



Millennium Challenge Corporation

Reducing Poverty Through Growth

CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

We wish to inform of the intent to provide additional funding of up to \$7,861,305 for the purpose of facilitating the development of a Millennium Challenge Compact with the Government of Mozambique and, if a Compact is concluded, the implementation of such Compact. (Copies of the initial and the amended Congressional Notification are enclosed.)

The attached notification is being sent to the Congress on May 17, 2006. Allocation and obligation of funds may be incurred on or after fifteen days from the date of this notification.

Sincerely,

Frances C. McNaught
Vice President
Congressional and Public Affairs

Enclosure:

As stated

**MILLENNIUM CHALLENGE CORPORATION
CONGRESSIONAL NOTIFICATION**

May 17, 2006

PROGRAM: FY 2004, FY 2005, and FY2006
Eligible Countries

APPROPRIATIONS CATEGORY: FY 2005 Program Funds

INTENDED FY 2006 OBLIGATION: \$7,861,305

In accordance with section 515 of the Foreign Operations, Export Financing, and Related Programs Appropriations Act 2005 (Div. D, P.L. 108-477) (“FOAA”), this is to advise that the Millennium Challenge Corporation (“MCC”) intends to obligate up to Seven Million Eight Hundred Sixty One Thousand Three Hundred and Five U.S. Dollars (\$7,861,305) in FY 2005 MCC program funds. Pursuant to Section 609(g) of the Millennium Challenge Act of 2003 (the “Act”), MCC plans to fund activities to facilitate the development of, and subject to appropriate approvals and notifications, the conclusion of a Millennium Challenge Compact (“Compact”) with the Government of Mozambique (“GoM”) and the acceleration of Compact implementation.

As summarized in the table below, this supplemental request for \$7.86 million in 609(g) support would fund:

- The difference between the existing \$6 million 609(g) authorization and the \$6.65 million in awards for two key program contracts so far (i.e. Items 1 and 2 in the table below);
- Other activities contemplated under the original 609(g) grant (i.e. Items 3 and 4); and
- Additional Compact development and implementation activities (i.e. Items 5 and 6).

Summary of 609(g) Funding Needs

I. Activities Covered by the Existing 609(g) Grant	\$ 6,000,000
Awarded Contracts	
1. Water and Sanitation Prefeasibility Studies	4,878,912
2. General Technical Support Services, which include Technical Assistance for: Business Development Services Procurement Expertise Land Tenure and Registration Activities Economic and Beneficiary Analysis Baseline Surveys	1,768,219
Differential between awarded and existing authorizations	(647,131)
II. 609(g) Supplemental Request (Total)	\$ 7,861,305
Activities Covered by the Existing 609(g) Grant	
Differential between awarded and existing authorizations	647,131
3. Nacala Export Free Trade Zone	714,174
4. Impact Evaluation Design	500,000
New Activities	
5. Roads Prefeasibility Studies	3,000,000
6. Procurement and Fiscal Agents	3,000,000
Total 609(g) Funds to be Allocated to Mozambique	\$13,861,305

Description of Activities to Be Funded

A. Differential Between Awards and Existing Authorizations

- Difference of Awards for General Services and Water/Sanitation contracts and Existing 609(g) Authorization (\$647,131): Additional funding is needed for these two key contracts. A major reason for the difference between the original budgeted amount and the actual costs is that the Water/Sanitation contract proposals substantially exceeded the estimates that underpinned the original 609(g) request made in August 2005, because the complexity of the program has turned out to be much greater than anticipated.

B. Activities Covered by the Existing 609(g) Grant

- Nacala Free Trade Zone (\$714,174): This activity, which was included in the scope of the original 609(g) grant, involves tendering for consulting services to determine the feasibility of a project that encompasses developing a free trade zone (FTZ) and industrial park on the basis of a public-private partnership. As part of an economic growth platform, the FTZ would offer companies that locate within its territory streamlined regulation and/or certain incentives. As part of the FTZ, the GoM has proposed an industrial park in the city/port of Nacala, which would offer upgraded infrastructure services that will, in turn, help attract investment to Nacala. Construction and operation of the industrial park would be structured to involve private sector participation, according to best practices.
- Impact Evaluation Design (\$500,000): This activity was included in the original 609(g) grant. The commencement of impact evaluation design work at this stage will allow better coordination with Program design and delivery of service; permit the Program's monitoring and evaluation system to be implemented more quickly should a Compact be signed; and maximize MCC's ability to measure results. The Impact Evaluation Design would also include a baseline enterprise survey that could be used to provide a foundation for future research and statistical capacity building, in addition to serving the needs of the potential Compact.

C. New Activities

- Roads (\$3,000,000): The roads program proposed by MCA-Mozambique must be further developed before it can be included as part of the Compact. MCC has estimated the cost of screening and conducting pre-feasibility studies for paved and unpaved roads in the Northern Provinces to be approximately \$3.0 million. A two-phased consultancy is envisioned that involves: (1) screening the paved and unpaved candidate roads for economic viability and coherence from a program-design perspective with the rest of the program, including the business development services, and, as appropriate, based on the screening procedures and MCC's economic analysis; and then (2) conducting pre-feasibility studies to give MCC a better sense of the costs and potential environmental and social impacts of the roads.
- Fiscal and Procurement Agents (\$3,000,000): The overall process for hiring Fiscal and Procurement Agents is expected to take many months. However, MCC intends to start the procurement process shortly, so that it can progress in parallel as the details of the rest of the program evolve. Under this approach, the Fiscal and Procurement Agents would be engaged approximately three months before Entry into Force. This will, in turn, facilitate Compact implementation by ensuring that the accountable entity develops its organizational policies, procedures, and internal controls, as well as getting a head start on the initial contracting activities of the Program.

**MILLENNIUM CHALLENGE CORPORATION
CONGRESSIONAL NOTIFICATION**

August 22, 2005

PROGRAM:	FY 2004 and FY 2005 Eligible Countries
APPROPRIATIONS CATEGORY:	FY 2004 Program Funds
INTENDED FY 2005 OBLIGATION:	\$6,000,000

In accordance with section 515 of the Foreign Operations, Export Financing, and Related Programs Appropriations Act 2004 (Div. D, P.L. 108-199) (“FOAA”), this is to advise that the Millennium Challenge Corporation (“MCC”) intends to obligate up to six million U.S. Dollars (\$6,000,000) in FY 2004 MCC program funds. Pursuant to Section 609(g) of the Millennium Challenge Act of 2003 (the “Act”), MCC plans to fund activities to facilitate the development of, and subject to appropriate approvals, notifications and the conclusion of a Millennium Challenge Compact (“Compact”) with the Government of Mozambique (“GoM”), the acceleration of Compact implementation.

Specifically, these funds will be used for some or all of the following:

1) Technical Preparation and Analysis of Physical Infrastructure Projects:

- a) Perform pre-feasibility and feasibility studies, preliminary designs, preliminary environmental analyses, develop engineering and design plans, tender documents for the water and sanitation activities, baseline studies, and existing inventories.
- b) Design investment and operating criteria for feeder road investment facility.

2) Development of Nacala Export Processing Zone:

- a) Perform pre-feasibility studies; market demand assessment; identification of necessary regulatory issues; identification of infrastructure requirements; preliminary financial, economic, and environmental analyses; and, depending on these analyses, design a commercial structure for a public-private partnership to implement the zone.

3) Business Development Services:

- a) Perform a needs assessment of the four Northern Provinces and a survey of the technical assistance resources and services (e.g., input suppliers, marketing channels, etc) available therein as they relate to the proposed sectors that will benefit from the business service centers (agriculture, forestry, eco-tourism and light industry).
- b) Design the nature of the service offerings to be provided, including addressing operational sustainability issues for beneficiaries.

4) Advance the Design of Land Tenure and Registration Activities:

- a) Assess capacity of the provincial and district offices of the land service agency and private sector agents (e.g. lawyers, public notaries, community organizations) to support a modernized registration system.

- b) Identify an appropriate level/type of technology and the required capacity building activities in the public and private sector to achieve sustainable results;
- c) Define activities related to policy or regulatory reform, legal and policy education, and legal assistance services.
- d) Identify an approach for “on-demand” demarcation of community or family land and define corresponding activities.
- e) Determine measures to improve implementation of laws, policies and activities that empower women to benefit from land rights.
- f) Work with Mozambicans to prepare a matrix showing other donors’ support for land issues and how the proposed MCC investment will be complementary, and propose measures to optimize inter-donor collaboration with the proposed MCC activities.

5) Technical Assistance for Conducting Forestry Inventory and Developing Joint Management Plans:

- a) Technical assistance in developing joint management plans to ensure sustainable harvesting practices, and a forestry certification program.
- b) Performing a desk study of existing maps/satellite imagery in order to complete the inventory of three provinces (Cabo Delgado, Nampula, Niassa).
- c) Collection of satellite imagery and aerial photos to perform forest modeling.
- d) Conduct community consultation to perform inventory and ground truthing.

6) Technical Support Services: In order to address the acute shortage of human and technical resources within GOM, it is anticipated that MCC will contribute to the funding of selected management consulting services to provide program development and advisory services to the MCA-Mozambique core team. The selected management consulting services will include experts in such areas as infrastructure, private sector development, procurement/financial management advisory services, economic analysis, impact design and evaluation, public outreach, and legal advisory services.