



CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

We wish to inform you that the Millennium Challenge Corporation intends to obligate up to \$2,940,000 to facilitate the development and implementation of a Millennium Challenge Compact with the Government of El Salvador.

The attached notification is being sent to the Congress on February 14, 2013. Obligation of funds may be incurred on or after 15 days from the date of this notification.

In addition, we have attached supplemental information that further describes the planned use of the funds.

Sincerely,

/s/

James A. Mazzarella
Vice President (Acting)
Congressional and Public Affairs

Enclosure:

As stated

**MILLENNIUM CHALLENGE CORPORATION
CONGRESSIONAL NOTIFICATION**

February 14, 2013

PROGRAM:	Eligible Countries
APPROPRIATIONS CATEGORY:	FY 2013 Program Funds
OBLIGATION AMOUNT:	\$2,940,000

Pursuant to section 7015(c) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2012 (Pub. L. 112-74, Division I), as carried forward by the Continuing Appropriations Resolution, 2013 (Pub. L. 112-175) this is to advise that the Millennium Challenge Corporation (“MCC”) intends to obligate up to \$2,940,000 under section 609(g) of the Millennium Challenge Act of 2003, as amended, for the purpose of facilitating the development and implementation of a Millennium Challenge Compact (“Compact”) with the Government of El Salvador.

The funds are expected to finance activities necessary for MCC to assess the expected impact of the proposed investments, further design activities, and develop implementation strategies. In addition, the funds will finance mobilization costs for the accountable entity. These proposed uses of the funds will help ensure that projects are designed in a comprehensive manner, prior to Compact signing, to reduce implementation risk and increase confidence in the economic justification and technical feasibility of the proposed projects.

SUPPLEMENTAL INFORMATION

MCC 609(g) Activities for El Salvador

The Government of El Salvador (“*GoES*”) successfully completed its first MCC compact – an ambitious \$461 million investment focused on the economic development of El Salvador’s Northern Zone in order to integrate this region with the rest of the country and to connect to markets in neighboring countries – on September 20, 2012. Having been selected as eligible to develop a subsequent compact, El Salvador has submitted three project proposals to address their constraints to economic growth. MCC will use 609(g) funds to finance activities necessary to assess the expected impact of the proposed investments, further design activities, and develop implementation strategies for a subsequent compact.

The initial draft of El Salvador’s second compact proposal reflects MCC’s expectation of an evolution in the nature of its relationship with countries eligible to develop subsequent compacts. In addition to requiring significant country resources in compact development and implementation, MCC encourages an increased emphasis on constraints to private sector investment, seeking partnerships with the private sector under a compact, other donors, and civil society, as well as integration of social and gender analysis into compact processes.

El Salvador was also selected as one of only four countries to participate in the Partnership for Growth (“*PFG*”), a U.S. whole-of-government approach that coordinates USG assistance to a select group of high performing developing countries in an effort to accelerate broad-based economic growth.

The Constraints Analysis (“*CA*”) required for the MCC compact development process identified low productivity in internationally-tradable goods and services as one of two binding constraints to economic growth in El Salvador. Based on its assessment of the concept proposals from the GoES, MCC has approved further development on projects focused on improving productivity in goods and services by strengthening human capital, improving the investment climate, and reducing transportation and logistics costs, through the following measures:

- **The Human Capital Project** seeks to improve educational quality, increase secondary attainment, and reform the technical/vocational education and training system, so that Salvadorans will be better educated and trained to meet the demands of businesses and potential investors in El Salvador.
- **The Investment Climate Project** aims to increase private investment by improving key regulations, institutions and infrastructure to increase productivity in the trade of goods and services.
- **The Logistical Infrastructure Project** aims to reduce high transport and logistical costs and stimulate private investment.

In order to assist the GoES to develop the compact investment, MCC intends to fund preparatory activities that are expected to include the following:

- Human Capital Project: Fund technical assistance for the design of intervention strategies to strengthen the national education system.
- Investment Climate Project: Fund studies to determine the appropriate mechanism for policy review and the prioritization of reforms and consulting services and technical assistance to design and prepare for potential public-private partnerships.
- Gender, Environmental and Social Performance: Fund studies, technical assistance, and data collection to ensure full integration of gender analysis into each project area, and develop a system to ensure that compact implementation complies with environmental requirements.
- Administrative and Management Costs: Fund early administrative and implementation costs associated with the accountable entity in advance of compact signing, including salaries for personnel at the accountable entity and for facilities, to accelerate start-up of the accountable entity and implementation of the compact.