



CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

In accordance with section 610(b)(1) of the Millennium Challenge Act of 2003, as amended, we wish to inform you that the Millennium Challenge Corporation (MCC) entered into a Millennium Challenge Compact with the Republic of Cape Verde on February 10, 2012. We have included a detailed summary of the Compact and a copy of the text of the Compact.

We will publish the text of the Compact and the summary in the Federal Register and on MCC's website.

The attached notification is being sent to Congress on February 21, 2012.

Sincerely,

T. Charles Cooper
Vice President
Congressional and Public Affairs

**MILLENNIUM CHALLENGE CORPORATION
CONGRESSIONAL NOTIFICATION
February 23, 2011**

In accordance with section 610(b)(1) of the Millennium Challenge Act of 2003, as amended (22 U.S.C. 7701 *et seq.*) (the "**Act**"), this notification is to advise that the Millennium Challenge Corporation ("**MCC**") entered into a Millennium Challenge Compact with the Republic of Cape Verde under sections 605 and 609(g) of the Act on February 10, 2012 (the "**Compact**").

A detailed summary of the Compact and a copy of the text of the Compact follow.

SUMMARY OF THE MILLENNIUM CHALLENGE COMPACT BETWEEN THE UNITED STATES OF AMERICA, ACTING THROUGH THE MILLENNIUM CHALLENGE CORPORATION, AND THE REPUBLIC OF CAPE VERDE

February 21, 2012

The five-year, \$66.2 million Millennium Challenge Compact with the Republic of Cape Verde is aimed at reducing poverty through economic growth (the "Compact"). To this end, the Compact's two projects are intended to increase household incomes in project areas by reforming the water and sanitation and land management sectors, both critical constraints to economic growth.

Project Overview and Activity Descriptions

To advance the goal of reducing poverty through economic growth, the Compact will fund two projects.

The \$41.1 million *Water, Sanitation, and Hygiene Project* is designed to establish a financially sound, transparent, and accountable institutional basis for the delivery of water and sanitation services to Cape Verdean households and businesses. The \$17.3 million *Land Management for Investment Project* is designed to reduce the time required to establish secure property rights and to provide conclusive land information in areas of near-term high development potential in Cape Verde.

Water, Sanitation and Hygiene (WASH) Project

Cape Verde is an extremely water-scarce country, and relies heavily on desalinization of water, which is an expensive and energy-intensive process. The WASH sector is characterized by relatively poor levels of service, including intermittent water supply. In addition, domestic water consumption in Cape Verde is, at approximately 35 liters per day, half that of a low-income peer group of countries, and barely above subsistence levels; not surprising given that Cape Verde has the highest water tariff in Africa and among the highest in the world. The poor, and particularly female-headed households, are especially vulnerable as only 9 percent of poor households have access to the networked public water supply network. Additionally, Cape Verde is not on track to meet its Millennium Development Goal for sanitation. Low levels of water supply, combined with a population in which over 50 percent is without any access to improved sanitation services, results in significant public health problems, including diarrhea, malaria and dengue.

The \$41.1 million WASH project is expected to improve delivery of water and sanitation services to Cape Verdean households and firms. The approach to improving sector performance relies on a three-pronged strategy: (i) reforming national policy and regulatory institutions; (ii) transforming inefficient utilities into autonomous corporate entities operating on a commercial basis; and (iii) improving the quality and reach of infrastructure in the sector.

The WASH Project comprises the following three activities:

- **National Institutional and Regulatory Reform Activity.** Institutional and regulatory reform activities at the national level are expected to improve planning systems and regulatory processes including tariff setting. MCC will support the creation of a new National Agency for Water and Sanitation responsible for policy and planning of all water resources, domestic water supply, wastewater and sanitation. MCC will also strengthen the existing regulatory organization to better regulate economic and technical aspects of the WASH sector. Finally, the project will build the capacity of the environmental directorate to expand its existing environmental protection functions to include water and wastewater quality. As part of the proposed reform of institutions and regulation, the WASH project will provide technical assistance and resources for the integration of gender and social analysis and objectives into national policies and planning.
- **Utility Reform Activity.** The objective of this activity is to assist highly inefficient municipal utility departments to merge and restructure themselves into financially and administratively independent corporate entities. Regulatory changes will be required to support this transition. Once formed, the new utilities will require support and capacity building to improve their planning capacities and operating efficiency, and to reduce their high levels of commercial losses. MCC efforts will focus on supporting the formation of the proposed utility on the island of Santiago, which represents half the population of Cape Verde, and will be designed so as to facilitate similar utility restructurings elsewhere in the country. The social and gender assessment (SGA) work at this level will integrate these objectives into policy, planning, human resources and budgets.
- **Infrastructure Grant Facility.** The Compact will provide funding for an Infrastructure Grant Facility to fund much needed infrastructure capital improvements in the WASH sector while also promoting continued national level reform and providing an incentive for utilities to accelerate the corporatization process. MCC will only release funds into the Infrastructure Grant Facility once broad national policy and utility reform conditions precedent have been met. The Infrastructure Grant Facility will provide grants to any eligible utility, qualifying based on continuous improvement on commercialization of utility operations. Project grant applications from qualified applicants will be evaluated based on a set of transparent financial, economic, technical, implementation, environmental, and social criteria. Given the central role that women and girls play in water and sanitation at the household level, ensuring that infrastructure investments are selected and designed with due attention to social and gender considerations and appropriate information, education, and communication is critical to meeting the ultimate health and economic objectives of the WASH project.

Land Management for Investment Project

No conclusive source of information about land property exists in Cape Verde. Research suggests that up to 92 percent of land rights claims in Cape Verde do not have the legal protection that would be accorded by proper rights registration. Two different land registries, judicial and municipal, each contain partial information about only a fraction of the country's land parcels. Additional records systems hold information about state-owned land. The information tends to be outdated and is often conflicting. No source contains map-based information indicating actual location of a parcel of land over which a right is claimed.

Confusion over ownership and boundaries has resulted in unauthorized land sales and the delay or cancellation of public as well as private investment projects. Confusion also limits the ability of small firms and households to create value and increase incomes through investment in their property. When coupled with lengthy procedures across a range of institutions, inconclusive information also generates time-consuming and costly land rights registration processes for all land users, further hampering domestic and foreign investment and economic growth.

The \$17.3 million project is expected to improve Cape Verde's investment climate by: (i) refining the legal, institutional, and procedural environment to increase the reliability of land information, achieve greater efficiency in land administration transactions, and to strengthen protection of land rights; (ii) developing and implementing a new land information management system; and (iii) clarifying parcel rights and boundaries on targeted islands with high investment potential.

The project supports the GoCV creating a single reliable and easily accessible source of land rights and land boundaries information, which is expected to strengthen Cape Verde's investment climate for large and small investors and to reduce land registration costs for all users. The project comprises two activities:

- **Legal and Institutional Foundations Activity.** This activity will work at a national level to support necessary legal reform, as well as the creation of a new, common information and transaction system for each of the country's core land administration institutions. This system is designed to achieve greater efficiency in land registration-related transactions and land administration in the short term, and more efficient tax administration in the long term.
- **Rights and Boundaries Activity.** Building on the legal and institutional groundwork, the Rights and Boundaries Activity will support actual clarification of parcel rights and boundaries in targeted islands of high tourism investment potential. This new information will be input into the information system, enabling all land users to more quickly and conclusively identify land parcel boundaries and rights.