



Millennium Challenge Corporation

Reducing Poverty Through Growth

PRESS RELEASE

Media Contact:
Jake Stefanik
202-521-3600

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The Millennium Challenge Corporation Announces Fiscal Year 2005 Country Selection Process

Washington, DC – The Millennium Challenge Corporation (MCC) announced today the criteria and methodology for determining the eligibility of candidate countries for Millennium Challenge Account (MCA) assistance in Fiscal Year 2005 (FY05).

At its July 20 meeting, the MCC Board identified seventy countries that are candidates for MCA assistance in FY05. The Board will use the selection criteria and methodology announced today to select which of these candidate countries will be eligible for assistance in FY05. The selection process includes the use of a number of policy “indicators” to assess the degree to which the political and economic conditions in these countries serve to promote poverty reduction and broad-based sustainable economic growth and thus, provide a sound environment for the use of MCC funds. These indicators are developed by independent third parties and were selected based on a number of factors, including their relationship to growth and poverty reduction, their transparency and country coverage, their analytical rigor and objectivity, and their broad consistency in results from year to year.

Since the FY04 selection criteria and methodology were announced, MCC has received a great deal of valuable public comment, which was taken into account in reviewing the criteria. MCC changed two indicators for FY05. Girls’ Primary Completion Rates has been substituted for Primary Completion Rates to reflect not only the importance of primary education generally, but also the high economic return from the education of women in particular. The ceiling for the inflation rate indicator was lowered from 20 to 15 percent to make it a more meaningful test of a country’s economic policies.

“MCC strongly believes that the participation of women is vital to the success of a country’s long-term development strategy. Using completion rate data disaggregated by gender continues MCC’s focus on the importance of countries investing in the education of their people while at the same time highlighting the importance of women and girls as contributors to a country’s economic growth and poverty reduction,” said MCC Chief Executive Officer Paul Applegarth.

In addition to the two changes to the selection criteria for FY05, MCC announced that it will explore potential changes for the future, including additional measures of entrepreneurial activities, investments in people, and trade barriers. Additionally, MCC announced its decision to establish a working group to help identify or promote development of an indicator to measure a country’s policies regarding the management of natural resources. The group will be chaired by MCC Board Member Christine Todd Whitman and will work with outside groups and experts to establish criteria and invite ideas for such an indicator. Governor Whitman noted, “a government’s policies towards the management of natural resources are directly related to the sustainability of its economic growth and poverty reduction. We are setting up a process to explore ways to measure a country’s commitment to combining growth and responsible resource management.”

MCC, a new government corporation designed to work with some of the poorest countries in the world, is based on the principle that aid is most effective when it reinforces sound political, economic, and social policies that promote poverty reduction through economic growth.

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