



**MILLENNIUM
CHALLENGE
CORPORATION**

REDUCING POVERTY THROUGH GROWTH

December 30, 2008

Threshold Country Plan Guidance for Fiscal Year 2009

I. INTRODUCTION

The Threshold Program is designed to assist countries that are close to qualifying on the eligibility criteria for Millennium Challenge Account (MCA) Compact assistance and have demonstrated a significant commitment to improving their performance on the criteria. The Threshold Program provides support to the governments committed to reform and assists them in moving toward future eligibility for MCA Compact assistance. The Threshold Program is intended to support ongoing reform efforts and to form a part of a country's overall policy reform agenda.

On December 11, 2008, MCC's Board of Directors (Board) selected Liberia and Timor-Leste as eligible for the Threshold Program for fiscal year 2009.

II. PRINCIPLES OF THE MILLENNIUM CHALLENGE ACCOUNT

The mission of the MCA is to reduce poverty through sustainable economic growth. MCC's approach is based on several key principles – policy performance, country ownership, accountability, and results – that must be reflected throughout the development and implementation of MCA programs. The approach emphasizes the central role a government's own policies and institutions play in facilitating economic development and the need for a strong sense of country "ownership" of development initiatives.

MCA Compact eligibility is determined by demonstrated performance as measured by 17 policy indicators. Threshold Program assistance is intended to support and accelerate ongoing policy, legal, and institutional reforms to help improve performance on the MCA Compact eligibility criteria and to improve a country's chances of qualification for MCA Compact assistance. Participation in the Threshold Program does not guarantee that a country will become eligible for MCA Compact assistance in the future. Conversely, a country may become eligible for future MCA Compact assistance without participating in the Threshold

Program. Some threshold countries have been selected for MCA Compact eligibility while implementing their threshold programs. In this case, the countries must continue to successfully implement their threshold programs and achieve agreed-upon performance and/or reform benchmarks before they sign an MCA Compact.

III. PROGRAM SIZE AND SCOPE

According to MCC's legislation, MCC's Board may designate an amount not to exceed 10 percent of the funds appropriated to MCC for the fiscal year 2009 Threshold Program.

Generally, a fully developed threshold program proposal (Threshold Country Plan) should present an aggressive, focused near-term action plan (approximately 24 months, although in rare cases MCC has approved up to 36 months for individual program components) that is likely to significantly increase the prospects of fully qualifying for MCA Compact assistance. Threshold program budgets are developed by the lead U.S. government partner agency, typically the United States Agency for International Development (USAID), which also selects and manages the implementing entities.

IV. THE PROCESS

Once a government indicates to MCC its interest in participating in the Threshold Program, it should name a point of contact for the MCC Threshold Program. MCC then initiates a process to assist the country to develop its Threshold Country Plan in partnership with MCC and other U.S. agencies.

As a first step, MCC produces a comprehensive assessment (Indicator Analysis) of the country's performance on the eligibility criteria for MCA Compact assistance. This analysis is based entirely on non-U.S. government sources. It does not necessarily reflect the opinions, judgments, or analytical assessments of any U.S. government agency.

MCC shares the Indicator Analysis with the threshold country government to facilitate the government's understanding of its performance as measured by the indicators. This information is intended to help guide the government toward focus areas for the Threshold Country Plan where indicator performance can be improved.

This Indicator Analysis should stimulate a dialogue between MCC and the threshold country's embassy in Washington, as well as between U.S. government and threshold country government officials in the country. The purpose of this dialogue is to discuss the Indicator Analysis, establish targets of opportunity for a threshold program, and provide additional guidance on next steps. An MCC team will travel to each threshold country as part of this process.

To apply for Threshold Program assistance for fiscal year 2009, a threshold country government must submit its Threshold Country Plan in two sections, as summarized below. A detailed “Outline for a Threshold Country Plan” can be found at www.mcc.gov.

Section I:

The purpose of Section I of the Threshold Country Plan is to ensure at an early stage that MCC and the threshold country government have a common understanding of the general focus of the Threshold Country Plan. In-country, the threshold country government should discuss Section I with U.S. government representatives in the U.S. Embassy and USAID. In Washington, the embassy of the threshold country may work directly with MCC. Each threshold country government should submit Section I of the Threshold Country Plan to the USAID office in the country (or to the U.S. Chief of Mission if the country does not have a USAID office) **no later than April 17, 2009**. MCC encourages earlier submissions if at all possible.

Section I should be three to five pages in length and should include the following:

Policy Reform Strategy: The Policy Reform Strategy broadly states the purpose and value of the Threshold Country Plan in advancing policy reform in the country and provides the basis for the development of all subsequent goals and plans. This statement provides the policy reform context in which the Threshold Country Plan will be implemented.

Indicator Focus: Section I should describe the scope of the proposed Threshold Country Plan, including the following:

- identifying the MCC eligibility indicators to be addressed (such as “Control of Corruption,” “Girls' Primary Education Completion” or “Days to Start a Business”);

- specifying the policy areas that the government intends to address through the Threshold Program (*e.g.*, judicial reform through the training of judges; reduced days to start a business through streamlining regulations and instituting a “one-stop shop”);
- explaining why those indicators and policy areas were selected, including demonstrating a link between the activities proposed and the Indicator Analysis;
- identifying how the Threshold Country Plan supports the policy reforms that the government is committed to implementing and how it fits into the government’s overall policy reform agenda;
- identifying the expected outcomes of the Threshold Country Plan (*e.g.*, reduce instances of bribes connected with favorable judicial decisions; reduce the number of days to register a business from 60 to 30 days); and
- describing efforts the government and/or other donors are undertaking in the relevant sector and how the Threshold Country Plan will complement those efforts.

Section I should not include an estimated budget. Cost estimates will be developed by the lead U.S. government agency (which will be determined following approval of Section I).

Section II:

The next step consists of fully developing the Threshold Country Plan through an iterative process among the threshold country government, MCC, and the lead implementing U.S. government agency. Section II of the Threshold Country Plan is due to MCC **on or before July 17, 2009**.

Section II of the Threshold Country Plan should consist of:

- A description of the proposed program activities and why/how they will achieve measurable performance objectives; demonstration of past successes resulting from similar activities is helpful;
- A description of the government's commitment to sustain the program and an explanation of how the initiatives will be sustained beyond the term of the threshold program;
- A statement of the names, titles and responsibilities of the team that will manage the threshold program for the government and any local

implementing partner(s) that will work with the government to ensure that MCC resources will achieve the desired outcomes;

- A description of country consultation on the proposed threshold program with civil society, the private sector, academia, and donors, including a description of specific donor activities and funding levels if other donors are working in the same area as the threshold program;
- A performance benchmarks chart (PBC) that lists the outcomes to be achieved and how the activities in the threshold program will lead to achieving those outcomes (further details on the PBC may be found at <http://www.mcc.gov/documents/guidance-threshold-cntryplanoutline.pdf> and a sample chart may be found at <http://www.mcc.gov/countrytools/threshold/guidance-2007-threshold-perfbenchmarks.pdf>); and
- A detailed budget, developed by the lead U.S. government agency administering the program, with all funding needs accounted for and explained.

MCC and other appropriate U.S. government agencies will review the proposed Threshold Country Plan. If approved for funding by MCC, an applicant country will be encouraged to post its Threshold Country Plan on its official country website. In addition, MCC will post the legal agreement between the threshold country and the United States on the MCC website, www.mcc.gov, upon signature.

The suggested contents of a Threshold Country Plan are set forth in more detail in the Outline for a Threshold Country Plan <http://www.mcc.gov/documents/guidance-threshold-cntryplanoutline.pdf>.

V. IMPLEMENTATION

The threshold country government will need to establish a point of contact responsible for working with MCC and the implementing partners to implement the threshold program. The country may also choose to establish a steering committee or working group to help coordinate implementation within the government. Potential implementing partners for a threshold program may include eligible local, U.S. and other international firms, nongovernmental organizations, and international organizations.

MCC will determine which U.S. government agency (or agencies) will manage and oversee implementation. The implementing partner will monitor and evaluate progress toward achieving performance benchmarks, in coordination with MCC

and the threshold country government. MCC may also conduct independent monitoring and evaluation of the threshold program during or after threshold program activities are completed. MCC reserves the right to modify, suspend, or terminate a threshold program if a government fails to perform as agreed.