



CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

We wish to inform you that the Millennium Challenge Corporation intends to obligate up to \$750,000 to facilitate the development and implementation of a Millennium Challenge Compact with the Government of Nepal.

The attached notification is being sent to the Congress on January 20, 2015. 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/

Paul Weinberger
Vice President
Congressional and Public Affairs

Enclosures: As stated

**MILLENNIUM CHALLENGE CORPORATION
CONGRESSIONAL NOTIFICATION**

January 20, 2015

PROGRAM:	Eligible Countries
APPROPRIATIONS CATEGORY:	Fiscal Year 2015 Program Funds
OBLIGATION AMOUNT:	\$750,000

Pursuant to section 7015(c) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2015, this is to advise that the Millennium Challenge Corporation (“MCC”) intends to obligate up to \$750,000 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 Nepal.

MCC plans to finance initial administrative expenses required to ensure prompt recruitment of full-time compact development counterparts, including the specialized expertise needed to build on diagnostic work completed under threshold program development and identify viable projects for further compact development.

SUPPLEMENTAL INFORMATION

MCC 609(g) Initial Engagement Funding for Nepal

Background

MCC has been working with Nepal to develop a threshold program since FY 2012. During this period, Nepal made slow but steady progress in further institutionalizing democratic governance, and has now passed the MCC policy scorecard criteria for four consecutive years. The MCC Board selected Nepal as eligible for compact assistance in FY 2015. Selection for a compact offers Nepal a significant opportunity for poverty reduction in a critically important region.

During the threshold program development process, MCC and the Government of Nepal (GON) jointly completed a constraints analysis that identified the inadequate supply of electricity and the high cost of transport as binding constraints to economic growth in Nepal. Sector analyses and threshold program design in the power and transport sectors benefitted from extensive consultations throughout Nepal, including the government as well as with the private sector, development partners, and civil society. A compact investment will build on the economic analysis and development work completed during eligibility for the threshold program.

These analyses demonstrate that the low availability of electricity has resulted in daily power load-shedding, which creates significant costs for businesses because they are forced to invest in expensive alternative sources of power to meet their own needs. The high cost of transportation in Nepal is driven by the country's rugged terrain and landlocked geography, along with the poor quality and quantity of roads, a lack of competitiveness in the trucking sector, and costly customs procedures, resulting in the expensive and unreliable transport of goods within Nepal and to international markets.

Given the work already completed during the threshold program development process, MCC expects Nepal to develop concept papers in FY 2015 that respond to the binding constraints described above.

Planned 609(g) Expenses

MCC intends to use 609(g) funding to finance initial administrative expenses necessary to ensure timely completion of compact development start-up activities, such as rapid recruitment of full-time compact development staff to prepare initial concept proposals. Such expenses may include, without limitation: initial salaries for critical, dedicated technical experts, such as a designated national coordinator, economists, social, gender and private sector experts, monitoring and evaluation expertise, and sector (power and roads) technical experts; support for public consultations; and related administrative expenses ("Initial Engagement"). Early support for Initial Engagement will ensure that Nepal and MCC have access to the technical expertise needed to transition from threshold program to compact development and to prepare robust project proposal(s), thereby facilitating the development of an MCC compact.