MILLENNIUM CHALLENGE CORPORATION
REDUCING POVERTY THROUGH GROWTH

FRANCES C. MCNAUGHT
VICE PRESIDENT, CONGRESSIONAL AND PUBLIC AFFAIRS

CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

We wish to inform you of the intent to provide funding of up to US$5,170,000 for the purpose of facilitating the development of a Millennium Challenge Compact with the Government of Namibia.

This notification is being sent to the Congress on June 29, 2007. Allocation and obligation of funds may be incurred on or after fifteen days from the date of this notification. The obligation of funds will be made at the time the applicable agreement is signed.

Sincerely,

Frances C. McNaught
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MILLENNIUM CHALLENGE CORPORATION
CONGRESSIONAL NOTFICATION
June 29, 2007

In accordance with the Continuing Resolution of 2007 (P.L. 109-3833), this is to advise that the Millennium Challenge Corporation ("MCC") intends to obligate up to US$5,170,000 in FY 2007 MCC program funds pursuant to its authority under Section 609(g) of the Millennium Challenge Act of 2003. MCC plans to apply the obligated funds to facilitate the development of a proposed Millennium Challenge Compact ("Compact") with the Government of Namibia ("GRN") and to accelerate the implementation of the proposed Compact should the Compact be concluded. Specifically, these funds will be used for the following four activities:

1. Strategic Environment Assessment (US$1,250,000)
2. Fiscal and Procurement Agents (US$2,500,000)
3. Veterinary Cordon Fence – Related Outreach in the Northern Communal Area (US$500,000)
4. MCA – Namibia Accountable Entity Support for Staff Salaries (US$920,000)

Description of 609(g) Activities

(1) Strategic Environmental Assessment (SEA)

MCA – Namibia submitted a proposal to MCC in September 2006 that proposed investments in three main sectors: Education, Agriculture, and Tourism. The SEA would frame project design of the proposed MCC investments and also strengthen the GRN's capacity to plan for the long term across Ministries to achieve sustainable growth and poverty reduction.

To date, due diligence has identified a number of Category A activities (roads, indigenous natural products, game camps) and has also revealed gaps in information and communication which reflect a lack of inter-ministerial (and sometimes intra-ministerial) coordination across the proposed activities. The 609(g) funds are expected to address the cumulative impacts and foreseeable effects across MCA investments and other on-going activities and investments undertaken by various Ministries. Without a thorough programmatic review, there is little possibility of an early warning of cumulative and potentially large-scale environmental and social impacts of implementing the Compact in its entirety, or of understanding the impacts of the Compact together with other GRN and donor-funded projects.

(2) Fiscal and Procurement Agents

MCC intends to initiate the procurement process for Fiscal and Procurement Agents in July of 2007 in order to award a contract prior to year-end. This early engagement will facilitate Compact implementation by ensuring that the Accountable Entity develops its

organizational policies, procedures, and internal controls, while obtaining a head start on the initial contracting activities of the Program.

(3) Veterinary Cordon Fence (VCF) -Related Outreach in the Northern Communal Area

One of the first tasks of the GRN's VCF Task Force will be to develop the five-year implementation plan for the proposed VCF Compact activity to ensure that all essential government decision-makers are fully aware and involved in the process of declaring the Northern Communal Area (NCA) a Foot and Mouth Disease Free Zone.

One of the critical steps in this process, which will continue throughout the proposed Compact's five-year implementation period, is broad, regular and consistent communication with livestock owners, communities, and livestock value-chain stakeholders about the government's intent, the specific steps that must be taken by the government and the private sector, the specific roles and responsibilities of the government and livestock owners and value-chain stakeholders and the communities at large.

One of the first deliverables will be a detailed outreach and awareness plan. Best practices in this area include the use of a variety of media tools and community-level meetings to be used to deliver the information as outlined above. The outreach to livestock owners and value-chain stakeholders can begin and should begin well in advance of launching all of the major steps that lead to the construction of the VCF and, most certainly, very extensive outreach to the target population concerning the purpose of the VCF. Successful outreach takes a concerted effort of detailed planning, developed of effective messages to be used by a variety of "messengers" to a variety of target audiences, and is labor intensive.

(4) MCA-Namibia Accountable Entity Support for Staff Salaries

MCA-Namibia is currently developing a structure for the Accountable Entity that will be governed by a Board comprised of representatives from the GRN, the private sector, and NGOs. It will have full-time staff in areas such as operations, procurement, monitoring and evaluation, environment and social impact, and administration to facilitate the implementation of the proposed Compact.

Funding will cover the salary costs for the CEO and 11 other key staff in addition to two administrative staff. MCA-Namibia currently intends to launch a competitive process for recruiting the CEO and the other key officers in August 2007.

Government of Namibia Contribution

The Government of Namibia has contributed $800,000 to support a Core Team staff in the past year, including offices, consultants and other expenses. They have an additional $700,000 budgeted to continue to support of this Core Staff until MCC approves the Compact investment with Namibia and new Accountable Entity staff are hired. As a Lower Middle Income Country, Namibia will also make a country contribution to the Compact, which will most likely be for project support financing in the Education sector to complement the proposed Compact activities in Education.