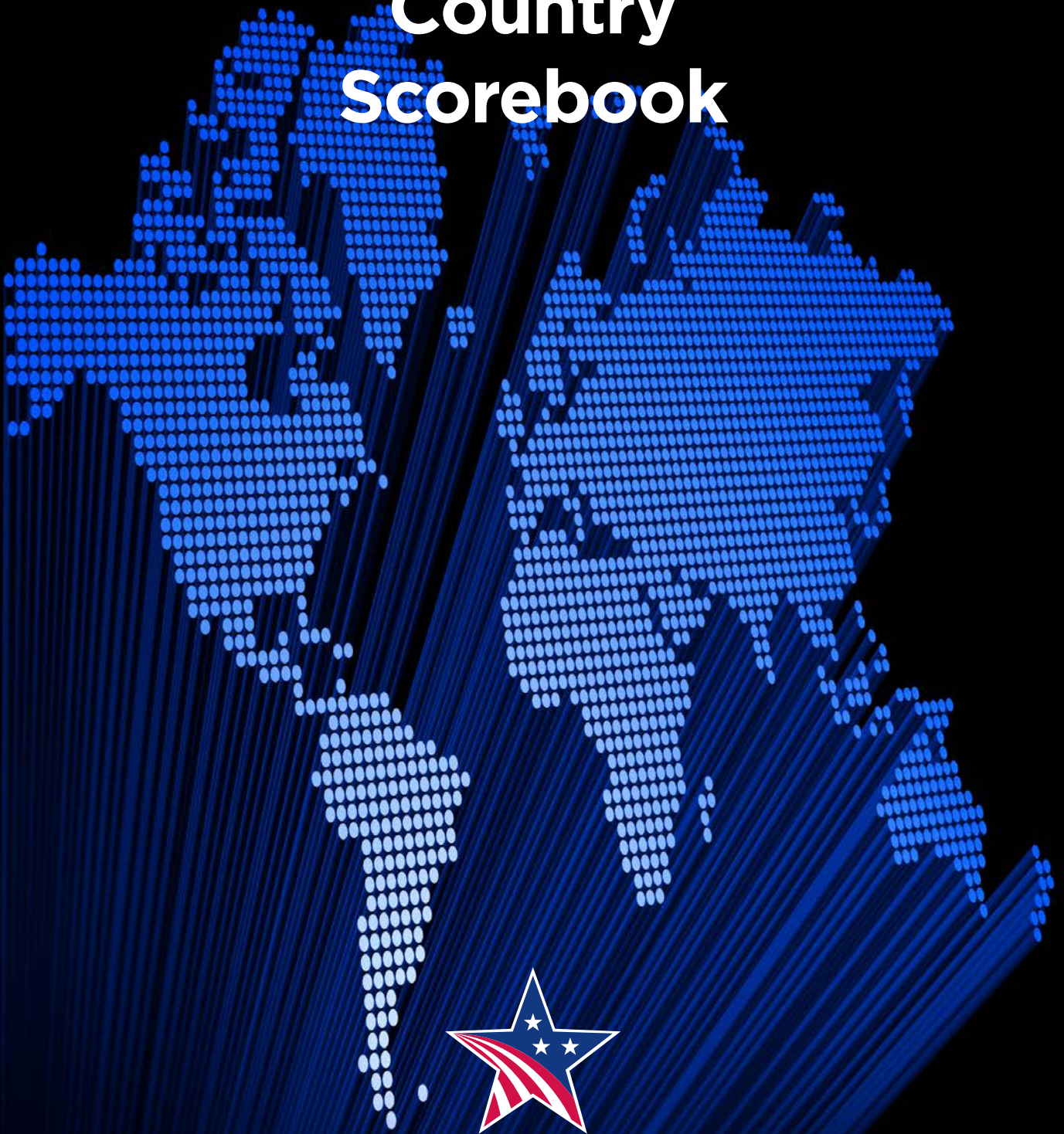


2017 Country Scorebook



MILLENNIUM
CHALLENGE CORPORATION
UNITED STATES OF AMERICA

2017 Country Scorebook



MILLENNIUM
CHALLENGE CORPORATION

Reducing Poverty Through Growth

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Introduction to the Millennium Challenge Account

Established in 2004, the Millennium Challenge Account (MCA) is an innovative foreign assistance program designed to reduce poverty in developing countries through sustainable economic growth. As an independent U.S. Government agency, the Millennium Challenge Corporation (MCC) administers the MCA funds that are provided annually by Congress. MCC is managed by a Chief Executive Officer (CEO) with oversight from a Board of Directors. The Board is composed of five public sector members—the Secretary of State, Secretary of the Treasury, U.S. Trade Representative, Administrator of the U.S. Agency for International Development, and MCC’s CEO—and four private sector members appointed by the President and confirmed by the U.S. Senate. MCC draws its diverse staff from various U.S. Government agencies, the private sector, universities, international development agencies, and non-governmental organizations.

Every year, the MCC Board of Directors meets to select countries as eligible to develop a proposal for MCA assistance (see box describing MCC’s assistance programs). Recognizing that development is achieved by a country’s own efforts, policies, and people, MCC’s assistance offers selected countries an opportunity to identify their own priorities for achieving sustainable economic growth and poverty reduction. Once selected as eligible, a country conducts an economic analysis and undertakes the process of developing a proposal for funding in broad consultation with its own citizens. MCC teams work in partnership with eligible countries to refine their compact proposals in order to ensure the programs’ focus on poverty reduction through sustainable economic growth. Proposed compacts also describe how the country plans to manage and implement its MCA program, including how it will ensure financial accountability, transparency, and fair and open procurement, as well as how it will measure results.

About This Scorebook

The 2017 Country Performance Scorebook is the fourteenth publication of country performance data since the establishment of MCC. The Scorebook presents information on country performance on independent and transparent indicators developed by third-parties that measure countries’ demonstrated commitment to just and democratic governance, investments in the people of a country, and economic freedom. These indicators inform the Board of Directors, MCC staff, Congress, and the Administration of candidate countries’ broad policy framework for encouraging poverty reduction through economic growth. We hope this can also be a tool for citizens, civil society organizations, journalists, the private sector, and governments around the world to monitor performance and advocate for continued policy reform.

This year’s Scorebook includes data on 82 countries (74 candidates and 8 countries that meet the income parameters for candidacy but are statutorily prohibited from receiving assistance), including countries that were eligible in previous years for compact or threshold assistance. A country is determined to be a candidate for MCA funding if its per capita income falls within predetermined parameters set by Congress and if it is not subject to certain restrictions on U.S. foreign assistance.

For Fiscal Year 2017 (FY17), MCC is continuing to use the historical ceiling for eligibility as set by the World Bank’s International Development Association (IDA) to divide the 82 countries into two income groups for the purpose of comparative analysis on the policy performance indicators. A Scorecard low income country (LIC) is defined as a country with a per capita income on or below IDA’s historical ceiling for eligibility (\$1,945 for FY 2017). A Scorecard lower middle income country (LMIC) is defined as

Compact & Threshold Countries

An MCC compact is a multi-year agreement between MCC and an eligible country to fund specific programs targeted at reducing poverty and stimulating economic growth. MCC has signed 33 compacts worth more than \$11.6 billion with Armenia, Benin, Burkina Faso, Cabo Verde, El Salvador, Georgia, Ghana, Honduras, Indonesia, Jordan, Lesotho, Liberia, Madagascar, Malawi, Mali, Moldova, Mongolia, Morocco, Mozambique, Namibia, Nicaragua, Niger, Philippines, Senegal, Tanzania, Vanuatu, and Zambia. MCC is working toward developing compacts with Cote d'Ivoire, Kosovo, Lesotho, Mongolia, Nepal, Philippines, and Senegal.

To provide a further incentive for policy reform, Congress also established the threshold program for countries that demonstrate a significant commitment to meeting the eligibility criteria but do not qualify for MCC compact assistance. Threshold assistance helps countries improve their policy environment to help build a strong foundation and to help them qualify for compact assistance. To date, MCC has approved threshold agreements totaling more than \$580 million with 24 countries: Albania, Burkina Faso, Guatemala, Guyana, Honduras, Indonesia, Jordan, Kenya, Kyrgyz Republic, Liberia, Malawi, Moldova, Niger, Paraguay, Peru, Philippines, Rwanda, Saõ Tomé and Príncipe, Sierra Leone, Tanzania, Timor-Leste, Uganda, Ukraine, and Zambia. MCC is working toward developing threshold programs with Sri Lanka and Togo.

a country with a per capita income above the IDA's historical ceiling for eligibility, but below the World Bank's lower middle income country threshold (\$1,946-\$4,035 for FY17)¹.

In selecting compact and threshold eligible countries, MCC's Board evaluates: 1) candidate countries' performance on the policy indicators, 2) the opportunity for economic growth and poverty reduction, and 3) the availability of funds. If MCC has worked with a country on a previous threshold program or compact, MCC's Board also takes into consideration performance on the initial program.

To judge performance on the policy indicators, the Board will consider whether a country performs above the median or absolute threshold on at least half of the indicators, above the median on the *Control of Corruption* indicator, and above the absolute threshold on either the *Civil Liberties* or *Political Rights* indicators. Indicators with absolute thresholds in lieu of a median include a) *Inflation*, on which a country's inflation rate must be under a fixed ceiling of 15 percent; b) Immunization Rates (LMICs only), on which an LMIC must have immunization coverage above 90%; c) Political Rights, on which countries must score above 17; and d) Civil Liberties, on which countries must score above 25. The Board will also take into consideration whether a country performs substantially worse in any category (*Ruling Justly*, *Investing in People*, or *Economic Freedom*) than they do on the overall scorecard. Countries must meet a minimum standard of passing one indicator in each category. While the indicator methodology is the predominant basis for determining which countries will be eligible for MCA assistance, the Board may also consider supplemental information and take into account factors such as time lags and gaps in the data used to determine indicator scores.

¹ All GNI per capita estimates in this Scorebook are from the World Bank's July 1, 2016 publication entitled "Gross National Income per Capita 2015" and utilize the Atlas method PPP estimates.

Indicators—What They Measure

The 2017 Country Performance Scorebook measures performance on the policy criteria mandated in MCC’s authorizing legislation. By using information collected from independent third-party sources, MCC’s country selection process allows for an objective, comparable analysis across candidate countries. Data sources relied upon to produce this Scorebook are determined by the Board of Directors and are subject to change annually. Candidate countries may regularly consult with the indicator institutions regarding their performance to identify opportunities for reform and to raise questions about the data.

As a rule, MCC relies on indicators that:

- ★ are developed by an independent third party;
- ★ use an analytically-rigorous methodology and objective, high quality data;
- ★ are publicly available;
- ★ have broad country coverage among MCC candidate countries;
- ★ are comparable across countries;
- ★ have a clear theoretical or empirical link to economic growth and poverty reduction;
- ★ are policy-linked, i.e. measure factors that governments can influence; and
- ★ have broad consistency in results from year to year.

The following indicators are measured by MCC in the three categories of *Ruling Justly*, *Investing in People*, and *Encouraging Economic Freedom*.

Ruling Justly

These indicators measure just and democratic governance, including a country’s demonstrated commitment to promoting political pluralism, equality, and the rule of law; respecting human and civil rights; protecting private property rights; encouraging transparency and accountability of government; and combating corruption.

- ★ **Civil Liberties**—Independent experts rate countries on: freedom of expression; association and organizational rights; rule of law and human rights; and personal autonomy and economic rights, among other things. *Source: Freedom House*
- ★ **Political Rights**—Independent experts rate countries on: 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, among other things. *Source: Freedom House*

MCC Investments

Countries partnering with MCC undertake an economic analysis and engage in a consultation process with their citizens and the private sector to discuss how they can best use MCC funding to overcome barriers to poverty reduction and stimulate economic growth. Many countries have identified improvements to roads, ports, and railroads as vital to improving access to markets, schools, and health clinics for their people. Other countries have proposed building industrial parks, trade schools, and small business centers, and making improvements to water and sanitation services. For others, land tenure and agriculture projects, micro-lending credit programs, and improvements to irrigation systems are identified as priorities to reduce rural poverty.

- ★ **Freedom of Information**—Measures the legal and practical steps taken by a government to enable or allow information to move freely through society; this includes measures of press freedom, national freedom of information laws, and the extent to which a country is filtering internet content or tools. *Source: Freedom House / Centre for Law and Democracy*
- ★ **Government Effectiveness**—An index of surveys and expert assessments that rate countries on: the quality of public service provision; civil servants’ competency and independence from political pressures; and the government’s ability to plan and implement sound policies, among other things. *Source: World Bank/Brookings Institution’s Worldwide Governance Indicators*
- ★ **Rule of Law**—An index of surveys and expert assessments that rate countries on: the extent to which the public has confidence in and abides by the rules of society; the incidence and impact of violent and nonviolent crime; the effectiveness, independence, and predictability of the judiciary; the protection of property rights; and the enforceability of contracts, among other things. *Source: World Bank/Brookings Institution’s Worldwide Governance Indicators*
- ★ **Control of Corruption**—An index of surveys and expert assessments that rate countries on: “grand corruption” in the political arena; the frequency of petty corruption; the effects of corruption on the business environment; and the tendency of elites to engage in “state capture,” among other things. *Source: World Bank/Brookings Institution’s Worldwide Governance Indicators*

Investing in People

These indicators measure investments in the promotion of broad-based primary education, strengthened capacity to provide quality public health, the reduction of child mortality, and the sustainable management of natural resources.

- ★ **Public Expenditure on Health**—Total expenditures on health by government at all levels divided by gross domestic product (GDP). *Source: The World Health Organization (WHO)*
- ★ **Immunization Rates**—The average of DPT3 and measles immunization coverage rates for the most recent year available. *Source: WHO and the United Nations Children’s Fund (UNICEF)*
- ★ **Public Expenditure on Primary Education**—Total expenditures on primary education by government at all levels divided by GDP. *Source: The United Nations Educational, Scientific and Cultural Organization (UNESCO) Institute of Statistics and National Governments*
- ★ **Girls’ Primary Completion Rate**—The number of female students enrolled in the last grade of primary education minus repeaters divided by the population in the relevant age cohort (gross intake ratio in the last grade of primary). *Source: UNESCO Institute of Statistics and National Governments*
- ★ **Girls’ Secondary Education**—The number of female pupils enrolled in lower secondary school, regardless of age, expressed as a percentage of the population of females in the theoretical age group for lower secondary education. Lower middle income countries (LMICs) will be assessed on this indicator instead of Girls Primary Completion Rates. *Source: UNESCO Institute of Statistics and National Governments*
- ★ **Natural Resource Protection**—Assesses whether countries are protecting up to 17 percent of all their biomes (e.g., deserts, tropical rainforests, grasslands, savannas and tundra). *Source: The Center for International Earth Science Information Network and the Yale Center for Environmental Law and Policy*
- ★ **Child Health**—An index made up of three indicators: access to improved water, access to improved sanitation, and child (ages 1-4) mortality. *Source: The Center for International Earth Science Information Network and the Yale Center for Environmental Law and Policy*

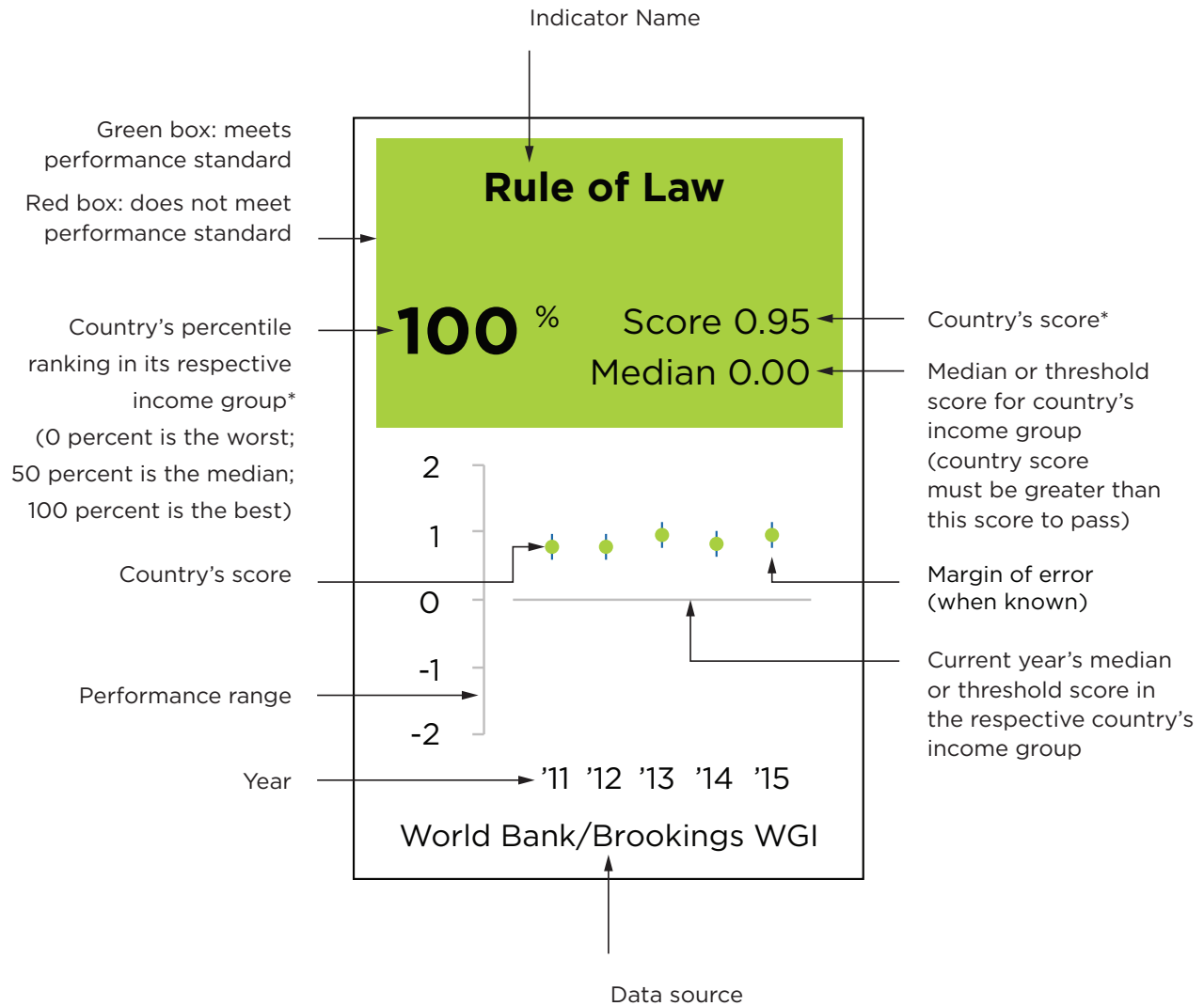
Encouraging Economic Freedom

These indicators measure the extent to which a government encourages economic freedom, including a demonstrated commitment to economic policies that: encourage individuals and firms to participate in global trade and international capital markets, promote private sector growth and the sustainable management of natural resources, and strengthen market forces in the economy.

- ★ **Inflation**—The most recent average annual change in consumer prices. *Source: The International Monetary Fund's (IMF) World Economic Outlook Database*
- ★ **Fiscal Policy**—General government net lending/borrowing as a percent of GDP, averaged over a three-year period. Net lending/borrowing is calculated as revenue minus total expenditure. *Source: The IMF's World Economic Outlook Database*
- ★ **Business Start-Up**—An index that rates countries on the time and cost of complying with all procedures officially required for an entrepreneur to start up and formally operate an industrial or commercial business. *Source: International Finance Corporation*
- ★ **Trade Policy**—A measure of a country's openness to international trade based on weighted average tariff rates and non-tariff barriers to trade. *Source: The Heritage Foundation's Index of Economic Freedom*
- ★ **Regulatory Quality**—An index of surveys and expert assessments that rate countries on: the burden of regulations on business; price controls; the government's role in the economy; and foreign investment regulation, among other areas. *Source: World Bank/Brookings Institution's Worldwide Governance Indicators*
- ★ **Land Rights and Access**—An index that rates countries on the extent to which the institutional, legal, and market frameworks provide secure land tenure and equitable access to land in rural areas, and the time and cost of property registration in urban and peri-urban areas. *Source: International Fund for Agricultural Development and International Finance Corporation*
- ★ **Access to Credit**—An index that rates countries on rules and practices affecting the coverage, scope and accessibility of credit information available through either a public credit registry or a private credit bureau; as well as legal rights in collateral laws and bankruptcy laws. *Source: International Finance Corporation*
- ★ **Gender in the Economy**—An index that measures the extent to which laws provide men and women equal capacity to generate income or participate in the economy, including the capacity to get a job, register a business, sign a contract, open a bank account, choose where to live, and travel freely. *Source: International Finance Corporation*

Reading the Scores—A Reference Guide

Every year each MCC candidate country receives a scorecard assessing performance in three policy categories: *Ruling Justly*, *Investing in People*, and *Encouraging Economic Freedom*.



For more information regarding the MCC Selection Process and these indicators, please visit MCC's website at www.mcc.gov/selection

* For the Political Rights and Civil Liberties indicators, the score and percent ranking are reversed due to those indicators operating on a minimum-score system rather than a median-based system.

Part 1: Low Income Country Scorecards



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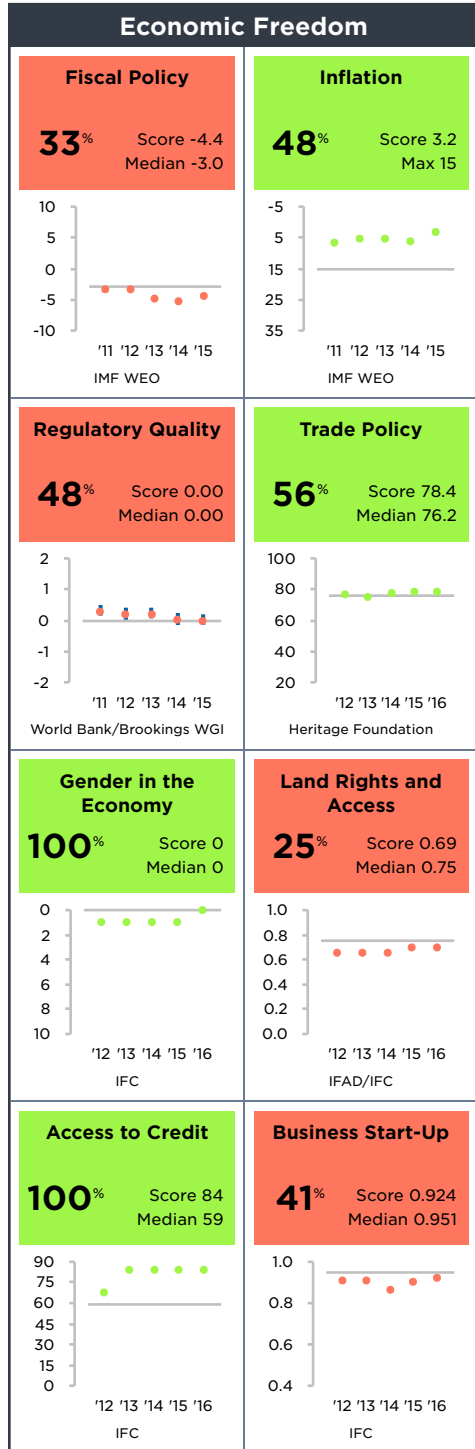
Reducing Poverty Through Growth

Honduras FY17

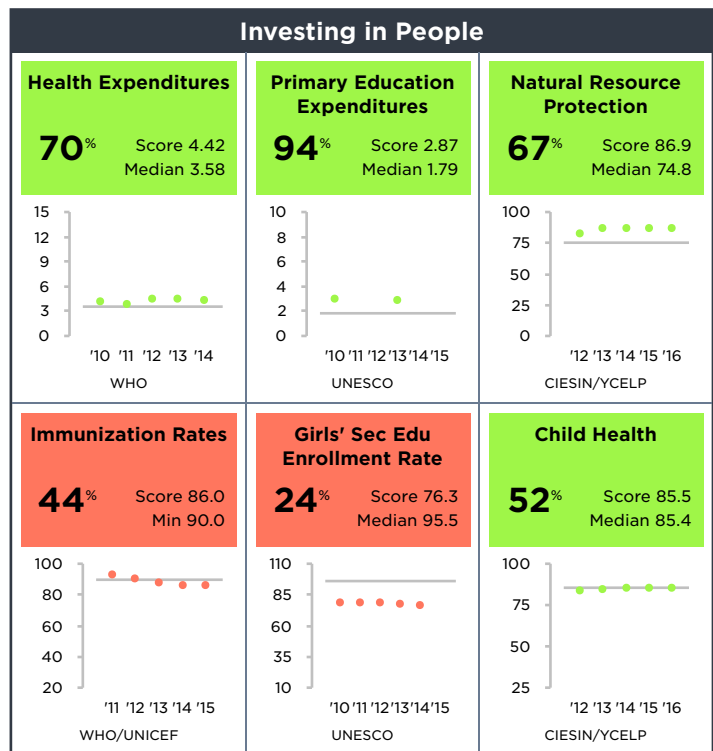
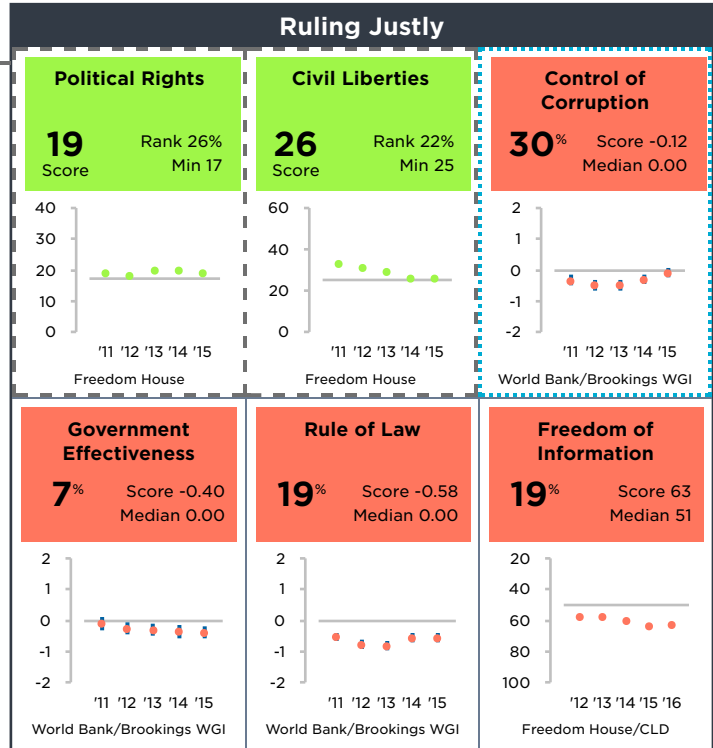
Population: 8,075,000
 GNI/Cap: \$2,270 (LMIC)

Half Scorecard Passed
 Control of Corruption
 Democratic Rights

Honduras



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