



Millennium Challenge Corporation

Reducing Poverty Through Growth

CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

We wish to inform of the intent to allocate up to \$60,000,000 in FY 2005 MCC program funds to the U.S. Agency for International Development. Obligations will be incurred by USAID for assistance authorized by Section 616 of the Millennium Challenge Act of 2003 for some or all of the following "threshold" MCC candidate countries: Burkina Faso, Guyana, Malawi, Paraguay, Philippines and Zambia.

The funds will be used by USAID to assist those of the above countries that are committed to undertaking the reforms necessary to improve their policy performance and potentially qualify as MCC eligible countries. Assistance will be provided to help these countries improve their performance on the policy indicators that are central to MCA eligibility. The process for reviewing and approving assistance proposals from such countries is summarized in the attached notification.

The attached notification is being sent to the Congress on July 1, 2005. Allocation and obligation of funds may be incurred fifteen days from the date of this notice.

Sincerely,

Frances C. McNaught
Vice President
Domestic Relations

Enclosure:
As stated

**MILLENNIUM CHALLENGE CORPORATION
CONGRESSIONAL NOTIFICATION**

July 1, 2005

PROGRAM: "Threshold" Countries

APPROPRIATIONS CATEGORY: FY 2005 Program Funds

INTENDED FY 2005 OBLIGATION: \$60,000,000

In accordance with section 619(b) (2) of the Millennium Challenge Act of 2003 (the "Act") and section 515 of the Foreign Operations, Export Financing, and Related Programs Appropriations Act 2005 (Div. D, P. L. 108-447), this is to advise that the Millennium Challenge Corporation (MCC) intends to allocate to the United States Agency for International Development (USAID) up to \$60 million in FY 2005 MCC program funds. The allocated funds will be obligated by USAID for the countries selected for assistance pursuant to the process described below.

MCC plans to enter into a Memorandum Of Agreement with USAID pursuant to which MCC will allocate MCC funds to USAID to administer the program authorized under Section 616 of the Millennium Challenge Act of 2003. The following "threshold" candidate countries are eligible to receive assistance under this program: Burkina Faso, Guyana, Malawi, Paraguay, Philippines and Zambia.

The program will assist the selected "threshold" candidate countries to improve policies that are reflected in the indicators that are central to MCA eligibility. Achievement of MCC eligibility will depend primarily on a sustained and significant commitment to reform by the country government.

MCC and USAID follow a three-step process to implement the Threshold Country Program:

1. Concept Paper Solicitation. USAID and MCC have invited each threshold country to submit a concept paper. The concept paper includes a brief summary of the following items:
 - Proposals for specific policy, regulatory or institutional reforms to improve country performance with respect to one or more MCC indicators.
 - Timeline for expected progress on indicator improvements.

2. Threshold Plan Evaluation. Final proposals for a Threshold Plan will be tendered to USAID with a copy to MCC. There is no defined due date for the submission of Threshold Plans. Countries will be advised that they may submit their proposed Threshold Plans when ready. In addition to the items included in the concept paper, a final proposal should include, at a minimum:
 - A schedule for performance;

- A clear indication of how progress and success are to be measured;
- Evidence of political commitment to the Threshold Plan;
- Transparent financial management; and
- A budget.

Threshold Plans should have a term of no longer than 24 months. Special conditions may require Threshold Plans of longer duration.

USAID and MCC will review proposed Threshold Plans. The evaluation process will be rigorous and there is no guarantee that a Threshold Plan will be approved and funded. Threshold Plans will be evaluated on quality and the likelihood of achieving meaningful policy reforms. USAID will recommend to MCC those Threshold Plans that it believes merit funding, and the level of funding. MCC will either approve or decline funding for proposed Threshold Plans. USAID, in consultation with MCC, will negotiate agreements for approved Threshold Plans.

3. Threshold Plan Implementation. USAID will oversee implementation of Threshold Plans. USAID agrees to work with the government of the threshold country to consider the full range of potential implementing partners for the Threshold Plan including, but not limited to, local, U. S. and other international firms (other than firms from countries that are restricted or prohibited under relevant U. S. law), NGOs, other U.S. Government agencies and international organizations. USAID will monitor country performance and, in coordination with MCC, evaluate progress. Progress reports will be submitted by USAID to MCC on a periodic basis for review. After consultation with USAID, MCC will determine whether it is necessary modify or terminate a Threshold Plan based on performance.

4. Coordination with Other Agencies. In reviewing Threshold Plans, USAID and MCC will solicit comments, as appropriate, from other USG agencies, including agencies represented on the MCC Board of Directors. Where appropriate, other USG agencies may be asked to participate in implementation of Threshold Plans. USAID will work with the threshold countries to confirm that proposed assistance is compatible with programs being undertaken by other bilateral and multilateral agencies.