



CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

We wish to inform you that the Millennium Challenge Corporation (MCC) will suspend assistance to Malawi based on a determination that the Government of the Republic of Malawi has engaged in a pattern of actions inconsistent with the criteria used to determine eligibility for MCC assistance, as set forth in the attached notification and accompanying report.

Members of MCC's staff are available to meet with you at your convenience to discuss this suspension. If you or your staff would like to arrange a meeting, please contact me or Jim Mazzarella at (202) 521-2695. The attached notification is being sent to Congress on March 26, 2012.

Sincerely,

T. Charles Cooper
Vice President
Congressional and Public Affairs

MILLENNIUM CHALLENGE CORPORATION

CONGRESSIONAL NOTIFICATION

March 26, 2012

This notification is submitted pursuant to section 611(c) of the Millennium Challenge Act of 2003, as amended (22 USC 7701 *et seq.*) (the “Act”) and under the heading “Millennium Challenge Corporation” of the Consolidated Appropriations Act, 2012 (P.L. 112-74), to report that the Millennium Challenge Corporation (MCC) will suspend assistance to the Government of Malawi (GoM).

MCC and GoM entered into a \$350.7 million Millennium Challenge Compact (Compact) on April 7, 2011. As set forth in the accompanying report, the GoM has engaged in a pattern of actions contrary to MCC’s eligibility criteria. On July 26, 2011, MCC placed an operational hold on all Compact activities in response to the GoM’s role in and response to violent events in Malawi of July 19-21. MCC then informed the GoM that funding through the Compact was at risk due to actions inconsistent with MCC’s good governance criteria.

On March 22, 2012, MCC’s Board of Directors concurred with the recommendation of MCC’s Chief Executive Officer (CEO) to suspend assistance to Malawi and authorized the CEO to take the necessary actions to carry out the suspension. Effective on or after April 10, 2012, MCC will suspend all assistance under sections 605 and 609(g) of the Act.

The attached report contains the determination by the CEO, pursuant to section 611(a)(2) of the Act, that Malawi has engaged in a pattern of actions inconsistent with MCC’s eligibility criteria.

**REPORT ON THE DETERMINATION BY THE CHIEF EXECUTIVE OFFICER THAT
THE GOVERNMENT OF MALAWI HAS ENGAGED IN A PATTERN OF ACTIONS
INCONSISTENT WITH THE ELIGIBILITY CRITERIA OF THE
MILLENNIUM CHALLENGE CORPORATION**

The Millennium Challenge Corporation (MCC) and the Government of Malawi (GoM) entered into a \$350.7 million Millennium Challenge Compact (Compact) on April 7, 2011. The Compact activities were designed to provide an estimated \$2 billion in net income benefits for close to six million people in Malawi, where the per capita income amounts to less than \$1 per day.

On July 26, 2011, in light of the GoM's role in and response to the violent events of July 19-21, which occurred in the context of other governance concerns, MCC's Chief Executive Officer (CEO) placed an operational hold on the Compact so that MCC could review its partnership with Malawi, including whether to recommend to its Board of Directors to suspend or terminate its assistance.

On March 22, 2012, MCC's Board of Directors concurred with the recommendation of the CEO that GoM has engaged in a pattern of actions inconsistent with the criteria used to determine the eligibility of Malawi for assistance, under 611(a)(2) of the Millennium Challenge Act of 2003, as amended (22 USC 7701 *et seq.*) (the "Act"). This determination was based on the following factors:

- **The violent events of July 19-21, 2011**, in which police used live fire and excessive force against demonstrators, resulting in 19 deaths;
- **Certain changes to democratic institutions and rights**, including legal changes affecting media freedom, lesbian, gay, bisexual and transgender human rights, and citizens' access to justice; and
- **A growing number of individual human rights violations**, including intimidation of, attacks against, and the arrest of journalists, and civic and political actors.

These factors constituted a pattern of actions inconsistent with good policy performance in the areas measured by the *Political Rights*, *Civil Liberties*, and *Rule of Law* indicators used by MCC to determine country eligibility. While GoM had taken initial steps in the right direction after the violence of July 2011, more recent events – including the arrests of opposition and human rights leaders and efforts to block free speech, assembly and dissent – supported MCC's finding of a pattern of actions inconsistent with democratic governance. The lack of progress on economic policy to bring the country's International Monetary Fund program back on track has contributed to significant deterioration of the economic environment and put at risk the viability of MCC's planned compact investments. Malawi's decision to allow Sudanese President Omar al-Bashir to attend a trade summit in Lilongwe, despite the International Criminal Court's outstanding warrant for his arrest, deepened MCC's concerns.

Recent updates from the relevant third-party indicator institutions support MCC's assessment. Specifically, based on publically available data, it is clear that Malawi's score on both Freedom House indicators (*Civil Liberties* and *Political Rights*) will decline based on the events of 2011.

In light of these ongoing concerns about democratic and economic governance in Malawi, MCC has formally suspended the Compact. The future of this Compact now rests on the actions of GoM leaders between now and the next MCC Board meeting, which is scheduled for June 2012. MCC will continue to closely monitor events in Malawi and the Board will determine whether to terminate the compact at its meeting in June, provided action is not required before then.