



# PROJECT on Middle East Democracy

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## Which Countries Will the Millennium Challenge Corporation Choose in 2008?

The Center for Global Development, 29 November 2007, 2 PM

The *Center for Global Development* hosted a presentation entitled “Which Countries Will the Millennium Challenge Corporation Choose in 2008?” The speakers were **Sheila Herrling**, Senior Policy Analyst, Center for Global Development, and **Steve Radelet**, Senior Fellow, Center for Global Development. Based on their assessment of the indicators (which are all available from public sources such as the World Bank, Freedom House and the WHO), they explained which countries passed or failed and which countries they think the Millennium Challenge Corporation (MCC) Board will actually select. Their full paper on the topic is available from the CGD website: [http://www.cgdev.org/files/14914\\_file\\_Round\\_Five\\_MCA.pdf](http://www.cgdev.org/files/14914_file_Round_Five_MCA.pdf)

They also raised several issues with the MCC program that they believe ought to be addressed. First, they believe only low income countries (LICs) should be considered and not low-middle income countries (LMICs) because the LICs need the assistance so much more. Second, they expressed concern that the Board will not select for the program countries that passed the indicators because of budget restrictions. They argue that this would undermine the incentive effect of the MCC. They believe that the Board should select all countries that qualify and then put the onus on Congress to fund the program it set up for all countries that meet the agreed standards. (For more about budget constraints see Sheila Herrling’s paper on the topic.<sup>1</sup>) Third, they discussed the lack of transparency in the Board’s decision making, which they argued needs to be improved to make the MCC more effective.

Finally they argued that the democracy indicators should be a “hard hurdle” that countries must pass in order to qualify for the program. Right now, it is possible to pass the “Ruling Justly” category while still failing all three democracy-indicators—political rights, civil liberties, and voice and accountability. **Egypt, Jordan and Morocco** are all countries where this is true. They noted that while Egypt has passed the indicators this year and in the past is has not and is not likely to be selected by the board, probably because of its poor democracy scores. However, both Jordan and Morocco have been selected and are the only non-democracies that have been. Radelet noted that all three indicators are highly correlated and most countries either get all three or miss all three. He also noted that while it is an imperfect measure because it only looks at if the country’s score is above or below the median score of the LICs, the measure matched very closely with other measures of democracy, such as PolityIV.

During the Q&A, one person asked to what extent *should* America be promoting democracy in LICs. Radelet responded that the MCC should definitely be used to promote democracy. He

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<sup>1</sup> [http://www.cgdev.org/files/14873\\_file\\_MCA\\_Budget.pdf](http://www.cgdev.org/files/14873_file_MCA_Budget.pdf)

noted that there are other foreign policy goals that justify giving money to non-democracies and other methods available to give them that money. There are also other tools to help development, but the MCC should be used to promote the values we care about and it should do that clearly.

*Project on Middle East Democracy* asked if they have seen any countries that are trying to change their status on the indicators that can be attributed to the MCC program, particularly regarding the democracy indicators. Radelet replied that there were certainly indications that countries are trying to change their status on the indicators to qualify for MCC, especially with the economic and human investment indicators. With the governance indicators, there are definite signs the countries are trying to change their status regarding control of corruption. He also noted that *Freedom House* has started to get a lot more calls about their indicators; countries are trying to find out why they got a five instead of a 4.5. However, he questioned if it is really a good thing if “dangling dollars” is what gets countries to change their political and civil liberty indicators. Implicit are the questions: Do those changes last if the money stops? Has anything really changed?