



Millennium Challenge Corporation

Reducing Poverty Through Growth

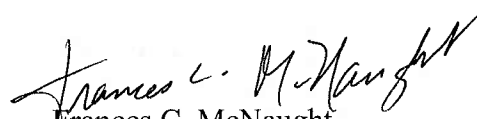
CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

We wish to inform of the intent to allocate \$250,000 in FY 2004 MCC program funds to the Department of Treasury, Office of Technical Assistance. Obligations will be incurred by OTA for activities in a number of MCC eligible countries, as requested by MCC.

The funds will be used by OTA to assess various aspects of the financial management capabilities of eligible country institutions that are proposed to be involved in the performance of programs funded through Compacts, and to make recommendations to the eligible country and MCC with respect to such institutions.

The attached notification is being sent to the Congress on October 28, 2004. Allocation and obligation of funds may be incurred in fifteen days.

Sincerely,


Frances C. McNaught
Vice President
Domestic Relations

Enclosure:

As stated

**MILLENIUM CHALLENGE CORPORATION
CONGRESSIONAL NOTIFICATION**

PROGRAM: Eligible Countries

APPROPRIATIONS CATEGORY: FY 2004 Program Funds

INTENDED FY 2005 OBLIGATION: \$250,000

In accordance with section 619(b)(2) of the Millennium Challenge Act of 2003 (the "Act") and section 515 of the Foreign Operation, Export Financing, and Related Programs Appropriations Act 2004 (Div. D, P.L. 108-199) ("FOAA"), this is to advise that the Millennium Challenge Corporation (MCC) intends to allocate to the United States Department of the Treasury, Office of Technical Assistance (OTA) Two Hundred and Fifty Thousand Dollars (\$250,000) in FY 2004 MCC program funds. The allocated funds will be obligated by OTA for the activities described below.

MCC plans to enter into a Memorandum Of Agreement with OTA pursuant to which MCC will allocate MCC funds to OTA for technical services that will be requested by MCC from OTA from time-to-time. The technical services delivered by OTA will be for the purpose of assessing and monitoring the mechanisms proposed by an eligible country seeking MCC assistance for managing the MCC funds that would be provided under a Compact. These mechanisms are a key feature of the proposal for funding submitted by the eligible country to MCC. The services to be provided by OTA will include the evaluation of the adequacy of proposed financial and management controls at both the pre- and post-Compact stages. OTA will make recommendations to the eligible countries and MCC for improvements, as needed. This agreement will be one of a number of methods that MCC and eligible countries will employ to assess and support the capacity of host country institutions to manage the programs funded by Compacts.

Specific tasking requests will define the scope of work to be performed by OTA, and are expected to include the following types of work:

1) Evaluating fiscal accountability capacity

The proposals submitted to MCC will include a preferred method for financial management of, and reporting on, MCC funds granted to the country. A "fiscal agent" for the eligible country for MCC funded activity will be named to manage this aspect of the MCC relationship. The fiscal agent could be the government itself, specific implementation units in government, or a variety of non-governmental organizations.

An evaluation of the proposed fiscal agent will need to be conducted. This evaluation will cover a variety of elements that will be further identified by the MCC but will generally include:

- Funds control and documentation
- Separation of duties and internal controls
- Consistent accounting methodologies and systems
- Ability to generate timely and meaningful reports
- The practice of making all financial information publicly available in a timely and meaningful fashion
- Cash management practices

- ❑ Timely payment to vendors
- ❑ Procurement practices
- ❑ Audit plan proposed

2) Assist in creating alternative fiscal agent mechanisms

In the event that the fiscal agent mechanism proposed by an eligible country is unacceptable, assistance will need to be provided in identifying modifications to the proposed mechanism or an alternative fiscal agent mechanism that would meet the requirements of MCC.

3) Post-Compact review of fiscal agent

Shortly after Compacts become operational, and from time-to-time thereafter, in-country reviews of operations may be needed to provide assurance that the capacity of the fiscal agent is as represented.

4) Provide ad hoc short-term technical assistance

It can be expected that issues will arise in the process of Compact negotiation or operations that will require specialized expertise in a variety of financial management issues.

5) Verify Compact country budget baseline

One aspect of monitoring will be to track that existing budget allocations are not reduced as a result of MCC activity. In order to do this, we need to establish a baseline budget allocation and to document a recipient country's accounting and reporting systems. In some countries, this may be readily available and will require in-country verification of numbers. Additionally, countries will need to be presented with reporting formats required by MCC for annual budget allocations and execution.

6) Evaluate Compact procurement practices

Each program will include an element that describes the procurement practices that will be followed for MCC-funded activities. An evaluation of the procurement practices proposed will need to be made compared to a set of standards to be developed by MCC.