



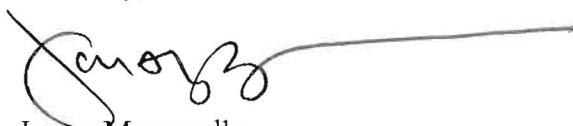
CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

We wish to inform the Congress of our intent to provide funding of up to US\$540,000,000 for a Millennium Challenge Compact with the Republic of Senegal.

Obligation of funds may be incurred on or after 15 days from the date of this notification.

The attached notification is being sent to Congress on August 20, 2009.

Sincerely,



James Mazarella
Vice President (Acting)
Congressional and Public Affairs

Enclosure:
As stated

CONGRESSIONAL NOTIFICATION
August 20, 2009

PROGRAM:	Eligible Countries
APPROPRIATIONS CATEGORY:	FY 2009 Program Funds
OBLIGATION AMOUNT:	\$540,000,000

Pursuant to sections 7015(c) and 7057 of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2009 (P.L. 111-8), the Millennium Challenge Corporation (“MCC”) wishes to notify the Congress of its intent to sign a Millennium Challenge Compact (“Compact”) with the Republic of Senegal (“Senegal”), through which MCC will grant up to a total amount of \$540,000,000 under the Millennium Challenge Act of 2003, as amended (the “Act”). MCC intends to obligate up to \$535,000,000 under section 605 of the Act when the Compact enters into force. In order to accelerate implementation of the Compact, MCC will obligate up to \$5,000,000 (“Compact Implementation Funding”) of the overall grant under section 609(g) of the Act when the Compact is signed by the parties. After the Compact enters into force, Compact Implementation Funding that is not needed to accelerate implementation of the Compact may be deobligated, and up to an equivalent amount of funding may be obligated under section 605 of the Act. Such funding is included in the total amount of MCC funds under the Compact and will not increase total Compact funding.

Compact funding will support two projects: (1) roads rehabilitation and (2) irrigation and water resources management, each of which is described along with other key elements of the Compact in the accompanying summary.

Under section 610(a) of the Act, the appropriate Congressional committees were notified on June 8, 2009, of MCC’s intent to commence negotiations with Senegal. MCC will provide the final text no later than 10 days after the execution of the Compact, as provided in section 610(b) of the Act.

SUPPLEMENTAL INFORMATION

MILLENNIUM CHALLENGE COMPACT BETWEEN THE UNITED STATES OF AMERICA, ACTING THROUGH THE MILLENNIUM CHALLENGE CORPORATION, AND THE REPUBLIC OF SENEGAL

The Millennium Challenge Corporation's Board of Directors has approved a five-year, \$540 million compact with the Republic of Senegal aimed at reducing poverty and accelerating economic growth ("Compact"). The Compact aims to enable improved agricultural productivity and to expand access to markets and services through critical infrastructure investments in roads and irrigation sectors ("Program").

- **Roads Rehabilitation Project (\$324 million).**

The Roads Rehabilitation Project seeks to expand access to markets and services and reduce transportation time and costs by improving the condition of certain strategic roads. Specifically, the project will support the rehabilitation and upgrading of portions of National Road No. 2 (RN2), the northernmost road in Senegal, which borders the Senegal River, and National Road No. 6 (RN6), located in Casamance, the poorest region of Senegal, in the south. The government of Senegal has prioritized both roads in its Road Sector Master Plan, and their rehabilitation is in line with the national policy of increasing growth through road creation, renovation, and maintenance. The RN2 serves as the primary road to transport and export products from irrigation areas along the Senegal River, thereby complementing the Compact's Irrigation and Water Resources Management Project (described below). The RN2 is also a strategic road, connecting Dakar harbor to Mauritania and Mali, and to southern cities in Senegal. The RN6 is the only road available to transport local agricultural products from Casamance to the rest of Senegal. It is also a strategic road, connecting Senegal with Guinea Bissau, Guinea (Conakry), and Mali. The improvement of both roads is expected to stimulate domestic and trans-border traffic and commerce. The primary activities for the Roads Rehabilitation Project are as follows:

- The RN2 activity will rehabilitate and upgrade approximately 120 kilometers of road, from Richard Toll to Ndoum (a primarily agricultural and agricultural processing area of Senegal), and replace or upgrade associated structures, such as bridges and culverts, to eliminate flooding, improve road safety, and provide reliable, year-round access to markets, schools, and hospitals, including during the rainy seasons.
- The RN6 activity will rehabilitate and upgrade approximately 256 kilometers of road, from Ziguinchor to the crossroads at the town of Kounkane, and will replace or upgrade associated structures, resulting in reduced transport costs and time and improved access to markets and social services.

- **Irrigation and Water Resources Management Project (\$170 million).**

The Irrigation and Water Resources Management Project – comprising infrastructure investments in the Senegal River Delta and Department of Podor areas – seeks to improve the productivity of the agricultural sector by extending and improving the quality of the irrigation system in certain agriculture-dependent areas of northern Senegal. The Project conforms to Senegal’s 1998 Master Plan for poverty reduction and agricultural development in the Senegal River Valley and is designed to address the following three factors contributing to low agricultural yields: (i) poor quality of the existing irrigation and drainage infrastructure; (ii) insufficient delivery of available water to agricultural areas; and (iii) lack of an appropriate drainage system, which leads to soil salinity. Specifically, the project will support investments in the Senegal River Valley intended to: (i) increase the volume of irrigation water in the Senegal River Valley to develop approximately 8,500-10,500 hectares of additional irrigated land; (ii) eliminate the risk of abandonment of approximately 26,000 hectares of existing irrigable land; and (iii) provide additional supply of water for human and animal use in the project areas. The project will also support a land tenure security activity, to provide for, or maintain, a secure land tenure environment for all of the inhabitants of the region directly affected by the project. The project may also invest in complementary social safeguard measures, such as day care centers and multi-purpose livestock centers.

Administration

The Compact also includes program management and oversight costs estimated at \$42 million over a five-year timeframe, including the costs of administration, management, auditing, fiscal and procurement agent services, and environmental and social oversight. In addition, the cost of monitoring and evaluation of the Compact is budgeted at approximately \$4 million.

Intended Beneficiaries and Expected Results

Compact Program

- Approximately 138,600 households, or approximately 1.66 million individuals within those households, are estimated to benefit from the Compact Program within twenty years. These estimates assume some overlap among beneficiaries in the Senegal River Valley.
- The largest number of beneficiaries – approximately 1.1 million – would be located in the Casamance. About 75% of the Program beneficiaries in the Casamance are expected to come from households living on less than 2 dollars per person per day. An estimated 42% of total Program beneficiaries in the Casamance live on US\$1.25 per person per day, or less. Although Program activities in the Casamance are expected to cast a wider net over beneficiaries, about 38% of total benefits generated by the Program would accrue to beneficiaries in that region. The Program would be

an important preliminary contribution to the development of the Casamance and greatly facilitate other future investment there.

- Approximately 62% of Program benefits would accrue to beneficiaries in the Senegal River Valley. Here, approximately 45% of total beneficiaries are expected to be from households subsisting on less than US\$2 per person per day and 25% from households living on US\$1.25, or less. Whereas Program investments in the Senegal River Valley will affect the welfare of a smaller number of people than in the south, the investments are expected to extend significantly and solidify gains in the reduction of poverty in the north.

Roads Rehabilitation Project:

- The RN2 Road Activity is expected to benefit approximately 21,000 households or 250,000 individuals over the next 20 years. Over the life of the investment, total average benefits per beneficiary for the RN2 are approximately US\$870.
- The RN6 Road Activity would benefit some 102,000 households or approximately 1.1 million people over the next 20 years. Over the life of the investment, total average benefits per beneficiary for the RN6 are approximately US\$530.

Irrigation and Water Resources Management Project:

- Beneficiaries of the Irrigation and Water Resources Management Project include households, owners or shareholders of farming enterprises, and households that have individuals employed in the operation of enterprise farms.
- Over the course of the investment, the Project would benefit approximately 22,390 households, or 268,700 individuals, through participation in own agricultural production or employment in agriculture.
- Assuming that households, on average, are comprised of twelve persons cultivating two hectares of irrigated land, the scale of net revenue from a holding would have a substantial impact on the welfare of poor households. Average future revenues of about PPP US\$4,470 per two-hectare farm would increase household incomes by more than PPP US\$1 per person per day. For households subsisting with incomes of PPP US\$1.25 or less per person per day, this increment would move households from being extremely poor to being near poor (not far below or above PPP US\$2 per person per day).