December 24, 2002

Mr. Mitchell E. Daniels Jr.
Director
Office of Management and Budget
725 17th Street, N.W.
Washington, D.C. 20503
BY FAX: (202) 395-3888

Dear Mr. Daniels:

On behalf of the United States Conference of Catholic Bishops (USCCB) and Catholic
Relief Services (CRS), we reiterate our appreciation for the proposed increase in overall
development assistance, and strongly urge the administration to follow through on this
commitment by requesting $1.6 billion for the MCA in FY 2004, leading to the promised
$5 billion for FY 2006.

While we commend the additional resources and are pleased that plans for this new
program are advancing, we respectfully call your attention to several concerns regarding
the administration's proposal regarding implementation.

As an account designed to reduce global poverty, the Millennium Challenge Account
should be reserved for those countries that demonstrate the greatest need. We fear that
inclusion of middle-income and other non-IDA countries would draw funds away from
very poor nations unable to meet development needs through other means. Middle-
income countries have more options for addressing the development requirements of their
people, including access to a variety of external sources of finance.

We are concerned that application of the performance indicators outlined in the
November 25th announcement could restrict eligibility to a very few, mostly small
countries.   We believe that there are a substantial number of very poor countries in
Africa and elsewhere that may fall short of the administration's qualifying standards, but
are able to use aid funds effectively. These are countries that are committed to poverty
reduction, through participatory national strategies, and have promising programs to
improve social services or address other priority development needs. We urge that MCA
funds be made available to such countries provided that they demonstrate respect for
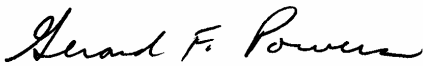human rights, and are implementing appropriate government accountability standards.

We recognize, however, that even with broadened eligibility criteria, there will be a large number of poor countries that will not qualify for MCA funding. For many of these countries, addressing HIV/AIDS and other infectious diseases will be a particularly high priority. We urge that funding for established aid programs not only be maintained, but be substantially increased so that the United States would provide its fair share of funding essential for addressing the global health crisis and other critical development and humanitarian needs.

Another concern is that the recent MCA announcement did not adequately emphasize engaging civil society or establishing mechanisms to facilitate broader participation, both of which are essential to improving the effectiveness of development programs. The MCA can and should play an important role in strengthening the development and implementation of participatory national processes, including Poverty Reduction Strategies. Recent efforts by civil society are encouraging, but are nascent and in need of facilitating mechanisms, capacity building, and additional funding, which MCA should provide.

Finally, the Millennium Challenge Corporation (MCC) has an opportunity to forge strong links with existing development programs, in the United States and abroad, that could strengthen coherence and complementarily in the US approach to foreign assistance. We hope that the MCC will be given the resources it needs for effective management of a program that will reach an annual level of $5 billion and is designed to implement a new approach to foreign aid.

We appreciate the opportunity to provide input through the inter-agency process on the MCA. We hope the administration will continue this outreach to the non-governmental and academic communities, which will enrich the process. Thank you in advance for your consideration.

Sincerely,

Gerard F. Powers
Director
Office of International Justice and Peace

Mr. Ken Hackett
Executive Director
Catholic Relief Services