

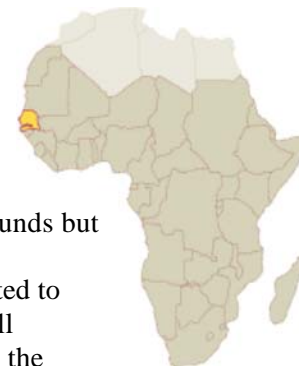
# SENEGAL AND THE MCA

## WHAT IS THE MCA?

The Millennium Challenge Account (MCA) was announced by President Bush in March 2002 as a mechanism to deliver substantial new resources to a carefully selected group of poor countries to support development and poverty reduction. The MCA would provide the means by which countries would enter into a 'contract' with the U.S. and would receive funds to invest in their development priorities such as health, education, clean water and economic infrastructure needs.

## WHY SENEGAL?

Senegal is a small country in western Africa with a strong history of democratic governance and a clear commitment to poverty reduction, making it an ideal candidate for the MCA.



The Bush Administration has not yet released a list of which countries will receive MCA funds but the selection process has been broadly outlined.

- **Country Eligibility** is based on income levels. In the first year (2004), 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 so that countries with annual per capita incomes under \$2975 will qualify as well. Senegal qualifies beginning in the first year because its per capita income is \$490.
- **Country Selection** will be based on various indicators that evaluate a country's relative commitment to ruling justly, investing in people and instituting economic freedom. As currently proposed, if a country scores better than its peers on at least half of the criteria in each category, it will be eligible to apply for MCA funds. In addition, a country **MUST** be above the median on the corruption indicator to qualify. Final selection will be made by the MCC.

While the final determination of indicators has not yet been released, a preliminary analysis by Steve Radelet at the Center for Global Development shows that Senegal would qualify for the MCA with scores above the median on the following indicators:

<b>Ruling Justly</b>	<b>Investing in People</b>	<b>Economic Freedom</b>
<ul style="list-style-type: none"> <li>• Civil Liberties</li> <li>• Political Rights</li> <li>• Voice and Accountability</li> <li>• Government Effectiveness</li> <li>• Rule of law</li> <li>• Control of Corruption</li> </ul>	<ul style="list-style-type: none"> <li>• Public primary education spending as a % of GDP</li> <li>• Public expenditure on health as a % of GDP</li> </ul>	<ul style="list-style-type: none"> <li>• Country credit rating</li> <li>• Inflation</li> <li>• 3-year budget deficit</li> <li>• Regulatory quality</li> <li>• Days to start a business</li> </ul>

## HOW COULD SENEGAL USE THE MCA?

The MCA is designed to provide the means for countries like Senegal to make rapid advancement on development priorities. While there are several areas in which a larger investment could make a real impact on the quality of life in Senegal, two areas that can illustrate the potential are health and education.

- ✓ Senegal has already successfully fought back an HIV/AIDs rate from a peak of 1.7% down to 0.5% but health care access overall is quite limited: only 8 doctors are available for every 100,000 people. Current expenditures on health are \$12 per person per year, which is much less than the \$40 recommended as a minimum by the WHO Commission on Macroeconomics and Health. MCA resources could be used to scale-up health expenditure per capita to reach this goal.
- ✓ Enhancing access to education is another high priority objective. Currently, only 59% of children are enrolled in primary school but MCA resources could be used to fuel an education for all campaign.

These two objectives alone would cost approximately \$600m annually between 2005 and 2015; a U.S. share would be approximately 1/3 of this total or \$200m. As the MCA is scaled up from \$1.3b in 2004 to \$5b annually in 2006, resources available for Senegal (if allocated according to country size) could reach as high as \$100m in 2004 and perhaps as high as \$400m by 2006, enabling Senegal to make great strides towards these goals and others.