

How Can the MCA Best Help Sub-Saharan Africa and Latin America?

The Administration’s plan for the Millennium Challenge Account (MCA) expands the pool of countries eligible to receive MCA funds over the next three years. In the first year, the MCA is limited to IDA-eligible countries with per capita incomes under \$1435 only. In the second year, all countries that have per capita incomes under \$1435 would qualify and in the third year, the income limitations are extended to countries with per capita incomes under \$2975 annually.

This analysis shows the MCA could benefit more countries in sub-Saharan Africa and Latin America by restricting MCA funding to countries with per capita incomes under \$1435 and creating a “second tier” of funding on those that nearly miss qualification. One proposal for the second tier is to carve out a certain proportion of MCA funds and direct them towards those countries that have only missed MCA qualification by one indicator.

The table below compares how many additional countries could be reached. It assumes that the shaded column is held constant as a list of countries with per capita incomes below \$1435 that would qualify in years one and two. The unshaded columns depict the options outlined above: one column shows how many additional countries within the under \$1435 per capita income range missed only one indicator and would qualify for ‘near miss’ assistance and the other column shows additional Latin American and sub-Saharan African countries that would qualify for assistance when the income level criteria is expanded to include countries with per capita incomes up to \$2975.

Latin American and sub-Saharan African countries that are expected to qualify for the MCA		
<i>Countries that would qualify in years 1 and 2 (per capita incomes below \$1435)</i>	<i>Countries with per capita incomes below \$1435 that would qualify for assistance as ‘near misses’ in year 2- missed on one indicator only</i>	<i>Countries with per capita incomes between \$1435 and \$2975 that would qualify for the MCA in Year 3</i>
Bolivia Ghana Honduras Lesotho Nicaragua Senegal Swaziland	Benin Burkina Faso Cape Verde The Gambia Guyana Mali Mauritania Sao Tome & Principe <u>Those that missed on corruption*:</u> <i>Ecuador</i> <i>Malawi</i> <i>Paraguay</i>	Belize Namibia South Africa St. Vincent & Gren.

**As currently devised, countries must pass the corruption hurdle in order to qualify for MCA funds. In addition to providing a lesser portion of MCA funds to the second tier countries that miss on one indicator, it may be possible to provide targeted assistance to those countries that would qualify had they passed the corruption indicator in order to allow these countries to improve their performance on corruption.*

Because the Administration has not yet released a list of the countries deemed to be eligible, the following analysis is illustrative. It is based on the work of Steve Radelet (Center for Global Development) who has compiled a list of countries that would be qualify using the guidelines set by the Administration. Because the Administration may use some additional data sets that are not publicly available, its list may differ slightly.