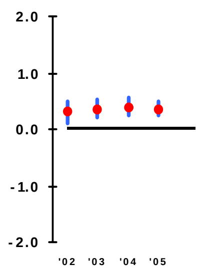
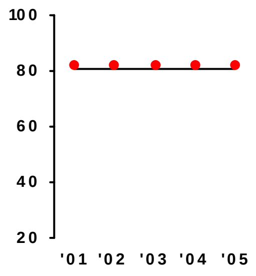


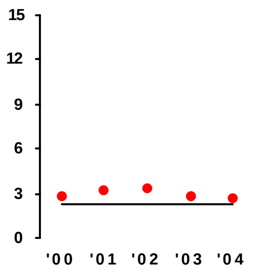
World Bank Institute

Investing In People

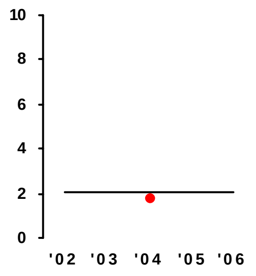
	Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data	82 (51%)	2.64 (64%)	1.82 (42%)	61.5 (44%)
Median	81	2.22	2.07%	66.7



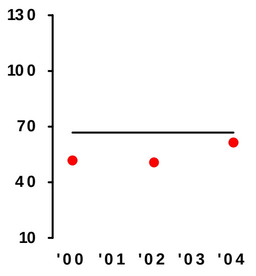
Sources: World Health Org.



World Health Org.



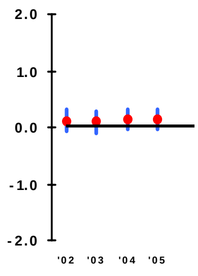
UNESCO/National Sources



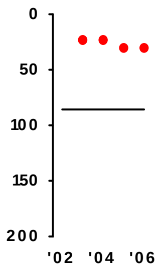
UNESCO/World Bank

Economic Freedom

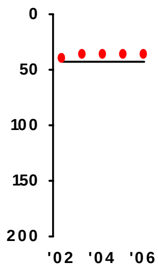
	Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data	0.13 (55%)	29.9 (79%)	35 (67%)	61.2 (57%)	18.30 (8%)	-3.52% (38%)
Median	0.00	85.7	43	59.1	Max. 15	-2.54%



Sources: World Bank Inst.



Intl. Finance Corp.



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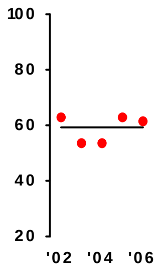
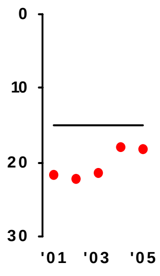


Heritage Foundation



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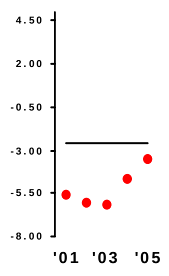

National Sources

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For more information regarding the Millennium Challenge Account Selection Process and these indicators, please consult MCC's website: www.mcc.gov

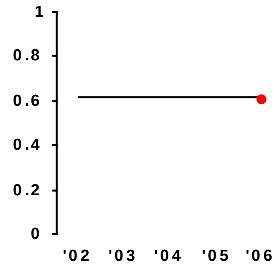
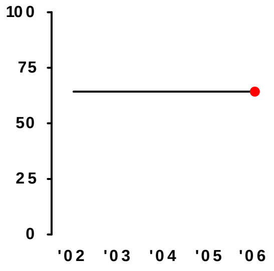
10/6/2006

Millennium
Challenge
Corporation

Zambia FY07

Population: 11,478,890
GNI/Cap: $490 LIC

Supplemental Information

Land Rights and Access	Natural Resource Management
0.610 (45%)	64.65 (53%)
Median 0.617	Median 64.08
	

IFAD/IFC

CIESIN/YCELP

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10/10/2006

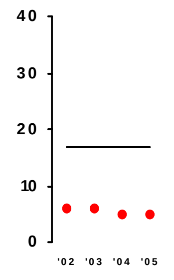
MILLENNIUM
CHALLENGE
CORPORATION

Zimbabwe FY07

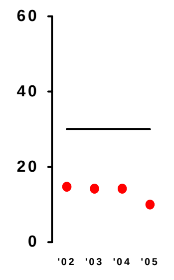
Population: 12,936,300
GNI/Cap: $340 LIC

Ruling Justly

Political Rights	Civil Liberties	Control of Corruption	Government Effectiveness	Rule of Law	Voice and Accountability
Data 5 (13%)	10 (10%)	-0.42 (12%)	-0.53 (12%)	-0.63 (12%)	-0.94 (12%)
Median 17	Median 30	Median 0.00	Median 0.00	Median 0.00	Median 0.00



Sources: Freedom House



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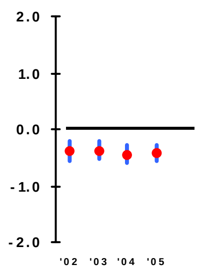
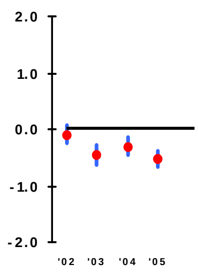


World Bank Institute



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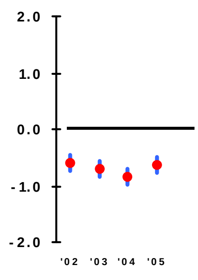

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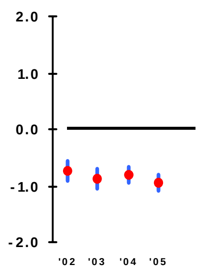
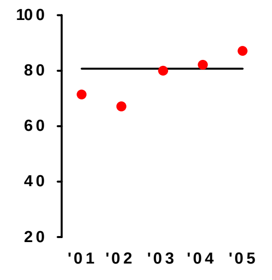


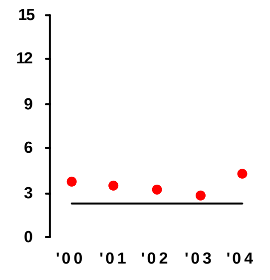
World Bank Institute

Investing In People

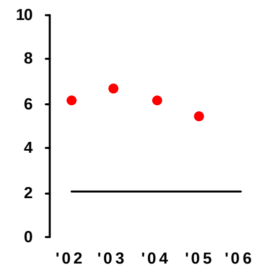
Immunization Rates	Health Expenditures	Primary Education Expenditures	Girls' Primary Education Completion Rate
Data 87.5 (67%)	4.29 (91%)	5.41 (95%)	78.6 (61%)
Median 81	Median 2.22	Median 2.07%	Median 66.7



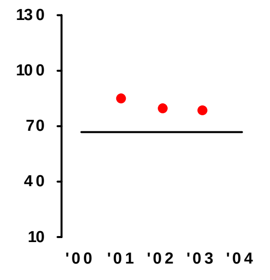
Sources: World Health Org.



World Health Org.



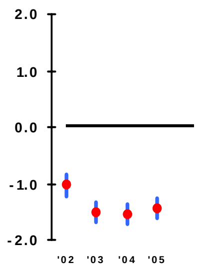
UNESCO/National Sources



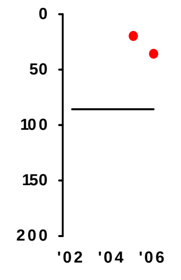
UNESCO/World Bank

Economic Freedom

Regulatory Quality	Cost Of Starting A Business	Days To Start A Business	Trade Policy	Inflation	Fiscal Policy
Data -1.45 (3%)	35.6 (76%)	96 (11%)	42.2 (5%)	237.80 (0%)	-4.63% (22%)
Median 0.00	Median 85.7	Median 43	Median 59.1	Max. 15	Median -2.54%



Sources: World Bank Inst.



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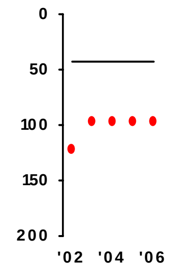

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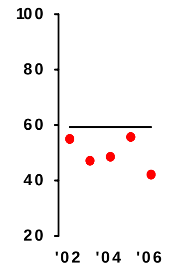

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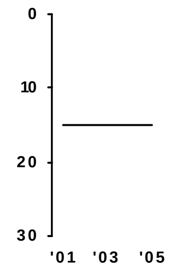

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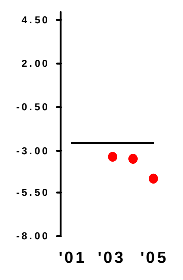

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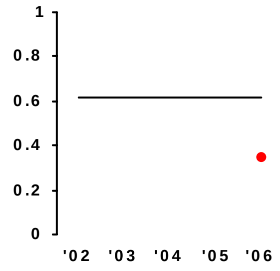
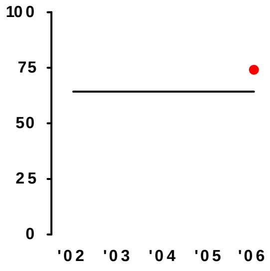
10/6/2006

MILLENNIUM
CHALLENGE
CORPORATION

Zimbabwe FY07

Population: 12,936,300
GNI/Cap: $340 LIC

Supplemental Information

Land Rights and Access	Natural Resource Management
0.344 (6%)	74.13 (78%)
Median 0.617	Median 64.08
	
IFAD/IFC	CIESIN/YCELP

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10/10/2006

Chapter 5:

List of Fiscal Year 2007 Compact-Eligible and Threshold Countries

MILLENNIUM CHALLENGE CORPORATION
MCC
UNITED STATES OF AMERICA

Reducing Poverty Through Growth

MILLENNIUM
CHALLENGE
CORPORATION

FACT SHEET
WWW.MCC.GOV

November 13, 2006

MCA Compact-Eligible Countries[1]

Low Income		
Africa	*Eurasia*	*Latin America*
Benin	Armenia	Bolivia
Burkina Faso[2]	East Timor[3]	Honduras
Ghana	Georgia	Nicaragua
Lesotho	Moldova[2]	
Madagascar	Sri Lanka	
Mali	Mongolia	
Morocco	Ukraine[2]	
Mozambique	Vanuatu	
Senegal		
Tanzania[3]		
Lower Middle Income		
Africa	*Eurasia*	*Latin America*
Cape Verde	Jordan[2]	El Salvador
Namibia		

Threshold Program Countries[4]

Africa	*Eurasia*	*Latin America*
Kenya	Albania	Guyana
Malawi	Indonesia	Paraguay
Niger	Kyrgyz Republic	Peru
Rwanda	Philippines	
São Tomé and Principe		
Uganda		
Zambia		

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[1] The Gambia was previously selected as Compact-eligible but is currently suspended.

[2] Previously selected as a Threshold Program Country and has an approved and/or on-going Threshold Program.

[3] Previously selected as a Threshold Program Country.

[4] Yemen was previously selected as a Threshold Program Country but is currently suspended.

Chapter 6:

Description of MCC Eligibility Indicators

MILLENNIUM CHALLENGE CORPORATION

MCC

UNITED STATES OF AMERICA

Reducing Poverty Through Growth

Description of MCC Eligibility Indicators

Detailed description of the content and source of each of the Indicators used to determine Eligibility for MCA funds

Last updated: November, 2006

This document provides detailed descriptions of the indicators the Millennium Challenge Corporation (MCC) uses to evaluate performance against the Millennium Challenge Account (MCA) policy criteria. This document outlines the policies the indicators measure, the indicator methodology, and the underlying source of data, if applicable. MCC favors indicators that: (1) are developed by an independent third party, (2) utilize objective and high-quality data, (3) are analytically rigorous and publicly available, (4) have broad country-coverage and are comparable across countries, (5) have a clear theoretical or empirical link to economic growth and poverty reduction, (6) are policy-linked, i.e. measure factors that governments can influence within a two to three year horizon, and (7) have broad consistency in results from year to year.

For general questions about the application of these indicators, please contact the MCC's Development Policy Team at DevelopmentPolicy@mcc.gov.

Table of Contents

About the Indicators for Fiscal Year 2007

To select countries eligible for Millennium Challenge Account funding, MCC assesses the degree to which the political, social and economic policies in a country serve to promote broad-based sustainable economic growth. MCC applies measurements to identify countries with the policy environments that will allow Millennium Challenge Account funding to be effective in reducing poverty and promoting economic growth. MCC measures policies in three areas – Ruling Justly, Investing in People, and Encouraging Economic Freedom – using 16 policy indicators. The indicators are produced and the data are collected by independent, third party institutions. Following are the policies measured and the sources of the indicators used by MCC:

Ruling Justly

- Civil Liberties (Freedom House)
- Political Rights (Freedom House)
- Voice and Accountability (World Bank Institute)
- Government Effectiveness (World Bank Institute)
- Rule of Law (World Bank Institute)
- Control of Corruption (World Bank Institute)

Investing in People

- Immunization Rate (World Health Organization)
- Public Expenditure on Health (World Health Organization)
- Girls' Primary Education Completion Rate (UNESCO and World Bank)
- Public Expenditure on Primary Education (UNESCO and national sources)

Encouraging Economic Freedom

- Cost of Starting a Business (World Bank)

- Inflation Rate (International Monetary Fund)
- Days to Start a Business (World Bank)
- Trade Policy (Heritage Foundation)
- Regulatory Quality (World Bank Institute)
- Fiscal Policy (National Sources; cross-checked with International Monetary Fund)

Supplemental information was also used for fiscal year 2007

MCC adopted two measures for use as supplemental information in the FY07 selection process: a *Natural Resource Management Index* from Columbia University's Center for International Earth Science Information Network (CIESIN) and the Yale Center for Environmental Law and Policy, and a *Land Rights and Access Index* which includes an indicator from the International Fund for Agricultural Development (IFAD) and two indicators from the International Finance Corporation (IFC). While both indices were used as supplemental information for Fiscal Year 2007, MCC intends to recommend to the Board both indices as selection indicators in the near future.

Ruling Justly Category:

The six indicators in this category measure just and democratic governance by assessing, inter alia, a country's demonstrated commitment to promote political pluralism, equality, and the rule of law; respect human and civil rights, including the rights of people with disabilities; protect private property rights; encourage transparency and accountability of government; and combat corruption.

Civil Liberties

This indicator measures country performance on freedom of expression and belief, association and organizational rights, rule of law and human rights, personal autonomy, individual and economic rights, and the independence of the judiciary.

Countries are rated on the following factors:

- independence of the media and the judiciary;

- freedom of cultural expression, religious institutions and expression, and academia;
- freedom of assembly and demonstration, of political organization and professional organization and collective bargaining;
- freedom from economic exploitation;
- protection from police terror, unjustified imprisonment, exile, and torture;
- the existence of rule of law, personal property rights, and equal treatment under the law;
- freedom from indoctrination and excessive dependency on the state; and
- gender equality, equality of opportunity and freedom to travel, reside, work, marry, and determine whether or how many children to have.

Source:

Freedom House, http://freedomhouse.org. Questions regarding this indicator may be directed to Christopher Walker, Director of Studies, (212) 514-8040.

Methodology:

Freedom House convenes a panel of independent experts to evaluate countries on a 60-point scale – with 60 representing "most free" and 0 representing "least free." The Civil Liberties indicator is based on a 15 question checklist grouped into four subcategories: Freedom of Expression and Belief (4 questions), Associational and Organizational Rights (3 questions), Rule of Law (4 questions), and Personal Autonomy and Individual Rights (4 questions). Points are awarded to each question on a scale of 0 to 4, where 0 points represents the fewest liberties and 4 represents the most liberties. The highest number of points that can be awarded to the Civil Liberties checklist is 60 (or a total of up to 4 points for each of the 15 questions).

Political Rights:

This indicator measures country performance on the quality of the electoral process, political pluralism and participation, government corruption and transparency, and fair political treatment of ethnic groups.

Countries are rated on the prevalence of free and fair elections; the ability of citizens to form political parties that may compete fairly in elections; freedom from domination by the military, foreign powers, totalitarian parties, religious hierarchies and economic oligarchies; and the political rights of minority groups. Countries are rated on the following factors:

- free and fair executive and legislative elections; fair polling; honest tabulation of ballots;
- fair electoral laws; equal campaigning opportunities;
- the right to organize in different political parties and political groupings; the openness of the political system to the rise and fall of competing political parties and groupings;
- the existence of a significant opposition vote; the existence of a de facto opposition power, and a realistic possibility for the opposition to increase its support or gain power through elections;
- self-determination, self-government, autonomy, and the participation of minority groups through informal consensus in the decision-making process;
- freedom from domination by the military, foreign powers, totalitarian parties, religious hierarchies, economic oligarchies, or any other powerful group in making personal political choices;
- the openness, transparency, and accountability of the government to its constituents between elections; freedom from pervasive government corruption; government policies that reflect the will of the people; and
- the extent to which a government deliberately changes the country's ethnic composition to affect the political balance of power.

Source:

Freedom House, http://freedomhouse.org. Questions regarding this indicator may be directed to Christopher Walker, Director of Studies, (212) 514-8040.

Methodology:

Freedom House convenes a panel of independent experts to evaluate countries on a 40-point scale – with 40 representing "most free" and 0 representing "least free." The Political Rights indicator is based on a 10 question checklist grouped into the three subcategories: Electoral Process (3 questions), Political Pluralism and Participation (4 questions), and Functioning of Government (3 questions). Points are awarded to each question on a scale of 0 to 4, where 0 points represents the fewest rights and 4 represents the most rights. The only exception to the addition of 0 to 4 points per checklist item is Additional Discretionary Question B in the Political Rights Checklist, for which 1 to 4 points are *subtracted* depending on the severity of the situation. The highest number of points that can be awarded to the Political Rights checklist is 40 (or a total of up to 4 points for each of the 10 questions).

Voice and Accountability:

This indicator measures country performance on the ability of institutions to protect civil liberties, the extent to which citizens of a country are able to participate in the selection of governments, and the independence of the media.

Countries are evaluated on the following factors:

- orderly transfer of power in government; free and fair elections, political competition and party configuration; political participation;
- fairness and transparency of legal system, freedom of speech, religion, assembly and demonstration; independence and credibility of the electoral process; political party freedom/security; power distribution;
- equal opportunity; respect for minorities; human rights; political and social integration;
- "representativeness" and effectiveness of legislature; extent of trust in legislature/ government; military involvement in politics; independence and quality of media;
- responsiveness of the government to its constituents; satisfaction with democracy;

- transparency of the business environment and government actions; extent to which businesses are informed of developments in rules and policies and can express concerns;
- strength of volunteerism, trade unionism, and professional associations;
- institutional stability; institutional effectiveness/accountability; and
- budget transparency

Source:

World Bank Institute (WBI), http://www.govindicators.org. Questions regarding this indicator may be directed to governancewbi@worldbank.org, 202-473-4557.

Methodology:

An index of up to 17 different polls and surveys, depending on availability, each of which receives a different weight, depending on its estimated precision and country coverage. WBI draws on data, as applicable, from the Economist Intelligence Unit's *Country Risk Service*, the *Afrobarometer Survey*, the *Latinobarometro survey*, Columbia University's *State Capacity Project*, Freedom House's *Freedom in the World, Nations in Transition* report, and *Countries at the Crossroads,* World Economic Forum's *Global Competitiveness Report*, Gallup International's *Voice of the People Survey* and *Gallup Millennium Survey*, Institute for Management and Development's *World Competitiveness Yearbook*, the State Department and Amnesty International's *Human Rights Report*, World Markets Online Poll, Political Risk Service's *International Country Risk Guide*, Reporters Without Borders poll data, Bertelsmann Foundation's *Bertelsmann Transformation Index*, and International Research and Exchange Board's *Media Index*.

Government Effectiveness:

This indicator measures country performance on the quality of public service provision, civil service competency and independence from political pressures, and the government's ability to plan and implement sound policies.

Countries are evaluated on the following factors:

- efficacy of the government; the depth of bureaucratic procedures; the quality of government personnel; government instability; bureaucratic insulation from political influences; the existence and implementation of rules that punish errant behavior; decentralization; bureaucratic delay; transparency; competence of government; effectiveness in state structure; global e-governance index;

- general condition of roads; efficiency of mail delivery; quality of public health care provision; effective use of resources;

- proportion of the country's problems it is perceived government can solve; credibility of government's commitment to policies; policies to improve efficiency of the public sector;

- predictability of rule and law changes; officials vis-à-vis private sector individuals; effective implementation of government decisions; policy consistency;

- budget management; efficiency of public expenditure; management of public debt; competence of civil service; wasteful government expenditure; and

- consensus building; reliable pursuit of goals; whether government commitments are honored by new governments.

Source:

World Bank Institute (WBI), http://www.govindicators.org. Questions regarding this indicator may be directed to governancewbi@worldbank.org, 202-473-4557.

Methodology:

An index of up to 19 different polls and surveys, depending on availability, that rates countries, which receive a different weight, depending on their estimated precision and country coverage. WBI draws on data, as applicable, from the Economist Intelligence Unit's *Country Risk Service* , the *Afrobarometer Survey*, the *Latinobarometro survey*, Columbia University's *State Capacity Project*, Global Insight's *Country Risk Review*, *World Markets Online Poll*, Political Risk Service's *International Country Risk Guide*, the World Bank's *Business Environment and Enterprise Performance Survey*, BERI's *Business Risk* Service, Freedom House's *Nations in Transition* report, World

Economic Forum's *Global Competitiveness Report*, the World Bank's *Country Policy and Institutional Assessment*, and Institute for Management and Development's *World Competitiveness Yearbook,* the Asian Development Bank's *Country Policy and Institutional Assessment,* the African Development Bank's *Country Policy and Institutional Assessment,* Bertelsmann Foundation's *Bertelsmann Transformation Index*, Brown University's Center for Public Policy's *Global E-Governance Index*, and Merchant International Group's *Grey Area Dynamics*.

Rule of Law

This indicator measures country performance on the extent to which the public has confidence in and abides by rules of society, incidence of violent and nonviolent crime, effectiveness and predictability of the judiciary, and the enforceability of contracts.

Countries are evaluated on the following factors:

- crime losses and costs; how often an individual or family member has feared crime; organized crime; foreign kidnappings; the effectiveness of the police in safeguarding personal safety; a tradition of law and order; trust in police;
- private contract enforceability; government contract enforceability;
- banking corruption; the extent of the black market; the extent of tax evasion;
- security of property rights; protection of intellectual property; and
- predictability of the judiciary; compliance with court rulings; trust in the courts—tribunals and supreme; judiciary's effectiveness; legal recourse for challenging government actions; ability to sue government through independent and impartial courts; willingness of citizens to accept legal adjudication over physical and illegal measures; and
- trafficking in persons

Source:

World Bank Institute (WBI), http://www.govindicators.org. Questions regarding this indicator may be directed to governancewbi@worldbank.org, 202-473-4557.

Methodology:

An index of surveys up to 21 different polls and surveys, depending on availability, each of which receives a different weight, depending on their estimated precision and country coverage. WBI draws on data, as applicable, from the Economist Intelligence Unit's *Country Risk Service*, Heritage Foundation's *Index of Economic Freedom*, State Department/Amnesty International's *Human Rights* Report, Columbia University's *State Capacity Project*, Global Insight's *Country Risk Review*, *World Markets Online Poll*, Political Risk Service's *International Country Risk Guide*, the World Bank's *Business Environment and Enterprise Performance Survey*, Freedom House's *Nations in Transition* report and *Countries at the Crossroads*, BERI's *Business Risk Service* and *Qualitative Risk Measure*, Gallup's *Voice of the People Survey*, World Economic Forum's *Global Competitiveness Report*, the World Bank's *Country Policy and Institutional Assessment*, and Institute for Management and Development's *World Competitiveness Yearbook and* the Asian Development Bank's *Country Policy and Institutional Assessment*, the African Development Bank's *Country Policy and Institutional Assessment,* Bertelsmann Foundation's *Bertelsmann Transformation Index*, Merchant International Group's *Grey Area Dynamics*, and the United States State Department's Trafficking in People Report.

Control of Corruption:

This indicator measures country performance on the frequency of "additional payments to get things done," the effects of corruption on the business environment, "grand corruption" in the political arena, and the tendency of elites to engage in "state capture."

Countries are evaluated on the following factors:

- corruption among public officials;
- frequency of corruption; the effect of corruption on the "attractiveness" of a country as a place to do business: irregular, additional payments connected with import and export permits, business licenses, exchange controls, tax assessments, police protection, and loan applications;
- frequency of "irregular payments" to public officials; corruption as an obstacle to business development; improper practices in public sphere; percentage bribes paid as share of revenues from procurement contracts; how many

elected and government and border officials, judges or magistrates are thought to be involved in corruption; and

- how well the current government is handling corruption; anti-corruption policies; existence of anti corruption and accounting institutions; civil service transparency and accountability.

Source:

World Bank Institute (WBI), http://www.govindicators.org. Questions regarding this indicator may be directed to governancewbi@worldbank.org, 202-473-4557.

Methodology:

An index of up to 19 different polls and surveys, depending on availability, each of which receive a different weight, depending on their estimated precision and country coverage. WBI draws on data, as applicable, from the Economist Intelligence Unit's *Country Risk Service*, the *Afrobarometer Survey*, the *Latinobarometro survey*, Columbia University's *State Capacity Project*, Global Insight's *Country Risk Review*, *World Markets Online Poll*, Business Environment Risk Intelligence's *Business Risk Service* and *Qualitative Risk Measure*, Political Risk Service's *International Country Risk Guide*, the World Bank's *Business Environment and Enterprise Performance Survey*, Freedom House's *Nations in Transition* report and *Countries at the Crossroads*, World Economic Forum's *Global Competitiveness Report*, the World Bank's *Country Policy and Institutional Assessment*, and Institute for Management and Development's *World Competitiveness Yearbook,* the Asian Development Bank's *Country Policy and Institutional Assessment,* the African Development Bank's *Country Policy and Institutional Assessment,* Merchant International Group's *Grey Area Dynamics,* and Political Economic Risk Consultancy's *Corruption in Asia*.

Encouraging Economic Freedom Category

The six indicators in this category measure the extent to which a government encourages economic freedom by assessing, *inter alia*, demonstrated commitment to economic policies that encourage individuals and firms to participate in global trade and international capital markets, promotion of private sector growth and the sustainable management of natural resources, strength of market forces in the economy, and respect for worker rights, including the right to form labor unions.

Inflation:

This indicator measures the government's commitment to sound monetary policy and private sector growth.

Source:

MCC's source for inflation data is the IMF's World Economic Outlook (WEO) database, http://www.imf.org.

Methodology:

The most recent 1-year change in consumer prices. The indicator reflects annual percentage change averages for the year, not end-of-period data.

Fiscal Policy:

This indicator measures the government's commitment to prudent fiscal management and private sector growth.

Source:

U.S. Embassies typically collect fiscal policy data through a Candidate Country's Ministry of Finance. All of these data were then cross-checked with IMF sources – in particular, the World Economic Outlook (WEO) – to ensure their accuracy, http://www.imf.org.

Methodology:

The overall budget deficit divided by GDP, averaged over a three-year period. The data for this indicator are provided directly by the recipient government and cross-checked with other sources and made publicly available to try to ensure consistency across countries. In calculating the fiscal balance, donor funds are included in total expenditures and both revenues and expenditures include the consolidated public sector (i.e. state-owned enterprises and semi-autonomous institutions). If general government balance data were not available, MCC relied on central government balance data.

Regulatory Quality:

This indicator measures country performance on the burden of regulations on business, price controls, the government's role in the economy, foreign investment regulation, and many other areas.

Countries are evaluated on the following factors:

- regulations that impose a burden on business; government intervention in the economy;
- ease to start a new business; regulations on new businesses;
- labor market policies; wage and price controls;
- trade policy; tariff and non-tariff barriers; export and import regulations; the effect of customs on international trade;
- investment policies attractiveness; financial regulations on foreign investment and capital; legal restrictions on ownership of business and equity by non-residents; foreign currency regulations; general uncertainty about regulation costs; legal regulation of financial institutions; controls on foreign investors' ownership of companies;
- extensiveness of legal rules and effectiveness of legal regulations in the banking and securities sectors; costs of uncertain rules, laws, or government policies;
- protection of domestic banks from foreign competition; barriers to entry in the banking sector; heavily-regulated interest rates; transfer costs associated with exporting capital; price stability;
- participation of the private sector in infrastructure projects; dominance of state-owned enterprises; openness of public sector contracts to foreign investors; extent of market competition; effectiveness of anti-trust policies; new legislation restricting competitiveness; and
- tax systems that undermine business competitiveness; pro-investment tax policies; tax system efficiency/corruption/ complexity; real personal and corporate taxes.

Source:

World Bank Institute (WBI), http://www.govindicators.org. Questions regarding this indicator may be directed to governancewbi@worldbank.org, 202-473-4557.

Methodology:

An index of up to 15 different polls and surveys, depending on availability, each of which receives a different weight, depending on their estimated precision and country coverage. WBI draws on data, as applicable, from the Economist Intelligence Unit's *Country Risk Service*, the European Bank for Reconstruction and Development's *Transition* Report, Global Insight's *Country Risk Review*, *World Markets Online Poll*, Political Risk Service's *International Country Risk Guide*, the World Bank's *Business Environment and Enterprise Performance Survey*, Heritage Foundation's *Index of Economic Freedom*, World Economic Forum's *Global Competitiveness Report*, the World Bank's *Country Policy and Institutional Assessment*, Institute for Management and Development's *World Competitiveness Yearbook,* the Asian Development Bank's *Country Policy and Institutional Assessment,* the African Development Bank's *Country Policy and Institutional Assessment,* Bertelsmann Foundation's *Bertelsmann Transformation Index*, Merchant International Group's *Grey Area Dynamics,* and the United Nation's Economic Commission for Africa's *Africa Governance Indicators.*

Trade Policy:

This indicator measures a country's openness to international trade based on average tariff rates and non-tariff barriers to trade. Countries are rated on the following factors:

- Weighted average tariff rates;
- Non-tariff barriers (such as import licenses, trade quotas, production subsidies, anti-dumping, countervailing, and safeguard measures, government procurement procedures, local content requirements, excessive marking and labeling requirements, export assistance, export taxes, and tax concessions); and
- Corruption in the customs service.

Source:

The Heritage Foundation, Index of Economic Freedom, http://www.heritage.org/research/features/index/index.cfm.

Methodology:

In response to a request from MCC, the Heritage Foundation has re-scaled the trade policy component of its *Index of Economic Freedom* to provide greater differentiation among countries. The new scale ranges from 0 to 100, where 0 represents the highest level of protectionism and 100 represents the lowest level of protectionism. The equation used to convert tariff rates and non-tariff barriers into this 0-100 percent scale is presented below:

$$\text{Trade Policy}_i = (\text{Tariff}_{max} - \text{Tariff}_i)/(\text{Tariff}_{max} - \text{Tariff}_{min}) - \text{NTB}_i$$

Trade Policy$_i$ represents the trade freedom in country *i*, Tariff$_{max}$ and Tariff$_{min}$ represent the upper and lower bounds (50 and zero percent respectively), and Tariff$_i$ represents the weighted average tariff rate in country *i*. The result is multiplied by 100 to convert it to a percentage. If applicable to country *i*, an NTB penalty of 20 percentage points is then subtracted from the base score.

As its primary source, the Heritage Foundation relies on weighted average tariff rates (weighted by imports from the country's trading partners) from the World Bank's *World Development Indicators 2005* and *Data on Trade and Import Barriers: Trends in Average Tariff Rates for Developing and Industrial Countries 1981-2003*. Since these data are not reported annually, the authors also rely on a number of secondary sources, including the World Trade Organization's *Trade Policy Reviews* (1995 to March 2005), the Office of the U.S. Trade Representative's *2005 National Trade Estimate Report on Foreign Trade Barriers*, the U.S. Department of Commerce's 2004 and 2005 *Country Commercial Guide*, the Economist Intelligence Unit's 2004-2005 and 2005-2006 *Country Reports*, *Country Profiles*, and *Country Commerce* data, and "official government publications of each country." In the absence of weighted average applied tariff rate data, a country's average applied tariff rate is used. In the absence of average applied tariff rate data, the weighted average or the simple average of most favored nation tariff rates are used. In the absence of these data, the authors use tariff and duty revenues as a percentage of total imported goods. Finally, if these data are unavailable, the authors rely on measures of international trade taxes.

Days to Start a Business:

This indicator measures government regulations that impact the business climate, specifically the number of days necessary to start a new business.

Source:

The Private Sector Advisory Service of the World Bank Group, http://www.doingbusiness.org/. Questions regarding this indicator may be directed to Simeon Djankov, Manager of the Monitoring, Analysis and Policy Unit at the International Finance Corporation, sdjankov@worldbank.org, (202) 473-4748.

Methodology:

Local lawyers and other professionals examine specific regulations that impact business investment measuring the days it takes to open a new business, recorded in calendar days. It is assumed that the minimum time required per procedures is 1 day. Time captures the median duration that incorporation lawyers indicate is necessary to complete a procedure. If a procedure can be accelerated for an additional cost, the fastest procedure is chosen. It is assumed that the entrepreneur does not waste time and commits to completing each remaining procedure without delay. The time that the entrepreneur spends on gathering information is ignored. It is assumed that the entrepreneur is aware of all entry regulations and their sequence from the beginning.

To make the data comparable across countries, several assumptions about the business and the procedures are used. The business:

- Is a limited liability company. If there is more than one type of limited liability company in the country, the most popular limited liability form among domestic firms is chosen. Information on the most popular form is obtained from incorporation lawyers or the statistical office;

- Operates in the country's most populous city;

- Is 100% domestically owned and has 5 owners, none of whom is a legal entity;

- Has start-up capital of 10 times income per capita at the end of 2004, paid in cash;

- Performs general industrial or commercial activities, such as the production or sale of products or services to the public. It does not perform foreign trade activities and does not handle products subject to a special tax regime, for example, liquor or tobacco. The business is not using heavily polluting production processes;
- Leases the commercial plant and offices and is not a proprietor of real estate;
- Does not qualify for investment incentives or any special benefits;
- Has up to 50 employees 1 month after the commencement of operations, all of them nationals;
- Has a turnover at least 100 times income per capita; and
- Has a company deed 10 pages long.

Cost of Starting a Business:

This indicator measures government regulations that impact the business climate, specifically the cost of starting a new business.

Source:

The Private Sector Advisory Service of the World Bank Group, http://www.doingbusiness.org/. Questions regarding this indicator may be directed to Simeon Djankov, Manager of the Monitoring, Analysis and Policy Unit at the International Finance Corporation, sdjankov@worldbank.org, (202) 473-4748.

Methodology:

Local lawyers and other professionals examine specific regulations that impact the cost of opening a new business. The local lawyer and/or other professionals are instructed to record all generic procedures that are officially required for an entrepreneur to start up an industrial or commercial business. These include obtaining all necessary licenses and permits and completing any required notifications, verifications or inscriptions with relevant authorities. After a study of laws, regulations and publicly available information on business entry, a detailed list of procedures, time, cost and paid-in minimum capital requirements is developed. Subsequently, local incorporation lawyers and government officials complete and verify the data on applicable procedures, the time and cost of complying with each procedure under normal circumstances and the paid-in minimum capital. On average 4 law firms participate in each country. Information is also collected on the sequence in which procedures are to be completed and whether procedures may be carried out simultaneously. It is assumed that any required information is readily available and that all government and non-government agencies involved in the start-up process function efficiently and without corruption. If answers by local experts differ, inquiries continue until the data are reconciled.

To make the data comparable across countries, several assumptions about the business and the procedures are used. The business:

- Is a limited liability company. If there is more than one type of limited liability company in the country, the most popular limited liability form among domestic firms is chosen. Information on the most popular form is obtained from incorporation lawyers or the statistical office;
- Operates in the country's most populous city;
- Is 100% domestically owned and has 5 owners, none of whom is a legal entity;
- Has start-up capital of 10 times income per capita at the end of 2004, paid in cash;
- Performs general industrial or commercial activities, such as the production or sale of products or services to the public. It does not perform foreign trade activities and does not handle products subject to a special tax regime, for example, liquor or tobacco. The business is not using heavily polluting production processes;
- Leases the commercial plant and offices and is not a proprietor of real estate;
- Does not qualify for investment incentives or any special benefits;
- Has up to 50 employees 1 month after the commencement of operations, all of them nationals;
- Has a turnover at least 100 times income per capita; and

- Has a company deed 10 pages long.

The text of the company law, the commercial code and specific regulations and fee schedules are used as sources for calculating the cost of start-up. If there are conflicting sources and the laws are not clear, the most authoritative source is used. The constitution supersedes the company law, and the law prevails over regulations and decrees. If conflicting sources are of the same rank, the source indicating the most costly procedure is used, since an entrepreneur never second-guesses a government official. In the absence of fee schedules, a government officer's estimate is taken as an official source. In the absence of a government officer's estimate, estimates of incorporation lawyers are used. If several incorporation lawyers provide different estimates, the median reported value is applied. In all cases the cost excludes bribes.

Investing in People Category

The four indicators in this category measure investments in people, particularly women and children, by assessing programs that promote broad-based primary education, strengthen and build capacity to provide quality public health, and reduce child mortality.

Total Public Expenditure on Health:

This indicator measures the government's commitment to investing in the health and well-being of its people.

Source:

The World Health Organization compiles data on public health expenditure for nearly all member countries. See http://www.who.int/nha/en/.

Methodology:

This indicator measures general government health expenditure as a percentage of Gross Domestic Product (GDP). General government health expenditure (GGHE) includes outlays earmarked for health maintenance, restoration or enhancement of the health status of the population, paid for in cash or in kind by the following financing agents: central/federal, state/provincial/regional, and local/municipal authorities; extrabudgetary agencies, social security schemes; and parastatals. All can be financed through domestic funds or through external resources (mainly as grants passing through the government or loans channeled through the national budget). GGHE includes both recurrent and investment expenditures (including capital transfers) made during the year. The classification of the functions of government (COFOG) promoted by the United Nations, the International Monetary Fund (IMF), OECD and other institutions sets the boundaries for public outlays. Figures are originally estimated in million national currency units (million NCU) and in current prices. GDP data are primarily drawn from the United Nations National Accounts statistics.

Immunization:

This indicator measures a government's commitment to providing essential public health services and reducing child mortality.

Source:

The World Health Organization compiles data on immunization rates for nearly all member countries; www.who.int/immunization_monitoring/data/.

Methodology:

MCC uses the average of DPT3 and measles immunization rates e. The DTP3 immunization rate is measured as the number of children that have received their third dose of the diphtheria, pertussis (whooping cough), and tetanus toxoid vaccine divided by the number of children that have survived their first birthday. The measles immunization rate is measured as the number of children that have received their first dose of measles vaccine divided by the number of children that have survived their first birthday.

To estimate national immunization coverage, the WHO and UNICEF draw on administrative data from service providers and household survey data on children's immunization histories. Estimates of the most likely true level of immunization coverage are made based on the data available, consideration of potential biases, and contributions of local experts. Lack of precise information on the size of the cohort of one-year-old children can make immunization coverage difficult to estimate from program statistics.

Total Public Expenditure on Primary Education:

This indicator measures the government's commitment to investing in primary education.

Source:

The United National Educational, Scientific, and Cultural Organization (UNESCO) Institute for Statistics is MCC's primary source of data; www.uis.unesco.org. UNESCO compiles primary education expenditure data from official responses to surveys and from reports provided by education authorities in each country. Questions regarding this indicator may be directed to Said Voffal, Programme Specialist, UNESCO Institute for Statistics, s.voffal@uis.unesco.org, (514)-343-7752.

As a secondary source, MCC relies on Primary Education Expenditure data reported by national governments. In its data request to Candidate Countries, MCC requests inclusion of all government expenditures, including sub-national expenditures (both current and capital) and the consolidated public sector (i.e. state-owned enterprises and semi-autonomous institutions), but exclusion of donor funds unless it is not possible to disaggregate them. All data are requested in current local currency (not a constant base year, not dollars). Questions regarding these data can be directed to Brad Parks, Development Policy Officer at the Millennium Challenge Corporation, parksbc@mcc,gov, (202) 521-3613.

Methodology:

UNESCO attempts to measure total current and capital expenditure on primary education at every level of administration—central, regional, and local. UNESCO data generally include subsidies for private education, but not foreign aid for primary education. UNESCO data may also exclude spending by religious schools, which plays a significant role in many developing countries.

In its data request to Candidate Countries, MCC asks that public expenditure on primary education be measured consistent with the IMF's definition of primary education expenditure in *Government Finance Statistics* (GFS Line 707), which in turn relies on the 1997 International Standard Classification of Education (ISCED-97). Government outlays on primary education include expenditures on services provided to individual pupils and students and expenditures on services provided on a collective basis. Primary education includes the administration, inspection, operation, or support of schools and other institutions providing primary education at ISCED-97 level 1. It also includes literacy programs for students too old for primary school.

Girls' Primary Education Completion Rate:

This indicator measures a government's commitment to investing in basic education for girls in terms of access, enrollment, and retention.

Source:

UNESCO's Institute for Statistics (UIS); www.uis.unesco.org. Questions regarding this indicator may be directed to Said Voffal, Programme Specialist, UNESCO Institute for Statistics, s.voffal@uis.unesco.org, (514)-343-7752.

Methodology:

Girls' Primary Education Completion Rate is measured as the number of female students that have successfully completed their last year of primary school, minus the number of repeaters in that grade, divided by the total number of female children of official graduation age. The primary completion rate reflects the primary cycle as defined by the International Standard Classification of Education (ISCED), ranging from three or four years of primary education (in a very small number of countries) to five or six years (in most countries), and seven (in a small number of countries). For the countries that changed the primary cycle, the most recent ISCED primary cycle is applied consistently to the whole series.

Supplemental Information

Land Rights and Access:

This index evaluates whether and to what extent governments are investing in secure land tenure, which facilitates long-term investments in land productivity and diminishes the likelihood of short-term actions with negative environmental impacts such as slash-and-burn agriculture and deforestation.

Source:

International Fund for Agricultural Development (IFAD) and the International Finance Corporation (IFC). For more on IFAD's indicator methodology, see www.ifad.org/gbdocs/gc/27/e/GC-27-L-6.pdf . The 2004 IFAD country scores are available at www.ifad.org /gbdocs/gc/28/e/GC-28-L-9.pdf. Questions regarding the IFAD indicator may be directed to Brian Baldwin, Senior Operations Management Adviser, Programme Management Department, b.baldwin@ifad.org, 39-0654592377. For more on the IFC's data and indicator methodology, see: www.doingbusiness.org. Questions regarding the IFC indicators may be directed to Simeon Djankov, Manager of the Monitoring, Analysis and Policy Unit at the International Finance Corporation, sdjankov@worldbank.org, (202) 473-4748.

Methodology:

This index is calculated as the weighted average of three indicators:

- Access to Land: Produced by IFAD, this indicator assesses the extent to which the institutional, legal and market framework provides secure land tenure and equitable access to land in rural areas. It is made up of five subcomponents: (1) the extent to which the law guarantees secure tenure for land rights of the poor; (2) the extent to which the law guarantees secure land rights for women and other vulnerable groups; (3) the extent to which land is titled and registered; (4) the functioning of land markets; and (5) the extent to which government policies contribute to the sustainable management of common property resources.

- Days to Register Property: Produced by the IFC, this indicator measures how long it takes to register property in the capital city. The IFC records the full amount of time necessary when a business purchases land and a building, and to transfer the property title from the seller to the buyer so that the buyer can use the title for expanding business, as collateral in taking new loans, or, if necessary, to sell to another business.

- Cost of Registering Property: Produced by the IFC, this indicator measures the cost to register property as a percentage of the value of the property in the capital city. The IFC records all of the costs that are incurred when a business purchases land and a building to transfer the property title from the seller to the buyer, so that the buyer can use it for expanding his business, as collateral in taking new loans, or, if necessary, to sell it to another business.

Since each of the three sub-components of the Land Rights and Access index have different scales, MCC created a common scale for each of the indicators through a process of "normalization." Each indicator was transformed using a simple formula:

$$\text{Country X's Normalized score} = \frac{\text{Maximum observed value} - \text{Country X's raw score}}{\text{Maximum observed value} - \text{Minimum observed value}}$$

After each of the three sub-components was transformed into a common scale, MCC calculated the Land Rights and Access Index using the following formula:

Land Rights and Access = .5(IFAD) + .25(IFC Time to Register Property) + .25(IFC Cost of Registering Property)

Natural Resource Management:

This composite indicator measures a government's commitment to sound management of water resources and water systems, proper sewage disposal and sanitary control, air quality standards, habitat preservation, and biodiversity protection.

Source:

Columbia University's Center for International Earth Science Information Network (CIESIN) and the Yale Center for Environmental Law and Policy (YCELP); http://sedac.ciesin.columbia.edu/es/mcc.html. Questions regarding this indicator may be directed to Marc Levy, Associate Director for Science Applications, CIESIN, marc.levy@ciesin.columbia.edu

Methodology:

This index is calculated as the un-weighted average of four indicators:

- Eco-region Protection: Developed by CIESIN, this indicator assesses whether a country is protecting at least 10% of all of its biomes (e.g. deserts, forests, grasslands, aquatic, and tundra). It is designed to capture the comprehensiveness of a government's commitment to habitat preservation and biodiversity protection. World Wildlife Fund provides the underlying eco-region data, and the United Nations Environment Program World Conservation Monitoring Center – in partnership with the IUCN World

Commission on Protected Areas and the World Database on Protected Areas Consortium – provide the underlying data on protected areas.

- Access to Improved Sanitation: Produced by WHO and UNICEF, this indicator measures the percentage of the population with access to facilities that hygienically separate human excreta from human, animal, and insect contact. Facilities such as sewers or septic tanks, poor-flush latrines and simple pit or ventilated improved pit latrines are assumed to be adequate, provided that they are not public.

- Access to Improved Water: Produced by WHO and UNICEF, this indicator measures the percentage of the population with access to at least 20 liters of water per person per day from an “improved” source (household connections, public standpipes, boreholes, protected dug wells, protected springs, and rainwater collection) within one kilometer of the user’s dwelling.

- Child Mortality (Ages 1-4): Produced by the Population Division of the United Nations Department of Economic and Social Affairs, this indicator measures the probability of a child dying between the ages of 1 and 4. Because the causes of child mortality among 1-4 year olds are predominantly environmental, this indicator is considered to be an excellent proxy for underlying environmental conditions.

Chapter 7:

Policy on Suspension and Termination

MILLENNIUM CHALLENGE CORPORATION
MCC
UNITED STATES OF AMERICA

Reducing Poverty Through Growth

Policy on Suspension and Termination

MCC Policy on Suspension or Termination of Assistance and/or Eligibility for Assistance

Last updated: November, 2005

This Policy outlines the Millennium Challenge Corporation's (MCC) policy on suspension or termination of Millennium Challenge Account assistance (MCA assistance) to countries (MCA-Eligible countries) under Section 605 of the Millennium Challenge Act of 2003 (Act), or termination of eligibility for such assistance. This Policy also addresses suspension or termination of assistance for Compact development and implementation under Section 609(g) of the Act and "threshold" assistance to countries under Section 616 of the Act (Threshold assistance), or eligibility for such assistance.

Section 611(a) of the Act provides that, after consultation with MCC's Board of Directors (Board), the Chief Executive Officer (CEO) may suspend or terminate MCA assistance in whole or in part for an MCA-Eligible Country or other entity utilizing MCA assistance if the CEO determines that (1) the country or entity is engaged in activities which are contrary to the national security interests of the United States; (2) the country or entity has engaged in a pattern of actions inconsistent with the criteria used to determine the eligibility of the country or entity; or (3) the country or entity has failed to adhere to its responsibilities under its Millennium Challenge Compact (Compact). Although the requirements of Section 611(a) do not explicitly apply to Compact development and implementation assistance or Threshold assistance, the requirements of Section 611(a) have been extended to such assistance by virtue of this Policy.

Definition of Suspension or Termination of Assistance and/or Eligibility for Assistance

1. **Suspension or Termination of Assistance**. There are three types of assistance which are covered by this Policy: (i) MCA assistance (through a Compact); (ii) Compact development and implementation assistance (through a 609(g) grant agreement); and (iii) Threshold assistance (through a Threshold agreement). Suspension of assistance to a country or entity that is receiving

any of these types of assistance occurs when MCC determines that all or part of such assistance should cease for a period of time because one or more triggering actions or events has occurred that falls into one of the three categories set out in “Basis for Suspension or Termination of Assistance and/or Eligibility for Assistance” below. Termination of assistance to such country occurs when MCC determines that due to such action(s) or event(s), the Compact, 609(g) grant agreement or Threshold agreement should terminate entirely.

2. **Suspension or Termination of Eligibility for Assistance.** Suspension or termination of eligibility for assistance occurs when MCC determines that a country in the due diligence or negotiation phase (but not yet receiving assistance) will no longer be considered eligible for MCA, 609(g) or Threshold assistance and that due diligence and/or negotiations with respect to such country should cease because one or more triggering actions or events has occurred that falls into one of the three categories set out below.

Basis for Suspension or Termination of Assistance and/or Eligibility for Assistance

The CEO, in full consultation with Board Members and agencies, may make a recommendation to the Board to suspend or terminate assistance or terminate eligibility for assistance under the following circumstances:

1. **The Country is Engaged in Activities Contrary to the National Security Interests of the United States.** For the purposes of this Policy, a country is deemed to have engaged in “activities contrary to the national security interests of the United States” when a formal determination to that effect has been made by the U.S. Government (i.e., by the President or the Secretary of State).

2. **The Country has Engaged in a Pattern of Actions Inconsistent with MCA Selection Criteria.** For the purposes of this Policy, a country can be deemed to have engaged in “a pattern of actions inconsistent with the criteria used to determine eligibility of the country” if the country has taken actions which result in, or could reasonably be expected to result in, a decline or deterioration of performance in one or more of the policy indicators used to determine eligibility as published by MCC. (A list of the policy indicators is

attached hereto as Annex A). Such actions or omissions may be evidenced by (i) an *actual* decline in performance on the indicators used to determine eligibility as reflected in the data; (ii) policy slippage not yet reflected in the indicators due to data lags and/or infrequency of indicator updates; or (iii) actions by the country or the entity which are determined to be contrary to sound performance in the areas assessed for eligibility.

3. **The Country has Failed to Adhere to Responsibilities under a Compact, 609(g) Grant Agreement or Threshold Agreement.** For the purposes of this Policy, "failure to adhere to its responsibilities" under the Compact, 609(g) grant agreement or Threshold agreement occurs when the country or an implementing entity (i) materially breaches any assurance or obligation in the agreement (or any related implementing agreement or document); (ii) fails to meet a condition precedent or series of conditions precedent to one or more disbursements; or (iii) takes (or fails to take) some action that results in grounds for termination or suspension as set out in the Compact or related agreement (e.g., a failure to comply with any reporting, certification, or audit requirement through which MCC will monitor adherence of a country and the implementing entities to their responsibilities under the relevant agreement). It should be noted that MCC distinguishes suspension and termination of a Compact, 609(g) or Threshold agreement from a decision by MCC with respect to a particular disbursement under such agreement. Disbursement actions under Compacts and other agreements are controlled by conditions precedent or other operating requirements in the disbursement agreement and other implementation-related documents and agreements. The decision by MCC not to disburse or to defer disbursement or take other action in response to a particular disbursement request because one or more conditions precedent have not been met is neither a suspension nor a termination of the Compact or other agreement without a separate affirmative decision to suspend or terminate as set out in the preceding paragraph.

Timing & Procedures

Annual Selection Process to Determine Eligible Countries:

In the event that an MCA-Eligible country is not selected by the Board during a subsequent selection process due to policy slippage (as described in paragraph 2 of the previous section), the CEO, in full consultation with Board Members and agencies, may make a recommendation to the Board to suspend or terminate (or cease due diligence or negotiations related to) an existing Compact or 609(g) agreement with the country without warning.

Other Termination Events:

If MCC believes that there has been a national security issue, policy slippage or breach of agreement as described in the previous section with respect to a country at any time, the following procedures will be followed:

1. *Activities Contrary to the National Security Interests of the United States.* Following a formal determination by the U.S. Government (i.e., by the President or Secretary of State) that a country has taken action or engaged in activities contrary to the national security interests of the United States or if a recommendation is made to MCC by another element of the U.S. Government (including by the National Security Council or the U.S. Department of State) to take action vis-à-vis MCA eligibility or assistance, the CEO, in full consultation with Board Members and agencies, will make a recommendation to the Board within 5 days of learning of such determination or receiving such recommendation. Following a Board decision, the CEO shall take any necessary follow-on action, such as termination of eligibility status or full or partial suspension or termination of assistance under a Compact, 609(g) grant agreement or Threshold agreement, as applicable.

2. *Pattern of Actions Inconsistent with MCA Selection Criteria.* If MCC believes that there is evidence of policy slippage which presents potentially sufficient grounds for warning, suspension or termination, a detailed report will be submitted by appropriate MCC staff to the Investment Committee for a recommendation to the CEO within 5 working days on possible warning, suspension, or termination. Within 5 working days of receipt of such recommendation, the CEO will determine whether the evidence warrants action or, alternatively, remand the matter to appropriate MCC staff for further investigation and/or review. If the CEO determines that further action is warranted, the CEO, in full consultation with the Board Members and agencies, will make a recommendation to the Board and, following a Board decision, take necessary follow-on action, which may include a warning, full

or partial suspension of assistance, or full or partial termination of assistance and/or eligibility status.

3. *Failure to Adhere to Responsibilities under a Compact, 609(g) Grant Agreement or Threshold Agreement.* If MCC believes that a country has failed to adhere to its responsibilities under a Compact or 609(g) grant agreement, MCC's Vice President for Country Programs, Vice President for Markets and Sector Assessments, Vice President for Monitoring and Evaluation and/or Vice President and General Counsel may bring the matter to the Investment Committee with a recommendation for action. The Investment Committee will, within 5 days, make a recommendation to the CEO. Within 5 working days of receipt of such recommendation, the CEO will determine whether the evidence warrants action or, alternatively, remand the matter to appropriate MCC staff for further investigation and/or review. If the CEO determines that further action is warranted, the CEO, in full consultation with the Board Members and agencies, will make a recommendation to the Board to take necessary follow-on action, which may include a warning, full or partial suspension of assistance, or full or partial termination of assistance and/or eligibility status.

If MCC believes that a country has failed to adhere to its responsibilities under a Threshold agreement, the CEO, in full consultation with USAID (as implementing agency), Board Members and agencies, will determine whether to take necessary follow-on action, which may include a warning, full or partial suspension of assistance, or full or partial termination of assistance and/or eligibility status.

Potential Actions:

Warning:

The CEO may make a formal warning in writing to the country of a potential termination or suspension of eligibility or assistance, citing actions or facts and indicating *corrective measures* that MCC will require the country to take in order to avoid suspension or termination of eligibility or assistance, along with a specified time period within which actions must be taken. The CEO shall consult with Board Members prior to issuing a warning and will inform the Board after any such warning that is given. In the case of a country that has taken actions contrary to the national security interests of the United States, it is unlikely that a warning will be sufficient.

Suspension:

If the Board, upon the recommendation of the CEO in full consultation with the Board Members and agencies, makes a determination to fully or partially suspend assistance or eligibility for assistance, or to suspend the relevant Compact, the CEO, on behalf of the Board, will notify the country in writing of such suspension. This notification will (i) identify the specific reason(s) for the suspension and (ii) outline corrective measures or conditions required to resume eligibility or assistance, which may include a specified time period within which actions must take place. Assistance under a Compact, 609(g) grant agreement or Threshold agreement or ongoing negotiations for assistance thereunder will be suspended as of the date of such notification.

Termination:

If the Board, upon the recommendation of the CEO in full consultation with the Board Members and agencies, makes a determination to fully or partially terminate assistance or eligibility for assistance, or to terminate the relevant Compact, the CEO, on behalf of the Board, will notify the country in writing of such termination, which notification will identify the specific reason(s) for the termination. Once terminated, a Compact, 609(g) grant agreement or Threshold agreement may no longer be implemented with MCC funding.

Reinstatement:

The Board may reinstate assistance or eligibility for a country that was subject to a suspension or termination upon the recommendation of the CEO, in full consultation with Board Members and agencies, that the country or entity has taken corrective action or has demonstrated a sufficient commitment to correcting each condition for which assistance was suspended or terminated.

Congressional Notification:

MCC will notify Congress in writing by submitting a Report to include the cause for suspension or termination of assistance or eligibility for assistance under a Compact, 609(g) grant agreement, or Threshold agreement no later than 3 days following such action taking place.

Annex A

Summary of MCA Selection Criteria

Ruling Justly:

1. **Civil Liberties:** freedom of expression, association and organizational rights, rule of law and human rights, and personal autonomy and economic rights.

2. **Political Rights:** the prevalence of free and fair elections of officials with real power; the ability of citizens to form political parties that may compete fairly in elections; freedom from domination by the military, foreign powers, totalitarian parties, religious hierarchies and economic oligarchies; and the political rights of minority groups.

3. **Voice and Accountability:** institutions' ability to protect civil liberties, extent of citizen participation in government selection, and media independence.

4. **Government Effectiveness:** quality of public service provision, civil service competency and independence from political pressures, and the government's ability to plan and implement sound policies.

5. **Rule of Law:** the extent to which the public has confidence in and abides by rules of society; incidence of violent and non-violent crime; effectiveness and predictability of the judiciary; and the enforceability of contracts.

6. **Control of Corruption:** the frequency of "additional payments to get things done," the effects of corruption on the business environment, "grand corruption" in the political arena and the tendency of elites to engage in "state capture."

Encouraging Economic Freedom:

1. **Country Credit Rating:** perceptions of a country's risk of default.

2. **Inflation:** a government's commitment to sound monetary policy.

3. **Fiscal Policy:** a government's commitment to fiscal balance (as measured by overall budget deficit divided by GDP, averaged over a 3 year period).

4. **Days to Start a Business:** how many days it takes to open a new business and barriers to entry.

5. **Trade Policy:** a measure of a country's openness to international trade based on average tariff rates and non-tariff barriers to trade.

6. **Regulatory Quality Rating:** the burden of regulations on business, price controls, the government's role in the economy, foreign investment regulation and many other areas.

Investing in People:

1. **Public Expenditure on Primary Education:** Government investments into Primary Education as measured by total expenditures by government at all levels on primary education divided by GDP.

2. **Public Expenditure on Health:** Government investments into health by total expenditures by government at all levels on health divided by GDP.

3. **Girls' Primary Completion Rate:** investments into girls education as measured by the number of female students completing primary education divided by the population in the relevant age cohort.

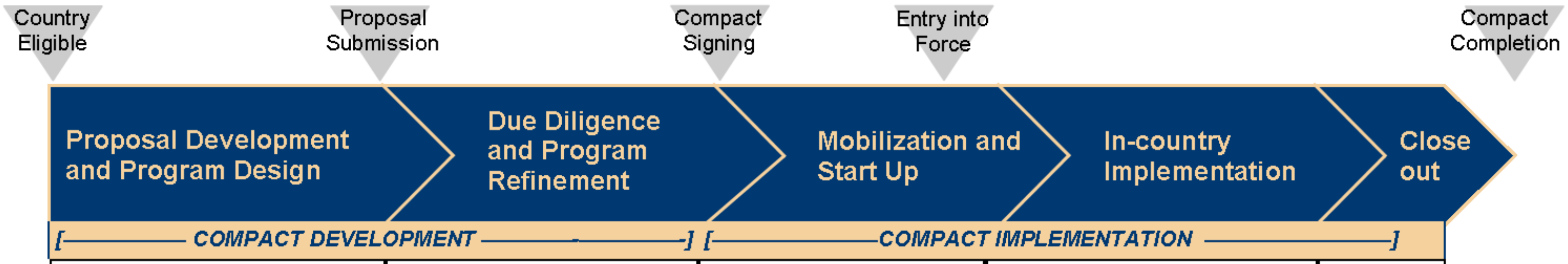
4. **Immunization:** investments into immunizations measured by the average of DPT3 and measles immunization rates for the most recent year available.

Chapter 8:

Phases of an MCC Compact

Reducing Poverty Through Growth

PHASES OF AN MCC COMPACT



Proposal Development and Program Design	Due Diligence and Program Refinement	Mobilization and Start Up	In-country Implementation	Close out
i. Designate MCC Point of Contact and establish a Core Country Team ii. Conduct Economic Constraints Analysis iii. Begin Consultative Process iv. Based on ii. and iii., identify possible compact components to propose v. Identify Beneficiaries for each project/program vi. Develop preliminary monitoring and evaluation plan vii. Conduct preliminary feasibility studies viii. Economic analytics (financial and opportunity cost-benefit and ERR) ix. 609 g funding as needed x. Country submits compact proposal	i. MCC submits Opportunity Memo to begin due diligence ii. MCC conducts due diligence: * Economic impacts * Environmental and social risk * Alternative solutions * Proposal development process iii. Implementation Planning * Procurement process * Accountable entity * Banking/ funding * Strengthen monitoring and evaluation plan iv. US congressional notification and briefing v. Final Compact Negotiations (MCC and Country) vi. MCC submits Investment Memo to Board for Compact Approval vii. MCC notifies Congress	i. Finalization of legal documents ii. Compact signing iii. Staffing up Accountable Entity iv. Negotiation of Audit and Marking procedures v. Entry into Force of the Compact vi. Collect baseline data for monitoring and evaluation plans vii. Initial disbursement viii. Secure fiscal agent, procurement agent, and contractors	i. Compact's provisions in full force and effect in the country ii. Quarterly Progress Reports iii. Procurement Performance Reports iv. Financial Reports	

Chapter 9:

Overview of the Compact Process

MILLENNIUM CHALLENGE CORPORATION ★ UNITED STATES OF AMERICA ★
MCC

Reducing Poverty Through Growth

Overview of the Compact Process

Last updated: December, 2006

This collection of documents is intended to provide guidance for countries selected as eligible for MCC Compact assistance on the Compact development process and MCC expectations and requirements during Compact implementation.

We ask that countries develop a Compact proposal with some key principles in mind:

- **Poverty Reduction through Economic Growth:** MCC's goal is to support programs that will focus specifically on reducing poverty by making investments that stimulate sustainable economic growth. While MCC does not instruct countries regarding which sectors to invest in, we do ask that these investments address key constraints to economic growth and stimulate economic opportunity.

  MCC believes a country's development is sustainable only if aid is eventually replaced with economic activity and investment led by the private sector. MCC's role is meant to be transformational and transitional as assistance is replaced by private capital flows.

- **Reward Good Policy:** MCC countries were selected to participate based on their performance in governing justly, investing in their citizens, and encouraging economic freedom. Backed by lessons learned from development practice, MCC believes good policies promote an environment for sustainable economic growth and poverty reduction, and thus for MCC investment. MCA countries must maintain their relatively good policy performance on the selection criteria to remain eligibile for MCC assistance. Policy improvements may also be needed to achieve the objectives of an MCC investment.

- **Partnership and Country Ownership:** MCA countries are asked to demonstrate leadership and a high level commitment through full ownership of the MCC Compact process. Working closely with MCC, MCA countries will be responsible for identifying the greatest barriers to their own development, ensuring civil society participation, and developing an MCA program.

- **Focus on Results:** MCC assistance will go to those countries that have developed well-designed programs with clear objectives, benchmarks to measure progress, procedures to ensure fiscal accountability for the use of MCC assistance, and a plan for effective monitoring and objective evaluation of results. Programs are designed to enable sustainable progress even after the funding under the MCA Compact has ended.

Phases of MCA Compact Development and Implementation:

Each MCA country will work to develop and enter into a Compact with MCC that includes a multi-year plan for achieving development objectives and identifies the responsibilities of each partner in achieving those objectives.

Phase I: Proposal Development and Program Design

The documents contained in Phase I provide guidance on the steps an eligible country needs to take to develop a proposal for Compact program. During this phase, countries are requested to undertake the following steps:

- Identify a full-time point of contact (POC) to lead the country's program development process and to manage its day-to-day relationship with MCC.

- Take the necessary steps to build a country team led by the POC that is empowered to run the MCA process, enjoys a high level of political commitment, and has access to senior officials so that it can quickly make decisions and stay actively engaged. Countries that have assigned personnel full-time to the MCA process and have dedicated financial and administrative resources have developed their proposals and moved to Compact faster.

- Conduct a constraints analysis to identify the conditions that impede growth and sustain poverty and develop a framework that will focus domestic discussions on what programs would best ease constraints to growth and poverty reduction.

- Initiate a timely, participatory and meaningful consultative process with the country's civil society, non-governmental organizations and private sector in order to further discuss key constraints to economic growth and poverty reduction, as well as priority activities to help address such constraints.

On the basis of these activities, the country will provide MCC a Compact proposal describing a program of activities for MCA funding. The key milestone in Phase I is the submission of this proposal to MCC.

In some cases, countries may require assistance for Compact development. MCC can offer limited financial assistance, when justified, for such purpose.

Phase 2: Due Diligence and Program Refinement

The documents contained in this section provide guidance for the due diligence and program refinement stage. Once a country has submitted a proposal for MCC funding, MCC will build a Transaction Team (TT) of relevant MCC staff and technical experts to provide guidance and feedback with respect to MCC objectives, standards and requirements. The transaction team will also work with the country to refine the proposal, when necessary, and at the appropriate time will ask MCC to authorize resources for a full "due diligence" review of the activities proposed.

Once due diligence is authorized, MCC staff will carry out an in-depth review of the country's proposal and the process used to develop it. At a general level, due diligence may address issues related to the country's strategy for economic growth and poverty reduction; the consultative process; coordination with other donors; plans for policy reform; fiscal accountability; and environmental and social safeguards. For each component of the proposal, the transaction team will conduct due diligence on technical, economic and environmental feasibility as well as on implementation issues and sustainability. MCC will also assess the proposal to estimate its distributive impact on potential beneficiaries as well as to analyze the economic rate of return. MCC will look for significant and measurable increases in incomes of the poor and significant reductions in poverty as a result of successful implementation of the proposed program.

During this process of evaluation, MCC will work with, and may provide support for, the refinement of the program and its components. When appropriate, MCC will notify the U.S. Congress of its intent to enter into negotiations with the country regarding the terms of a Compact. Phase 2 draws to a close when MCC and the eligible country have reached agreement, received the approval of the MCC Board of Directors, and sign a Compact.

Phase 3: Mobilization and Start up

The documents relating to this phase provide guidance on the steps necessary for a Compact to "enter into force" and for its implementation to begin. During this phase, a country must establish and staff an Accountable Entity which will be responsible for the implementation of the Compact activities, develop the proper systems for financial control and oversight, finalize the post-Compact legal documentation requirements, and conclude detailed project planning.

Fiscal and procurement agents are mobilized as soon as possible. The Accountable Entity and the selected agents will typically execute contracts for such services as necessary. The fiscal and procurement agents will begin work with the Accountable Entity to establish financial and reporting systems, develop standard bidding documents, and begin work on any procurement activities as may be required prior to entry-into-force of the Compact. The Accountable Entity further develops and concludes detailed work plans.

During this phase, the MCC legal team and the country legal counsel finalize all legal documentation, including post-Compact agreements such as the disbursement agreement, necessary for Compact to enter into force. Other than a small portion of the funds specifically designated for use before Compact's entry into force, it is only after a Compact has entered into force that the first disbursement of the funds under the Compact can be made. Entry into Force marks the end of Phase 3.

Phase 4: Implementation

The documents contained in this section provide guidance for the implementation of a compact. During this phase, the Accountable Entity is responsible for overseeing implementation, tracking progress in implementation and towards poverty reducing outcomes, making regular financial and activities reports to the MCC, and keeping the public informed about Compact progress.

Chapter 10:

Overview of Proposal Development Phase

MILLENNIUM CHALLENGE CORPORATION ★ UNITED STATES OF AMERICA ★
MCC

Reducing Poverty Through Growth

Overview Phase I: Proposal Development and Program Design

Last updated: November, 2006

The process of developing a proposal for MCA funding is intensive and rigorous, and is likely to take months of cooperative, hard work. The documents that follow this overview provide guidance on what is expected as an eligible country develops a Compact program proposal and requests MCA funding. The first steps that a country will need to undertake are:

1. Identify a full-time point of contact (POC) to lead the country's program development process and to manage its day-to-day relationship with MCC.
2. Conduct an analysis of needed financial and administrative resources to build a full-time core team, carry out necessary research, contract outside assistance, and develop the proposal.
3. Identify a core team (led by the POC) that is empowered to run the MCA process, enjoys a high level of political commitment, and has access to senior officials so that it can quickly make decisions and stay actively engaged. Countries that have assigned personnel full-time to the MCA process and have dedicated financial and administrative resources have developed their proposals and moved to Compact faster. See "Characteristics of a Core Team" for details.
4. Conduct a constraints analysis to identify the conditions that impede growth and sustain poverty. This analysis is not meant to define responses that would then be funded by MCC, but rather to develop a framework that will focus domestic discussions on what programs would best ease constraints to growth and poverty reduction. "Guidelines for Conducting Constraints Analysis" provides details on this step of the process.
5. Carry out a timely, participatory and meaningful consultative process with the country's civil society, non-governmental organizations and private sector in order to identify key constraints to economic growth and poverty reduction, and priority activities to help address such constraints. Such consultation should be ongoing as the country's Compact proposal is developed and continue throughout the implementation phase. This step is described in "Guidelines for Conducting a Consultative Process."

Based on the results of the consultative process, the country will put together a proposal for submission to MCC. The proposal should ensure that gender considerations are integrated into the design of the program (see "MCC Gender Policy"). The country should also coordinate with other donors during the proposal development stage in order to avoid duplication and promote complementary efforts where appropriate (see "Donor Coordination Guidelines").

MCC and its partner countries have learned many lessons about designing an effective Compact. These have been compiled in the guidance document entitled "Best Practices in Compact Development." The key elements of a Compact proposal are summarized in a separate document ("Elements of a Compact Proposal"). MCC recognizes that there may be a need for funding for Compact development and implementation activities, and can offer limited financial assistance, when justified, to facilitate such activities. Details on how and when this assistance can be provided are contained in "Assistance for 609(g) Compact Development Funding."

Chapter 11:

Characteristics of a Core Team

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MCC
UNITED STATES OF AMERICA

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Characteristics of a Core Team

The necessary characteristics of an MCA Country Core team

Last updated: November, 2006

One of the lessons learned by MCC from the first Compacts is that early identification of an MCA main Point of Contact (POC) to lead the eligible country's program development process, and establishment of a country core team, is integral to concluding a quality Compact quickly. The POC and core team must be empowered to run the process, enjoy a high level of political commitment, and have access to senior officials who can quickly make decisions and stay actively engaged.

The POC should be assigned full-time to the MCA process. The POC will need dedicated financial and administrative resources to carry out a timely, participatory and meaningful consultative process and to coordinate technical program design. This individual should have a clear mandate to develop the program, delegated authority to make some decisions, possess the skills and mandate to manage cooperation by relevant Ministries, coordinate with existing donors, and build and implement a strategy for public consultation. The POC will need to access resources from Ministries, projects, the private sector, etc., as Compact development and program design is the responsibility of the MCA country core team and not MCC. Successful MCA countries have allocated a budget of between $500,000 and $2 million for their core teams. It is likely that the MCA country core team will change over time as the Compact development process progresses and probably will be comprised of both full time and part time resources.

In addition to the POC, MCC believes that the most effective MCA country core teams will initially comprise at least the following elements:

Outreach/Participation Coordinator:

This person develops and implements a strategy for public consultation on the MCA program so that there is a timely, participatory, and meaningful consultative process. This person should have experience with building participatory processes for development programs and experience working with a broad range of society representing civil society, the private sector, women, rural and urban poor and other key constituencies. These functions can be outsourced if the specialized skills are available in the market.

Economist/Development Expert:

The country core team should include one or more individuals that will organize and facilitate the constraints analysis, build the economic logic of the program, conduct economic analysis of the program concepts, and demonstrate how the program will lead to poverty reduction through economic growth. Such person(s) should ensure that measurement for results is fully integrated into program development, that the potential economic rate of return is analyzed coherently, and that program and project goals and expected results, and how they will be measured, are all set forth clearly.

Monitoring and Evaluation Expert:

The country core team should include a Monitoring and Evaluation (M&E) expert who will work closely with the team economist. This country core team member will be ultimately responsible for formulating the M&E Plan and for refinement of the program logic, identification of performance indicators and appropriate baseline data, setting indicators targets and working with the entity responsible for collecting data, monitoring results and evaluating performance.

As program design progresses, the MCA country core team will need to access specialized resources related to the specific program components before proposal submission as well as during the due diligence phase. As priorities emerge from the consultative process and projects are designed to stimulate poverty-reducing economic growth, the POC will need to identify the following experts to participate as country core team members:

Environment/Social Impact Expert:

The country core team should include an individual who understands the country's environmental regulations and requirements, who has experience conducting or reviewing environment and social impact assessments, and who can work with the MCA country core team to ensure that environmental and social/gender considerations are factored into the design, feasibility, timing, and cost of the Compact proposal. Experience has shown that it is sometimes difficult to identify individuals with both environment and social/gender impact expertise. If this is the case, MCC recommends that the core team consist of either two experts with complementary skills or that environment or social/gender expertise is captured in another core team member's skill set.

Legal/Financial/Procurement Experts:

Legal, financial management, and procurement expertise will be required at various stages of the process to integrate adequate planning for Compact negotiation and implementation. Early identification of experts that will remain committed throughout the process, even on a part-time basis, will enable the team to build a program proposal likely to be negotiated successfully and implemented expeditiously thereafter.

Technical/Sector Experts:

The priorities that emerge from a consultation process focused on activities to reduce poverty through economic growth will determine the type of technical and sector expertise the country core team will need to complete a detailed program proposal. As the program elements are defined, the POC and MCC should identify and bring on board the technical expertise needed to supplement the country core team.

Chapter 12:

Guidelines for Conducting a Constraints Analysis

MILLENNIUM CHALLENGE CORPORATION
MCC
UNITED STATES OF AMERICA

Reducing Poverty Through Growth

Guidelines for Conducting a Constraints Analysis

Conducting a Constraints Analysis for use in MCA Compact Development

Last updated: November, 2006

Background

The MCC was designed to provide assistance in a manner that promotes economic growth and reduces poverty. To ensure that MCA funds are used to this end, it is essential that newly eligible countries and the MCC share a common understanding of the fundamental issues that impede growth and sustain poverty. Thus, the first step in the proposal development process is for countries to undertake a critical assessment of the conditions in the domestic economy that limit private investment, both foreign and domestic, that will generate economic growth and poverty reduction.

The purpose of this "Constraints Analysis" is to identify the root causes that deter households and firms from making investments of their financial resources, time, effort, or goods that would significantly increase their incomes and economic well-being. The Constraints Analysis is not intended to dictate specific responses to be funded by the MCC, but rather to provide a framework that will help focus domestic deliberations on appropriate programs that will ease those constraints.

Countries will be responsible for undertaking this analysis in a manner that is consistent with the guidance provided by the MCC, preparing a report and discussing the findings with the MCC. These discussions will result in a joint framework, accepted by both MCC and country counterparts, regarding domestic priorities to generate more rapid growth for poverty alleviation.

The constraints identified in this analysis should be fundamental causes rather than symptoms. For example, discussions regarding the root causes of rural poverty often rightly describe "low productivity in rural areas" as a factor related to low incomes; this constraints analysis, however, is intended to identify the core constraints that generate this outcome. Possible fundamental constraints that lead to low productivity in rural areas include poor roads, low levels of human capital, poorly defined property rights, and excessive risk. Similarly, discussions regarding the lack of dynamism within the domestic private sector often lead to the designation of "inadequate access to finance" as the problem, but stop short of identifying the root causes of a financial system unable to deliver private capital efficiently and effectively; possible root causes might include policies that limit or distort competition in the banking sector, systemic institutional weaknesses within banks that curtail their ability to identify potential borrowers, low domestic savings rates, or macroeconomic phenomena that raise the domestic cost of capital and limit the number of profitable lending opportunities.

In practice, the Constraints Analysis should identify a fairly small number of core impediments to growth[1]. It is important that this analysis does not simply produce an exhaustive list of all possible economic concerns, but rather identifies the ones that represent the most binding constraints to growth. Constraints might include, but are not limited to the following:

- inadequate and inefficient investment in critical public goods, such as transportation infrastructure;
- inadequate and inefficient investment in human capital, including health and education services;
- specific government policies that distort or undermine incentives to private sector investment;
- the lack or limited effectiveness of government institutions that are needed to support private economic activity;
- instability in the macroeconomic environment; and
- a country's environmental and geographic realities.

The Constraints Analysis should be undertaken with the understanding that the country's proposal to the MCC – developed through a national consultative process – should focus on reducing or eliminating these core impediments to growth.

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[1] While the number of core impediments to growth will vary by country, the CA exercise described here should be recognized as an effort to heighten the focus on the most critical barriers to investment, job creation, and economic growth. Recognizing the need to remain flexible in its guidance to the country CA Team, the MCC suggests that the CA report focus on the 3-6 most important binding constraints.

Guidelines for Conducting a Constraints Analysis

The Constraints Analysis represents the first responsibility for eligible countries as they enter into the MCA process. Successfully managing the process should produce a solid foundation for the expeditious development of a proposal that addresses country priorities and is consistent with the MCC's institutional mandate. There are four specific stages to the Constraints Analysis process, which is expected to take 1-3 months:

1. Identification of CA Team Leadership.

The Constraints Analysis will be managed by country experts, and the process cannot begin until the core leadership of the process has been finalized. While countries have the responsibility for identifying a small group of core leaders (ideally between 3-5 members) from any government and non-government institutions (including the private sector), the MCC strongly advises countries to staff this CA leadership team with individuals who possess strong and relevant technical skills and who command broad domestic credibility. Without prejudicing selection, the MCC suggests that appropriate CA leaders might include:

- senior staff from the Ministry of Finance, Planning and/or Trade or the Central Bank;
- senior economists from academia, think tanks and government; and
- leaders from the private sector, including possibly leaders from chambers of commerce and other broad multi-sectoral business membership organizations.

Note that this short menu of possible leadership candidates is not meant to be exclusive, and countries are welcome to pull from other fields, as well. But the menu highlights the economic nature of this endeavor, and country leadership of the CA process should possess the requisite technical background to *lead* what will undoubtedly be a larger and more diverse CA team.

2. Planning discussion between CA Team Leaders and MCC.

Following the final identification by the country of its CA Team Leaders, a small MCC delegation will meet with them in country to discuss the technical details of the Constraints Analysis. This discussion will generate a mutually accepted terms of reference for the Constraints Analysis, including a list of questions to be addressed and a non-exhaustive list of materials to be considered. The discussion will also include the CA Team Leaders' list of other potential team members. While the final selection of the CA Team will rest with the CA Team Leaders, MCC representatives may provide input and may suggest additional candidates for consideration. The final list of invited team members should be kept to a manageable size, and while the CA Team Leaders should have some discretion in the composition, it is likely that the group will number somewhere between 10 and 20 members, including the CA Team Leaders.

3. Conduct of Constraint Analysis.

The CA Team Leaders will assemble the CA team to undertake the analysis. The 3-5 day sessions should be scheduled to enable as many of the invited team members to participate as possible, but should not be unduly delayed as a result of scheduling conflicts. The sessions should also be scheduled after sufficient time has been given for the members to review and absorb the relevant background materials. While MCC expects that the full country team will be comprised of country nationals, CA Team Leaders may have grounds to make exceptions, and certainly there would be opportunities for the CA Team to benefit in its deliberations from the use of international resource people. Following the completion of the deliberations, the CA Team Leaders will be responsible for ensuring that a draft report, no more than 20-pages in length, is written and circulated among the CA Team Members (the principal authors may be from the full team, from the leadership, or a consultant or staff tasked specifically with drafting the results). The final draft of the Constraints Analysis need not have full consensus from the team, but should provide an opportunity for Team Members to sign in support or provide a dissenting view on part or all of the CA report, and these views should be provided as an appendix to the report.

4. Development of a Joint Framework.

Following completion of the Constraint Analysis, the MCC team will return for discussions on the findings, and will work with the CA Team to develop a document that establishes a framework to guide the country's development of its MCC proposal. Discussions with the MCC team may lead to a sharpening of focus from the Constraints Analysis (reflecting a difference between issues considered to be core constraints by the CA Team but considered not pertinent to the development of a proposal by the MCC team) or a broadening of the list of core constraints (reflecting the identification of constraints by the MCC team for consideration in the proposal development process that were not mentioned or downplayed by the CA report).

C. Sources of Information

The results of the Constraints Analysis will need to be driven and carefully supported by data and available studies and evidence. Sources of information to be referenced will include:

- macroeconomic indicators from government agencies and the IMF,
- national and global surveys, including household surveys and studies of the domestic business climate, such as the Doing Business Indicators and the Global Competitiveness Report; and
- recent PRSP documents, or other donor or national strategic assessments recently undertaken.

While the recent and successful completion of such assessments may inform and expedite the Constraints Analysis, the existence of such documents does not eliminate the need to undertake the process as described above.

Constraints analysis should also involve receiving input from key stakeholders. For example, if agriculture is an important sector for the economy, individuals involved in agricultural transport, finance, processing, and marketing should be consulted regarding the difficulties they face. Similarly, if financial intermediation appears to be inefficient, the CA process should be structured to include representatives of private sector financial institutions. Investigation of constraints on foreign investment should involve consultation with current and potential investors. The CA Team, however, will be tasked with analyzing the full information set from all of these sources and ensuring that no narrow private interests are represented as broader public interests within the CA report.

Chapter 13:

Guidelines for Conducting a Consultative Process

MILLENNIUM CHALLENGE CORPORATION
MCC
UNITED STATES OF AMERICA

REDUCING POVERTY THROUGH GROWTH

Guidelines for Conducting a Consultative Process

Overview and Guidelines:
Conducting a Consultative Process through Compact Development and Implementation

Last updated: November, 2006

The Millennium Challenge Corporation (MCC) is committed to the consultative process as a key driver of Compact development and successful Compact implementation. Development literature and the experience of practitioners confirm that public participation results in programs that better reflect national priorities and have a higher likelihood of success. In addition, the legislation establishing MCC requires that "in entering into a Compact, the United States shall seek to ensure that the government of an eligible country (1) takes into account the local-level perspectives of the rural and urban poor, including women, in the eligible country; and (2) consults with private and voluntary organizations, the business community, and other donors in the eligible country."

The inclusion of a consultative process not only improves the design of a Compact, but is also a method of reinforcing MCC's commitment to the founding principle of development that is accountable to the people. Countries selected for MCA Compact eligibility have already demonstrated commitment to accountable government, as measured by the Ruling Justly indicators. MCC believes that a Consultative Process is a way to extend that commitment through the Compact development and implementation process.

This document is designed to provide MCA Compact-eligible country partners with an overview of how consultations can be integrated into Compact development and implementation, to outline the core components of a Consultative Process, and to explain MCC's expectations with regards to this process. This document does not reflect a change in MCC's guidance on consultations, but rather a deepening and clarification of the previous guidance document which has been directly integrated into this document. MCC recognizes that guidance on this process should evolve as a result of lessons learned in MCC countries.

MCC believes a country's development is sustainable only if development aid is eventually replaced with economic activity and investment led by the private sector. MCC's role is meant to be transformational and transitional as MCC assistance is replaced by private capital flows.

Defining a "Consultative Process"

For MCC's Compact development process, a "consultation" is a two-way communication about Compact proposal development and implementation that occurs between the appointed MCA entity or core team, and any stakeholder. A "Consultative Process" is a series of consultations that have been strategically organized to provide and collect information from stakeholders regarding the ideas for proposal development or Compact implementation.

This process is intended to serve as a way for the country government, through the MCA entity, to do two things: gather information from the public in a way that strengthens the design and effectiveness of the Compact and eventual implementation, and share information with the public in a way that strengthens Compact accountability. It is not intended to be a substitute for economic analysis or government decision-making, but rather a complementary tool that informs those processes by gathering first-hand information about poverty and economic conditions.

The Consultative Process is, at its roots, a strategic undertaking. Therefore, the first step in a Consultative Process for any MCA-entity will be to establish an overarching strategy, a plan, for Consultations. Based on the results of the Economic Constraints Analysis (see Guidelines for Conducting Constraints Analysis), MCC asks countries to draft an overarching plan for gathering the public input and developing the public trust needed to develop a proposal and to implement effective compact components. This strategy would likely include a stakeholder analysis (explanation of which actors or groups need to be consulted as possible beneficiaries, participants, issue advocates, or groups directly affected by the action under consideration), an overview of the methods that would be used, an overview of the types of information that will be discussed with each group, and a basic timeline. Because MCC believes that consultations must be well organized to be useful, we ask countries to share this strategy with us before it is implemented. Countries should feel free to work with NGOs, private sector firms, or other groups with experience in consultative processes for guidance on a consultation strategy.

MCC recognizes that each country is unique and should develop a consultation strategy that best suits its environment. To date, eligible countries have used a number of ways to stimulate participation in proposal design or Compact implementation including:

- Information dissemination through television, radio, the internet, and newspapers
- Public awareness/information campaigns using local organizations
- Inter-active discussions at town hall meetings, speaking tours, round-table discussions, and question and answer sessions
- Information gathering through direct discussions and focus groups
- Requests for written input (letters and public comments) which can be compiled and analyzed
- Consultations through existing representative bodies such as "development councils"
- Project level consultations with stakeholders directly affected by the proposed projects
- Discussions with donors active in the country to ensure that the proposed Compact will complement existing donor programs

An effective Compact requires different types of information and public awareness at different points in time. Consequently, the participants in a consultation change over time. For example, broader constituencies may be consulted early in the process while smaller stakeholder groups give input to specific interventions at later stages. Depending on where a country is in the Compact process, MCA representatives might choose to consult with civic actors, legislative or local government bodies, private sector companies, professional associations, technical experts, labor unions, business associations, religious groups, gender-focused organizations, diaspora groups, universities, or loosely organized citizen groups, among others. For their part, organizations that participate in the process must realize that being consulted does not mean that a given organization's proposed project or particular point of view will necessarily be included or reflected in the final proposal.

In the long run, participation should be formally integrated into the implementation of a Compact as well. To achieve this, MCC Compact countries have set up different mechanisms for consultation such as incorporating rotating or permanent civil society/private sector representation on MCA governing structures; establishing Public/Private Advisory Boards; and encouraging public participation in monitoring.

Consultative Process in the Context of a Compact

The topic of consultation and participants vary over the course of Compact development and implementation if they are to be useful, however, the nature of these consultations, will not change. Successful consultative processes are participatory, timely and meaningful, as described below:

- *Consultations are Participatory*: Communication should be two-way. The MCA core group or entity both provides and collects useable information at every consultation. This necessitates the involvement of a range of stakeholder groups representing different sectors and perspectives as appropriate for the phase of consultation.
- *Consultations are Timely*: Through consultation, participants are sufficiently informed about the Compact process to know how decisions have been (or will be) made, how and when they can participate in the discussion, and what issues are presently under discussion. They begin early enough to solicit useful input, and to manage public expectations about the Compact, and are ongoing throughout the Compact development and implementation.
- *Consultations are Meaningful*: The MCA core group or entity gets the information it needs as a result of consultations and is able to use it to inform their understanding of the potential economic and poverty impacts of potential Compact components, and to make decisions on maximizing that impact. (As part of its due diligence, MCC will ask core teams how they gathered and made use of this information.)

The MCC Compact development and implementation process may be most easily thought of as having four distinct phases. While these characteristics remain constant, the actual activities that occur will vary by phase. Two phases occur before Compact signing (1. Proposal Development and Program Design, and 2. Due Diligence and Program Refinement), and two occur after Compact signing (3. Mobilization and Start-up, and 4. In-Country Implementation).

Tailoring consultations to each specific phase enables the populations that may benefit from a Compact to describe economic obstacles as they experience them, discuss potential solutions that would work in a local context, highlight flaws in previous efforts to address these challenges, debate the technical requirements of new proposals, and provide feedback about the impact of a Compact component as it is implemented. It also provides the government with a forum in which to explain what decisions have been taken and why. This type of evolving public participation in national policy debate is not only a core part of accountable government, but MCC believes it is the best foundation on which to build a successful Compact.

Phase 1 - Proposal Development and Program Design

A. Identifying economic obstacles with broad impact

In this first stage of Compact Development, an eligible country takes a number of sequential steps: 1) it appoints its core team; 2) identifies core constraints to growth; and 3) begins consultations. If a PRSP or National Development Strategy already exists, a decision is taken as to how to draw from it for Compact development purposes, including the Constraints Analysis and the Consultative Process.[1] The priorities expressed through a PRSP can be drawn on during the Constraints Analysis, or it may be useful to identify priorities from the PRSP using the findings of the Constraints Analysis. In either case, the two processes are highly complementary, but one does not substitute for the other.

The results of a constraints analysis invariably point to issues which affect many sectors of the population. Based on these findings, a first set of consultations is conducted quite broadly. These would include, but are not limited to domestic and international private sector actors; the urban and rural poor; gender-focused organizations; civic actors representing social development issues; donor agencies; and citizen associations of various types.

At this point, each consultation has two main purposes:

1. *Explain* the Compact development and decision making processes to interested stakeholders so that they will know how and when they can and cannot participate in the Compact development process, how their views will be sought, and how decisions will be made; and
2. *Gather information* about various groups' experience of the constraints to economic growth as defined by the constraints analysis (including

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[1] The legislation establishing MCC requires that "the Compact should take into account the national development strategy of the eligible country." Also see MCC guidelines on conducting a constraints analysis for further information.

prioritization and recommended solutions) so that it is possible to determine the way these these obstacles affect growth, poverty, and livelihoods.

MCC recognizes that gender inequalities are a significant barrier to economic growth and therefore asks its country partners to locate and make use of in-country gender expertise to ensure that consultations capture both genders' experience of economic conditions. Because traditional gender roles not only complicate the manner in which women are affected by a Compact, but also the way they can participate in a public discussion, it is important to use local gender expertise to ensure consultations gather information from both gender's perspectives.[2]

The private sector also has a very important role to play in defining the key constraints to growth. As outlined in the constraints analysis guidance, it is very important the key private sector leaders are involved in articulating what the key constraints to growth are in the partner country.

B. Identify solutions to propose as Compact components

The information gathered in these consultations should shape the MCA core team's framework for further consultations and identification of potential program areas. As priority obstacles become apparent, the core team will work to identify possible solutions to these obstacles as well as opportunities that could stimulate investment and growth. At this point, the purpose of these consultations is to gather the kind of experiential information that is needed to identify solutions to the core obstacles – these solutions will form the basis of the proposed Compact components. Discussions should also be had about the sectors driving growth in the economy and opportunities for increasing country competitiveness. These consultations would continue to take place with core stakeholders (sectors of society that are most directly affected by, or most directly able to affect, the shortlist obstacles) including specific population groups; issue specific experts or NGOs; political and private sector leaders; and the donor community.

Given this diversity of stakeholders, the core team will likely want to focus conversations with each group on aspects of the constraint and/or opportunity about which they are most knowledgeable. For example, if the MCA core team is exploring the fact that low return on urban capital investments is at least partly due

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[2] See *MCC Gender Policy: The MCC approach to Gender in MCA Compacts* for more information on the mechanics of this.

to insufficient human capital complements, they would want to discuss this with both representatives of the private sector and with unemployed regional residents. So that private sector flows can replace development aid over time, they might ask of the private sector what would assist them to capture domestic and international market opportunities, such as sourcing appropriate labor, expanding market knowledge, increasing employee productivity, etc. Additional guidance on how the core team can seek structured feedback from the private sector will be provided at a later date. Of unemployed residents, they might ask what types of employment they have held in the past, what level of education or training they have, how unemployment affects their families, or how family responsibilities affect their employment opportunities, etc.

Note: All of these consultations need not be facilitated by the same person. In fact, it is more effective to select the person to conduct the meeting based on the characteristics of the group that MCA is trying to reach. So long as the MCA core group is able to convey information about decision-making, and has access to an analysis of the groups' feedback, the consultation remains useful.

C. Draft and Submit a Compact Proposal

By this point, consultations have provided information needed to complement a country's economic analysis in two ways. First, information about how a variety of sectors experience the impact of obstacles identified in the constraints analysis has allowed the core team to determine priority obstacles that have serious impact on economic growth and poverty reduction. Second, feedback from potential beneficiaries and other relevant actors can be used to identify potential solutions.[3]

Based on this informed analysis of the potential solutions to the core constraints to economic growth and poverty reduction, the MCA core team then writes a Compact proposal. As always, the information gathered in consultations is not intended to replace technical feasibility or assessment, but rater to inform and direct the types of technical assessment that will be needed for a strong proposal.

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[3] See also guidelines on economic analysis and beneficiary analysis

Phase 2 - Due Diligence and Program Refinement

Once the proposal has been submitted to MCC, public consultations become narrower and more technically focused. Consultations at this stage also have two purposes:

- Explain publicly why the elements included in the Compact proposal were selected;
- Gather the locally- (or sector-) specific information needed to refine technical elements of the proposal, to account for gender (and other) dimensions of beneficiary access; and to refine an impact monitoring and evaluation plan.

To access this type of information, the MCA core team will likely need to consult with groups that are likely to benefit from or be affected by the implementation of a proposed program or project; domestic and international technical experts; and the donor community. The actual participants will depend on the Compact components proposed.

When planning and preparing for these consultations, core teams first consider the level of technical detail needed to complete the next step in project design, and then determine who is likely to have access to that type of detail. If for example the team is refining the design of an agricultural project and the next step requires knowledge about the role of different household members in producing a range of crops, it will be logical to consult with groups of men and groups of women engaged in farming the crops in question. Conversely, if the next design step requires knowledge about the irrigation/fertilizer combinations that maximize specific crop yields, it may make more sense to consult with technical agricultural experts.

As before, consultations do not take the place of technical project design, feasibility studies, or alternatives studies. They do, however, provide the information needed to complete project design in such a way as to maximize positive impact for the intended beneficiaries. Once this is complete the MCA core team shifts its energies to Compact negotiation, approval and signing.

Phase 3 - Mobilization and Start up

Once a Compact has been signed, the MCA accountable entity finalizes the legal, financial, and staffing requirements needed to begin implementation of various Compact components. For this phase the two main outreach tasks are:

- Promote realistic public understanding of the Compact (e.g.,: set or manage public expectations about Compact implementation)
- Establish transparency and communication mechanisms to be used in implementation.

To meet these goals, the MCA accountable entity will want to continue interaction with groups that are likely to benefit from or be adversely affected by the implementation of a proposed program or project; civic and private sector groups that will want information on Compact implementation as it progresses; government actors outside of the executive branch; and the media.

When establishing the early communication mechanisms that will be used throughout implementation, outreach officers may find it useful to build a plan based on the answers to several questions: How will the public find out about Compact progress? How and to whom will MCA need to communicate Compact updates? Who needs to be informed and participate in these programs for them to work? What groups will be best able to give feedback on the effectiveness of various Compact components? What are the most effective communication tools to both distribute and gather information from the range relevant groups?

As before, the communication mechanisms used by each MCA country entity will vary depending on what is most useful in the country's cultural and technical context. Just as MCC asks countries to use gender sensitive consultations in the first two phases to design the Compact, it asks countries to monitor the impact of the Compact on both genders. Here is where the gender expertise embedded in the MCA entity staff should be used to establish and plan communication mechanisms that ensure both genders are able to offer feedback on implementation and impact.

MCC requires all MCA entities to establish and maintain a web-page with contact information, as well as procurement, disbursement, implementation, and monitoring data. This however is not the only mechanism for communication that will improve public participation in implementation and help to manage expectations regarding the timing and scale of Compact impact.[4] In many cases, MCA outreach offices work closely with those MCA staff responsible for monitoring and evaluation at this point to design a strategy that is useful to both of them.

Phase 4 - In-Country Implementation

Once the in-country implementation begins (after the Compact has entered into force, a first disbursement has been made, and goods and services have been procured), public consultations become more of an ongoing exchange of information. The communication and transparency mechanisms established during the mobilization phase are used for three purposes:

- To provide intended beneficiaries with the information needed to encourage and enable them to participate in Compact programs;
- To gather information from beneficiaries and stakeholders about the impact and effectiveness of Compact components (with an eye to correcting problems and scaling up positive outcomes); and
- To provide interested stakeholders and the general public with information about the progress and impact of the Compact as it is implemented.

Throughout implementation, the MCA entity will find itself in various interactions with the groups likely to benefit from or be adversely affected by the implementation of a proposed program or project; civic and private sector groups that will want information on Compact implementation as it progresses; the media; National Legislative bodies; appropriate local government institutions; and government or civic monitoring bodies.

***Comments and questions are welcome and should be directed to the relevant country officers at MCC or by email to: MCCDevelopmentPolicy@mcc.gov.

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[4] Please see MCC guidelines on MCA Accountable Entity and Monitoring and Evaluation.

Chapter 14:

Gender Policy

Reducing Poverty Through Growth

Gender Policy

Last Updated December, 2006

I. Introduction

The Millennium Challenge Corporation (MCC) recognizes that gender inequality can be a significant constraint to economic growth and poverty reduction. Consequently, MCC will ensure that gender is considered in the selection of eligible countries and integrated into the development and design of Compact programs, the assessment and implementation of projects funded by the Millennium Challenge Account (MCA), the monitoring of program results, and the evaluation of program impacts.

This document is intended to provide overall guidance to country partners on their responsibilities for the integration of gender1 in all stages of Compact development and implementation. Additional gender-specific guidance for eligible countries can be found in the country guidance documents listed below.

- Overview of the Compact Process
- Characteristics of a Core Team
- Guidelines on Conducting a Consultative Process
- Guidelines for Economic and Beneficiary Analysis of a Compact
- Environmental Guidelines
- Guidelines for Monitoring and Evaluation Plans
- Best Practices in Compact Development
- Project Development Guidelines

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1 Gender is defined as the social roles, behaviors, and responsibilities assigned to women and men in any society. Unlike biology, gender is mutable, and women's and men's roles, behaviors, and responsibilities change over time and are different in different societies.

II. Relationship of Policy Statement to MCC's Core Principles

MCC's commitment to gender equality is grounded in our mission to promote economic growth and poverty reduction. MCC recognizes that many countries with high levels of gender inequality also experience high levels of poverty. Therefore, in order to maximize the impact of MCA programs on economic growth and poverty reduction, MCC requires that eligible countries utilize an analysis of gender differences and inequalities to inform the development, design, implementation and monitoring of programs funded by MCC.

III. Respective Roles and Responsibilities

A. MCA Country Responsibility

The MCA-eligible country has the primary responsibility for integrating gender into the development, design, implementation, and monitoring of a Compact program. The country is ultimately and primarily responsible for implementing the Compact, including any components designed to address gender inequalities that limit women's or men's opportunities to participate in or benefit from projects.

1. Consultation as a Tool for Gender Integration

Consultation is a key component of Compact development and implementation. It is also the first entry point and a continuing tool for an eligible country to integrate gender into its Compact program. As such, countries will ensure that both women and men have opportunities for meaningful participation throughout the consultative processes related to a Compact program. This consultative approach will inform program development, design, implementation and monitoring. If the results of prior planning processes are used to develop a country's MCA program priorities, the country will provide evidence of women's and men's meaningful participation in those planning processes as well as in any consultations held specifically for a Compact.

2. Gender Integration Throughout the Stages of a Compact

a. *Proposal Development and Program Design:* Based on an analysis of gender differences and inequalities, countries will identify project beneficiaries disaggregated by sex and provide an explanation of how Compact program components are designed to take into account gender differences and correct gender inequalities that are constraints to economic growth and poverty reduction in a Compact program.

To meet this requirement, countries may want to utilize internationally recognized gender analytic frameworks such as the Harvard Analytical Framework or the Moser Gender Planning Framework.2 Whatever tool is utilized, the following basic questions should inform the country's program design:

(1) What are the policy, legal and socio-cultural constraints to women and men becoming full beneficiaries of MCA investments, and what design elements are required to remove or compensate for these constraints?

(2) What are the different roles and responsibilities of women and men and how do any differences affect the proposed project? How do these gender differences vary by other demographic and social characteristics of the beneficiary population?

(3) Are there gender inequalities in access and control of productive resources relevant to the proposed project, and how will they be corrected or mitigated in design?

(4) How will the proposed projects meet both practical needs and strategic gender interests, or those interests that correct structural inequalities that are impediments to economic growth and poverty reduction in a Compact program?

b. *Due Diligence and Program Refinement*: Countries will analyze the impact of investments on beneficiary groups and refine projects, as needed, to ensure that gender differences and inequalities that limit economic growth and poverty reduction are addressed in project design.

Monitoring and evaluation plans will include provisions to track impacts on specific beneficiary groups, such as women and children, where practicable.

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2 These tools, and others, can be found in two publications: (1) March, C., Smyth, I., Mukhopadhyay, M. 1999. *A Guide to Gender-Analysis Frameworks*. Oxford: Oxfam Press; and (2) Moser, Caroline O. N. 1993. *Gender Planning and Development: Theory, Practice, and Training.* London: Routledge.

c. *Compact Implementation*: To the maximum extent possible, countries will ensure that sex-disaggregated data will be analyzed in monitoring performance and results and evaluating impacts. Where practicable, data should be analyzed at the household level.

Where projects have specifically addressed gender differences and inequalities in design, countries will monitor indicators of gender equality in a Compact program.

B. MCC Responsibility

MCC will consider gender in the selection of eligible countries, in due diligence on program and project design, in its oversight and assessment of Compact implementation, and in the monitoring and evaluation of impacts.

1. Selection of MCA Eligible Countries

Eligibility for MCA assistance is based, to the maximum extent possible, on performance against objective selection criteria measuring a country's commitment to rule justly, invest in its people and encourage economic freedom. Issues of gender equality are incorporated into several of the selection criteria and supplemental information considered by the MCC Board in determining country eligibility.

2. Consultation as a Tool for Gender Integration

MCC will provide guidance to a country on gender and other social considerations in the design of its consultative process and on gender integration in its proposed Compact program.3 This will occur in the early stages of consultation and development of a country's proposal for MCA funding.

MCC will review the quality and content of a country's consultative process as one component of due diligence. The review will include an assessment of how social/gender analysis informed the country's involvement of different stakeholders and how a country plans to ensure the meaningful participation of women and men as the Compact is developed and the Compact program is implemented.

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[3] Because gender differences are structured by other social variables, gender is considered within the context of other relevant forms of social difference such as age and ethnicity.

3. Gender Integration Throughout the Stages of a Compact

a. *Proposal Development and Program Design*: While the eligible country is responsible for proposal development and program design, MCC will provide guidance and other resources, as needed, on gender integration in a Compact program.

b. *Due Diligence and Program Refinement*: MCC's due diligence of the social impacts of all programs involves gender analysis. MCC incorporates gender into the assessment of a program's feasibility and assesses the extent to which the proposed program design addresses gender differences and inequalities that limit economic growth and poverty reduction in a Compact program.

MCC will require that the monitoring and evaluation plans have adequately incorporated gender considerations, including, when practicable, the collection of sex-disaggregated data.

c. *Compact Implementation*: MCC will integrate gender into its oversight and assessment of a country's performance during implementation. MCC will assess the extent to which Compact programs reflect findings on gender differences and inequalities and meet intended gender outcomes, where relevant.

Additionally, some disbursements of MCA funds may be conditioned upon the satisfaction of targets and progress on indicators measuring project performance.

IV. Amendments

This Policy may be modified or amended from time to time at the discretion of MCC's Chief Executive Officer and supersedes any previous policy on this subject matter.

Chapter 15:

Best Practices in Compact Development

MILLENNIUM CHALLENGE CORPORATION
UNITED STATES OF AMERICA

Reducing Poverty Through Growth

Best Practices in Compact Development

Operational and Practical Lessons Learned by MCC and MCA-Eligible Countries to date

Last updated: November, 2006

MCC has hosted a series of workshops with partners in MCA Eligible Countries and the development community to exchange views about lessons learned since MCC was established. Below are some of the lessons which were shared:

High Level Political Commitment

Eligible Countries that have demonstrated a high level of political commitment to the MCA process have progressed more rapidly in developing their proposals and finalizing Compacts. MCA country core teams also benefit from having access to senior officials who can quickly make decisions.

Dedicated Financial and Human Resources

Eligible Countries that have quickly identified a coordinator, or main point of contact, and have established a country core team of dedicated, compensated staff have also moved more quickly. Such a team is necessary to effectively integrate input from a broad range of key stakeholders both within and outside of government and to identify technical resources as necessary. Further, dedicated financial resources have strengthened the quality of program development and design. (See below: Characteristics of an Acceptable MCA Country Core Team)

Quality Consultative Process

Eligible Countries that have focused early on conducting a timely, participatory, and meaningful consultative process -- which provides citizens with the opportunity to have input into the identification, prioritization and subsequent development and design of programs -- are having a greater success in program development. Maintaining an ongoing dialogue throughout Compact development and implementation allows for more sustainable efforts.

Transformative and Manageable

Eligible Countries will be most successful if they propose a program which is both transformative -- having a dramatic and long-lasting impact on poverty reduction through sustainable economic growth – and manageable in terms of program implementation. Generally, a transformational program will require the MCA country core team to focus on addressing a limited number of key constraints to economic growth in a comprehensive manner. Focusing on critical constraints will assist in designing a program that can be successfully implemented.

Early and Continuous Dialogue

Eligible Countries that are moving ahead quickly engaged with MCC early in the process and have continued a regular exchange. Although not a requirement, countries may consider providing a concept paper prior to proposal submission and engaging in a dialogue with MCC early in their Compact development process. Regular communication can come in the form of face to face meetings, conference calls and email. Countries that plan to include infrastructure read MCC's general and specific guidance on infrastructure and prepare the technical evaluations (pre-feasibility studies) prior to the submission of a proposal. An engaged Ambassador to the United States, who is kept in the information/feedback loop by both MCC and the eligible country, can be an important contributor to clear and regular communications which may help facilitate the process.

Technical Feasibility

In addition to other qualitative aspects of a program proposal, during the due diligence phase of Compact development MCC evaluates a number of technical elements to determine whether it is sound investment: Is the program technically viable? Is the design appropriate? Is the policy environment suitable? Is the cost estimate correct? How is the program going to be sustained? Is there a potential environmental/social impact? How has gender informed program selection and design? These evaluations are a necessary part of an iterative process and will result in multiple visits by technical experts. To the extent possible, MCC will continue to communicate requirements in advance so that countries can better prepare for the visits.

Think Early About Implementation

Eligible Countries will likely be able to move more rapidly through the final stages of program development and Compact negotiations if they integrate implementation planning into their thinking earlier on including: how the program will be implemented, managed, and monitored; how funds will be managed; and how goods and services will be procured. Developing documents such as workplans, and budgets early in the process will assist in identifying suitable arrangements. Likewise, MCC recognizes the need to provide eligible countries with clear guidance on the standards on which their programs will be evaluated. MCC has, and will continue to develop guidance on these issues and make them available to partner countries and the public on the MCC website.

Think Early About Economic Analysis and Measurable Results

Eligible Countries will likely be able to move more rapidly through the final stages of program development and Compact negotiations if they integrate economic analysis and measuring results into their thinking early on, including: What is the potential economic rate of return and what drives it? What are the program and project goals? What are the expected results? How will we know if this has been successful? What data would we use to measure progress and is baseline data available? Have targets for measuring success been defined up front? Who will be responsible for collecting data, monitoring results and evaluating performance?

Pre-Compact Assistance

MCC can, where appropriate, provide Eligible Countries with pre-Compact financial assistance to facilitate Compact development, while preserving country ownership. The circumstances under which MCC may provide such assistance are outlined in the MCC Compact Support Funding guidance on MCC's website.

Chapter 16:

Guidelines for Donor Coordination

MILLENNIUM CHALLENGE CORPORATION
MCC
UNITED STATES OF AMERICA

Reducing Poverty Through Growth

Guidelines for Donor Coordination

Last updated: November, 2006

It is MCC policy that its grants of development assistance should be coordinated within the appropriate donor communities to the extent possible to help ensure the most effective use of MCA grants.

Importance of Donor Coordination

Consulting with other donors provides feedback on country proposals; reduces the cost of programs by avoiding duplication, creating synergies, and avoiding approaches that have been unsuccessful in the past; facilitates co-financing, common or supportive programs, and use of joint structures; and informs other donors of MCC approaches and methods of operation.

MCA Partner Country Responsibility

Donor coordination is an MCA partner country responsibility. Countries should pick their priorities and design their programs taking into account other donor and government efforts. Countries should include donors in the consultative process during the Compact proposal development stage, as described in *Guidance on the Consultative Process*, and keep donors informed by briefing the donor community on their proposals and their development on a regular basis. Countries should include an assessment of related donor and government efforts in their MCA proposals. Countries are responsible for maintaining active donor coordination throughout implementation of the MCA Compact.

MCC Role

MCC will consult with other donors regarding the country proposal, donor activities, and the in-country process for donor coordination during both MCC's due diligence of Compact proposals and its monitoring of Compact implementation. Such informal consultation does not release the MCA-eligible government from its responsibilities.

Paris Declaration Targets a Joint Responsibility

MCC will work with MCA-eligible governments and other donors to assess progress under Paris Declaration commitments. MCA countries should design their programs to ensure that MCC assistance is aligned with country priorities and strengthens capacity development in harmony with that of other country efforts. MCC will provide untied, predictable, multiyear assistance reflected in the country's budget (subject to applicable law) and be willing to assist countries to improve capacity of country systems and to use capable country systems when warranted for the MCA program. MCC encourages countries to develop proposals that have a coherent thematic, regional or sector focus, because the impact of such Program Based Approaches is likely to be greater than a series of disparate projects. In determining Compact governance and implementation, MCA countries may use existing structures where adequate, modified structures, or newly established structures, taking into consideration Compact program requirements and the Paris Declaration commitment to avoid duplicating existing structures whenever possible.

Chapter 17:

Elements of a Compact Proposal Assessed by MCC

Millennium Challenge Corporation
MCC
United States of America

Reducing Poverty Through Growth

Elements of a Compact Proposal Assessed by MCC

Guidelines used by MCC for Assessing and Approving Compact Proposals

Last updated: December, 2006

The Millennium Challenge Corporation (MCC) has, based on its legislation and internal procedures, defined fundamental principles on which the MCC reviews and analyzes a country's MCC proposal (Proposal) to determine whether that Proposal defines a Program well enough to move to negotiation of a Compact. The internal MCC analysis of the proposal serves five broad purposes:

1. Provides assurance to MCC that the Program conforms to the key MCA principle of reducing poverty through sustainable economic growth;

2. Provides assurance to MCC that each project (under the Program) is technically, economically, environmentally and socially justifiable;

3. Establishes to MCC that the Program (and the project components) is sufficiently prepared -- risks are mitigated, implementation procedures are understood and proper safeguards are being established -- for MCC to enter into a Compact with the country;

4. Informs MCC on all major aspects of the proposed Program, including both the benefits and risks of funding the Program; and

5. Provides a basis for MCC staff to recommend a proposed course of action to MCC senior management with respect to a country's Proposal.

Based on MCC's review of the Program and after considering the recommendations of the transaction team and senior management, MCC's CEO will make one of the following decisions:

1. Authorize the transaction team to finalize negotiations of a mutually agreeable Compact based on the Program proposed by the country. If this action is undertaken successfully, the CEO would then recommend that MCC's Board of Directors approve the Program;

2. Defer action on the Program and provide guidance to the transaction team for continued discussions and clarification of the Program or elements of the design process;

3. Disapprove the Program.

The MCC transaction team for a country prepares documentation analyzing the Program for review by MCC's senior management. The analysis is designed to inform senior management on all key aspects of the proposed Program. An outline of the Program analysis, which will typically be prepared by the transaction team and presented to senior management, is provided below.

The Program analysis addresses the following principal features:

Overview (Section I)

There should be a description of the economic environment in the country to provide the context for how the Program will reduce poverty through sustainable economic growth. This would include a description of the Country's National Development Plan/Poverty Reduction Strategy and how it relates to the Program. In addition there should be a description of the country's consultative process that produced the Proposal for MCC funding and identify the obstacles to economic growth that the consultative process identified. The country should familiarize itself with the MCC Gender Policy, early on, to ascertain MCC's requirements for gender integration throughout the Program.

The reasons for supporting the Program should be provided based on the country's economic constraints and developmental priorities and results of the consultative process. An explanation as to how the Program relates to developmental priorities should be provided. Finally, the expected benefits as a direct result of the Program should be provided in a factual format and in a quantified manner. Indirect benefits may be stated. See the MCC website (http://www.mcc.gov/countries/tools/2007/compact/tools-2007-13-guidelinesforconductingaconsultativeprocess.pdf) for more detail on what MCC will be looking for in terms of the consultative process.

A brief Program description should be provided in the overview, including how and why the Program is expected to have a transformational impact in the country. The Compact Goal should be identified, as well as each objective, the specific project(s) that will achieve each objective, and the general benefits of the Program. Finally, the overview should provide an estimate of the amount of funding requested of the MCC to carry out the program.

Project Assessments (Section II)

Assessments of each project should be segmented as follows:

a) a background for the project, describing the economic environment in the country, providing the context for how the project will reduce poverty through sustainable economic growth;

b) a description of the key activities of the project;

c) expected benefits and target beneficiaries of the project, disaggregated by income, gender and age, if possible, as well as an explanation of how the project contributes to the objective(s) to which it relates and addresses economic growth;

d) an estimate of costs per activity within the project;

e) a technical assessment of the proposed project, depending on the type and nature of the project, and including whether the designs conform to internationally accepted standards, whether there is adequate comfort with the stated inputs and costs, whether there are any time line issues, how gender issues are being considered, whether the project links to another donor's project, and if so, what are the technical issues, if any, and how they are proposed to be addressed, whether there is previous experience with similar projects in the country, and whether there is sufficient technical capacity;

f) if infrastructure is included, pre-feasibility studies for each sector;

g) an economic assessment of the project, including a description of the quantified and unquantifiable benefits of the project, describing the methodology adopted and providing an economic rate of return for the project, as well as the results of sensitivity analysis (highlighting any issues that emerged as a result of the analysis, as well as how these issues are proposed to be addressed in the design of the project);

h) an environmental and social assessment of the proposed project, including a statement of the "Environmental Category" for the project, a description of what the environmental impacts of the project are, what the environmental management plan is, and a brief description of the country's environmental management capacity. See the MCC website *http://www.mcc.gov/guidance/index.shtml* for more detail on what MCC will be looking for in terms of MCC's review of environmental factors related to the program;

i) a description of the proposed approach to supervision and management of the project, procurement approaches and financial management approaches. See the MCC website *http://www.mcc.gov/countries/tools/fiscalaccountability/* for more detail on what MCC will be looking for in reviewing these aspects of program implementation;

j) a brief description of other donor activities that relate to the project and how the project relates to and works with these other donor activities;

k) identification of potential risks inherent in the proposed project as well as risks to successful implementation of the project, and a clear statement of what risk mitigation mechanisms will be built into the project design.

Country Commitment and Effectiveness (Section III)

The analysis should (i) identify major policy, regulatory and institutional reforms that will be instituted, either directly or indirectly, in support of the Program and each project, and qualitatively describe the benefits due to such policy, regulatory or institutional changes; (ii) describe factors that assure institutional sustainability (training, building capacity, support by NGOs, etc.) for each project; (iii) identify factors that assure financial sustainability (e.g., tariff reform, improving collection ratio, commercialization, etc.) for each project; and, (iv) describe factors that assure environmental and ecological sustainability for each project.

Implementation (Section IV)

The review will also assess the proposed management arrangements, contracting and procurement arrangements, accounting and reporting arrangements, and provide a timeline for the duration of the implementation of each project.

Monitoring and Evaluation (Section V)

The documentation for the review must provide an explanation of Program results, the indicators that will measure them, and benchmarks to assess the achievement of these results and the success of the Program. In addition, it should identify baseline status against these benchmarks and describe how data will be collected over the course of the Program to assess progress in relation to benchmarks. Interim and final targets for expected results should be specified to the extent practicable, as well as any impact on disbursements planned for shortfalls of performance.

Program Analysis Template

To be presented by the MCC transaction teams to MCC senior management

I. OVERVIEW

A. Background

This section provides background information that establishes the context for the Program, as well as the context for MCC assistance. The background information could include:

- Country's major poverty reduction issues and strategy
- Principal donor assistance programs
- Relevance of the Program within this context

B. National Development Plan/Poverty Reduction Strategy

This section should briefly describe the country's national development plan and/or poverty reduction strategy as it relates to the Program.

C. Consultative Process

This section should describe the country's consultative process that produced the Proposal for MCC funding and list the obstacles to economic growth that the consultative process identified. It should provide a description of major steps taken to ensure stakeholder consultation, the process and methodologies adopted, outcomes, issues encountered and how the issues were handled. If additional stakeholder consultations took place during preparation (e.g., for environmental considerations, with labor unions, etc.), they should also be described.

D. Program Description

A focused description of the overall Program should be provided. The description should provide a brief background as to why the consultative process has resulted in prioritizing this Program. A description on the overall Program, how and why the Program is expected to have a transformational impact in the country, and where the various projects fit should be given. Project descriptions should not be provided here; however, the relation and relevance of each project to the Program should be explained within the context of Program goal.

E. *Program Cost*

A summary of costs of each project and sub-components, if relevant, of the Program should be provided. See below.

Description	**Timeline**					**TOTAL ($US Mil)**
	CY1 ($US Mil)	**CY2 ($US Mil)**	**CY3 ($US Mil)**	**CY4 ($US Mil)**	**CY5 ($US Mil)**	
Project #1						
Project #2						
Program Administration & Audits						
Monitoring & Evaluation						
TOTAL						

II. PROJECT ASSESSMENTS

PROJECT #1

A. Background

There must be a background for the specific component projects in the Program. Each should describe the economic environment in the country to provide the context for how the project will reduce poverty through sustainable economic growth. Each of the following topics must be addressed for each component.

B. Description

There must be a description of the key activities of the project.

C. Benefits

This section should identify the expected benefits and target beneficiaries of the project, disaggregated by income, gender and age should be identified, if possible. It should explain how the project contributes to the objective(s) to which it relates and addresses economic growth.

> Example: Approximately 460,000 rural inhabitants in XX region, whose average income is $680 per year, will receive clean water supply. This project is expected to eliminate infant deaths due to water borne diseases, which is currently estimated at 6,000 per year. School attendance of girls is targeted to rise from a current 40% enrollment in secondary school to 75%.

D. Cost

Description	**Timeline**					**TOTAL ($US Mil)**
	CY1 ($US Mil)	**CY2 ($US Mil)**	**CY3 ($US Mil)**	**CY4 ($US Mil)**	**CY5 ($US Mil)**	
Activity A						
Activity B						
Activity C						
Project Management						
TOTAL						

E. Technical Analysis

There should be an assessment of the project from a technical viewpoint. This would vary depending on the type and nature of the project, and may include the following: (i) whether the designs conform to internationally accepted standards; (ii) whether there is adequate comfort with the stated inputs and costs; (iii) whether there are any time line issues; (iv) whether the MCC assisted project link to another's project, and if so, what are the technical issues, if any, and how they are proposed to be addressed; (v) whether there is previous experience with similar projects in the country; and (vi) whether there is sufficient technical capacity. If infrastructure projects are to be considered pre-feasibility studies should be included. General Guidance on infrastructure requirements can be found at www.mcc.gov.

F. Economic Assessment

This section should include the results of the country's economic analysis for each project. It should clearly describe quantified benefits and unquantifiable benefits, stating the methodology adopted and provide economic rate of return for each project.

The results of sensitivity analysis for the project should be provided, highlighting any issues that emerged as a result of the analysis, as well as how these issues are proposed to be addressed in the design of the project.

G. Environmental and Social Assessment

Information should be provided that clearly states the "Environmental Category" for each relevant project, and describes what the environmental impacts of the project are, what the environmental management plan is, and a brief description of the country's environmental management capacity.

It should also identify the impact of the project on local population or specific communities, resettlement issues, affected groups (including workers to be retrenched), and state remedial approaches, costs, and sources of funds to address each adverse impact. Design considerations related to income, gender, age and urban/rural impacts should be identified.

For each adverse social impact, clearly describe the consultative or participatory steps taken in resolving the issue.

H. Donor Coordination

Provide a description of other donor activities that relate to the project and how the project relates to and works with these other donor activities.

I. Risks

Identify principal risks inherent in the proposed project as well as risks to successful implementation of the project, and clearly state risk mitigation mechanisms and how they have been built into the project design.

PROJECT #2

[Repeat Section II for each additional project.]

III. COUNTRY COMMITMENT AND EFFECTIVENESS

A. Policy Changes

Describe major policy, regulatory and institutional reforms that are being supported, either directly or indirectly, by the Program, and qualitatively describe the benefits due to such policy, regulatory or institutional changes.

B. Institutional Sustainability

Describe factors that assure institutional sustainability (training, building capacity, support by NGOs, etc.).

C. Financial Sustainability

Describe factors that assure financial sustainability (e.g., tariff reform, improving collection ratio, commercialization, etc.) for each project. An example would be the issue of financing recurrent repair and maintenance expenditure in a new roads project.

D. Environmental and Social Sustainability

Describe factors that assure environmental and social sustainability.

IV. IMPLEMENTATION

A. Management Arrangements

Describe the proposed supervisory and management structure that will be utilized to implement and oversee the Program.

B. Procurement

Identify the country's policies, procedures, controls, and authorization process proposed for use in the MCA Program. Where appropriate, identify how the fiscal agents and/or procurement agents will be selected.

C. Financial Management

This section should describe the fiscal management and funds control arrangements, such as budgeting, cash management, accounting, disbursements, reporting and auditing, to ensure the proper and transparent use of funds under the Program.

D. Time Table

An overall time table should be provided for each project.

V. MONITORING AND EVALUATION

Describe briefly whether a monitoring and evaluation plan has been sufficiently developed, baseline data are sufficiently and satisfactorily gathered, and an institutional mechanism has been drawn up and agreed with the country for the execution of the plan.

A. Objective and Outcome Level Indicators

Project #1 Objective: ____________________						
Objective Level Indicators (Metric of Project success observable by end of Compact)	**Baseline**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Outcome Level Indicators (early indicators of Project Activities impact on objectives)	**Baseline**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**

Project #2 Objective: ____________________						
Objective Level Indicators (Metric of Project success observable by end of Compact)	**Baseline**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Outcome Level Indicators (early indicators of Project Activities impact on objectives)	**Baseline**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**

B. *Activity Level Indicators*

Project #1

Activity Level Indicators	Year 1	Year 2	Year 3	Year 4	Year 5	Total

Project #2

Activity Level Indicators	Year 1	Year 2	Year 3	Year 4	Year 5	Total

Chapter 18:

Assistance for 609(g) Compact Support Funding

MILLENNIUM CHALLENGE CORPORATION

Reducing Poverty Through Growth

Policy Regarding 609(g) Compact Support Funding

Last updated: September, 2006

Section 609(g) of the Millennium Challenge Act of 2003 (the "Act") provides:

> Notwithstanding subsection (a), the Chief Executive Officer may enter into contracts or make grants for any eligible country for the purpose of facilitating the development and implementation of the Compact between the United States and the country.

The following summarizes the Millennium Challenge Corporation's ("MCC") policy with respect to funding under Section 609(g) to support development and implementation of Compacts.

1. Purpose

609(g) funding for Compact development and implementation is intended to assist eligible countries only after they have made significant, tangible, and material contributions of their own resources to develop a Compact proposal. The following criteria constitute acceptable evidence of significant, tangible, and material contributions to a Compact proposal, and will be considered evidence of country ownership of the Compact development process:

a. Appointment and payment of the necessary full-time point of contact and core team members to make this process and subsequent implementation effective.

b. A successful initial consultative process in accordance with MCC's guidelines.

NOTE: An eligible country's request for 609(g) funding for technical assistance on consultation is not subject to b. above.

2. Prime Condition for all 609(g) Funding

A commitment by MCC to provide 609(g) funding (other than funding provided as part of a Compact) is not an obligation by MCC to enter into a Compact with an eligible country, or fund a specific project the 609(g) funding supports.

3. 609(g) Funding Prior to Compact Signing

3.1 General Conditions

In general, each of the following conditions should be present before MCC will consider making 609(g) funds available prior to Compact signing for use in an MCA-eligible country:

a. Either MCC or the partner country has defined satisfactory financial management and procurement processes to control 609(g) funds.

b. MCC is satisfied as to how the funds will be used, including having a timeline and budget for the use of the 609(g) funds.

c. If the amount of the 609(g) funding exceeds $500,000, the Investment Committee has reviewed, and the CEO has approved, any such 609(g) funding; or if the amount of the 609(g) funding is equal to or less than $500,000, the Investment Committee has reviewed and approved any such 609(g) funding.

3.2 Expected Uses

The expected uses of 609(g) funds prior to Compact signing can be divided into two categories:

Category 1 – Ensuring High Quality MCA Programs

Category 1 609(g) funding is intended to address country capacity constraints for Compact development, including without limitation:

a. Ensuring that a country will develop projects that justify MCC investment.

b. Putting successful implementation mechanisms in place such as baseline surveys, technical and feasibility studies, environmental and social assessments, ongoing consultations, technical assistance to procure fiscal and/or procurement agents, fees for fiscal and/or procurement agents, and the country's local counsel fees associated with review and finalization of the Compact and related agreements.

NOTE: Management support payments for items such as rent and equipment for the country's MCA core team are generally not eligible for 609(g) funding prior to Compact signing.

In addition, the following conditions shall apply to Category 1 609(g) funding uses:

- The country must own the Compact development process as evidenced by clear investment priorities established through the initial consultative process.
- A preliminary evaluation of the country's proposal by the MCC transaction team has determined that the proposal is likely to generate meaningful economic growth and poverty reduction benefits.

Category 2 – Temporary and Extraordinary Remediation Measures

Category 2 uses of 609(g) funds consist of (i) country MCA core-team salary support ("Salary Support"), (ii) technical assistance to carry out the consultative process, and (iii) any other category of monetary support to an eligible country as determined from time to time by MCC's CEO to be critical to the completion of the Compact development process.

609(g) funding for Salary Support is justified when:

a. MCC is convinced that the country has paid as much as it can for the salaries and other expenses of Compact development from its own resources and can no longer continue doing so, and that the continued availability of the country team personnel is necessary for the completion of Compact development and for successful implementation.

b. There will be a 609(g) grant agreement or similar arrangement, which agreement shall, at a minimum: (i) stipulate the number of core team members receiving Salary Support, the amount of salary provided per core team member, and the areas of expertise or activities supported by such core team members; (ii) reflect the country government's commitment to provide all other necessary costs to ensure timely and efficient completion of the Compact, implementation plans, and related agreements, (iii) require payments be made on a strictly reimbursable basis to the country government on specified periodic payment terms (e.g., monthly) unless an approved fiscal agent has been selected, engaged, and is functional, or other fiscal arrangements satisfactory to MCC are in place; and (iv) limit availability of this 609(g) funding to a period not to exceed nine (9) months prior to Compact signature.

4. 609(g) Funding Upon Compact Signature

609(g) funds provided to a country upon Compact signature may include:

a. Salary of the country's MCA-technical team, rent, equipment, information technology expenses, furniture, ongoing local legal counsel payments, and other items that will expedite entry into force of the Compact and first disbursement and otherwise assist the country's MCA implementing organization in becoming operational as quickly as possible.

b. Other Compact implementation expenses, including fiscal and procurement administration, monitoring and evaluation expenses, and programmatic expenses (such as feasibility and design studies).

The transaction team should, wherever possible, request approval of post-Compact signing 609(g) funding in the Investment Memorandum. Such request should summarize the same type of information as would normally be provided in a 609(g) grant agreement (as described above).

For efficiency purposes, 609(g) funding provided at this juncture should, wherever possible, be provided for in the Compact itself, rather than in a separate grant agreement, and should become immediately committed, obligated, and available upon Compact signature.

The total amount of 609(g) funds provided upon Compact signature may not exceed 2.0 percent of the total amount of funding to be granted under the Compact, unless MCC's CEO explicitly waives this requirement as provided below. Amounts provided at this stage shall be included in the total Compact amount and are not in addition to the total amount of the Compact. This amount may be in addition to any 609(g) funding provided prior to Compact signature.

5. Legal Requirements for 609(g) Funding

609(g) payments, whether granted under the Compact or otherwise, will be subject to, among other things, the following conditions: (i) the use of funds may not violate statutory limitations on the use of MCC funding, (ii) the use of funds must comply with any requirements set forth in writing by MCC (which writing may include, for example, a requirement that payments be made on a strictly reimbursable basis to the country government on a specified periodic payment term (e.g., monthly) unless an approved fiscal agent has been selected, engaged and is functional), and (iii) the availability of 609(g) funding will cease upon the earlier of the expiration or termination of the Compact or five years from the date such funds are obligated.

6. Waivers

MCC reserves the right to waive the above-listed requirements and provide 609(g) funding within its sole discretion. A request for a waiver should be made by the transaction team to the Investment Committee and should specifically identify the applicable provision of this policy to be waived and a justification for such waiver. MCC's CEO may grant such a waiver in his sole discretion, consistent with the statutory requirements on the use of such funding.

7. Amendments

This Policy may be modified or amended from time to time at the discretion of MCC's Chief Executive Officer and supersedes any previous policy on this subject matter.

Chapter 19:

Overview of Due Diligence and Program Refinement

MILLENNIUM CHALLENGE CORPORATION
UNITED STATES OF AMERICA
MCC

Reducing Poverty Through Growth

Overview Phase 2: Due Diligence and Program Refinement

Last updated: November, 2006

Once a country has submitted a proposal for MCA funding, an MCC Transaction Team (TT) consisting of relevant MCC staff and technical experts will conduct a preliminary assessment of the proposal. It will provide guidance and feedback with respect to MCC objectives, evaluation methods, and requirements and, if necessary, work with the country to refine the proposal. When appropriate, the TT will prepare an Opportunity Memorandum for the MCC Investment Committee (IC) describing the proposed program and requesting resources for a full due diligence review of the activities proposed. The documents that follow this overview provide guidance for the due diligence and program refinement stage.

After due diligence resources have been authorized, the TT will carry out a detailed review of the country's proposal. Due diligence will focus on, *inter alia*, the country's strategy for economic growth and poverty reduction; the consultative process; any policy reform plans; how progress will be measured; technical feasibility and sustainability; fiscal accountability; governance structure and legal status of the compact; monitoring and evaluation; donor coordination; gender integration (see "MCC Gender Policy"); and environmental and social (including resettlement, indigenous people, etc.) safeguards (see "Guidelines for Environment and Social Assessment") For each component of the proposal, due diligence will address technical, economic and environmental feasibility as well as implementation issues and sustainability. The TT will conduct its assessment of project components within the framework of appropriate guidelines, such as "Guidelines on Incorporating Agriculture," "Guidelines on Incorporating Infrastructure," and "Guidelines on Land Policy and Property Rights."

The TT will also assess the proposal to estimate its distributive impact on potential beneficiaries as well as to analyze the economic rate of return (ERR) of the program. The ERR is an indicator of the economic growth impact of the program and a measure of its effect on poverty reduction when the targeted beneficiaries are poor. The TT is looking for significant and measurable increases in incomes of the poor and significant reductions in poverty as a result of successful implementation of the program proposal. Details on this step of the process are provided in "Guidelines for Economic and Beneficiary Analysis of a Compact Proposal."

A key principle of MCA Compacts is the inclusion of clear objectives and benchmarks to measure progress and results. A monitoring and evaluation plan must be included from the early stages of Compact design to enhance the effectiveness and accountability of MCC assistance. “Guidelines for Monitoring and Evaluation Plans” describes this component of the Compact design process.

Finally, each country must decide on procedures to implement a Compact. “Establishing and Accountable Entity/Governing Body” describes the key fiscal accountability elements as well as the characteristics of a governing body to guide implementation.

When the TT determines it has sufficient information and understanding with respect to the country’s proposed MCC program to justify entering into negotiations with the country regarding the terms of the Compact, the TT prepares a Consultation Memorandum for the IC recommending that MCC begin the required 15 day consultation with the United States Congress. (Under MCC’s authorizing legislation, MCC is required to undertake a 15 day consultation period with Congress prior to the start by MCC of negotiations of a Compact with an eligible country.)

Chapter 20:

Guidelines for Environment and Social Assessment

MILLENNIUM CHALLENGE CORPORATION
MCC
UNITED STATES OF AMERICA

Reducing Poverty Through Growth

Guidelines for Environmental and Social Assessment

Last updated: October, 2006

MCC recognizes that the pursuit of sustainable economic growth and a healthy environment are necessarily related. MCC also recognizes that gender inequality can be a significant constraint to economic growth and poverty reduction and that development projects can have unintended negative impacts on people when not well designed. MCC has two specific guidance documents that address these issues more fully: the Environmental Guidelines and Gender Policy.

The purpose of the Environmental Guidelines is to establish a process for the review of environmental and social impacts (such as involuntary resettlement and impacts on cultural property, for example) to ensure that the projects undertaken in a Compact are environmentally sound, are designed to operate in compliance with applicable regulatory requirements, and, as required by the legislation establishing MCC, are not likely to cause a significant environmental, health, or safety hazard.

Gender is defined as the social roles, behaviors, and responsibilities assigned to women and men in any society. Unlike biology, gender is mutable, and women's and men's roles, behaviors, and responsibilities change over time and are different in different societies. MCC's *Gender Policy* provides overall guidance to country partners with their responsibilities for the integration of gender in all stages of Compact development and implementation. Additional gender-specific guidance is also incorporated into other existing MCC country guidance materials such as the *Guidance on Consultative Process* and *Guidelines for Monitoring and Evaluation Plans*, for example. Countries should review the *Gender Policy* as they plan their consultative process and review the *Environmental Guidelines* as they start to identify potential priorities and should integrate relevant organizations and government ministries or agencies in the Compact development process.

As indicated in the guidance on Building a Core Team, your Core Team should include an individual who understands the country's environmental regulations and requirements, who has experience conducting or reviewing environmental and social impact assessments, and who can work with the MCA country core team to ensure that environmental and social considerations are appropriately factored into the design, feasibility, timing and cost of the Compact proposal. Experience has shown that it is sometimes difficult to identify individuals with both environment and social/gender impact expertise. If this is the case, MCC recommends that the core team consist of either two experts or that environment or social expertise is captured in another core team member's skill set. MCC's Environment and Social Assessment team is a part of MCC's transaction team and includes experts and consultants who review Compact proposals for their environmental and social impacts and efforts to integrate gender. While the completion of the requisite environmental and social impact analysis is the responsibility of the eligible country, MCC's ESA experts will advise and consult on these requirements and work closely with the country Core Team.

Chapter 21:

Project Development Guidelines

MILLENNIUM CHALLENGE CORPORATION
MCC
UNITED STATES OF AMERICA

Reducing Poverty Through Growth

Project Development Guidance

Overview of MCC Due Diligence once a Compact Proposal has been Received

Last updated: November, 2006

Millennium Challenge Corporation (MCC) Compact Assessment and Approvals Guidelines provides the framework for overall assessment of a country's proposal (Proposal) to determine whether the Program is sufficiently developed and qualified to advance to the Compact negotiation stage. Projects included in the Proposal will be assessed by MCC for relevance, suitability, technical viability and sustainability. This Guidance provides an overview of the principal assessments that MCC undertakes in order to make that determination. In addition to the steps outlined in this document, all projects will also be reviewed for compliance with other applicable guidelines, in particular the MCC Environmental Guidelines, MCC Gender Policy, and MCC Guidelines for Economic and Beneficiary Analysis of a Compact Proposal.

MCC typically does not commence Due Diligence on a proposed project until the country submitting a proposal provides data and information in sufficient detail and of acceptable quality. If such data and information are not available, the country should explore other applicable means of developing the data, including MCC's Section 609(g) funding, to prepare the project.

In general terms, Due Diligence can commence if all of the following information is provided by the country:

- *Project justification* within a national development context (or sector strategy) and clearly defined targets for poverty reduction

- *Project description* with sufficient detail regarding exact project site, the geographic areas to be served, preliminary identification of targeted beneficiaries, intended outcomes, products or services to be delivered, and methods of delivery

- *Pre-feasibility studies* (see items A- J below) with preliminary detailed cost estimates, using unit costs that are suitable for International Competitive Bidding, no older than 4 years, *Preliminary environmental and social review, including gender analysis.*

- *Institutional arrangement* for project implementation
- Concept designs and, if possible, adopted design criteria and standards.
- Preliminary economic and financial analysis, with an indication of economic and financial impact.

When a Pre-feasibility Study is absent and if the country is able to provide, and demonstrates that it can provide, similar information that is usually contained in a pre-feasibility study, then MCC may consider it to be sufficient to commence its Due Diligence.

MCC's Due Diligence process includes a review of the following:

A. Development Approach

The proposal should clearly identify the critical constraints or development opportunities that the project is going to address. The proposal should indicate how the proposed activities address these constraints or opportunities. The proposal should also confirm that the identified sub-sectors offer the best potential for income generation and job creation, including multiplier effects, and are inclusive of the economically viable poor.

B. Qualitative Analysis of Alternative Project Selection and Design

The MCC proposal should include a clear justification for the proposed activities, including analysis of project alternatives, quantified wherever possible. This should include the following: (i) what would happen without a project, which would help determine whether or not the project is necessary; (ii) a discussion on the chosen operation being the least cost alternative; (iii) justification for public funding, such as an effort to provide public goods to address a market failure; and (iv) consideration of alternatives in terms of choice of project, technology, design, construction, location, choice of target group, public-private provision, and public-private financing.

Based on available data and evidence, MCC Due Diligence is intended to:

- Establish evidence that alternatives were considered during the selection and design of the project

- Establish evidence that the project being appraised is the least-cost or the optimal Net Present Value (NPV) alternative

- Identify clearly the "with" and "without" project situations, and specify clearly and transparently their respective costs and (especially) income and other benefits.

C. Project Design and Costs

Based on available data and evidence, MCC Due Diligence is intended to:

- Confirm that results of stakeholder consultations have been considered adequately in designing the project

- Confirm quantitatively that the design parameters meet the objective of alleviating stated key constraints to sustainable growth

- Confirm that proposed project design will deliver expected benefits

- Examine the methodology for cost estimation. Ensure that costs reflect current industry contractor prices, material availability due to world demand, and inflation factors. Recheck country-specific unit costs employed in standard costing methods

- Evaluate physical and price contingencies (for local and foreign components separately), and foreign exchange rates for foreign components of the project cost and recommend adjustments as necessary

- Evaluate land development costs including any requisite land acquisition needs if relevant

- Provide evidence of local construction capacity (where appropriate) and availability of local materials, equipment, and labor and identify situations where off-shore procurement or importation is required

- Determine contracting method and reexamine project costs based on the likely method of contracting

- Where construction is required, examine the appropriateness of engineering standards and codes used in the project design

D. Fiscal Impact and Cost Recovery

The public and private affordability of the proposed operation must be analyzed. This is especially relevant in terms of the project's impact on the current public investment program or finances of the responsible public sector entity (e.g., Operations and Maintenance costs). The potential for sustaining the operation during and after implementation should be determined. MCC Due Diligence must analyze recurrent cost funding or identify cost recovery issues.

Based on available data and evidence, MCC Due Diligence is intended to:

- Assess adequacy of recurrent cost funding analysis or cost recovery analysis, including the underlying assumptions and assumed values
- Analyze and justify any subsidies for operating or recurrent costs, including the ability to target or limit subsidies (e.g., via means-testing) to poor beneficiaries
- Ensure adequate measures to permit project financial sustainability (during and after implementation) are included whether from public or private sources
- Ensure tariff and recovery requirements are clearly specified to achieve project objectives

E. Economic Analysis

All projects will be subject to economic evaluation by MCC's Economic Analysis Division in accordance with the MCC Guidelines for Economic Analysis, available at www.mcc.gov. Such evaluation is based on projections of net incomes and other benefits with and without a proposed MCA intervention.

Based on available data and evidence, MCC Due Diligence is intended to:

- Identify realistic benefit streams and assess their magnitude and sensitivity to changing conditions
- Establish quantitatively the link between economic contribution and poverty reduction
- Estimate impact on poverty reduction

- Identify key constraints that may hinder the realization of assumed benefits, whether public or private

F. Sensitivity / Risk Analysis

Assessment of impact that changes in different underlying parameters of the operation will have on the anticipated outcome. Switching values can also be used to help arrive at realistic expectations of the potential benefits of an operation.

Based on available data and evidence, MCC Due Diligence is intended to:

- Identify the underlying or causal factors that introduce risk and their likelihood of occurrence, and that would have an adverse impact on cost, quality, or timeliness
- Calculate switching values
- Ensure sensitivity analysis that reflects the risks
- Determine whether variations in key underlying variables have an important impact on Financial Internal Rate of Return (FIRR) or other benefits.

G. Monitoring and Evaluation Plan

All projects are required to include a comprehensive monitoring and evaluation plan that clearly describes how the poverty reduction and growth impacts of the proposal will be measured. Refer to the Guidelines for Monitoring and Evaluation Plans and the Guidelines for Economic Analysis documents for more details on required information and methodology.

F. Institutional Capacity and Risk Analysis

Assessment of the capacity and effectiveness of relevant government agencies and implementing agencies. Realistic actions to reduce risks must also be assessed. The risks identified should be used as parameters for the sensitivity analysis.

Based on available data and evidence, MCC Due Diligence will:

- Adequately assess institutional capacity to implement the proposed project

- Identify actions and their associated costs that may reduce identified ex-ante institutional capacity risks
- Develop realistic set of actions to include reduction of institutional risks during implementation
- Develop operational alternatives if identified institutional capacity constraints indicate material risks to meeting project outcome(s).

H. Poverty and Gender Analysis

All projects will be subject to Poverty and Gender analysis by the responsible groups of MCC to ensure that the proposed projects are designed in accordance with the MCC Gender Policy and the MCC Guidelines for Economic Analysis, available at www.mcc.gov.

I. Environmental and Social Impact Analysis

MCC Compacts are required to comply with MCC Environmental Guidelines (www.mcc.gov). The MCC Environmental and Social Assessment (ESA) Division is responsible for Due Diligence activities relating to environment and social matters in projects.

J. Donor Coordination

The activities of other donors in the sectors of potential MCC activity must be analyzed. The nature, size and status of these programs should be identified. The potential functional linkages with other donors should be determined. The following questions should be addressed

- How will MCA funds leverage, complement or reinforce other donor interventions? (i.e. Are there established institutions that could be leveraged for implementation? Are there successful programs that could be scaled up?).
- What are best practices/lessons learned from past donor interventions related to the areas identified in the MCC proposal, and how were they incorporated?

- How would other donor programs positively or negatively impact the MCA program? How could either be changed to maximize the positive complementarities?

Chapter 22:

Sector Guidelines for Countries Proposing Agriculture

MILLENNIUM CHALLENGE CORPORATION
MCC
UNITED STATES OF AMERICA

Reducing Poverty Through Growth

Sector Guidance for Countries Proposing Agriculture

MCC Due Diligence Requirements for Proposed Agriculture and Rural Economy Components

Last updated: November, 2006

This document is intended to provide an overview of the way MCC conducts due diligence on a variety of possible agriculture and rural economy components.

Within the Corporation's Guidelines for overall assessment of each proposal, projects in Agriculture and Rural Economy (ARE) areas will be assessed for technical, commercial, financial, economic, institutional, social and environmental feasibility. This document provides an overview of the principal assessments to be made. In addition to the steps outlined below, all ARE projects will be reviewed for compliance with other guidelines concerning the environment, gender policy and economic analysis.

MCC will initiate its Due Diligence process when it receives an applicant's proposal that is considered to contain sufficient verifiable information. If insufficient information is made available in a proposal, MCC will consult the applicant and provide specific guidance and options to consider to meet standards of completeness.

In general terms, ARE Due Diligence can begin once the following information is received:

- *Project justification, including a well-defined* national development context (or sector strategy) and clearly defined targets for poverty reduction.
- *Project description* with sufficient detail regarding exact project site, the geographic areas to be served, the preliminary identification of targeted beneficiaries, intended outcomes, the products or services to be delivered, and the methods of delivery.
- *Project costs, including* detailed estimates.
- *Preliminary environmental and social review, including gender analysis.*

- *Institutional arrangement* for project implementation (refer to Fiscal Accountability for guidance).
- *Preliminary economic and financial analysis* (refer to Guidelines for Economic and Beneficiary Analysis for more information).

The ARE Due Diligence focuses heavily on value-chain analysis that addresses the participants, the relationships and the conditions in each of the three interdependent sub-systems of an agricultural activity: the market, the value-added processes and the raw material supply. Surrounding this chain, which extends back from merchandising activities to processing, storage, handling, and on-farm production, there are horizontal relationships that provide inputs and services in support of each sub-system. Supporting the entire structure is the policy and regulatory environment that affect costs, returns and investment of participants throughout the sector.

In addition to the consideration of project impacts throughout the value-chain, the DD analysis is based on three other principles:

- Transformation is considered sustainable only if it is market-driven;
- Behavioral change of project participants can be expected to occur only when there are strong market incentives;
- Change must fully reflect international best practices, adapted as required for local use.

The ARE Due Diligence process requires attention to each of the following:

1. Development Approach

- What are the critical constraints or development opportunities that the project is going to address?
- How will the proposed activities address these constraints or opportunities? Does the project build on the strengths of the rural economy?
- Confirm that the identified sub-sectors offer the best potential for income generation and job creation, including multiplier effects, and are inclusive of the economically viable poor.

- What are the demographics of the rural economy, both nationally and in the project region, including age, gender, geographic location, education and employment? What are the characteristics of the rural poor, especially those that indicate that the poor will benefit from the proposed activities?

- Are proposed arrangements to deliver technical and financial services consistent with international best practices, particularly with respect to market orientation, responding to beneficiary needs, securing beneficiary commitment, and being cost-effective?

2. Project Beneficiaries

- Who are the targeted participants of the intervention? Are the development approach and timeframe appropriate to reach these participants? Has the full range of beneficiaries been considered (e.g. women, youth, disadvantaged groups, ethnic minorities)?

- What are the anticipated benefits of the project for the target beneficiaries? What would be their expected situation without the project? [Refer to Guidelines for Economic Analysis and the Gender Policy for more details on conducting gender analysis on project beneficiaries]

3. Markets and Marketing

- What are the market prospects for the key products that will be produced by the proposed investment, and what are the key drivers of growth in each?

- What are the critical factors in assuring access to these markets and how does the project propose to address these factors?

4. Post-Harvest Activities

- Does the post-harvest activity provide a sufficient return to enterprise owners, employees and agricultural suppliers to attract and retain interest in the activity? [Refer to Guidelines to Perform Economic Analysis for more details.]

- Do the proposed post-harvest activities reduce losses, add value or enhance market access for the subject agricultural products?

5. Agricultural Production Activities

- Is the current pattern of agricultural production in the target area conducive to the adoption of the proposed innovations, and will those changes generate significant sustainable benefits for the target beneficiaries?
- Do the proposed innovations represent a reasonable jump for beneficiaries in terms of changes in technology and management?
- Are the infrastructure and support services in place to facilitate the proposed type and level of activity?
- What are the most likely risks associated with introducing and sustaining the proposed activity? Are mitigation measures available and are the likely risks reasonable for the target participants?

6. Raw Material Supply

- Does the proposed agricultural activity have access to (i) the improved inputs (seed, breeding stock, nursery stock, agro-chemicals, water), (ii) the technical support for their effective use and (iii) credit necessary to obtain them, to produce an output that responds to processing and market specifications?
- As a key point for Compact sustainability, will the activity contribute to the development of agricultural production, support services, and supply networks in the project area?
- Are risks considered reasonable and have mitigating measures such as technical support, sequential production over geographic areas, contract farming, post-harvest services and mitigation of environmental impacts been introduced as required?
- Is the delivered cost of these inputs and technical services in line with the additional benefits they are expected to generate?
- Does sustained production of the target products require applied research, field trial or varietal changes over the life of the project and if so, how will these be undertaken?

- Will increased utilization of inputs (timber, water, agro-chemicals, etc.) result in significant environmental impacts?

- Will these inputs be used in a safe and sustainable manner and will their use complement other activities on the farm? What are the potential "downstream" effects on households, communities and the environment of new or increased use of fertilizers and pesticides? What are potential preventive measures for negative impacts (such as community education)?

7. Supporting Facilities and Services

- Based on the assessment of the sub-systems of the proposed project, what other critical support facilities and services (public and private) are required to achieve project objectives?

- In cases of a deficiency, can the needs of the project be met through: changes in project design, addition of a component to strengthen the facility or service in question; coordination or cross-commitment with another development project?

8. Policy and Regulatory Environment

- Are there policy or regulatory issues, whether in terms of content or administrative procedure, that appear to limit the potential benefits of the proposed project and, if so, could these constraints be alleviated through: changes in the policy, regulation or procedure concerned, changes in project design, the addition of a project component to fund change or compensatory measures related to the issue in question, or coordination or cross-commitment with another development project?

9. Financial Viability for Beneficiaries

- Are financial benefits to the proposed activity sufficiently positive to attract and maintain beneficiary interest?

- Will the proposed solution require cost sharing from participants? If so, do the targeted participants have the capacity to pay?

10. Sustainability

- Does the intervention build on the private sector capacity to implement commercially viable solutions to identified production and market constraints?
- Are subsidy programs limited and justified as a necessary public intervention? Do they lead to market solutions and how will these subsidies be phased out?
- What factors promote institutional sustainability (training, building capacity, support by NGOs, etc.)?
- What factors promote financial sustainability and viability of the project's delivery agent beyond the life of the Compact? If none, is there a clear exit strategy upon termination of funding?
- Does the project establish an environment attractive to private investment that ensures continued economic growth and flow of new revenues for target beneficiaries well beyond compact duration?
- What factors promote social sustainability, including the participation and commitment of women and other underrepresented groups?
- Are there internationally recognized certification processes in use to ensure environmentally sustainable practices?

11. Project Costs

- What are the costs of project implementation, including activity costs as well as management, procurement, financial control, monitoring and evaluation and technical audits? Detailed annual budgets to be completed as well as quarterly budgets for Year 1. Costs must be segmented into local and foreign currencies as well as civil works, equipment, technical assistance, project management, and other significant categories of expenditure.
- What is the country's inflation rate and has this been reflected in project costs? Are there inflation considerations for implementation costs other than national inflation projections?
- What is the cost of the project per beneficiary? (Household, farm and/or enterprise budgets are necessary to establish an economic baseline and to estimate

the post-implementation ERR. [Refer to Guidelines to Perform Economic Analysis for more details.]

12. Implementation Management

- What are the proposed management and supervisory structures that will be utilized to implement and oversee the project?
- What is the technical capacity of implementation entities?
- What is the overall timetable for the project (including time necessary to carry out procurement processes)?
- What are the mechanisms to monitor and evaluate project results and incorporate lessons learned into ongoing operations?
- What are the selection criteria and decision-making mechanisms to identify project beneficiaries? Have appropriate checks and balances been identified? Have special measures been undertaken to identify and engage underrepresented groups, including women, as appropriate?
- What are the functional linkages of the ARE project with other projects proposed for MCA funding? How will the appropriate level of coordination be assured during implementation?

13. Monitoring and Evaluation

- What are the quantifiable indicators of output (e.g. number of farmers trained) and outcome (e.g. hectares cultivated with high value added crops) that the project expects?
- What are the baseline values and annual targets for these indicators?
- What are the data sources available to monitor the project?
- Beyond currently available and future data sources, do additional surveys need to be developed?

Refer to the Monitoring and Evaluation Guidelines and the Guidelines for Economic Analysis document for more details on required information and methodology.

14. Risks

- What are the principal risks inherent in the proposed project as well as risks to successful implementation of the project? Clearly state risk mitigation mechanisms and how they have been built into the project design. (Risks may include sensitive timing, conflict, policy and regulatory framework, trade agreements and international relations, local customs, fragmentation of farming operations, gender inequalities and issues of governance and transparency.)

15. Donor Coordination

- What are donors doing or what do they plan to do in sectors of potential MCC activity? Describe the nature, size and status of these programs.

- What are the functional linkages with donors? How will MCA funds leverage, complement or reinforce other donor interventions? (i.e. Are there established institutions that could be leveraged for implementation? Are there successful programs that could be scaled up?)

- What are best practices/lessons learned from past donor interventions related to the areas identified in the MCC proposal, and how were they incorporated?

- How would other donor programs positively or negatively impact the MCA program? How could either be changed to maximize the positive complementarities?

Chapter 23:

Sector Guidelines for Countries Proposing Infrastructure

MILLENNIUM CHALLENGE CORPORATION ★ UNITED STATES OF AMERICA ★

Reducing Poverty Through Growth

Sector Guidance for Countries Proposing Infrastructure

MCC Due Diligence Requirements for Proposed Infrastructure Components

Last updated: November, 2006

This document is intended to provide an overview of the way MCC conducts due diligence on a variety of possible infrastructure sectors..

Certain information and data allow MCC to determine whether the proposed project is **sufficiently well developed**, (see Project Development Guidance) and if so, whether MCC Due Diligence should commence.

Contents

Infrastructure Guidance – Major Roads

Certain information and data allow MCC to decide on the following: (i) whether the proposed project is sufficiently well developed, and if so, whether MCC Due Diligence should commence; (ii) an early indication that the project is technically viable; (iii) an early indication that the project can be implemented within the compact term (maximum of 5 years); and (iv) whether activities requiring long execution times (e.g., land acquisition, resettlements) are underway.

The eligible country should provide the following data, analysis and assessments in order to allow the MCC Infrastructure Division to make this determination:

- A preliminary description of rationale, including nature and measure of benefits, and beneficiaries.
- Confirmation supported by appropriate data, that the proposed project is likely to deliver the stated benefits
- Identification of the role of the project in the national road strategy and investment plan.
- Information on whether the proposed rural roads provide links within the context of the overall road network.
- Available technical data, with particular emphasis on surveys, cadastral data establishing road alignments (if any exists), legal status of existing road alignments and road reserves.
- Data on road-making material, in particular pavement materials and water (availability, location, action taken by applicant on approvals needed to extract gravel or water), as well as aggregate if a paved road is proposed.
- Available data for drainage design including catchment mapping, rainfall records, rainfall frequency/ intensity curves.
- A preliminary description of the institutional arrangements in place to manage and maintain public roads, the responsible organization, funding arrangements, maintenance history, and general capability.

- Identification of areas which require obtaining more detailed, current or reliable information. If a new road (or realignment of an existing road) is proposed, obtaining approvals from all relevant parties for land may be a significant and time consuming issue; identify the party responsible, process, who has to sign off and a timeline at commencement of the Due Diligence phase.

Once MCC has made the determination to commence due diligence on a project, the Infrastructure Division will commence with the following Due Diligence.

Technical Assessment: Engineering

- Review all aspects of preliminary technical designs and proposed standards and confirm appropriateness for design criteria, demand requirements and environmental factors.

- Review geological, seismic, survey, traffic, mapping and rainfall data available and identify the need for further data.

- Assemble cost data and prepare detailed cost estimates for materials (gravel, bitumen, aggregate, concrete, bridge materials) and construction equipment.

- Assemble data for drainage design and confirm completeness of rainfall intensity/ frequency/ duration data.

- Review traffic volume data and traffic design; identify any traffic counts needed to confirm assumptions. Evaluate traffic volume projections used in the economic analysis and estimate their accuracy.

- Prepare a road safety report on the proposed road, identify potential issues, and confirm design and construction standards.

- Prepare and assess economically justified alternative design options including vertical and horizontal alignments, pavement (balance of unbound, deep lift asphalt, concrete), drainage structures, location and arrangements for intersections.

- Prepare preliminary designs and plans for drainage structures, options, materials, and design standards.

- Prepare preliminary designs for bridges, including approximate level, spans, and materials, and review special measures required for major floods and earthquakes. Prepare concept designs of standardized minor creek crossings, floodways and culverts. Relate the proposed level of service to proposed benefits. Describe the basis for estimating flood flows.

- Assess secondary impact of the proposed project on other transport infrastructure, including proposed intersections on local road networks, and identify any need for a more detailed assessment.

- Review maintenance requirements and costs, and compare against current maintenance arrangements (see Sustainability below).

Technical Assessment: Economic and Financial

The economic analysis of the projects will be performed by the MCC Economists in accordance with the MCC Guidelines for Economic Analysis. Infrastructure input to this analysis may include the following:

- Providing a description of the economy of the catchment area and wider region, and the impact of road conditions. Quantifying recent trends in economic activity for the catchment based on best available data and consultation with local organizations.

- Identifying benefits including road user costs and increased economic activity (by sector) expected to flow from upgraded or new roads, focusing where possible on increases in incomes for workers, firms, and households. Identifying the beneficiaries, to the extent possible. Comparing projected incomes and other benefits with and without the proposed project, and assessing the capacity of the local and wider region to absorb the increased level of economic activity.

- Summarizing the design standards, design life and cost estimates (capital and maintenance) and confirming these are consistent with the assumed benefits and duration of the benefit stream.

- Confirming that costs and project life are consistent with the engineering design.

- Completing a financial analysis and FIRR for income generating subprojects (to the extent benefits contribute to EIRR of road project).

Technical Assessment: Environment and Social

The Environmental and Social Assessment (ESA) group will work to ensure that proposed infrastructure projects comply with MCC Environmental Guidelines (www.mcc.gov), which include, inter-alia, an expectation of compliance with host-country laws, regulations and standards, as well as requirements by which the host country is bound under international agreements. Particular attention must be paid to issues which generally arise including, but not limited to, land ownership and right of way, incursion into sensitive areas (reserves, parks, wetlands, etc.), drainage and erosion control (especially in hilly or mountainous situations). Close coordination with ESA is required throughout the Due Diligence process.

MCC Infrastructure Division will also conduct sustainability, risk management and implementation assessments which will involve the following activities:

Sustainability Assessment

- A review of a detailed description of current arrangements for ownership, management and maintenance of rural roads, including details of the legislative framework, administrative framework, funding arrangements and maintenance responsibilities.

- A review of existing performance with respect to clarity and acceptance of arrangements and responsibilities, acceptance of road reserves, road maintenance. Identifying causes of inadequate performance including legislative or administrative arrangements, resources, technical capability and capacity, and funding.

- Review of road maintenance programs to ensure that such plans are suitable for the new road and wider road network including responsibilities, resources, funding. Identifying shortfalls with current arrangements and providing details of a program to strengthen road management and maintenance arrangements.

- A review of details of alternative road maintenance funding options. Including details of income derived from road users and potential for increased cost recovery.

- Prepare a summary of actions needed to maintain the road network to an acceptable level, including institutional strengthening, funding (responsibility and funding levels) and additional resources needed.

Risk Management Assessment

- Identifying significant risks to the project in particular construction cost increases, delays, sustainability of the road, local acceptance and take up of benefits, and other factors affecting economic performance and distribution of benefits.

- Identifying and assessing significant risks relating to durability, and confirm that design criteria adopted shall mitigate these risks within acceptable tolerance levels.

- Preparing a risk management plan to minimize the negative impact of the risks.

Implementation Assessment

- Providing a summary of the technical and construction resources available in country, and experience with projects of similar size, nature and type.

- Providing details of implementation options available.

- Identifying local factors that may affect the timely completion of the works, including transport to/from the location for the contractor's equipment, fuel and other materials, seasonal weather patterns such as avoiding the wet season.

- Preparing an implementation program including contract awards, any approvals and permits needed, construction times, cash flow, government commitments and other hold points as appropriate.

- Recommend an appropriate procurement procedure, sequencing, and packaging.
- Recommend suitable supervision and management arrangements.

Infrastructure Guidance – Ports

Certain information and data allow MCC to decide on the following: (i) whether the proposed project is **sufficiently well developed**, and if so, whether MCC due diligence should commence; (ii) an early indication that the project is **technically viable1;** (iii) an early indication that the project **can be implemented within the compact term** (maximum of 5 years); and (iv) whether **activities requiring long execution times (e.g., land acquisition, resettlements) are underway**.

The eligible country should provide the following data, analysis and assessments in order to allow the MCC Infrastructure Division to make this determination:

- A preliminary description of the rationale for MCC interventions, including nature and measure of benefits and beneficiaries.
- Confirmation supported by appropriate data, that the proposed project is likely to deliver the stated benefits
- Information on market demand which justifies the project financially, economically and operationally. The information should take into account competition, total costs of operations, and forecast the future growth of demand.
- Identification of alternatives to accomplish the objective, such as expansion of an existing port or construction of a new port or other transport modes, where applicable, including environmental considerations related to each alternative.
- Identification of the facilities' throughput and operating statistics, including current vessel service and cargo handling characteristics in comparison with international norms and definition of performance targets for operations after completion of the project. Data should include current trends and forecasts of future throughput parameters; current and expected vessel service capabilities and efficiencies; cargo discharge/load and take away rates; efficiencies and capabilities of cargo processing systems such as container yards, warehouses, and container freight station (CFS) operations, on the terminal and overall

port performance capabilities, including total throughput and growth rates, average vessel waiting and service times, average cargo dwell times; and overall cargo processing costs.

- Data on terminal congestion indicators to identify the need for off-terminal service facilities.
- Data on port operations and overall cargo distribution costs to identify the potential economic impact of the project on the local and regional economy.
- Information on whether project components, engineering design, and associated technologies are considered appropriate for the port in relation to its international shipping network.
- A preliminary description of the institutional arrangements in place to manage and maintain road networks inside and outside of the port; organization responsible, funding arrangements, maintenance history, and general capability.
- Identification of the current and projected land uses to define and evaluate the existing utilization of land, options for changing land uses to maximize operating efficiencies for existing and future systems, and land resources for long term development.
- Identification of areas which require obtaining more detailed, current or reliable information. If a new port (or expansion of an existing port) is proposed, obtaining approvals from all relevant parties for land may be a significant and time consuming issue that requires additional risk assessment. Identify the party responsible for acquiring or developing the information, the process to acquire that information, the party responsible for approval, and a timeline for information acquisition at commencement of the due diligence phase.

Once MCC has made the determination to commence due diligence on a project, the Infrastructure Division will commence with the following Due Diligence.

Technical Assessment: Engineering

- Review all aspects of preliminary technical designs and proposed standards and confirm appropriateness for criteria, demand requirements and environmental factors.

- Survey and assess channel and navigational characteristics (including draft, width, turning radiuses, shoaling areas, navigational aids, and anchorages) and environmental factors which may affect the safe navigation of the channel to define the maximum size, operating characteristics of water access, and assist requirements for vessels to safely access and operate within the port harbor.

- Survey and assess existing piers, wharfs, or other vessel mooring and discharge/load facilities to define their physical condition, operating characteristics and constraints, and to assess safety issues, accessibility to storage and cargo processing areas and any obstructions or impediments to efficient work flow.

- Confirm that project design is based on internationally accepted engineering standards for port civil works.

- Assess capital operating equipment including rail-mounted or mobile shore cranes, container handling and/or specialized cargo discharge/load systems, or other capital equipment to define their capacities and capabilities, service life expectancy, maintenance and repair needs, and long-term replacement requirements.

- Survey and assess warehouses, container yards, bulk storage facilities, and specialized operations areas to define their physical condition, functions, operational capacities, environmental and safety concerns, and impediments to work organization and traffic flow.

- Assess accessibility of the port to land transportation and to terminal storage and cargo processing areas to define system capacities, operational limitations, bottlenecks and impediments to traffic flow, associated transport and distribution costs, and environmental and safety concerns.

- Survey and assess security systems including perimeter fencing and surveillance systems, gate and access control systems, and emergency response systems and capabilities to determine if they meet International Maritime Organization (IMO) standards, International Ship and Port Security (ISPS) codes and International convention for Prevention of Pollution from Ships (MARPOL) requirements.

- Review topographic map of the project are.
- If projects are to be constructed within the marine environment, conduct a bathymetric survey of the project site to measure water depths, define the topographic features of the bathymetric landscape, identify potential impediments to construction, and identify archaeological remains or environmentally sensitive areas.
- Complete a geotechnical investigation of the subsurface strata of the project area to determine the characteristics of the sub-surface material and its potential impact on the engineering design.

Technical Assessment: Economic and Financial

The economic analysis of the projects will be performed by the MCC Economists in accordance with MCC Guidelines for Economic Analysis. Infrastructure input to this analysis may include the following:

- Identifying benefits expected to flow from project, focusing on increases in incomes for workers, firms, and households. Identifying the beneficiaries, to the extent possible. Comparing projected incomes and other benefits with and without the proposed project, and assessing the capacity of the local and wider region to absorb the increased level of economic activity.
- Making an assessment of how benefits resulting from increased efficiencies (e.g., reduction in wait and queue time) would impact poverty reduction.
- Summarizing the design standards, design life and cost estimates (capital and maintenance) and confirming these are consistent with the assumed benefits and duration of the benefit stream.
- Confirming that the costs and project life are consistent with the engineering design.

- Completing a financial analysis.

- Confirming that the technologies that are proposed in the project and the engineering design will allow fulfillment of operational performance, financial, and economic objectives.

- Assessing regional port activities, specifically addressing demand and growth.

Technical Assessment: Environment and Social

The Environmental and Social Assessment (ESA) group will work to ensure that proposed infrastructure projects comply with MCC Environmental Guidelines (www.mcc.gov), which include, an expectation of compliance with host-country laws, regulations and standards, as well as requirements by which the host country is bound under international agreements. Particular attention must be paid to issues which generally arise including, but not limited to, the toxic nature of dredged material and disposal of dredged sediment, and degradation of the marine ecology.

The MCC Infrastructure Division will also conduct sustainability, risk management and implementation assessments which will involve the following activities:

Sustainability Assessment

- A review of a detailed description of current arrangements for ownership, management and maintenance of ports, including details of the legislative framework, administrative framework, funding arrangements and maintenance responsibilities.

- A review of existing performance with respect to clarity and level of acceptance of arrangements and responsibilities, and acceptance of reserves for maintenance. Identifying causes of inadequate performance including legislative or administrative arrangements, resources, technical capability and capacity, and funding.

- A review of maintenance programs to ensure that such plans are suitable for the new or improved port, including responsibilities, resources and funding.

Identifying shortfalls with current arrangements and providing details of a program to strengthen port management and maintenance arrangements.

- A review of details of alternative maintenance funding options. Including details of income derived from users and potential for increased cost recovery.

- Prepare a summary of actions needed to maintain the port to an acceptable level, including institutional strengthening, funding (responsibility and funding levels) and additional resources needed.

Risk Management Assessment

- Identifying significant risks to the project, with particular respect to construction cost increases, delays, sustainability of the port, trade union issues, local acceptance and take up of benefits, and other factors affecting economic performance and distribution of benefits.

- Identifying and assessing significant risks relating to durability and confirming that design criteria adopted shall mitigate these risks within acceptable tolerance levels.

- Preparing a risk management plan to minimize the negative impact of the risks.

Implementation Assessment

- Providing a summary of the technical and construction resources available in country, and experience with projects of similar size, nature and type.

- Identifying local factors that may affect the timely completion of the works, including transport to/from the location for the contractor's equipment, fuel and other materials, seasonal weather patterns among others.

- Preparing an implementation program including contract awards, any approvals and permits needed, construction times, cash flow, government commitments and other hold points as appropriate.

- Recommend an appropriate procurement procedure, sequencing, and packaging.

- Recommend suitable supervision and management arrangements.

Infrastructure Guidance – Rural Roads

Certain information and data allow MCC to decide on the following: (i) whether the proposed project is **sufficiently well developed**, and if so, whether MCC Due Diligence should commence; (ii) an early indication that the project is **technically viable;** (iii) an early indication that the project **can be implemented within the compact term** (maximum of 5 years); and (iv) whether **activities requiring long execution times (e.g., land acquisition, resettlements) are underway**.

The eligible country should provide the following data, analysis and assessments in order to allow the MCC Infrastructure Division to make this determination:

- A preliminary description of rationale based on application including nature and measure of benefits, and beneficiaries.
- Confirmation supported by appropriate data, that the proposed project is likely to deliver the stated benefits
- Identification of the role of the project in the national road strategy and investment plan.
- Information on whether the proposed rural roads provide links within the context of the overall road network.
- Available technical data, with particular emphasis on surveys, cadastral data establishing road alignments (if any exists), legal status of existing road alignments and road reserves.
- Data on road-making material, in particular pavement materials and water (availability, location, action taken by applicant on approvals needed to extract gravel or water), as well as aggregate if a sealed or paved road is proposed.
- Available data for drainage design including catchment mapping, rainfall records, rainfall frequency/ intensity curves.

- A preliminary description of the institutional arrangements in place to manage and maintain public roads, the responsible organization, funding arrangements, maintenance history, and general capability.

- Identification of areas which require obtaining more detailed, current or reliable information. If a new road (or realignment of an existing road) is proposed, obtaining approvals from all relevant parties for land may be a significant and time consuming issue; identify the party responsible, process, who has to sign off and a timeline at commencement of the Due Diligence phase.

Once MCC has made the determination to commence due diligence on a project, the Infrastructure Division will commence with the following Due Diligence.

Technical Assessment: Engineering

- Review all aspects of preliminary technical designs and proposed standards and confirm appropriateness for criteria, demand requirements and environmental factors.

- Prepare preliminary design (20%) sufficient to confirm the road alignment, standard, constructability, estimated cost, maintenance requirements and to identify all issues to be addressed for the road to be constructed and maintained, such as such as land clearance.

- Confirm details of design and construction standards applicable in the location, where such standards exist. Establish and justify proposed standards for horizontal and vertical geometry, design speed, design vehicle, road design life.

- Review traffic counts or other sources of information about traffic volumes. Evaluate traffic volume projections used in the economic analysis and estimate their accuracy. Where existing data is inadequate, arrange minimum seven day traffic counts for suitable locations to be completed by the end of the economic assessment.

- In conjunction with the economic and financial assessment, assess levels of service that are economically justified based on traffic, economic growth potential and social factors.

- Establish level of drainage serviceability and compare to similar roads and other segments of the proposed road, where appropriate. Prepare preliminary designs for bridges, including approximate level, spans, and materials, and review special measures required for major floods, and earthquakes. Prepare concept designs of standardized minor creek crossings; floodways, culverts. Relate the proposed level of serviceability to proposed benefits. Describe the basis of estimating flood flows.

- Confirm availability of and identify sources for road making materials including expected quality based on previous experience of using material from the sources.

- Prepare preliminary designs including horizontal alignment, typical cross section, major drainage structures, and location of minor drainage. Identify locations of all drainage outlets. Identify any locations where steep gradients may cause problems, extent of earthworks to reduce gradient and/ or drainage design to minimize erosion. Identify if earthworks can be contained in the road reserve. For upgrades to an existing road, identify any locations where the horizontal alignment will need to be changed to achieve an acceptable design standard.

Technical Assessment: Economic and Financial

The economic analysis of the projects will be performed by the MCC Economists in accordance with MCC Guidelines for Economic Analysis. Infrastructure input to this analysis may include the following:

- Providing a description of the economy of the catchment area and wider region and the impact of road conditions. Quantifying recent trends in economic activity for the catchment based on best available data and consultation with local organizations.

- Identifying benefits including road user costs and increased economic activity (by sector) expected to flow from upgraded or new roads, focusing where possible on increases in incomes for workers, firms, and households. Identifying the beneficiaries, to the extent possible. Comparing projected incomes and other benefits with and without the proposed project and assessing the capacity of the local and wider region to absorb the increased level of economic activity.

- Summarizing the design standards, design life and capital and maintenance cost estimates and confirming that these are consistent with the assumed benefits and duration of the benefit stream.
- Confirming that the costs and project life are consistent with the engineering design.
- Completing a financial analysis.

Technical Assessment: Environment and Social

The Environmental and Social Assessment (ESA) group will work to ensure that proposed infrastructure projects comply with MCC Environmental Guidelines (www.mcc.gov), which include, an expectation of compliance with host-country laws, regulations and standards, as well as requirements by which the host country is bound under international agreements. Particular attention must be paid to issues which generally arise including, but not limited to, land ownership and right of way, incursion into sensitive areas (reserves, parks, wetlands, etc.), drainage and erosion control (especially in hilly or mountainous situations).

The MCC Infrastructure Division will also conduct sustainability, risk management and implementation assessments which will involve the following activities:

Sustainability Assessment

- A review of a detailed description of current arrangements for ownership, management and maintenance of rural roads, including details of the legislative framework, administrative framework, funding arrangements and maintenance responsibilities.
- A review of existing performance with respect to clarity and acceptance of arrangements and responsibilities, acceptance of road reserves, road

maintenance. Identifying causes of inadequate performance including legislative or administrative arrangements, resources, technical capability and capacity, and funding.

- Review of road maintenance programs to ensure that such plans are suitable for the new road and wider road network including responsibilities, resources, funding. Identifying shortfalls with current arrangements and providing details of a program to strengthen road management and maintenance arrangements.
- A review of details of alternative road maintenance funding options. Including details of income derived from road users and potential for increased cost recovery.
- Prepare a summary of actions needed to maintain the road network to an acceptable level, including institutional strengthening, funding (responsibility and funding levels) and additional resources needed.

Risk Management Assessment

- Identifying significant risks to the project in particular construction cost increases, delays, sustainability of the road, local acceptance and take up of benefits, and other factors affecting economic performance and distribution of benefits.
- Identifying and assessing significant risks relating to durability, and confirm that design criteria adopted shall mitigate these risks within acceptable tolerance levels.
- Preparing a risk management plan to minimize the negative impact of the risks.

Implementation Assessment

- Providing a summary of the technical and construction resources available in country, and experience with projects of similar size, nature and type.
- Providing details of implementation options available.

- Identifying local factors that may affect the timely completion of the works, including transport to/from the location for the contractor's equipment, fuel and other materials, seasonal weather patterns such as avoiding the wet season.
- Preparing an implementation program including contract awards, any approvals and permits needed, construction times, cash flow, government commitments and other hold points as appropriate.
- Recommend an appropriate procurement procedure, sequencing, and packaging.
- Recommend suitable supervision and management arrangements.

Infrastructure Guidance – Irrigation Systems

Certain information and data allow MCC to decide on the following: (i) whether the proposed project is **sufficiently well developed**, and if so, whether MCC Due Diligence should commence; (ii) an early indication that the project is **technically viable;** (iii) an early indication that the project **can be implemented within the compact term** (maximum of 5 years); and (iv) whether **activities requiring long execution times (e.g., land acquisition, resettlements) are underway**.

The eligible country should provide the following data, analysis and assessments in order to allow the MCC Infrastructure Division to make this determination:

- A preliminary description of rationale, including nature and measure of benefits, and beneficiaries.
- Confirmation supported by appropriate data, that the proposed project is likely to deliver the stated agricultural benefits.
- Definition, assessment, and evaluation of current and projected land uses in the proposed irrigated and/or flood areas. Identification of options for changing land uses to maximize operating efficiencies for existing and future systems, and identification of land resources for long term development.
- Assessment of market demand for increased agricultural production and water use to financially, economically and operationally justify the project. The assessment should take into account total costs of operations, and forecast the future growth of demand for water use.
- Confirmation that sufficient reliable hydrology information has been provided in feasibility reports on issues such as riverstage and discharge or borehole yield and drawdown, total solids in suspension, total dissolved solids, and specific substances in suspension and solution.
- Determination that satisfactory soil survey techniques (i.e., auger holes, trial pits) have been used or survey results have been tested for validity.
- Confirmation that crop water requirements (including studies of evaporation ratios of open water surfaces) have been estimated sufficiently using climatologic data from adequate and reliable records [NB – an error of 20% in

crop water use estimates can make a considerable difference to the economic analysis, especially if water cost is a major constraint].

- Confirmation that there are no constraining hydrological issues related to capacity of water sources and conveyance structures by examining actual data (preferably climatologic data over 25 years), identification of competing water uses (households and industry), and confirmation that there are no constraining contamination impacts on water availability.
- Identification of related policy, legal, regulatory, and institutional frameworks, and general evaluation of their potential impacts and implications on project implementation.
- Identification of data gaps and areas that require more detailed, current or confident information.

Once MCC has made the determination to commence Due Diligence on a project, the Infrastructure Division will commence with the following Due Diligence.

Technical Assessment: Engineering

- Review all aspects of preliminary technical designs and proposed standards and confirm appropriateness for criteria, demand requirements and environmental factors.
- Conduct soil surveys (soil structure, vertical and horizontal disposition, permeability, pH value, salinity, soil depth and topography) to define soil types, drainage characteristics, and agricultural potential.
- Conduct a hydrological survey and assess water resource availability using long-term records of river flows and water quality. In the absence of historical data, conduct estimates and create simulation models using rainfall records for the catchment or stream flow of neighboring rivers. An MCC hydrological consultant must validate the yield studies (including instream flow requirements and considering catchment erosion and sedimentation).
- Conduct a hydrological evaluation of the proposed project impact on the appropriate watershed, as needed.

- Conduct topographical surveys of irrigable areas and locations of canals, buildings, roads and hydraulic structures.
- Conduct site exploration, including exploration of such sub-surface conditions that may affect the design and construction of a proposed substructure such as the mechanical properties of the subsoil at foundation levels and the corrosiveness of the groundwater. Confirm the strength of underlying soils.
- MCC structural engineering consultant must analyze proposed dam structures (including mapping of the bedding planes to confirm shear strength parameters) and proposed appropriate detailed modifications.
- Prepare preliminary specifications for pumping plants/stations (including any power extensions) to provide sufficient pre-bid cost information with an accuracy of +/- 20%.
- Complete preliminary engineering designs MCC Engineering consultant should confirm that these designs provide sufficient pre-bid cost estimation to an accuracy of +/- 20%.
- Evaluate design standards and propose alternatives when existing standards are not acceptable to MCC.
- Confirm availability of local materials and required plant and machinery.
- Confirm that storage facilities take into account crop water use, domestic and livestock requirements, conveyance losses, and corresponding flow rates.
- Confirm preliminary estimates of on-farm works as the basis for estimating total costs for economic analysis.
- Confirm assessments of drainage requirements for different categories of land use applied to typical soil profiles and verify that that the drainage system (from field drain to outfall) is adequately coordinated with the canal system.
- Identify other factors that can affect cost or scheduling including site preparation, access roads for construction, utility provision (including possible encroachment and relocation), construction camps, environmental clean-up, and equipment mobilization and de-mobilization.

- If the dam is classified as "large" by the International Commission of Large Dams (ICOLD), ensure that all appropriate environmental evaluations and engineering design and safety criteria are met.

Technical Assessment: Economic and Financial

The economic analysis of the projects will be performed by the MCC Economists in accordance with the MCC Guidelines for Economic Analysis. Infrastructure Division's input to this analysis may include the following:

- Identifying benefits expected to flow from project, focusing on increases in incomes for workers, firms, and households. Identifying the beneficiaries, to the extent possible. Comparing projected incomes and other benefits with and without the proposed project, and assess the capacity of the local and wider region to absorb the increased level of economic activity.
- Summarizing the design standards, design life and cost estimates (capital and maintenance) and confirm these are consistent with the assumed benefits and duration of the benefit stream.
- Confirming that the costs and project life are consistent with the engineering design.
- Completing a financial analysis for income generating subprojects.
- Confirming that the technologies that are proposed in the project and the engineering design will allow fulfillment of operational performance, financial, and economic objectives.

Technical Assessment: Environment and Social

The Environmental and Social Assessment (ESA) group will work to ensure that proposed infrastructure projects comply with MCC Environmental Guidelines (www.mcc.gov), which include, an expectation of compliance with host-country laws, regulations and standards, as well as requirements by which the host country is bound under international agreements. Particular attention must be paid to issues which generally arise including, but not limited to, land ownership and right of way, incursion into sensitive areas (reserves, parks, wetlands, etc.), drainage and erosion control (especially in hilly or mountainous situations).

The MCC Infrastructure Division will also conduct sustainability, risk management and implementation assessments which will involve the following activities:

Sustainability Assessment

- A review of a detailed description of current arrangements for ownership, management and maintenance of irrigation systems, including details of the legislative framework, administrative framework, funding arrangements and maintenance responsibilities.

- A review of existing performance with respect to clarity and acceptance of arrangements and responsibilities, acceptance of irrigation funding reserves for maintenance. Identifying causes of inadequate performance including legislative or administrative arrangements, resources, technical capability and capacity, and funding.

- Review of a maintenance programs to ensure that such plans are suitable for the new irrigation systems including responsibilities, resources, funding. Identifying shortfalls with current arrangements and providing details of a program to strengthen irrigation system management and maintenance arrangements.

- A review of details of alternative maintenance funding options. Including details of income derived from water users and potential for increased cost recovery.

- Prepare a summary of actions needed to maintain the dam and water management to acceptable level, including institutional strengthening, funding (responsibility and funding levels) and additional resources needed.

Risk Management

- Identifying significant risks to the project, with particular respect to construction cost increases, delays, sustainability of the scheme, local acceptance and take-up of benefits, and other factors affecting economic performance and distribution of benefits.

- Identifying and assessing significant risks relating to durability, and confirm that design criteria adopted shall mitigate these risks within acceptable tolerance levels.

- Prepare a risk management plan to minimize the negative impact of the risks.

Implementation Assessment

- Providing a summary of the technical and construction resources available in country, and experience with projects of similar size, nature and type.

- Providing details of implementation options available.

- Identifying local factors that may affect the timely completion of the works, including transport to/from the location for the contractor's equipment, fuel and other materials, seasonal weather patterns such as avoiding the wet season.

- Preparing an implementation program including contract awards, any approvals and permits needed, construction times, cash flow, government commitments and other hold points as appropriate.

- Recommend an appropriate procurement procedure, sequencing, and packaging.

- Recommend suitable supervision and management arrangements.

Infrastructure Guidance – Airports

Certain information and data allow MCC to decide on the following: (i) whether the proposed project is **sufficiently well developed**, and if so, whether MCC Due Diligence should commence; (ii) an early indication that the project is **technically viable1;** (iii) an early indication that the project **can be implemented within the compact term** (maximum of 5 years); and (iv) whether **activities requiring long execution times (e.g., land acquisition, resettlements) are underway**.

The eligible country should provide the following data, analysis and assessments in order to allow the MCC Infrastructure Division to make this determination:

- A preliminary description of rationale, including nature and measure of benefits, and beneficiaries.
- Confirmation supported by appropriate data, that the proposed project is likely to deliver the stated benefits.
- Identification of the need and principal driver(s) for a new airport or airport expansion, such as capacity restriction, failure to meet ICAO standards, failure to meet security standards, change in aircraft mix, establishment of economic hub, etc.
- Identification of the range of alternatives – expansion, new airport, site and size options, including any environmental considerations related to each alternative.
- Confirmation supported by appropriate data, that commercial or private financing is not available for the project, and the reasons for its unavailability.
- Confirmation supported by appropriate data, that privatization – including concession contracts with EPC arrangements – is not possible, and the reasons why.
- Identification of areas which require obtaining more detailed, current or reliable information. If a new airport (or expansion of an existing airport) is proposed, obtaining approvals from all relevant parties for land may be a significant and time consuming issue; identify the party responsible, process, identify party responsible for providing approval, and a timeline at commencement of the Due Diligence phase.

Once MCC has made the determination to commence due diligence on a project, the Infrastructure Division will commence with the following Due Diligence.

Market Assessment

- Determine airport's potential and growth prospects through thorough market assessment and traffic forecast for major market segments (e.g., domestic passengers, international passengers, transit passengers, cargo, mail, etc.). The analysis should be based on comprehensive compilation of a statistical database on aviation, tourism and economic data from the OAG schedules data, immigration or T-100 data or equivalent, ICAO and IATA traffic data, ACI airport traffic data, regional tourism association annual reports, and aviation forecasts from Boeing, Airbus, Bomabardier, Embraer and other aviation organizations.

- Compare the growth prospects and traffic forecast against the country's demographic and economic trends, a 10-year airline service history in the country and the country's relative competitive position to determine conformance.

- Check whether a route development plan has been developed, and assess whether the plan provides a competitive advantage relative to nearby airports. Determine the realistic potential (supported by numbers) for route diversification to address under-supplied or no-service markets.

Logistics and Cargo Distribution

- Assess the potential of the airport to exploit cargo market in order to develop its logistics and distribution activities in the region. Evaluate the likelihood of freighter carriers locating or expanding at the airport.

- Determine the prospects for logistics and distribution activities by examining indigenous environment for consolidators, freight forwarders, consignees, shippers and cargo agents.

- Assess multi-modal transportation and distribution potential, especially with sea port, if applicable.

- Project the potential for transshipment volume, clearly assessing market dynamics by sources of origin and destination.

- Determine capacity requirements for airfreight terminals, cargo agent buildings, freighter aircraft parking bays, freight forwarders' facilities and free trade zone facilities.

Airport Commercial Property Development

- Assess the potential of the airport land use as Business Park for aviation-related industries such as engine overhaul centers and aircraft component manufacturing, as well as non-aviation industries that benefit from close proximity to the airport, such as medical evacuation services.

Commercial Plan

- Assess the airport's commercial plan for aeronautical and non-aeronautical revenues, as well as aviation-related and commercial businesses.

- Evaluate additional job creation potential based on vetted business and commercial plan.

Financial Plan

- *Aeronautical*: Determine the sustainable values for aeronautical charges for landing and parking, passenger service charges and security charges. Ensure that the fee structure can be optimized to recover the costs, and yet remain sufficiently competitive to promote traffic growth and support marketing strategies of the airport.

- *Aeronautical*: Benchmark these charges against other airports in the region to assess viability and impact on demand.

- *Non-Aeronautical*: Non-aeronautical revenues of successful airports often represent on the order of 60% of revenues. Assess existing retail contracts. Determine potential for increase in patronage and passenger-spend at the new or modernized terminal. Calculate the returns on airport space (\$ per m^2).

- *Non-Aeronautical*: Construct realistic projections for other commercial opportunities within passenger terminal, including food and beverage retailers, office rentals, car rentals, business lounges, taxi permits, fueling, car parking, counter rentals and banks.

- Calculate FIRR for the airport with a distribution profile with demand as the key driver.

Technical Assessment: Engineering

- Review all aspects of preliminary technical designs and proposed standards and confirm appropriateness of design criteria, demand requirements and environmental factors.

- Compare the proposed design criteria to the standards (ICAO, IATA) to which the airport terminal is designed.

- *Landside Facility Capacities*: Identify the capacity of the existing landside facilities including, but not limited to aviation facilities such as hangars, aircraft parking and fuel facilities, compatible non-aviation facilities such as industrial parks, and common facilities such as automobile parking and access roads.

- *Landside Facility Requirements*: Evaluate existing landside facilities and compliance with applicable safety and design requirements. Based on the safety and capacity computations as well as the forecasts of aviation demand for the airport, identify the needed improvements for the landside facilities (i.e., hangars, aircraft parking, automobile parking and access, and aircraft fueling facilities).

- *Airside Facility Capacities*: Identify the capacity of the existing airside facilities including, but not limited to such aviation facilities as runways, taxiways, aprons, clearways, stopways, holding bays, obstacle free zones, and rescue and firefighting access.

- *Airside Facility Requirements*: Evaluate existing airside facilities and compliance with applicable safety and design requirements. Based on the safety and capacity computations as well as the forecasts of aviation demand for the airport, identify the needed improvements for airside facilities such as runways, taxiways, aprons, clearways, stopways, holding bays, obstacle free zones, and rescue and firefighting access.

- Confirm acceptability of surface gradient standards and line of sight standards.
- Assess existing condition and capability, as well as future requirements for Navaid and ATC facilities, including microwave landing systems, instrument landing systems, nondirectional beacons, approach lighting systems, lead-in lighting systems, traffic control towers, surveillance radars, surface detection equipment, and Automatic Weather Observation Stations, among others.
- For new airports, ensure all appropriate tests have been carried out, including a thorough wind and weather analysis, including an analysis of crosswinds, coverage and orientation of runways.
- Evaluate local conditions, including local material suppliers, sources, and capabilities; and evaluate drainage alternatives.
- Review electrical lighting layouts and determine system relocation capacities.
- Review and evaluate project layout, including verifying master plan dimensions and data.
- Ensure that soils investigation are complete, including field exploration with test pit explorations (with a rubber-tired backhoe at various locations) and laboratory testings (e.g., compacted CBR test, sieve analysis, Atterberg limit determinations)
- Ensure completeness and quality of the preliminary design report, including geotechnical investigation, topographical survey, pavement section design and analysis, drainage design analysis.
- Conduct an initial cost analysis and life-cycle cost analysis.
- Strategize bidding procedures and pavement section alternatives to provide a basis for competitive bidding.
- Ensure completeness and quality of preliminary plan and profile design for the runway, taxiway, and apron area.

- Ensure completeness and quality of preliminary runway lighting, signing, and system circuitry layout.
- Complete estimates of probable construction costs for the recommended alternatives.

Technical Assessment: Economic and Financial

The economic analysis of the projects will be performed by MCC Economists in accordance with MCC Guidelines for Economic Analysis. Infrastructure input to this analysis may include the following:

- Identifying benefits expected to flow from the project, focusing on increases in incomes for workers, firms, and households. Identifying the beneficiaries, to the extent possible. Comparing projected incomes and other benefits *with* and *without* the proposed project, and assessing the capacity of the local and wider region to absorb the increased level of economic activity.
- Making an assessment of how benefits resulting from increased efficiencies (e.g., reduction in wait and queue time) would impact poverty reduction.
- Summarizing the design standards, design life and cost estimates (capital and maintenance) and confirming that these are consistent with the assumed benefits and duration of the benefit stream.
- Confirming that the costs and project life are consistent with the engineering design.
- Completing a financial analysis.
- Confirming that the technologies that are proposed in the project and the engineering design will allow fulfillment of operational performance, financial, and economic objectives.

Technical Assessment: Environment and Social

The Environmental and Social Assessment (ESA) group will work to ensure that proposed infrastructure projects comply with MCC Environmental Guidelines (www.mcc.gov), which include, an expectation of compliance with host-country laws, regulations and standards, as well as requirements by which the host country is bound under international agreements. Particular attention must be paid to issues which generally arise including, but not limited to, siting related to adjacent land use (particularly concerning noise), the management and storage of fuel and aircraft fueling.

The MCC Infrastructure Division will also conduct sustainability, risk management and implementation assessments which will involve the following activities:

Sustainability Assessment

- A review of a detailed description of current arrangements for ownership, management and maintenance of airport, including details of the legislative framework, administrative framework, funding arrangements and maintenance responsibilities.
- A review of compliance with applicable security standards (e.g., FAA) that are necessary to sustain and grow demand levels.
- A review of existing performance with respect to clarity and acceptance of arrangements and responsibilities, and acceptance of reserves for maintenance. Identifying causes of inadequate performance including legislative or administrative arrangements, resources, technical capability and capacity, and funding.
- A review of maintenance programs to ensure that such plans are suitable for the new or improved airport, including responsibilities, resources, funding. Identifying shortfalls with current arrangements and providing details of a program to strengthen airport management and maintenance arrangements.
- A review of details of alternative maintenance funding options. Include details of income derived from users and potential for increased cost recovery.
- Prepare a summary of actions needed to maintain the airport to an acceptable level, including institutional strengthening, funding (responsibility and funding levels) and additional resources needed.

Risk Management Assessment

- Identifying significant risks to the project, in particular construction cost increases, delays, sustainability of the airport, trade union issues, local acceptance and take-up of benefits, and other factors affecting economic performance and distribution of benefits.
- Identifying and assessing significant risks relating to durability, and confirming that design criteria adopted shall mitigate these risks within acceptable tolerance levels.
- Preparing a risk management plan to minimize the negative impact of the risks.

Implementation Assessment

- Providing a summary of the technical and construction resources available in country and previous experience with projects of similar size, nature and type.
- Identifying local factors that may affect the timely completion of the works, including transport to/from the location for the contractor's equipment, fuel and other materials, seasonal weather patterns such as avoiding the wet season.
- Preparing an implementation program including contract awards, any approvals and permits needed, construction times, cash flow, government commitments and other hold points as appropriate.
- Recommend an appropriate procurement procedure, sequencing, and packaging.
- Recommend suitable supervision and management arrangements.

Infrastructure Guidance – Water and Sanitation

Certain information and data allow MCC to decide on the following: (i) whether the proposed project is **sufficiently well developed**, and if so, whether MCC Due Diligence should commence; (ii) an early indication that the project is **technically viable1;** (iii) an early indication that the project **can be implemented within the compact term** (maximum of 5 years); and (iv) whether **activities requiring long execution times (e.g., land acquisition, resettlements) are underway**.

The eligible country should provide the following data, analysis and assessments in order to allow the MCC Infrastructure Division to make this determination:

- A preliminary description of rationale, including nature and measure of benefits, and beneficiaries.

- Confirmation supported by appropriate data, that the proposed project is likely to deliver the stated benefits.

- Assessment of demand to assure that it can justify the project financially, economically and operationally. The assessment should take into account total installation costs of main lines (including environmental and social mitigation costs), hook-up costs for lateral connections into households (water and sewer), operational and maintenance (O&M) costs, and forecast the future demand growth.

- Assessment of whether the source of water supply targeted by the proposed program contributes to a transboundary water body and ensure that appropriate operational policies and procedures are in place. If such procedures are lacking, the World Bank OP 7.50 on international waterways shall apply.

- Assessment of existing master plans for water supply and wastewater treatment to evaluate capacity available in the water supply system, and respectively, in the wastewater treatment collection and treatment systems, and water reuse schemes, with respect to the projected demand. In cases where there is no water supply master plan available, identify (in preliminary pre-feasibility evaluation) water supply sources to meet the projected demand.

- Confirmation that sufficient reliable hydrology information has been provided in feasibility reports on issues such as riverstage and discharge or borehole yield and drawdown, total solids in suspension, total dissolved solids, and specific substances in suspension and solution, as appropriate.

- Preliminary impact assessment of the proposed water supply and sanitation systems on the appropriate watershed/s.

- Identification of options to meet water supply demand and their respective capital and O&M costs to maximize operating efficiencies for existing and future systems.

- Confirmation that sufficient reliable information has been provided about alternative sanitary sewer systems (other than fully piped collection system and conventional WWTPs) that have been operating effectively in the country, and proven new technologies, from the simplest household latrine to a community wastewater treatment plant, and verify their installation and O&M costs.

- For planned water systems with groundwater supply sources, confirmation that there is no fatal flow in aquifer characteristics, or related environmental issues such as contamination.

- Confirmation that there are no constraining hydrological issues related to capacity of water sources by examining actual data (preferably climatologic data over 25 years), identification of competing water uses (households and industry), and confirmation that there are no constraining contamination impacts on water availability.

- Identification of related policy, legal, regulatory, and institutional frameworks, and evaluation of their potential key impacts and implications on project implementation.

- Preliminary evaluation of capacity for the utility or other agency responsible for the oversight of the water supply and sanitation systems at the local, sub-national, and/or national levels.

- A preliminary evaluation of the financial sustainability and/or rate impact of the proposed investment. A preliminary review of the tariff structure and the potential barriers to serving the poor/promoting economic growth – including but not limited to lifeline tariffs, connection charges, and fixed charges.

- Identification of data gaps and areas that require more detailed, current or confident information.

Chapter 24:

Sector Guidelines for Countries Proposing Property Rights and Land Policy

MILLENNIUM CHALLENGE CORPORATION ★ UNITED STATES OF AMERICA ★
MCC

Reducing Poverty Through Growth

Sector Guidance for Countries Proposing Property Rights and Land Policy Programs

Considerations for the inclusion of Property Rights and Land Policy Programs in Compact Proposals

Last updated: November, 2006

MCC Compacts with Benin, Nicaragua, and Madagascar include comprehensive support to governments in addressing property rights and land policy issues, while in other cases land activities have been incorporated as a means to remove constraints to other compact objectives such as expansion of horticulture (e.g., Ghana), and irrigation schemes (e.g., Mali). There are many and varied ways that a proposal might address one or more aspects of property rights and land policy. These can be organized into three main issue areas: 1) activities to *strengthen elements of the property rights system* (improving tenure security and reducing costs of doing land-related transactions); 2) actions that *facilitate access to new or expanded rights* (e.g., the allocation of state land or facilitating land markets); and, 3) activities in other sectors (e.g., agriculture) that have important *property rights and land policy implications* that may need to be addressed.

*A **Property Rights Systems** refers to the laws defining land tenure including the assignment of rights through contracts; other forms of ownership in addition to individual title such as titles to communities or cooperatives and usufruct rights; the institutions such as the property registry and cadastre that record (both physical and legal attributes), authenticate and enforce such rights; and, all the complementary laws which affect the ability of one to conduct transactions in real property.*

Interventions to Strengthen Elements of the Property Rights System: An activity to strengthen all or part of the property rights system seeks to make rights to land and other real property more effective for individuals, communities and enterprises. "More effective rights" means improving tenure security, transferability and/or reducing transactions costs in property transfers (sales, leases, inheritance, concessions, pledging). Investing in strengthening the property rights system might be justified when: a) the time and cost to register a right in property are high; b) rights in property are insecure and/or informal; c) there are many or increasing conflicts about rights in property; and, d) incentives to make the most efficient use of property and increase its value. Some key challenges to address include in a proposal could include:

- how to make property registration and the cadastre broadly accessible, efficient for clients, and sustainable;
- how to reduce disincentives for landholders to register their land rights and transactions such as sales, inheritance or other transfers;
- how to ensure that the legal framework facilitates rather than inhibits effective property rights; and, where relevant; and,
- how to promote the harmonization of customary and civil/common laws of the nation within an integrated system of land administration.

Interventions to Improve Land Access: Interventions to *improve land access*

Facilitate project beneficiary access to land e.g., expanded investor access to land for commercial farming. Often this will mean packaging measures on land rights within other sector projects. These measures might support allocation of state land or seek ways to improve access to land through market mechanisms, such as easing access to credit or removing constraints of transfers of land. It is also important to identify the limitations on access to land and the proper functioning of land markets that necessitate intervention in the first place, and to propose steps to eliminate these limitations in the long run. In the design of interventions related to land access, some issues to consider include:

- If public land is to be allocated, does the proposal identify clear criteria for beneficiary selection and for transparent processes to apply the criteria?
- Are there adequate supporting institutions and services; e.g., land registration?
- Do beneficiaries have the capacity to or means to make the land acquired productive, such as product market information, appropriate inputs and finance?
- Will property rights over the newly accessed land be adequate in terms of incentives for productive investment and efficient land use?

Land in Relation to Other Sectoral Activities: Eligible countries sometimes propose projects and activities in sectors such as agriculture and infrastructure that have important property rights and land policy implications. An agricultural project, for example, may need changes in tenure rules so that project beneficiaries have the incentive and flexibility to plant the crops that are most profitable for them, as the market changes. An infrastructure project, for example, might increase land values and warrant the inclusion of an activity to improve tenure security and to increase understanding of land markets.

In such cases, the proposal needs to provide a clear strategy for dealing with the property rights and land issues. This could be as simple as incorporating some small measures for MCC support -- or, just committing to undertaking these – or, it could be more involved.

Cross-Cutting Issues: In general, to develop a sound proposal, consider these points:

- Has the approach proposed been used successfully in the same or similar circumstances? Does the proposal reflect lessons learned from those cases?
- Do existing institutions have the capacity to carry out the PRLP-related tasks involved? If not, are measures being taken or proposed to strengthen them?
- Are the technological choices for PRLP tasks appropriate in the context?
- How will the land rights of various social and economic groups be affected?
- Is land conflict, actual or potential, adequately considered?

MCC understands that each country may face different property rights and land policy problems and challenges. There are no one-size-fits-all solutions. Property rights and land policy reforms can be complex – socially, economically and politically – yet there are effective approaches that can bring far-reaching social, economic and political benefits. Proposals must be realistic in terms of capacities, costs, outcomes, and vulnerabilities. A sound proposal will discuss the sequencing of interventions in relation to one another and in relation to past and on-going reform initiatives. Drawing on lessons learned locally, regionally, and even globally is a good tactic. A sound proposal will identify risks associated with the reform process and include appropriate mitigating measures. Overall, a sound proposal will clearly identify the weaknesses in the existing property rights systems and/or land access, analyze the needs of beneficiaries carefully, and identify the specific measures needed to meet them.

Chapter 25:

Sector Guidelines for Countries Proposing Health Programs

MILLENNIUM CHALLENGE CORPORATION
MCC
UNITED STATES OF AMERICA

Reducing Poverty Through Growth

Heath Sector Activities

Preliminary Guidance for Countries considering Health Sector Activities

Last updated: November, 2006

This document is intended to provide an overview of the way MCC conducts due diligence on a programs containing health sector activities.

Investing in people, through health services and targeted programs to improve health status, is an important precondition for sustained economic growth. These priorities are reflected in MCC's country selection criteria. Health systems include those services, functions, and resources in a country or geographic area whose primary purpose is to affect the health status1 of the population. This covers both the public and private health sector, and the full range of health services, including community health, prevention and health promotion, and primary, secondary, and hospital services. It also includes the administrative and financial systems for health, the body of legislation relevant to the health system, and ancillary institutions that affect health services or health status.

MCC expects proposals for MCA funding to emphasize those interventions that support economic growth and enhance labor and productivity, particularly for the poor. These might include, for example, child health programs that reduce mortality and morbidity, and improve physical and mental development and ability to learn; programs aimed at reducing mortality and/or morbidity in adults from communicable and/or non-communicable diseases; and programs that ensure healthy work force entry and promotion of healthy lifestyles among adolescents and young people. Proposed projects are reviewed for their contribution to poverty reduction and economic growth. Projects must clearly indicate how the activity will impact both short-run (5 – 7 years) and long-term (7 years and beyond) opportunities for economic growth. Evidence from the health sector indicates that this will likely result from improved health status (reduced mortality and disability) and/or cost savings in the health sector (improved cost-effectiveness). In many countries, improving infrastructure for primary and district health services delivery, improving health services quality, increasing private sector involvement in various aspects of the health

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1 Health status is defined as the level of illness or wellness of a population at a particular time, and is measured through life expectancy, mortality, disability and disease prevalence rates

system, and developing human resources for health will be important economic investments.

Proposed investments will probably fall under one of the following three categories:

1) Interventions to Directly Strengthen Health Outcomes

Illustrative activities that have clear evidence for generating strong economic contribution outcomes in many countries include:

- Micronutrient and expanded childhood immunization programs
- Antenatal, delivery and health services for mothers and newborns
- HIV/AIDS, tuberculosis, and malaria prevention, treatment, and disease control
- Primary care and district hospital strengthening
- Disease specific needs – e.g., ancillary infrastructure for a national anti-retroviral treatment program for HIV/AIDS
- Support for communicable and non-communicable disease prevention strategies

2) Interventions to Improve Cost-effectiveness of the Health System

Illustrative activities that increase the effectiveness of resources utilized for health include:

- Improved monitoring and surveillance for program design and evaluation
- Targeting of public expenditures to population subgroups with poorer health status
- Rationalization of hospital infrastructure and health staff
- Drug management and logistics; laboratory and blood bank improvements
- Strengthening public sector management systems hardware, software and training; performance-based outsourcing

3) Interventions Beyond the Health Sector

Optimizing health impacts of interventions beyond those in the health system should also be con-sidered. Illustrative interventions that have large impacts on health status include investments in:

- Sustainable access to good quality water sources
- Urban and rural sanitation
- Girls' primary and secondary education
- Improved cook stoves for reduced indoor pollution
- Urban air pollution clean up

Proposal Requirements

Proposals must include definitions of the problem being addressed and an explanation of why the problem is important. It must also include a complete description of the proposed steps to address the problem, the risks of implementation, and the expected outcomes and benefits of the investment. At a minimum, it should address the following:

Problem Definition:

- Provide a description of the physical dimensions of the problem (population or geographic region affected) and the efforts to date in addressing the problem. If possible, provide an estimate of the impact of not addressing the problem.
- Provide indicators, if available, of life expectancy, mortality and morbidity, access to services, or other measures that will provide a dimension that will quantify the magnitude of the problem and serve as measures of the effectiveness of the solution.[2]

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[2] Important indicators for countries to review and compare against more developed countries, and against other countries of similar GNP and health expenditure per capita, include life expectancy at birth and at age 5; infant and child mortality rates; the maternally mortality ratio; major causes of death for adolescents and adults; incidence and rate of new infections of HIV/AIDS; and mortality and disability from tuberculosis, malaria, diarrhea and pneumonia. Important non-health indicators include the percentage of health expenditure on prevention programs, the percentage of government budget spent on public health and health services for the poor, measures of access to services, and levels and quality of human resources for health.

Proposal should address and answer those of the following questions that are applicable:

- Describe in detail the investment that is proposed to address the foregoing problem. Explain why it is an effective solution.
- Describe the impacts of the proposed activity on financial and human resources for health. Identify beneficiaries as precisely as possible, e.g., by demographic or geographic target populations.
- Describe any regulatory, policy or legislative changes required. Describe the steps necessary to secure these changes.
- If applicable, describe the role of the private sector in providing a solution. Describe how its role can be expanded or otherwise strengthened.
- Describe the likely poverty and gender impacts of the proposed activity.
- Describe other interventions to address this or similar problems in the country. Is the proposed activity consistent with lessons learned from similar projects or activities in the country or in other countries with a similar problem and context?
- Provide budgets and implementation plans that describe adequately the pace of implementation and the significant steps that need to be followed during implementation. Describe risks of implementation and how they might be addressed. Articulate how the activity will be sustained beyond the initial intervention period.

Hallmarks of a strong proposal include thorough review of epidemiological conditions, assessment of the effectiveness of the current health system in addressing critical issues of mortality and morbidity, and emphasis on evidence-based interventions for improving health status.

Chapter 26:

Sector Guidelines for Countries Proposing Education Programs

MILLENNIUM CHALLENGE CORPORATION
MCC
UNITED STATES OF AMERICA

REDUCING POVERTY THROUGH GROWTH

Guidelines for Countries Proposing Education Programs

MCC Due Diligence on Education Programs.

Last updated: November, 2006

This document is intended to provide an overview of the way MCC conducts due diligence on Compact proposing focusing on one or more aspect of education.

Investing in people through improving their education is an important contributor to sustained economic growth. Recognizing this, MCC's country selection criteria include a number of education indicators that reflect a country's commitment to supporting education. MCC expects proposals for MCA funding to emphasize interventions that support economic growth and enhance productivity, particularly for the poor. Proposals in support of education might focus on primary education, secondary education, tertiary education, and / or vocational/technical education. For example, in countries where universal primary education has been achieved, a proposal to support expansion and quality improvement of secondary or technical schools might be appropriate. Alternatively, if school-age children, particularly girls, do not have the opportunity to attend school, efforts to build that base of human capital for development might be a high national priority.

Depending on the specific conditions in the country, elements of an education project in a proposal might include one or a combination of the interventions listed below.

Illustrative Examples of Interventions to Improve Access to and Quality of Primary or Secondary Education

Improving Access

- Build, expand and renovate schools
- Improve teacher recruitment and deployment
- Provide school uniforms and supplies to the least advantaged pupils
- Provide textbooks

- Link primary and secondary education to health and nutrition services

Improving Quality

- Improve the curriculum to specified ends
- Provide instructional materials (e.g. textbooks, teachers guides, other learning aids)
- Improve the preparation and motivation of teachers (e.g. teacher training, improved working conditions, improved administration)
- Build school libraries
- Strengthen institutional capacity (e.g. implement educational management information system, improve managerial skills through training of education authorities including principals and supervisors

Illustrative Examples of Interventions to
Improve Vocational and other Post-Secondary School Education and Training

Improving Access

- Build, expand and renovate schools
- Improve teacher recruitment and deployment
- Introduce or expand continuing education and non-formal training programs

Improving Quality

- Modernize laboratories and workshops
- Improve the curriculum to meet labor market needs and impart entrepreneurial skills
- Build libraries and provide related resources
- Improve the quality and conditions of apprenticeship programs
- Develop an appropriate certification and examination system

- Provide instructional materials (e.g. textbooks, teachers guides, other learning aids)
- Improve the preparation and motivation of teachers (e.g. teacher training, improved working conditions, improved administration)
- Perform study tours to visit practical applications of new areas of specialization
- Strengthen institutional capacity
- Build information system linking students and potential employers

Proposal Requirements

Proposals must include a definition of each problem being addressed, an explanation of why the problem is important, and the benefits to be realized as a result of implementing the proposal. It must also include a complete description of the sequential steps to address the problem, the risks of implementation, and how they would be mitigated.

Problem Definition

- What are the major issues to be addressed? Provide a description of the physical dimensions of the problem (population or geographic region affected).
- Government Strategy. Describe what the government has done to address the problem.

Proposed Investment

- What is the objective of the investment?
- What are the key indicators (including quantitative and qualitative indicators) that measure the magnitude of the problem and that can serve as measures of the effectiveness of the solution?
- How does the project address the major issues listed above?

- What are the potential economic, financial, institutional, environmental and social impacts of the project?

Project Description

- What are the major components?
- What is the target population and what are the major benefits?
- What are the institutional and implementation arrangements (project management/implementation, project monitoring, and project financial management systems)?
- What is the implementation plan? Describe a practical sequence of tasks to be completed within the five-year Compact period.
- What is the budget? Include capital and recurrent cost estimates and a year-by-year pattern of expenditure.

Project Rationale

- What alternatives were considered and why were they rejected?
- What other related projects have been completed, ongoing or planned?
- How were the lessons learned in previous experience/projects been reflected in the project design?
- What process was followed to ensure ownership and participation in project design?

Sustainability and Risks

- How financially sustainable is the project – i.e. what are the incremental operating costs due to project implementation and how will they be addressed (e.g. possible role of the private sector)?
- How will project gains be sustained (e.g. possible regulatory or legislative changes necessary)? Has an operational plan to sustain project gains been prepared and implementing agencies identified?

- What are the critical risks related to the project (e.g. weak implementing capacity, difficulty of recruiting teachers, limited procurement experience)?

In general, any other details that will explain the rationale for the proposal, the transformational benefits it will bring, and the plans for a successful implementation should be included in the proposal.

Chapter 27:

Sector Guidelines for Countries Proposing Financial and Private Sector Reform Programs

MILLENNIUM CHALLENGE CORPORATION
MCC
UNITED STATES OF AMERICA

REDUCING POVERTY THROUGH GROWTH

Sector Guidance for Countries Proposing Financial and Private Sector Development

MCC Due Diligence Requirements for Proposed Financial and Private Sector Components

Last updated: December, 2006

This document is intended to provide an overview of the way MCC conducts due diligence on Financial and Private Sector Development Projects.

Introduction

The due diligence process entails a rigorous analysis of the Compact proposal received from an eligible country for the purpose of determining whether that proposal meets Millennium Challenge Corporation (MCC) criteria for funding. This document describes how that analysis is expected to be executed for Financial and Private Sector Development (FPSD) components within Compact proposals. It also provides best practice guidelines for due diligence of initiatives involving Access to credit (specifically, on-lending) and Legal and Regulatory Reform.

The first section (Objective and Approach) provides a brief overview of the objective of due diligence and the approach used by MCC. The second section (Due Diligence Requirements) contains questions which should guide the due diligence process for all FPSD proposals. The third section (FPSD Best Practice Guidelines) contains: (i) a set of general guidelines which FPSD will use in assessing proposals, and (ii) standards and best practices to be used in assessing specific FPSD initiatives such as Access- to-Credit and Legal and Regulatory Reform. The objective of the FPSD methodology is to ensure that the final Compact proposals incorporating FPSC will be as well-designed as possible.

Objective and Approach

The purpose of the due diligence process is to allow MCC to make an informed decision as to whether the proposed initiative is compliant with MCC guidelines, is likely to achieve the intended outcomes, and is designed in a manner which will achieve maximum results.

The FPSD group undertakes due diligence through a three step process:

i) Assessing whether the proposed initiative is compliant with MCC requirements.

ii) Assessing the initiative as proposed in regard to the likelihood of its accomplishing the stated developmental challenge.

iii) Assessing whether the initiative is compliant with best practice guidelines.

FPSD considers due diligence to be a critical part of the Compact development process. Due diligence provides an opportunity for collaboration with MCA counterparts to identify and reduce risks, strengthen proposed initiatives, ensure integration and linkages with other Compact initiatives, and refine budgets and timelines. Due diligence also provides the basis for establishing any Conditions Precedent to be included in the Disbursement Agreement.

The due diligence process will culminate in a recommendation to either: (i) approve the initiative as-is; (ii) approve the initiative on a conditional basis (assuming certain changes); or (iii) disapprove the initiative.

MCC Due Diligence Requirements

Due diligence will commence when MCC has received a complete proposal from MCA counterparts. A complete proposal is one which includes an outline of the development challenge, the proposed initiatives which address the development challenge, the proposed budget for those initiatives, and an economic rate of return analysis.

Due diligence will be complete when FPSD has reached a conclusion as to whether the initiative as finally proposed (following assessment of the proposal as-is and full exploration of how the proposal can be strengthened) is complaint with MCC requirements, is likely to achieve its objectives, and comports with FPSD best practice guidelines.

In order to make this determination, FPSD will assess the proposal according to the following two sets of questions (which incorporate and expand upon MCC's Due Diligence Checklist).

Does the initiative comply with MCC requirements?

Economic Growth and Poverty Reduction

- Does the initiative show a clear and compelling link between economic growth and poverty alleviation?
- Does the projected economic rate of return meet MCC requirements?
- Is the projected economic rate of return based on logical and defensible logic?

Sustainability

- Will the proposed initiative be sustainable (capable of continuation without third party support) following Compact close?
- If not, is there an acceptable rationale which would justify the initiative?
- Does the initiative rely unnecessarily on subsidies or other forms of intervention which are unacceptable to MCC?
- If so, is there an acceptable rationale for undertaking the initiative on that basis?
- Will the initiative result in a market distortion?
- If so, is there an acceptable rationale?

Social and Environmental

- Does the proposed initiative impair gender equality?
- Does the proposed initiative violate environmental responsibility?

Fiscal Accountability

- Are the procedures for the flow of funds from MCC to MCA to implementing agents and sub-agents clearly documented?
- If funds will not be fully expended by Compact maturity, has the disposition of financial assets by the end of the Compact period been finalized in accordance

with the MCC policy on Financial Intermediation Activities and Instruments Extending Beyond the Compact Termination Date?

- Have all costs, risks and timelines for initiating, running and closing the initiative been properly estimated?
- Have performance indicators been identified which can effectively track progress of the initiative?

Consultative Process/Country Ownership

- Does the proposed initiative provide evidence that it is the outcome of a broad collaborative approach among all stakeholders?

Donor Coordination

- Have other donor, NGO and governmental-funded financial sector initiatives been reviewed to ensure proper coordination and non-overlap?

Is the proposed initiative part of the country's national strategy and/or congruent with the country's Poverty Reduction Strategy Paper (PRSP)?

Will the initiative accomplish the stated developmental challenge?

Project Design

- Does the initiative address a key developmental challenge (a major impediment to economic growth and poverty reduction)?
- Is the initiative likely to resolve or make considerable progress in resolving that developmental challenge?
- Has the developmental challenge been effectively defined?
- Does the proposal provide a full consideration of the alternatives, and does it document why the proposed initiative is the optimal (least cost and most effective) option?
- Are the goals of the initiative clearly stated?

- What are the proposed activities/inputs which will be undertaken through the initiative?
- What are the expected outputs which will result from the proposed activities and how likely is it that they will be achieved?
- What are the expected outcomes which will result from the initiative, and how likely is it that these outcomes will be achieved?
- How likely is it that the proposed outcomes from the project will overcome the identified developmental challenge, and is this manifested in the economic logic (rate of return)?
- Do the proposed interventions support and link to other elements of the Compact?
- Is the size of the proposed initiative appropriate to the target set of beneficiaries?
- Have private sector alternatives been explored to ensure no 'crowding-out' of the private sector in the subject area?
- Has a set of measurement indicators been developed which can track progress against expected objectives?

Implementation, Oversight and Budget

- Who is the identified implementing agent?
- How likely is it that the implementing agent will be able to effectively execute the initiative?
    - Is the implementing agent genuinely committed to the initiative?
    - Does the implementing agent have the capacity to manage and report effectively?
- If there are sub-agents (for example, banks involved in on-lending programs), how likely is it that the sub-agents can effectively execute?
    - Is there strong interest in participation in the initiative?

  - Do the sub-agents have the capacity to manage and report effectively?

- How likely is it that the MCA oversight body entity will be able to effectively oversee the implementing agent?

- Is the proposed budget sufficient to fund the proposed activities?

- Is the proposed timeline (including intermediate results, milestones and deliverables) reasonable?

Legal and Regulatory/Enabling Environment

- Are there legal and regulatory constraints which will impair the effectiveness of the initiative?

- If so, what measures will be taken to ameliorate any relevant legal and regulatory impediments to the success of the initiative?

Supply, Demand and Accessibility

- Is there strong demand for the products or services proposed to be delivered through the initiative?

- Are the proposed products/services to be delivered not otherwise available?

- What is the likelihood that the targeted beneficiary group will be able to access and use the products and services?

Incorporating Best Practices and Lessons Learned

- Does the proposed initiative reflect international best practices and have proposed activities been shaped by lessons learned from past projects?

FPSD Best Practice Guidelines

In performing due diligence of FPSD initiatives the following guidelines should be applied to ensure that the initiative as finally proposed incorporates FPSD lessons learned and best practices. This section includes *General Requirements* which provide a lens through which any and all FPSD proposed initiatives should be reviewed. It also provides *Specific Requirements* which provide best practices in specific subject areas, such as in the areas of *Access to credit* and *Legal and Regulatory Reform.* [*Note:*

This Section is intended to be a work-in-progress, with other FPSD activities added over time and the list of questions and best practices modified and augmented as the experience base grows.]

General Requirements:

Economic Growth and Poverty Reduction

The proposed initiative should provide compelling evidence that the identified development challenge is a key constraint to poverty alleviation through economic growth. It should clearly demonstrate how the proposed initiative will overcome that challenge, and how this will result in growth and poverty reduction. It should incorporate an economic rate of return analysis per MCC policy, and should include a clear and justifiable underlying logic for the calculation.

In many cases, proposed FPSD initiatives will tie in with and/or augment other MCC investments. If so, clear linkages must be made between the overarching Compact objectives and how the FDSD initiatives will support them.

Sustainability and Subsidies

The proposal should address whether the proposed initiative will be sustainable following the end of the Compact. All FPSD initiatives do not necessarily need to be sustainable – some may have a specific purpose and intended life if intended to address a market failure or severe market distortion. If the initiative is not intended to be sustainable, it should identify the rationale as to why this is acceptable.

The proposal should address whether the initiative relies on subsidies, partial guarantees or other forms of intervention in the market. If so, it should discuss the rationale for the subsidy and/or intervention, and should identify and document any deviance from World Bank OP 8.30. Subsidies may be appropriate if they are: (i) economically justified; (ii) transparent, targeted and capped; and (iii) do not create unfair competition.

Social and Environmental

The proposal should address MCC's social and environmental requirements and explain how the initiative will comply with MCC's social and environmental policies.

Fiscal Accountability

The proposal should describe the flow of funds from MCC to MCA to implementing agents and sub-agents, and explain how these funds will be monitored and audited. Where possible the flow of funds should be shown in graphic form. The proposal should describe the how disposition of financial assets at the end of a Compact period (if any) will comply with MCC policy.

The proposal should address how the costs, risks and timelines for initiating, running and closing down the initiative were estimated.

Consultative Process/Country Ownership

The proposal should describe how the initiative was developed in light of the MCC requirement for a broad, collaborative process. The proposal should address how this process was undertaken, and how it has culminated in the proposed initiative.

Donor Coordination

The proposal should demonstrate a strong understanding of previous and on-going donor FPSD initiatives. The proposal should demonstrate that it has been developed in consultation and coordination with other donor, NGO and governmental FPSD sector initiatives and should incorporate lessons learned from those initiatives. It should integrate with those activities and present a plan for on-going coordination. As part of due diligence, a synopsis of other donor, NGO and government FPSD initiatives should be included.

Project Design

The project design should clearly articulate the development challenge which the initiative is designed to address, why the developmental challenge identified is critical, and what proposed activities will be undertaken through the initiative to meet the development challenge. It should identify the outputs which are expected to result from the inputs and show the linkage between inputs and outputs (how does the former accomplish the latter). It should address the expected *outcomes* (the end result of the initiative), the likelihood of the expected outcomes being achieved, and the ways in which outcomes will be measured (sales growth, amount of loans outstanding, value of exports, etc.). Finally, it should demonstrate a clear linkage between the expected outcomes and the developmental challenge – how the proposed outcomes are expected to overcome the identified developmental challenge.

There are three general baskets of FPSD assistance instruments: (i) Financial Support (loans, grants, credit guarantees, equity investment); (ii) Advisory Services (technical assistance and training); and (iii) Enabling Environment Strengthening (legal and regulatory, investment climate). Most successful FPSD projects provide an integrated package of these three elements, building upon the various initiatives which may already be in place.

Risk need to be identified and, to the extent possible, mitigation strategies should be documented and built into the program design. Risks to be considered include not only the risk that a program has unintended consequences (e.g. a higher loss rate than anticipated) but also the risk that demand for the product is significantly higher or lower than the assumed level of demand.

Due diligence should discuss whether the proposed initiative will duplicate other private sector funded initiatives. Generally, MCC will not support activities which result in 'crowding-out' of the private sector. Given the size of the MCC footprint, however, the proposed FPSD initiative may be able to perform an organizing role in harmonizing the many smaller FPSD initiatives which are likely to be in place.

Due diligence must show how (to the extent possible) the initiative is coordinated with other initiatives proposed within the Compact. The proposal should provide a means of measuring progress, including a baseline (starting measurements) and performance indicators on a periodic basis.

Implementation, Oversight and Budget

The proposal should address how the initiative will be implemented, overseen and funded. It should identify who the implementing agent is proposed to be and in what ways the implementing agent is qualified for that role.

If there are sub-agents (for example, banks involved in on-lending programs) it should address how those sub-agents will be selected. The proposal should address how determination will be made of the effectiveness of the sub-agents to serve as financial intermediaries and to manage and report effectively.

The proposal should address the proposed budget and demonstrate that it is sufficient to fund the proposed activities.

Cost estimates may be difficult to assess because of different cost structures of potential providers. For example, the costs of a technical assistance provider based in Europe may be different than for a US-based provider because of exchange rates, transportation costs, and wage scales. Budgets should generally assume a relatively high-cost provider so as not to under-fund projects.

Legal and Regulatory/Enabling Environment

The proposal should discuss the overarching environment in which the initiative will occur and any factors therein which will have an impact on the success of the initiative. This will include the legal and regulatory environment (e.g., legislation supporting enforce property rights, the capacity of the courts to enforce this legislation) and the overall enabling environment (e.g., employment flexibility, constraints to transfer/export of products).

Supply, Demand and Accessibility

The proposal should address the demand for the products or services which are proposed to be delivered through the initiative. It should address whether the proposed products and services to be delivered are available in the market place, and if not, why not. If the products and services are available, it should address whether the initiative will be duplicative, and if not, what will be different.

It should address the ability of the targeted beneficiary group to access the products and services, and in the case of credit programs, the physical access of beneficiaries to financial institutions.

Incorporating Best Practices and Lessons Learned

Due diligence should address how the proposal incorporates lessons learned and best practices, where possible drawing from the results achieved by similar initiatives.

Specific Requirements: on-Lending Initiatives

Is the identified development challenge a key constraint to poverty reduction through economic growth?

Broadly speaking, private sector enterprises are affected by three factors: (i) demand for their goods and services, (ii) the business environment in which they operate, and (iii) the way in which they respond to market opportunities. The ability of firms to respond to market opportunities is strengthened when they can access credit. But care must be taken to distinguish among differing circumstances in which access to credit might be sited as the problem. Low levels of lending may be attributable to appropriate risk aversion on the part of lenders, market distortion or failure, or to a lack of suitable demand. Efforts should be made to ascertain the specific causes of the problem so that the root causes can be addressed along with the symptoms.

Will improving access to credit provide a credible solution to the developmental challenge?

If access to credit is determined to be a key constraint, assessment should be undertaken as to whether the initiative as proposed will be effective in solving the developmental challenge in light of the framework identified above (demand for good and services, business environment and firm response). In general, financial services in most developing and transitional economies do not adequately serve the needs of small and growing businesses. However this is usually less a function of supply (liquidity) and more of a problem of insufficient intermediation skills, weak enabling environment and inappropriate credit instruments, among other possible factors. As such, program design should take into consideration: (i) the beneficiaries who should benefit from the program; (ii) the enabling environment in which the program will be implemented; (iii) the proposed *intermediaries* who will implement the access to credit programs; and (iv) the *financial instruments* to be used.

Beneficiaries and Demand

The perception of a financing gap may mask fundamental problems at the firm level or within the enabling environment. To what extent does demand for credit outstrip supply, and what is the cause? Is it an issue of pricing, extreme risk aversion on the part of lenders, the legal and regulatory environment, lack of acceptable credit proposals, or a combination thereof?

If a financing facility is proposed, documentation should be provided that the size of the facility proposed is appropriate to the target set of beneficiaries and within the capacity of the institutions which would act as financial intermediaries. Where specifically is the unmet demand – which is the specific target audience?

Consideration should be given to developing the capacity of the beneficiaries to act as effective borrowers. Increasing financial literacy may result in stronger proposals, thereby lowering transaction costs and risk premium.

Programs which offer mentoring/advisory services in conjunction with other forms of supply-side support to financial intermediaries seem to have greater success. To what extent are or should business advisory services be available to potential beneficiaries as part of the program?

The most important test of whether an intervention will be successful is whether beneficiaries will exploit it. It is important to assess what obstacles may exist from the perspective of the targeted beneficiaries, e.g. literacy, lack of familiarity/trust with financial intermediaries, cultural attitudes toward debt, etc.

Enabling Environment

A review of the system of contract enforcement and dispute resolution should be done to assess whether attention needs to be extended to reforms that may influence the extension of private credit. The World Bank's "Doing Business" reports generally provide insight as to whether non-credit issues explain access to credit problems.

For example, it is often difficult in emerging markets to perfect a security interest in collateral, and to enforce that security interest in the event of default. Insolvency procedures are often unreliable and subject to judicial discretion. In some cases this can be mitigated through the introduction of secured lending/commercial finance techniques in combination with the introduction of a pledge registry for movable property.

Accurate information is also a universal problem in developing countries. Accounting and auditing practices are often weak, and credit information is often difficult to obtain.

Intermediaries/Implementers

In most cases, supporting existing financial institutions (on-lending) is preferable to creating stand-alone SME credit programs. However this will depend upon the capacity of the proposed participating financial institutions – in some instances, de novo special purpose institutions have been instrumental in fostering competition and providing lighthouses for other institutions.

Attention should be given to the credit culture of the proposed financial intermediaries. While losses are to be expected, programs should not be supported if it is unlikely that losses cannot be stabilized at an acceptable level before the end of the Compact period.

The capability of a small financial institution, e.g. an MFI, to deliver new financial instruments should be carefully questioned. Interviews with such intermediaries are necessary to determine both their willingness to participate, their capacity to underwriting effectively, and whether additional capacity building efforts may be required. Consideration needs to be given to how intermediaries have performed in other donor programs and their ability to file reliable reports in a timely manner.

Criteria need to be in place to determine which financial institutions are eligible to participate. Interviews with regulators, when available, are important to make sure that financial institu-tions that are on watch lists are not included as participants unless special controls are added.

If institutional strengthening is proposed, documentation should be provided showing how the provision of technical assistance to financial institutions or regulators will support the creation of a stronger credit culture, increased competition within the financial sector, improve regulation, or otherwise strengthen the financial sector.

Flexibility should be maintained to adjust program terms during the Compact period to respond to actual loan or guarantee loss experience.

In identifying participating financial institutions, care should be given to ensuring broad geographic coverage and the ability of beneficiaries to physically reach financial institutions and visa versa. If this problem is not addressed, high delivery costs may make a project unrealistic.

Instruments/Initiatives

Consideration should be given to the credit instruments which will be offered. Banks in developing countries will often lend only on the basis of real property (land and buildings) and/or on personal guarantees, which has the effect of excluding poor applicants with good ideas but limited collateral.

Tenor is a particular problem in most developing countries – banks are rarely willing to lend on a medium to long term basis (2-5 years). Few investments are likely to have a repayment horizon which can be met on a short-term basis. A common problem for SMEs is a dearth of financing above the micro-finance level and below the level at which commercial banks generally show interest. Attention should be given to requirements for funding with regard to both size and term.

Inclusion of subordinated or quasi-equity instruments should be considered (e.g., preferred stock, debt with warrants). But such instruments need to be reviewed to determine if they can be easily understood by providers as well as beneficiaries and should require minimal legal documentation.

What are the alternative credit instruments with which the proposed activity would compete? MCC project should not dissuade other private sector entrants, including MFIs, in a meaningful way.

Is the proposed initiative properly structured?

Fiscal accountability concerns are particularly high in on-lending programs because of the potential for corruption and capture. Too often, beneficiaries have seen on-lending programs as grant programs in disguise with resulting low rates of repayment.

Oversight/Accountability

Procedures for the flow of funds from MCC through MCA to financial intermediaries must be understood and documented. Proper auditing and monitoring procedures should be established within the proposal.

Estimated budget and timeline

The proposed timeline should demonstrate the ability to accomplish the intended initiative within the Compact period (with the ability of access to credit programs to extend beyond Compact-end).

Impact measurement and results indicators

The proposal should document the intended impact from the initiative and the intermediate indicators by which results will be measured. In access to credit programs, indicators may include:

- Loan disbursement
- Revenues
- Job creation

Compliance with MCC gender and environmental requirements

The proposal should document that the initiative will comply with MCC guidelines:

- Supporting women's ability to access credit in all forms (geographic, business line, funding).
- Loan eligibility criteria prohibit loans for banned pesticides and chemicals in accordance with MCA country standards and MCC environmental guidelines.

Will the proposed initiative be sustainable?

In general, access to credit programs should be designed to be sustainable; however in some instances (market failure) such programs may be structured on a special purpose basis. Subsidizes can be appropriate so long as the are highly targeted, fill a specific market need, and are not intended to be perpetual.

Sustainability of participating institutions and transfer to skills

Consideration should be given to the credit culture (underwriting and portfolio management skills) of participating institutions. In almost all cases, on-lending programs should include a technical assistance component to transfer credit/risk management skills to participating institutions.

Particular attention should be given to the selection of participating institutions with regard to capital adequacy and the ability to absorb losses.

Use of subsidies

Subsidies can take multiple forms. Interest rate subsidies that are directed at intermediaries as an inducement are more acceptable than subsidies directed at end users (borrowers), but should in any case be tested to determine the extent to which they might dissuade private sector participation in the same activity.

Subsidies may be used as an inducement in selected circumstances to draw financial institutions toward new market segments or regions. Such subsidies might include full or partial reimbursement of operation costs for a short period of time. However, such subsidies are appropriate only when there is a likelihood of sustainability when these inducements cease.

Partial guarantee structures that guarantee intermediary losses in excess of 50% should generally be rejected as carrying too high a degree of moral hazard.

Partial guarantee programs may be used when there is judged to be a difference between lenders' perceived risks and actual market risk. However, in such cases, technical assistance will usually be required to upgrade credit analysis and risk management skills so that market activity will persist beyond the end of the guarantee program.

Transition plan

MCA counterparties should be aware of the MCC policy with respect to the disposition of financial assets at the end of a Compact period, and (if so intended) the proposal should document how the proceeds from the initiative will be transferred and tracked

Is the proposal coordinated with other Financial and Private Sector Development initiatives as well as other elements within the Compact?

It is likely that there will be several other micro-finance and/or on-lending programs in place. As such, it is particularly important that the MCC funded program compliment and not compete with other programs. In addition, MCC on-lending initiatives should be developed in harmony with other Compact initiatives to as to leverage Compact impact.

Coordination with other donor/governmental initiatives

Most developing countries have numerous micro-finance programs and many have SME on-lending facilities. Proposals should ensure that these programs are identified, and that pricing and terms on these programs be roughly comparable.

On-lending proposals should show how the MCC funded program will be uniquely targeted and not simply additive. Due diligence should address consultations held with all the key donors and NGOs and document the outcomes of these meetings.

Coordination with other Compact initiatives

Generally on-lending programs will be structured to support other Compact components focusing on rural or SME development. Care should be taken to consider areas of overlap with these activities to align the geographic coverage and take into consideration other donor programs operating on the same population or area.

The sequencing of activities should be consistent with the sequencing and timelines for the activities that the financial sector intervention is expected to support.

Specific Requirements: Legal and Regulatory Reform

Is the identified development challenge a key constraint to poverty reduction through economic growth?

The legal and regulatory environment in which businesses must operate is a critical factor in private sector development. That said, more often than not Legal and Regulatory Reform initiatives are likely to be elements within initiatives rather than overt stand-alone initiatives.

In Compact initiatives in which Legal and Regulatory Reforms are proposed, the proposal should clearly document the intended benefit of such reforms in terms of economic impact. If Legal and Regulatory Reforms are proposed as a sub-activity within another activity, the proposal should reflect what the impact will be if the reforms are not accomplished.

Is the proposed initiative a credible solution to the developmental challenge?

In order to have the intended impact, Legal and Regulatory Reforms must not only be embodied as changes in law, but embodied in the overall legal, economic and social fabric as well. For example, if the proposed activity is primarily focused on improving the operations of courts, it may also be concerned with upgrading other related components in the legal system (e.g., private bar, law schools, lawyers in government agencies), to avoid uneven progress in the system.

Beneficiaries and Demand

The proposal should document how the intervention will overcome the identified impediment – from the practical perspective of the beneficiary.

Enabling Environment

The proposal should address the overarching enabling environment, particularly related policies, laws, regulations and procedures. This is the water in which the activity swims or drowns. For example, if an initiative aims to build courts to improve access to justice, it must also consider all of those aspects beyond bricks and mortar – issues of capacity building, dissemination of information, and case management to note just a few.

Implementation

Laws and regulations are implemented through the justice system, and the proposal must document how legal and regulatory changes will be implemented and enforced. For example, several developing countries have adopted modern bankruptcy laws; however the judicial system commonly refuses to enforce such laws as a matter of social custom.

Is the proposed initiative properly structured?

The proposal should describe the flow of funds as well as oversight. MCA counterparties should be aware that if governmental entities will be implementing the initiative, there are particular limits to what MCC can support (i.e., goods or outside consultants are permissible, but salaries or other payments to government officials are not). The proposal should provide some sort of starting measurements, whether our goal is to speed the resolution of commercial disputes, or increase the number of labor disputes that are addressed through mediation.

Impact measurement and results indicators

Indicative indicators for Legal and Regulatory Reform achievement might include:

- the speed the resolution of commercial disputes
- The increase the number of labor disputes that are addressed through mediation.

Compliance with MCC gender and environmental requirements

The proposed activity should support women's access to justice, legal services, or other law-related services. The activity should promote broader access to legal services, particularly to disadvantaged groups, and not just expand services to groups (such as business owners) that may already have greater advantages than ordinary citizens.

Geographic issues should be documented in the proposal – the initiative should have significant impact beyond merely the capital or major cities.

Will the proposed initiative be sustainable?

In the case of legal projects particularly, sustainability may largely depend on government budgets, rather than increased revenues, as well as sustained political will.

Sustainability of participating institutions

The proposal should document the commitment of the government to fully fund legal and regulatory reform initiatives, as well as the likelihood that the policies, laws and regulations be made and implemented on a consistent and transparent basis.

Consideration should be given to whether there is a personal or political dynamic that prevents or corrupts change or is not being harnessed to promote change.

Transfer of skills

With initiatives which will require a new set of skills or expertise, the proposal should document how training/skills transfer will be executed. Where skills transfer is proposed, it should identify how the persons responsible for policy and implementation with respect to the activity will gain the knowledge they need to make good decisions and implement them.

Is the proposal coordinated with other Financial and Private Sector Development initiatives as well as other elements within the Compact?

It is particularly important that proposed Legal and Regulatory Reform initiatives emerge from a true consultative process, and are coordinated with other Legal and Regulatory/Judicial Reform initiatives.

Coordination with other donor/NGO/governmental initiatives

The activity should evidence input from all relevant legal groups (government, judiciary, private bar, academia, law-related NGO's) as well as non-groups private business, civil society, and others.

Coordination with other Compact initiatives

In virtually all cases, Legal and Regulatory Reforms will coordinate directly with other Compact initiatives. The proposal should make a clear linkage between the activities and the intended cause and effect.

Chapter 28:

Guidelines for Economic and Beneficiary Analysis of a Compact Proposal

MILLENNIUM CHALLENGE CORPORATION
MCC
UNITED STATES OF AMERICA

REDUCING POVERTY THROUGH GROWTH

Guidelines for Economic and Beneficiary Analysis

Guidelines for MCA-Eligible Countries on Analyzing the Impact of Proposed Compact Components

Last updated: November, 2006

Background

The Millennium Challenge Corporation (MCC) was established in January 2004, pursuant to the Millennium Challenge Act of 2003, to promote sustainable growth and poverty reduction.

The Act states that the MCC is to "*(1) ... provide United States assistance for global development ... and (2) to provide such assistance in a manner that* ***promotes economic growth and the elimination of extreme poverty*** *and strengthens good governance, economic freedom and investments in people.*"[1]

In light of this legislation, MCC's overriding objectives are to promote economic growth and a significant reduction in poverty in our partner countries. Moreover, we view these goals as closely connected. The evidence shows that the countries that achieved significant poverty reduction in the past fifteen years also achieved significant economic growth. This is because economic growth is about income generation and, especially in poorer countries, the lack of income generation is one major reason behind chronic poverty.[2]

Nevertheless, MCC does not take it for granted that programs that stimulate growth will invariably reduce poverty. MCC looks at the likely distributive effects of proposals and, to the extent that data are available to perform such an analysis, identifies the beneficiaries and estimates the impact on poverty reduction. When the data are not available, MCC requires that baseline surveys be conducted so that such information will become available for monitoring the impact of the programs. Ultimately, MCC

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[1] Millennium Challenge Act of 2003, Section 602.

[2] Although there are many sources that investigate the relation between economic growth and poverty reduction, and MCC does not favor any particular study, readers interested in evidence from the 1990's may wish to see figure 1 in "Pro-poor Growth in the 1990s: Lessons and Insights from 14 countries". This study is available on the web at http://siteresources.worldbank.org/INTPGI/Resources/342674-1119450037681/Pro-poor_growth_in_the_1990s.pdf.

seeks significant and measurable increases in incomes of large numbers of poor people and significant reductions in poverty.

MCC analyzes the likely impact on economic growth of its programs by analyzing whether the proposed programs are consistent with international evidence on drivers of economic growth and by use of economic rate of return (ERR) analysis.[3] The essence of such an analysis is a straightforward comparison of costs and benefits, where the costs are the MCA grants and the benefits are increases in incomes in recipient countries. In other words, MCC analyzes proposals as investments, but the payoffs go to countries rather than to MCC. The ERRs are indicators of the economic growth impact because growth is by definition an increase in incomes and the ERRs measure increases in incomes. The ERRs also measure the impact on poverty reduction when the targeted beneficiaries of the projects are poor because the increases in incomes in question are incomes of poor people.

MCC's policy is to have no preference over sectors and the use of economic rate of return analysis does not necessarily favor any particular sector such as infrastructure, agriculture or health. Many of the projects proposed to MCC during the first two years have been in agriculture and infrastructure, and some have concluded that MCC therefore favors projects in these areas. This is not MCC's preference and the economic analysis applied by MCC does not discriminate against important social investments. To the contrary, in some cases, infrastructure and agriculture projects can actually have quite low returns, and health and education projects can have high returns. To underline this last point, Annex 1 describes three examples of health and education projects with high economic returns.

As a general objective, MCC policy is to seek proposals with high economic rates of returns and broad impact, holding income distribution constant. We seek programs with both high poverty reduction impact and high economic returns at the same time, rather than one or the other. Partner countries, through a consultative process, should identify the crucial constraints to growth and direct us to where MCC funds can be most productively used. In accepting proposals, MCC requires that countries analyze the economic impact of several options and select those proposals that have the highest impact on economic growth and poverty reduction for submission to

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[3] Although many are familiar with the concept of an economic return, for the sake of clarity consider the following simplified example. If a program proposes an expenditure of $100 Million, and an expected increase in incomes of $150 Million, we say that the program has an economic rate of return (ERR) of 50 percent ((150-100)/100) = 50%.

MCC. The analysis of options and selection from these options should be part of the consultative process.

MCC's policy of country ownership means that, through a consultative process, countries have the lead in proposing how funds should be used. MCC respects the ability of the country to analyze its own impediments to growth, and expects that governments will analyze options jointly with a wide array of stakeholders. MCC views its relationship with the countries as a partnership dedicated to the shared goal of determining where MCC funds can have the highest impact in raising incomes and fighting poverty. MCC reserves the right, however, to withhold approval for a proposal or parts of a proposal based on, among other factors, evidence of technical infeasibility, low or negative economic returns, or low poverty reduction impact, or the lack of clear measurable benchmarks.

A number of studies have confirmed the tendency of analysis to be overly optimistic about project benefits before a project begins and for this reason MCC prefers that evidence about a project's impact be drawn from evaluations of similar, completed projects. In keeping with our policy to focus on results, MCC will not approve proposals or parts of proposals without good supporting evidence that the proposal will have a significant impact on economic growth and poverty reduction. Such evidence should be available when a country's proposal is presented to MCC or, in the case of programs that allow for proposals to be considered after Compact signing, prior to funding such proposals.

In addition, MCC will come to agreement with the country on targets and a monitoring plan before the program commences. This monitoring plan should be developed together with the economic analysis to ensure that monitoring focuses on what is essential to producing a high economic impact. Since disbursements of MCC assistance will be conditioned on achieving benchmarks linked to the economic analysis, overly optimistic economic projections are not recommended. The monitoring plan may also specify mid-stream changes in activities if the benchmarks are not being met. (See Guidelines for Monitoring & Evaluation (M&E) Plans for more detailed information.)

Calculating the economic rates of return and impact on poverty reduction

To estimate the likely impact of proposals on economic growth, MCC's methodology is best described as *micro-economic growth analysis.* This methodology will be described in four steps below. Briefly, it seeks to measure the economic growth impact of proposals at the micro-economic level by measuring the expected increases in either value-added[4] or incomes of individual firms, individuals or sectors of economic activity. Proposals from countries should include a cash-flow analysis that weighs spending on the program against future expected increases in value added or incomes. The internal rate of return should be calculated for these cash flows to summarize the economic impact. MCC refers to this internal rate of return as the economic rate of return (ERR).

When proposals are not amenable to micro-economic growth analysis (as might be the case, for example, in policy reforms that are national in scope), we seek to measure the impact by regression evidence from other countries or cross-country regression analysis or by use of simulations based on conservative assumptions.

Poverty analysis should be conducted by estimating the impact of the program in reducing the poverty gap.[5] In the cases where household surveys are not available to perform detailed poverty analysis, MCC has the ability to fund such surveys so that poverty analysis can become an integral part of MCC monitoring.

The four-step procedure for estimating economic returns is as follows.

1. The first step is to define the intended beneficiaries and the set of actions that are necessary and sufficient to achieve the desired impact (such as a rise in incomes or value added of this group). For example, if technical assistance to farmers plus rural roads plus a cold storage unit at the airport are jointly necessary to boost exports and incomes of households, then the economic rate of return analysis should be done for the whole set of activities rather than for each separately. However, the case needs to be made that each component is truly necessary. Padding projects with unnecessary components will reduce the economic return and could result in rejection of the proposal.

2. The second step is to gather data on total value-added or incomes, today, of the intended beneficiaries, and to estimate what value-added without the program would be over time.

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[4] Value-added is the measure of the economic output of an enterprise that is used in national income accounting. It is defined as total revenues minus the cost of intermediate inputs.

[5] A simple definition of the poverty gap is the amount of money, which, when transferred to poor people, brings everyone's income up to the poverty line. Poverty reduction would then be measured as the reduction in this sum of money.

3. The third step is to estimate value-added *with* the program over time.

4. Finally, the fourth step is to organize a cash-flow analysis in a spreadsheet in which the program costs over time are negative entries and differences in value-added (in other words, value-added with the project minus value-added without the project) are the positive entries. From this cash flow analysis, an internal rate of return can be calculated. This is the Economic Rate of Return (ERR) discussed earlier.

In performing the second and third steps, the following points should be considered.

a) It is a matter of analytical indifference whether to work with value-added or incomes as the micro-economic counterpart to GDP. GDP can be measured in several equivalent ways. One is to sum value-added over all enterprises in the economy. A second is to sum incomes over all legal entities (wages or labor income of households, profits etc.). These are equally valid methods. Usually, for agriculture projects it is more convenient for country and MCC analysts to work with household incomes as the unit of analysis. For other projects, value-added of groups of enterprises or value-added of a region of the country is a convenient unit of analysis.

b) The assessment of what will happen *with* the program and *without* the program should estimate *what will most likely occur*, not what *should occur*. For example, when estimating what will happen in the absence of the program the standard assumption should be that business as usual or past practices will prevail.

c) When calculating the costs of using productive resources such as labor, land and capital, it should be assumed that such resources would be used in their best alternative activity. In other words, the concept of opportunity costs should be used in evaluating the costs of using resources.

d) The economic analysis should use shadow prices to the maximum extent feasible. Shadow prices are the market prices that would prevail in the absence of taxes, subsidies or administrative restrictions on market activity. Projects should not be undertaken if the positive economic benefit hinges on the presence of a tax or subsidy.

e) In keeping with the focus on economic growth, and in recognition that data is scarce in MCC countries the priority in the economic analysis should be forecasting increases in incomes or value-added from projects rather than calculating consumer surpluses or other economic rents that demand extensive data. Important sources of rents however should be noted when significant.

f) When evaluating the impact on value-added of a project, the value-added of the whole supply chain should be evaluated (both upstream and downstream suppliers). To the maximum extent possible, such estimates of the "supply chain multiplier" should be based on data gathered by MCC.

g) The analysis should vary the time period over which the ERR is calculated in order to determine the sensitivity of the estimated returns to the time horizon. Normal practice is to examine 10, 20 and 30-year horizons. When the magnitude of the economic returns is sensitive to the time horizon, this should be noted explicitly in reporting the results.

h) Demand multipliers may be included in the economic benefits when (a) the region of the project has significant excess capacity and (b) there is prior empirical evidence that these effects are significant. MCC will seek to gather its own evidence on the magnitude of demand multipliers for use in future estimates of the economic returns. MCC is aware that most guidelines on cost/benefit analysis recommend approaching claims of large multipliers critically.

The following information is also relevant for the economic analysis.

a) MCC policy is to use household survey or other appropriate evidence to determine the impact of its programs by age, gender and income level. MCC will evaluate whether the country has used the best available data to estimate the impact by gender. MCC will also examine whether there are significant issues such as gender bias in selection of program beneficiaries that need to be addressed in program design.

b) When the project relies on individuals or firms making decisions such as investments or changes in behavior, a financial analysis should be performed from their perspective to confirm that they have a financial incentive to perform those actions.

c) MCC policy is to obtain household survey data for assistance in quantifying the impact on beneficiaries as soon as possible. If not available, MCC policy is to require baseline surveys to collect such data in advance of the project.

d) Important environmental and social benefits, costs, and risks of projects should be listed and quantified where possible.

Minimum Standards for ERRs

MCC recognizes that the assumptions necessarily involved in any ERR analysis have a considerable degree of uncertainty, and as noted above, that ex-ante expectations may or may not be matched by ex-post observations. MCC is aware that other donors have hurdle rates for many of their projects, and has reviewed the reported experience of others as well as the ex-ante expectations for the programs and projects it has financed to date. MCC has an active interest in both attracting private sector investment and coordinating with other donors in connection with its own development assistance interventions, and seeks to avoid “crowding out” other sources of funding.

Against this background, the minimum acceptable ERR for both programs and individual components of MCC compacts will be the greater of (a) two times the average real growth rate of GDP for the country for the most recent three years for which data is available, or (b) two times the average real growth rate of GDP for all of the MCC eligible countries for each country for the most recent three years for which data is available. In no case shall the minimum acceptable ERR be higher than 15 percent. This minimum acceptable ERR is not subject to adjustment for other factors in or effects of the components or programs, and should be viewed as a true minimum in that MCC should seek to fund those programs and components with a high likelihood of having a significant benefit to the poor that show the highest rates of return achievable from among the priorities identified in the country’s consultation process.

MCC reserves the discretion to proceed with projects that fall below the minimum acceptable ERR. Thorough justification would be required, based on the unique circumstances of any such proposed case for the application of this discretion.

The hurdle rates will be set once a year, in November after country selection, using the data available in the September edition of the IMF's World Economic Outlook Database for the three previous years.

Beneficiary Analysis

The ERR analysis described in Section B relates the total increase in incomes attributable to an MCC proposal to the total costs, making no distinction among different types of beneficiaries. As a result, ERRs do not provide information about the impact of an MCC proposal on any specific population group, including the poor. Beneficiary Analysis is a natural extension of ERR analysis that seeks to *disaggregate* the overall net impact summarized by the ERR. While this analysis is most commonly considered as a means of measuring the impact of projects on the poor, it has broader applicability that allows a determination of impact on other populations of particular interest, such as women, the aged, children, and regional or ethnic sub-populations. Disaggregating beneficiaries by sex and age is important, for example, when increases in household income may not be shared among all family members.

This document is intended to provide general guidance on conceptualizing and computing project impacts in a disaggregated fashion as an input to proposal development and program design, due diligence, monitoring of Compact implementation, and impact evaluation. While much of the following discussion focuses on disaggregating the impact between the poor and the non-poor, the mechanics are easily applied to other populations of interest. MCC Gender Policy requires that countries ensure that Compact project designs account for gender differences, and Beneficiary Analysis can provide useful information to this end.

In this context, "Poverty Analysis" can be viewed as a distinct subset of the broader methodology of Beneficiary Analysis. Naturally, classifying beneficiaries as poor or non-poor requires a definition of poverty. MCC uses both country-specific definitions of the poverty line (usually the official poverty line) and the extreme poverty line.[6]

Poverty Analysis should address two basic questions:

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[6] The World Bank uses the figure of $1.08 per capita per day in purchasing power parity terms to define extreme poverty, and this measure provides an internationally-accepted standard that allows cross-county comparisons. In some cases, the $2-per-day line may be used, as well. All of these poverty measures rely upon national consumption expenditure survey data, which may need to be supplemented or updated prior to implementation.

a) "How many poor people are expected to increase their incomes as a result of the proposed investment?" and

b) "What is the expected incremental change in income among poor beneficiaries attributable to the investment?[7]

The principal concern underlying the first question is whether poor households are positioned to derive income benefits from MCC investments. The ability of the poor to benefit may be determined by the availability of complementary assets, specialized skills, or other productive factors. For example, while investments in agriculture are often viewed as being pro-poor, some projects may unintentionally exclude the poor due to their lower capacity to bear risk. Efforts to shift farmers to high-value but riskier production practices may benefit primarily non-poor farmers if the attendant risks are not addressed. Thus, poverty analysis requires an explicit quantification of poor households that are expected to benefit from the program. The identities of the beneficiaries need not be known in advance, particularly for programs with broad-based impacts (e.g., large infrastructure or policy reform projects), but a reasoned estimate of the number of poor beneficiaries should be made, based on available evidence.

The second question focuses on the incremental increase in poor beneficiaries' incomes resulting from MCC projects. Using the distribution of beneficiaries derived from the first question, the second step in poverty analysis is to estimate the changes in income for the poor and the non-poor (or other classes of people of interest). This information, in turn, may be summarized in an impact on both the *poverty rate* and the *poverty gap*.[8]

Beneficiary Analysis, which provides information regarding poverty and other demographic characteristics and geographic information, including, sex, education level, household size and type (e.g., single-female head, elderly head, two-parent head),

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[7] As in the earlier discussion of ERR analysis, the incremental change in income refers to the increase (or loss) in income that is attributable to the proposed MCC investment in excess of expected changes absent the proposed investment (e.g., those expected to occur based on prior growth trends). In most cases, the MCC utilizes information on consumption expenditures from household surveys as a proxy for household income.

[8] The poverty rate is the fraction of the population living below a given poverty line; the poverty gap is calculated as the sum of money required to bring all poor households up to the poverty line. The effect of an MCC investment on the poverty gap would reflect incremental income to poor households in aggregate. The poverty rate, in contrast, would not reflect, for example, significant improvements in income levels for households remaining below the poverty line.

and region (rural or urban), may be useful in assessing the ways and extent to which different groups within the population are likely to interact with a proposed MCC investment. In particular, we may identify specific *transmission channels* through which investments are linked to expected increases in income, including:[9]

- *Prices*: Of tradable goods and services, including workers' wages;
- *Employment*: Both formal and informal employment, employment levels, benefits, job security; and differential effects due to gender, ethnicity or other attributes;
- *Access*: Refers to access to physical and social services infrastructure, whereby both removing barriers and enhancing quality or quantity could improve access for specific beneficiary groups;
- *Authority*: Includes how formal and informal institutions, organizations, and social norms and relationships shape economic behavior, constraints, and opportunities; and
- *Assets*: Includes physical, human, social, or financial capital.

These transmission channels may be a useful organizing framework for analyzing impacts of MCC investments on incomes of both the poor and the non-poor. In addition to analyzing benefits arising through these channels, Beneficiary Analysis should consider the time horizon over which increases in income are enjoyed by different classes of beneficiaries, as well as risks to realizing the predicted income benefits, the likelihood of such risks, and ways to mitigate them.

The results of the Beneficiary Analysis can shed light on the merits of proposed investments in terms of promoting significant reductions in poverty. In selecting among several potential investment options, Beneficiary Analysis may provide important information to help identify preferred alternatives. All other things being equal, MCC favors proposals benefiting a larger number of the poor and having greater impacts on their incomes.

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[9] OECD Development Cooperation Directorate, Development Assistance Committee. "Harmonizing Ex Ante Poverty Impact Assessment," March 15, 2006.

Direct and Indirect Beneficiaries

Program beneficiaries are individuals or groups that derive economic gains from MCC investments. Some beneficiaries are affected directly by the investment. For example, farmers adjacent to a rehabilitated irrigation scheme will see direct benefits in the form of higher agricultural yields.

Others beneficiaries might experience increases in their incomes that, while less directly connected with an MCC investment, are nonetheless plausibly attributable to it. For example, the extra output generated by farmers in a rehabilitated irrigation scheme may create gains for those who further process it and handle it for export. The owners and employees of the processing plants might then be described as "indirect beneficiaries." Beneficiary Analysis should always attempt to specify the complete set of beneficiaries, both direct and indirect, and quantify the impact of the program on them.

Respective Roles and Responsibilities

Partner Country Responsibility

The MCA-eligible country has the primary responsibility for quantifying the economic rates of return and the implications for poverty reduction of proposed development interventions and for incorporating expected incremental changes in beneficiary incomes as targets within an M&E plan. Net improvements in income levels and changes in poverty should be estimated based on the anticipated outputs and outcomes of individual program projects.

MCC Responsibility

MCC will undertake due diligence to validate partner country estimates of economic rates of return and expected poverty reduction among beneficiaries. In the course of this process, the MCC will work with partner countries to help identify and assess possible alternatives to proposed projects, including modifications or complements that would enhance the program's impacts on growth and poverty reduction.

Annex 1

This section reviews examples of health and education projects that have double-digit economic rates of return and shows how the cash-flow analysis could be organized for such programs.[10]

The first example is an education program in Mexico that offered cash assistance to poor families in exchange for higher school attendance.[11] Payments were offered to families that kept their children in schools. These payments depended on the age and gender of the child, with higher payments for high school children and higher payments for girls. In a study of this program described in Morley and Coady (2003, page 72) it was estimated that the program spent about 8200 pesos per child to increase annual income by approximately 1000 pesos. Since the working life of a child is longer than the period over which payments are given, this program could be justified economically.

To see this, we have summarized the economic case for this program in a cash flow analysis in Table 1. As can be seen in the "cost per child" row of the table, the program would spend 787 pesos per child when children were 9 years old, 898 the next year and further amounts in subsequent years. The net cash transfer to the family in the first two years would be 669 pesos and 763 pesos (after deducting 15 percent for administrative costs). Drawing on rigorous evaluations of the impact of this program on educational attainment, studies have shown that this amount of spending is sufficient to raise the education attainment by two-thirds of a year by the time the child enters the labor force. Drawing further on studies on the returns to education in Mexico, Morley and Coady (2003) estimate that this will raise earnings by approximately 1,000 pesos per year over the working lifetime. In Table 1 we have shown the additional income of the child during the first three years of working life, corresponding to ages 16-18. The rest of the table, covering the rest of the working life, is not shown to save space.

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[10] The presentation of these examples does not suggest necessarily that MCC approves of these projects. Some of the numbers used are estimates for purposes of illustration. While they are believed to be accurate, their accuracy is not guaranteed. Furthermore, some numbers are deliberate simplifications of a more complex reality.

[11] The program is named Progresa and has been extensively studied and documented. For an account that summarizes a lot of the results and research, see Morley, Samuel and David Coady, "From Social Assistance to Social Development: Targeted Education Subsidies in Developing Countries. Center for Global Development, Washington DC, September 2003.

The benefits of this program include the 1,000 pesos per year in additional incomes plus the net cash transfers to the families. The costs are of course the annual costs of the program. Table 1 shows that such a program would have an economic rate of return of 20 percent over ten years and 33 percent over the full working life of the child (estimated at 57 years). To conserve space, only the first ten of the 57 years are shown in table 1. While each of the specific numbers in this table could be refined, the table establishes the basic point that this kind of education program can achieve positive economic returns.

The second example is a health program to address iron deficiency. Recent studies have shown evidence that Iron Deficient Anemia (IDA) is associated with greater susceptibility to disease, and contributes to reduced aerobic capacity and endurance.[12] Health programs in China and Vietnam add iron supplements to sauces that are common in the diet such as soy sauce or fish sauce. Further studies suggest that economic output and incomes can be raised significantly by supplementing diets in this way.

To provide an example of how to calculate the economic returns for such programs, we rely on a recent rigorous study that suggested that incomes could be raised by an average of $40 per person per year by providing supplements that cost an average of $6 per person. It is important to note that usually only a fraction of the persons in a community are iron deficient. Because it is costly to identify them and, furthermore, because it is not possible to guarantee that the deficient will change their diet even when identified, the most cost-effective strategy is often to treat the entire community.

To show a concrete example, consider Table 2, and imagine that there are 20,000 persons in a community and that 30 percent of them are iron deficient. For this 30 percent, income will be raised by $40 with the dietary supplement program, but the rest will be unaffected. Imagine further that it will take seven years for the full productivity and health impact of the program to take effect. The costs of the program would be $6 times 20,000 or $120,000 per year for seven years. As for the benefits (in the form of a rise in incomes), by year 7, 30 percent of the 20,000 will obtain an additional $7 in income for a total benefit of $240,000. For the early years before year 7, it is assumed that 1/7 of these benefits will be realized in the first year, 2/7 in the

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[12] See Thomas, Duncan, "Health, Nutrition, and Economic Prosperity: A Microeconomic Perspective", Commission on Macroeconomics and Health Working Paper No. WGI: 7 May 2001.

second year and so forth. It is assumed that iron supplements must be provided every year.

Table 2 shows that net benefits for this program turn positive as early as year 4, and have an economic rate of return of 34 percent over 10 years. The economic rate of return over 50 years is 40 percent. These returns are sensitive to the fraction of the population that is iron deficient. If this fraction were 40 percent rather than 30 percent the rates of return would rise to 59 and 62 percent.

The third example is from a combined health and education project that offered de-worming drug treatment to children in Kenya.[13] Rigorous evaluations indicated that this program increased school attendance by approximately 0.15 years for every year a child was treated. Further research by Knight and Sabot (1990) suggests that schooling accounts for roughly 40 percent of the 17 percent rate of return to education, putting the returns to years of education at approximately 7 percent.

The best way to calculate the economic returns of such a program would be to collect information on earnings of adults in the area under consideration. Short of this however, we can still show some approximate figures. GDP per worker in Kenya is $570. If 60 percent of this is wages and rural wages are 80 percent of the national average, an estimate of the rural adult wage would be $273.6.

The de-worming treatment costs 49 cents per child per year. In Table 3 we have shown an example where such treatment is offered to a child every year in school between age 7 and age 14. Using the 0.15 figure above, these eight years of treatment would mean that the child would gain the equivalent of slightly more than a year of education by age 14 when he or she enters the labor market (0.15 times eight years of treatment equals 1.2 years of education). Using the estimated seven percent figure for the returns to education, this would translate into an additional $22.33 in earnings by the time the child becomes a fully productive working adult (assumed here to happen by age 20). Before age 20 we have assumed that the child would earn only part of this premium.

Altogether this program would have an economic rate of return of 46 percent. This high return is driven by the fact that at 49 cents per child, the cost of the program is low relative to the additional earnings that a child could earn from additional school

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[13] Kremer, Michael and Edward Miguel, "Worms: Education and Health Externalities in Kenya" Poverty Action Lab Working Paper No. 6, September 2001.

attendance. Of course, all of these estimates could be investigated further and refined. To achieve such a low cost per child, the program may have to be administered on a large scale. But with a large increase in the supply of educated children the return to education might well be lower than estimated here. This and other considerations would need to be included in any more complete analysis.

As in all these examples, the point is not to recommend specific programs, but rather to illustrate how rate of return calculations could be done for health and education programs and also to establish the point that the rate of return methodology is not biased against health and education projects.

Table 1: Cash Transfer for Education Program

Year	1	2	3	4	5	6	7	8	9	10
Age of Child	9	10	11	12	13	14	15	16	17	18
Cost per Child	-787	-898	-1,154	-947	-1,380	-1,446	-1,563			
Administrative costs per Child	118	135	173	142	207	217	234			
Cash Transfer to Child's Family	669	763	981	805	1,173	1,229	1,329			
Additional Earnings from Increased Education								1,000	1,000	1,000
Benefits	669	763	981	805	1,173	1,229	1,329	1000	1000	1,000
Costs	-787	-898	-1154	-947	-1,380	-1,446	-1,563	0	0	0
Net Cash Flow	-118	-135	-173	-142	-207	-217	-234	1,000	1,000	1,000
Economic Rate of Return (10 years)	20%									
Economic Rate of Return (57 years)	33%									

Table 2: Iron Deficiency Program

Population	20,000									
Cost per person of Iron Supplements	$6									
Percent of the population deficient	30%									
Increase in income from reduction in iron deficiency	$40									
Years to reach maximum	7									
	1	2	3	4	5	6	7	8	9	10
Cost	$120,000	$120,000	$120,000	$120,000	$120,000	$120,000	$120,000			
Increase in incomes	$34,286	$68,571	$102,857	$137,143	$171,429	$205,714	$240,000	$240,000	$240,000	$240,000
Net Cash flow	-$85,714	-$51,429	-$17,143	$17,143	$51,429	$85,714	$120,000	$240,000	$240,000	$240,000
ERR (10 years)	34%									
ERR (53 years)	40%									

Table 3 De-worming Program

Output per worker (in USD)	$570.00													
Share of Output per Worker Attributable to Wages	0.6													
Rural Wage discount (compared to average wage)	0.8													
Increase in years of schooling for each year of de-worming	0.15													
Estimated Rate of Return to Education	0.17													
Portion of Return to Education Attributable to Years of Education	0.4													
Annual cost of de-worming per child	$0.49													
Age-wage Profile (in percent of adult wage)										0.5	0.6	0.7	0.8	0.9
Age:		7	8	9	10	11	12	13	14	15	16	17	18	19
School Year:		1	2	3	4	5	6	7	8					
Work Year:										1	2	3	4	5
Estimated adult wage in rural area	$273.60						Wages without Program			$136.80	$164.16	$191.52	$218.88	$246.24
Estimated additional earnings due to additional years of education	$22.33						Wages with Program			$139.99	$170.54	$201.09	$231.64	$262.19
Net cash flow		-$0.49	-$0.49	-$0.49	-$0.49	-$0.49	-$0.49	-$0.49	-$0.49	$3.19	$6.38	$9.57	$12.76	$15.95
Internal Rate of Return	46%													

Chapter 29:

Guidelines for Monitoring and Evaluation Plans

MILLENNIUM CHALLENGE CORPORATION
MCC
UNITED STATES OF AMERICA

Reducing Poverty Through Growth

Guidelines for the Development of Monitoring and Evaluation Plans

Guidelines for MCA Eligible Countries to use in the development of Monitoring and Evaluation plan for their proposed Compact

Last updated: November, 2006

Contents

Glossary of Terms

The following is a list of key terms and definitions related to monitoring and evaluation at MCC.

Baseline data: Information collected before a development intervention takes place or before services are received. Baseline data is used for comparing changes throughout implementation.

Beneficiary: Individuals or groups that derive an economic or social benefit from a development program or intervention. (Source: IFAD)

Control group/Comparison group: A group of people who do not participate in a program or receive its benefits. A control group is identical to the treatment group (individuals who *do* participate in a program or receive its benefits) except that they have not received the treatment (this is usually achieved through random assignment). A comparison group is similar to a control group except that it cannot be guaranteed that both groups are similar in all respects except for the program. The control group is compared to a treatment group to evaluate the impact of the program. A "comparison group" may serve the same purpose, but is not randomly selected.

Counterfactual: The counterfactual identifies what would have happened, absent the development program or intervention.

Evaluation: Use of social research methods to study, appraise, and help improve social programs in all their important aspects, including diagnosis of problems they address, conceptualization and design of programs, implementation and administration, as well as effectiveness and efficiency of outcomes. (Source: *Evaluation: A Systematic Approach*)

Goal: For MCC purposes, the goal of every Compact is poverty alleviation through economic growth.

Impact: The difference in well-being that can be directly attributed to a program or intervention.

Impact evaluation: An assessment of the extent to which changes in well-being can be attributed to a particular project, program or policy. Impact evaluations estimate the magnitude of effects and assign causation. It is distinct from other types of evaluation in that it compares observed outcomes to a counterfactual. (Source: World Bank)

Indicator: Quantitative or qualitative factor or variable that provides a simple and reliable means to measure achievement, to reflect changes connected to an intervention, or to help assess the performance of a development actor. (Source: OECD)

Input: Resources, financial or otherwise, that are devoted to a development program or intervention.

Management Information System (MIS): A system of inputting and organizing data to produce management reports, and to assist in monitoring and controlling the project organization, resources, activities and results. (Source: IFAD)

Monitoring: A continuing function that uses systematic collection of data on specified indicators to provide the main stakeholders of an ongoing development intervention with information on the progress and achievement of objectives as well as the use of allocated funds. (Source: OECD)

Objective: For MCC purposes, an objective is typically the final result of a Compact project, contributing to the overall Compact goal of poverty reduction through economic growth.

Outcome: A change in behavior, knowledge, skills, attitude, etc. of individuals or groups as a result of a specific project. These changes can take place at an intermediate or higher level (medium to long run).

Output: Direct products of an intervention.

Program Logic: The economic logic describing the means through which a specific intervention or set of interventions results in economic growth and poverty reduction.

Target: a specific value of a performance indicator that is desired in a program. Targets indicate the number, timing and/or location of expected results.

I. Introduction

A founding principle of the Millennium Challenge Account (MCA) was to plan for monitoring and evaluation (M&E) at an early stage in program design in order to boost the effectiveness, accountability, and transparency of development assistance. MCA Compact development includes defining clear objectives and benchmarks to measure progress and a plan to measure results.

Monitoring and evaluation covers the entire life cycle of an MCA program from concept through implementation and beyond. In general, it covers three main stages:

1. M&E begins with the **Economic Analysis** for every proposal submitted to MCC. Assessing the economic growth rationale for an investment, calculating an economic rate of return (ERR), and estimating the poverty reduction impacts are key components of the analysis. The Economic Analysis then serves as the basis for selecting key performance indicators and targets to be monitored throughout the life of the Compact.

2. The eligible country and MCC then agree on a plan for **Monitoring** the performance of the Compact. Planning for this begins early in the development process to focus attention on the ultimate poverty reduction and economic growth results rather than on inputs or disbursements. The primary purpose of performance monitoring is to identify problems early-on and make mid-course corrections during implementation in order to improve the ultimate impact of programs.

3. While good program monitoring is essential, it is not sufficient to measure the impact of a program on the well-being of beneficiaries. For this reason, **Impact Evaluations** are a central component of M&E Plans.

The details of this process are documented in the M&E Plan to be used as a reference over the life of the Compact. The purpose of this guidance document is to assist eligible countries in the preparation of the plan. MCC will provide more detailed guidance and advice at each stage of the Compact development process. However, the preparation of the M&E Plan is a key responsibility of the country, and eligible country counterparts should complete as much of the document as possible during proposal and Compact development. The following sections explain each part of the plan.

II. Economic Analysis and M&E

As mentioned in the previous section, the economic analysis sets the stage for the monitoring and evaluation work and the M&E plan. This section provides a brief overview of MCC's approach to economic analysis and explains how it relates to monitoring and evaluation and how information from the economic analysis is used to prepare the M&E Plan.

The first step of the economic analysis is to explain clearly the logic and establish the channels through which the program is expected to accelerate economic growth and reduce poverty. The economic analysis should also clarify the rationale for public funding and ensure that the program addresses key constraints to economic growth. The analysis also seeks to measure the economic growth impact of proposals at the micro-economic level by estimating the increase in incomes of households (or value-added of firms) that the program will generate. To the maximum extent possible this estimation should use properly evaluated results from previous, similar programs. However, since such impact evaluation studies are often not available, the estimation will inevitably entail forecasts of key variables which will then have to be carefully monitored during implementation. The estimates of the increases in income are the backbone of the *economic rate of return* (ERR) estimates used to justify funding.

For more details on the calculation of ERRs,
see MCC Guidelines for Economic Analysis
(http://www.mcc.gov/guidance/FY06/Guidelines_for_Economic_Analysis.pdf).

Once the ERR analysis is completed, it feeds into several aspects of monitoring and evaluation, which are outlined below.

A. Program Logic Diagram

The Program Logic Diagram is a summary graphic of the Program's key activities, and how those activities will generate economic growth and poverty reduction. It essentially outlines the hypothesis of how Program activities will yield certain results, which, in turn will produce increases in value-added and incomes that sustain growth and reduce poverty. The Program Logic Diagram should flow directly from the Economic Analysis, as that analysis has already evaluated the validity of these linkages and underlying assumptions and highlights the logic of the intervention and the mechanisms by which it will have the greatest impact.

For an example of a Program Logic Diagram, see Appendix B.

B. Key Indicators and Targets

The economic analysis determines the main variables that drive program results, produce a high economic rate of return, and have the greatest impact on beneficiaries. These variables can then become performance indicators. Specific values of these indicators, taken from the economic analysis, can then become baselines and targets. Further, in order to track trends outside the control of the Program, indicators could also come from the key assumptions of the economic analysis.

Example: How Economic Analysis Translates into Performance Indicators

An agriculture project that seeks to increase land productivity (and therefore the incomes of farmers) may project increases in crop yield per hectare in the following manner:

Year	0	1	2	3	4
Crop Yield (kilograms/ Hectare)	120	135	160	200	240

Using these projections, the M&E could include the following as a performance indicator in the M&E plan:

Year	Baseline Value	1	2	3	4
Increases in crop yield (kg/hct) in the intervention areas	120	135	160	200	240

There are several implications of translating key benefit streams in the economic analysis into key indicators and targets. First, indicators that signal whether the program will have the economic growth impact predicted in the economic analysis should be highlighted as such by linking them to future disbursements in the Disbursement Agreement. Continuing on the above example, for instance, funding for continuation of the agricultural program could be conditioned upon meeting the increases in crop yield that the economic analysis projected.

Second, since estimates of benefit flows in the economic analysis can ultimately become monitoring targets linked to disbursements, countries must strike a balance between targets that are ambitious (i.e. benefits of the project outweigh the costs and produce strong results) and achievable (i.e. grounded in evidence and feasible to reach over five years).

Finally, ERRs should be recalculated at the end of the program or sometime after its completion. In order to perform this exercise, it is important that the Monitoring

Component (discussed in the next section) includes plans to collect the appropriate data.

C. Beneficiaries

As mentioned previously, the first step of the Economic Analysis is to define the intended beneficiaries and the set of actions that are necessary and sufficient to achieve the desired impact on their income level. Defining the beneficiaries should include the total number of people that will benefit from the intervention as well as the gender, income level and age of these beneficiaries.

Furthermore, ex-ante beneficiary analysis should include a discussion of the country-specific poverty line for the eligible country as well as an extreme poverty line. The income level of beneficiaries can then be used to estimate the number of poor affected by the intervention. MCC prefers the use of poverty gap measures, or the difference between income at the poverty line and income of individual before and after the intervention, as the measure for poverty reduction. If data on total household income are available for households within a defined project area, the number of poor beneficiaries and the poverty gap of these beneficiaries could be estimated from these averages. Ideally, other demographic and inter-household information about beneficiaries should be included, such as education level, household size and type (single-female head, elderly head, two-parent head, etc.), rural versus urban, etc.

All of this analysis links to the development of indicators and targets in the Monitoring Component, as it helps to determine what and who to track during the program and which indicators should be disaggregated by gender, age, income, etc.

D. Assumptions and Risks

Identifying the assumptions and risks underlying the program logic is a necessary part of the economic analysis and should be described in the M&E Plan. The expected impact is based on specific assumptions about the links between individual activities and the long-term goal of increasing income and reducing poverty. Assumptions inform the economic return analysis, but also serve as a planning tool for overcoming, where possible, or minimizing external events that could affect program success. Risks highlight potential factors that could compromise the rates of return and economic and poverty impact of the program.

Example: Identifying Underlying Assumptions and Risks

A project to reform the policy and legal frameworks related to land ownership would increase incomes of landholders if the following assumptions held true:

- Policy and legal reform increase efficiency in land registration, reducing cost and time to deliver new or converted land titles
- Households in such an environment feel their land rights are more secure, and decide to make investments in their land that are likely to increase household income

At the same time, there are also risks that may compromise the economic impact of the project. These could include:

- Insufficient political will to implement policy- and legal-reform recommendations, resulting in a delay in project implementation and reducing the project's expected benefits.
- Land securitization may open dormant conflicts

As a result of this analysis, the program might include additional measures to handle potential conflicts or a verification that adequate measures exist already.

III. Performance Monitoring

Performance Monitoring helps track progress toward Compact goals and objectives, and serves as a management tool. It begins at the start of implementation and continues throughout the life of the Compact. In some cases, monitoring may continue beyond the Compact term, especially when principal poverty impacts are likely to occur post-implementation. This section discusses the various aspects of the monitoring component that should be included in the M&E Plan, including types of indicators, development of baselines and targets, data collection, reporting, and data quality reviews.

A. Indicators

An indicator is a quantitative or qualitative measure used to identify changes connected to an intervention. A good indicator is directly affected by the intervention in question, is easily measured, has clearly defined units (percent, hectare, etc.), and could show either a positive (increasing) or negative (decreasing) trend.

MCC's indicators are a direct product of the economic analysis conducted for each project or program. Indicators are typically separated in the following categories:

1. **Output/Activity Indicators**: These indicators directly measure project activities. They are a short term, immediate measure of the goods or services actually provided by a project. For example, farmer training might be one activity carried out under an agricultural development program. The corresponding output/activity indicators could include the number of trainings held, the number of farmers trained, etc.

2. **Outcome/Objective Indicators**: These indicators measure the intermediate (medium to long term) effects of an activity and are directly related to the output/activity indicators.[1] Using the agricultural development example above, an appropriate output/objective indicator might be the number of farmers implementing improved methods discussed in farmer training sessions. These indicators may or may not be distinct categories (i.e. an activity may have both outcome and objective indicators, or it may have only one level of 'intermediate' indicators), depending on the level of detail required for adequate monitoring.

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[1] If anticipated program effects can be clearly separated into medium and long term effects, outcome (medium term) and objective (longer term) indicators may be defined separately.

3. **Goal Indicators**: These indicators measure the economic growth and poverty reduction changes that occur during or after implementation of the program. They may be reported at any time during a project, but in many cases it may be difficult to see a change in poverty levels or economic growth in the short term so it may be more logical to measure impact/goal indicators after an activity has been in place for some time. For MCC Compacts, goal indicators will almost always be a direct measure of income and/or poverty.

The following table provides another example of each category of indicator that might be tracked for an irrigation project. Rehabilitation of irrigation canals might be one of many activities carried out under an irrigation project.

Example: Irrigation Project Indicators

Activity	Output/ Activity Indicator	Outcome/Objective Indicator	Goal Indicator
Irrigation canal rehabilitation	Primary canals rehabilitated (km)	Additional land irrigated (ha) *And/or* Increase in area covered by high value-added crops (ha)	Poverty rate in rural areas (HCR)

The Monitoring section of the M&E Plan should include a table similar to this irrigation example, outlining several levels of indicators for each project. The indicators should be clearly identified and defined, including the unit of measurement and data source. (The section below provides an example of the specific information that should be included in the M&E Plan with regard to data collection.)

The M&E Plan should also disaggregate indicators by sex, age and/or income where possible. This informs the beneficiary profile to better understand not only who is benefiting from the Program, but also how Program results differ according to beneficiaries' basic demographic and socio-economic characteristics. If possible, the M&E Plan should also include indicators to measure gender impact.

B. Baselines and Targets

Baseline data and targets should be established, for each indicator, before project activities begin. Whenever possible, baseline data should come from existing sources. If baseline data are not available at the time of proposal submission, a plan and detailed budget for baseline data collection should be included in the proposal. Any additional data collection should reinforce existing efforts, and the broader use of this additional data – beyond MCA Program monitoring purposes – should be assessed. For example, baseline data could come from recent household survey data. If additional data is needed, through for example a larger sample size or additional questionnaire modules, every effort should be made to complement the existing process of collecting household data.

The Monitoring component of the M&E Plan should describe the process for establishing baselines and targets. As described above, targets are usually directly linked to and derived from the economic analysis spreadsheets. Targets should also take the natural rate of growth into consideration (or other assessment of the counterfactual) and the margin of error around each target should be specified where possible. For example, when tracking indicators related to microfinance performance, program managers should also track national average for the whole sector.

C. Data Collection

Monitoring data is typically a mix between existing surveys, administrative and budget data, country economic and financial data, and new surveys developed to measure key outcomes of interest to the Program. Both primary and secondary data can inform monitoring indicators.[2] As noted above, each indicator should be clearly and precisely defined and be directly linked to a specific data source. Indicators should use existing data sources or data collection mechanisms as much as possible.[3]

Because key indicators for all Compacts are typically related to income measures, existing national household surveys are often important sources of data for both performance monitoring and evaluation. Regular and continuous data collection for these surveys provides essential data for M&E especially when the Compact is expected to have an impact on a large segment of the population. Occasionally

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[2] Primary data is data that is collected by an implementer or a funder primarily for its own use. Administrative records are an example. Secondary data is data collected by other institutions and that is available for a variety of analyses. An example of secondary data is a regular household survey conducted by a national statistics institute.

[3] MCC supports the use of existing country monitoring frameworks where appropriate.

surveys could be adapted or modified to ensure that beneficiaries are represented in the survey, for example by increasing the sample size and/or the frequency of data collection.

The performance monitoring component of the M&E Plan, should describe national statistics that will be used, including other necessary surveys or data collection efforts, both quantitative and qualitative. Additionally, the data collection plan should specify who will collect data, how it will be collected, and the frequency of collection. As with the collection of baseline data, it is important that the data collection plan is established prior to beginning activities that will affect beneficiaries.

The following table builds on the irrigation example above to provide a sample data collection plan.

Example: Data Collection Plan

Indicator	Units	Source/Responsible Entity	Data Collection Instrument	Frequency
***Goal*: Poverty rate of zone I is reduced**				
Poverty Rate (Poverty Headcount Ratio of current Zone I population)	%	National Statistical Agency	Household survey	Annual
***Objective*: Dry season production is enabled**				
Dry season cropping intensity (Share of dry season irrigated land among irrigable land)	%	Institute for Rural Economy	Agricultural Survey	Annual
***Outcome*: Irrigable Land is Increased**				
Land made irrigable by the Project (Annual increase in irrigable land in Zone I)	Hectares (ha)	Water Monitoring Authority for Zone I	Administrative Data	Annual

D. Reporting

Under MCC's Reporting Guidelines, each country is required to submit reports following the end of each fiscal quarter. Monitoring and evaluation information is contained in a Quarterly Progress Report and in Indicator Tracking Tables. The Progress Report includes information on both M&E management issues and program results, including implementation issues such as setting up necessary databases, hiring of M&E staff, as well as key program results and milestones. The Indicator Tracking Table reports specific results against projected targets, explaining significant deviations from the targets. In addition to the reports, countries will be required to submit an Annual Supplement to the quarterly report due at the end of each US Fiscal Year (September 30). The report should provide a comprehensive overview of progress toward achieving Compact goals and objectives over the preceding year. As needed, the M&E Plan should outline the process and timing for contributing monitoring and evaluation content to these reports. All reports will be publicly available.

E. Data Quality Reviews

M&E data provide important information for project management and decision-making and on progress achieved towards the Program's objectives and goals. Consequently, the quality of data must be assessed regularly to maintain confidence in this information. Data Quality Reviews are a mechanism by which several steps for measuring and processing results – data collection, analysis, and dissemination – are compared to certain criteria to determine the utility, objectivity, and integrity of the information. The reviews should help to constantly improve collection, processing, and dissemination of data, ensuring transparency throughout. Data Quality Reviews should cover all data reported in the M&E Plan, including data submitted by implementers and any surveys financed through the Compact. To the extent possible, the quality of baseline data should be reviewed during Compact development and the early stages on implementation.

In conducting a Data Quality Review, performance indicators should be assessed based on the following criteria:

1. **Validity**

    - Are the indicators defined well and are data reported in an appropriate format?
    - Are the data gathered consistent with the documented definition of the indicators?
    - Do they have a verifiable source?

2. **Reliability** - Is there:
    - Consistency: Is the same data gathering process (including instrument and sampling process) over time and across regions?
    - Quality Control: What are the procedures (data collection, maintenance and process) to guard against bias? Are procedures reviewed periodically? Are there random checks at each stage?
    - Transparency: Are the procedures in writing and are problems reported?
3. **Timeliness**
    - Are data collected and reported as regularly as relevant?
    - Is reported data the most recent?
    - Is the date of data collection clearly identified?
4. **Precision**
    - If sampling is used, is the margin of error reported?
    - Is the margin of error less than expected change in the indicator?
    - Is the margin of error acceptable for decision-making, given cost/benefit?
5. **Adequacy**
    - To what extent do the indicators for a particular expected result fully measure it?
    - Are they sufficient to characterize and/or measure the result?
6. **Practicality**
    - Is data collection and reporting overly costly compared to the extent to which it measures the intended result?

Data Quality Reviews should be conducted by an independent entity, such as a local or international specialized firm or research organization, or an individual consultant, depending on the size of the program. The methodology should include a mix of document and record reviews, random site visits, and key informant interviews. At a minimum, reviews should be carried out every two years, but it may be useful at the beginning to schedule more frequent reviews to ensure that new data collection systems are functioning well and to fix any problems early in the implementation phase.

The reviews should be thoroughly documented in a report that will describe any weaknesses found in the a) data collection methods, b) handling and processing of data by responsible entities, and c) reporting procedures. The report should also make recommendations for overcoming those weaknesses where possible. Where it is not technically possible or cost-effective to overcome problems, the report should identify replacement indicators or data sources that would be more accurate and efficient.

Final reports from Data Quality Reviews will be made publicly available on the country's MCA website.

IV. Evaluation

To contribute to a broader understanding of what works in terms of poverty reduction programs, MCC is committed to conducting independent impact evaluations as well as incorporating this analysis into current and future program design. Impact evaluation is a critical step, in addition to program monitoring, in assessing results because of its focus on measuring the specific contribution of a project to the outcomes observed.

Every project in a Compact should undergo an independent evaluation after completion, including a review of the pre-program economic rate of return. While the evaluation section of the M&E Plan should focus on impact assessment, it may not be feasible to evaluate every project in a Compact using an impact evaluation method and other types of evaluations may need to be used.

In addition to final evaluations, M&E Plans often include mid-course evaluations or other types of special studies, including needs assessments or process evaluations. All evaluations should be described in the evaluation section of the M&E Plan and employ the most rigorous analytical methods possible. Final reports of all evaluations will be publicly available.

A. Overview: What is Impact Evaluation?

The distinctive feature of an impact evaluation, compared to other types of evaluations, is the use of a counterfactual. The counterfactual identifies what would have happened to the beneficiaries, absent the program. Understanding and accurately estimating this “parallel world” is a key challenge of impact evaluation, and is critical in understanding whether or not the intervention in question is effective in addressing poverty and should be continued or expanded.

The following diagram demonstrates the challenge of measuring program impact. It shows the income trajectories of two groups: the “treatment” group, which receives program services, and the “control” group, which does not. In this case, both groups have the same characteristics, including having the same income trajectory prior to the beginning of the program. Once program services begin (see point A in the diagram below), incomes of those in the treatment group start to diverge from incomes in the control group. In this case, experience of the control group serves as the counterfactual situation, allowing program managers to understand the contribution of their program to increasing incomes of beneficiaries.

Without a control group, the managers would only observe a before-and-after scenario, i.e. the difference between points A and B. However, this conclusion would overstate program impact because even those who did not participate in the program had an increase in income over the life of the program (C > A). The true impact of the program is actually the difference in incomes between the treatment and control groups *after* the program has taken place (B – C).

There are several methods for conducting impact evaluations, with the use of random assignment to create treatment and control groups producing the most rigorous results. Using random assignment, the control group will have – on average – the same characteristics as the treatment group. Thus, the only difference between the two groups is the program, which allows evaluators to measure program impact and attribute the results to the MCC program. For this reason, random assignment is a preferred impact evaluation methodology. Because random assignment is not always feasible, MCC may also use other methods that try to estimate results using a credible comparison group, such as double difference, regression discontinuity, propensity score matching, or other type of regression analysis.

B. Impact Evaluation at MCC

While impact evaluations are critical for assessing the effectiveness of individual programs or activities, as mentioned above, having a separate control or comparison group is not always feasible or cost-effective. Consequently, MCC will use impact evaluation resources where they will provide the most useful lessons. MCC evaluates how and when to fund impact evaluations based on the following criteria:

1. **Need: Is there already clear evidence that a particular program or activity is effective?** If the answer is yes, and the evidence is based on rigorous evaluations with results applicable across populations, then there may be little need for additional research. However, eligible countries may propose program activities where largely anecdotal evidence is available to support the link between the activity and poverty reduction through economic growth. If approved in the Compact, these program activities may become candidates for an impact evaluation.

2. **Learning potential: What is the purpose of the evaluation and what lessons could we learn?** If there are similar program activities in many MCA countries or if there is an expectation to expand the program within a country in the future, then the potential for lessons learned from an impact evaluation could be quite high.

3. **Feasibility: Is it possible to create or to identify a credible control group for the intervention at a reasonable cost?** Some activities simply are not amenable to the identification of a control or a comparison group, for reasons such as scope, ethical considerations, or cost. For example, rehabilitation of a national highway may have such a broad group of beneficiaries that it is not feasible to establish a control group.

C. Impact Evaluation Design and Implementation

Impact evaluation design starts during the due diligence process. Based on the proposal, MCC works with country counterparts to identify areas where there is both a need and an opportunity to conduct a rigorous impact evaluation and discuss appropriate methodologies. Other decisions include identifying the appropriate methodology and agreeing on how evaluation results will be used. Ideally, project design and evaluation design should be developed simultaneously.

Once there is agreement on the evaluation, MCC and country counterparts should refine the key research questions and the methodology by engaging independent evaluators. Close collaboration among MCC, country counterparts, and program implementers is crucial during this phase in order to ensure that the evaluation is designed properly and will run smoothly.

Typically, there are a few steps involved in setting up the evaluation.

1. **Hiring the independent evaluator.** Soon after the basic parameters of the evaluation have been agreed on, procurement of an independent evaluator should begin so that key aspects of evaluation are appropriately incorporated into program design. MCC and the country should decide who will take responsibility for hiring the independent evaluator, which could be an individual or a firm. Key to this phase is the preparation of a Terms of Reference (TOR) for the evaluator, which should provide the evaluator with appropriate guidance and parameters for the study.

2. **Refining the methodology and incorporating it into the program planning.** The independent evaluator should work closely with MCC and country counterparts, including managers and implementers, to finalize the methodology and incorporate it into the implementation plans for the program. It cannot be emphasized enough that this should be done early on and ***before*** the specific program is actually rolled out. Specifically, evaluation planning should address the phasing and timing of implementation, which is crucial both for measuring results and comparing participants over time, as well as the specific means by which beneficiaries participate in the intervention. There are strong links between application or other intake procedures and how the evaluation works in practice.

3. **Baseline and Ongoing Data Collection.** The independent evaluator and country counterparts work together to plan data collection for the analysis. Evaluations could require the additional data collection beyond that needed for performance monitoring.

4. **Coordination and Outreach.** Country counterparts should coordinate the activities of project managers and implementers during the evaluation. They will also play a crucial role, along with the independent evaluator, in organizing outreach activities to explain the evaluation and feedback from implementers, participants and other stakeholders. Outreach may also be internal to make sure that key staff understand the methodology and its purpose.

5. **Evaluation Component of the M&E Plan.** All of the above issues should be carefully documented in the M&E plan to serve as a reference and ongoing action plan over the course of the evaluation. Regardless of whether the evaluation is an impact evaluation or other type, the M&E plan should include descriptions of the following:

    - Key research questions and purpose of the evaluation

    - Process to hire independent evaluator (the TOR may be included as an appendix)

    - Methodology of the evaluation (including phasing issues, application procedures for program participants, beneficiary intake, etc.)

- Data collection plan (baseline, interim and final)
- Schedule of evaluation activities

V. Managing M&E in Implementation

In addition to describing the analysis of results, the M&E Plan should describe how countries will manage the implementation of M&E mechanisms and organize the variety of staff and institutions that participate in monitoring and evaluation activities. The following are key management issues that should be addressed in the M&E Plan.

A. Organization Structure and Staffing

Country implementation teams normally have one director for M&E, whose responsibilities cover all activities described in the M&E Plan, such as updating indicators, coordinating surveys, producing progress reports, collaborating on impact evaluations, and managing M&E contracts. In some cases, there may be a team of M&E staff that includes an economist, to conduct ongoing analysis, or an information technology (IT) specialist, to design data management systems, as well as short-term consultants hired to complete specific assignments such as measuring baselines or conducting data quality reviews. The composition of the staff should reflect the specific needs of the M&E Plan in terms of analysis required, capacity of staff and other implementation considerations. An organizational chart could be included in the M&E Plan to show staff positions and clarify relationships and lines of authority.

B. Management Information System (MIS)

Management plans should describe how the country intends to manage data, including storage, analysis, reporting, and disseminations, etc. During implementation, the country may choose to design and maintain the system or contract it out. In addition, some data sources may already have their own management information systems, and the MCA system should be compatible with those.

C. M&E Plan Adoption, Reviews, and Revisions

The M&E Plan must be approved by MCC sometime before implementation of the Compact begins. The M&E Plan should describe the timing and process for any performance reviews and subsequent revisions. In addition, key stakeholders or advisory groups should review the M&E Plan at regular intervals to provide feedback on the program and how it is measured. Over the life of the Compact, the M&E Plan should help identify when problems are encountered or when there will need to be adjustments made in implementation. At the same time, any changes in implementation should be reflected in the M&E Plan. The M&E Plan itself should be reviewed periodically and revised when necessary.

D. Procurement

Procurement is an important part of program management. Country counterparts should set aside appropriate time and resources in the early stages of implementation to organize and plan for M&E procurements. Key M&E procurements could include: data quality reviews, database development, surveys, evaluations, special studies, or software and other equipment for data management and analysis.

E. Outreach and Coordination with Key Stakeholders

As the observer and manager of Program results, the country's M&E staff will play an important role regarding outreach related to the Compact. The unit should work closely with communications staff to disseminate and explain indicators, targets, and results. In addition, outreach includes making sure that the M&E Plan, Quarterly Progress Reports, Data Quality Reviews, evaluations and special studies are publicly available and easily accessible to a variety of audiences.

In addition to conducting outreach activities, the country's M&E staff will need to coordinate closely with project managers, implementers, and MCC staff to make sure that they are collecting appropriate data and that reporting reflects on-the-ground reality. Examples of this collaboration include:

- Baseline and follow-up data collection conducted by project implementers and others
- Incorporation of evaluation methods in project design and implementation
- Working with project managers to ensure that project workplans are consistent with the M&E Plan in addition to helping develop other

implementation materials such as such as terms of reference for project contracts and Implementing Entity Agreements

VI. Budgeting for M&E

Budgeting for M&E activities is an important part of planning for Compact implementation. The Compact includes a yearly budget estimate for all M&E activities, while the M&E Plan requires a more detailed breakout of this total budget and a description of the specific activities, goods, and services it will cover.

To develop the budget, countries should consider the costs of the following:

1. ***Data collection***. Data collection is the most important, and often the most costly, M&E activity. In most cases, data on beneficiaries may already be collected through regular household surveys or other means, and would not add any additional costs to the Compact. In other cases, existing surveys will be expanded or new surveys developed to meet the needs of the program. The M&E budget should include costs for data collection related to indicator tracking as well as data collection that may be required for any impact evaluations. (For more information on the types of data needed for monitoring and for impact evaluations please see the relevant sections above.)

2. ***Data quality reviews.*** The M&E budget should include costs related to data quality reviews, taking into consideration what type of entity will be contracted to perform the review and the timing of the reviews. For example, the availability of local firms or individuals will have important cost implications for the M&E budget. In addition, earlier or more frequent reviews should be planned for in the budget. (For more information on the frequency of reviews and content, please see Data Quality Review section above.)

3. ***Administrative data.*** In many cases, a variety of implementers will collect M&E-related information on participants or beneficiaries. In these cases, costs for collecting and reporting administrative data related to the M&E Plan could be covered under project budget(s).

4. ***Evaluations or other studies.*** Evaluations may be conducted directly by MCC or contracted via the Compact. If contracted via the Compact, costs of the evaluation could be included in the M&E budget.

5. ***Training.*** Some institutions may need additional training or technical assistance in order to perform the data collection and reporting responsibilities required by the M&E Plan. Training may also be necessary for country counterparts or implementing staff if they are taking on new roles in monitoring projects or collecting data on beneficiaries.

6. ***Reporting.*** Costs for reporting and dissemination of results should be included in the M&E budget. Some examples are the software needed to input and track data, as well as any associated printing and distribution costs.

7. ***Eligible Country Government Contributions.*** Any contributions to M&E that come from the eligible country government should be quantified and considered in budget planning, especially when the Compact will rely on data collection from existing sources. In some cases, the Compact could include a requirement that funding for certain activities continue at the current level.

There are also M&E-related costs that appear outside the M&E budget, either in other parts of the Compact budget, national budget or otherwise. For example:

- ***Administrative expenses.*** Where appropriate, the administrative budget includes the salaries of the M&E staff. These costs are not part of the M&E budget. Administrative expenses may also include travel costs of staff for site visits or other expenses. An MIS that integrates financial management with results information could be part of administrative expenses.

- ***Consultation.*** Country counterparts may participate or lead consultations with beneficiaries of the Compact. In some cases, qualitative data gathering could be part of project monitoring in the form of focus groups, community meetings, or other interviews. Costs related to consultations may or may not fall under the M&E budget, but should be considered as part of the Compact budget or government contribution.

Below is a sample spreadsheet for setting up the budget for M&E. It is meant to serve as a guide, and each budget can include or exclude items as appropriate.

Example: Budget Format

Compact Budget for Monitoring & Evaluation

Activity	Year 1		Year 2		Year 3		Year 4		Year 5		Total
	Compact	Gov't	Compact	Gov't	Compact	Gov't	Compact	Gov't	Compact	Gov't	
Monitoring system											
- Manuals, workshops, training											
- MIS and equipment											
- Other technical assistance											
Data quality reviews											
Surveys											
- Household survey											
- Baseline surveys											
- Follow up surveys											
Data analysis and special studies											
Reports and information dissemination											
Evaluations											
Other											
Total											

VII. M&E in Key MCC Documents

The M&E Plan is the most crucial document for monitoring and evaluation activities and should be a central source of information on the Compact for program managers, individual implementers, MCC, and other stakeholders. A sample table of contents for the M&E Plan is as follows:

1. Summary of Program and Objectives
2. Program Logic Diagram
3. Summary of Economic Analysis
4. Description of Beneficiaries
5. Monitoring Component
6. Evaluation Component
7. Description of Assumptions and Risks
8. Implementation and Management of M&E
9. Budget

Other documents related to the Compact include important monitoring and evaluation information. Below is a summary of the documents that have close links to the M&E Plan:

A. Proposal

Eligible countries should use this guidance to develop proposals with quantifiable objectives in mind. Proposals should include a preliminary M&E Plan describing the main objective or objectives of the proposal and how the objective(s) could be measured. For example, proposals should describe a set of key indicators and targets, including information on existing or potential data sources. Eligible countries should also consider how the proposed project(s) could be evaluated and other ongoing performance monitoring or evaluation activities in the sector or area.

B. Economic Analysis Spreadsheets

While not an official document, the economic analysis spreadsheets and justification materials have important linkages to monitoring and evaluation. As mentioned above, key benefit streams and their predicted values over time are often translated into indicators and targets in the monitoring component of the M&E Plan. Data used to support the analysis is also likely to be used during for performance monitoring during and after the Compact term.

C. Compact

Important M&E information is contained in several parts of the Compact document. The Compact identifies program objectives, which are translated into quantifiable indicators and targets, a description of the project or projects that will produce the expected results, a comprehensive program budget (including the M&E budget), and a summary of the M&E Plan with the key indicators, baselines, and targets for the program.

D. Disbursement Agreement

This agreement describes all of the requirements that must be met prior to each disbursement, broken out by quarter. Among those requirements are key performance targets that demonstrate whether the program is on track to meet its overall goals and objectives. Not meeting these targets could result in a review of why the project is off track and/or delays in disbursements.

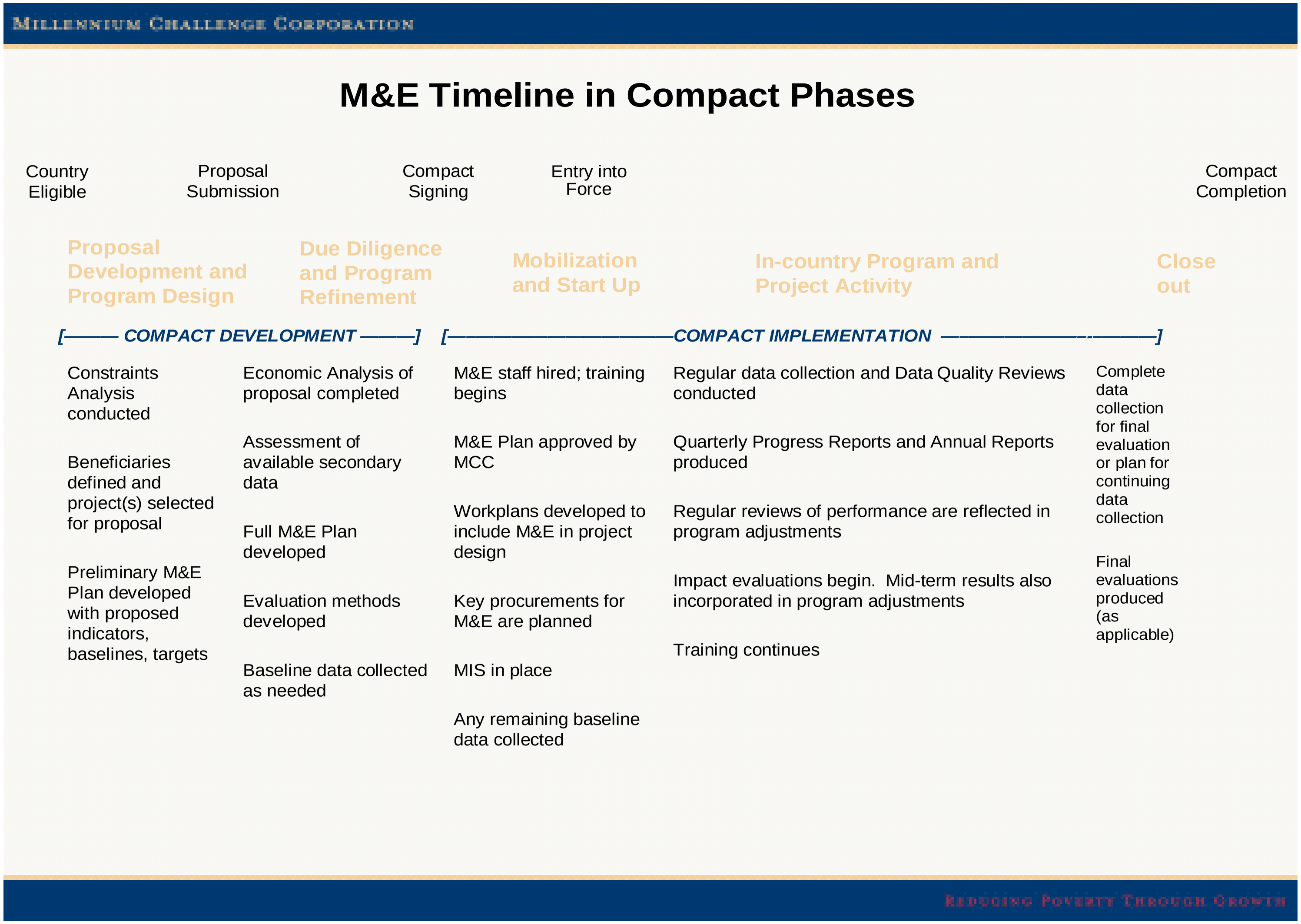
E. Procurement Plan

The Procurement Plan is an important program management document that outlines the schedule and procedures for key procurements. The plan includes purchases of equipment and goods, hiring of contractors to provide services, and hiring of individual consultants. It is important to work with procurement staff to include all M&E related procurements in the plan, so that implementation of M&E activities (and subsequently project activities when baseline data needs to be collected) is not delayed.

VIII. Conclusion

This document is intended to provide guidance to eligible countries on all aspects of MCC monitoring and evaluation, from project design through Compact implementation and perhaps beyond. While the principles outlined herein apply to all countries, we recognize that every Compact provides different opportunities and challenges and thus requires a monitoring and evaluation strategy that addresses the particulars of each situation. MCC M&E and Economic Analysis counterparts are available throughout the process to collaborate with eligible country staff and to offer more detailed guidance tailored to the needs of each country.

Appendix A: Timing Chart



Millennium Challenge Corporation

M&E Timeline in Compact Phases

Country Eligible — Proposal Submission — Compact Signing — Entry into Force — Compact Completion

[——— COMPACT DEVELOPMENT ———] [————————————COMPACT IMPLEMENTATION ———————-————]

Proposal Development and Program Design	Due Diligence and Program Refinement	Mobilization and Start Up	In-country Program and Project Activity	Close out
Constraints Analysis conducted	Economic Analysis of proposal completed	M&E staff hired; training begins	Regular data collection and Data Quality Reviews conducted	Complete data collection for final evaluation or plan for continuing data collection
Beneficiaries defined and project(s) selected for proposal	Assessment of available secondary data	M&E Plan approved by MCC	Quarterly Progress Reports and Annual Reports produced	Final evaluations produced (as applicable)
Preliminary M&E Plan developed with proposed indicators, baselines, targets	Full M&E Plan developed	Workplans developed to include M&E in project design	Regular reviews of performance are reflected in program adjustments	
	Evaluation methods developed	Key procurements for M&E are planned	Impact evaluations begin. Mid-term results also incorporated in program adjustments	
	Baseline data collected as needed	MIS in place	Training continues	
		Any remaining baseline data collected		

Reducing Poverty Through Growth

Appendix B: Example of Program Logic Diagram

Chapter 30:

Fiscal Accountability Guidelines

MILLENNIUM CHALLENGE CORPORATION
MCC
UNITED STATES OF AMERICA

REDUCING POVERTY THROUGH GROWTH

MCC Fiscal Accountability Guidelines

Guidelines for establishing an MCA Accountable Entity and Fiscal Agent

Last updated: November, 2006

I. Overview

A Millennium Challenge Corporation (MCC) Compact and related documents will include sections on ***fiscal accountability*** that detail the agreement between MCC and the recipient government on issues of both financial management and procurement practices.

Two key entities generally involved in fiscal accountability will need to be outlined. First, the Compact must outline an ***accountable entity*** that will have authority to oversee the MCC Program and its components, allocate resources, oversee and implement a financial plan, approve expenditures and procurements, and be accountable for MCC Program results. Second, the Compact typically will require a ***fiscal agent*** for MCC funded activity that is responsible for certain aspects of fiscal accountability (e.g., funds control) and, in some cases, procurement management.

II. Accountable Entity

There are a wide variety of possible accountable entities ranging from internal government committees to a newly established governing body that has a mixture of government and non-government members charged with executing the responsibilities of a recipient country under the terms of the Compact. The operational role of the accountable entity will vary depending on the Compact requirements. Private sector, NGO, or other organizations could be selected as technical staff or project managers, responsible for implementation, but this does not absolve the Government of responsibility for its commitments under the Compact. However formed, the following are some of the issues that need to be decided by the country and MCC regarding the accountable entity before funds can be disbursed:

- Authorities and responsibilities of the accountable entity.
- Procedures for appointment of officers and key employees to, and removal from, the accountable entity.

- Financial disclosure requirements that will apply to officers and key employees of the accountable entity.
- Ethics and conflict of interest standards that will apply to officers and key employees of the accountable entity.
- Authority of officers and key employees and the decision making process of the accountable entity (e.g., meeting procedures, voting requirements, etc.).
- The compensation structure for officers and key employees of the accountable entity.
- An explanation of how the accountable entity will be staffed, including the procedures to choose and appoint the staff and determine their compensation.
- The budget of the accountable entity to cover personnel, goods, and services of the entity itself.

III. Fiscal Agent

An MCC proposal submitted by an eligible country should outline the financial accountability mechanisms that the country believes would best serve the underlying elements of the overall proposal. However, different approaches will undoubtedly be used in establishing these mechanisms. Generally, a fiscal agent will be designated to perform certain aspects of fiscal accountability (e.g., funds control). In these cases, an existing government institution (e.g., the Ministry of Finance) may serve the function of the fiscal agent, or a third-party may be chosen to administer funds control and, in some cases, procurement for an MCC Program. This third-party could be an existing donor already operating in the recipient country with a financial management infrastructure and internationally acceptable procurement standards. The third-party could conceivably be a private-sector accounting or financial institution with the capacity to administer funds control and procurement, or could be a non-profit or NGO with appropriate capacities. In most cases, it may be appropriate to select the fiscal agent through a competitive selection process.

MCC is open to working with eligible countries in identifying the appropriate third-party to serve as the fiscal agent and the method for selecting the fiscal agent, establishing the written agreement that will govern the fiscal agent, establishing performance standards for the fiscal agent, and negotiating the fees to be paid to the fiscal agent.

While MCC is open to a variety of options regarding the specific entity to serve as the fiscal agent, the Compact or related documents will include a number of requirements that the fiscal agent (or the financial manager of the accountable entity) must be able to meet or to support. These include:

- As a matter of transparency, financial information related to an MCC Program must be available publicly, for example including it on an MCC Program website as well as in other appropriate media outlets.
- Also as a matter of transparency, information on significant procurement actions must be made publicly available and posted on an MCC Program website and other venues.
- MCC sets a standard of prompt payment of invoices when its funds are used. It will be expected that the fiscal agent will meet a standard of payment within 30 days to all vendors of goods and services supporting an MCC Program. The fiscal agent must have a system in place to monitor the number of days required to settle obligations that will track performance against the standard.
- MCC will require that, wherever possible, MCC Program activities are reflected in budget documents of the recipient country. This is to assure that the budget comprehensively provides information on all resources being utilized to achieve public purposes. Reflecting the activity in budget documents does not necessarily mean that MCC resources are managed by existing public expenditure systems.
- Procurement guidelines and procedures must reflect international best practices with regard to transparency, competition, efficiency, and value.

IV. Fiscal Accountability Elements

While a recipient country is ultimately accountable for fiscal accountability requirements, the accountable entity must assure that the basic functions that make up fiscal accountability are in place. Typically, the accountable entity will include a financial manager responsible for the oversight of financial issues of an MCC program. The functions of funds control, accounting, cash management, and disbursement are critical to fiscal accountability. These functions could reside inside the accountable entity if it has the expertise or may be outsourced to an external entity with this capacity that serves as an agent of the accountable entity. When evaluating a potential fiscal agent, the candidate must be able to perform the following functions of fiscal accountability.

Funds control and documentation

- *Ability to generate projected budget requirements*—MCC will likely require that quarterly budget requirements of an MCC Program are projected both on an obligation and cash requirement basis. The accountable entity must certify budget requirements and provide periodic program budgets to MCC.

- *Existence of commitment control*— Budget expenditures must be controlled on a commitment or obligation basis. These commitments are then liquidated when cash is disbursed in satisfaction of the obligation. The fiscal agent must have an accounting system that can accomplish this.

- *Ability to control by budget item*—Commitments must be controlled at different levels of budget classification (i.e. at the economic classification level, project level, etc.)

- *Procedures for authorizing obligation and verifying receipt of goods and services*—Procedures must be in place that assure that disbursements are executed in accordance with the overall agreement in the Compact or related documents. Additionally, procedures must assure that designated officials have performed the functions of authorization to obligate, verification of receipt of goods or services, and authorization of disbursements.

- *Creation of a clear record of basis for transactions and individuals authorizing them*—Records must be maintained that provide clear support of a transaction.

- *Basis for periodic disbursements from MCC*—A clear basis of support for periodic (i.e., quarterly) disbursements from MCC must be maintained. Disbursements may be tied to performance, reimbursements, or projected cash requirements.

Separation of duties and internal controls

- *The frequency of reconciliation of cash against accounting records* — Procedures must outline the frequency and individuals involved in reconciliation of cash balances with accounting records.

- *Incorporating the principle of separation of duties and internal controls* — Procedures must incorporate this principal as it relates to the management of financial and procurement transactions.

Consistent accounting methodologies and systems

- *Single classification system* — An accounting classification system that is consistent throughout all activities under an MCC Program must be in place. The accounting classification system must be capable of being cross-walked to the classification system utilized by the national budget system of recipient country so that information on the MCC program can be reflected in national budget documents.

- *Defined accounting standards* — An acceptable basis of accounting standards (e.g. generally accepted accounting principles prevailing in the United States, international standards, etc.) must be utilized.

Ability to generate timely and meaningful reports

- *Ability to generate real-time data* — An indication must be made as to whether financial data can be generated on a real-time basis and, if not, what time period is required to provide current data.
- *Number of days required to close an accounting period* — Procedures must be in place that provide the capability of adhering to a standard on the time required to close an accounting period.
- *Can ad hoc reports be generated easily* — Capacity must exist to generate financial reports on an ad hoc basis. Any limitations on this capacity must be noted. The MCC will provide a format and procedure for providing financial reports.

The practice of making all financial information publicly available in a timely and meaningful fashion

- *Practice of external reporting*—As noted above, MCC believes that as a matter of transparency, any financial data provided to MCC should also be available publicly. The ability to perform this function must be demonstrated.

Cash management practices

- *System to project cash flows* — as noted in the Funds Control section above, a high functioning financial system should be able to project both expected budget commitments or obligations as well as cash requirements.

- *Segregation of MCC funding* — In most cases, MCC funds should not be co-mingled with other funds and MCC will require that funds provided in support of an MCC Program be segregated from other financial resources.

Timely payment to vendors

- *A payment system must be in place that will result in vendors being paid within 30 days*—MCC sets a standard of prompt payment of invoices when its funds are used. It will be expected that payment made within 30 days to all vendors of goods and services supporting an MCC Program.

- *A monitoring system to track the number of days required to pay vendors* — as noted above, a system must be in place to monitor the number of days required to settle obligations.

Procurement and contracting practices

- *Standards or guidelines utilized in the procurement mechanism* — the recipient country will need to identify the procurement rules that will govern procurement actions. Specifically, the proposal needs to identify the elements of the guidelines that address:

    - Written ethical standards

    - Acquisition planning

    - Competition

    - Selection process

    - Contract administration

- *Incorporation by Reference.* If a set of international standards are to be used, these can be incorporated by reference in the procurement standards or guidelines.

- *Making all procurement actions available publicly* — under the principle of transparency, MCC prefers that all significant procurement actions, including solicitations and final selections, be posted on the country's MCC website.

Audit plan proposed

- *Frequency of audits* — MCC will require, at a minimum, an annual audit be conducted of financial and procurement transactions. The financial manager / fiscal agent must coordinate and cooperate with the financial auditor(s).

- *Selection of auditors* — the selection of auditors must be approved by MCC and the Inspector General of MCC.

- *Access to financial records by the MCC Inspector General* — There must be no legal or policy impediments to allowing MCC or its designees, including the MCC Inspector General, to have access to all records of an MCC Program maintained by either the accountable entity or any external fiscal agent.

V. National Budget of Recipient Countries

- *Baseline* — MCC will be requesting the most recent report available of **actual** comprehensive budget expenditures of the recipient country. Eligible countries should be prepared to provide this and be able to explain in what form and the most recent period available.

- *Annual report of budget expenditures* — during the life of an MCC Compact, MCC will require an annual report of comprehensive budget expenditures. The report will require information on the adopted budget, any amendments or revisions, and the budget as actually executed to determine if MCC funds are having an impact on the allocation of domestic revenues or other donor activities. If there are any limitations in being able to comply with this request, this should be noted and how these limitations could be overcome.

- *Additionality* – as a general principle, MCC funds are expected to be in addition to other domestic resources or donor funds. If during the life of the Compact, there is a reduction in the national budget in an area of MCC activities, MCC will request an explanation for the reduction.

Chapter 31:

Overview of Mobilization and Start-Up Phase

MILLENNIUM CHALLENGE CORPORATION
MCC
UNITED STATES OF AMERICA

Reducing Poverty Through Growth

Overview Phase 3: Mobilization and Start up

Last updated: November, 2006

After the "Due Diligence and Program Refinement" stage and prior to "In-country Program and Project Activity," efforts shift to establishing the Accountable Entity ("AE") which will be responsible for the implementation of the Compact activities, developing the proper systems for financial control and oversight, finalizing the legal documentation requirements, and concluding detailed project planning.

Establishing the Accountable Entity

The AE is the entity responsible for the daily management, operation, coordination, implementation, and monitoring and evaluation of the Compact. The structure of the AE should be based on country-specific and program-specific requirements. The country should decide what type of entity would best advance the goals of government accountability, transparency, efficiency and operational capability, as well as the inclusion of stakeholders during the implementation of the Compact's activities. Typically, the Accountable Entity has a two-tier structure: a Supervisory Board (also known variously as a Board of Directors, a Steering Committee, or a Governing Council) and a Management Team (also known variously as a Technical Secretariat or a Project Management Unit). There should be a clear delineation of functions and responsibilities between the Supervisory Board and the Management Team (and any potential stakeholder committee(s)).

The AE develops, and carries out, all plans for the implementation of the Compact's activities including Financial Plans, Procurement Plans, the Monitoring & Evaluation (M&E) Plan, the Fiscal Accountability Plan, Work Plans (including Detailed Budget) as well as any Audit Plan. It is responsible for the preparation and review of reports regarding finances, accounting, M&E, procurements, and performance. The AE is required to maintain accounting records, and develop and maintain management information systems, including data collection, monitoring and reporting systems and the AE's website. Finally, the AE provides valuable advice and recommendations to the Board.

The staff required for implementation may be those who served on the Compact development team, other government officials, or new hires with appropriate experience. Many of the duties of the country core team may be carried through into the Implementation phase. The key to recruiting staff during this phase is to conduct a system for recruitment that is transparent and fair, resulting in the selection of the best qualified to implement Compact activities. Staffing ultimately depends on size of the Compact and number of programs and project activities, but typically includes the following positions:

- General Director (or CEO)
- Deputy Director
- Administration and Finance Director (Chief Financial Officer)
- Monitoring & Evaluation Director
- Procurement Director
- Communications/Public Outreach Director
- Environmental and Social Impact Director
- Project-Specific Directors (usually one for each project, but flexible)
- General Counsel

Developing administrative policies and procedures within the Accountable Entity is an important task during this pre-implementation phase. Translating the various agreements into policies, procedures, and practices is critical. The project staff and staff of the fiscal and procurement agents should work together to ensure that there is a clear understanding of how the procurement and financial policies are to be carried out within the organization and in concert with MCC.

Mobilization of Fiscal and Procurement Agents

Mobilization of fiscal and procurement agents, and signing of requisite agreements as necessary, will typically occur during this start-up phase (unless completed earlier). Contracts between the AE and the firm(s) selected as agents will typically be executed. The Fiscal and Procurement Agents will deploy staff to the field to begin work with the AE. The fiscal and procurement agents will be required to establish the financial and reporting systems, develop standard bidding documents, and begin work on any procurement activities as may be required prior to entry-into-force of the Compact.

Finalizing Legal Documentation

During this Mobilization and Start-up phase, the MCC legal team and the country legal counsel finalize all legal documentation to provide for Compact Entry-into-Force. Typically, this documentation consists of the following:

- Governance Agreement
- Disbursement Agreement
- Procurement Agreement
- Fiscal Agent Agreement
- Procurement Agent Agreement
- Bank Agreement
- Various certificates evidencing the fulfillment of various domestic legal requirements

These documents are required to give the full legal effect to the Compact and to lay the foundations for how procurements and finances are to be managed. The documents also describe in detail how the AE will be structured and managed.

Detailed Project Planning

Concluding detailed project planning is one of the most critical activities to occur in the phase between “Due Diligence and Program Refinement” stage and prior to “Implementation”. While implementation planning will have begun in earnest earlier in the process, it is at this time that the country team finalizes work plans. Project development staff should develop work plans for Compact activities, with assistance provided by MCC staff. Typically, work plans need to be well developed for the first quarter of project activity, but span the first year of implementation. In addition to work plans, AE staff develops Terms of Reference for feasibility studies, environmental impact assessments, and strategic environmental assessments. Procurement plans and disbursement requests are also created to map out the steps and timelines required for procurement actions.

Chapter 32:

Operations of an MCA Accountable Entity

MILLENNIUM CHALLENGE CORPORATION ★ UNITED STATES OF AMERICA ★

MCC

REDUCING POVERTY THROUGH GROWTH

The Operations of an MCA Accountable Entity

Guidance on Governance Standards for Accountable Entities

Last updated: November, 2006

Pursuant to a Millennium Challenge Account Compact (hereinafter referred to as the "***Compact***"), the Millennium Challenge Corporation (***"MCC"***) grants funds to the host country government to enable the government to implement a program and various projects to achieve the objectives of increasing economic growth and reducing poverty. Under the Compact entered into between MCC and the host country government, the government has principal responsibility for the oversight and management of the implementation of the MCC funded program in accordance with the terms of the Compact and related supplemental agreements, in a timely and cost-effective manner and consistent with sound governance. While the government will always retain ultimate responsibility for the program, it may designate an entity to implement the program on its behalf. This designee is often referred to as the accountable entity (hereinafter referred to as the ***"Accountable Entity"***).

This document is designed to provide guidance to host country governments on the standards to be employed by the Accountable Entity to ensure that it operates in a manner consistent with sound governance.

I. Accountable Entity Structure & Responsibilities

A. Accountable Entity Structure

The Accountable Entity established by the MCC host country to implement the Compact will typically be structured to include (1) a governing body responsible for the general oversight of the entity since it is an efficient mechanism to ensure civil society participation and transparency in the decision-making process for the program (hereinafter referred to as the ***"Governance Board"***[1]) and (2) a management unit, which will be responsible for the day-to-day activities of the Accountable Entity. Details of the Accountable Entity's structure will be set forth in the governance documents used to establish or create the entity (such as the charter, articles of

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[1] While serving the same function, the Governance Board may be referred to by different names. Examples include "Board of Directors," "Supervisory Board" and "Steering Committee."

formation, or statute) as well as the Compact and any governance agreement (or bylaws, as appropriate in the specific transaction) entered into among the government of the MCC host country, MCC and the Accountable Entity.

B. Responsibilities of the Governance Board

The Governance Board is responsible for overseeing the overall implementation of the Compact and the performance of the designated rights and responsibilities defined in the Compact. A detailed description of these responsibilities and those of the management unit (including non-delegable duties, approvals, reporting requirements) is typically set forth in the Compact and the following documents executed in connection with the Compact: governance agreement (or bylaws, as appropriate in the specific transaction), disbursement agreement (for approvals relating to MCC disbursements), procurement agreement (for approvals relating to procurement activities), fiscal agent agreement, and fiscal accountability plan.

The members of the Governance Board discharge their responsibilities by (i) staying informed and providing appropriate oversight to the management unit regarding the progress of Compact implementation, and (ii) holding regular meetings to take actions and approvals on behalf of the Accountable Entity as required under the Compact, the governance agreement and other relevant supplemental agreements.

Members of the Governance Board should discharge their duties as board members in good faith, in a manner the board members reasonably believe to be in the best interests of the Accountable Entity and the MCC program, and with the care a reasonable person in a like position would exercise under similar circumstances. Board members should adhere to the following standards:

a. **Governing Documents.** Board members have a duty to follow the Accountable Entity's governing documents (charter, organizing statute, foundation documents, bylaws and governance agreement); to carry out the Accountable Entity's mission to implement the Compact and to assure that MCC funds are used for permitted purposes.

b. **Active Participation.** Board members must actively participate in the management of the organization, including attending meetings of the Governance Board, evaluating reports, reading minutes, and reviewing the performance and compensation of the management unit.

b. **Committees.** Board members may establish committees to make recommendations to the Governance Board and may rely on information, opinions or reports of these committees. Committees operate subject to the direction and control of the Governance Board. As a result, Board members are still responsible for the committees and should periodically scrutinize their work.

c. **Board Actions.** A board member who is present at a meeting when an action is approved by the entire Governance Board is presumed to have agreed to the action unless the board member objects to the meeting because, (i) the meeting was not lawfully called or convened, (ii) the board member did not participate in the meeting, (iii) the board member voted against the action, or (iv) the board member is prohibited from voting on the action because of a conflict of interest.

d. **Minutes of Meetings.** Written minutes should be taken at every Governance Board meeting. The minutes should accurately reflect board member discussions, as well as actions taken at meetings.

e. **Books and Records.** Board members should have general knowledge of the books and records of the Accountable Entity, as well as, its general operations. The Accountable Entity's organizing documents, bylaws, accounting records, and minutes should be made available to board members who wish to inspect them.

f. **Accurate Record Keeping.** Board members should not only be familiar with the content of the books and records, but should also ensure that the organization's records and accounts are accurate and complete. The Compact requires the Governance Board members to take steps to obtain regular audits by independent auditors and to permit MCC, the U.S. Inspector General, and the U.S. General Accountability Office to review the books and records of the Accountable Entity. At the very least, the Governance Board members should be aware of what the financial records disclose and take appropriate action to ensure there are proper internal controls, as specified in the fiscal accountability plan.

g. **Program Assets.** Board members have the duty to protect, preserve, and manage the assets and property purchased or financed in whole or in part with MCC funding (hereinafter ***"program assets"***) and to do so consistent with the Compact and the applicable law requirements. Board members can delegate such responsibility to members of the management unit; however, the Governance Board should require an annual accounting for all program assets.

h. **Investigations.** Board members have a duty to investigate warnings or reports of management unit, employee, or contractor theft or mismanagement. In some situations a board member may have to report misconduct to MCC and the appropriate local authorities (e.g., if program assets are missing or MCC funds are unaccounted for).

C. Frequency of Governance Board Meetings

The Governance Board should hold as many meetings as are necessary to discharge its duties and to ensure the effective implementation of the Compact. Annex I of the Compact and the governance agreement generally provide that that Governance Board should meet at least quarterly, but more likely monthly in the initial stages of implementation of the Compact.

D. Transparency of Governance Board Actions

The Governance Board is charged with operating in a transparent manner. The most efficient way for the Governance Board to achieve transparency is to record its decisions and discussions in the written form of meeting minutes. MCC requires that the Governance Board evidence the discharge of its duties, including publishing the minutes of the Governance Board meetings on the Accountable Entity's website within two weeks, and providing evidence of certain approvals as conditions precedent for MCC disbursements.

E. Duty of Loyalty and Impartiality of Governance Board

Governance Board members should assume a duty of complete, undivided loyalty to the Accountable Entity when making decisions for the Accountable Entity and the MCC program. This means that board members should avoid using their position or the MCC program assets in a way that would result in pecuniary or monetary gain for them personally or for any member of their family. Governance Board members should put the good of the Accountable Entity and the MCC program first and avoid engaging in transactions with the Accountable Entity from which the individual Governance Board member or his or her family will personally benefit.

The Accountable Entity should adopt a conflicts of interest policy which requires Governance Board members and members of the management unit to disclose potential conflicts of interest and, prior to entering into a contract or transaction that poses a potential conflict of interest, to assume the burden of establishing that (i) the contract or transaction is fair and reasonable despite the presence of a conflict of interest, and (ii) there was full disclosure of the conflict to the Governance Board and MCC.

F. Role of the MCC Observer on the Governance Board

The Governance Board will include a nonvoting member who is an employee or representative of MCC. The MCC observer is a nonvoting member of the Governance Board. The MCC observer represents MCC's interests, not the Accountable Entity's interests, with respect to the implementation of and compliance with the Compact. The MCC observer role can be served by the resident country director or any MCC employee/contractor. It is extremely important that the MCC observer participates in all meetings of the Governance Board either in person or by conference telephone.

The MCC observer should be provided with the agenda and related documentation for each meeting of the Governance Board. The MCC observer has the obligation to share documentation relating to the meetings of the Governance Board with MCC and participate in the discussions arising during the meetings of the Governance Board.

The MCC observer also serves a vital role in identifying implementation issues and encouraging transparency in the Governance Board decision making process. Implementation issues should be referred to MCC and addressed in accordance with MCC policy and internal review requirements. Transparency is most effectively advanced by the MCC observer encouraging open discussion of agenda items and ensuring participation of the non-government members of the Governance Board.

II. Governance Rules, Meetings and Minutes

A. Operation of Governance Board Prior to the Execution/Adoption of the Governance Agreement or Bylaws

Either local law applicable to the Accountable Entity or generally accepted governance rules (usually decisions by consensus) should be utilized prior to the execution or adoption of the governance agreement or bylaws. In the absence of such rules, it is advisable for the Governance Board to adopt special interim governance rules to apply to their meetings and decisions prior to the effectiveness of the governance agreement or bylaws, including (i) requirements for notice and establishment of a quorum for meetings of the Governance Board and (ii) requirements for taking actions on issues, agreements and administrative matters (i.e., establishing a minimum number of votes or consensus for an action of the Governance Board to be valid).

B. Basic Requirements for a Valid Meeting of Governance Board

Each meeting of the Governance Board should meet certain minimum standards to be considered a valid meeting at which actions taken by the Board are valid and effective.

a. **Notice and Agenda**. Adequate notice should be provided to all members of the Governance Board (voting and nonvoting) setting forth the date, time and location of the meeting, as well as, an agenda of issues and documents for consideration. The specific time period for adequate notice should be set forth in the governance agreement or bylaws. Prior to the effective date of the governance agreement or bylaws, adequate notice should be determined by local law applicable to the Accountable Entity or special rules may be approved by consensus/unanimous decision of the board members to apply until the governance agreement or bylaws become effective.

The notice should specify whether the meeting is special or regular. Regular meetings of the Governance Board should occur quarterly or monthly in accordance with the requirements of the Compact and the governance agreement or bylaws, as appropriate. Special meetings are usually called on an ad hoc short notice basis by the designated chairman or secretary of the Governance Board. Notice for regular meetings usually requires 7 to 10 days prior notice, while notice for special meetings can require as little as 24 hours prior notice.

A sample notice and agenda are attached hereto as Exhibit A.

b. **Attendance and Quorum**. Attendance at board meetings of the members of the Governance Board is important. Members can attend meetings (i) in person, (ii) by sending a deputy (subject to certain limitations), or (iii) by telephone or video-conference (if permitted under local law, by special rule adopted by the Governance Board or as specified in the governance agreement or bylaws).Quorum is the number of voting members required to be in attendance at a meeting to permit the Governance Board to make decisions that will be binding on the Accountable Entity. The governance principle behind establishing a quorum is that there should be a determinable number that is sufficient to reflect the will of the Governance Board and the Accountable Entity itself. Quorum should be specified in the governance agreement or bylaws and require the presence in person, by deputy or by teleconference/videoconference of (i) all voting members, (ii) majority of the voting members, or (iii) a specific number of voting members (such as 2/3 or 3/4 of all voting members).

Prior to the effective date of the governance agreement or bylaws, quorum should be determined by local law applicable to the Accountable Entity or special rules approved by consensus/unanimous decision of the board members to apply until the governance agreement or bylaws become effective.

c. **Deliberation and Actions of the Governance Board**. All issues and documents for consideration by the Governance Board should be presented and discussed by the Governance Board. It is appropriate for one member of the Governance Board, either a voting or non-voting member, to provide a summary of the issue or document for consideration.

Once board members have had an opportunity for discussion of a particular issue or document, the chairman or person leading the meeting should facilitate the decision-making process to approve, disapprove or delay decision on the item or document (i.e., to take action as the Governance Board). The decision-making process can be accomplished by reaching consensus among the voting members of the Governance Board or by taking a vote. A specific number of votes in favor of an action by the Governance Board should be specified in the governance agreement or bylaws for such action to be binding on the Accountable Entity. Prior to the effective date of the governance agreement or bylaws, voting requirements should be determined by local law applicable to the Accountable Entity or special rules approved by consensus/unanimous decision of the board members to apply until the governance agreement or bylaws become effective.

It should be noted that it is not required that the Governance Board follow parliamentary procedure or act by resolution. Rather, parliamentary procedure and resolutions are mechanisms of convenience for deliberating and taking actions as a board. Resolutions do provide a convenient way of evidencing Governance Board actions. Sample resolutions are attached hereto as Exhibit B.

d. **Meeting Minutes**.

The meeting minutes should be prepared by the person acting as secretary of the meeting and include, at a minimum, the following information: (i) the agenda and information regarding when notice was delivered to the Governance Board, (ii) the list of attendees and absentees (for purposes of evidencing quorum), and (iii) summaries of the discussion of agenda items and the actions taken by the Governance Board. Sample minutes are attached hereto as Exhibit C.

The amount of detail to be included in the minutes with respect to the discussion of agenda items should be dictated by the Governance Board in consultation with MCC. It may be appropriate to exclude references to specific statements made by members of the Governance Board, unless such member requests statements to be attributed to them (e.g., to evidence dissent with respect to a particular decision). It may also be appropriate to list the voting results, but exclude the names of the voting members deciding in favor or disapproving an action of the Governance Board.

The level of detail in the minutes should be sufficient to reflect that a valid meeting of the Governance Board occurred and to evidence that the Governance Board took valid actions consistent with the requirements of the Compact, the governance agreement and any other relevant supplemental agreement.

MCC requires that the Accountable Entity post Governance Board meeting minutes on the Accountable Entity's website. This publication requirement is intended to promote transparency and good governance. It may be appropriate, however, to exclude any confidential information relating to negotiations of contracts or procurement activities from the version of the minutes that is posted on the website.

The minutes can be drafted and certified by the chairman of the Governance Board in the local language, however, the minutes should be translated into English and posted on the Accountable Entity website in the local language and English.

C. Use of Action by Written Consent in lieu of Holding a Meeting

It is advisable for the Governance Board to take actions by written consent in lieu of holding a meeting (i) if permitted by the governance agreement or bylaws of the Accountable Entity (or, if the governance agreement or bylaws are not yet effective, if permitted by the local law applicable to the Accountable Entity) and (ii) the issue has been previously considered by the Governance Board and is non-controversial. Actions by written consent can, but not necessarily, require a different standard of approval by the voting members than Governance Board actions taken by meetings. For example, the Governance Board could require unanimous approval by all voting members or two-thirds approval of all voting members for actions to be taken by written consent. A sample written consent is attached hereto as Exhibit D.

It should be noted that the action by written consent mechanism should be used sparingly and in rare instances by the Governance Board. Written consents are best used when the Governance Board has deliberated over an issue and is waiting for additional information to take action on such issue. Good governance and the proper discharge of responsibilities by the Governance Board require that the Governance Board deliberate prior to taking actions in order to ensure that board members have the opportunity for open discussion.

D. Standard for Review of Materials by Governance Board

It is appropriate and efficient for the Governance Board members to review summaries of the documents, agreements and reports being presented to it for consideration or approval. However, Governance Board members should be made aware that reliance on such summaries does not relieve or excuse such members' responsibility for approving and taking action on the actual content of such document, agreement or report. Although efficiency in the administrative processes of the Accountable Entity is desirable, it should not be sought to the detriment of the accountability of the Governance Board. As provided in the Compact, the Governance Board remains responsible for making decisions on behalf of the Accountable Entity and the MCC program.

EXHIBIT A

SAMPLE NOTICE AND AGENDA

Millennium Challenge [__________] Governance Board

(Type of Meeting—[Regular/Special])
(Month Day, Year)
(time and location)

Pursuant to Section [___] of the Governance Agreement, entered into as of [_______], by and among the Government of [_________], represented by the Ministry of Finance (the "***Ministry***"), the Millennium Challenge [__________], a [public legal entity] established under [_________] law, ("***MCA-[________]***"), and the Millennium Challenge Corporation, a United States Government corporation ("***MCC***"), notice is hereby given of a [regular/special] meeting of the Governance Board (the "***Board***") to occur on [_____________].

I. Address and Teleconference Information for Meeting

The [regular/special] meeting of the Board shall be held at the following address [________].

Teleconference information is a follows: [________________].

II. Meeting Agenda

The following agenda items are currently scheduled for consideration by the Board:

A. Discussion and Action Items*

1. **Approval of Meeting Minutes from Board Meeting on [_________] (attached as Attachment 1)**
2. **Approval of Construction Supervisory Contract (attached as Attachment 2)**
3. **Approval of Supplier Contract (attached as Attachment 3)**
4. **Approval of Budget Modification for Agriculture Budget (attached as**

Attachment 4)

B. <u>Reports*</u>

1. **Update on MCC Disbursement Request for Quarter 3**
2. **Update of M&E Activities**
3. **General Update from Management Unit**

Voting Members should advise the Secretary of the Board as soon as practicable, should you be unavailable to attend or send an authorized deputy to this [regular/special] meeting. If any authorized deputy is sent in place of a Voting Member, the Voting Member should provide a written statement of such person's authority to participate in the Board meeting and vote on issues and agreements presented for consideration.

*Agreements, Documents and Reports for consideration should be attached to this notice and agenda.

EXHIBIT B

SAMPLE RESOLUTIONS[2]

RESOLUTIONS OF
THE STEERING COMMITTEE[3]
OF

MCA-[____________]

SPECIAL MEETING, [DATE][4]

The following resolutions were adopted by the Steering Committee of MCA-[__________] at an extraordinary meeting and for which notice was duly given on [__________], 200[__] in accordance with the applicable laws of [__________] and that certain Millennium Challenge Compact by and between the Government of [__________] (the "***Government***") and the United States of America, acting through the Millennium Challenge Corporation ("***MCC***"), dated [__________] (as

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[2] **Note these sample resolutions are provided as an example only and do not represent an exhaustive list of actions to be approved by a Governance Board. The substance of actual resolutions adopted by a Governance Board will change as appropriate based on the circumstances at hand.**

[3] **As noted in footnote 1 above, the title and form of the Governance Board may vary. These sample resolutions are applicable to all forms of Governance Boards.**

[4] **Meeting should probably be referred to as a special meeting since guidelines on regular meetings have not yet been adopted. Notice requirements and quorum should conform to local law and the requirements, if any, under the Compact.**

amended or modified from time to time, the "***Compact***"). All capitalized terms used herein but not defined herein shall have the meaning set forth in the Compact.

WHEREAS, MCA-[____________] was established to implement the Designated Rights and Responsibilities as defined in the Compact ("***MCA-[____________]***").

WHEREAS, as a condition precedent to the Entry into Force under the Compact, the Government, MCC and MCA-[____________] must execute and deliver a Disbursement Agreement and a Procurement Agreement;

WHEREAS, as a condition precedent to the Entry into Force under the Compact, the Government, MCC and MCA-[______________] must execute one or more Supplemental Agreements (including a Governance Agreement, a Fiscal Agent Agreement, a Bank Agreement, a Procurement Agent Agreement and one or more Implementing Entity Agreements) or execute one ore more term sheets that set forth the material and principal terms and conditions that will be included in any such Supplemental Agreement that has not been entered into as of the Entry into Force;

WHEREAS, as a condition precedent to Entry into Force under the Compact, the Government must deliver certain certificates (i) certifying that all domestic requirements for the Compact to be fully enforceable under [______________] law have been completed and (ii) evidencing the incumbency and specimen signatures of the Principle Representative and the Additional Representative (as defined in the Compact).

NOW, THEREFORE, BE IT:

RESOLVED, that prior to the adoption of MCA-[____________]'s governance agreement, providing guidance regarding notice, quorum, and voting requirements for the Steering Committee, [__] days shall constitute sufficient notice for meetings of the Steering Committee, presence in person by a majority of the voting members of the Steering Committee (as set forth in the Compact) will be required to establish quorum, and all actions of the Steering Committee will require at least a majority of the Voting Members present at such meeting.

RESOLVED FURTHER, that the Steering Committee hereby approves the Disbursement Agreement and authorizes its execution on substantially the terms and substantially the form of the attached Disbursement Agreement;

RESOLVED FURTHER, that the Steering Committee hereby approves the Procurement Agreement and authorizes its execution on substantially the terms and substantially the form of the attached Procurement Agreement;

RESOLVED FURTHER, that the Steering Committee hereby approves the Supplemental Agreement Term Sheet and authorizes its execution on substantially the terms and substantially the form of the attached Supplemental Agreement Term Sheet;

RESOLVED FURTHER, that the Steering Committee hereby approves the Governance Agreement and authorizes its execution on substantially the terms and substantially the form of the attached Governance Agreement;

RESOLVED FURTHER, that the Steering Committee hereby approves the Bank Agreement and authorizes its execution on substantially the terms and substantially the form of the attached Bank Agreement;

RESOLVED FURTHER, that the Steering Committee hereby approves the Fiscal Agent Agreement and authorizes its execution on substantially the terms and substantially the form of the attached Fiscal Agent Agreement;

RESOLVED FURTHER, that the Steering Committee hereby approves the M&E Plan on substantially the terms and substantially the form of the attached M&E Plan;

RESOLVED FURTHER, that the Steering Committee hereby approves the Interim Fiscal Accountability Plan on substantially the terms and substantially the form of the attached Interim Fiscal Accountability Plan;

RESOLVED FURTHER, that the Steering Committee hereby approves the Interim Procurement Plan on substantially the terms and substantially the form of the attached Interim Procurement Plan;

RESOLVED FURTHER, that the Chair of the Steering Committee and Director of MCA-[_____________] are authorized and directed to execute any and all certificates or documents and take any and all actions to complete and effectuate the purpose of these Resolutions.

EXHIBIT C

SAMPLE MEETING MINUTES

MCA-[__________]
Governance Board Meeting Minutes
(Type of Meeting—[Regular/Special])
(Month Day, Year)
(time and location)

Board Members:

[If relying on Local law for governance requirements, cite to relevant law]

Present: [list members]

Present by Teleconference: [list members]

Absent: [list members]

Quorum present? Yes

[*Note if any voting members leave during the meeting, it should be noted in the record and quorum should be re-determined prior to voting on action items]

Others Present: [list names and titles, e.g. MCC observer, members of the public, etc.]

Person Acting as Chairman: [list name]

Person Acting as Secretary: [list name]

Proceedings:

Meeting called to order at [____ a.m./p.m.]

The Chairman called the meeting to order, declared the presence of a quorum as required by Governance Agreement of MCA-[___________] **[If relying on local law for governance requirements, cite to relevant law].**

The Chairman appointed [___________], as secretary of the meeting. The Chairman confirmed that a majority of the members of the Governance Board were present at this meeting. The meeting was then duly and legally convened and opened for the transaction of business.

The Chairman noted that notice of the meeting was provided in writing to the members of the Governance Board on [___________], 200[___] and attendance at the meeting was confirmed by the members named above.

[*Note: If appropriate notice of the meeting was not given, was a waiver of notice of the meeting appropriately signed or otherwise documented?]*

The Chairman further noted that the notice of the meeting distributed to the members included an agenda. No member of the Governance Board attending the meeting objected to the calling of the meeting or the items on the agenda.

I. Discussion and Action Items

A. [*Meeting minutes from prior Governance Board Meeting to be amended (if necessary) and approved*]*:*
- ►Summary of discussion
- ►Recommended Action
- ►If vote occurred, results of vote

B. [List Action Item]:
- ►Summary of discussion
- ►Recommended Action [if relevant, relevant proposed resolution may simply be read]
- ► If vote occurred, results of vote

II. Reports

A. [List Report]:
- ►Summary of discussion
- ►Recommended Action or Next Steps [if relevant]

B. [List Report]:
- ►Summary of discussion
- ►Recommended Action or Next Steps [if relevant]

III. Adjournment

Meeting adjourned at [________ a.m./p.m.]

Certified by: ________________________________

Secretary, MCA-[________]

Acknowledged by: ______________________________
Chair of the Governance Board

<u>Post meeting actions</u>:

►*Secretary should compile minute notes and circulate for approval.*

EXHIBIT D

SAMPLE WRITTEN CONSENT

WRITTEN CONSENT OF

THE GOVERNANCE BOARD

OF MCA-[_______________]

[_____________], 200[____]

Pursuant to Section [____] of that certain governance agreement by and among the Ministry of Finance, on behalf of the Government of [_______] (the "***Government***"), MCA-[___________] and the Millennium Challenge Corporation dated [__________], 200[___], the undersigned members of the Governance Board (the "***Board***") of MCA-[____________] hereby approve and adopt the following resolutions by written consent:

Proposed Resolutions

to approve the Bank Agreement and Fiscal Agent Agreement

WHEREAS, MCA-[____________] was established as [___________________] under the laws of [______________] to implement the designated rights and responsibilities defined under the Compact.

WHEREAS, as a condition precedent to the initial disbursement of MCC funding, MCA-[____________] must execute and deliver to MCC a bank agreement and a fiscal agent agreement;

WHEREAS, the Board met on [____________], 200[__] to discuss and approve the material terms and conditions of the bank agreement and fiscal agent agreement;

NOW, THEREFORE, BE IT:

RESOLVED, that the Board hereby approves the bank agreement and authorizes its execution on substantially the terms and substantially the form of the attached bank agreement;

RESOLVED FURTHER, that the Board hereby approves the fiscal agent agreement and authorizes its execution on substantially the terms and substantially the form of the attached fiscal agent agreement;

RESOLVED FURTHER, that the Chairman of the Governance Board and CEO of MCA-[__ ________] are authorized and directed to execute any and all certificates or documents and take any and all actions to complete and effectuate the purpose of these Resolutions.

This written consent, which may be executed in multiple counterparts, each of which shall be considered an original, shall be effective as of the date first written above upon the receipt of the signatures of a majority of the Board.

Name, Title Date: ________	Name, Title Date: ________
Name, Title Date: ________	Name, Title Date: ________
Name, Title Date: ________	Name, Title Date: ________
Name, Title Date: ________	

Please return both pages of this written consent with your signature and date on the second page to MCA-[___________]'s Secretary by fax to: [_____________].

Chapter 33:

Guidelines for Financial Audits Contracted by MCA

MILLENNIUM CHALLENGE CORPORATION
MCC
UNITED STATES OF AMERICA

REDUCING POVERTY THROUGH GROWTH

Guidelines for Financial Audits Contracted by MCA

Example MCA Audit Plan

Last updated: December, 2006

1. Reference is made to the Millennium Challenge Compact between the United States, acting through the Millennium Challenge Corporation ("MCC") and the Government of [__________] (the "Government") entered into on [___ _______] (the "Compact"). The Compact entered into force on [________]. Capitalized terms used, but not otherwise defined herein, shall have meanings given to such terms in the Compact.

2. This Audit Plan is submitted pursuant to Section 3.8(d) of the Compact, which requires the Government to adopt, or cause to be adopted an Audit Plan no later than sixty (60) calendar days after the first anniversary of the Compact EIF.

3. MCA_____ shall engage an independent auditor to conduct an audit of all MCC Disbursements and Re-Disbursements in accordance with the *Millennium Challenge Corporation Guidelines for Financial Audits Contracted by Foreign Recipients* ("MCC Audit Guidelines") on a semiannual basis for the six-month periods ending June 30 and December 31 of each calendar year ("Audit Period"). The first audit shall cover the period from [EIF date] to [insert date].

4. MCA_____ also shall engage an independent auditor to conduct an audit of all Covered Providers, in accordance with the MCC Audit Guidelines. A Covered Provider is defined as any non-United States Provider that receives, directly or indirectly, US$300,000 or more of MCC Funding in any MCA-[______] fiscal year or any United States provider that receives, directly or indirectly, US$500,000 or more of MCC Funding in any MCA-[________] fiscal year. Generally, contracts, grants and agreements awarded in an amount of US$300,000 or more for periods of one year or less, for other than the provision of goods, works or services on other than a fixed price basis, shall require a contracted audit. The period of performance for contracted audits of

the Covered Providers may be for one or more audit periods at the discretion of MCA__________.

5. Covered Providers subject to audit for the current Audit Period are as follows:
    1. [name of first Covered Provider];
    2. [name of second Covered Provider, etc]; and
    3. [name of last Covered provider].
6. MCA_____ also shall designate in writing to MCC a contact person responsible for audit matters.
7. MCA-[_______] recognizes that MCC retains the right to perform, or cause to be performed, the audits contemplated by this Audit Plan by utilizing MCC Funding or other resources available to MCC for this purpose, and to audit, conduct a financial review, or otherwise ensure accountability of any Provider or any other third party receiving MCC Funding regardless of the requirements of this Section 3.8. of the Compact or this Audit Plan.

Chapter 34:

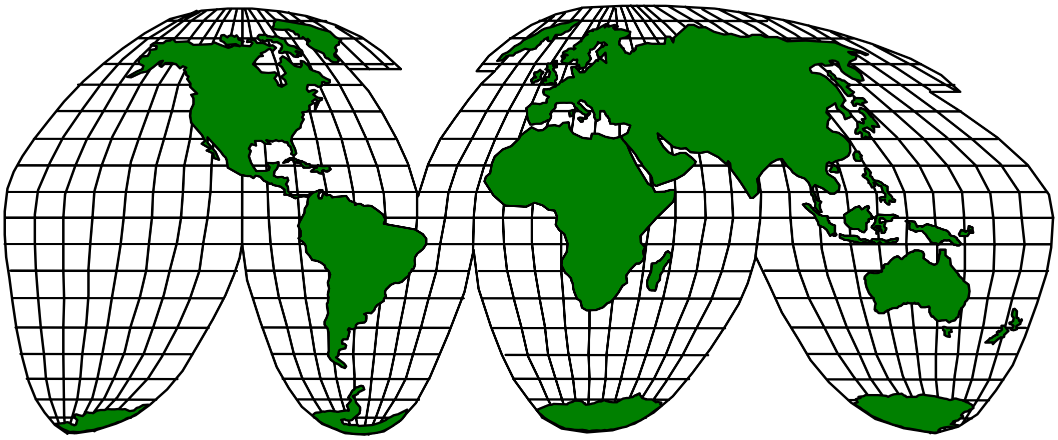
Guidelines for Financial Audits Contracted by Foreign Recipients

MILLENNIUM CHALLENGE CORPORATION
MCC
UNITED STATES OF AMERICA

REDUCING POVERTY THROUGH GROWTH

OFFICE OF INSPECTOR GENERAL
for the Millennium Challenge Corporation

GUIDELINES FOR FINANCIAL AUDITS CONTRACTED BY MCA



Revised on January 2006

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TABLE OF CONTENTS

Chapter 1: Purpose of Audit Guidelines

Background

1.1

On January 23, 2004, the Millennium Challenge Corporation (MCC) was established by the Millennium Challenge Act of 2003 (Act) to administer the Millennium Challenge Account. Millennium Challenge Account will be devoted to projects in nations that govern justly, invest in their people and encourage economic freedom. The MCC is a government corporation designed to support innovative strategies and to ensure accountability for measurable results. The Corporation is designed to make maximum use of flexible authorities to optimize efficiency in contracting, program implementation, and personnel. It is supervised by a Board of Directors composed of the Secretaries of State and Treasury, the U.S. Trade Representative, the Administrator of the United States Agency for International Development (USAID) the Chief Executive Officer of the Corporation, and four private sector members appointed by the President with the advice and consent of the Senate. The Secretary of State is the Chairman of the Board.

1.2 MCC consists of a central headquarters staff in Washington, D.C. and limited staff in countries where its programs are operational. It may provide assistance to both non-U.S. nongovernmental and non-U.S. governmental organizations through programs managed by the recipient governments.

1.3 The *Guidelines for Financial Audits Contracted by MCA* (*Guidelines*) are to be used by independent auditors in performing recipient-contracted audits required by MCC agreements with non-U.S. recipient organizations. (Note: US non-profit organizations are audited in accordance with the OMB Circular A-133.) These organizations are referred to in this guide as recipients, which include both "accountable entities"[1] and certain "covered providers"[2] throughout these *Guidelines*. "Agreements" or "awards" are defined as MCC-funded grants, contracts, implementing agreements, and loans. The *Guidelines* also provide guidance to the recipients in selecting independent auditors to perform the audits.

The Accountable Entity will perform all the needed contracting actions necessary to engage an independent audit firm to perform the required audits of both the MCA program and any Covered Providers. Funding for audits of the MCA program in a recipient country will be funded from Compact funds.

The cost of an audit of a covered provider, subject to audits, may by incurred by the covered provider and reported as any normal expense incurred during the project. If a covered provider is subject to audit, this requirement should be included in bidding documents and any contracts or agreements.

In the event that more than one recipient country Accountable Entity provide funds to a covered provider, the recipient country Accountable Entity that provides the greatest amount of funds will

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[1] The Accountable Entity is an entity established by the recipient government. The recipient government delegates responsibilities to an Accountable Entity.

[2] The covered provider is $300,000 or more in MCC funds in its fiscal year as part of an implementing entity agreement.

act as the designated lead among recipient countries in assuring appropriate audits are conducted of the covered provider, unless otherwise directed by MCC.

1.4 MCC compacts or agreements with the recipient country Accountable Entity require the Accountable Entity to contract with independent auditors acceptable to the MCC and Office of Inspector General (OIG) to perform financial audits of the funds provided under the agreements annually, unless otherwise specified in the compact. Any Implementing Agreements between an Accountable Entity and other recipients also require application of these guidelines and may result in the requirement for the implementing entity to contract independent auditors acceptable to the MCC and Office of Inspector General to perform financial audits of the funds provided under the agreements. Such audits are in accordance with the Inspector General Act of 1978, as amended. The OIG reserves the right to conduct audits using its own staff, notwithstanding acceptable audits performed by other auditors. in cases where special accountability needs are identified.

Applicability

1.5 MCC standard audit provisions require that the Accountable Entity (hereafter referred to as MCA[3]) ensures that an audit is contracted by MCA for itself at least annually in accordance with these *Guidelines.* The MCC may require more frequent audits than annually.

1.6 MCC compacts also require that an audit is contracted for by the MCA be performed at least annually in accordance with these *Guidelines* when a Covered Provider expends $300,000 or more in MCC funds in its fiscal year as part of an implementing entity agreement. The determination of when an award is expended must be based on when the activity related to the award occurs. Even when a recipient-contracted audit is not required, if the MCC or the MCA determines that an audit must be performed, the contract, scope of the audit, and the draft audit report must be submitted to the OIG for review and issuance.

Incurred cost audits must be performed at least annually of all foreign for-profit organizations performing under direct awards or cost reimbursement recipient country contracts and subcontracts. This excludes fixed price contracts.

1.7 In addition, agreements for cash transfers and sector assistance may include recipient-contracted audit requirements. Such audits must be performed in accordance with these *Guidelines* to the extent that the *Guidelines* do not conflict with the agreement provisions. Endowment or trust funds created out of MCC awards, fixed-price contracts, and fixed-obligation grants do not require audits under these *Guidelines,* but may be undertaken at the request of the MCA or MCC.

Authorities and Responsibilities

Authorities and Responsibilities of MCC

1.8 MCC responsibilities are to: 1) monitor and ensure that the required contracted audits of the MCA and all non-US governmental and nongovernmental covered providers expending more than $300 thousand in their fiscal year are performed in a timely manner; 2) ensure the audits are performed by auditors on the list of approved auditors; and 3) make sure proper action is taken to correct deficiencies identified by the auditors**.** MCC will also monitor and maintain a complete inventory of all MCA awarded contracts, grants, and agreements**,** identifying those that may require a contracted audit. (awarded for amounts greater than $300 thousand for periods on one year or less.)

The MCC is also responsible for ensuring that audit contract agreements between MCA and Covered Providers, subject to audit, and their independent auditors contain a standard statement of work that includes all the requirements of these Guidelines. MCC will be responsible for distributing audit reports to the appropriate MCA offices and resolving a covered provider's organization-wide internal control and compliance deficiencies. Accordingly, the MCA must send all prospective audit contracts to the OIG and to the MCC for approval prior to finalization.

Authorities and Responsibilities of the OIG

1.9 The OIG will establish and maintain an approved list of auditors, oversee the quality of required financial audits of the MCA and the Covered Providers subject to audit, and transmit draft and final audit reports to the appropriate MCC officials**.** The OIG will review the statement of work for contracts between the MCA and their selected audit firms. The OIG will conduct Quality Control Reviews (QCRs) of the working papers for a selected sample of the audits. These reviews will determine whether audit work was performed in accordance with these *Guidelines*. The OIG will notify MCC, the MCA, the covered providers, and the independent auditors of the results of these reviews.

1.10 Unless otherwise noted, recipient-contracted audits must be conducted in accordance with Chapters 3, 4, and 5 of *U.S. Government Auditing Standards* ("Yellow Book"; hereafter referred to as *U.S. Government Auditing Standards*) issued by the Comptroller General of the United States and generally accepted auditing standards adopted by the American Institute of Certified Public Accountants (AICPA), which have been incorporated into *U.S. Government Auditing Standards* by reference. If recipient-contracted auditors desire technical assistance related to these audits, they should contact the appropriate OIG office or the MCA.

Authorities and Responsibilities of Recipient Government

1.11 The Recipient Government signatory to a Compact is responsible for assigning or delegating responsibilities to an Accountable Entity (MCA). The government has primary responsibility for oversight and management of the implementation of the Program (1) in accordance with terms and conditions specified in the Compact and relevant Supplemental Agreements (2) in accordance with all applicable country laws, and (3) in at least a timely and cost effective manner and in conformity with sound technical, financial and management practices. However, the OIG's report will be issued to the appropriate MCC office which will also be responsible for acting upon audit findings and recommendations and providing responses to the OIG.

Authorities and Responsibilities of Accountable Entity (MCA)

1.12 The Accountable Entity (MCA) may consist of a Governing Council, MCA Committee**,** Steering Committee, the Prime Minister's Office, Government Cabinet Office, or some combination thereof. The Project Manager(s) reports to the Accountable Entity. The Accountable Entity is responsible for exercising government responsibilities under the compact, contracts with the Project Managers, Fiscal and Procurement Agents and Auditors. This office allocates the budgets, approves certain contract actions processed by the Fiscal and Procurement Agents.

The Fiscal Agent may be may be a Finance Ministry, a donor, accounting firm, or a project manager and has responsibility for funds control, disbursements, cash management, and compliance with relevant provisions of the Compact.

1.13 The Accountable Entity (MCA) will maintain an inventory of all MCA awarded contracts, grants, and agreements**,** identifying those that may require a contracted audit. Generally, those awarded for amounts greater than $300 thousand for periods on one year or less for something other than the provision of goods or services on other than a fixed price basis will require a contracted audit. This inventory will be provided to the MCC and the OIG annually. MCA ensures that the required audits are performed for their programs and that all audit agreements for audits of the MCA and the covered providers and their independent auditors include the standard statement of work that is contained in these Guidelines. Accordingly, prior to finalization, the MCA must send all prospective audit contracts to the OIG and the MCC for approval prior to finalization for itself and each of its covered providers subject to audit, expending $300 thousand or more in its fiscal year. One annual audit must cover all MCA funding to a covered provider subject to audit.

Covered Providers that have contracts or agreements with more than one recipient country must send their audit contracts for approval to the designated lead MCA office (as noted in section 1.3) with which they have an agreement. The MCA office that provides the greatest amount of funds will act as the designated lead, unless otherwise directed by MCC. This MCA Office will perform all the needed contracting actions necessary to engage an independent audit firm to perform the required audits of the Covered Providers, subject to audit.

1.14 The designated lead MCA Office will coordinate the audit efforts with any other MCA office**s** that have agreements with the covered provider. The MCA offices will provide the independent auditors with any information required in the conduct of the audit.

1.15 All required audits must be completed and the reports issued in accordance with the compact (no later than 90 days after the end of the audited period) or such other periods as Parties may agree in writing. Extensions must be requested by the MCA and the Covered Provider in advance of the audit due date. The approval of the extension will be coordinated and approved by the Office of Inspector General on a case by case basis.

Audit Costs and Sanctions

1.16 Accountable Entities and Covered Providers subject to audit may use MCC funds for performing the specific audit of their MCC-funded programs. The costs to be charged to the MCC agreements for auditing the recipient's general purpose financial statements will be a matter for negotiation between MCC and the recipient (see paragraph 3.5 of these *Guidelines*). As no audit costs may be charged to a MCC agreement if audits are not performed in accordance with these *Guidelines*, it is incumbent upon the auditor to produce a final product that meets this requirement.

1.17 MCC will consider appropriate sanctions against a recipient in the event of continued inability or unwillingness to have an audit performed in accordance with these *Guidelines*. Sanctions could include suspension of disbursements to the recipient until a satisfactory audit is performed. The OIG will refer independent auditors to appropriate regulators, professional authorities, and U.S.-affiliated firms for significant inadequacies or repeated instances of substandard performance. Auditors submitting unacceptable work may be removed from the list of firms approved for performing audits under the recipient-contracted audit program (see paragraph 2.8 of these *Guidelines*). In addition, OIG may remove audit firms that do not provide timely responses to questions raised by the MCC, MCA, or the OIG from the list of approved audit firms.

Compliance With Auditing Standards

1.18 The OIG and the MCC are aware that some independent auditors contracted by foreign recipients initially may not fully comply with these *Guidelines* because of a lack of technical knowledge and experience in using *U.S. Government Auditing Standards*. The OIG will assess and consider this lack of institutional capability when accepting or rejecting reports based on QCRs. The OIG may allow exceptions to compliance with *U.S. Government Auditing Standards* and these *Guidelines* provided that: (a) audit reports are determined to be reliable, and (b) any deviations from *U.S. Government Auditing Standards*, such as noncompliance with internal and external quality control review programs and continuing education requirements, are clearly stated in the report as scope limitations (see paragraph 5.1.b.1 and Chapter 7 of these *Guidelines*).

1.20 Independent auditors are responsible for upgrading their audit capabilities. Nevertheless, MCC and the OIG will consider providing technical assistance to independent auditors when requested. The OIG may remove from the list of approved firms any independent auditors that do not make adequate progress in upgrading their audit capabilities to comply with *U.S. Government Auditing Standards*.

Multiple Agreements and Subrecipients

1.21 A non-U.S. organization that is *only* a subrecipient of a U.S. recipient organization is covered by the audit requirements of the Compact, and is subject to monitoring by the prime U.S. recipient, which must comply with U.S. Office of Management and Budget Circular A-133 requirements.

When a foreign recipient of direct MCC assistance is a subrecipient of a U.S. recipient organization, in addition to receiving funds directly from MCC as a recipient organization, the annual audit performed in accordance with these *Guidelines* must include the funding passed through by the U.S. recipient organization. If the foreign recipient also receives assistance from other donors, consideration should be given to including the other donors' assistance in the MCC audit, provided an agreement and cost-sharing arrangement can be negotiated with the other donors.

1.22 A U.S. subrecipient that expends $500,000 or more in MCC awards in its fiscal year is subject to U.S. Office of Management and Budget Circular A-133 audit requirements and will not require a recipient-contracted audit.

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Chapter 2: Selection of Independent Auditors

2.1 This chapter provides guidance to recipients in selecting independent auditors acceptable to OIG AIG/MCC. MCC agreements with foreign recipients require that independent auditors, acceptable to the OIG, audit MCC funds provided under the agreements at least annually.

2.2 Audits of MCC funds provided to

> **a.** Nongovernmental recipients (nonprofit organizations) are to be performed by independent audit firms in accordance with *U.S. Government Auditing Standards*.
>
> **b.** Governmental recipients are to be performed either by independent audit firms in accordance with *U.S. Government Auditing Standards* or by the government's Supreme Audit Institution (SAI) in accordance with *U.S. Government Auditing Standards.* (The SAI must undergo OIG review and approval to conduct audits of MCC funds.)

2.3 Recipients must ensure that all records are available to the independent auditors, all accounting entries and adjustments are made, and all other necessary steps are taken to enable the auditors to complete their work. The OIG must receive the audit report in accordance with the Compact, no later than 90 days after the first anniversary of the Entry into Force and no later than 90 days after the end of the audited period thereafter, or such other periods as the Parties may otherwise agree. To this end, interim audit work is likely to be needed except in the case of recipients with few transactions.

2.4 Audits should begin before the close of a fiscal year, since initiating audits after the close of a fiscal year could hinder timely audit reporting and may unduly restrict the scope of certain audit procedures. The OIG recommends that independent audits be contracted well in advance of the fiscal year close so that necessary interim audit work can be performed during the year. This practice could also result in reduced audit costs. Chapter 8 of these *Guidelines* presents an outline of an illustrative statement of work to be included in recipient-contracted audit agreements.

Audit Firms

2.5 The OIG must approve the audit firm prior to execution of the audit services contract. The preferred procedure is for the MCA to obtain proposals and select an audit firm from the list of firms determined to be eligible by the OIG. Audit cost cannot be a controlling factor in the selection. After the MCA selects the audit firm, it must submit a draft contract to the OIG for approval. The OIG and MCC will verify that the firm selected is on the list of firms eligible to perform audits of MCC funds and that the statement of work contained in the contract complies with these *Guidelines*. The MCC has the authority to establish a limit on the maximum number of years that a recipient can be audited by the same audit firm.

2.6 In determining acceptability of proposed audit firms, the OIG will give first priority to firms that have partnership agreements with firms located in the United States. Audit firms who have authority to use the letterhead and sign audit reports in the name of a U.S. audit firm are required to do so. The OIG will give second priority to affiliates or representatives of firms located in the

United States that are subject to standard audit quality control procedures and reviews. Local firms that are not affiliated with firms located in the United States may be accepted when there is a high degree of assurance of professional quality based upon prior experience with an international organization or other acceptable client assurance. Usually, and at the discretion of the OIG, the OIG will perform a Quality Control Review (QCR) before the firm is included in the list of approved firms. If the firm changes its partnership agreement or affiliation, such an approval must be reevaluated.

2.7 All selected audit firms should meet or make satisfactory efforts toward meeting the continuing education requirements (CPE) and internal and external peer review requirements in accordance with *U.S. Government Auditing Standards*. OIG may remove firms that fail to meet this objective from the list of auditors eligible to perform audits of MCC agreements. OIG may periodically remove firms on any of the approved lists that have not performed any audits under these *Guidelines* for a period of four years. Inactive firms need to be removed from the list of approved firms periodically because audit staff, procedures, training programs, and affiliations change over time.

2.8 It is the responsibility of recipient-contracted audit firms to perform audits pursuant to these *Guidelines* and to present audit reports in a timely manner. If the OIG rejects the work of an audit firm due to noncompliance with these *Guidelines*, the audit costs may not be charged to the MCC agreements until such time as the OIG finds the report to be acceptable. Should the audit firm fail to make its report acceptable, either a different recipient-contracted audit firm or the OIG must perform another audit. In such case, the audit firm will not be considered acceptable to perform future audits until the OIG determines that it has undergone an external quality control review, implemented the resultant recommendations, and is capable of substantially improved performance. In addition, at the OIG’s discretion, the OIG might send a letter to the audit regulatory body in the country where the audit was performed.

Government Supreme Audit Institutions

2.9 The recipient country's principal government audit agency, often referred to as its "Supreme Audit Institution" (SAI), may audit governmental recipients under these *Guidelines*. However, SAIs will only be accepted to audit MCC funds if the OIG determines that the SAI:

a. Is in fact and appearance independent of the government recipient organizations to be audited and the executive branch of the government, and substantially meets the independence requirements set forth in *U.S. Government Auditing Standards*.

b. Does not participate in any way in pre-control, contract or transaction approval, check signing, or other activity that is incompatible with the audit function.

c. Maintains a professionally prepared and competent staff of duly qualified and licensed certified public accountants, or equivalent, experienced in the performance of financial audits and appropriately supervised by more experienced auditors.

d. Complies with *U.S. Government Auditing Standards*, auditing standards promulgated by the International Organization of Supreme Audit Institutions (INTOSAI), or auditing guidelines of the International Auditing Practices Committee of the International Federation of Accountants (IFAC).

e. Maintains a continuing program of staff training and professional development for its audit staff.

2.10 The OIG encourages SAIs to develop their own auditing manuals and audit quality control systems and to participate in an external quality control review program. The OIG will consider assisting SAIs if they manifest a desire to perform professional quality audits of MCC-financed activities and the recipient government places a high priority upon this function.

2.11 SAIs that do not fully meet the criteria—described in 2.5, 2.6, 2.7, and 2.9 above—may be accepted by the OIG if they agree to use acceptable auditing standards and to be closely supervised by the OIG, until the OIG believes such supervision is no longer needed. SAIs that are accepted by the MCC and the OIG must:

a. Perform audits pursuant to these *Guidelines*.

b. Present their audit reports in a timely manner.

c. Sign a comprehensive agreement with the MCC and the OIG to perform multiple annual audits of governmental recipients in accordance with these *Guidelines*. Alternatively, the parties may sign separate agreements for each annual audit.

2.12 A model audit agreement is presented in Chapter 9 of these *Guidelines*. This agreement takes the place of a contract that would be signed between an independent audit firm and a recipient. The agreement must include a statement of work that will require the SAI to use specific acceptable auditing standards and to provide the reports required by these *Guidelines*, including the report on the fund accountability statement for the MCC funds, the report on internal control related to the MCC-funded programs, and the report on compliance with agreement terms and applicable laws and regulations related to the MCC-funded programs.

2.13 In the event that an SAI demonstrates continued inability or unwillingness to perform audit work in compliance with these *Guidelines*, MCC will not accept its work until the OIG determines that the SAI has undergone an external quality control review, implemented the resultant recommendations, and is capable of substantially improving its performance. If an SAI's audit work is rejected, MCC may require an independent audit by a professional independent audit firm or, at its discretion, make arrangements for its own audit on behalf of the governmental recipient in accordance with the standard audit provisions in the MCC agreements.

2.14 MCC considers accountability over foreign government-owned local currencies generated by or resulting from MCC programs to be the primary responsibility of the government that owns such funds. This is true notwithstanding any agreed-upon conditions for separate deposit, usage, etc. Therefore, MCC expects the SAI (where the work of the SAI is acceptable) of the country to determine, based upon professionally executed audits, whether government-owned local currencies have been deposited, disbursed, recorded, and accounted for in accordance with the agreed upon conditions, and to report this to the MCC. The MCA is responsible for ensuring the frequency of audits of government-owned local currencies. The OIG will periodically review the quality of such audits**.**

Chapter 3: Audit Objectives

3.1 The financial audit must include a specific audit of all the recipient’s MCC-funded programs. The fund accountability statement is the basic financial statement to be audited that presents the recipient's revenues, costs incurred, cash balance of funds provided to the recipient by MCC, and commodities and technical assistance directly procured by MCC for the recipient's use. The fund accountability statement should be reconciled to the MCC funds included in the general purpose financial statements by a note to the financial statements or the fund accountability statement. All currency amounts in the fund accountability statement, cost-sharing schedule, and the report findings, if any, must be stated in U.S. dollars. The auditors should indicate the exchange rate(s) used in the notes to the fund accountability statement. Example 6.1 of these *Guidelines* illustrates a typical fund accountability statement.

In the event that a recipient has been authorized to charge indirect costs, the financial audit should also include an audit of a recipient’s general purpose financial statements on an organization-wide basis (balance sheet, income statement, and cash flow statement) if the recipient has been authorized to charge indirect costs. Where indirect costs are authorized, an audit of the general purpose financial statements is needed to ensure that all costs have been correctly included and the indirect cost rate calculation. Additionally, the MCA may specifically requests such an audit.

Audit of MCC Funds

3.2 A financial audit of the funds provided by MCC must be performed in accordance with *U.S. Government Auditing Standards*, or other approved standards where applicable (see paragraph 2.9.d of these *Guidelines*), and accordingly includes such tests of the accounting records as deemed necessary under the circumstances. The specific objectives of the audit of the MCC funds are to

a. Express an opinion on whether the fund accountability statement for the MCC-funded programs presents fairly, in all material respects, revenues received, costs incurred, and commodities and technical assistance directly procured by MCC for the period audited in conformity with the terms of the agreements and generally accepted accounting principles or other comprehensive basis of accounting (including the cash receipts and disbursements basis and modifications of the cash basis).

b. Evaluate and obtain a sufficient understanding of the recipient's internal control related to the MCC-funded programs, assess control risk, and identify reportable conditions, including material internal control weaknesses. This evaluation should include the internal control related to required cost-sharing contributions.

c. Perform tests to determine whether the recipient complied, in all material respects, with agreement terms (including cost sharing, if applicable) and applicable laws and regulations related to MCC-funded programs. Specifically, tests should be conducted on compliance with the Procurement Agreement and Procurement Guidelines as well as the Fiscal Accountability Plan. All material instances of noncompliance and all illegal acts that have occurred or are likely to have occurred should be identified. Such tests should include the compliance requirements related to required cost-sharing contributions, if applicable.

d. Perform an audit of the indirect cost rate(s) if the recipient has been authorized to charge indirect costs to MCC using provisional rates and MCC has not yet negotiated final rates with the recipient.
e. Determine if the recipient has taken adequate corrective action on prior audit report recommendations.

3.3 Auditors must design audit steps and procedures in accordance with *U.S. Government Auditing Standards,* Chapter 4, to provide reasonable assurance of detecting situations or transactions in which fraud or illegal acts have occurred or are likely to have occurred. If such evidence exists, the auditors must contact the appropriate OIG office and should exercise due professional care in pursuing indications of possible fraud and illegal acts so as not to interfere with potential future investigations or legal proceedings.

Review of Cost-Sharing Schedule

3.4 The audit should determine whether cost-sharing contributions were provided and accounted for by the recipient in accordance with the terms of the agreements, if applicable. The audit firm should clearly state whether or not cost-sharing/counterpart contributions were required by the agreement. The auditors will review the cost-sharing schedule to determine if the schedule is fairly presented in accordance with the basis of accounting used by the recipient to prepare the schedule. The auditors should question all cost-sharing contributions that are either ineligible or unsupported costs. In addition, for audits of agreements that present a cost-sharing budget on an annual basis and for close-out audits of awards that present cost-sharing budgets on a life-of-project basis, the auditors will review the cost-sharing schedule to determine if cost-sharing contributions were provided by the recipient in accordance with the terms of the agreement.

Audit of General Purpose Financial Statements

3.5 A financial audit of the recipient's general purpose financial statements on an organization-wide basis must be submitted to MCC together with the audit of MCC funds if the recipient has been authorized to charge indirect costs, or if the MCA specifically requests such an audit. The audit must be performed in accordance with generally accepted auditing standards of the American Institute of Certified Public Accountants (AICPA), auditing standards that have been prescribed by the laws of the country or adopted by an association of public accountants in the country, or auditing standards promulgated by the International Organization of Supreme Audit Institutions or International Auditing Practices Committee of the International Federation of Accountants. The objective of this audit is to express an opinion on whether those statements present fairly, in all material respects, the recipient's financial position at year-end, and the results of its operations and cash flows for the year then ended, in conformity with generally accepted accounting principles.

Chapter 4: Audit Scope

4.1 The auditors should use the following steps as the basis for preparing their audit programs and their review. They are not considered all-inclusive or restrictive in nature and do not relieve the auditor from exercising due professional care and judgment. The steps should be modified to fit local conditions and specific program design, implementation procedures, and agreement provisions, which may vary from program to program. Any limitations in the scope of work must be communicated as soon as possible to the appropriate OIG office.

Pre-Audit Steps

4.2 Following is a list of documents applicable to different MCC programs. The auditors should review the applicable documents considered necessary to perform the audit:

a. The agreements between MCC and the recipient.

b. The sub-agreements or implementing entity agreements between the recipient and other implementing entities, as applicable.

c. Contracts and subcontracts with third parties, if any.

d. The budgets, implementation letters, and written procedures approved by MCC.

e. MCC Cost Principles

f. Applicable Procurement Laws and Regulations (these laws and regulations will be identified in the compact and supplemental agreements).

g. All program financial and progress reports; charts of accounts; organizational charts; accounting systems descriptions; procurement policies and procedures; and receipt, warehousing and distribution procedures for materials, as necessary, to successfully complete the required work.

Fund Accountability Statement

4.3 The auditors must examine the fund accountability statement[4] for MCC funded programs including the budgeted amounts by category and major items; the revenues received from MCC for the period covered by the audit; the costs reported by the recipient as incurred during that period; and the commodities and technical assistance directly procured by MCC or MCA for the recipient's use. The fund accountability statement must include all MCC assistance funds identified by each specific program or agreement. The revenues received from MCC less the costs incurred, after considering any reconciling items, must reconcile with the balance of cash-on-hand or in bank accounts. The fund accountability statement should not include cost-sharing contributions provided from the recipient's own funds or in-kind. However, a separate cost-sharing schedule must be included and reviewed as stated in paragraph 4.8 of these *Guidelines*.

4.4 The auditors may prepare or assist the recipient in preparing the fund accountability statement from the books and records maintained by the recipient, but the recipient must accept responsibility for the statement's accuracy before the audit commences.

4.5 The opinion on the fund accountability statement must comply with Statement on Auditing Standard (SAS) No. 62 (AU623). The fund accountability statement must separately identify those revenues and costs applicable to each specific MCC agreement. The audit must evaluate program implementation actions and accomplishments to determine whether specific costs incurred are allowable, allocable, and reasonable under the agreement terms, and to identify areas where fraud and illegal acts have occurred or are likely to have occurred as a result of inadequate internal control. At a minimum, the auditors must:

> **a.** Review direct and indirect costs billed to and reimbursed with MCC funds and costs incurred but pending reimbursement by MCC or MCA, identifying and quantifying any questioned costs. All costs that are not supported with adequate documentation or are not in accordance with the agreement terms must be reported as questioned. Questioned costs that are pending reimbursement with MCC funds must be identified in the notes to the fund accountability statement as not yet reimbursed by MCC or MCA.
>
> > **a.1** Questioned costs must be presented in the fund accountability statement in two separate categories: (a) ineligible costs that are explicitly questioned because they are unreasonable;

> Perform tests to determine whether the recipient complied, in all material respects, with agreement terms (including cost sharing, if applicable) and applicable laws and regulations related to MCC-funded programs. Specifically, tests should be conducted on compliance with the Procurement Agreement and Procurement Guidelines as well as the Fiscal Accountability Plan. All material instances of noncompliance and all illegal acts that have occurred or are likely to have occurred should be identified. Such tests should include the compliance requirements related to required cost-sharing contributions, if applicable.

[4] A "fund accountability statement" is a financial statement that presents a MCC recipient's revenues, costs incurred, cash balance of funds (after considering reconciling items), and commodities and technical assistance directly procured by MCC that were provided by MCC agreements.

rohibited by the agreements or applicable laws and regulations; or not program related; and (b) unsupported costs that are not supported with adequate documentation or did not have required prior approvals or authorizations. All material questioned costs resulting from instances of noncompliance with agreement terms and applicable laws and regulations must be included as findings in the report on compliance. Also, the notes to the fund accountability statement must briefly describe both material and immaterial questioned costs and must be cross-referenced to any corresponding findings in the report on compliance.

b. Review general and program ledgers to determine whether costs incurred were properly recorded. Reconcile direct costs billed to, and reimbursed with MCC funds to the program and general ledgers.

c. Review the procedures used to control the funds, including their channeling to contracted financial institutions or other implementing entities. Review the bank accounts and the controls on those bank accounts. Perform positive confirmation of balances, as necessary.

d. Determine whether advances of funds were justified with documentation, including reconciliations of funds advanced, disbursed, and available. The auditors must ensure that all funding received by the recipient from MCC or MCA was appropriately recorded in the recipient's accounting records and that those records were periodically reconciled with information provided by MCC or MCA.

e. Determine whether program income was added to funds used to further eligible project or program objectives, to finance the non-federal share of the project or program, or deducted from program costs, in accordance with MCC and MCA regulations, other implementing guidance, or the terms and conditions of the award.

f. Review procurement procedures to determine whether they were in conformance with the Procurement Agreement and Procurement Guidelines. All procedures should be based on sound commercial practices including competition, reasonable prices were obtained, and adequate controls were in place over the qualities and quantities received.

g. Review direct salary charges to determine whether salary rates were reasonable for that position, in accordance with those approved by MCC and MCA when such approval is required, and supported by appropriate payroll records. Determine if overtime was charged to the program and whether it was allowable under the terms of the agreements. Determine whether allowances and fringe benefits received by employees were in accordance with the agreements and applicable laws and regulations. The auditors should question unallowable salary charges in the fund accountability statement.

h. Review travel and transportation charges to determine whether they were adequately supported and approved. Travel charges that are not supported with adequate documentation or not in accordance with agreements and regulations must be questioned in the fund accountability statement.

i. Review commodities (such as supplies, materials, vehicles, equipment, food products, tools, etc.), whether procured by the recipient or directly procured by MCC or MCA for the recipient's use. The auditors should determine whether commodities exist or were used for their intended purposes in accordance with the terms of the agreements, and whether control procedures exist and have been placed in operation to adequately safeguard the commodities. As part of the procedures to determine if commodities were used for intended purposes, the auditors should perform end-use reviews for an appropriate sample of all commodities based on the control risk assessment (see paragraph 4.16.b of these *Guidelines*). End-use reviews may include site visits to verify that commodities exist or were used for their intended purposes in accordance with the terms of the agreements. The cost of all commodities whose existence or proper use in accordance with the agreements cannot be verified must be questioned in the fund accountability statement.

j. Review technical assistance and services, whether procured by the recipient or directly procured by MCC or MCA for the recipient's use. The auditors should determine whether technical assistance and services were used for their intended purposes in accordance with the terms of the agreements. The cost of technical assistance and services not properly used in accordance with terms of the agreements must be questioned in the fund accountability statement.

> **j.1** In addition to the above audit procedures, if technical assistance and services were contracted by the recipient from a non-U.S. contractor, the auditors should perform additional audit steps on the technical assistance and services, unless the recipient has separately contracted for an audit of these costs. When testing for compliance with agreement terms and applicable laws and regulations, the auditors should not only consider agreements between the recipient and MCC, but also agreements between the recipient and the non-U.S. contractors providing technical assistance and services. The agreements between the recipient and non-U.S. contractors should be audited using the same audit steps described in the other paragraphs of this section, including all tests necessary to specifically determine that costs incurred are allowable, allocable, reasonable, and supported under agreement terms.
>
> **j.2** If the technical assistance and services were not contracted by the recipient from a non-U.S. contractor, the auditors are still responsible for determining whether technical assistance and services were used for their intended purposes in accordance with the terms of the agreements. However, the auditors are not responsible for performing additional audit steps for the costs incurred under the technical assistance and services agreements, since either MCC or a cognizant U.S. Government agency is responsible for contracting for audits of these costs.

k. Review the allocation method to determine that the indirect cost pool and distribution base include only allowable items in accordance with agreement terms and regulations when indirect costs were charged to MCC using provisional rates. The auditors should be aware that costs that are unallowable as direct charges to MCC agreements (e.g., fundraising) must be allocated their share of indirect costs if they represent activities that (1) include the salaries of personnel, (2) occupy space, and (3) benefit from the organization's indirect costs. Indirect cost rates must be calculated after all adjustments have been made to the pool and base.

l. Review unliquidated advances to the recipient and pending reimbursements by MCC or the applicable MCA when performing final closeout audits. Ensure that the recipient returned any excess cash to MCC or the appropriate MCA. Also, ensure that all assets (inventories, fixed assets, commodities, etc.) procured with program funds were disposed of in accordance with the terms of the agreements. The auditors should present, as an annex to the fund accountability statement, the balances and details of final inventories of nonexpendable property acquired under the agreements. These close out audit procedures must be performed for any award that expires during the period audited.

4.6 There may be situations where a recipient organization has more than one MCC or MCA funded agreement, either for multiple projects in one country, or for projects in multiple countries. The fund accountability statement included as Example 6.1 of these *Guidelines* illustrates how to report the results of a single audit that covers more than one MCA agreement. In such cases, the fund accountability statement must separately disclose the financial information (revenues, costs, etc.) for each agreement, and must identify the country program to which each agreement applies. Questioned costs, and internal control and compliance findings of any audits of subrecipients must be reported in the recipient's financial audit using the same treatment and procedures as the recipient's own questioned costs and findings. The same reporting principles apply as when only one MCA agreement is covered by the audit.

4.7 The auditors must generally express a single opinion on a fund accountability statement that includes more than one agreement with MCC or MCA. Auditors must not express separate opinions on fund accountability statements of each agreement or program unless specifically requested to do so by the MCC or MCA.

Cost-Sharing Schedule

4.8 MCC agreements may require cost-sharing contributions by the recipient. Most agreements establish a life-of-project budget for such contributions; however, some agreements may establish annual budgets for those contributions. The review of the costs sharing schedule must be approached differently depending on whether the cost-sharing budget is a life-of project budget or an annual budget. In either case, the review consists principally of inquiries of recipient personnel and analytical procedures applied to financial data supporting the cost-sharing schedule.

4.9 The auditors may prepare or assist the recipient in preparing the cost-sharing schedule from the books and records maintained by the recipient. The recipient must, however, accept responsibility for the schedule's accuracy before the review commences.

Agreement with Life-of-Project Cost-Sharing Budget

4.10 For an agreement with a life-of-project budget for cost-sharing contributions, it is not possible to determine whether the contributions have been made as required until the agreement ends.

Nonetheless, MCC and the recipient need reliable information to monitor actual cost-sharing contributions throughout the life of the agreement.

4.11 Thus, for agreements with a life-of-project budget for cost-sharing contributions, for each year that an audit is performed in accordance with these *Guidelines*, the auditors will review the cost-sharing schedule to determine if the schedule is fairly presented in accordance with the basis of accounting used by the recipient to prepare the schedule. The auditors must question all cost-sharing contributions that are either ineligible or unsupported costs. An ineligible cost is a cost that is unreasonable, prohibited by the agreements or applicable laws and regulations, or is not program related. An unsupported cost lacks adequate documentation or does not have required prior approvals or authorizations. All questioned costs must be briefly described in the notes to the cost-sharing schedule. In addition, material questioned costs must be included as findings in the report on compliance. Notes to the cost-sharing schedule must be cross-referenced to the corresponding findings in the report on compliance. Also, reportable internal control weaknesses related to cost-sharing contributions must be set forth as findings in the report on internal control. (See sample cost-sharing schedule at Example 6.2.A, and sample reports at Examples 7.6.A and 7.6.B of these *Guidelines.*)

4.12 In addition, for closeout audits of agreements with a life-of-project budget for cost-sharing contributions, the auditors will review the cost-sharing schedule to determine if the recipients provided such contributions in accordance with the terms of the agreement. If actual contributions were less than budgeted contributions, the shortfall will be identified in the appropriate column of the cost-sharing schedule. (See sample cost-sharing schedule at Example 6.2.B, and sample reports at Examples 7.6.C and 7.6.D of these *Guidelines.*)

Agreement with Annual Cost-Sharing Budget

4.13 For agreements with an annual budget for cost-sharing contributions, for each year that an audit is performed in accordance with these *Guidelines*, the auditors will review the cost-sharing schedule to determine whether (1) the schedule is fairly presented in accordance with the basis of accounting used by the recipient to prepare the cost-sharing schedule and (2) contributions were provided by the recipient in accordance with the terms of the agreement. The auditors must question all cost-sharing contributions that are either ineligible or unsupported costs. An ineligible cost is unreasonable, prohibited by the agreements or applicable laws and regulations, or not program related. An unsupported cost lacks adequate documentation or does not have required prior approvals or authorizations. All questioned costs must be briefly described in the notes to the cost-sharing schedule. In addition, material questioned costs must be included as findings in the report on compliance. Notes to the cost-sharing schedule must be cross-referenced to the corresponding findings in the report on compliance. Also, reportable internal control weaknesses related to cost-sharing contributions must be set forth as findings in the report on internal control. If actual cost-sharing contributions were less than budgeted contributions, the shortfall will be identified in the appropriate column of the cost-sharing schedule. (See sample cost-sharing schedule at Example 6.2.B, and sample reports at Examples 7.6.C and 7.6.D of these *Guidelines.*)

Internal Control

4.14 The auditors must review and evaluate the recipient's internal control related to MCC programs to obtain a sufficient understanding of the design of relevant control policies and procedures and whether those policies and procedures have been placed in operation. The U.S. General Accounting Office's *Standards for Internal Control in the Federal Government* (GAO/AIMD-00-21.3.1; 1999) may prove helpful in assessing recipient internal control. The internal control must be documented in the working papers.

4.15 Auditors must then prepare the report required by these *Guidelines*, identifying the reportable conditions that are significant deficiencies in the design or operation of internal control, and the reportable conditions considered to be material weaknesses. Material weaknesses are reportable conditions in which the design or operation of the specific internal control elements do not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the fund accountability statement may occur and not be detected in a timely manner by management performing its normal functions. Reportable conditions, including material weaknesses, must be set forth in the report as "findings" (see paragraph 5.1.d of these *Guidelines*). Reportable conditions involve matters coming to the auditor’s attention relating to significant deficiencies in the design or operation of internal control that, in the auditor’s judgment, could adversely affect the recipient's ability to record, process, summarize, and report financial data consistent with the assertions of management in the fund accountability statement and cost-sharing schedule. Nonreportable conditions should be included in a separate management letter to the recipient and referred to in the report on internal control.

4.16 The major internal control components to be studied and evaluated include, but are not limited to, the controls related to each revenue and expense account on the fund accountability statement. The auditors must:

a. Obtain a sufficient understanding of internal control to plan the audit and to determine the nature, timing and extent of tests to be performed.

b. Assess inherent risk and control risk, and determine the combined risk. Inherent risk is the susceptibility of an assertion, such as an account balance, to a material misstatement assuming there are no related internal control policies or procedures. Control risk is the risk that a material misstatement that could occur in an assertion will not be prevented or detected in a timely manner by the entity’s internal control policies or procedures. Combined risk (sometimes referred to as detection risk) is the risk that the auditor will not detect a material misstatement that exists in an assertion. Combined risk is based upon the effectiveness of an auditing procedure and the auditor’s application of that procedure.

c. Summarize the risk assessments for each assertion in a working paper. The risk assessments should consider the following broad categories under which each assertion should be classified: (a) existence or occurrence; (b) completeness; (c) Rights and obligations; (d) valuation or allocation; and (e) presentation and disclosure. At a minimum, the working papers should identify the name of the account or assertion, the account balance or the amount represented by the assertion, the assessed level of inherent risk (high, moderate, or low), the assessed level of control risk (high, moderate, or low), the combined risk (high, moderate, or low), and a description of the nature, timing and extent of the tests performed based on the combined risk. These summary working papers should be cross-indexed to the supporting working papers that contain the detailed analysis of the fieldwork. If control risk is evaluated at less than the maximum level (high), then the basis for the auditor's conclusion must be documented in the working papers.

c.1 If the auditors assess control risk at the maximum level for assertions related to material account balances, transaction classes, and disclosure components of financial statements when such assertions are significantly dependent upon computerized information systems, the auditors must document in the working papers the basis for such conclusions by addressing (i) the ineffectiveness of the design and/or operation of controls, or (ii) the reasons why it would be inefficient to test the controls.

d. Evaluate the control environment, the adequacy of the accounting systems, and control procedures. Emphasize the policies and procedures that pertain to the recipient's ability to record, process, summarize, and report financial data consistent with the assertions embodied in each account of the fund accountability statement. This should include, but not be limited to, the control systems for:

d.1 Ensuring that charges to the program are proper and supported.

d.2 Managing cash on hand and in bank accounts.

d.3 Procuring goods and services.

d.4 Managing inventory and receiving functions.

d.5 Managing personnel functions such as timekeeping, salaries and benefits.

d.6 Managing and disposing of commodities (such as supplies, materials, vehicles, equipment, food products, tools, etc.) purchased either by the recipient or directly by MCC or the MCA.

d.7 Ensuring compliance with agreement terms and applicable laws and regulations that collectively have a material impact on the fund accountability statement. Specifically, evaluate compliance with the Procurement Agreement and Procurement Guidelines as well as the Fiscal Accountability Plan. The results of this evaluation should be contained in the working paper section described in paragraphs 4.18 thorough 4.20.k of these *Guidelines* and presented in the compliance report.

e. Evaluate internal control established to ensure compliance with cost-sharing requirements, if applicable, including both provision and management of the contributions.

f. Include in the study and evaluation other policies and procedures that may be relevant if they pertain to data the auditors use in applying auditing procedures. This may include, for example, policies and procedures that pertain to non-financial data that the auditors use in analytical procedures.

4.17 In fulfilling the audit requirement relating to an understanding of internal control and assessing the level of control risk, the auditor must follow, at a minimum, the guidance contained in AICPA SAS Nos. 55, 60, and 78 (AU110, AU319, AU324 and AU325), respectively entitled *Consideration of Internal Control in a Financial Statement Audit*, *Communication of Internal Control Related Matters Noted in an Audit*, and *Consideration of Internal Control in a Financial Statement Audit: An Amendment to Statement on Auditing Standards No. 55*, as well as SAS No. 74 (AU801) entitled *Compliance Auditing Considerations in Audits of Governmental Entities and Recipients of Governmental Financial Assistance*.

Compliance with Agreement Terms and Applicable Laws and Regulations

4.18 In fulfilling the audit requirement to determine compliance with agreement terms and applicable laws and regulations related to MCC programs, the auditors must, at a minimum, follow guidance contained in AICPA SAS No. 74 (AU801) entitled *Compliance Auditing Considerations in Audits of Governmental Entities and Recipients of Governmental Financial Assistance*. The compliance review must also determine—on audits of awards that present cost-sharing budgets on an annual basis and on close-out audits of awards that present cost-sharing budgets on a life-of-project basis—if cost-sharing contributions were provided and accounted for in accordance with the terms of the agreements. The auditor's report on compliance must set forth as findings all material instances of noncompliance, defined as instances that could have a direct and material effect on the fund accountability statement. Nonmaterial instances of noncompliance should be included in a separate management letter to the recipient and referred to in the report on compliance.

4.19 The auditor’s report should include all conclusions that a fraud or illegal act either has occurred or is likely to have occurred. In reporting material fraud, illegal acts, or other noncompliance, the auditors should place their findings in proper perspective. To give the reader a basis for judging the prevalence and consequences of these conditions, the instances identified should be related to the universe or the number of cases examined and is quantified in terms of U.S. dollars, if appropriate. In presenting material fraud, illegal acts, or other noncompliance, auditors must follow the reporting standards contained in Chapter 5 of *U.S. Government Auditing Standards*. Auditors may provide less extensive disclosure of fraud and illegal acts that are not material in either a quantitative or qualitative sense. Chapter 4 of *U.S. Government Auditing Standards* discusses factors that may influence auditors’ materiality judgments. If the auditors conclude that sufficient evidence of fraud or illegal acts exists, they must contact the OIG office and exercise due professional care in pursuing indications of possible fraud and illegal acts to avoid interfering with potential future investigations or legal proceedings.

4.20 In planning and conducting the tests of compliance the auditors must:

a. Identify the agreement terms and pertinent laws and regulations and determine which of those, if not observed, could have a direct and material effect on the fund accountability statement. Special attention should be given to the Procurement Agreement and Procurement Guidelines as well as the Fiscal Accountability Plan. The auditors must:

a.1 List all standard and program-specific provisions contained in the agreements that cumulatively, if not observed, could have a direct and material effect on the fund accountability statement.

a.2 Assess the inherent and control risk that material noncompliance could occur for each of the compliance requirements listed in paragraph a.1 above.

a.3 Determine the nature, timing and extent of audit steps and procedures to test for errors, fraud, and illegal acts that provide reasonable assurance of detecting both intentional and unintentional instances of noncompliance with agreement terms and applicable laws and regulations that could have a material effect on the fund accountability statement. This should be based on the risk assessment described in paragraph a.2 above.

a.4 Prepare a summary working paper that identifies each of the specific compliance requirements included in the review, the results of the inherent, control and combined (detection) risk assessments for each compliance requirement, the audit steps used to test for compliance with each of the requirements based on the risk assessment, and the results of the compliance testing for each requirement. The summary working paper should be cross-indexed to detailed working papers that support the facts and conclusions contained in the summary working paper.

b. Determine if payments have been made in accordance with agreement terms and applicable laws and regulations.

c. Determine if funds have been expended for purposes not authorized or not in accordance with applicable agreement terms. If so, the auditors must question these costs in the fund accountability statement.

d. Identify any costs not considered appropriate, classifying and explaining why these costs are questioned.

e. Determine whether commodities, whether procured by the recipient or directly procured by MCC or MCA for the recipient's use, exist or were used for their intended purposes in accordance with the terms of the agreements. If not, the cost of such commodities must be questioned.

f. Determine whether any technical assistance and services, whether procured by the recipient or directly procured by MCC for the recipient's use, were used for their intended purposes in accordance with the agreements. If not, the cost of such technical assistance and services should be questioned.

g. Determine if the amount of cost-sharing funds was calculated and accounted for as required by the agreements or applicable cost principles.

h. Determine if the cost-sharing funds[5] were provided according to the terms of the agreements and quantify any shortfalls.

i. Determine whether those who received services and benefits were eligible to receive them.

j. Determine whether the recipient's financial reports (including those on the status of cost-sharing contributions) and claims for advances and reimbursement contain information that is supported by the books and records.

k. Determine whether the recipient held advances of MCC or MCA funds in interest-bearing accounts, and whether the recipient remitted to MCC or MCA any interest earned on those advances.

Follow-Up on Prior Audit Recommendations

4.21 The auditors must review the status of actions taken on findings and recommendations reported in prior audits of MCC-funded programs. Chapter 4 of *U.S. Government Auditing Standards,* under the section entitled *Audit Follow-up,* states: "Auditors must follow up on known material findings and recommendations from previous audits that could affect the financial statement audit. They do this to determine whether the auditee has taken timely and appropriate corrective actions. Auditors must report the status of uncorrected material finding and recommendations from prior audits that affect the financial statement audit."

4.22 The auditors must review and report on the status of actions taken on prior findings and recommendations in the summary section of the audit report. The auditors should refer to the most recent recipient contracted audit report for the same award (for a follow-up audit) or other MCC or MCA awards (for an initial audit). When corrective action has not been taken and the deficiency remains unresolved for the current audit period and is reported again in the current report, the auditors need to briefly describe the prior finding and status and show the page reference to where it is included in the current report. If there were no prior findings and recommendations, the auditors must include a note to that effect in this section of the audit report.

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[5] On audits of awards that present cost-sharing budgets on an annual basis and for closeout audits of awards that present cost-sharing budgets on a life-of-project basis, as explained in paragraphs 4.12 and 4.13 of these *Guidelines*.

General Purpose Financial Statements

4.23 Auditors should examine the recipient's general purpose financial statements on an organization-wide basis if an indirect cost rate needs to be audited,[6] or if the MCC or the MCA specifically requests that the general purpose financial statements be audited. The audit must be performed in accordance with generally accepted auditing standards of the American Institute of Certified Public Accountants (AICPA).

4.24 The objective of this audit is to express an opinion on whether those statements present fairly, in all material respects, the recipient's financial position at year-end, and the results of its operations and cash flow for the year then ended, in conformity with generally accepted accounting principles.

Indirect Cost Rates

4.25 Auditors should determine the actual indirect cost rates for the year if the recipient has used provisional rates to charge indirect costs to MCC or MCA. The audit of the indirect cost rates should include tests to determine whether the:

a. Distribution or allocation base includes all costs that benefited from indirect activities.

b. Distribution or allocation base is in compliance with the governing MCC or MCA Negotiated Indirect Cost Rate Agreement, if applicable.

c. Indirect cost pool includes only costs authorized by the MCC or MCA agreements and applicable cost principles.

d. Indirect cost rates obtained by dividing the indirect cost pool by the base are accurately calculated.

e. Costs included in this calculation reconcile with the total expenses shown in the recipient's audited general purpose financial statements.

4.26 The results of the audit of the indirect cost rate should be presented in a schedule of computation of indirect cost rate (see Example 6.3 of these *Guidelines*). This schedule should contain: (1) a listing of costs included in each indirect cost pool, (2) the distribution base, and (3) the resultant indirect cost rate calculation. The costs in the schedule should reconcile with the total expenses shown in the recipient's general purpose financial statements. U.S. Office of Management and Budget (OMB) Circular A-122 provides additional guidance on allocation of indirect costs and determination of indirect cost rates.

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[6] Where indirect costs are authorized, an audit of the general purpose financial statements is needed to ensure that all costs have been correctly included in the indirect cost rate calculation.

Other Audit Responsibilities

4.27 The auditors must perform the following steps:

a. Hold entrance and exit conferences with the recipient. The OIG and the cognizant MCA should be notified of these conferences in order that MCC representatives may attend, if deemed necessary.

b. During the planning stages of an audit, communicate information to the auditee regarding the nature and extent of planned testing and reporting on compliance with laws and regulations and internal control over financial reporting. Such communication should state that the auditors do not plan to provide opinions on compliance with laws and regulations and internal control over financial reporting.[7] Written communication is preferred. Auditors should document the communication in the working papers.

c. Institute quality control procedures to ensure that sufficient competent evidence is obtained through inspection, observation, inquiries, and confirmations to afford a reasonable basis for an opinion regarding the financial statements under audit. While auditors may use their standard procedures for ensuring quality control, those procedures must, at a minimum, ensure that:

c.1 Audit reports and supporting working papers are reviewed by an auditor, preferably at the partner level, who was not involved in the audit. This review must be documented.

c.2 All quantities and monetary amounts involving calculations are footed and cross-footed.

c.3 All factual statements, numbers, conclusions and monetary amounts are cross-indexed to supporting working papers.

d. Ascertain whether the recipient ensured that audits of its subrecipients were performed to ensure accountability for MCC funds passed through to subrecipients. If subrecipient audit requirements were not met, the auditors should disclose this in the fund accountability statement and consider qualifying their opinion.

e. Obtain a management representation letter in accordance with AICPA SAS No. 85 (AU333) signed by the recipient's management. See Example 4.1 for an illustrative management representation letter.

Reference Materials

4.28 *U.S. Government Auditing Standards* may be obtained through the Internet at **http://www.gao.gov/govaud/ybook.pdf** or from the U.S. Government Printing Office, **at http://bookstore.gpo.gov, by mail from Information Dissemination (Superintendent of**

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[7] The auditors only express an opinion on the fund accountability statement, and the indirect cost rate and general purpose financial statements, if applicable, as indicated on Chapter 3 of these *Guidelines*.

Documents), P.O. Box 371954, Pittsburgh, PA 15250-7954, or by telephone. The order desk telephone number is (202) **512-1800 or 866 512-1800-**

4.29 *Office of Management and Budget (OMB) Circulars.* The following circulars can be obtained through the OMB Internet address. **http://www.whitehouse.gov/omb/circulars/**

a. OMB Circular A-50 Audit Follow-up

b. Reference MCC Cost Principles

4.30 The following sections of the American Institute of Certified Public Accountants (AICPA) Codification of Statements on Auditing Standards (SASs) may be applicable to audits of MCC funds. The AICPA Codification of SASs may be obtained from the AICPA, 1211 Avenue of the Americas, New York, New York 10036-8775, or at **http://www.aicpa.org/index.htm**. The order department telephone number is (201) 938-3333. The audit objectives will dictate which SAS numbers apply.

SAS NO.		**AU SECTION**
8	Other Information in Documents Containing Audited Financial Statements	550
12	Inquiry of a Client's Lawyer Concerning Litigation, Claims, and Assessments	337
22	Planning and Supervision	311
26	Association with Financial Statements	504
29	Reporting on Information Accompanying the Basic Financial Statements In Auditor-Submitted Documents	551
31	Evidential Matter	326
32	Adequacy of Disclosure in Financial Statements	431
39	Audit Sampling	350
42	Reporting on Condensed Financial Statements and Selected Financial Data	552
47	Audit Risk and Materiality in Conducting an Audit	312
50	Reports on the Application of Accounting Principles	625
51	Reporting on Financial Statements Prepared for Use in Other Countries	534
54	Illegal Acts by Clients	317
55	Consideration of Internal Control in a Financial Statement Audit (Amended by SAS No. 78)	319
56	Analytical Procedures	329

Example 4.1 - Illustrative Management Representation Letter

(Date)

XYZ & CO. (Independent Auditor)
Address of Independent Auditor

We are providing this letter in connection with your audit(s) of the (identification of financial statements) of (name of entity) as of (dates) and for the (periods) for the purpose of expressing an opinion as to whether the (consolidated) financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of (name of entity) in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation in the (consolidated) financial statements of financial position, results of operations, and cash flows in conformity with generally accepted accounting principles.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an MCA or misstatement of accounting information that, in the light of surrounding circumstances, makes it possible that the judgment of a reasonable person relying on the information would be changed or influenced by the MCA or misstatement.

We confirm, to the best of our knowledge and belief, (as of date of auditor's report), the following representations made to you during your audit(s).

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America.
2. We have made available to you all:
    a. Financial records and related data.
    b. Minutes of the meetings of stockholders, directors, and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning non-compliance with or deficiencies in financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
5. We believe that the effects of the uncorrected financial statement misstatements summarized in the accompanying schedule are immaterial both individually and in the aggregate, to the financial statements taken as a whole.
6. *We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.*
7. *We have no knowledge of any fraud or suspected fraud affecting the entity involving (a) management, (b) employees who have significant roles in internal controls, or (c)* others where the fraud could have a material effect on the financial statements.
8. *We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.*

Chapter 5: Audit Reports

5.1 The recipient should submit to the cognizant MCC office and the local MCA six copies of the audit report in English and one copy of the report in the recipient country's official language, if considered appropriate. To make it easier for audit firms to comply with these *Guidelines*, the format and content of the audit reports should closely follow the following illustrative reports in Chapter 7 of these *Guidelines*. The audit report must specify the correct award number(s) of each award covered by the audit. The report must contain:

a. A title page,[8] table of contents, transmittal letter, and a summary which includes: (1) a background section with a general description of the MCA programs audited, the period covered, the program objectives, a clear identification of all entities mentioned in the report, a section on the follow-up of prior audit recommendations, and whether the recipient has a MCC-authorized provisional indirect cost rate; (2) the objectives and scope of the financial audit and a clear explanation of the procedures performed and the scope limitations, if any; (3) a brief summary of the audit results on the fund accountability statement, questionable costs, internal control, compliance with the Procurement Agreement and Procurement Guidelinnes, compliance with the Fiscal Accountability Plan, compliance with other agreement terms and applicable laws and regulations, indirect cost rates, status of prior audit recommendations, and, if applicable, the recipient's general purpose financial statements on an organization-wide basis; (4) a brief summary of the results of the review of cost-sharing contributions; and (5) a brief summary of the recipient's management comments regarding its views on the audit and review results and findings.

b. The auditor's report on the fund accountability statement, identifying any material questioned costs not fully supported with adequate records or not eligible under the terms of the agreements. The report must be in conformance with the standards for reporting in Chapter 5 of *U.S. Government Auditing Standards* and must include:

b.1 The auditor's opinion on whether the fund accountability statement presents fairly, in all material respects, program revenues, costs incurred, and commodities and technical assistance directly procured by MCA for the year then ended in accordance with the terms of the agreements and in conformity with generally accepted accounting principles or other basis of accounting. This opinion must clearly state that the audit was performed in accordance with *U.S. Government Auditing Standards.* Any deviations from these standards, such as noncompliance with the requirements for continuing professional education and external quality control reviews, must be disclosed (see Example 7.1.A of these *Guidelines*).

b.2 The fund accountability statement identifying the program revenues, costs incurred, and commodities and technical assistance directly procured by MCA for the fiscal year. The statement must also identify questioned costs not considered eligible for reimbursement and unsupported, if any, including the cost of any commodities and technical assistance directly

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[8] "Closeout" audits must specify they are closeout audits on the title page. A closeout audit is an audit for an award that expired during the period audited.

procured by MCA whose existence or proper use in accordance with the agreements could not be verified. All material questioned costs resulting from instances of noncompliance with agreement terms and applicable laws and regulations must be included as findings in the report on compliance. Also, the notes to the fund accountability statement must briefly describe both material and immaterial questioned costs and must be cross-referenced to any corresponding findings in the report on compliance (see Example 6.1 of these *Guidelines*). All questioned costs in the notes to the fund accountability statement must be stated in U.S. dollars. The U.S. dollar equivalent should be calculated at the exchange rate applicable at the time the local currency was disbursed to the recipient by MCC.

b.3 Notes to the fund accountability statement, including a summary of the significant accounting policies, explanation of the most important items of the statements, the exchange rates during the audit period and foreign currency restrictions, if any.

c. A report on the auditor's review of the schedule of cost-sharing contributions. The report must follow the guidance in the AICPA Statements on Standards for Attestation Engagements, Attestation Standard (AT) for review reports AT100.64. The report must include:

c.1 A review report on the cost-sharing schedule. This review report must state that the review was conducted in accordance with AICPA standards. It should also explain that a review is more limited in scope than an examination performed in accordance with AICPA standards, and state that an opinion on the schedule is not expressed. The report must identify material questioned costs related to the provision of, and accounting for, cost-sharing funds, with a reference to the corresponding finding in the report on compliance if the questioned costs are material. The report must provide negative assurance with regard to the provision of, and accounting for, cost-sharing contributions for items not tested (see Examples 7.6.A through 7.6.D of these *Guidelines*).

c.2 The cost-sharing schedule identifying questioned costs (see Examples 6.2.A and 6.2.B of these *Guidelines*). Cost-sharing contributions that are unreasonable, prohibited by the agreements or applicable laws and regulations, or not program related are ineligible. Cost-sharing contributions that lack adequate documentation or do not have required prior approvals or authorizations are unsupported.

c.3 The cost-sharing schedule identifying the budgeted amounts required by the agreements,[9] the amounts actually provided, and any cost-sharing shortfalls (see Example 6.2.B of these *Guidelines*).

c.4 Notes to the cost-sharing schedule that briefly explain the basis for questioned costs and shortfalls, if applicable. The notes must be cross-referenced to the corresponding findings, if the questioned costs are material, in the report on compliance.

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[9] This step is required for audits of agreements that present cost-sharing budgets on an annual basis and for closeout audits of awards that present cost-sharing budgets on a life-of-project basis. See paragraphs 4.12 and 4.13 of these *Guidelines*.

d. The auditor's report on internal control. The auditor's report must include as a minimum: (1) the scope of the auditor's work in obtaining an understanding of internal control and in assessing the control risk, and; (2) the reportable conditions, including the identification of material weaknesses in the recipient's internal control. *****Reportable conditions must be described in a separate section (see paragraphs 5.2 through 5.4 of these *Guidelines*). This report must be made in conformance with SAS No. 60 and the standards for reporting in Chapter 5 of *U.S. Government Auditing Standards*. Nonreportable conditions should be communicated to the recipient in a separate management letter that should be referred to in the report on internal control and sent with the audit report (see Examples 7.2.A and 7.2.B of these *Guidelines*).

e. The auditor's report on the recipient's compliance with the Procurement Agreement and Procurement Guidelines, the Fiscal Accountability Plan, and other agreement terms and applicable laws and regulations related to MCC-funded programs. The report must follow the guidance in SAS No. 74. Material instances of noncompliance must be described in a separate section (see paragraphs 5.2 through 5.4 of these *Guidelines*). Nonmaterial instances of noncompliance should be communicated to the recipient in a separate management letter that should be sent with the audit report *****(See Examples 7.3.A and 7.3.B of these *Guidelines*). All material questioned costs resulting from instances of noncompliance must be included as findings in the report on compliance. Also, the notes to the fund accountability statement that describe both material and immaterial questioned costs must be cross-referenced to any corresponding findings in the report on compliance.

e.1 The auditor's report must include all conclusions, based on evidence obtained, that a fraud or illegal act either has occurred or is likely to have occurred. This report must include identification of all questioned costs, if any, as a result of fraud or illegal acts, without regard to whether the conditions giving rise to the questioned costs have been corrected and whether the recipient does or does not agree with the findings and questioned costs.

e.2 In reporting material fraud, illegal acts, or other noncompliance, the auditors must place their findings in proper perspective. To give the reader a basis for judging the prevalence and consequences of these conditions, the instances identified should be related to the universe or the number of cases examined and is quantified in terms of U.S dollar value, if appropriate. In presenting material fraud, illegal acts, or other noncompliance, auditors must follow the reporting standards contained in Chapter 5 of *U.S. Government Auditing Standards*. Auditors may provide less extensive disclosure of fraud and illegal acts that are not material in either a quantitative or qualitative sense. Chapter 4 of *U.S. Government Auditing Standards* provides guidance concerning factors that may influence auditors' materiality judgments. If the auditors conclude that sufficient evidence of fraud or illegal acts exist, they must contact the OIG office and exercise due professional care in pursuing indications of possible fraud and illegal acts so as not to interfere with potential future investigations or legal proceedings.

f. The schedule of computation of indirect cost rate (see Example 6.3 of these *Guidelines*) and the auditor's report on the schedule of computation of indirect cost rate. This should be a separate report prepared in accordance with guidance set forth in SAS 29 (AU551). (See Example 7.4 in the *Guidelines.*)

g. The recipient's general purpose financial statements on an organization-wide basis and the auditor's report on them. These statements and the report on them only apply to recipients with an indirect cost rate that needs to be audited, unless the MCA specifically requests that the statements be audited.

5.2 The findings contained in the reports on internal control and compliance related to MCC-funded programs must include a description of the condition (what is) and criteria (what should be). The cause (why it happened) and effect (what harm was caused by not complying with the criteria) must be included in the findings. In addition, the findings must contain a *recommendation* that corrects the cause and the condition, as applicable. It is recognized that material internal control weaknesses and noncompliance found by the auditors might not always have all of these elements fully developed, given the scope and objectives of the specific audit. The auditors must, however, at least identify the condition, criteria and possible effect to enable management to determine the effect and cause. This will help management take timely and proper corrective action.

5.3 Findings that involve monetary effect must:

a. Be quantified and included as questioned costs in the fund accountability statement, the Auditor's Report on Compliance, and cost-sharing schedule (cross-referenced).

b. Be reported without regard to whether the conditions giving rise to them were corrected.

c. Be reported whether the recipient does or does not agree with the findings or questioned costs.

d. Contain enough relevant information to expedite the audit resolution process (e.g., number of items tested, size of the universe, error rate, corresponding U.S. dollar amounts, etc.).

5.4 The reports must also contain, after each recommendation, pertinent views of responsible recipient officials concerning the auditor's findings and actions taken by the recipient to implement the recommendations. If possible, the auditor should obtain written comments. When the auditors disagree with management comments opposing the findings, conclusions or recommendations, they must explain their reasons following the comments. Conversely, the auditors should modify their report if they find the comments valid.

5.5 Any evidence of fraud or illegal acts that have occurred or are likely to have occurred must be included in a separate written report if deemed necessary by the OIG office. This report must include an identification of all questioned costs as a result of fraud or illegal acts, without regard to whether the conditions giving rise to the questioned costs have been corrected or whether the recipient does or does not agree with the findings and questioned costs.

Chapter 6: Illustrative Fund Accountability Statement, Cost-Sharing Schedules, and Schedule of Computation of Indirect Cost Rate

Example 6.1 - Illustrative Fund Accountability Statement

(NAME OF RECIPIENT)
FUND ACCOUNTABILITY STATEMENT[10]

January 1, 20XX to December 31, 20XX

			QUESTIONED COSTS[11]		
	BUDGET	ACTUAL	INELIGIBLE	UNSUPPORTED	NOTES[12]
REVENUE					
Grant No. 1 (MCC/X)	$xxx	$xxx			
Grant No. 2 (MCC/Y)	xxx	xxx			
Project No. 1 (MCC/X)	xxx	xxx			
Total Revenue	$xxx	$xxx			
COSTS INCURRED[13]					
Administrative					
Grant No. 1	$xxx	$xxx	$xxx		Note 1
Grant No. 2	xxx	xxx		$xxx	Note 2

---

[10] Supporting schedules detailing revenues, costs incurred, outstanding fund balances, commodities, and technical assistance directly procured by MCC for each individual agreement should be attached.

[11] All questioned costs will be listed here. All material questioned costs resulting from instances of noncompliance with agreement terms and applicable laws and regulations should be included as findings in the report on compliance.

[12] The notes to the fund accountability statement should briefly describe both material and immaterial questioned costs and should be cross-referenced to any corresponding findings in the report on compliance.

[13] Should include both costs incurred and reimbursed (liquidated) by MCC and costs incurred but pending reimbursement (liquidation) by MCC. Questioned amounts for costs pending reimbursement should be identified in the findings and notes as not reimbursed by MCC.

Example 6.1 - Illustrative Fund Accountability Statement (Continued)

(NAME OF RECIPIENT)
FUND ACCOUNTABILITY STATEMENT

January 1, 20XX to December 31, 20XX

			QUESTIONED COST		
	BUDGET	ACTUAL	INELIGIBLE	UNSUPPORTED	NOTES
	xxx	xxx			
	$xxx	$xxx			
Salaries					
Grant No. 1	$xxx	$xxx	$xxx		Note 3
Grant No. 2	xxx	xxx		$xxx	Note 4
Loan No. 1	xxx	xxx		xxx	Note 5
	$xxx	$xxx		$xxx	
Transportation					
Grant No. 1	$xxx	$xxx			
Grant No. 2	xxx	xxx	$xxx		Note 6
Equipment					
Grant No. 2	$xxx	$xxx		$xxx	Note 7
Maintenance					
Grant No. 2	$xxx	$xxx			
Other Direct					
Grant No. 1	$xxx	$xxx			
Indirect					
Grant No. 1	$xxx	$xxx			
Loan No. 1	xxx	xxx			
	$xxx	$xxx			
Total Costs Incurred	$xxx	$xxx			
Outstanding Fund Balance[14]		$xxx	$xxx	$xxx	

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[14] Should reconcile with cash on hand and in bank accounts after considering any reconciling items. This reconciliation should be included in a note to the fund accountability statement.

Example 6.1 - Illustrative Fund Accountability Statement (Continued)

(NAME OF RECIPIENT)
FUND ACCOUNTABILITY STATEMENT

January 1, 20XX to December 31, 20XX

			QUESTIONED COST		
	BUDGET	**ACTUAL**	**INELIGIBLE**	**UNSUPPORTED**	**NOTES**
Commodities & Technical Assistance Directly Procured by MCC[15]					
Vehicles					
Grant No. 1	$xxx	$xxx	$xxx		Note 8
Grant No. 2	xxx	xxx			
	$xxx	$xxx			
Technical Assistance					
Grant No. 1	$xxx	$xxx			
Grant No. 2	xxx	xxx	$xxx		Note 9
	$xxx	$xxx			
Equipment					
Grant No. 1	$xxx	$xxx	$xxx	$xxx	Notes 10, 11
Total MCC Procurement	$xxx	$xxx	$xxx	$xxx	
Total Questioned Costs					
			$xxx	$xxx	

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[15] The cost of all commodities and technical assistance whose existence or proper use in accordance with the agreements cannot be verified should be questioned.

Example 6.2.A - Illustrative Cost-Sharing Schedule for Agreements with Life-of-Project Cost-Sharing Budgets That Have Not Yet Ended

(NAME OF RECIPIENT)
COST-SHARING SCHEDULE
FROM JANUARY 1, 20XX TO DECEMBER 31, 20XX

		QUESTIONED COSTS [16]		
	ACTUAL	INELIGIBLE	UNSUPPORTED	NOTES[17]
CASH				
Grant No. 1	$xxx			
Grant No. 2	xxx	$xxx		Note 1
IN-KIND				
Grant No. 1	$xxx		$xxx	Note 2
Grant No. 2	xxx			
TOTAL	$xxx	$xxx	$xxx	

---

[16] All questioned cost-sharing costs will be listed here. All material questioned costs resulting from instances of noncompliance with agreement terms and applicable laws and regulations must be included as findings in the report on compliance.

[17] The notes to the cost-sharing schedule should briefly describe both material and immaterial questioned costs and should be cross-referenced to any corresponding findings in the report on compliance.

Example 6.2.B - Illustrative Cost-Sharing Schedule for Close-Out Audits of Awards with Life-of-Project Cost-Sharing Budgets, and Audits of Awards with Annual Cost-Sharing Budgets

(NAME OF RECIPIENT)
COST-SHARING SCHEDULE
FROM JANUARY 1, 20XX TO DECEMBER 31, 20XX[18]

				QUESTIONED COSTS[19]		
	BUDGET[20]	ACTUAL	SHORTFALL[21]	INELIGIBLE	UNSUPPORTED	NOTES[22]
CASH						
Grant No. 1	$xxx	$xxx				
Grant No. 2	xxx	xxx	$xxx	$xxx		Note 1
IN-KIND						
Grant No. 1	$xxx	$xxx			$xxx	Note 2
Grant No. 2	xxx	xxx	xxx			
TOTAL	$xxx	$xxx	$xxx	$xxx	$xxx	

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[18] The cost-sharing contributions, to be presented in the cost-sharing schedule, depend on the period covered by the cost-sharing budget. If the budget covers the life of the project, then the contributions, as well as any shortfalls or questioned costs, will be presented on a cumulative basis from the project's inception. If the cost-sharing budget covers a one-year period, then the cost-sharing contributions and any shortfalls or questioned costs will be presented on an annual basis.

[19] All questioned cost-sharing costs will be listed here. All material questioned costs resulting from instances of noncompliance with agreement terms and applicable laws and regulations must be included as findings in the report on compliance.

[20] For closeout audits of awards with life-of-project cost-sharing budgets, the auditors will use the life-of-project budget. For audits with annual cost-sharing budgets, the auditors will use the budget for the period under audit.

[21] This column will show required cost-sharing contributions that were not provided by the recipient. Since questioned costs are not considered as provided by the recipient, they might have an impact on the "shortfall" column. All material cost-sharing shortfalls must be included as findings in the report on compliance. All cost-sharing shortfalls will be briefly described in the notes to the cost-sharing schedule, and be cross-referenced to any corresponding findings in the report on compliance.

[22] The notes to the cost-sharing schedule should briefly describe both material and immaterial questioned costs, and shortfalls. The notes should be cross-referenced to any corresponding findings in the report on compliance.

Example 6.3 - Illustrative Schedule of Computation of Indirect Cost Rate

(NAME OF RECIPIENT)
SCHEDULE OF COMPUTATION OF
INDIRECT COST RATE

For the Year Ended December 20XX

	EXPENSES	**EXCLUSIONS/ UNALLOWABLE EXPENSES**[23]	**DIRECT COST BASE**	**INDIRECT COST POOL**
Salaries & Wages	$ 1,000	$ 100	$ 800	$ 100
Employee Benefits	100	10	80	10
Payroll Taxes	100	10	80	10
Professional Expenses	400	200	200	
Travel	50		50	
Representation	100	100		
Occupancy & Cleaning	50			50
Telephone	50			50
Office Supplies	50			50
Postage & Shipping	100		100	
Equipment Rental	200		200	
Repairs & Maintenance	150		100	50
Depreciation	50		50	
Printing & Duplicating	50			50
Resource Aids	100		100	
Insurance	100		100	
Bad Debt Expense	50	50		
Miscellaneous	50	10		40
Fund Raising	200	200		
Total	$ 2,950[24]	$ 680	$ 1,860	$ 410

Indirect cost rate calculation:

$$\frac{\text{Indirect Costs} \quad \$\ 410}{\text{Direct Cost Base} \quad \$\ 1{,}860} = 22\%$$

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[23] *Excludes capital expenditures and other distorting items such as major subcontracts or subawards. Unallowable costs should be excluded; however, costs that are unallowable as direct charges to MCC awards must still be included in the direct cost base and allocated their share of the organization's indirect costs if they represent costs which (1) include the salaries of personnel, (2) occupy space, and (3) benefit from the organization's indirect costs.

[24] Agrees to the total expenses shown in the audited general purpose financial statements.

Chapter 7: Illustrative Reports

The following illustrations of auditor's reports will provide useful examples of the types of reports that will satisfy the requirements of these *Guidelines*. For additional guidance, the auditors should refer to the applicable AICPA Statements on Auditing Standards. *****To make it easier for audit firms to comply with these *Guidelines*, the format and content of the audit reports should closely follow the following illustrative reports.

Example 7.1.A - Illustrative Auditor's Report on a Fund Accountability Statement with an Unqualified Opinion

Independent Auditor's Report[25]

Board of Directors
Name of Recipient Organization
Complete Mailing Address

We have audited the fund accountability statement of *(name of recipient)* for the year ended June 30, 20XX. The fund accountability statement is the responsibility of *(name of recipient)'s* management. Our responsibility is to express an opinion on the fund accountability statement based on our audit.

We conducted our audit of the fund accountability statement in accordance with *U.S. Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the fund accountability statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.[26]

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[25] For guidance on these reports, refer to AICPA SAS No. 58, “Reports on Audited Financial Statements,” SAS No. 62, “Special Reports,” and SAS No. 79, “Amendment to Statement on Auditing Standards No. 58.” The auditors should express an adverse or disclaimer of opinion when material departures or scope restrictions are to such an extent that, in the auditor’s judgment, they would preclude the expression of a qualified opinion.

[26] The lack of a satisfactory continuing education program and/or external quality control review program must be disclosed in the second paragraph of the report. In such case, the second paragraph and additional explanatory paragraphs would read as follows:

“Except as discussed in the following paragraph(s), we conducted our audit of the fund accountability statement in accordance with *U.S. Government Auditing Standards* issued by the Comptroller General of the United States....” (continue with the standard language for this paragraph).

“We do not have a continuing education program that fully satisfies the requirement set forth in Chapter 3, paragraph 3.6 of *U.S. Government Auditing Standards*. However, our current program provides for at least *(number)* hours of continuing education and training every two years. We are taking appropriate steps to implement a continuing education program that fully satisfies the requirement.”

“We did not have an external quality control review by an unaffiliated audit organization as required by Chapter 3, In our opinion, the fund accountability statement referred to above presents fairly, in all material respects, program revenues, costs incurred and reimbursed, and commodities and technical assistance directly procured by Millennium Challenge Corporation (MCC) for the year then ended in accordance with the terms of the agreements and in conformity with the basis of accounting described in Note X.

*****In accordance with *U.S. Government Auditing Standards,* we have also issued our reports dated June 30, 20XX, on our consideration of *(name of recipient)'s* internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations. Those reports are an integral part of an audit performed in accordance with *U.S. Government Auditing Standards* and should be read in conjunction with this Independent's Auditor's Report in considering the results of our audit.

This report is intended for the information of *(name of recipient)* and MCC. However, upon release by MCC, this report is a matter of public record and its distribution is not limited.

Audit Firm's Signature

Date

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paragraph 3.33 of *U.S. Government Auditing Standards*, since no such program is offered by professional organizations in *(name of country).* We believe that the effects of this departure from U.S. *Government Auditing Standards* is not material because we participate in the *(name of U.S. affiliate)* worldwide internal quality control review program which requires our office to be subjected, every three years, to an extensive quality control review by partners and managers from other affiliate offices."

Example 7.1.B - Illustrative Auditor's Report on a Fund Accountability Statement[27] with a Qualified Opinion

Independent Auditor's Report

Board of Directors
Name of Recipient Organization
Complete Mailing Address

We have audited the fund accountability statement of *(name of recipient)* for the year ended June 30, 20XX. The fund accountability statement is the responsibility of *(name of foreign recipient)*'s management. Our responsibility is to express an opinion on the fund accountability statement based on our audit.

We conducted our audit of the fund accountability statement in accordance with *U.S. Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the fund accountability statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The results of our tests disclosed the following material questioned costs as detailed in the fund accountability statement: (1) $XXX in costs that are explicitly questioned because they are not program related, unreasonable, or prohibited by the terms of the agreements; and (2) $XXX in costs that are not supported with adequate documentation or did not have required prior approvals or authorizations.[28]

In our opinion, except for the effects of the questioned costs discussed in the preceding paragraph, the fund accountability statement referred to above presents fairly, in all material respects, program revenues, costs incurred and reimbursed, and commodities and technical assistance directly procured by Millennium Challenge Corporation (MCC) for the year then ended in accordance with the terms of the agreements and in conformity with the basis of accounting described in Note X.

In accordance with *U.S. Government Auditing Standards,* we have also issued our reports dated June 30, 20XX, on our consideration of *(name of recipient)'s* internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations. Those reports are an integral part of an audit performed in accordance with *U.S. Government Auditing Standards* and should be read in conjunction with this Independent Auditor's Report in considering the results of our audit.

This report is intended for the information of *(name of recipient)* and MCC. However, upon release by MCC, this report is a matter of public record and its distribution is not limited.

Audit Firm's Signature

Date

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[27] For guidance on these reports, refer to AICPA SAS No. 58, "Reports on Audited Financial Statements," SAS No. 62, "Special Reports," and SAS No. 79 Amendment to Statement on Auditing Standards No. 58. The auditors must express an adverse or disclaimer of opinion when material departures or scope restrictions are to such an extent that, in the auditor's judgment, they would preclude the expression of a qualified opinion.

[28] This paragraph is illustrative only and can be modified or excluded based on the type of findings contained in the report.

Example 7.2.A - Illustrative Auditor's Report on Internal Control with No Reportable Conditions Noted

Independent Auditor's Report on Internal Control

Board of Directors
Name of Recipient Organization
Complete Mailing Address

We have audited the fund accountability statement of *(name of recipient)* as of and for the year ended June 30, 20XX, and have issued our report on it dated August 15, 20XX. We also reviewed the separate cost-sharing schedule *(if applicable)*.

We conducted our audit in accordance with *U.S. Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement.[29]

The management of *(name of recipient)* is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition; transactions are executed in accordance with management's authorization and in accordance with the terms of the agreements; and transactions are recorded properly to permit the preparation of the fund accountability statement in conformity with the basis of accounting described in Note X to the fund accountability statement. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the fund accountability statement of *(name of recipient)* for the year ended June 30, 20XX, we obtained an understanding of internal control. With respect to internal control, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the fund accountability statement and not to provide an opinion on internal control. Accordingly, we do not express such an opinion.

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[29] The lack of a satisfactory continuing education program and/or external quality control review program must be disclosed in the second paragraph as follows:

"Except for not having a fully satisfactory continuing education program and/or not conducting an external quality control review by an unaffiliated audit organization (as described in our report on the fund accountability statement), we conducted our audit in accordance with *U.S. Government Auditing Standards* issued by the Comptroller General of the United States...." (continue with the standard language for this paragraph).

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants (AICPA). A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control elements does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the fund accountability statement and the cost-sharing schedule *(if applicable)* may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control and its operation that we consider to be material weaknesses as defined above.

However, we noted certain matters involving internal control and its operation that we have reported to the management of *(name of recipient)* in a separate letter dated August 15, 20XX.[30]

This report is intended for the information of *(name of recipient)* and the Millennium Challenge Corporation (MCC). However, upon release by MCC, this report is a matter of public record and its distribution is not limited.

Audit Firm's Signature

Date

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[30] Exclude this paragraph if there are no nonreportable conditions.

Example 7.2.B - Illustrative Auditor's Report on Internal Control with Reportable Conditions Noted

Independent Auditor's Report on Internal Control

Board of Directors
Name of Recipient Organization
Complete Mailing Address

We have audited the fund accountability statement of *(name of recipient)* as of and for the year ended June 30, 20XX, and have issued our report on it dated August 15, 20XX. We also reviewed the separate cost-sharing schedule *(if applicable)*.

We conducted our audit in accordance with *U.S. Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement.

The management of *(name of recipient)* is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition; transactions are executed in accordance with management's authorization and in accordance with the terms of the agreements; and transactions are recorded properly to permit the preparation of the fund accountability statement in conformity with the basis of accounting described in Note X to the fund accountability statement. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the fund accountability statement of (*name of recipient*) for the year ended June 30, 20XX, we obtained an understanding of internal control. With respect to internal control, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the fund accountability statement and not to provide an opinion on internal control. Accordingly, we do not express such an opinion.

We noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants (AICPA). Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the recipient's ability to record, process, summarize, and report financial data consistent with the assertions of management in the fund accountability statement and cost-sharing schedule *(if applicable)*.

(Include paragraphs summarizing the reportable conditions, with references to the attached findings, which should fully describe the conditions noted.)

A material weakness is a reportable condition in which the design or operation of one or more of the internal control elements does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the fund accountability statement and the cost-sharing schedule *(if applicable)* may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described above is a material weakness.[31]

We also noted other matters involving internal control and its operation that we have reported to the management of *(name of recipient)* in a separate letter dated August 15, 20XX.[32]

This report is intended for the information of *(name of recipient)* and the Millennium Challenge Corporation (MCC). However, upon release by MCC, this report is a matter of public record and its distribution is not limited.

Audit Firm's Signature

Date

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[31] If conditions believed to be material weaknesses are disclosed, the report must describe the weaknesses that have come to the auditor's attention. The last sentence of this paragraph should be modified as follows:

"However, we noted the following matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above. These conditions were considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the fund accountability statement of *(name of recipient)* for the year ended June 30, 20XX.

(A description of the material weaknesses that have come to the auditor's attention would follow and must be cross-referenced to the attached findings.)

[32] Exclude this paragraph if there are no non-reportable conditions.

Example 7.3.A - Illustrative Auditor's Report on Compliance with No Material Noncompliance Noted

Independent Auditor's Report on Compliance

Board of Directors
Name of Recipient Organization
Complete Mailing Address

We have audited the fund accountability statement of *(name of recipient)* as of and for the year ended June 30, 20XX, and have issued our report on it dated August 15, 20XX. We also reviewed the separate cost-sharing schedule *(if applicable).*

We conducted our audit in accordance with *U.S. Government Auditing Standards* issued by the Comptroller General of the United States. *****Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement resulting from violations of agreement terms and laws and regulations that have a direct and material effect on the determination of the fund accountability statement amounts.[33]

Compliance with agreement terms and laws and regulations applicable to *(name of recipient)* is the responsibility of *(name of recipient)*'s management. As part of obtaining reasonable assurance about whether the fund accountability statement is free of material misstatement, we performed tests of (*name of recipient*)'s compliance with certain provisions of agreement terms and laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion. We also performed tests of *(name of recipient)'s* compliance with certain provisions of agreement terms and laws and regulations applicable to the provision of cost-sharing contributions *(if applicable).*

The results of our tests disclosed no instances of noncompliance that are required to be reported here under *U.S. Government Auditing Standards*.[34]

We noted certain immaterial instances of noncompliance that we have reported to the management of *(name of recipient)* in a separate letter dated August 15, 20XX.[35]

This report is intended for the information of *(name of recipient)* and the Millennium Challenge Corporation (MCC). However, upon release MCC, this report is a matter of public record and its distribution is not limited.

Audit Firm's Signature

Date

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[33] The lack of a satisfactory continuing education program and/or external quality control review program must be disclosed in the second paragraph as follows:

"Except for not having a fully satisfactory continuing education program and/or not conducting an external quality control review by an unaffiliated audit organization (as described in our report on the fund accountability statement), we conducted our audit in accordance with *U.S. Government Auditing Standards* issued by the Comptroller General of the United States...." (continue with the standard language of this paragraph).

[34] See *U.S. Government Auditing Standards*, Chapter 5, paragraphs 5.18 - 5.25 for reporting criteria.

[35] Exclude this paragraph if there are no immaterial instances of noncompliance.

Example 7.3.B - Illustrative Auditor's Report on Compliance with Material Noncompliance Noted

Independent Auditor's Report on Compliance

Board of Directors
Name of Recipient Organization
Complete Mailing Address

We have audited the fund accountability statement of *(name of recipient)* as of and for the year ended June 30, 20XX and have issued our report on it dated August 15, 20XX. We also reviewed the separate cost-sharing schedule *(if applicable)*.

We conducted our audit in accordance with *U.S. Government Auditing Standards* issued by the Comptroller General of the United States. *****Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement resulting from violations of agreement terms and laws and regulations that have a direct and material effect on the determination of the fund accountability statement amounts.

Compliance with the terms and conditions of the Compact and related Agreements and laws and regulations applicable to *(name of recipient)* is the responsibility of *(name of recipient)*'s management. As part of obtaining reasonable assurance about whether the fund accountability statement is free of material misstatement, we performed tests of *(name of recipient)*'s compliance with certain provisions of agreement terms and laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion. We also performed tests of *(name of recipient)*'s compliance with certain provisions of agreement terms and laws and regulations applicable to the provision of cost-sharing contributions *(if applicable)*.

Material instances of noncompliance are failures to follow requirements or violations of agreement terms and laws and regulations that cause us to conclude that the aggregation of misstatements resulting from those failures or violations is material to the fund accountability statement and the cost-sharing schedule *(if applicable)*. The results of our compliance tests disclosed the following material instances of noncompliance, the effects of which are shown as questioned costs in *(name of recipient)*'s 20XX fund accountability statement and cost-sharing schedule *(if applicable)*.

(Include paragraphs summarizing the material instances of noncompliance, with references to the attached findings, which must fully describe the material instances of noncompliance.)[36]

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[36] *U.S. Government Auditing Standards* state that audit findings have been regarded as containing the elements of condition, criteria, cause, and effect. The auditors must attempt to identify these points to provide sufficient information to permit timely and proper corrective action. These findings may also serve as a basis for conducting additional audit work.

We considered these material instances of noncompliance in forming our opinion on whether *(name of recipient)*'s 20XX fund accountability statement is presented fairly, in all material respects, in accordance with the terms of the agreements and in conformity with the basis of accounting described in Note X to the fund accountability statement, and this report does not affect our report on the fund accountability statement dated *(date of report)*.

We noted certain immaterial instances of noncompliance that we have reported to the management of *(name of recipient)* in a separate letter dated August 15, 20XX.[37]

This report is intended for the information of *(name of recipient)* and the Millennium Challenge Corporation (MCC). However, upon release by MCC, this report is a matter of public record and its distribution is not limited.

Audit Firm's Signature

Date

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[37] Exclude this paragraph if there are no immaterial instances of noncompliance.

Example 7.4 – Illustrative Report on Schedule of Computation of Indirect Cost Rate

Board of Directors
Name of Recipient Organization
Complete Mailing Address

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of computation of indirect cost rate contained on page (x) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as whole.

Audit Firm's Signature

Date

Example 7.5 – Illustrative Unqualified Opinion on the General Purpose Financial Statements of the Recipient Organization as a Whole

Independent Auditor's Report[38]

Board of Directors
Name of Recipient Organization
Complete Mailing Address

We have audited the accompanying balance sheet of *(name of recipient)* as of June 30, 20XX, and the related statements of revenue and expenditures, and changes in fund balances for the year then ended. These financial statements are the responsibility of *(name of recipient)* management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with (*insert source of auditing standards*). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of *(name of recipient)* at June 30, 20XX, and the results of its operation and its fund balances for the year then ended in conformity with generally accepted accounting principles.

Audit Firm's Signature

Date

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[38] For guidance on basic financial statement reports requiring other than an unqualified opinion, refer to SAS No. 58, "Reports on Audited Financial Statements" and SAS No. 79, Amendment to SAS No. 58.

The auditors must express a qualified, adverse, or disclaimer of opinion when a lack of sufficient, competent evidential matter or restrictions on the scope of the auditor's examination have led him or her to conclude that an unqualified opinion cannot be expressed.

Example 7.6.A - Illustrative Auditor's Report on the Cost-Sharing Schedule for Agreements with Life-of-Project Cost-Sharing Budgets That Have Not Yet Ended, with No Reportable Conditions Noted

Independent Auditor's Review Report on the Cost-Sharing Schedule

Board of Directors
Name of Recipient Organization
Complete Mailing Address

We have reviewed the accompanying cost-sharing schedule of *(name of recipient)* for the period *(date of beginning of current audit period)* to *(date of end of current audit period)*. Our review was conducted in accordance with standards established by the American Institute of Certified Public Accountants (AICPA).[39] The purpose of our review was to determine if the cost-sharing schedule is fairly presented in accordance with the basis of accounting described in note X to the cost-sharing schedule. We also considered internal control related to the provision of and accounting for cost-sharing contributions.

A review consists principally of inquiries of recipient personnel and analytical procedures applied to financial data. It is substantially more limited in scope than an examination, the objective of which is to express an opinion on the cost-sharing schedule. Accordingly, we do not express such an opinion.

Based on our review, nothing came to our attention that caused us to believe that *(name of recipient)* did not fairly present the cost-sharing schedule, in all material respects, in accordance with the basis of accounting used to prepare the cost-sharing schedule.

This report is intended for the information of *(name of recipient)* and the Millennium Challenge Corporation (MCC). However, upon release by MCC, this report is a matter of public record and its distribution is not limited.

Audit Firm's Signature

Date

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[39] For reporting guidance, see AICPA Statements of Standards for Attestation Engagements, Attestation Standard (AT) 100.64.

Example 7.6.B - Illustrative Auditor's Report on the Cost-Sharing Schedule for Agreements with Life-of-Project Cost-Sharing Budgets That Have Not Yet Ended, with Reportable Conditions Noted

Independent Auditor's Review Report on the
Cost-Sharing Schedule

Board of Directors
Name of Recipient Organization
Complete Mailing Address

We have reviewed the accompanying cost-sharing schedule of *(name of recipient)* for the period *(date of beginning of current audit period)* to *(date of end of current audit period)*. Our review was conducted in accordance with standards established by the American Institute of Certified Public Accountants (AICPA).[40] The purpose of our review was to determine if the cost-sharing schedule is fairly presented in accordance with the basis of accounting described in note X to the cost-sharing schedule. We also considered internal control related to the provision of and accounting for cost-sharing contributions.

A review consists principally of inquiries of recipient personnel and analytical procedures applied to financial data. It is substantially more limited in scope than an examination, the objective of which is to express an opinion on the cost-sharing schedule. Accordingly, we do not express such an opinion.

The results of our review disclosed the following material questioned costs as detailed in the cost-sharing schedule: (1) $XXX in ineligible costs which were not fairly presented in accordance with the basis of accounting used by the recipient to prepare the cost-sharing schedule, and (2) $XXX in unsupported costs which were not fairly presented in accordance with the basis of accounting used by the recipient to prepare the cost-sharing schedule.[41]

(Include paragraphs summarizing the internal control and compliance findings related to the cost-sharing schedule with references to the findings in the reports on internal control and compliance, as applicable, as well as the notes to the cost-sharing schedule.)

Based on our review, except as noted above, nothing came to our attention that caused us to believe that *(name of recipient)* did not fairly present the cost-sharing schedule, in all material respects, in accordance with the basis of accounting used to prepare the cost-sharing schedule.

This report is intended for the information of *(name of recipient)* and the Millennium Challenge Corporation (MCC). However, upon release by MCC, this report is a matter of public record and its distribution is not limited.

Audit Firm's Signature

Date

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[40] For reporting guidance, see AICPA Statements of Standards for Attestation Engagements, Attestation Standard (AT) 100.64.

[41] This paragraph is illustrative only and can be modified or excluded based on the type of findings contained in the report.

Example 7.6.C - Illustrative Auditor's Report on the Cost-Sharing Schedule for Close-Out Audits of Agreements with Life-of-Project Cost-Sharing Budgets, and Audits of Agreements with Annual Cost-Sharing Budgets, with No Reportable Conditions Noted

Independent Auditor's Review Report on the Cost-Sharing Schedule

Board of Directors
Name of Recipient Organization
Complete Mailing Address

We have reviewed the accompanying schedule of counterpart contributions of *(name of recipient)* for the period *(date of beginning of current audit period)* to *(date of end of current audit period).* Our review was conducted in accordance with standards established by the American Institute of Certified Public Accountants (AICPA).[42] The purpose of our review was to determine if the cost-sharing schedule is fairly presented in accordance with the basis of accounting described in note X to the cost-sharing schedule and to determine if cost-sharing contributions were provided in accordance with the terms of the agreements. We also considered internal control related to the provision of and accounting for cost-sharing contributions.

A review consists principally of inquiries of recipient personnel and analytical procedures applied to financial data. It is substantially more limited in scope than an examination, the objective of which is to express an opinion on the cost-sharing schedule. Accordingly, we do not express such an opinion.

Based on our review, nothing came to our attention that caused us to believe that *(name of recipient)* did not fairly present the cost-sharing schedule, in all material respects, in accordance with the basis of accounting used to prepare the cost-sharing schedule. Furthermore, nothing came to our attention that caused us to believe that the recipient has not provided and accounted for cost-sharing contributions, in all material respects, in accordance with the terms of the agreements.

This report is intended for the information of *(name of recipient)* and the Millennium Challenge Corporation (MCC). However, upon release by MCC, this report is a matter of public record and its distribution is not limited.

Audit Firm's Signature

Date

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[42] For reporting guidance, see AICPA Statements of Standards for Attestation Engagements, Attestation Standard (AT) 100.64.

Example 7.6.D - Illustrative Auditor's Report on the Cost-Sharing Schedule for Close-Out Audits of Agreements with Life-of-Project Cost-Sharing Budgets, and Audits of Agreements with Annual Cost-Sharing Budgets, with Reportable Conditions Noted

Independent Auditor's Review Report on the Cost-Sharing Schedule

Board of Directors
Name of Recipient Organization
Complete Mailing Address

We have reviewed the accompanying schedule of counterpart contributions of *(name of recipient)* for the period *(date of beginning of current audit period)* to *(date of end of current audit period)*. Our review was conducted in accordance with standards established by the American Institute of Certified Public Accountants (AICPA).[43] The purpose of our review was to determine if the cost-sharing schedule is fairly presented in accordance with the basis of accounting described in note X to the cost-sharing schedule and to determine if cost-sharing contributions were provided in accordance with the terms of the agreements. We also considered internal control related to the provision of and accounting for cost-sharing contributions.

A review consists principally of inquiries of recipient personnel and analytical procedures applied to financial data. It is substantially more limited in scope than an examination, the objective of which is to express an opinion on the cost-sharing schedule. Accordingly, we do not express such an opinion.

The results of our review disclosed the following material questioned costs as detailed in the cost-sharing schedule: (1) $XXX in ineligible costs which were not provided in accordance with the terms of the agreements, and (2) $XXX in unsupported costs which were not accounted for in accordance with the terms of the agreements.[44]

(Include paragraphs summarizing the internal control and compliance findings related to the cost-sharing schedule with references to the findings in the reports on internal control and compliance, as applicable, as well as the notes to the cost-sharing schedule.)

Based on our review, except as noted above, nothing came to our attention that caused us to believe that *(name of recipient)* did not fairly present the cost-sharing schedule, in all material respects, in accordance with the basis of accounting used to prepare the cost-sharing schedule. Furthermore, except as noted above, nothing came to our attention that caused us to believe that the recipient has not provided and accounted for cost-sharing contributions, in all material respects, in accordance with the terms of the agreements.

This report is intended for the information of *(name of recipient)* and the Millennium Challenge Corporation (MCC). However, upon release by MCC, this report is a matter of public record and its distribution is not limited.

Audit Firm's Signature

Date

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[43] For reporting guidance, see AICPA Statements of Standards for Attestation Engagements, Attestation Standard (AT) 100.64.

[44] This paragraph is illustrative only and can be modified or excluded based on the type of findings contained in the report.

Chapter 8: Outline of an Illustrative Statement of Work for Recipient Contracted Audits

I. BACKGROUND

This section must contain a brief description of the MCC program objectives, implementing agencies and their responsibilities in the MCC programs, amount, type and purpose of MCC and other program contributions, duration of the program and other significant requirements.

II. TITLE

This section must contain the title and number of the MCC programs.

III. OBJECTIVES

This section must state that this is a financial audit of the MCC-funded programs and the period covered. It should also contain the requirements from Chapter 3 of these *Guidelines*. The objectives concerning the audit of the indirect cost rate and the general purpose financial statements of the recipient organization as a whole should only be included if applicable.

IV. AUDIT SCOPE

This section must include the requirements of Chapter 4 of these *Guidelines*. The scope requirements concerning the audit of the indirect cost rate and the general purpose financial statements of the recipient organization as a whole should only be included if applicable. In addition, the cognizant MCA may expand the scope of the audit to include additional requirements to address special MCA concerns.

V. REPORTS

This section must include the requirements of Chapter 5 of these *Guidelines*. The reporting requirements concerning the audit of the indirect cost rate and the general purpose financial statements of the recipient organization as a whole should only be included if applicable.

VI. INSPECTION AND ACCEPTANCE OF AUDIT WORK AND REPORTS

This section will discuss the responsibilities of the cognizant MCA, the recipient, and the OIG in the inspection and acceptance of the audit work and reports.

VII. RELATIONSHIPS AND RESPONSIBILITIES

This section should establish the relationships and responsibilities between the independent auditor, the recipient, the cognizant MCA, and the OIG.

VIII. TERMS OF PERFORMANCE

This section requires timely completion of the audit report after the end of the fiscal year. (The OIG must receive the audit report no later than ninety days after the end of the audited period.) This section must also describe how payments to the independent auditor are to be made. The final payment cannot be made until after the OIG office approves the report.

Chapter 9: Model Audit Agreement with Supreme Audit Institutions

The MCA and the *(title of the recipient country's Supreme Audit Institution -- hereinafter referred to as the SAI)* agree that the SAI may perform or contract for audits of MCC funding agreements with the Government of *(name of country)*.

The audits must be performed in accordance with the *Guidelines for Financial Audits Contracted by MCA* issued by the Inspector General, as required by the standard audit provisions contained in the respective agreements between MCC and the Government of *(name of country)*.

MCA and the SAI agree that the SAI will perform audits in accordance with *U.S. Government Auditing Standards* or such standards as the principals may agree upon.

MCA and the SAI may agree that the SAI can contract an independent public accounting firm to perform audits of governmental organizations. These contracted audits must be performed in accordance with *U.S. Government Auditing Standards* and be supervised by the SAI. MCA may finance these audit contracts. The audit firms and contracts must be approved by MCC before the contract is entered into.

MCA and the SAI may agree that the SAI can contract an independent public accounting firm or qualified individual to supervise the audits to be performed by the SAI or its contractor. MCA may finance these contracts. The contractor and contracts must be approved by MCC before the contract is entered into.

MCA and the SAI must jointly prepare an annual schedule of audits to be performed or contracted by the SAI. The schedule of audits must contain the following information:

- Names of the governmental institutions to be audited.
- Identifying numbers of MCA agreements to be covered by the audits.
- Fiscal year to be covered by the audits.
- Name of the auditors (SAI or public accounting firm).
- Name of the entity in charge of supervising the audits (SAI, public accounting firm, or individual contractor).

Standard statements of work provided by the OIG as examples to be used in performing audits of governmental organizations are attached, and are an integral part of this agreement. MCA must approve all statements of work before audit work begins. MCA may expand the scope of work to allow the review of specific areas that may be of particular interest to MCA for ensuring proper accountability over resources provided to the recipient, and may meet with the SAI or its contractor at the beginning of the audit to explain any financial or compliance areas of concern contained in the statement of work that MCA wants to emphasize.

The scope of audits must include, at a minimum, a report on the fund accountability statement for the MCC-funded programs, a report on internal control related to the MCC-funded programs, and a report on compliance with agreement terms and applicable laws and regulations related to the MCC-funded programs. The OIG will provide technical advice and perform quality control reviews (QCRs) of the workpapers of a sample of audit reports. The OIG will notify the auditee of the results of the QCRs. If the OIG does not accept an audit report because of deficiencies in the work of the SAI or its contractor, the auditors will perform any additional audit work requested by the OIG at no additional cost to MCA.

The SAI or its contractor must properly maintain audit working papers for a period of three years from the completion of the audit. During this three-year period, the SAI or its contractor must immediately provide the working papers when requested by MCA or the OIG.

Signed __________________________ Date
MCA Representative

Signed __________________________ Date
Supreme Audit Institution

Signed __________________________ Date
OIG

Chapter 10:
USAID Inspector General Contact Information

Washington OIG Address and Phone Numbers

U.S. AND EXPRESS MAIL ADDRESSES		PHONES
Office of Inspector General **Director, IG/AIG/MCC/FA** 1300 Pennsylvania Avenue, NW (14th Street Entrance) Rm. 8.09-0 **042** Washington, DC 20523-8100	N/A	TEL: 202-712-~~5480/1326~~ **1150/1170** FAX: 202-216-~~3598~~ **3801**

*Inspector General Hotline for Reporting Fraud, Waste and Abuse

Telephones:[45] 1-800-230-6539 (inside the U.S.) or 202-712-1023

E-Mail Address: ig.hotline@ usaid.gov

Mailing address:

USAID OIG HOTLINE
P.O. Box 657
Washington, DC 20044-0657

The purpose of the OIG Hotline is to receive complaints of Fraud, Waste or Abuse in MCC programs and operations, including mismanagement or violations of law, rules or regulations by MCC employees or program participants. In addition to MCC, the OIG provides oversight services for the United States Agency for International Development**,** the Inter-America Foundation, the African Development Foundation, and upon request, to the Overseas Private Investment Corporation. Complaints may be received directly from MCC employees, participants in MCC programs, or the general public. The IG Act and other pertinent laws provide for the protection of persons making Hotline complaints. You have the option of submitting your complaint(s) via Internet electronic mail, telephone, or U.S. mail. However, if you elect to submit your complaint(s) via Internet e-mail you must waive confidentiality due to the non-secure nature of Internet electronic mail systems.

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[45] You may request confidentiality when using telephone or U.S. mail.

Chapter 35:

Statement of Work for Financial Audits of Accountable Entities

MILLENNIUM CHALLENGE CORPORATION
MCC
UNITED STATES OF AMERICA

REDUCING POVERTY THROUGH GROWTH

Statement of Work for Financial Audits of Accountable Entities

Example Objectives and General Statement of Work for Audit of MCC Resources Managed by (accountable entity) / MCA (country name)

Last updated: November, 2006

I. BACKGROUND

On [date], the U.S. Government, acting through the Millennium Challenge Corporation (MCC), entered into a compact agreement with [insert Country] to implement a program proposed by [insert Country] to advance its progress towards achieving economic growth and poverty reduction. Under the compact agreement, [insert Country] established MCA-[insert Country] [if another name is given to the Accountable Entity, that name should be substituted for MCA[insert Country] throughout this statement of work] as the Accountable Entity to manage the implementation of compact activities.

[Include a brief history of MCA-[insert Country], its principal purposes and goals, location(s) of activities to be audited, location(s) of accounting records and management.]

[The purpose of including complete data on MCA-[insert Country] and the program(s) involved is to provide the auditor with all necessary information for them to properly estimate their audit fees.] Throughout this document we will refer to the MCA [insert Country] as the Accountable Entity.

II. TITLE

Audits of the Fund Accountability Statements[1] of MCC resources managed by MCA–[insert Country] under the agreement between the MCC and the MCA-[insert Country] will cover the six month Base Audit Period ended [insert date] (included under the Base Period) and the six month Option Audit Periods ended [insert date], [insert date]and [insert date] (included under each of three (3) six-month Option Periods).

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[1] A fund accountability statement is the basic financial statement to be audit. It is described in Section III of the statement of work. An example is provided on pages 39-41 of the *MCC Audit Guidelines.*

III. OBJECTIVES

The objective of this engagement is to conduct a financial audit of the MCC resources managed by MCA-[insert Country] under the compact agreement between the Millennium Challenge Corporation, representing the U.S. Government, and the Government of [insert Country] from [insert dates to be audited] in accordance with U.S. Government Auditing Standards issued by the Comptroller General of the United States and the "Millennium Challenge Corporation Guidelines for Financial Audits Contracted by Foreign Recipients" (*MCC Audit Guidelines*) issued by the MCC Inspector General (IG).

The fund accountability statement is the basic financial statement to be audited that presents MCA-[insert Country]'s revenues, costs incurred, cash balance of MCC-provided funds, and assets and technical assistance directly procured by MCC for MCA-[insert Country]'s use. All currency amounts in the fund accountability statement, cost-sharing schedule, schedule of computation of indirect cost rate, and the report findings, if any, must be stated in U.S. dollars. The Auditors must indicate the exchange rate(s) used in the notes to the fund accountability statement.

A. Audit of Funds Provided by MCC

A financial audit of the funds provided by MCC must be performed in accordance with U.S. *Government Auditing Standards* and accordingly include such tests of the accounting records as deemed necessary under the circumstances. The specific objectives of the audit of the MCC-provided funds are to:

- Express an opinion on whether the fund accountability statement for the MCC-funded programs presents fairly, in all material respects, revenues received, costs incurred, and assets and technical assistance directly procured by MCC for the period audited in conformity with the terms of the compact agreement and related ancillary agreements and generally accepted accounting principles or other comprehensive basis of accounting (including the cash receipts and disbursements basis and modifications of the cash basis), including supplemental schedules to reflect accruals for items, such as accounts payable and other related expenses.

- Evaluate and obtain a sufficient understanding of MCA-[insert Country]'s internal controls related to the MCC-funded programs, assess control risk, and identify reportable conditions, including material internal control weaknesses. This evaluation must include the internal controls related to required cost-sharing contributions.

- Perform tests to determine whether MCA-[insert Country] complied, in all material respects, with the compact agreement and related ancillary agreements, and applicable laws and regulations related to MCC-funded programs. All material instances of noncompliance and all illegal acts that have occurred or are likely to have occurred must be identified. Such tests must include the compliance requirements related to required cost-sharing contributions, if applicable. Specifically, the auditor shall perform tests to determine whether MCA-[insert Country] complied, in all material respects, with the Procurement Agreement and the Fiscal Accountability Plan in effect during the audit period.

- Determine if MCA-[insert Country] has taken adequate corrective action on the prior audit report recommendations of [insert date if applicable].

Auditors must design audit steps and procedures in accordance with U.S. Government Auditing Standards, Chapter 4, to provide reasonable assurance of detecting situations or transactions in which fraud or illegal acts have occurred or are likely to have occurred. If such evidence exists, the Auditors must immediately contact the MCC Inspector General and must exercise professional judgment in pursuing indications of possible fraud and illegal acts so as not to interfere with potential future investigations or legal proceedings.

IV. AUDIT SCOPE

The auditor must use the following steps as the basis for the audit programs and the review. They are not considered all-inclusive or restrictive in nature and do not constitute relief from exercising professional judgment. The steps must be modified to fit local conditions and specific program design, implementation procedures, and agreement provisions which may vary from program to program. Any limitations in the statement of work must be communicated as soon as possible to the MCC Inspector General.

The term of the contract will be for a Base Period of approximately three months and three (3) six-month Option Periods. The Client shall determine in its sole discretion whether to exercise an Option Period regardless of the performance of the Auditor; provided that the Client shall obtain the consent of MCC and the MCC Inspector General prior to exercising any Option.

A. Pre-Audit Steps

Following is a list of documents applicable to different MCC-funded programs. The auditor must review the applicable documents considered necessary to perform the audit:

1. The compact agreement between MCC and MCA-[insert Country].

2. Supplemental agreements between MCC and the Government of [insert Country], between MCA-[insert Country] and its agents (e.g., Fiscal Agent and Procurement Agent), and plans called for under the compact agreement. Plans and procedures supplementing such plans might include: Governance Agreement, Bank Agreement(s), Disbursement Agreement, Fiscal Agent Agreement, Fiscal Accountability Plan, Financial Plan, Procurement Agent Agreement, Procurement Plan, Procurement Guidelines, Implementing Entity Agreement(s), M&E Plan, Implementation Plan(s), and Work Plans for the relevant Project or Project Activity, among others.

3. The agreements between MCA-[insert Country] and contractors and grantees, and any other entities implementing compact funded activities on MCA-[insert Country]'s behalf.[2],

4. Implementation letters, and written procedures approved by MCC and/or MCA-[insert Country].

5. The subagreements between MCA-[insert Country] or other implementing entities and their sub-implementing entities, as applicable.

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[2] In a typical MCC compact with a host country, the Accountable Entity established by the host country to implement the compact agreement, i.e., MCA-[insert Country], is the direct recipient of MCC funds. In turn, the MCA entity may establish agreements with Covered Providers--either host country or foreign entities receiving MCC-provided funding in excess of a specified dollar threshold, as well as entities receiving less than the specified dollar thresholds--to implement the compact activities. The MCC Inspector General has developed a separate standard statement of work for non-U.S. Covered Providers to use for financial audits required of them by the host country Accountable Entity.

6. All program financial and progress reports; charts of accounts; organizational charts; accounting systems descriptions; procurement policies and procedures; and receipt, warehousing and distribution procedures for materials, as necessary, to successfully complete the required work.

B. Fund Accountability Statement

A "fund accountability statement" is a financial statement that presents, MCA-[insert Country]'s revenues, costs incurred, cash balance of funds (after considering reconciling items), and assets and technical assistance directly procured by MCC. The fund accountability statement must be presented in U.S. dollars and the exchange rate(s) used must be disclosed in a note to the fund accountability statement.

The auditor must examine the fund accountability statement for MCC-funded programs including the budgeted amounts by category and major items; the revenues received from MCC for the period covered by the audit; the costs reported by MCA-[insert Country] as incurred during that period; and the assets/technical assistance directly procured by MCC for MCA-[insert Country]'s use. The fund accountability statement must include all MCC-provided assistance funds identified by each specific program or agreement. The revenues received, less the costs incurred, after considering any reconciling items, must reconcile with the balance of cash on hand and/or in bank accounts. The fund accountability statement must not include cost-sharing contributions provided from MCA-[insert Country]'s in cash or in-kind.

The Auditors may prepare or assist MCA-[insert Country] in the preparation of the fund accountability statement from the books and records maintained by MCA-[insert Country] but MCA-[insert Country] must accept the responsibility for the statement's accuracy before the audit commences.

The opinion on the fund accountability statement must be in accordance with SAS No. 62 (AU623). The fund accountability statement must separately identify those revenues and costs applicable to each specific agreement funded by MCC. The audit must evaluate program implementation actions and accomplishments to determine whether specific costs incurred are allowable, allocable, and reasonable under the agreement terms, and to identify areas where fraud and illegal acts have occurred or are likely to have occurred as a result of inadequate internal control. At a minimum, the Auditors must:

1. Review direct and indirect costs billed to and reimbursed by MCC and costs incurred but pending reimbursement, identifying and quantifying any questioned costs. *All* costs that are not supported with adequate documentation or are not in accordance with the compact and related agreement terms must be reported as questioned. Questioned costs that are pending reimbursement must be identified in the notes to the fund accountability statement as not yet reimbursed.

2. Questioned costs must be presented in the fund accountability statement in two separate categories (a) *ineligible costs* that are explicitly questioned because they are unreasonable; prohibited by the compact and related agreements or applicable laws and regulations; or not program related; and (b) *unsupported costs* that are not supported with adequate documentation or did not have required prior approvals or authorizations. All questioned costs resulting from instances of noncompliance with the compact and related agreement terms and applicable laws and regulations must be included as findings in the report on compliance. Also, the notes to the fund accountability statement must briefly describe the questioned costs and must be cross-referenced to the corresponding findings in the report on compliance.

3. Review general and program ledgers to determine whether costs incurred were properly recorded. Reconcile direct costs billed to and reimbursed by MCC to the program and general ledgers.

4. Review the procedures used to control the funds, including their channeling to contracted financial institutions or other implementing entities. Review the bank accounts and the controls on those bank accounts. Perform positive confirmation of balances, as necessary.

5. Determine whether disbursement requests made to MCC and any MCA-[insert Country] advances of funds to sub-implementing entities were justified with documentation, including reconciliations of funds advanced, disbursed, and available. The Auditors must ensure that all funding received by MCA-[insert Country] from MCC was appropriately recorded in MCA-[insert Country]'s accounting records and that those records were periodically reconciled with information provided by MCC.

6. Determine whether program income was added to the funds used to further eligible program objectives, to finance the non-MCC share of the program, or deducted from program costs, in accordance with the terms of the compact and related agreements.

7. Review procurements to determine whether sound commercial practices including competition were used, reasonable prices were obtained, and adequate controls were in place over the qualities and quantities received. Assess whether the procurements were in accordance with the Procurement Guidelines, approved Procurement Plan, and the Fiscal Accountability Plan.

8. Review direct salary charges to determine whether salary rates are reasonable for that position, in accordance with those approved by MCC, when such approval is required, and supported by appropriate payroll records. Determine if overtime was charged to the program and whether it is allowable under the terms of the compact and related agreements. Determine whether allowances and fringe benefits received by employees were in accordance with the agreements and applicable laws and regulations. The Auditors must question unallowable salary charges in the fund accountability statement.

9. Review travel and transportation charges to determine whether they are adequately supported and approved. Travel charges that are not supported with adequate documentation or not in accordance with the compact and related agreements and regulations must be questioned in the fund accountability statement.

10. Review assets (e.g., supplies, materials, vehicles, equipment, food products, tools, etc.) procured by MCA-[insert Country] as well as those directly procured by MCC for MCA-[insert Country]'s use. The Auditors must determine whether assets exist or were used for their intended purposes in accordance with the terms of the compact and related agreements, and whether control procedures exist and have been placed in operation to adequately safeguard the assets. As part of the procedures to determine if assets were used for intended purposes, the Auditors must perform end-use reviews for an appropriate sample of all assets based on the control risk assessment (see section IV.C. of this statement of work). End-use reviews would normally include site visits to verify that assets exist or were used

for their intended purposes in accordance with the terms of the compact and related agreements. When conducting end-use reviews, the Auditors must ensure that assets are marked in accordance with grant or contract requirements. The cost of all assets whose existence or proper use, in accordance with the terms of the compact and related agreements, cannot be verified must be questioned in the fund accountability statement.

11. Review technical assistance and services, whether procured by MCA-[insert Country] or directly procured by MCC for MCA-[insert Country]'s use under a grant provided for under Section 609(g) of the Millennium Challenge Act of 2003. The Auditors must determine whether technical assistance and services were used for their intended purposes in accordance with the terms of the compact and related agreements. The cost of technical assistance and services not properly used in accordance with the agreements must be questioned in the fund accountability statement.

12. In addition to the above audit procedures, if technical assistance and services were contracted by MCA-[insert Country] from a non-U.S. contractor, the Auditors must perform additional audit steps of the technical assistance and services under this statement of work, unless MCA-[insert Country] has separately contracted for an audit of these costs. When testing for compliance with the compact and related agreement terms and applicable laws and regulations, the Auditors must not only consider the agreements between MCA-[insert Country] and MCC but also the agreements between MCA-[insert Country] and non-U.S. contractors providing technical assistance and services. The agreements between MCA-[insert Country] and the non-U.S. contractors must be audited using the same audit steps described in the other paragraphs of this section, including all tests necessary to specifically determine that costs incurred are allowable, allocable, reasonable, and supported under the compact and related agreement terms.

13. If technical assistance and services were *not* contracted by MCA-[insert Country] from a non-U.S. contractor, the Auditors are still responsible for determining whether technical assistance and services were used for their intended purposes in accordance with the terms of the compact and related agreements. However, the Auditors are not responsible for performing additional audit steps for the *costs incurred* under the technical assistance and

services agreements, since either MCC or a cognizant U.S. government agency is responsible for contracting for audits of these costs.

Any questioned costs identified through audits of MCA-[insert Country]'s covered providers must be reported in the audit of MCA-[insert Country] since all uses of funds, whether by covered providers or by MCA-[insert Country] itself, will appear in MCA-[insert Country]'s fund accountability statement. Any internal control findings identified through audits of MCA-[insert Country]'s covered providers must be reported in the audit of MCA-[insert Country] if the internal control deficiencies could adversely affect the ability of MCA- [insert Country] to record, process, summarize, and report financial data consistent with the assertions of MCA-[insert Country]'s management in the fund accountability statement. Finally, any compliance findings identified through audits of MCA-[insert Country]'s covered providers must be reported in the audit of MCA-[insert Country] if the compliance deficiencies, alone or cumulatively, have a direct and material effect on the amounts in MCA-[insert Country]'s fund accountability statement.

C. Internal Controls

The Auditors must review and evaluate MCA-[insert Country]'s internal controls related to MCC-funded programs to obtain a sufficient understanding of the design of relevant control policies and procedures and whether those policies and procedures have been placed in operation. The U.S. Government Accountability Office's *Standards for Internal Controls in the Federal Government* (GAO/AIMD-00-21.3.1; 1999) may be helpful in assessing recipient internal controls. The auditor's understanding of the internal controls must be documented in the audit documentation file.

Prepare the report required by the *MCC Audit Guidelines*, identifying the reportable conditions that are significant deficiencies in the design or operation of the internal controls, and the reportable conditions considered to be material weaknesses. Material weaknesses are reportable conditions in which the design or operation of the specific internal control elements do not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the fund accountability statement being audited may occur and not be detected within a timely period by management performing its normal functions. Reportable conditions, including material weaknesses, must be set forth in the report as "findings" (see paragraph 5.1.d of the *MCC Audit Guidelines*). Reportable conditions involve matters coming to the auditor's attention relating to significant deficiencies in the design or operation of internal controls that, in the auditor's judgment, could adversely affect MCA-[insert Country]'s ability to record, process, summarize, and report financial data consistent with the assertions of management in the fund accountability statement. Nonreportable conditions must be included in a separate management letter to MCA-[insert Country] and referred to in the report on the internal controls.

The major internal control components to be studied and evaluated include, but are not limited to, the controls related to each revenue and expense account on the fund accountability statement. The Auditors must:

Obtain a sufficient understanding of the internal controls to plan the audit and to determine the nature, timing and extent of tests to be performed.

Assess inherent risk and control risk, and determine the combined risk. Inherent risk is the susceptibility of an assertion, such as an account balance, to a material misstatement assuming there are no related internal control policies or procedures. Control risk is the risk that a material misstatement, that could occur in an assertion, will not be prevented or detected on a timely basis by the entity's internal control policies or procedures. Combined risk (sometimes referred to as detection risk) is the risk that the auditor will not detect a material misstatement that exists in an assertion. Combined risk depends upon the effectiveness of an auditing procedure and its application by the auditor.

1. Summarize the risk assessments for each assertion in the audit documentation. The risk assessments must consider the following broad categories under which each assertion should be classified: (a) existence or occurrence; (b) completeness; (c) rights and obligations; (d) valuation or allocation; and (e) presentation and disclosure. At a minimum, the audit documentation files must identify the name of the account or assertion, the account balance or the amount represented by the assertion, the assessed level of inherent risk (high, moderate, or low), the assessed level of control risk (high, moderate, or low), the combined risk (high, moderate, or low), and a description of the nature, extent, and timing of the tests performed based on the combined risk. The summarized audit documentation must be cross-indexed to the supporting audit documentation files that contain the detailed analysis of the fieldwork. If control risk is

evaluated at less than the maximum level (high), then the basis for the auditor's conclusion must be documented in the audit documentation files.

If the control risk is assessed at the maximum level for assertions related to material account balances, transaction classes, and disclosure components of financial statements when such assertions are significantly dependent upon computerized information systems, the Auditors must document in the audit documentation files the basis for such conclusions by addressing (i) the ineffectiveness of the design and/or operation of controls, or (ii) the reasons why it would be ineffective to test the controls.

2. Evaluate the control environment, the adequacy of the accounting systems, and control procedures. Emphasis must be placed on the policies and procedures that pertain to MCA-[insert Country]'s ability to record, process, summarize, and report financial data consistent with the assertions embodied in each account of the fund accountability statement. This evaluation must include, but not be limited to, the control systems for:

    b. ensuring that charges to the program are proper and supported;

    c. managing cash on hand and in bank accounts;

    d. procuring goods and services;

    e. managing inventory and receiving functions;

    f. managing personnel functions such as timekeeping, salaries, and benefits;

    g. managing and disposing of assets (such as vehicles, equipment, and tools, as well as other assets) purchased either by the program or directly by the MCC; and

    h. ensuring compliance with compact and related agreement terms and applicable laws and regulations that collectively have a material impact on the fund accountability statement.

The results of this evaluation must be contained in the audit documentation section described in Section IV.E of this statement of work dealing with the review of compliance with compact and related agreement terms and applicable laws and regulations and presented in the compliance report.

1. Evaluate internal controls established to ensure compliance with cost-sharing requirements, if applicable, including both provision and management of the contributions.

2. Include in the study and evaluation other policies and procedures that may be relevant if they pertain to data the auditor uses in applying auditing procedures. This may include, for example, policies and procedures that pertain to non-financial data that the auditor uses in analytical procedures.

In fulfilling the audit requirement relating to an understanding of the internal controls and assessing the level of control risk, the auditor must follow, at a minimum, the guidance contained in AICPA SAS Nos. 55, 60, 78 and 94 (AU110, AU319, AU324 and AU325), respectively entitled *Consideration of Internal Control in a Financial Statement Audit, Communication of Internal Control Related Matters Noted in an Audit, Consideration of Internal Control in a Financial Statement Audit: An Amendment to SAS 55,* and *The Effect of Information Technology on the Auditor's Consideration of Internal Control in a Financial Statement Audit*, as well as SAS No. 74 (AU801) entitled *Compliance Auditing Considerations in Audits of Governmental Entities and Recipients of Governmental Financial Assistance,* and SAS No. 99 entitled *Consideration of Fraud in a Financial Statement Audit.*

D. Compliance with Agreement Terms and Applicable Laws and Regulations

In fulfilling the audit requirement to determine compliance with compact and related agreement terms and applicable laws and regulations related to MCC-funded programs, the Auditors must, at a minimum, follow guidance contained in AICPA SAS No. 74 (AU801) entitled *Compliance Auditing Considerations in Audits of Governmental Entities and Recipients of Governmental Financial Assistance*. The compliance review must also determine—on audits of awards that present cost-sharing budgets on an annual basis and on close-out audits of awards that present cost-sharing budgets on a life-of-project basis—whether cost-sharing contributions were provided and accounted for in accordance with the terms of the agreements. The auditor's report on compliance must set forth as findings all material instances of noncompliance, defined as instances that could have a direct and material effect on the fund accountability statement. Nonmaterial instances of noncompliance must be included in a separate management letter to MCA-[insert Country] and referred to in the report on compliance.

The auditor's report must include all conclusions that a fraud or illegal act either has occurred or is likely to have occurred. In reporting material fraud, illegal acts, abuse, or other noncompliance the Auditors must place their findings in proper perspective. To give the reader a basis for judging the prevalence and consequences of these conditions, the instances identified should be related to the universe or the number of cases examined and be quantified in terms of U.S. dollar value, if appropriate. In presenting material irregularities, illegal acts, or other noncompliance, Auditors must follow the reporting standards contained in Chapter 5 of U.S. *Government Auditing Standards*. Auditors may provide less extensive disclosure of irregularities and illegal acts that are not material in either a quantitative or qualitative sense. Chapter 4 of U.S. *Government Auditing Standards* provides guidance on factors that may influence Auditors' materiality judgments. If the auditor concludes that sufficient evidence of irregularities or illegal acts exists, they must immediately contact the MCC Inspector General, and must exercise due professional care in pursuing indications of possible irregularities and illegal acts so as not to interfere with potential future investigations and/or legal proceedings.

In planning and conducting the tests of compliance, the Auditors must:

1. Identify the requirements of the compact and related compact documents and pertinent laws and regulations and determine which of those, if not observed, could have a direct and material effect on the fund accountability statement. The Auditors must:

    a. list all standard and program-specific provisions contained in the compact and related agreements that cumulatively, if not observed, could have a direct and material effect on the fund accountability statement;

    b. assess the inherent and control risk that material noncompliance could occur for each of the compliance requirements listed in 1.a. above;

    c. determine the nature, timing and extent of audit steps and procedures to test for errors, fraud, and illegal acts that provide reasonable assurance of detecting both intentional and unintentional instances of noncompliance with the compact and related agreement terms and applicable laws and regulations that could have a material effect on the fund accountability statement. This must be based on the risk assessment in 1.b. above; and

d. prepare a summary audit documentation file that adequately identifies each of the specific compliance requirements included in the review, the results of the inherent, control, and combined (detection) risk assessments for each compliance requirement, the audit steps used to test for compliance with each of the requirements based on the risk assessment, and the results of the compliance testing for each requirement. The summary audit documentation file must be cross-indexed to detailed audit documentation files that adequately support the facts and conclusions contained in the summary audit documentation file.

2. Determine if payments have been made in accordance with the compact and related agreement terms and applicable laws and regulations.

3. Determine if funds have been expended for purposes not authorized or not in accordance with applicable agreement terms. If so, the auditor must identify these costs as questioned in the fund accountability statement.

4. Identify any costs not considered appropriate, classifying and explaining why these costs are questioned.

5. Determine whether assets, whether directly procured by MCA-[insert Country] or directly procured by MCC for MCA-[insert Country]'s use, exist or were used for their intended purposes in accordance with the compact and related agreements. Ensure that assets are marked in accordance with agreement requirements. If not, the cost of such assets must be questioned.

6. Determine whether any technical assistance and services, whether procured by MCA-[insert Country] or directly procured by MCC for MCA-[insert Country]'s use, were used for their intended purposes in accordance with the compact and related agreements. If not, the cost of such technical assistance and services must be questioned.

7. Determine if the amount of cost-sharing funds was calculated and accounted for as required by the compact and related agreements or applicable cost principles.

8. Determine if the cost-sharing funds were provided according to the terms of the compact and related agreements. And quantify any shortfalls.

9. Determine whether those who received services and benefits were eligible to receive them.

10. Determine whether MCA-[insert Country]'s financial reports (including those on the status of cost-sharing contributions) and claims for advances and reimbursement contain information that is supported by the books and records.

E. Follow-Up on Prior Audit Recommendations

The Auditors must review the status of actions taken on findings and recommendations reported in any pre-award review and prior audits of MCC-funded programs. Chapter 4 of the U.S. *Government Auditing Standards* under the section entitled *Considering the Results of Previous Audits and Attestation Engagements*, states: "Auditors should consider the results of previous audits and attestation engagements and follow up on known significant findings and recommendations that directly relate to the objectives of the audit being undertaken." As well, the Chapter states, "Auditors should use professional judgment in determining (1) prior periods to be considered, (2) the level of work necessary to follow up on significant findings and recommendations that affect the audit, and (3) the affect on the risk assessment and audit procedures in planning the current audit." They must do this to determine whether the auditee has taken timely and appropriate corrective actions. Auditors must report the status of uncorrected material findings and recommendations from any pre-award survey and prior audits that affect the financial statement audit.

The Auditors must review and report on the status of actions taken on prior findings and recommendations in the summary section of the audit report. The Auditors must refer to the most recent audit report for the same award (for a follow-up audit), or other MCC-funded awards and any pre-award survey (for an initial audit). When corrective action has not been taken and the deficiency remains unresolved for the current audit period and is reported again in the current report, the Auditors need to briefly describe the prior finding and status and show the page reference to where it is included in the current report. If there were no prior findings and recommendations, the Auditors must include a note to that effect in this section of the audit report.

F. Other Audit Responsibilities

The Auditors must perform the following steps:

1. Hold entrance and exit conferences with MCA-[insert Country]. The MCC country representative and MCC Inspector General must be notified of these conferences in order that their representatives and any other MCC representatives that have an interest may attend.

2. During the planning stages of an audit, communicate information to the auditee regarding the nature and extent of planned testing and reporting on compliance with laws and regulations and internal control over financial reporting. Such communication must state that the Auditors do not plan to provide opinions on compliance with laws and regulations and internal control over financial reporting.[3] Written communication is preferred. Auditors must document the communication in the audit documentation files.

3. Institute quality control procedures to ensure that sufficient competent evidence is obtained through inspection, observation, inquiries, and confirmations to afford a reasonable basis for an opinion regarding the financial statements under audit. While Auditors may use their standard procedures for ensuring quality control, those procedures must, at a minimum, ensure that:

    - audit reports and supporting audit documentation files are reviewed by an auditor, preferably at the partner level, who was not involved in the audit. This review must be documented in the audit documentation files;
    - all quantities and monetary amounts involving calculations are footed and cross-footed; and
    - all factual statements, numbers, conclusions and monetary amounts are cross-indexed to supporting audit documentation files.

4. Ascertain whether MCA-[insert Country] ensured that audits of its Covered Providers were performed to ensure accountability for MCC funds passed through to the Covered Providers (see paragraph 1.6 of the *MCC Audit Guidelines*). If audit requirements for Covered Providers were not met, the Auditors must disclose this in the auditor's report on the fund accountability statement and consider qualifying their opinion.

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[3] The auditors only express an opinion on the fund accountability statement, and the indirect cost rate and general purpose financial statements, if applicable, as indicated in Chapter 3 of the *MCC Audit Guidelines*.

5. Obtain a management representation letter in accordance with AICPA SAS No. 85 (AU333), SAS No. 89, and SAS No. 99 signed by MCA-[insert Country]'s management. See Example 4.1 of the *MCC Audit Guidelines* for an illustrative management representation letter.

6. Evaluate the supplemental information prepared and provided to recognize accrual activity such as expenses incurred but not yet paid for and portion of the outstanding advances that are actually assets at the end of the period.

V. AUDIT REPORTS

The Auditors must submit one hard copy and one electronic copy (in .pdf format) of the final audit report and any management letter to the MCC Inspector General. In turn, the MCC Inspector General will incorporate the Auditor's report into an audit report issued by the MCC Inspector General which report will include any Inspector General recommendations addressed to the MCC. To make it easier for Auditors to comply with the *MCC Audit Guidelines*, the format and content of the audit reports must follow the illustrative reports in Chapter 7 of the *MCC Audit Guidelines*. The audit report must specify the correct award number of each award covered by the audit. The report must contain:

A. a title page,[4] table of contents and a transmittal letter and summary which includes: (1) a background section with a general description of the MCC-funded programs audited, the period covered, the program objectives, a clear identification of all entities mentioned in the report, a section on the follow-up of prior audit recommendations, and whether MCA-[insert Country] has a provisional indirect cost rate authorized by MCC; (2) the objectives and scope of the financial audit, and a clear explanation of the procedures performed and the scope limitations, if any; (3) a brief summary of the audit results on the fund accountability statement, questioned costs, internal controls, compliance with the compact and related agreement terms and applicable laws and regulations, and the status of prior audit recommendations; and (4) a brief summary of MCA-[insert Country]'s management comments regarding their views on the audit results and findings.

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[4] Closeout audits must specify they are closeout audits on the title page. A closeout audit is an audit for an award that expired during the period audited.

B. the auditor's report on the fund accountability statement must identify any questioned costs not fully supported with adequate records or not eligible under the terms of the compact and related agreements. The report must be in conformance with the standards for reporting in Chapter 5 of the U.S. *Government Auditing Standards* and must include:

1. The auditor's opinion on whether the fund accountability statement presents fairly, in all material respects, program revenues, costs incurred, and assets and technical assistance directly procured by MCC for the audited period in accordance with the terms of the compact and related agreements and in conformity with generally accepted accounting principles or other basis of accounting. This opinion must clearly state that the audit was performed in accordance with U.S. *Government Auditing Standards* or specific alternative standards, if applicable (see paragraph 2.9.d of the *MCC Audit Guidelines*). Any deviations from these standards, such as noncompliance with the requirements for continuing professional education and external quality control reviews, must be disclosed (See Example 7.1.A of the *MCC Audit Guidelines*).

2. The fund accountability statement identifying the program revenues, costs incurred, and assets and technical assistance directly procured by MCC for the audited period. The statement must also identify questioned costs not considered eligible for reimbursement and unsupported, if any, including the cost of any assets and technical assistance directly procured by MCC whose existence or proper use in accordance with agreements could not be verified. All questioned costs resulting from instances of noncompliance with the compact and related agreement terms and applicable laws and regulations must be included as findings in the report on compliance. Also, the notes to the fund accountability statement must briefly describe all questioned costs and must be cross-referenced to any corresponding findings in the report on compliance (see Example 6.1 of the *MCC Audit Guidelines*). All questioned costs in the notes to the fund accountability statement must be stated in U.S. dollars. The U.S. dollar equivalent must be calculated at the exchange rate applicable at the time the dollars were converted to local currency by MCA-[insert Country].

3. Notes to the fund accountability statement, including a summary of the significant accounting policies, explanation of the most important items of the statements, the exchange rates during the audit period and foreign currency restrictions, if any. In addition, a note to the fund accountability statement must state whether any interest on MCC-provided funds was returned to MCC or otherwise used in accordance with the terms of the compact and related agreements.

C. the auditor's report on internal control. The auditor's report must include as a minimum: (1) the scope of the auditor's work in obtaining an understanding of the internal controls and in assessing the control risk, and; (2) the reportable conditions, including the identification of material weaknesses in MCA-[insert Country]'s internal controls. Reportable conditions must be described in a separate section (see paragraphs 5.2 through 5.4 of the *MCC Audit Guidelines*). This report must be made in conformance with SAS No. 60 and the standards for reporting in Chapter 5 of U.S. *Government Auditing Standards.* Nonreportable conditions must be communicated to MCA-[insert Country] in a separate management letter which must be referred to in the report on internal controls and sent with the audit report (see Examples 7.2.A and 7.2.B of the *MCC Audit Guidelines*).

D. the auditor's report on MCA-[insert Country]'s compliance with the compact and related agreement terms, specifically including the Procurement Agreement and the Fiscal Accountability Plan, and applicable laws and regulations related to MCC-funded programs. The report must follow the guidance in SAS No. 74. Material instances of noncompliance must be described in a separate section (see paragraphs 5.2 through 5.4 of the *MCC Audit Guidelines*). Nonmaterial instances of noncompliance must be communicated to MCA-[insert Country] in a separate management letter, which must be sent with the audit report (see Examples 7.3.A and 7.3.B of the *MCC Audit Guidelines*). All questioned costs resulting from instances of noncompliance must be included as findings in the report on compliance. Also, the notes to the fund accountability statement that describe questioned costs must be cross-referenced to any corresponding findings in the report on compliance.

The auditor's report must include all conclusions, based on evidence obtained, that a fraud or illegal act either has occurred or is likely to have occurred. This report must include an identification of all questioned costs, if any, as a result of fraud or illegal acts, without regard to whether the conditions giving rise to the questioned costs have been corrected and whether MCA-[insert Country] does or does not agree with the findings and questioned costs.

In reporting material fraud, illegal acts, or other noncompliance, the Auditors must place their findings in proper perspective. To give the reader a basis for judging the prevalence and consequences of these conditions, the instances identified must be related to the universe or the number of cases examined and quantified in terms of U.S. dollar value, if appropriate. In presenting material fraud, illegal acts, or other noncompliance, Auditors must follow the reporting standards contained in Chapter 5 of U.S. *Government Auditing Standards*. Auditors may provide less extensive disclosure of irregularities and illegal acts that are not material in either a quantitative or qualitative sense. Chapter 4 of U.S. *Government Auditing Standards* provides guidance concerning factors that may influence Auditors' materiality judgments. If the Auditors conclude that sufficient evidence of irregularities or illegal acts exist, they must contact the MCC Inspector General and exercise due professional care in pursuing indications of possible irregularities and illegal acts so as not to interfere with potential future investigations and/or legal proceedings.

E. the auditor's comments on the status of prior audit recommendations. The Auditors must review and report on the status of actions taken on findings and recommendations reported in prior audits and any pre-award survey recommendations. When corrective action has not been taken and the deficiency remains unresolved for the current audit period and is reported again in the current report, the Auditors need only briefly describe the prior finding and show the page reference where it is included in the current report. If there were no prior findings and recommendations, a note to that effect must be included in this section of the audit report.

The findings contained in the reports on internal controls and compliance related to MCC-funded programs must include a description of the condition (what is), the criteria (what should be), the cause (why it happened), and the effect (what harm was caused by not complying with the criteria). In addition, the findings must contain a *recommendation* that corrects the cause and the condition, as applicable. It is recognized that material internal control weaknesses and noncompliance found by the Auditors may not always have all of these elements fully developed, given the scope and objectives of the specific audit. The Auditors must, however, at least identify the condition, criteria and possible effect to enable management to determine the cause and take timely and proper corrective action.

Findings which involve monetary effect must:

1. Be quantified and included as questioned costs in the fund accountability statement and in the auditor's report on compliance.
2. Be reported without regard to whether the conditions giving rise to them were corrected.
3. Be reported whether MCA-[insert Country] does or does not agree with the findings or questioned costs.
4. Contain enough relevant information to expedite the audit resolution process (e.g., number of items tested, size of the universe, error rate, corresponding U.S. dollar amounts, etc.).

The reports must also contain, after each recommendation, pertinent views of responsible recipient officials concerning the auditor's findings and actions taken by MCA-[insert Country] to implement the recommendations. If possible, the auditor should obtain written comments. When the Auditors disagree with management comments opposing the findings, conclusions, or recommendations, they should explain their reasons following the comments. Conversely, the Auditors should modify their report if they find the comments valid.

Any evidence of fraud, illegal acts or abuse that have occurred, or are likely to have occurred, must be included in a separate written report if deemed necessary by the MCC Inspector General. This report must include an identification of all questioned costs as a result of abuse, irregularities or illegal acts, without regard to whether the conditions giving rise to the questioned costs have been corrected or whether MCA-[insert Country] does or does not agree with the findings and questioned costs.

VI. INSPECTION AND ACCEPTANCE OF AUDIT WORK AND THE REPORT

The auditor shall conduct an Exit Interview with MCA-[insert Country] to discuss their findings prior to submitting the draft report to the MCC Inspector General. The statement of work, audit program (including detailed audit steps) and the draft and final reports will be subject to approval and acceptance by the MCC Inspector General. After approval, the draft report will be discussed with the responsible officers of MCA-[insert Country].

The MCC Inspector General is responsible for assuring that the work performed under this statement of work complies with U.S. Government Auditing Standards and the "Millennium Challenge Corporation Guidelines for Financial Audits Contracted by Foreign Recipients" issued by the MCC Inspector General (IG). To accomplish this objective, the MCC Inspector General will perform desk reviews on every draft audit report, and may review audit documentation files prior to approving draft audit reports or perform quality control reviews of the audit documentation files after the audit has been completed.

For the IG's review of audit documentation files, the Auditors must ensure that all audit records related to the audited agreements are available to enable IG Auditors to accomplish and support their review. To this end, the IG Auditors must have access to all pertinent audit documentation files and records of MCA-[insert Country] and its Covered Providers and be authorized to make excerpts, photocopies, and transcripts as deemed necessary by the IG.

If the MCC Inspector General does not accept the report because of deficiencies in the work, the Auditors must perform any additional audit work requested at no additional cost to MCC, MCA-[insert Country] or the U.S. Government.

VII. RELATIONSHIPS AND RESPONSIBILITIES

While the compact agreement is between the MCC and the host country, and MCA-[insert Country] as the host country's implementing entity, in order for the MCC Inspector General to exercise its quality control responsibilities over audits of U.S. funds, the IG program coordinator for this contract is John Phee @ (202) 712-4065 and MCCFA@USAID.gov.

The Auditors will work in coordination with, [Insert Accountable Entity Point of Contact name and title]. The liaison for audit concerns will be John Phee, Assistant Inspector General, of the MCC Inspector General or his/her designee, and the liaison for information and assistance from the MCC will be the MCC country representative or his/her designee.

The MCC country representative may meet with the public accounting firm at the beginning of the audit to explain any financial/compliance areas of concern contained in the statement of work that they want emphasized and provide any advice concerning the performance of the audit. The MCC country representative shall provide the following information to the Auditors for the entrance conference:

1. a list of all disbursements made by the MCC to MCA-[insert Country] under the compact; and

2. a list of all MCC payments to third parties for goods, works, or services for the period being audited will be provided by the MCC to the MCC Inspector General upon request by the MCC Inspector General;

MCC may also provide written comments on the draft audit report concerning the facts and conclusions contained in the report in order to obtain the best possible end product. The MCC country representative may also attend the exit conference for the same purpose. However, the MCC country representative comments on the draft report and at the exit conference will not be binding on the public accounting firm.

The public accounting firm must properly maintain and store the audit documentation files for a period of five years from the completion of the audit. During this five-year period the Auditors must immediately provide the audit documentation files when requested by the MCC Inspector General. Auditors that are nonresponsive or do not provide timely responses to questions raised by the MCC country representative or MCC Inspector General shall be temporarily or permanently excluded from performing additional audits of MCC-funded programs.

VIII. TERMS OF PERFORMANCE

The effective date of this contract will be the date of the signature of MCA-[insert Country]'s authorized representative.

The Base Period audit must begin as soon as practicable after the signing of the audit contract, and from the audit start date, the Auditors must submit to MCC Inspector General: (a) a complete audit program, written in English, within 14 calendar days, after the signing of the contract, (b) an indexed draft audit report written in English within 45 calendar days after signing the contract, and (c) a final audit report that includes revisions incorporating MCC Inspector General comments within 90 calendar days after the Base Audit Period end date [insert date].

Each Option Period audit will require that the Auditors submit to MCA [insert country] and MCC Inspector General: (a) a complete audit program, written in English, thirty (30) calendar days prior to the end of each Option Audit Period, (b) an indexed draft audit report written in English within 60 calendar days after each Option Audit Period end date, and (c) a final audit report that includes revisions incorporating MCC Inspector General comments within 90 calendar days after each Option Audit Period end date.

It is the responsibility of MCA-[insert Country] to ensure that all records are available, all accounting entries and adjustments are made, and all other necessary steps are taken to make possible for the Auditors to perform the work necessary to be able to present the final audit report to the MCC Inspector General within 90 calendar days after the end of the audited period. In order for the Auditors to meet this compact requirement, MCA-[insert Country] will need to close its books and have its fund accountability statement ready for audit within 14 calendar days after the audit cutoff period. Further, in order to deliver the final audit report to the MCC Inspector General within 90 calendar days after the audit cutoff period, the Auditors will need to have conducted interim testing well before the audit cutoff date and begin final testing while MCA-[insert Country] is still in the process of closing its accounting records.

Deliverables

Deliverables which must be submitted to the MCC Office of Inspector General at MCCFA@USAID.gov:

1. **Planning Document.** This deliverable shall include a detailed Audit Program with clearly established milestones for completing the audit.

2. **Draft Audit Report**. This deliverable shall include an indexed draft audit report to include an opinion on the financial statements, report on the internal controls, and report on compact compliance and supplemental agreements to MCC Inspector General. The draft report shall also include, where applicable, a management letter that will be sent to MCA [insert Country].

3. **Final Audit Report.** This deliverable shall include a final audit report to include an opinion on the financial statements, report on internal control, and report on compliance with compact and supplemental agreements. The Final Report shall also include, where applicable, a management letter to MCA [insert Country] with a copy to MCC Inspector General.

Type of Contract

This contract is considered a fixed price lump sum contract.

Terms of Payment

For each period (either Base Period or one of three Option Periods) payment will be provided in three phases upon successful completion of the three deliverables described in the Terms of Reference. The payment schedule will be as follows:

1. 20 percent of the fixed price amount for the current period (either Base Period or one of three Option Periods) paid upon successful completion and acceptance by the MCC Inspector General of Deliverable 1, titled Planning Document;

2. 40 percent of the fixed price amount for the current period (either Base Period or one of three Option Periods) paid upon successful completion and acceptance by the MCC Inspector General of Deliverable 2, titled Draft Audit Report; and

3. 40 percent of the fixed price amount for the current period (either Base Period or one of three Option Periods) paid upon successful completion and acceptance by the MCC Inspector General of Deliverable 3, titled Final Audit Report.

Chapter 36:

Statement of Work for Financial Audits for Covered Providers

MILLENNIUM CHALLENGE CORPORATION
MCC
UNITED STATES OF AMERICA

Reducing Poverty Through Growth

Statement of Work for Financial Audits for Covered Providers [1]

Last updated: January, 2006

I. Background

On [*date*], the U.S. Government, acting through the Millennium Challenge Corporation (MCC), entered into a compact agreement with *(country name)* to implement a program proposed by *(country name)* to advance its progress towards achieving economic growth and poverty reduction.

Under the compact agreement, (country name) established MCA-(country name) [if another name is given to the Accountable Entity, that name should be substituted for MCA-(country name) throughout this statement of work] as the Accountable Entity to manage the implementation of compact activities.

[Include a brief history of MCA-(country name), its principal purposes and goals, location(s) of activities to be audited, location(s) of accounting records and management.] [The purpose of including complete data on MCA-(country name) and the program(s) involved is to provide the auditor with all necessary information for them to properly estimate audit fees.]

II. Title

Audit of the Fund Accountability Statement[1] [or *Audit of Financial Statements, if the audit includes an audit of the general-purpose financial statements*] of MCC Resources Managed by (*COVERED PROVIDER's name*) Under the Agreement between the MCA (country name) and the (COVERED PROVIDER's name) for the period from [*date*] to [*date*]. In the case of close-out audits,[2] the title must specify that it is a close-out audit, as in: Close-out Audit of the MCC Resources Managed by (COVERED PROVIDER's name) Under the Compact Agreement between the Millennium Challenge Corporation and the Government of (*country name*) for the period from [*date*] to [*date*].

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[1] A fund accountability statement is the basic financial statement to be audited that presents *MCA-(country name)'s* revenues, costs incurred, cash balance of MCC-provided funds, and commodities and technical assistance directly procured by MCC for the use. An example is provided on page __ of the *MCC Audit Guidelines*

[2] A close-out audit is an audit for an award that expired during the period audited.

III. Objectives

The objective of this engagement is to conduct a financial audit of the MCC resources managed by (*COVERED PROVIDER's name)* under the compact agreement between the Millennium Challenge Corporation, representing the U.S. Government, and the Government of (country name) from [*date*] to [*date*] in accordance with U.S. Government Auditing Standards issued by the Comptroller General of the United States and the "Millennium Challenge Corporation Guidelines for Financial Audits Contracted by Foreign Recipients" (*MCC Audit Guidelines*) issued by the MCC Inspector General (IG).

Chapter 37:

Cost Principles for Government Affiliates Involved in MCC Compact Implementation

Reducing Poverty Through Growth

Cost Principles for Government Affiliates Involved in MCC Compact Implementation[1]

Last updated: December, 2006

Table of Contents

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[1] Including Accountable Entities, Governmental Implementing Entities, Governmental Procurement Agents and/or Governmental Fiscal Agents

1.0 Introduction

1.1 Scope

a. This policy document sets forth the Millennium Challenge Corporation's (MCC) cost principles applicable to a Government Affiliate serving as an Accountable Entity, Implementing Entity, Fiscal Agent or Procurement Agent financed, in whole or in part, under Grants financed by MCC, unless otherwise specified in writing by MCC. Grants include all those signed by MCC with a Recipient Country, whether a Compact entered into under the authority of section 605 of the Millennium Challenge Act of 2003 (the "MCA") or a Grant under section 609(g) of the MCA.

b. These cost principles provide a framework within which items of cost can be identified, as allowable under MCC-financed Grants. They are especially intended for use in (1) preparation of budget estimates by Recipient Countries, (2) negotiation of budgets between the Recipient Country and MCC, and (3) audit. The Government Affiliate should prepare its cost estimate consistent with its accounting procedures and the cost principles contained in this policy document.

c. Cost principles which govern cost reimbursement contracts with commercial organizations are included in a separate document, "Cost Principles for Cost-Reimbursement Contracts under MCC Financed Grants." This document is published on the MCC Website: *www.mcc.gov*.

1.2 Definitions

a. Accountable Entity means the legal entity designated by the Government to carry out certain Government responsibilities and obligations, including contracting and exercising formal obligations and responsibilities under the Grant.

b. Fiscal Agent means the Government Affiliate appointed by the Accountable Entity to be responsible for funds control and documentation, proper and consistent accounting, financial reporting and disbursement. If the Fiscal Agent is not a Government Affiliate, these cost principles are not applicable.

c. Government Affiliate means any ministry, agency, state-owned enterprise or non-governmental organization that is not a private commercial enterprise appointed by the Government to carry out certain Government responsibilities and obligations under the Grant.

d. Governance Agreement means the bylaws of the Accountable Entity, as approved by MCC, or the agreement between the Government, the Accountable Entity and MCC setting forth the governance structure and principles for the Accountable Entity in accordance with the terms of the Grant.

e. Grant means either of the following documents signed by MCC with a Recipient Country:

    1. a Compact entered into under the authority of section 605 of the Millennium Challenge Act of 2003 (the "MCA") and its Supplemental Agreements, or

    2. a Grant under section 609(g) of the MCA and its Supplemental Agreements.

f. Implementing Entity means the Government Affiliate responsible for managing the implementation of an element of the Program financed by MCC and initiating payment requests. If the Implementing Entity is not a Government Affiliate, these cost principles are not applicable.

g. Procurement Agent is a Government Affiliate appointed by the Accountable Entity responsible for impartially administering and/or certifying the procurement process in accordance with a defined set of procurement standards. If the Procurement Agent is not a Government Affiliate, these cost principles are not applicable.

h. Recipient Country is the country with whom MCC has signed a Compact or which is receiving MCC-financed assistance under a section 609(g) Grant.

i. Supplemental Agreement means either the Governance Agreement, Implementing Entity Agreement, Fiscal Agent Agreement, Procurement Agent Agreement, and Procurement Agreement.

1.3 Application

a. The application of these cost principles is based on the fundamental premises that:

    1. Governmental units are responsible for the efficient and effective administration of Grant funds through the application of sound management practices.

    2. Governmental units assume responsibility for administering Grant funds in a manner consistent with the Grant and Supplemental Agreements, program objectives, and the terms and conditions of the Grant.

    3. Each governmental unit, in recognition of its own unique combination of staff, facilities, and experience, will have the primary responsibility for employing whatever form of organization and management techniques may be necessary to assure proper and efficient administration of the Grant.

b. The cost principles and procedures contained in this policy document shall be applied to the costs incurred by any Government Affiliate financed under a Grant, unless the governing Supplemental Agreement provides otherwise.

c. The use of rules, procedures, or regulations in force in the Recipient Country related to the costs of any or all of the operations of the Government Affiliate is not precluded unless MCC is prohibited by U.S. statute from funding the costs. However, if the use of Recipient Country rules, procedures, and regulations is contemplated, there must be a mutual agreement between the Recipient Country and MCC as to their application. Absent such an agreement among the parties, the cost principles and procedures contained in this policy document will prevail.

d. The Recipient Country and MCC must recognize the importance of incorporating explicit terms with respect to the treatment of costs in all of the Supplemental Agreements. The cost principles in this policy document may be used by specific incorporation in the Supplemental Agreement, by incorporation by reference of this policy document, or by incorporation by reference of only the relevant sections. MCC may develop additional cost principles for Grants when there may be unusual cost elements. Such additional principles will be included in the appropriate Supplemental Agreement. In all cases, the specific provisions of the Grant and/or Supplemental Agreement will prevail.

e. Failure to mention a particular item of cost in this policy document is not intended to imply that it is either allowable or unallowable. Rather, determination in each case of allowability of a cost item should be based on the principles and standards set forth in Section 2.0 of this policy document.

f. Exceptions to the Cost Principles in this document may be approved by MCC in writing on a case-by-case basis.

1.4 Audit of the Government Affiliate

Pursuant to MCC's "Guidelines for Financial Audits Contracted by Foreign Recipients," audits of each Government Affiliate are planned and budgeted for in the Grant. An auditor is selected by the Accountable Entity in accordance with the Grant and its Supplemental Agreements. The scopes of the audits are defined in the "Statement of Work for Financial Audits of Accountable Entities" and "Statement of Work for Financial Audits of Covered Providers."

2.0 Allowability of Costs

2.1 General

The allowability of an item of cost is determined as set forth below.

a. Costs are allowable if they are necessary for Grant administration, implementation, monitoring and evaluation, or oversight and are not defined as "unallowable" in this policy document. Allowable costs are usually classified as direct costs, but may include properly documented indirect costs if the use of indirect costs is the practice of the Government Affiliate.

b. Any income or credits (discounts, rebates, refunds, outside rentals, etc.). must be applied in determining the total allowable cost under the Grant or Supplemental Agreement.

c. Costs are allowable to the extent they meet the criteria in paragraph d. below and in Section 4.Selected Items of Cost.

d. Costs, to be allowable, must meet all of the following criteria:

   1. Be allocable (see Section 2.2);

   2. Be reasonable (see Section 2.3);

   3. Be accounted for in a manner that is consistent with accepted international accounting practices or the policies and procedures of the Recipient Country;

   4. Be incurred within the Grant period, except as may be otherwise provided, in accordance with the conditions of the Supplemental Agreement;

   5. Be documented; and

   6. Not be excluded as an unallowable cost under Section 4.

2.2 Allocability

To be allocable, costs must meet one of the following criteria:

1. Be incurred for work related to the Grant, or

2. Benefit both the Grant and other work, distributed to them in reasonable proportion to the benefits received, or

3. Be necessary to the overall operation of the Government Affiliate, although a direct relationship to any particular cost element cannot be shown. In such cases, there must be at least an indirect showing of benefit to the Grant.

2.3 Reasonableness

a. The reasonableness of a cost depends upon a variety of considerations and circumstances, and determining reasonableness requires the application of sound administrative and professional judgment.

b. In determining the reasonableness of a given cost, consideration should be given to the following criteria:

    1. The cost is of a type or amount generally recognized as ordinary and necessary for the conduct of the Government Affiliate's business and the performance of the Grant.

    2. Restraints or requirements imposed by such factors as generally accepted sound business and labor practices, arm's length bargaining, governmental laws and regulations, and the terms of the Grant.

    3. The cost incurred is one that a prudent person would incur in the circumstances, considering his/her responsibilities to his/her government and the public-at-large.

    4. Significant deviations from the established policies and practices of the Government Affiliate, not provided for or justified by the Grant, which may unjustifiably increase the Government Affiliate's costs.

2.4 Accounts and Records

The Government Affiliate must maintain accounts and records adequate to demonstrate the allowability and allocability, including the nature, amount, and derivation, of costs charged to the Grant. An accounting system is acceptable if it is both adequate and suitable for the accumulation and billing of costs. The Government Affiliate's accounting system must be sufficient to enable an appropriate and equitable allocation of costs. The system should:

1. Be consistently applied,

2. Be nondiscriminatory against Grant-funded activities,

3. Be reliable,

4. Be equitable,

5. Segregate costs, and

6. Identify and accumulate costs by the Grant.

2.5 Limitations and Understandings

a. Care must be exercised by both the Recipient Country and MCC to ensure that the Grant and Supplemental Agreements reflect their agreement as to the costs which will be reimbursable. In order to minimize the chance for misunderstandings in interpretation of cost provisions, every effort should be made to negotiate agreed amounts, or limitations for specific costs which may not be exceeded without prior approval by MCC or the Recipient Country, as appropriate (i.e., maximum salary levels, non-monetary benefits, etc.).

b. Regardless of the allowability, allocability and reasonability of costs, the total amount expended under the Grant or Supplemental Agreement can not exceed the maximum value stated in the Grant or Supplemental Agreement, within limitations on flexibility stated in the applicable document.

3.0 Cost Analysis

Cost analysis is an essential tool in the conduct of sound and meaningful negotiations. It provides MCC with a means of evaluating the Recipient Country's estimate regarding the costs related to the Government Affiliate's function. In negotiating such costs, MCC must be satisfied as to the adequacy and reasonableness (including the realism) of the costs proposed. Cost analysis is a primary means of accomplishing this end. The general technique of cost analysis is outlined below.

3.1 The Estimate

In preparing the pre-Grant documentation, MCC will work with the Recipient Country to prepare an estimate of the costs that will be incurred in managing the Grant, including the costs of the Accountable Entity, Implementing Entity(ies), Procurement Agent(s), and Fiscal Agent, regardless of whether these will be Government Affiliates or non-governmental organizations. This estimate should be systematically developed, using historical and statistical data, published indexes, prior Recipient Country experience, and any other source of information which will produce a valid and reasonable estimate.

3.2 Grant Negotiations

After MCC agrees to proceed to Grant negotiation, the estimate will be refined and negotiated by both MCC and the Recipient Country. The estimate is the foundation upon which the negotiations will be based in arriving at final amounts. The elements of the estimate must be clearly substantiated and supported in conformance with the requirements of this policy document. The Grant and Supplemental Agreements will contain appropriate budgeted amounts reflecting the results of the negotiations.

4.0 Selected Items of Cost

4.1 Introduction

a. This Section sets forth selected costs which are representative of the costs typically encountered by Governmental Entities. However, not every element of cost and every situation that might arise in a particular case is covered. Failure to treat any item of cost is not intended to imply that it is either allowable or unallowable. Whether or not specifically covered, determination of allowability, allocability and reasonableness shall be based on the principles and standards set forth in Section 2.0 of this policy document.

b. Certain costs are of such a nature that they are normally considered unallowable under MCC-financed Grants. These costs may exist as actual expenses of the Government Affiliate and may well be legitimate and even desirable insofar as the Government Affiliate is concerned. However, because of their nature, these costs are not eligible for financing under an MCC Grant, and are identified below. The Recipient Country may reimburse the Government Affiliate for these costs from their own funds.

4.2 Discussion of Specific Allowable and Unallowable Cost Items

The following discussion limits the allowability of certain cost items. Unallowable costs are unallowable as either direct or indirect costs under MCC Grants.

a. Advertising Costs

Advertising costs are the costs of advertising in magazines, newspapers, radio and television, exhibits, electronic communications, etc. Advertising costs relating to the grant are allowable. Examples include, but are not limited to, those incurred for (a) the recruitment of personnel required for the performance by the Government Affiliate of obligations under the Grant, (b) the procurement of goods and services for performance of the Grant; (c) the disposal of surplus materials acquired in the performance of the grant, or (d) specific requirements of the Grant. (See also sections w, Public Relations, and aa, Websites, below. The costs of advertising for any purpose not related to the Grant are not allowable.

b. Audit Costs

The cost of audits required by, and performed in accordance with, Grant requirements are allowable. The cost of any other audits required or approved by MCC are allowable. For purposes of this section, "audit" includes financial audits, technical audits, program evaluations, data quality reviews and environmental audits.

c. Bad Debts

Any bad debts arising from the Grant or other obligations of the Government Affiliate are unallowable. However, collection costs and related legal costs related to financing projects under the Grant are allowable. Any credit programs under project activities shall be governed by the terms of the Grant.

d. Board Compensation

The payment of remuneration for service as a voting member on the Board of the MCA Accountable Entity, either with MCC Funds or from funds of Government or from other sources, is unallowable for any Government official or employee. Remuneration may be paid from Government funds to voting members who are not Government officials or employees for actual services rendered as members of the Board of the MCA Accountable Entity. Such remuneration shall be calculated on a daily basis for services actually rendered and shall not exceed the highest daily rate of salary and benefits for a government minister in the Recipient Country. The total amount of annual remuneration paid to each voting member of the Board that is a non-Government official or employee shall not exceed the equivalent of 90 days pay at the relevant daily rate. See also section 4.2.dd below for expenses related to Board meetings..

e. Bonding Costs

Bonding costs arise when the Recipient Country requires assurance against financial loss to itself or others by reason of the act or default of an employee or consultant, such as fidelity bonds. Costs of bonding required pursuant to the terms of the Grant or a Supplemental Agreement are allowable.

f. Commissions and Contingency Fees

Commissions, percentages, brokerage, or contingency fees to persons or groups are allowable when the person or group is a bona fide provider of services secured through a procurement process and the fees are normal, customary, and reasonable.

g. Communication Costs

Costs incurred for telephone services (mobile and land lines), local and long distance telephone calls, internet connections, telegrams, courier service, postage and the like, are allowable.

h. Compensation of Employees

1. Government Affiliates funded by Grants are generally one of three general types of government entity: (i) units or departments within the existing Government structure, such as program implementation units established for other donor programs, (ii) new units or departments established within the Government structure which are granted certain special rights, such as contracting and market-based compensation, or (iii) newly established Government Affiliates established outside the existing Government structure, such as state-owned enterprises.

2. Government Affiliates which are existing units or departments within the Government shall pay employees in accordance with the compensation level and benefits paid to Government employees of comparable rank, in accordance with the existing established Government law, regulations

or policy. Compensation includes, but is not limited to, salaries, benefits (pensions, health, disability, unemployment, severance, etc.), holidays and leave, transportation or food allowances (in cash or in kind), bonuses (e.g. annual, Christmas, 13th month, etc.) and overtime. (See section 4.2.u below regarding motor vehicles.) MCC financing may only be used to compensate the additional staff or additional time of current staff needed to accomplish the purposes of the Grant. MCC financing may not be used to fund staff positions funded through Government appropriations prior to the Grant.

3. The Grant or a Supplemental Agreement could also require the establishment of a new unit or department within the Government structure with special rights or a new Government Affiliate outside the existing Government structure. In those cases, the Government Affiliate shall pay employees at compensation levels and benefits comparable to those paid by other donor organizations or the private sector to individuals of comparable rank and qualifications doing comparable work. Comparability may be established by the use of salary surveys conducted within the country by the private sector or other donors.
4. Special payments made to employees, such as signing bonuses, payouts, etc. are allowable only with the approval of MCC.
5. In all cases, employee compensation must be documented by after-the-fact reports of the actual time worked and payments made.

i. Consultant Costs

A Government Affiliate may hire long-term or short-term consultants in accordance with the Procurement Agreement. The reasonable cost of such consultants shall be established in accordance with the procurement procedures and process.

j. Contributions and donations to outside organizations are unallowable, unless explicitly authorized in the Grant or Supplemental Agreements.

k. Entertainment Costs

Entertainment costs are allowable only for the Accountable Entity when necessary to establish or maintain relationships of value to the Millennium Challenge Account

Program. Examples include entertainment of a protocol nature on such important occasions as visits of noted personages or ceremonial occasions. Costs of amusement, diversion, social activities and incidental costs relating thereto, such as meals, lodging, rentals, transportation, and gratuities, for the benefit of patrons, clients, or solely for a Government Affiliate's staff are unallowable. Entertainment costs are not allowable for any Government Affiliate other than the Accountable Entity.

l. Fines and Penalties

Cost of fines and penalties resulting from violations of, or failure of the Government Affiliate to comply with applicable laws and regulations are unallowable.

m. Indirect Costs

1. Indirect costs, also referred to as overhead and/or general and administrative expense, are those that have been incurred for common or joint objectives. After direct costs have been determined and assigned directly to specific work, indirect costs are those remaining to be allocated to benefiting work. They are gathered into one or more cost pools, after which they are allocated and reallocated, as appropriate, until they are ultimately charged to specific Grants or other work of the Government Affiliate, usually on a percentage basis. A cost may not be allocated as an indirect cost if that same cost has been assigned as a direct cost. Typical example of indirect costs for many organizations may include use allowances on building and equipment, the costs of operating and maintaining facilities, and general and administrative expenses, such as the salaries and expenses of executive officers, personnel administration and accounting

2. *MCC strongly prefers that all costs of the Government Affiliate are charged as direct costs, rather than using both direct and indirect costs.* However, if the Government Affiliate has an established indirect cost rate accepted by the Recipient Country's government, this indirect cost rate may be used.

n. Insurance and Indemnification

1. Insurance includes insurance which the Government Affiliate is required to provide, or which is approved, under the terms of the Grant and any other insurance which the Government Affiliate maintains in connection with the

general conduct of its operations. Such costs are allowable as agreed by MCC and the Government Affiliate.

2. Any provisions for a reserve covering the risk of loss or damage to property belonging to the Government Affiliate or Recipient Country are not allowable unless specifically authorized in the Grant or Supplemental Agreement and then, only to the extent that the Government Affiliate or Recipient Country is liable for such loss or damage.

3. Indemnification includes securing the Government Affiliate, its staff, and Board members against liabilities to third persons and any other loss or damage, not compensated by insurance or otherwise. The Recipient Country is obligated to indemnify the Government Affiliate and individuals only to the extent expressly provided in the Grant. Grant funds may not be used for purposes of indemnification.

o. Interest and Other Financial Costs

1. Interest on borrowing (however represented) and bond discounts are unallowable.

2. Principal and/or interest repaid to a Government Affiliate responsible for a Grant-related on-lending program will be credited to MCC or designated for specific purposes at the end of the Grant term (or such other time as may be agreed) in accordance with the arrangements established between the Accountable Entity and MCC.

p. Lobbying Costs

1. Costs associated with the following activities with respect to the U.S. Government or the Government of the Recipient Country and any political subdivisions thereof are unallowable:

   (a) Attempts to influence the outcomes of any election, referendum, initiative, or similar procedure, through in kind or cash contributions, endorsements, publicity, or similar activities;

(b) Establishing, administering, contributing to, or paying the expenses of a political party, campaign, political action committee, or other organization established for the purpose of influencing the outcomes of elections;

(c) Any attempt to influence (i) the introduction of legislation, or (ii) the enactment or modification of any pending legislation through communication with any member or employee of a legislature (including efforts to influence officials to engage in similar lobbying activity), or with any government official or employee in connection with a decision to sign or veto enrolled legislation;

(d) Any attempt to influence (i) the introduction of legislation, or (ii) the enactment or modification of any pending legislation by preparing, distributing or using publicity or propaganda, or by urging members of the general public or any segment thereof to contribute to or participate in any mass demonstration, march, rally, fund raising drive, lobbying campaign or letter writing or telephone campaign;

(e) Legislative liaison activities, including attendance at legislative sessions or committee hearings, gathering information regarding legislation, and analyzing the effect of legislation, when such activities are carried on in support of or in knowing preparation for an effort to engage in unallowable activities; or

(f) Attempts to improperly influence, either directly or indirectly, an employee or officer of the US Government or Government of the Recipient Country to give consideration to or act regarding a regulatory or contract matter.

2. However, the costs of the following activities are allowable:

(a) Providing a technical and factual presentation of information on a topic directly related to a Grant through hearing testimony, statements or letters to a legislature, or subdivision, member, or cognizant staff member thereof, in response to a documented request (including a request for testimony or statements for the record at a regularly scheduled hearing) made by a legislative body or subdivision, or a member or cognizant staff member thereof; provided such information is readily obtainable and can be readily put in deliverable form; and further provided that costs under this section for transportation, lodging or meals are unallowable unless incurred for the purpose of offering testimony at a regularly scheduled legislative hearing pursuant to a written request for such presentation.

(b) Any lobbying made unallowable by paragraph (1)(c) above to influence national, state or local legislation in order to directly reduce Grant costs, or to avoid material impairment of an Government Affiliate's authority to perform its responsibilities, except for lobbying related to policy reform in support of, or related to, the purposes of the Grant.

(c) Any activity specifically authorized by a US Government statute to be undertaken with funds from the Grant.

q. Materials, Equipment and Supplies

Costs incurred for materials, equipment and supplies necessary to carry out the Grant are allowable. The reasonable cost of such items shall be established in accordance with the procurement procedures and process established in the Procurement Agreement. Non-expendable equipment shall be disposed of at the end of the Grant term (or such other time as may be agreed) in accordance with the arrangements established between the Accountable Entity and MCC.

r. Meetings and Conferences

Costs of meetings and conferences held to facilitate implementation of the Grant are allowable, including the cost of meals, transportation, facility rental, speakers' fees (except for persons speaking in their official capacity on behalf of the Government or the Government Affiliate) and other items incidental to such meetings or conferences. Costs of attendance at professional meetings or conferences on a topic related to the Grant are also allowable.

s. Office Space

The reasonable costs of leasing or purchasing office space are allowable. In deciding whether to lease or buy, the Government Affiliate shall conduct and document a cost-benefit analysis supporting the decision.

t. Organization Costs

Expenditures in connection with planning or executing the organization or reorganization in the structure of a Government Affiliate are allowable to the extent that they are necessary and appropriate to such purposes. Such expenditures include, but are not limited to, incorporation fees, licenses and cost of attorneys, accountants, and/or management consultants.

u. Personal Use of Assets Acquired with Grant Funds

Assets acquired with Grant funds shall only be used in furtherance of Grant objectives and shall not be used for the personal benefit (other than incidental use) of an employee or consultant unless the Government Affiliate has an established and published procedure (approved by MCC) for reimbursement for personal use. Such assets would include, but not be limited to:

- Vehicles
- Communications devices (cell phones, pagers)
- Computers
- Copiers and fax machines, etc.

v. Preaward Costs

Preaward costs are those incurred prior to the effective date of the Grant where such costs are necessary to comply with the Grant provisions or Grant implementation. Such costs are allowable only to the extent that they would have been allowable if incurred after the Entry into Force of the Grant and only with the written approval of MCC or if specifically authorized in the Grant.

w. Professional Service Costs

Costs of professional and consultant services (such as lawyers, accountants, etc.) rendered by persons who are members of a particular profession or possess a special skill, and who are not officers or employees of the Government Affiliate, are allowable if such services are obtained in accordance with the procurement procedures and process established in the Procurement Agreement.

x. Public Relations Costs

Public relations means those activities dedicated to maintaining or promoting understanding and favorable relations with the community or public at large or any segment of the public as well as maintaining a positive image of the Accountable Entity. Allowable public relations costs include: (a) the costs of communicating with the public and press pertaining to specific activities or accomplishments which result from performance of the Grant, (b) the costs of conducting general liaison with news media to the extent that such activities are limited to communication and liaison necessary to keep the public informed on maters relating to the Grant, and (c) costs specifically required by the Grant. Reasonable costs for ceremonial events are allowable costs only for the Accountable Entity. Costs of any public relations activities not related to the Grant are not allowable.

y. Publication and Printing

Publication costs include the costs of printing (such as the processes of composition, plate-making, press work, binding, and the end products produced by such processes), distribution, promotion, mailing, and general handling are allowable.

z. Recruiting Costs

The following recruiting costs are allowable: cost of "help wanted" advertising, travel expenses including food and lodging of employees while engaged in recruiting personnel, travel costs of applicants for interviews for prospective employment, and relocation costs incurred incident to recruitment of new employees. Where the Government Affiliate uses employment agencies, costs not in excess of standard commercial rates for such services are allowable.

aa. Retainer Fees not supported by evidence that specific bona fide services were furnished are not allowable.

bb. Taxes

The discussion of taxes below is MCC's general policy. The provisions of a specific Grant may differ from these cost principles. In such a case, the provisions of the Grant control.

1. In general, payments by the Government Affiliate for taxes on goods, works and services funded with Grant funds shall not be allowable.

2. Taxes which the Government Affiliate is required to pay, and which are paid or accrued in accordance with generally accepted accounting principles, and payments made to local governments in lieu of taxes which are commensurate with the local government services received are allowable. It is assumed that such taxes would only be withholdings for taxes on local employee compensation, or perhaps taxes for services (police, fire, trash) related to the location of the Government Affiliate's office.

cc. Training

The costs of training in furtherance of the Compact purposes (including implementation of Supplemental Agreements) are allowable to the extent that they conform with those normally allowed by the government of the Recipient Country.

dd. Travel and Transportation Costs

1. Travel costs are the expenses for transportation, lodging, subsistence and related items incurred by the Board of the Accountable Entity or employees of any Government Affiliate who are in travel status on office business related to the Grant. Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and results in charges not exceeding those which would be paid in accordance with MCC's policies.

2. Lodging and subsistence costs (including meals and incidental expenses) shall be allowable to the extent they conform with uniform written standards and procedures approved by MCC.

Chapter 38:

Standards for Global Marking

MILLENNIUM CHALLENGE CORPORATION
MCC
UNITED STATES OF AMERICA

REDUCING POVERTY THROUGH GROWTH

Contents

Document History

Version	Changes
1.3	“Should” vs. “Shall” • The word “shall” has replaced most instances of the word “should” in the standards to provide clearer guidance. Living Document (p. 1) 1. Added section Exemptions (p. 1) • Changed “Grandfather Clause” to “Exemptions” to be more gender neutral. Authority (p. 1) • Outlines document authority for both MCC Compacts and Threshold Program Agreements Branding and Marking With Others (p. 1) 1. Replaces “Co-Branding” section 2. Better describes branding and marking requirements and relationships with other U.S. government agencies, foreign governments, non-governmental organizations, non-profit institutions, and other partners. 3. Institutes a government-wide best practice to co-brand with logos of the same size Accountable Entity (p. 3) • More clearly defined the appropriate country name to use in the official accountable entity name. Accountable Entity Logo (p. 4) • More clearly defined the appropriate country name to use in the official accountable entity logo. USAID Signature Used with Millennium Challenge Corporation Threshold Program Agreements (p. XX) • Deleted; replaced by the “Branding and Marking with Others” section.

Version	Changes
1.3 (con't)	Color Usage Consistency (p. 6) • Threshold Program and U.S. flag information added to better clarify color usage requirements. Co-Branding • Deleted; replaced by the "Branding and Marking with Others" section. Accountable Entity Marking Manual (p. 6) • Existing information, previously located under "Accountable Entity Logo," informing accountable entities that they may use the Millennium Challenge Corporation's *Standards for Corporate Branding and Marking* as a template.

Foreword

These guidelines provide specific instructions on the appropriate use and placement of the Millennium Challenge Corporation logo. They also provide broad guidelines for Accountable Entities in creating their logo and specific marking guidelines for Millennium Challenge Corporation Threshold Program agreements.

Living Document

The Millennium Challenge Corporation reserves the right to revise, update, and change this document from time to time as necessary.

Exemptions

Accountable Entities created prior to October 31, 2006 and having already established a name and a logo and whose logo is already widely distributed are not required to follow the naming and logo standards outlined herein. All other guidelines shall be followed, as appropriate.

Authority

Specific language in the legal agreements for Millennium Challenge Corporation Compacts requires compliance with the standards outlined in this document. Language in the legal agreements for Threshold Program Agreements provides specifics on how these standards shall be applied.

Branding and Marking with Others

With U.S. Government Departments and Agencies

Other United States government departments or agencies may display its seal, logo or signature on any material purchased or paid for with funds disbursed pursuant to a Millennium Challenge Corporation Compact or Millennium Challenge Corporation Threshold Program Agreement when the department or agency provides goods or services while partnering with the Millennium Challenge Corporation, an accountable entity established by a Millennium Challenge Corporation Compact, or as part of a Threshold Program Agreement.

All seals, logos, or signatures shall be the same size, though the Millennium Challenge Corporation reserves the right to have dominant placement for its logo or for an accountable entity's logo.

With Foreign Governments

Foreign governments may display its seal, logo, signature, or other national insignia on any material purchased or paid for with funds disbursed pursuant to a Millennium Challenge Corporation Compact or Millennium Challenge Corporation Threshold Program Agreement when the government provides goods or services while partnering with the Millennium Challenge Corporation, an accountable entity established by a Millennium Challenge Corporation Compact, or as part of a Threshold Program Agreement.

All seals, logos, signatures, or national insignia shall be the same size, though the Millennium Challenge Corporation reserves dominant placement for its logo or for an accountable entity's logo.

With Non-Governmental Organizations, Non-Profit Institutions, and Other Partners

An organization may display its seal, logo, or signature on any material purchased or paid for with funds disbursed pursuant to a Millennium Challenge Corporation Compact or Millennium Challenge Corporation Threshold Program Agreement when the organization provides goods or services while partnering with the Millennium Challenge Corporation, an accountable entity established by a Millennium Challenge Corporation Compact, or as part of a Millennium Challenge Corporation Threshold Program Agreement.

All seals, logos, or signatures shall be the same size, though the Millennium Challenge Corporation reserves the right to have dominant placement for its logo or for an accountable entity's logo.

With Contractors

Contractors may not include their logo, brand mark, signature, company name or provide any other representation of their company on any material purchased or paid for with funds disbursed pursuant to a Millennium Challenge Corporation Compact or Millennium Challenge Corporation Threshold Program Agreement.

Identity Elements

Official Names

Millennium Challenge Corporation

The official name of this United States agency is the "Millennium Challenge Corporation" and shall be referred to as such. Any reference using the official name shall always be done so first in English but may then be translated as required by law or custom.

Accountable Entity

All accountable entities shall be known as "Millennium Challenge Account – Countryname" where *countryname* is the most commonly recognized name of the country by its citizens. Use the accountable entity's formal name – Millennium Challenge Account - Countryname – when first referenced. Thereafter, it may be referred to as "MCA - Countryname."

"Millennium Challenge Account – Countryname" may be translated where appropriate, but shall be done so consistently. The entire phrase, "Millennium Challenge Account – Countryname" shall be translated and may be re-arranged to ensure that it appears grammatically correct in the translation.

Threshold Program Agreements

No formal name is identified with a threshold agreement as different U.S. government agencies and other organizations may administer the program.

Logo

A logo is recognizable in many different instances: from a glance at a letter printed on your letterhead to noticing it as you're driving by a sign posted next to a roadway. Be aware that the less intricate the logo's design, the more likely people will recognize it quickly.

Millennium Challenge Corporation Logo

The MCC logo shall be used in both Millennium Challenge Account and Millennium Challenge Threshold countries to represent both the MCC and the United States of America.

Accountable Entity Logo

Accountable entities shall create a logo which serves as an element of its signature.

The accountable entity logo shall conform to the following guidelines:

1. The logo must be a circle.
2. The logo must include "Millennium Challenge Account," which may be translated.
3. The logo must include the most commonly recognized country name by its citizens, which may be translated.
4. The logo must acknowledge the generosity of the people of the United States of America.

The Millennium Challenge Corporation reserves approval authority, which will not be unreasonably withheld, for the accountable entity's logo.

Logos for Threshold Program Agreements

Threshold Program countries shall not create a unique logo to represent the relationship and efforts created out of the Threshold agreement. Threshold countries shall use the Millennium Challenge Corporation logo (shown above) or the flag of the United States of America. Threshold Program countries may use their own flag or national insignia *in conjunction with* either the Millennium Challenge Corporation logo or the flag of the United States of America to create a signature for their Threshold Program agreement. See the "Signature" section for more detail.

Signature

A *signature* is the compilation of multiple pieces of branding to create one unified, recognizable symbol.

Accountable Entity Signature

The accountable entity logo combined with any tagline serves as the signature. See the "Logo" section for specific requirements for accountable entity logos. See the "Tagline" section for specific requirements for accountable entity taglines.

For accountable entities whose logo was created prior to October 31, 2006 and whose logo does not conform to the guidelines outlined in the "Logo" section, either the MCC logo or the flag of the United States of America must appear with the logo as part of the signature.

The signature shall be used on all material promoting the accountable entity's partnership with the Millennium Challenge Corporation and shall be used for the duration of the Compact agreement.

Signature for Threshold Program Agreements

Threshold Program countries shall use either the Millennium Challenge Corporation logo or the flag of the United States of America as their signature. Threshold Program countries may use their flag or other national insignia in conjunction with either the Millennium Challenge Corporation logo or the flag of the United States of America to create a signature unique to the country. The flag or other national insignia of the Threshold Program country must be the same size as either the Millennium Challenge Corporation logo or the flag of the United States of America.

Tagline

The tagline is a "catch phrase" that embodies the purpose of an organization. The Millennium Challenge Corporation's tagline is "Reducing Poverty Through Growth."

Accountable Entity Tagline

The accountable entity may choose to create a tagline. The tagline shall never be used without the accountable entity's logo.

Taglines for Threshold Program Agreements

Threshold countries shall not create a unique tagline, but may use the MCC tagline in specific instances.

Color

Accountable entities may not adopt the official colors of the Millennium Challenge Corporation.

Color Usage Consistency

Color usage shall be consistent. If the accountable entity's signature or logo or Threshold Program signature appears in full color, the MCC logo or flag of the United States must appear in full color; conversely, if the accountable entity's logo or Threshold Program signature appears in black and white (or one color), the MCC logo or flag of the United States must appear in black and white (or one color).

Usage and Placement

The accountable entity signature or Threshold Program agreement signature shall be placed on any material purchased or paid for with funds disbursed pursuant to an MCC Compact or Threshold Program agreement that is visible to a significant portion of the population where the item is placed. Location, size, and frequency of placement of the signature shall be determined by the accountable entity or Threshold Program agreement implementer, but shall be placed prominently and sized proportionally to the material or object.

Miscellaneous

Accountable Entity Marking Manual

Accountable entities may, but are not required to, use the Millennium Challenge Corporation *Standards for Corporate Branding and Marking* as a model for establishing rules and guidelines for appropriate usage of its logo, signature, and colors.

Whom to Contact with Questions

Address any questions to:

Brett A. Bearce
Director of Branding and Web Projects
Millennium Challenge Corporation
Department of Congressional and Public Affairs

875 Fifteenth Street NW
Washington, D.C. 20005
202-521-4076
bearceb@mcc.gov

Clearance Process

In most instances, clearance for branded items is at the discretion of the accountable entity's chief executive or at the discretion of the implementer of a Threshold Agreement. Address questions to:

Brett A. Bearce
Director of Branding and Web Projects
Millennium Challenge Corporation
Department of Congressional and Public Affairs
875 Fifteenth Street NW
Washington, D.C. 20005
202-521-4076
bearceb@mcc.gov

Chapter 39:

Summary of Selected Legal Provisions in a Compact

MILLENNIUM CHALLENGE CORPORATION
UNITED STATES OF AMERICA

Reducing Poverty Through Growth

Summary of Selected Legal Provisions in a Compact

Summary of Selected Legal Provisions and Prohibitions in an MCA Compact

Last updated: November, 2006

The Millennium Challenge Corporation (*"**MCC**"*) grants funds (*"**MCC Funding**"*) to the host country government (*"**Government**"*) for use in poverty reduction through economic growth pursuant to the terms and conditions of a Millennium Challenge Compact (*"**Compact**"*). The following is a summary of selected terms and conditions of a Compact. This summary is not intended to be comprehensive. For a review of all Compacts concluded to date, please visit http://www.mcc.gov/countries/

Limitations on the use of MCC Funding

a) MCC Funding may not be used to support (i) the performance of abortions or involuntary sterilizations as a method of family planning, or any related program or research, (ii) any activity that is likely to cause a substantial loss of United States jobs or a substantial displacement of United States production, (iii) any purchase or use of goods or services for military purposes or (iv) any activity that is likely to cause a significant environmental, health, or safety hazard, including those described in MCC's environmental guidelines.

b) MCC Funding, as well as its proceeds and interest, must be free from (i) all taxes (including custom duties), (ii) any impoundment, rescission, or sequestration, and (iii) the imposition of any lien.

c) The use or treatment of MCC Funding, as well as its proceeds and interest, is subject to the requirements of the applicable law and policies of the United

States of America, including the laws relating to anti-corruption, anti-money-laundering and anti-terrorism.

d) The Government must ensure that all persons involved in any activities in furtherance of the Compact are notified of, and agree to, the limitations on the use or treatment of MCC Funding contained in the Compact.

Procurements using MCC Funding

a) The procurement of all goods, services and works by the Government or any other person using MCC Funding must be consistent with MCC's procurement guidelines. MCC's procurement guidelines generally include requirements to ensure that (i) internationally accepted procurement rules with open, fair and competitive procedures are used, (ii) solicitations are based on clear and accurate descriptions of the goods, services, or works to be acquired, (iii) contracts are only awarded to qualified and capable contractors, and (iv) no more than a commercially reasonable price is paid to procure goods, services and works.

b) The Government must maintain, and ensure that any other person using MCC Funding maintains, records regarding the receipt and use of goods, services and works, the nature and extent of solicitations of prospective suppliers, and the basis of award of contracts, grants and other agreements in furtherance of the Compact.

c) Information regarding procurement, grant and other agreements and actions funded directly or indirectly by MCC Funding must be made publicly available.

Records and audits

a) The Government must furnish, and cause any other person receiving MCC Funding to furnish, any records and other information required to be maintained under the Compact.

b) The Government must maintain, and cause any other person receiving MCC Funding to maintain, accounting books, records, documents and other evidence relating to the Compact adequate to show the use of all MCC Funding.

c) At MCC's request, the Government must permit representatives of MCC, its Inspector General, and the United States Government Accountability Office to conduct any assessment, review or evaluation of the program under the Compact.

d) The Government must, at least annually following the Compact's entry into force, conduct financial audits of all disbursements of MCC Funding in accordance with MCC's audit guidelines and subject to oversight by MCC's Inspector General.

e) The Government must ensure that performance reviews, data quality reviews, environmental and social audits, or evaluations of the program under the Compact are conducted during the term of the Compact.

Suspension or Termination of the Compact

MCC may terminate or suspend the Compact or MCC Funding, if it determines that:

a) Any use of MCC Funding or its proceeds, or continued implementation of the Compact, would violate applicable law or United States Government policy;

b) Any person receiving MCC Funding or using its proceeds is engaged in activities that are contrary to the national security interests of the United States;

c) The Government has committed an act or omission or an event has occurred that would render the country ineligible to receive United States economic assistance under Part I of the Foreign Assistance Act of 1961, as amended (22 U.S.C 2151 *et seq.*), by reason of the application of any provision of the Foreign Assistance Act of 1961 or any other provision of law;

d) The Government has engaged in a pattern of actions or omissions inconsistent with the Millennium Challenge Act's eligibility criteria, or a significant decline has occurred in the performance of the country on one or more of the eligibility indicators contained in such criteria;

e) The Government or any person receiving MCC Funding has materially breached any of its obligations under the Compact or any related agreement;

f) Any evidence reveals that actual expenditures for any part of the program under the Compact were or will be greater than the projected expenditures for such activities identified in the budget for the program;

g) The Government (i) materially reallocates or reduces the allocation in its national budget or any other Government budget of the normal resources that the Government would have otherwise received or budgeted for the activities contemplated in the Compact, (ii) fails to provide the required resources to effectively carry out the Government's responsibilities under the Compact, or (iii) fails to pay any of its obligations as required under the Compact or any related agreement;

h) Any person receiving MCC Funding or using its proceeds, or any of their respective directors, officers, employees, affiliates, contractors, sub-contractors, grantee, sub-grantee, representatives or agents, is found to have been convicted of a narcotics offense or to have been engaged in drug trafficking;

i) Any MCC Funding or its proceeds is applied to support individuals or organizations associated with terrorism, sex trafficking or prostitution;

j) An event or condition has occurred that (i) does, or is likely to, materially and adversely affect the ability of the Government or any other person to effectively implement the program under the Compact, (ii) makes it improbable that the objectives of the Compact will be achieved during the term of the Compact, (iii) materially and adversely affects the proceeds of MCC Funding, or (iv) constitutes misconduct injurious to MCC, or constitutes a fraud or a felony, by the Government or a person receiving MCC Funding, or any officer, director, employee, agent, representative, affiliate, contractor, grantee, subcontractor or sub-grantee of any of the foregoing;

k) The Government or any person receiving MCC Funding has taken any action or omission or engaged in any activity inconsistent with the requirements of the Compact;

l) A condition precedent or any other requirement in connection with the disbursement of MCC Funding has not been met in accordance with any agreement entered into in furtherance of the Compact; or

m) Any MCC Funding (or its interest or proceeds) becomes subject to a lien without the prior approval of MCC.

Publicity

The Government must give appropriate publicity to the Compact as a program to which the United States, through MCC, has contributed.

Privileges and Immunities

The Government must ensure that any personnel of MCC, including individuals detailed to or contracted by MCC, and the members of the families of such personnel, while such personnel are performing duties in the host country, enjoys the privileges and immunities enjoyed by a member of the United States Foreign Service, or the family of a member of the United States Foreign Service.

No Liability

Because MCC is a United States Government corporation acting on behalf of the United States Government, MCC has no liability under the Compact, is immune from any action or proceeding arising under or relating to the Compact and the Government must waive and release all claims related to any such liability. In matters arising under or relating to the Compact, MCC will not be subject to the jurisdiction of the courts or other body of the host country.

Chapter 40:

MCC Quarterly Progress Report Format

Reducing Poverty Through Growth

MCC Quarterly Progress Report Format

Last updated: December, 2006

Compact Country:

Reporting Period:

Report Date:

Contact Person and Title:

A. **Executive Summary:** Briefly summarize the principal accomplishments during the quarterly period, detailing progress made towards achievement of planned activities and expected results.

B. **Progress in Overall Program Implementation:** Briefly describe significant activities and accomplishments in the program's implementation framework that took place in the last quarter. Explain any major issues affecting the program's implementation that have occurred during the quarter which may affect performance or meeting Conditions Precedent.

C. **Progress in Project/Activity Implementation:** Based on the approved work plans, for each project, or activity if necessary:

- Describe the principal quarterly activities and accomplishments in the project based on the approved work plans, including activities underway, progress towards achieving Conditions precedents, procurement actions, on-going consultative process, legislations passed, studies completed, contracts, etc.
- Address and explain any significant deviation or modifications from the work plans and timelines, including change orders, and describe the implications for timing and cost. Please highlight any actual or planned modifications to procurement actions and ESA implementation.
- Briefly discuss the environmental procedures implemented, licenses or certificates obtained, and progress made and outcome of implementing environmental and social impact mitigation actions (according to HIV/AIDS Awareness Plan, Environment Management Plan, etc.) taken during the reported quarterly performance period.

- Describe the major activities for the upcoming quarters as detailed in the approved work plans. Explain any significant modifications or changes to the approved work plans and detailed budgets, and any anticipated deferrals to Conditions Precedent or changes to procurement plans.
- For Infrastructure Projects, please complete the attached technical report.

D. **Program Management and Governance:** Briefly describe any significant issues related to MCA-Accountable Entity, including significant activities, resolutions, and legislations affecting the entity, as well as the Stakeholders Group, Fiscal Agent and Procurement Agent(s).

E. **Key M&E Activities:** Briefly describe significant M&E activities that took place last quarter, including, surveys, M&E procurements, results of data quality reviews, evaluations, etc. Complete the Indicator Tracking Table for each project and activity.

F. **Implementation Impediments and Mitigation Measures:** Describe major impediments/problems to implementation related to Conditions Precedent, environment and social issues, technical, financial, procurement, or political developments, and mitigation measures/actions being taken or recommended to overcome them.

G. **Other Documentation:** List, briefly describe and attach any audit reports, technical documents (i.e. surveys, reviews, evaluations, or construction supervisory reports), amendments, agreements or contracts, resolutions, certificates, licenses, permits, insurance and/or filings related to the projects and activities or that evidence achievement of Conditions Precedent in the reported quarterly performance period.

H. **Annexes:** Please complete and attach the following annexes:

Annex A:	**Indicator Tracking Table**
Annex B:	**Infrastructure Project Technical Report**
Annex C:	**Other Technical Reports and Attachments**
Annex D:	**Supplementary Report (FY only)**

ANNEX B: Infrastructure Project Technical Report

Infrastructure Project: ______________________________

1. Studies

Provide brief description and status of on-going or planned studies, if any, or state: "Studies completed"

2. Civil Works

Progress of Civil Works through ______

Sub-Project	Studies (1)	Physical Progress this Quarter in % Actual/ (Scheduled)	Physical Progress to Date in % Actual/ (Scheduled)	Financial Progress this Quarter – Certified IPC (2) US$/(% of Contract)	Financial Progress to Date – Certified IPC (2) US$/(% of Contract)
PPP					
SRP					
SBP					
Total					

Notes: (1): Indicate status, such as completed, on-going, scheduled start date, not started, etc.

(2): IPC = Interim Payment Certificates

2.2 Civil Works Contractor(s)

Contract Details and Progress Summary

Name of Contractor	
Original Contract Amount	
Revised Contract Amount	
Date of Notice to Proceed	
Starting Date	

Original Contract Period (in calendar days)	
Revised Contract Period (in calendar days)	
Original Completion Date	
Revised Completion Date	
Time Lapsed Since Start (Calendar Days)	
Time Lapsed Since Start (% of Contract Period)	
Scheduled Progress to Date (%)	
Actual Progress to Date (%)	
Slippage (%)	
Scope of Work	[Brief description of works]
Value of Certified Interim Payment Certificates this Quarter (Amount)	
Value of Certified Interim Payment Certificates to Date (Amount)	
Value of Certified Interim Payment Certificates to Date (% of Contract Amount)	
Payments to Date (Amount)	
Retentions to Date (Amount)	

2.3 *Physical Works Completed to Date, Major Problems and Comments*

Physical Works Completed to Date	Major Problems Encountered	Actions Taken or Proposed	Comments

3. Construction Supervision Consultants

Contract Details and Progress Summary

Name of Consultant	
Original Contract Amount	
Revised Contract Amount	
Date of Notice to Proceed	
Starting Date	
Original Completion Date	
Revised Completion Date	
Time Lapsed Since Start (Calendar Days)	
Time Lapsed Since Start (% of Contract Period)	
Payments this Quarter (Amount)	
Payments to Date (Amount)	
Payments to Date (% of Contract Amount)	

3.1 Comments

ANNEX D: Supplementary Report

Purpose: The Supplementary Report provides additional information to the Quarterly Progress Report on accomplishments and developments of the Compact implementation related to the consultative process, donor coordination, and lessons learned, submitted following the end of each US fiscal year.

A. **Progress in Overall Compact Implementation Up-to-Date:** Based on the approved M&E Plan, describe the progress made in achieving Compact goal and project objectives. Briefly discuss progress to-date on results achieved over the life of the program, with particular emphasis on results achieved during recently completed implementation year. Show results in the Annual Indicator Tracking Table.

B. **On-going Consultative Process:** Summarize principal issues and outcomes of on-going consultation with beneficiaries, civil society, private sector, donor community, and others and provide recommendations for more effective coordination practices, if any. Particularly, describe the nature and outcome of public consultations on ESA-related issues.

C. **Donor Coordination:** Describe coordination of MCC funding with other United States foreign assistance and/or other donor country/organizations in the previous year.

D. **Lessons-learned and Best Practices:** Describe key lessons-learned to-date and recommendations for implementation of best practices. Also provide success stories and anecdotes relating to the beneficiaries, projects, ESA-related activities, etc.

Chapter 41:

Guidelines for Procurement Performance Reports

MILLENNIUM CHALLENGE CORPORATION
UNITED STATES OF AMERICA

Reducing Poverty Through Growth

Guidelines for Procurement Performance Reports

Last updated: December, 2006

Objective

The purpose of the Procurement Performance Report is for each MCA Accountable Entity to provide Millennium Challenge Corporation (MCC) with a standard summary of significant milestones in the procurement process across their Program. The objective is to assist MCC in monitoring MCA Accountable Entity compliance with the Procurement Agreement and the Procurement Plans. The standard format for the Procurement Performance Report is posted and can be downloaded from the MCC website, under Section E, at: *http://www.mcc.gov/countries/tools/fiscalaccountability/index.php.*

Submission Requirements

Submission of the Procurement Performance Report using the attached standard format is required as part of the package submitted by the MCA Accountable Entity to MCC as part of the regular, quarterly Disbursement Request. If the MCA-Accountable Entity chooses not to submit a Disbursement Request for a given quarter, a Procurement Performance Report must still be submitted no later than twenty (20) days prior to the commencement of the next Disbursement Period. It is important to note that this report is cumulative, and therefore it should contain the required details on all procurement actions undertaken by the Accountable Entity or its external Procurement Agent(s), including those actions authorized for 609(g) and Compact Implementation funding. Procurement actions authorized for 609(g) or Compact Implementation Funding should be reported in the same report and same format but should be grouped together in a separate, independent section of the report with a note in the Description column indicating “609(g)” or “CIF” in order to distinguish these procurements from those funded under Compact Funding.

The MCA Accountable Entity should include in the Procurement Performance Report all procurement actions that have officially begun. For reporting purposes, this means those procurement actions which have progressed to the stage that the first invitation to participate in the procurement is issued. For example, this might be the date that the Expression of Interest (if applicable) is published, the date an invitation to bid is published, or the date a letter is sent to invite suppliers to submit price quotations. All procurement actions that have officially begun by ten (10) calendar days prior to the submission deadline for the Procurement Performance Report are required to be included. For example, if the Procurement Performance Report deadline is December 10, those procurements that officially began on or before November 30 must be included in that quarter's report.

Report Guidance

The Procurement Performance Report has all individual procurement actions grouped by Project and Activity and by funding source. Most, but not all, of the information points required relate to dates on which a certain action in the procurement process was completed. If any event has not occurred yet, the MCA Accountable Entity preparing the report should leave this space blank. If a certain action is not contemplated and is therefore not applicable (ie – there will not be an Expression of Interest notice issued), the MCA Accountable Entity should insert "N/A" in the appropriate space.

Categories of Information Required

The categories of information required include the following main headings and subheadings:

Procurement Information

- Description (each procurement description should include reference to its specific Procurement Plan number).
- Estimated value in approved Procurement Plan (USD)
- Final contract amount (USD)
- Method of procurement in approved Procurement Plan
- Method of procurement actually used

Expression of Interest (If applicable to method of procurement)

- Date of MCC no objection to the request for Expression of Interest

- Date of publication in UNDB/dgMarket/local newspapers
- Deadline for receiving responses (EOI)

Short List (If applicable to method of procurement)

- Date of MCC no objection

Bidding Solicitation Documents (If applicable to method of procurement)

- Date of publication in UNDB/dgMarket/local newspapers (or date sent to short list as applicable)

Evaluation of bids/proposals/quotes (As applicable to method of procurement)

- Date of MCC no objection on technical evaluation
- Date financial proposal opened
- Date of MCC no objection to proposed award

Contract award

- Date of notice of award
- Date of MCC no objection
- Date of confirmation that proposed supplier is not on debarred / excluded lists
- Effective date of the contract

Implementation

- Date of start of work
- Date(s) of MCC no objection on material modification(s)
- Material modification description
- Completion date

Chapter 42:

Instructions for MCC Compact Quarterly Financial Report Schedules

MILLENNIUM CHALLENGE CORPORATION ★ UNITED STATES OF AMERICA ★
MCC

Reducing Poverty Through Growth

Instructions for MCC Compact Quarterly Financial Report Schedules

Last updated: November, 2006

Introduction

This document provides instructions for the completion of the MCC Quarterly Financial Report. This report is intended to provide an overview of the financial developments since the last disbursement period and to explain and justify any proposed cash request for the next period. It is expected that the Quarterly Financial Report will be submitted on at least a quarterly basis, but other intervals are possible and the basic procedures for the completion of these schedules are not dependent on the length of the interval since the last request. These forms must be submitted at least every quarter even if no additional cash is to be requested. Quarterly Financial Reports are due to MCC twenty (20) days prior to the end of the calendar quarter.

Separate Quarterly Financial Reports are required for all MCC grants. Currently, there are three types of MCC grants:

- Compact grants,
- Compact Implementation Funding (CIF) grants and
- Compact Development 609(g) grants.

A Quarterly Financial Report for a Compact grant is required once the Compact has entered into force. If a CIF grant was made available prior to Entry into Force, the Quarterly Financial Reports for the Compact grant covers the amounts in the Multi-year Financial Plan in Annex II, Exhibit A of the Compact, less the amounts in the Compact Implementation Funding grant.

Quarterly financial reporting for Compact Implementation Funding grants or a Compact Development 609(g) grants should begin on the first calendar quarter after approval of the grant and implementation agreements. Quarterly Financial Reports must be submitted for CIF and Compact Development 609 (g) grants until the funds are exhausted. The final Quarterly Financial Report must be clearly marked as "FINAL." After which there is no further need to submit Quarterly Financial Reports.

Quarterly Financial Report Schedules

Schedules A, B, and D primarily account for and establish the budget that will be in place during the next period. These three schedules apply to both the Multi-Year Financial Plan, as well as cumulative commitments and re-disbursements planned through the next period. Schedules C and E, as well as the Cash Reconciliation and Interest Summary sections, primarily account for and establish cash requirements which are driven by actual and projected re-disbursements.

Also note that the terms, “current period”, “next period”, and “prior period” are widely used in these instructions and on the forms and warrant definition. “Current period” refers to the quarter in which the Accountable Entity is presently operating under during the preparation of this report, and for which a Financial Report has already been submitted and approved three months prior. “Next period” refers to the quarter which is to begin at least twenty (20) days after the submission of this report, and for which any Disbursement Request to which the Financial Report is attached is intended. “Prior Period” refers to the quarter which ended immediately before the current period in which the Accountable Entity is presently operating under.

For all Schedules, the following identifying information must be provided:

- Type of grant (Compact, CIF or Compact Development 609(g)),
- Name of the Accountable Entity,
- Compact number,
- Date submitted,
- Disbursement period, and
- if the report is being submitted out of the quarterly cycle.

Schedule A. Multi-year Financial Plan Adjustment Request Form

Purpose: Schedule A of the Financial Report is used to request adjustments (reallocations) of funding from one project or activity to another in the Multi-year Financial Plan. Schedule A should be completed even if no changes in the Multi-year Financial Plan are being proposed.

The left-most column with project and activity titles does not change and no action is required.

Column 1: Column 1 does not change and no action is required.

Column 2: Column 2 reflects cumulative adjustments to the Multi-year Financial Plan last approved by MCC, and should be taken from the final column of Schedule B from the previously approved Financial Report. Column 2 contains the full Compact amount by project and activity and the grand total of this column must always match the grand total of Column 1.

Columns 3 and 4: Show any proposed increases in the Multi-year Financial Plan for each project and activity in Column 3 and decreases for each project and activity in Column 4. Display all amounts as positive numbers. The column totals for Columns 3 and 4 must be equal to each other, as the increases and decreases must not change the overall budget total for all activities.

Column 5: Column 5 shows the proposed Multi-year Financial Plan to be in place for the next period after considering the proposed increases and decreases. Column 5 is result of adding the amounts across each row in Columns 2 and 3 and then subtracting the amount in Column 4.

Schedule B: Summary of Multi-Year Financial Plan Adjustments to Date

Purpose: Schedule B provides a historical log of all of the approved changes to the Multi-year Financial Plan by project and activity. This table does not include proposed changes to the Multi-year Financial Plan in the current QFR submission.

The left-most column with project and activity titles does not change and no action is required.

Column 1: Column 1 does not change and no action is required.

Columns 2, 3, 4, etc.: In Columns 2, 3, 4, etc. record the changes that have been approved through the current period. This information comes from adding together the amounts in Schedule A, Columns 3 and 4, of the previously approved Financial Reports. Amounts from Schedule A, Column 3, are expressed as positive numbers and amounts from Schedule A, Column 4, are expressed as negative numbers. The grand total for each of the Approved Adjustments columns in Schedule B must always be zero. As necessary, add additional columns by copying Column 4 and inserting it to the right. In order to print properly, hide earlier columns and show only the most recent three periods, but the electronic version should contain the complete history of changes. Insert the applicable QFR submission date at the top of the respective adjustment column(s) to identify the QFR adjustments that were approved by MCC.

Column 5 (or the right-most column if others have been inserted after Column 4): Column 5 contains the cumulative effect of previously approved adjustments by adding all the adjustments for each project and activity (across Columns 2, 3, 4, etc.) to the Original Multi-year Financial Plan in Column 1. The amounts in Column 5 must be the same as the amounts in Schedule A, Column 2.

Schedule C: Actual Expenditure and Commitment Report (Current Period)

Purpose: Schedule C is used to show how much balance remains in the Multi-year Financial Plan for each project and activity, after considering cumulative re-disbursements and commitments through the current period.

The left-most column with project and activity titles does not change and no action is required.

Column 1: The prior period actual re-disbursement amounts for Column 1 should come from accounting reports as of the end of the prior period. This column does not contain cumulative actual re-disbursement amounts, but rather the amounts for the prior period *only*.

Column 2: The cumulative actual re-disbursements at the beginning of the current period for Column 2 should come from accounting reports as of the end of the prior period. This column will contain cumulative amounts up to the beginning of the current period.

Column 3: Column 3 contains an estimated amount, assuming this report will be prepared twenty to thirty (20-30) days prior to the end of the current period. The amount should be derived from the actual re-disbursements made during the current period, plus estimated re-disbursements for the remainder of the current period. The estimated remaining payments should include predictable recurring expenses (e.g., wages, utilities, etc.) as well as forecasted contract payments obtained from project and activity managers that are likely to occur through the end of the current period.

Column 4: Column 4 is the sum of Columns 2 and 3.

Column 5: This amount can be determined by the equation provided below.

Total Commitments at the beginning of the current period (defined as executed contracts).

Plus (+): new commitments (defined as contracts executed during the current period)

Less (-): actual payments made (liquidated) against commitments

Less (-): payments expected to be made against the commitments during the remainder of the current period

Column 6: Column 6 is the sum of Columns 4 and 5.

Column 7: The amounts in Column 7 are the current approved Multi-Year Financial Plan before considering any changes proposed for the next period. These amounts come from and should match exactly the amounts in the final column in Schedule B.

Column 8: The amounts in Column 8 are the projected balance of the Multi-year Financial Plan as of the end of current period and are determined by the formula of Column 7 less (-) Column 6. Amounts in Column 8 should never be negative.

Schedule D: Commitment Forecast Report (Next Period)

Purpose: Schedule D is used to project commitments by project and activity to establish a commitment budget.

The left-most column with project and activity titles does not change and no action is required.

Column 1: The amounts in Column 1 are the current approved Multi-Year Financial Plan before considering any changes proposed for the next period. These amounts come from and should match exactly the amounts in the final column of Schedule B.

Column 2: Column 2 shows the amount of projected cumulative commitments and re-disbursements as of the end of the current period. The amounts come from and should match exactly the amounts in Schedule C, Column 6.

Columns 3: This column shows expected new commitments for the next period. New commitments represent new contracts (commitments) expected to be executed during the next period as well as any recurring expenses that are incurred outside an executed contract that can be forecast through the next period.

Column 4: Column 4 shows the projected cumulative commitment budget at the end of next period. The amounts in Column 4 are the result of adding the amounts across each row in Columns 2 and 3. The total provides an estimated amount by project and activity of commitments and re-disbursements at the end of the next period.

Column 5: Column 5 contains the projected uncommitted balance of the Multi-Year Financial Plan at the end of next period. The amounts in Column 5 are calculated by subtracting the amounts in Column 4 from the amounts representing the Current Approved Multi-Year Financial Plan in Column 1.

Schedule E: Forecasted Program Cash Requirements for Next Period

The left-most column with project and activity titles does not change and no action is required.

Purpose: Schedule E is used to determine the forecasted cumulative re-disbursements as part of calculating the amount of the disbursement that will be required for the next period.

Column 1: The amounts in Column 1 come from Schedule C, Column 4, projected cumulative re-disbursements though the current period.

Column 2: Column 2 reflects the forecasted cash requirements for the next period. Cash requirements arise from the liquidation of commitments (payments due on issued contracts) as well as payments for recurring expenses.

Column 3: Column 3 is the sum of Columns 1 and 2.

Cash Reconciliation and Interest Summary

Cash Reconciliation

Line 1: This cash balance would come from accounting reports and/or the bank reports on the status of the Permitted Account as of the beginning of the current period.

Lines 2 a-c: Show amounts received from various sources during the current period in the appropriate line.

Line 3: Show the total of amounts received during the current period (sum of Lines 2 a-c).

Line 4: Show the sum of the Cash balance at the beginning of the period on Line 1 and the receipts on Line 3.

Line 5a: Show the projected Re-disbursements for the current period. This should be the total from Schedule C, Column 3.

Line 5b: Indicate any repayments of interest to the U.S. Government made during the current period.

Line 6: Show the sum of Lines 5a and 5b.

Line 7: This is the projected cash balance in the Permitted Account at the end of the current period determined by the formula of Line 4 less (-) Line 6.

Interest Summary

Line 1: This will come from accounting reports or bank statements.

Line 2: Include the interest earned and received during the current period (do not include any estimates for the current period). This amount will also be available on accounting reports and/or bank statements. Amount should be the same as the amount on Line 2b of the Cash Reconciliation section.

Line 3: This is the sum of Lines 1 and 2.

Line 4: The amount of interest returned as of the beginning of the current period should be the same as the amount shown on Line 6 of the same section in the Cash Reconciliation report of the prior disbursement period.

Line 5: The amount of interest returned during the current period will be available from accounting records. This may be the same as the amount calculated in Line 7 of the Cash Reconciliation report of the prior disbursement period, but in any event show here the actual amount paid during the current period (no estimates of future payments). Amount should be the same as the amount on Line 5b of the Cash Reconciliation section.

Line 6: This is the sum of Lines 4 and 5.

Line 7: This amount is determined by the formula of Line 6 less (-) Line 3. This should be a positive number. Arrangements should be made to pay this amount back to the U.S. Government during the next period.

Chapter 43:

Managing Directors and Country Contacts

MILLENNIUM CHALLENGE CORPORATION
MCC
UNITED STATES OF AMERICA

Reducing Poverty Through Growth

Millennium Challenge Corporation

Operations Point of Contact Chart for Compact Eligible Countries

MCC Main Number: (202) 521-3600 or Direct Dial (202) 521 + xt.

Region	Country	Managing Director	Primary Contact	Secondary Contact
Anglophone & Lusophone Africa	Cape Verde	Darius Mans xt. 2681	Stahis Panagides +238-260-8923	Cassia Carvalho-Pacheco xt. 3649
	Ghana	Darius Mans xt. 2681	Robert Hindle 202-375-8646	Katerina Ntep 202-375-8635
	Lesotho	Darius Mans xt. 2681	Deidra Fair xt. 3905	Brian Baltimore xt. 2658
	Mozambique	Darius Mans xt. 2681	Stephen Gaull xt. 3632	Beverly Watson xt. 3917
	Namibia	Darius Mans xt. 2681	Courtenay Engelke xt.3915	TBD
	Tanzania	Darius Mans xt. 2681	Gretchen Brevnov xt. 3683	Matthew Kavanaugh xt. 3898
Eurasia	Armenia	Frances Reid xt. 4088	Alex Russin +374-10-464700 xt. 4017	Myron Hirniak +374-10-464700 xt 4016
	East Timor	Frances Reid xt. 4088	Troy Wray xt. 3711	Laura Cheng xt. 3678
	Georgia	Frances Reid xt. 4088	Colin Buckley +955-99-920-490	Jim McNicholas +995 99 63 25 40
	Jordan	Frances Reid xt. 4088	Jay Scheerer xt. 3906	TBD
	Moldova	Frances Reid xt. 4088	Eileen Burke xt. 3918	Laura Cheng xt. 3678
	Mongolia	Frances Reid xt. 4088	Jim Hallmark xt. 3645	Alice Storch xt. 3902
	Sri Lanka	Frances Reid xt. 4088	Darius Nassiry xt. 3622	Eileen Burke xt. 3981
	Ukraine	Frances Reid xt. 4088	Alice Storch xt. 3902	Andrew Chakhoyan xt. 2692
	Vanuatu	Frances Reid xt. 4088	Jeffrey Stubbs +678-56740	Ranjani (Ren) Sankaran xt. 3658
Francophone Africa	Benin	Jonathan Bloom xt. 3894	Ross Croulet 202-459-1548	Zaidoon Khouri xt. 3616
	Burkina Faso	Jonathan Bloom xt. 3894	David Weld xt. 3671	Fathma Jalloh xt. 7215
	Madagascar	Jonathan Bloom xt. 3894	Glenn Lines +261-22-516-03	Ariane Gauchat xt. 3620
	Mali	Jonathan Bloom xt. 3894	Jon Anderson 202-375-8671	Jennifer Hruza xt. 3913
	Morocco	Jonathan Bloom xt. 3894	Michael Grossman xt. 3669	Magda Ismail xt. 3630
	Senegal	Jonathan Bloom xt. 3894	Madolyn Phillips xt. 3608	Sarah Leddy xt. 3631
Latin America	Bolivia	Stacy Rhodes xt. 4085	Amy Kirschenbaum xt. 3653	Valeria McFarren xt. 3595
	El Salvador	Stacy Rhodes xt. 4085	Vince Ruddy (703) 839-0631	Kenny Miller xt. 3910
	Nicaragua	Stacy Rhodes xt. 4085	Matt Bohn +505-265-2516	Amy Kirschenbaum xt. 3653
	Honduras	Stacy Rhodes xt. 4085	John Wingle +504.236.9320	Jonathan Brooks xt. 3911

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