



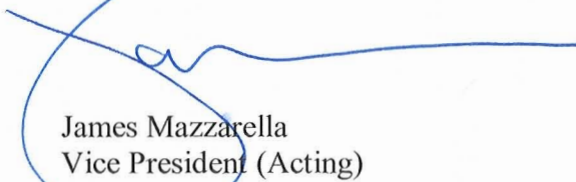
MILLENNIUM
CHALLENGE CORPORATION
UNITED STATES OF AMERICA

CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

We wish to inform you that the Millennium Challenge Corporation (“MCC”) will terminate assistance to Madagascar as set forth in the attached notification and accompanying report. The report summarizes the determination by MCC’s Board of Directors that the Government of the Republic of Madagascar has engaged in a pattern of actions inconsistent with the criteria used to determine the eligibility of Madagascar for MCC assistance.

We are available to meet with you at your convenience to discuss this termination. If you or your staff would like to arrange a meeting, please contact me or Ellona Fritschie at (202) 521-3850. The attached notification is being sent to the Congress on August 6, 2009.

Sincerely,



James Mazarella
Vice President (Acting)
Congressional and Public Affairs

**MILLENNIUM CHALLENGE CORPORATION
CONGRESSIONAL NOTIFICATION**

August 6, 2009

This notification is submitted under section 611(c) of the Millennium Challenge Act of 2003, as amended (22 USC 7701 *et seq.*) (the "Act"), and under section 7057(c) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2009 division of the Omnibus Appropriations Act, 2009 (Pub. L. 111-8, Division H), to report that the Millennium Challenge Corporation ("MCC") will, pursuant to section 611(a)(2) of the Act, terminate, in full, MCC's assistance to the Government of the Republic of Madagascar (the "GoM") originally granted under section 605 of the Act.

MCC and the GoM entered into an approximately \$110 million Millennium Challenge Compact on April 18, 2005 (the "Compact"). As the result of an undemocratic transfer of power in Madagascar in March 2009, and following consultation with the Board of Directors of MCC, the Acting Chief Executive Officer made the determination to formally terminate the Compact effective August 31, 2009.

The attached report summarizes MCC's actions to date, as well as the determination by the Acting Chief Executive Officer under section 611(a)(2) of the Act to terminate the Compact because the GoM has engaged in a pattern of actions inconsistent with MCC's eligibility criteria.

REPORT ON THE DETERMINATION BY THE ACTING CHIEF EXECUTIVE OFFICER TO TERMINATE THE MADAGASCAR COMPACT

Summary

The Millennium Challenge Corporation (“MCC”) and the Government of the Republic of Madagascar (the “GoM”) entered into the first Millennium Challenge Compact (the “Compact”) in the amount of \$109,773,000 on April 18, 2005. The Compact entered into force on July 27, 2005. It was subsequently amended on July 24, 2008 to extend the Compact term from four to five years. As amended, the Compact’s term was set to conclude on July 27, 2010.

In March 2009, following a period of political unrest, an undemocratic transfer of power occurred in Madagascar. In the days following this transfer of power, the Acting Chief Executive Officer of MCC (the “MCC CEO”) imposed an “operational hold” on further implementation of the Compact. In accordance with section 611 of the Millennium Challenge Act of 2003, as amended (22 USC 7701 *et seq.*) (the “Act”), the MCC CEO then consulted with the MCC Board of Directors and determined, with the consent of the Board, to terminate the Compact. The basis for this determination is set forth below.

Undemocratic Transfer of Power

Following a period of significant political unrest that began in late 2008, on March 17, 2009, an undemocratic transfer of power occurred in Madagascar. The transfer of power included actions taken by members of Madagascar's military in support of the leader of an opposition coalition that led to the resignation of the elected president, Marc Ravalomanana, and the installation of the civilian opposition leader, Andry Rajoelina, as de facto president of Madagascar. On March 18, 2009, the transfer of power was deemed constitutional by the High Constitutional Court of Madagascar. Mr. Ravalomanana has stated that he was forced from office and from Madagascar by the actions of the military. Mr. Rajoelina maintains that he is acting as president only of a transitional authority and intends to hold elections.

MCC’s Actions Pursuant to the Act

Central to the mission of the MCC is its strong commitment to working with countries dedicated to democratic governance. Immediately following the undemocratic transfer of power, MCC initiated a review and analysis of the situation in Madagascar and the future of MCC assistance to the country in light of various applicable U.S. statutory, regulatory and policy provisions, as well as the terms of the Compact and related agreements

MCC determined that the nature of actions taken represented a pattern of actions inconsistent with MCC’s eligibility indicators in the *Ruling Justly* category and imposed an operational hold on activities under the Compact on March 20, 2009.

In the weeks following imposition of the operational hold, it became increasingly evident that the GoM was engaging in a pattern of actions inconsistent with MCC’s eligibility criteria. In addition to being a highly visible departure from the rule of law, the recent

undemocratic transfer of power is expected to trigger significant declines on MCC's *Political Rights, Rule of Law, Voice and Accountability*, and *Government Effectiveness* indicators. Section 611(a)(2) of the Act provides for suspension or termination of a compact where a country has engaged in a pattern of actions inconsistent with the criteria used to determine eligibility for compact assistance.

Termination and Wind-Up of the Compact

Under the terms of the Act, other applicable law, and the Compact itself, it was determined that MCC assistance to the GoM could either be suspended or terminated. For both policy and implementation reasons, MCC decided that termination rather than suspension of the Compact was the appropriate institutional response in this situation. In May 2009, MCC's Board of Directors authorized the termination of the Compact by the MCC CEO as of a date that would most effectively facilitate its orderly wind-up, so long as termination occurred no later than August 31, 2009. The MCC CEO has determined to formally terminate the Compact as of August 31, 2009.

Wind-up of Compact activities has commenced and is expected to be completed over the next several months. In order to facilitate a responsible and safe closure of the projects, MCA-Madagascar will remain in operation long enough to ensure that Compact termination is orderly and does not endanger public health and safety, or the environment. MCC is working to ensure that program assets are properly accounted for as part of this process. There will be a limited administrative closure period which will extend no further than December 3, 2009. The final unexpended amount for the Compact will not be determined until all invoices are paid and the administrative closure period is complete.