



CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

We wish to inform you that the Millennium Challenge Corporation intends to obligate up to \$2,600,000 to facilitate the development and implementation of a Millennium Challenge Compact with the Government of Sri Lanka.

The attached notification is being sent to the Congress on 24 January, 2017. 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/

W. Kirk Bell
Deputy Vice President
Congressional and Public Affairs

Enclosure: As stated

**MILLENNIUM CHALLENGE CORPORATION
CONGRESSIONAL NOTIFICATION**

24 January, 2017

PROGRAM: Eligible Countries
APPROPRIATIONS CATEGORY: Fiscal Year 2018 Program Funds
OBLIGATION AMOUNT: \$2,600,000

Pursuant to section 7015(c) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2017, as carried forward by the Continuing Appropriations Act, 2018, as amended, this is to advise that the Millennium Challenge Corporation (“MCC”) intends to obligate up to \$2,600,000 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 with the Government of Sri Lanka.

The funds are expected to finance activities necessary for MCC to assess the expected impact of the proposed compact, further design activities and develop implementation strategies.

SUPPLEMENTAL INFORMATION - MCC 609(G) ACTIVITIES FOR SRI LANKA

Background

Despite its progress, Sri Lanka faces continued challenges with post-conflict reconstruction and reconciliation, as well as a rapidly urbanizing population that has placed growing strains on its infrastructure. Following a protracted civil war from 1983 to 2009, the Sri Lankan economy has grown rapidly, with a real annualized gross domestic product growth rate of 6.3 percent from 2010 to 2014. Although strong performance over time has enabled Sri Lanka to make considerable progress in reducing poverty, significant inequalities in incomes, opportunity, and living standards persist. The defining dimensions of inequality are geographical and gender-based: growth has not involved the full participation of members of some ethnic groups and women.

Compact Eligibility and Constraints Analysis

The Government of Sri Lanka (GoSL) demonstrated a strong commitment to its partnership with MCC by dedicating significant time and effort on the development of its threshold program. Sri Lanka's successful elections in 2015, and improved performance on its MCC scorecard indicators for political rights and civil liberties, MCC's Board of Directors selected Sri Lanka as eligible to develop a compact in fiscal year 2017.

With MCC's assistance, the GoSL developed a constraints-to-growth analysis in November 2016 identifying the following three binding constraints to private sector investment and economic growth: (1) policy uncertainty (especially tax and tariff policy); (2) poor transportation and logistics infrastructure; and (3) inadequate access to land. Building on this analysis, the Sri Lankans selected public transport and access to land as the focal sectors for the country's proposed compact program. MCC and the GoSL will conduct further due diligence on proposed projects in the next stage of compact development.

Summary of Proposed Project Interventions

The GoSL and MCC are currently pursuing potential projects in two broad sectoral categories: transport and land. The objective of potential transport projects is to reduce traffic congestion in the capital region and improve the mobility of people and goods between regions. Transport projects may include the development of an advanced traffic management system and modernization of public bus services to reduce traffic congestion in the Colombo Metropolitan Region, as well as funding for road transport and logistics infrastructure and services in areas outside of the Colombo region, including regions that are recovering from conflict. The objective of potential land projects is to strengthen property rights and stimulate investment in state-owned lands. Potential projects may include the development of a land information system and the mapping, surveying and titling of land.

Assistance to Develop the Compact Proposal

In order to assist Sri Lanka to further develop the proposed compact, MCC intends to fund preparatory activities for the transport and land projects above. For example, MCC plans to fund the fiscal and procurement agents and administrative costs; preparatory work such as additional transport and land technical feasibility studies and design plans, preliminary environmental and social impact assessments and resettlement policy frameworks, firm and household surveys in support of program element cost benefit analysis, and data collection in support of monitoring and evaluation; and a strategic communications plan. Funding these activities reflects MCC's commitment to preparing projects in a comprehensive manner, prior to compact signing, to reduce implementation risk and increase confidence in the economic justification and technical feasibility of the proposed projects.