



**MILLENNIUM
CHALLENGE
CORPORATION**

REDUCING POVERTY THROUGH GROWTH

FRANCES C. MCNAUGHT
VICE PRESIDENT, CONGRESSIONAL AND PUBLIC AFFAIRS

CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

Pursuant to section 611(c) of the Millennium Challenge Act, we wish to inform you of the Millennium Challenge Corporation's (MCC) decision to reinstate Yemen's eligibility to participate in MCC's Threshold Program for Fiscal Years 2004 and 2005. In addition, Yemen was selected as eligible to participate in the MCC Threshold Program for FY 2007.

Members of MCC's staff are available to meet with you at your convenience to discuss this reinstatement. If you or your staff would like to arrange a meeting, please contact Mackenzie Coon at (202) 521-3719.

Sincerely,

Frances C. McNaught
Vice President
Congressional and Public Affairs



MILLENNIUM CHALLENGE CORPORATION

CONGRESSIONAL NOTIFICATION

February 16, 2007

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Under MCC's Policy on Suspension and Termination of Assistance and/or Eligibility for Assistance, the Board of Directors may reinstate eligibility for a country that was subject to a suspension if it is determined that the country has taken corrective action or has demonstrated a sufficient commitment to correcting each condition for which eligibility for assistance for assistance was suspended. On November 8, 2005 at the FY 2006 selection meeting, MCC's Board of Directors (Board) approved the suspension of Yemen's eligibility to participate in the MCC Threshold Program based on a material decline in policy performance on the MCA selection criteria. At that time, Yemen had declined on eight policy indicators and the downward trend was significant enough that Yemen failed four of the indicators it previously passed: (1) Corruption; (2) Regulatory Quality; (3) Trade Policy; and (4) Fiscal Policy. As we noted in the November 28, 2005 notification to appropriate congressional committees, Yemen was formally notified of its suspension on November 22, 2005 and advised of the requirements for reinstatement.

Since its eligibility for Threshold assistance was suspended, the Government of Yemen has aggressively and demonstrably worked to address each area in which performance had deteriorated. In addition to addressing the above indicators, the Government of Yemen has also undertaken a series of additional reforms to address a number of other indicators which are part of the MCA selection criteria: Political Rights, Civil Liberties, Rule of Law, Government Effectiveness, as well as Days and Costs to Start a Business. The Government of Yemen submitted to MCC a request for reinstatement on January 17, 2007 and the Board approved Yemen's reinstatement on February 14, 2007. Due to time lags in MCC's indicators, almost none of these reforms have had an effect on Yemen's indicator performance. However, MCC expects Yemen's indicator performance to improve considerably in future years if Yemen continues to implement these reforms.