Order Code RL32427

CRS Report for Congress
Received through the CRS Web

Millennium Challenge Account: Implementation of a New U.S. Foreign Aid Initiative

Updated June 30, 2004

Larry Nowels
Specialist in Foreign Affairs
Foreign Affairs, Defense, and Trade Division

Millennium Challenge Account: Implementation of a New U.S. Foreign Aid Initiative

Summary

In a speech on March 14, 2002, President Bush outlined a proposal for a major new U.S. foreign aid initiative. The program, referred to as the Millennium Challenge Account (MCA), would be managed by a new Millennium Challenge Corporation (MCC) and be available, through a competitive selection process, to developing nations that are pursing political and economic reforms in three areas: ruling justly, investing in people, and fostering economic freedom. If fully implemented, the initiative would represent one of the largest increases in foreign aid spending in half a century, outpaced only by the Marshall Plan following World War II and the Latin America-focused Alliance for Progress in the early 1960s.

The MCC differs in several respects from past and current U.S. aid practices:

- the size of the $5 billion commitment;
- the competitive process that will reward countries for past actions measured by 16 objective performance indicators;
- the pledge to segregate the funds from U.S. strategic foreign policy objectives that often strongly influence where U.S. aid is spent; and
- the requirement to solicit program proposals developed solely by qualifying countries with broad-based civil society involvement.

For FY2004, the Administration sought $1.3 billion for the MCA's first year, a level reduced by Congress to $994 million. The FY2005 budget proposes $2.5 billion, with a commitment for a $5 billion program in FY2006.

The passage of legislation on January 23, 2004 authorizing and funding the MCC for FY2004 (Division D of P.L. 108-199) launched the start of the program during which the new Corporation formed, issued required reports, consulted with Congress and the public, and selected on May 6 the first 16 eligible countries. Continuing implementation matters that will unfold in the months ahead will include the relationship of MCC programs with those operated by USAID, how the Corporation and USAID will support near-miss or "threshold" countries better prepare for future performance reviews, congressional budget decisions for FY2005, and the selection of candidate countries for next year.

A growing question raised by some Members of Congress is whether sufficient funds will be available to support MCC programs in every country selected, especially if the Board also makes exceptions in the FY2005 selection process and qualifies more countries than meet the strict criteria. A March 2004 GAO report estimated that the MCC could adequately fund 8-13 Compacts with an appropriation of $3.5 billion (the combined FY2004 enacted and FY2005 amounts). This suggests, that even if Congress fully funds the pending proposal, the Corporation will not be able to support programs in all 16 countries approved for FY2004 and those selected for FY2005.

This report will be updated as events unfold.

Contents

List of Tables

Millennium Challenge Account: Implementation of a New U.S. Foreign Aid Initiative

In a speech on March 14, 2002, President Bush outlined a proposal for the United States to increase foreign economic assistance beginning in FY2004 so that by FY2006 American aid would be $5 billion higher than three years earlier. The funds, referred to as the Millennium Challenge Account (MCA), would be managed by a new Millennium Challenge Corporation (MCC) and be available, through a competitive selection process, to developing nations that are pursing political and economic reforms in three areas:

- Ruling justly — promoting good governance, fighting corruption, respecting human rights, and adhering to the rule of law.
- Investing in people — providing adequate health care, education, and other opportunities promoting an educated and healthy population.
- Fostering enterprise and entrepreneurship — promoting open markets and sustainable budgets.

If fully implemented, the initiative would represent one of the largest increases in foreign aid spending in half a century, outpaced only by the Marshall Plan following World War II and the Latin America-focused Alliance for Progress in the early 1960s. It would also represent a fundamental change in the way the United States invests and delivers economic assistance.

MCC Background[1]

The concept is based on the premise that economic development succeeds best where it is linked to free market economic and democratic principles and policies, and where governments are committed to implementing reform measures in order to achieve such goals. Conditioning assistance on policy performance and accountability by recipient nations is not new to U.S. aid programs. Since the late 1980s at least, portions of American development assistance have been allocated to some degree on a performance-based system. Nevertheless, the MCC differs in several fundamental respects from past and current U.S. aid practices:

---

[1] For a more in-depth discussion of the original MCA proposal and issues debated by Congress in 2003, see CRS Report RL31687, *The Millennium Challenge Account: Congressional Consideration of a New Foreign Aid Initiative*.

- the size of the $5 billion commitment;
- the competitive process that will reward countries for past actions measured by 16 objective performance indicators;
- the pledge to segregate the funds from U.S. strategic foreign policy objectives that often strongly influence where U.S. aid is spent; and
- the requirement to solicit program proposals developed solely by qualifying countries with broad-based civil society involvement.

The new initiative, which Congress authorized in January 2004 (Division D of P.L. 108-199),[2] would phase in over a three-year period, beginning in FY2004. During the first year, MCC participation is limited to the 74 poorest nations that are eligible to borrow from the World Bank's International Development Association and have per capita incomes below $1,435. The list will expand in FY2005 to include all countries with a per capita income below $1,435 (adding another 13 nations). Beginning in FY2006 and beyond, all lower-middle income countries with per capita incomes below $2,975 may compete for MCC resources.

Country selection is based largely, but not exclusively, on the nation's record measured by 16 performance indicators related to the three categories of good governance, economic freedom, and investing in people. Countries that score above the median on half of the indicators in each of the three areas qualify. Emphasizing the importance of fighting corruption, however, should a country fall below the median on the corruption indicator, it will be disqualified from consideration unless other, more recent trends suggest otherwise. (See **Table 1** below for a complete list of the 16 performance indicators.) Administration officials, since announcing the MCC initiative in 2002, have said that the selection process would be guided by, but not necessarily bound to the outcomes of the performance indicators. Missing or old data, general trends, and recent steps taken by governments might also be taken into account when annual decisions are made.

Eligibility to receive MCA assistance, however, does not necessarily result in an aid grant. Once selected, countries are required to submit program proposals — referred to as MCA Compacts — that have been developed through a broad-based, national discussion that includes input from civil society. The focus of program submissions may vary among countries in size, purpose, and degree of specificity, and will be evaluated by the Corporation for, among other things, how well the Compact supports a nation's economic growth and poverty reduction goals. Only those Compacts that meet the MCC criteria will be funded. It is expected that successful Compacts will support programs lasting three to five years, providing a level of resources roughly equivalent to the largest providers of assistance in the country. This will most likely result in a significant increase of U.S. economic assistance to MCA participant countries.

To manage the new initiative, the Administration proposed and the Congress authorized the creation of a Millennium Challenge Corporation (MCC), an

---

[2] **Table 2**, found at the end of this report, provides a summary of major MCA issues and compares positions approved by the House, Senate, and Conference Committee during the 2003 debate.

independent government entity separate from the Departments of State and the Treasury and from the U.S. Agency for International Development (USAID). The MCC plans for an eventual staff of about 200, drawn from various government agencies, non-governmental organizations, and the private sector, and led by a CEO confirmed by the Senate. A Board of Directors, chaired by the Secretary of State and composed of the Secretary of the Treasury, the USAID Administrator, the U.S. Trade Representative, and the Corporation's CEO, oversees operations of the MCC and makes the country selections. Four additional Board members, yet to be confirmed by the Senate, will be drawn from lists submitted by Congressional leaders.[3]

The decision to house the MCA in a new organization was one of the most debated issues during early congressional deliberations of the President's foreign aid initiative. The Administration argued that because the MCA represents a new concept in aid delivery, it should have a "fresh" organizational structure, unencumbered by bureaucratic authorities and regulations that would interfere in effective management. Critics, however, contended that if the MCA is placed outside the formal U.S. government foreign aid structure, it would lead to further fragmentation of policy development and consistency. Some believed that USAID, the principal U.S. aid agency, should manage the MCA, while others said that the MCA should reside in the State Department where more U.S. foreign policy entities have been integrated in recent years. At least, some argued, the USAID Administrator should be a member of the MCC Board, which had not been proposed in the initial Administration request.

For FY2004, the Administration sought $1.3 billion for the MCA's first year, a level reduced by Congress to $994 million. The FY2005 budget proposes $2.5 billion, with a commitment for a $5 billion program in FY2006.

MCC Implementation Steps and Issues

The passage of legislation on January 23, 2004 authorizing and funding the MCC for FY2004 (Division D of P.L. 108-199) launched a period of at least 90 days during which the new Corporation would form, issue required reports, consult with Congress and the public, and select first year participant countries. Within 10 days of enactment, the Board of Directors held its initial meeting to establish the program, and over the following weeks the Corporation identified "candidate" countries for FY2004, published the criteria and methodology to be used for country selection, solicited public comments, issued guidelines for Compact proposals, and, on May 6, 2004, selected 16 countries to participate in the MCA's first year of operations. Continuing implementation matters that will unfold in the months ahead will include the relationship of MCC programs with those operated by USAID, how the Corporation and USAID will support near-miss or "threshold" countries to better

[3] On June 8, 2004, President Bush nominated two of the four new Board members: Kenneth Hackett, President and CEO of Catholic Relief Services, and Christine Todd Whitman, former Governor of New Jersey and former head of the Environmental Protection Agency, 2001-2003.

prepare for future performance reviews, congressional budget decisions for FY2005, and the selection of candidate countries for next year.

Establishing the Millennium Challenge Corporation

On February 2, 2004, the Board of Directors met, agreed to Corporation by-laws, and approved Under-Secretary of State Larson as the interim CEO. Subsequently, the President nominated Paul Applegarth to be the permanent MCC CEO, an individual confirmed by the Senate on May 5. Mr. Applegarth has held various international and development positions over the past 30 years, primarily in the private sector. Most recently, he was the Managing Director of Emerging Markets Partnership, serving as the COO of Emerging Africa Infrastructure Fund in 2002.

Naming FY2004 Candidate Countries

Also on February 2, the MCC Board issued a list of 63 "candidate" countries that would be reviewed for possible selection as MCA participants in FY2004. These countries, according to authorizing legislation, must be eligible for assistance from the World Bank's International Development Association, have a per capita income of $1,415 or less, and not be otherwise ineligible to receive U.S. assistance. The latter condition eliminated twelve countries — Burma, Burundi, Cambodia, Central African Republic, Cote d'Ivoire, Guinea-Bissau, Liberia, Serbia, Somalia, Sudan, Uzbekistan, and Zimbabwe — that were statutorily barred from receiving American aid.[4]

Publishing the Selection Criteria and Methodology

Pursuant to reporting requirements set in the MCC legislation, the Corporation on March 5, 2004 sent to Congress an overview of the criteria and methodology that would be used to determine the eligibility of the 63 candidate countries in FY2004. The report suggested that there would be relatively few and only minor changes to the criteria and methodology that had been outlined 15 months earlier. The same 16 performance indicators, as listed in **Table 1** below, would be utilized. In a few cases, data sources shifted from international institutions to national governments. This was especially true in cases where existing data for an indicator were old or incomplete.

---

[4] Various types of aid restrictions apply to these countries. For several — Burundi, Central African Republic, Cote d'Ivoire, Guinea-Bissau, and Sudan — U.S. aid is blocked because an elected head of government has been deposed by a military coup. For Cambodia and Uzbekistan current legislation bars assistance to the central Government. Aid restrictions imposed on countries not cooperating in counter-narcotics efforts (Burma), that are on the terrorist list (Sudan), or in arrears on debt owed the United States (Liberia, Somalia, and Zimbabwe) also apply. Serbia cannot receive aid until the President issues a determination stating, among other things, that government is cooperating with the International Criminal Tribunal. Notwithstanding these restrictions, each country may still receive humanitarian assistance from the United States.

Although the Corporation did not alter any of the original 16 performance indicators, it attempted to address additional criteria added by Congress in P.L. 108-199 through the use of supplemental data and qualitative information. While the legislative authorities broadly match criteria proposed by the Administration, lawmakers included four additional matters on which to evaluate a country's performance. These relate to the degree to which a country:

- recognizes the rights of people with disabilities;
- supports a sustainable management of natural resources;
- respects worker rights; and
- makes social investments, especially in women and girls.

For an evaluation of the rights of people with disabilities, the MCC reported that it will draw on information in the State Department's annual Human Rights Report, which includes a discussion of discrimination based on disability. Regarding natural resource management, the Corporation will also use the Human Rights Report as supplemental information on such issues as access to sanitation, deforestation, conservation of land and marine resources, land tenure institutions, and protection of threatened and endangered species. The State Department's Human Rights Report will also be used for additional information regarding worker rights, while statistics on girl's primary enrollment rates will supplement the four social investment performance indicators.

The MCC also noted that it would use the most recent release (October 2003) of Transparency International's Corruption Perception Index to update and supplement the World Bank's survey data on which corruption performance indicator is based. This was necessary because the World Bank information was last published in March 2003 and is not expected to be revised this year. Since the corruption indicator is a "pass/fail" measure, the quality and timeliness of the data is especially important.

Given the range and diversity of suggestions offered throughout the public and congressional debate of the MCC, many observers are surprised that the Corporation did not propose more substantive changes to the criteria and methodology. Some have questioned how seriously the Administration considered alternative approaches and whether the Corporation would be open to future revisions.[5] During the public comment period and at congressional oversight hearings, some have suggested that existing data sources need to be refined or new surveys created in order to specifically measure a country's commitment on the four criteria added by Congress.

Country Selection

On May 6, the MCC Board of Directors determined that 16 countries would be eligible for MCA funding FY2004 and invited each to submit program proposals:

---

[5] See, for example, Steve Radelet, et al., *A Comment on the Millennium Challenge Account Selection Process*, Center for Global Development, March 9, 2004.

Armenia	Madagascar
Benin	Mali
Bolivia	Mongolia
Cape Verde	Mozambique
Georgia	Nicaragua
Ghana	Senegal
Honduras	Sri Lanka
Lesotho	Vanuatu

As expected, the selection process has raised a number of questions and concerns. The Administration had previously said that the Board would be guided by, but not entirely bound to, the outcome of the performance indicator review process; that Board members could apply discretion in their selection. Performance trends, missing or old data, and recent policy actions might come into play during selection deliberations, officials noted.

The final selection reflects decisions that both strictly follow the performance indicator outcomes and apply Board discretion to take into account other factors. Ten of the countries comply with the stated criteria: performing above the median in relation to their peers on at least half of the indicators in each of the three policy clusters and performing above the median on corruption. The Board also examined whether a country performed substantially below average on any single indicator and whether their selection was supported by supplemental information. Each of the ten countries also passed these additional tests.

For ten other countries, however, some discretion was applied by the Board. In three cases, countries which met the criteria but fell significantly below average on one indicator were still selected by the Board due to recent policy changes or positive trend lines. Cape Verde, for example, scored poorly on the Trade Policy indicator, but the Board took into account the country's progress towards joining the World Trade Program and implementing a value added tax that will reduce reliance on import tariffs. Lesotho did not score well on the measurement for days to start a business. The MCC Board, however, took note of Lesotho's creation of a central office to facilitate new business formation and saw positive performance on other factors related to business start-ups. Sri Lanka scored far below the median on fiscal policy, but the most recent trends suggest that the government is making progress in reducing its budget deficit.

For three other countries — Bolivia, Georgia, and Mozambique — the Board deviated from a strict application of the selection criteria because of evidence that the governments were taking corrective actions in the deficient areas. Bolivia fell at the median (as opposed to above the median) on the corruption indicator, something that would eliminate it from consideration. The Board, however, noted that President Mesa, who took office in October 2003, has created a cabinet position to coordinate anti-corruption activities and an office to investigate police corruption. Georgia, with a newly elected government that has created an anti-corruption bureau and taken other steps to fight corruption, was also selected despite scoring below the median on corruption and three other "ruling justly" indicators. Mozambique, which failed on corruption and each of the four "investing in people" indicators, was chosen based on supplemental data that is more current than information available from the primary data sources. This evidence, the Board felt, demonstrated Mozambique's commitment to fighting corruption and improving its performance on health and education.

On the other hand, the MCC Board chose not to select four countries that technically met the performance criteria but fell substantially below the median on one or more indicator. In each of these cases, the Board did not believe that the government was taking any action to improve its performance. Although Bhutan, Mauritania, and Vietnam passed the corruption hurdle and half of the "ruling justly" indicators, they scored very low on the measurements for Political Rights and Civil Liberties, and in Vietnam's case, on the Voice and Accountability indicator. A fourth country — Guyana — was also not selected despite passing the necessary hurdles. It scored particularly low on the Fiscal Policy measurement.

It has been long assumed by MCC officials and close observers of the MCA initiative that when the country selections were announced, there would be disagreements and possible surprises in the final list, especially if the Board exercised its discretionary authority as it has done for FY2004 participants. Representative Lowey, for example, expressed her view at a May 13 House Appropriations Committee hearing that East Timor, which fails to pass the "economic freedom" hurdle in part due to missing data on two of the indicators, should have been selected. CEO Applegarth responded that East Timor is a new nation and that it is premature to conclude that it was a "high-performing" country. He acknowledged, however, that East Timor should be given close consideration in the future if the current trend lines continue.

Besides East Timor, some have suggested that Kenya should have been included because of its new government's commitment to education and anti-corruption efforts. USAID Administrator Natsios acknowledged at the hearing that Albania was a "close call," failing because it scores slightly below the median on corruption. Like Albania, Malawi and Moldova would qualify on the basis of performance if not for slightly failing scores on corruption. Several small island states, including Kiribati, Sao Tome, and Tonga, were not selected even though the absence of data for several categories may have played a role.

Despite these questions over specific country eligibility, the selection process appears to have satisfied two major concerns that have been consistently expressed over the past year. Based on earlier analysis, some argued that Africa would be under-represented in the final selection process, with perhaps as few as three regional states participating. In fact, eight, or half of the first year qualifying nations are from Africa. Selection of countries that would give the appearance of geostrategic considerations was a concern of many who view the absence of security-related factors from MCA decision-making as one of the most attractive features of the initiative. Had the Board used its discretionary powers to select Indonesia, for example, some critics would have likely charged that the decision stemmed more from Jakarta's role in the war on terrorism than on strict policy performance. Indonesia passed all necessary hurdles except for corruption.

MCA Compacts and Program Proposals

The next step for the 16 qualified countries is the preparation and negotiation with the MCC of program proposals, referred to as MCA Compacts. Only those Compacts that demonstrate a strong relationship between the program proposal and economic growth and poverty reduction will receive funding. It is anticipated that not all 16 MCA countries will submit successful Compacts.

While acknowledging that Compact contents likely will vary, the Corporation expects each to discuss certain matters:

- a country's strategy for economic growth and poverty reduction, impediments to the strategy, how MCA aid will overcome the impediments, and the goals expected to be achieved during implementation of the Compact.;
- why the proposed program is a high priority for economic development and poverty reduction and why it will succeed; the process through which a public/private dialogue took place in developing the proposal;
- how the program will be managed, monitored, and sustained after the Compact expires;
- the relationship of other donor activities in the priority area;
- examples of projects, where appropriate;
- a multi-year financial plan; and
- a country's commitment to future progress on MCA performance indicators.

The Corporation has not set hard deadlines for Compact submissions in order to allow a country adequate time to conduct a national dialogue over the contents of the program proposal. However, some Compacts are expected in the coming weeks.

"Threshold" Countries and U.S. Assistance

In order to encourage non-qualifying countries to improve in weak areas, Administration officials have said that the U.S. would help governments committed to reform strengthen performance so that they would be more competitive for MCA funding in future years. Congress provided in authorizing legislation that not more than 10% of MCA appropriations ($99.4 million in FY2004) could be used for such purposes, stating that the funding could be made available through USAID. The MCC has set aside up to $40 million for countries that just missed qualifying for FY2004 funding, although these specific threshold countries have not been named. Officials say that the Corporation and USAID will design a joint strategy for assistance and notify Congress as the effort develops. In related legislation, the House International Relations Committee is considering a bill, H.R. 4660, that would extend the authority to assist threshold countries in FY2005.

Role of USAID and the Future of Agency Programs in MCA Countries

As noted above, how USAID would participate in the MCA initiative has been a continuing concern of Congress and various policy analysts. Legislation authorizing the MCC requires the Corporation's CEO to coordinate with USAID and directs the Agency to ensure that its programs play a primary role in helping candidate countries prepare for MCA consideration. Corporation and USAID officials have said there will be close collaboration between the two entities, although the precise nature of the relationship has yet to be made public. USAID maintains missions in 13 of the 16 eligible countries and which might be expected to support MCC programs, through contracting, procurement, and monitoring tasks.

Another question is how USAID will adjust its own programs in MCA countries, especially where the Agency maintains relatively small activities in relation to other donors. Since the goal is to provide resources that will make MCA programs among the largest aid operations in a country, it is likely that USAID spending will fall well below amounts provided through MCC Compacts. For example, in Mongolia, where U.S. aid programs have totaled $10-$12 million annually in recent years, the United States was the fourth largest bilateral donor in 2002, representing less than a quarter of the size of Japan's economic aid disbursements. In Ghana, Senegal, and Sri Lanka, USAID maintains larger programs but spends far less than other countries and multilateral agencies.

Like other issues involving USAID, this question remains under review. USAID Administrator Natsios told the House Appropriations Committee on May 9, 2004 that the Agency would not withdraw from or cut programs in MCA countries, but would not increase spending either. He said, however, that USAID would work to ensure that its programs operate in an integrated way with MCA-funded activities.

Funding Issues and the FY2005 MCC Request

As mentioned above, Congress appropriated $994 million for FY2004 MCC programs and is considering a $2.5 billion request for FY2005. This is by far the largest increase sought by the Administration in the Foreign Operations appropriations proposal and viewed by many observers as one of the most vulnerable items in an increasingly difficult budget environment. In earlier congressional action, House and Senate Budget Committees (H.Con.Res. 393 and S.Con.Res. 95) recommended reductions in international affairs spending, suggesting that much of the proposed cuts could be achieved by trimming back the MCC request. Legislation authorizing appropriations for the MCC reported by the Senate Foreign Relations Committee (S. 2144) would reduce the level to $2 billion.

On June 23, the House Foreign Operations Appropriations Subcommittee marked up its draft FY2005 spending bill, approving $1.25 billion for the MCC. This is half the amount the President seeks but 25% higher than approved for FY2004. Moreover, the Subcommittee's draft recommendation includes a provision that would require the Corporation to fully fund the anticipated three-to-five year Compacts in the year they are signed. Rather than drawing on funds over time in several appropriation acts to finance these multi-year arrangements, this provision might have the affect of reducing the number of programs the MCC could support in FY2004 and FY2005 due to the reduced funding levels.

For some time, some Members of Congress have raised questions regarding whether sufficient funds will be available to support MCC programs in every country selected, especially if the Board also makes exceptions in the FY2005 selection process and qualifies more countries than meet the strict criteria. Representative Kolbe, chairman of the House Foreign Operations Subcommittee, speculated at a May 9 hearing that based on recent Board decisions, by 2006, as many as 40 countries might have qualified. This, he believed, could not be fully supported with likely funding levels, and might raise country expectations that could not be met and undermine program incentives.

MCC officials point out that qualification for the program does not mean that a government will receive funding. That decision will be based on the quality of the Compact proposals and it is possible that the Corporation will not finalize agreements with all eligible countries. A March 2004 GAO report estimated that the MCC could adequately fund 8-13 Compacts with an appropriation of $3.5 billion (the combined FY2004 enacted and FY2005 amounts). This suggests, that even if Congress fully funds the pending proposal, the Corporation will not be able to support programs in all 16 countries approved for FY2004 and those selected for FY2005. If Congress reduces the $2.5 billion request, the MCC may face increasing difficulties funding Compacts of a sufficient size that will have a meaningful impact on a country's economic growth and poverty reduction goals. This may lead to further congressional examination of the Board's selection process and consideration of ways to limit the number of countries selected in the future.

Table 1. MCC Performance Indicators

Ruling Justly	Investing in People	Economic Freedom
Control of Corruption Source: World Bank Institute [http://www.worldbank.org/wbi/governance/pubs/govmatters3.html]	**Public Primary Education Spending as % of GDP** Sources: National governments	**Country Credit Rating** Source: Institutional Investor Magazine, September 2003.
Voice and Accountability Source: World Bank Institute [http://www.worldbank.org/wbi/governance/pubs/govmatters3.html]	**Primary Education Completion Rate** Sources: World Bank and UNESCO	**Inflation** (must be below 20%) Source: Multiple
Government Effectiveness Source: World Bank Institute [http://www.worldbank.org/wbi/governance/pubs/govmatters3.html]	**Public Expenditure on Health as % of GDP** Sources: National governments	**Three-year Budget Deficit** Source: National governments
Rule of Law Source: World Bank Institute [http://www.worldbank.org/wbi/governance/pubs/govmatters3.html]	**Immunization Rates: DPT and Measles** Sources: World Health Organization	**Trade Policy** Source: The Heritage Foundation, Index of Economic Freedom [http://www.heritage.org/research/features/index/]
Civil Liberties Source: Freedom House [http://www.freedomhouse.org/research/freeworld/2004/table2004.pdf]		**Regulatory Policy** Source: World Bank Institute [http://www.worldbank.org/wbi/governance/pubs/govmatters2003.htm]
Political Freedom Source: Freedom House [http://www.freedomhouse.org/research/freeworld/2004/table2004.pdf]		**Days to Start a Business** Source: World Bank [http://rru.worldbank.org/DoingBusiness/SnapshotReports/EntryRegulations.aspx]

Table 2. Comparison of MCA Authorization Legislation

Issue	Administration	Senate (S. 925)[a]	House (H.R. 1950)[a]	Conference (H.R. 2673)
MCA oversight	Board of Directors, chaired by Sec. of State, with Treasury and OMB	Board of Directors, chaired by the Sec. of State, with Treasury, USAID, USTR, and the MCA's Chief Executive Officer (CEO)	Board of Directors, chaired by Sec. of State, with Treasury, USTR, USAID, MCC CEO, and 4 others nominated by the President from a Congressional list. Non-voting members include OPIC, OMB, Peace Corps, and TDA.	Board of Directors, chaired by Sec. of State, with Treasury, USTR, USAID, MCC CEO, and 4 others nominated by the President that may come from list submitted by Congressional leaders.
MCA organization	Independent Millennium Challenge Corporation	Independent Millennium Challenge Corporation whose CEO reports to and be under the direct authority and foreign policy guidance of the Sec. of State	Independent Millennium Challenge Corporation	Independent Millennium Challenge Corporation
MCA coordinator	CEO of Corporation	CEO "manages" the Corporation, reporting to and under the direct authority and foreign policy guidance of the Sec. of State	CEO "heads" the Corporation, reporting to the President	CEO "manages" the Corporation, reporting to and under the direct authority and foreign policy guidance of the Board of Directors.
Interim CEO	—	—	—	Board of Directors may appoint a confirmed U.S. Government official to serve as interim CEO until a CEO has been confirmed by the Senate.
Selection of participating countries	Board of Directors	Board of Directors	CEO of Corporation	Board of Directors

Issue	Administration	Senate (S. 925)[a]	House (H.R. 1950)[a]	Conference (H.R. 2673)
MCC Advisory Council	None	None	Nine members named by the CEO to advise on MCA policy, review eligibility criteria, evaluate the MCC, assess MCC capabilities, and make recommendations to the CEO.	None
Country income eligibility	FY2004 - IDA eligible FY2005 - per capita GNP less than $1,435 FY2006 - per capita GNP less than $2,975	FY2004 - IDA eligible FY2005 - per capita GNP less than $1,435 FY2006 - per capita GNP less than $2,975 only if funds exceed $5 billion; low-middle income countries capped at 20%	FY2004 - IDA eligible FY2005 - per capita GNP less than $1,435 FY2006 - per capita GNP less than $2,975; low-middle income countries capped at 20%	FY2004 - IDA eligible FY2005 - per cap GNP less than $1,435 FY2006 - per capita GNP less than $2,975; low-middle income countries capped at 25%
Eligible entity	None stated	A government, including a local or regional government, or an NGO or private entity.	A national government, regional or local government, an NGO, an international organization and trust funds.	A national government, regional or local government, or an NGO or private entity.
Aid to “threshold” countries	General support	10% of MCA funds available for countries failing to qualify because of inadequate data or missing one indicator	15% of MCA funds available for countries demonstrating a development commitment but fail to meet a sufficient number of performance indicators	10% of MCA funds available for countries showing a commitment to MCA criteria but fail to qualify

Issue	Administration	Senate (S. 925)[a]	House (H.R. 1950)[a]	Conference (H.R. 2673)
Oversight and reports	MCA contracts and performance posted on the Internet.	Disclosure in Federal Register and on the Internet of eligible countries, programs supported, and performance; proposed performance indicators open to public comment; annual report to Congress	CEO consultation with Congress on eligibility criteria; notification 15 days in advance on grants exceeding $5 million; "Compacts" with countries published in Federal Register and on the Internet; advance notification of aid termination; annual reports to Congress from the CEO and Advisory Council	Establishes a period of at least 95 days during which Congress will receive the list of "candidate countries," the eligibility criteria and methodology for making a final selection, and the list of "eligible" countries (those that will receive MCA assistance). Consultation with congressional committees will occur during this period and the information will be published in the Federal Register. "Compacts" with countries will be reported to Congress and published in Federal Register. Annual report by March 31.
Funding	FY2004 - $1.3 billion FY2005 - no decision FY2006 - $5 billion	FY2004 - $1 billion FY2005 - $2.3 billion FY2006 - $5 billion	FY2004 - $1.3 billion FY2005 - $3 billion FY2006 - $5 billion	Such sums as may be necessary for FY2004 and FY2005.

a. The status of the Senate bill is based on S. 925, the Foreign Affairs Act, Fiscal Year 2004, as amended during debate on July 9 and 10. S. 925 remains pending in the Senate. Previously, the Senate Foreign Relations Committee had approved legislation authorizing the Millennium Challenge Account in S. 1160. A modified text of S. 1160 was subsequently incorporated into S. 925 as Division C on July 9. The House bill, H.R. 1950, is also a combined foreign policy authorization measure to which earlier MCA authorizing text was added. The House International Relations Committee had reported H.R. 2441, which was incorporated, with modifications, to H.R. 1950, and passed by the House on July 16.