



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

May 28, 2003

Millennium Challenge Act of 2003

As ordered reported by the Senate Committee on Foreign Relations on May 21, 2003

SUMMARY

The Millennium Challenge Act of 2003 would create a new foreign assistance program, the Millennium Challenge Account, to provide economic assistance to developing countries that have demonstrated a commitment to just and democratic government, economic freedom, and improved educational opportunities and health care for its citizens. The bill would authorize the appropriation of \$1 billion in 2004 and \$8.3 billion over the 2004-2006 period for the new program. CBO estimates that implementing the bill would cost \$6.5 billion over the 2004-2008 period, assuming the appropriation of the authorized amounts. The bill would not affect direct spending or receipts.

The Millennium Challenge Act of 2003 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of the Millennium Challenge Act is shown in the following table. The costs of this legislation fall within budget function 150 (international affairs).

	By Fiscal Year, in Millions of Dollars				
	2004	2005	2006	2007	2008
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Authorization Level	1,000	2,300	5,000	0	0
Estimated Outlays	100	630	1,650	2,654	1,488

BASIS OF ESTIMATE

The estimate assumes the Millennium Challenge Act of 2003 will be enacted late in 2003 and that the amounts authorized for 2004, 2005, and 2006 will be appropriated at the start of each fiscal year. CBO estimates that outlays from the Millennium Challenge Account will be low during the first few years because of the normal delays in starting a new program and the multiyear character of the program as authorized.

CBO estimates that it would take three to six months to select a coordinator to manage the Millennium Challenge Account, hire staff, write the necessary rules and regulations to administer the program, and establish interagency coordination. Only then would eligible countries be invited to submit a multiyear plan detailing how they would use the funds provided by the new program. CBO expects that the effort to develop such plans would require considerable time since each country's plan must specify the objectives it would achieve with Millennium Challenge funds, describe the actions it would undertake to achieve those objectives, provide a time schedule for achieving those objectives, and identify benchmarks for assessing whether the country has achieved its objectives.

In addition, the bill also would require eligible countries to involve private sector and nongovernmental organizations in preparing their plans. Thus, CBO estimates that few grants would be extended before the last quarter of fiscal year 2004. Moreover, because the bill would require periodic evaluations to determine whether the country is meeting its commitments. CBO believes that this multiyear program would probably have a spending pattern similar to existing development assistance programs. Thus, CBO estimates outlays will follow historical patterns for such economic assistance spending.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

The Millennium Challenge Act of 2003 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

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