



Millennium Challenge Corporation

Reducing Poverty Through Growth

April 20, 2005

The Honorable Joseph Biden, Ranking Member
Senate Foreign Relations Committee
Office of the Minority
439 Senate Dirksen Office Building
Washington, DC 20510-6225

Dear Senator Biden:

We wish to inform you of our intention to provide initial funding for baseline data collection in Nicaragua. The total cost of this baseline survey project is approximately \$117,868. This assistance is pursuant to provision 609(g) of our authorizing legislation, which provides for disbursements for eligible countries to facilitate development and implementation of a Compact.

MCC is making progress toward completion of negotiations with the Government of Nicaragua (GON) to finance a program that aims to increase household income in the Departments of Leon and Chinandega through (1) increasing private investment, (2) increasing rural business productivity, and (3) improving productive infrastructure. Given MCC's and Nicaragua's commitments to measuring results, reliable baseline data on these indicators must be available before any significant project activities are implemented. Satisfactory data collection will be a condition precedent to MCC Disbursements and Re-Disbursements under the Compact for certain Project Activities.

Nicaragua's National Institute of Statistics and Census (INEC) is scheduled to conduct the Living Standards Measurement Survey (LSMS), a household survey, in June 2005. MCC would like to fund INEC to add questions on property titling and credit to the LSMS, which are key for the monitoring and evaluation of the proposed MCC program. This is a cost-efficient and time-effective way to collect baseline data. To do this, MCC anticipates contracting with the international entity managing the funding of LSMS on behalf of a number of other donors, thereby ensuring proper oversight of funds. The use of funds will accelerate the implementation of program activities under the proposed Compact and, in any event (and whether or not the Board ultimately approves the Compact), will enhance the body of statistical information in Nicaragua.

MCC anticipates contracting with the United Nations Development Programme (UNDP) to administer the funds for the LSMS survey. UNDP is already managing the funding of the LSMS survey on behalf of a number of other donors, and its continued participation will help to ensure proper oversight and management of MCC funds.

Sincerely,

Frances McNaught
Vice President, Domestic Relations