



February 15, 2011

The Coalition of NGOs
Transparent Foreign Aid to Georgia
10, Chovelidze Street, 0108
Tbilisi, Georgia

Vladimir, Nido:

Colleagues of the NGO Coalition for Transparent Foreign Aid to Georgia:

Thank you for your timely letter and for your ongoing interest in ensuring transparency in MCC's investments in Georgia. MCC appreciates the annual monitoring reports prepared by the Economic Policy Research Center and the Open Society Georgia Foundation since 2006. These reports, together with the Coalition's monitoring efforts, serve as one of MCC's most tangible examples of constructive civic monitoring of compact implementation.

As noted in your letter, transparency and broad public engagement are central attributes of MCC compact development and implementation processes, and these apply equally to second compacts. The process has evolved since Georgia signed the first compact in 2006, building on lessons learned during implementation of MCC's first compacts in Georgia and other MCC compact countries. Updated guidelines can be found on the MCC website: (<http://www.mcc.gov/pages/countrytools/tools/compact-development>). As part of the early proposal development process, MCC counterpart governments are expected to take into account perspectives from rural and urban poor, and solicit feedback from relevant sector experts, the business community, voluntary associations and donors active in the country.

Having recently been determined eligible to develop a proposal for a 2nd compact, Georgia is in the very initial stage of compact development. As a first step, MCC partner countries prepare and publish an economic analysis that identifies the country's constraints to economic growth. This economic constraints analysis serves as the basis for initial discussions, providing a framework that helps focus the consultative process on appropriate programs that will ease those constraints and stimulate economic growth.

I would like to note that award of a second compact is not guaranteed. Second compacts are contingent upon a number of factors, in addition to initial eligibility as determined by MCC's Board of Directors. These factors include: successful completion and sustainability of the first compact projects, strong policy performance, particularly with reference to MCC's scorecard indicators, and availability of funding.

FROM :

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Our Georgian government counterparts, led by the Office of the Prime Minister, will be in touch with you in the near future to provide further details regarding the timing of the initial economic analysis and consultations so that your members will be informed regarding the development of the proposed second compact. We look forward to further discussions with members of the Coalition in the future.

Thank you,

MILLENNIUM CHALLENGE CORPORATION



Frances Reid

Acting Deputy Vice President, Department of Compact Operations

Cc:

H.E. Nika Gilauri, Prime Minister of Georgia
Tamar Kovzeridze, Chief Advisor to Prime Minister
Jim McNicholas, MCC Resident Country Director, Georgia