



CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

We wish to inform you that the Millennium Challenge Corporation intends to obligate up to \$5,000,000 to facilitate the development of a Millennium Challenge Compact with the Government of the Republic of Benin. In addition to the enclosed notification, we have included supplemental information regarding the planned activities.

The attached notification is being sent to the Congress on June 24, 2013. Obligation of funds may be incurred on or after 15 days from the date of this notification.

Sincerely,

/s/

Paul Weinberger
Vice President
Congressional and Public Affairs

Enclosure:
As stated

**MILLENNIUM CHALLENGE CORPORATION
CONGRESSIONAL NOTIFICATION**

June 24, 2013

PROGRAM:	Eligible Countries
APPROPRIATIONS CATEGORY:	FY 2013 Program Funds
OBLIGATION AMOUNT:	\$5,000,000

Pursuant to section 7015(c) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2012, as carried forward by the Consolidated and Further Continuing Appropriations Act, 2013 (Pub. L. 113-6, Division F), this is to advise that the Millennium Challenge Corporation (“MCC”) intends to obligate up to \$5,000,000 under section 609(g) of the Millennium Challenge Act of 2003, as amended, for the purpose of facilitating the development of a Millennium Challenge Compact (“Compact”) with the Government of the Republic of Benin.

The funds will finance activities necessary for Compact development, including pre-feasibility and feasibility work for the potential projects under review. These studies will help MCC refine the program of investments to be included in the Compact and to prepare for monitoring and evaluation of the potential program. The planned activities reflect MCC’s commitment to prepare projects in a comprehensive manner, prior to compact signing, to reduce implementation risk and increase confidence in the economic justification and technical feasibility of the proposed projects.

SUPPLEMENTAL INFORMATION

MCC 609(g) Activities for Benin

Background

Benin was selected as eligible to develop a compact by MCC's Board of Directors in 2011 and has been a strong compact development partner to date. In June 2013, MCC's Chief Executive Officer approved funding under section 609(g) of the Millennium Challenge Act, as amended, in an amount not to exceed \$5 million to support development of a second compact in Benin.

Constraints Analysis

Following selection by MCC's Board of Director, the Government of Benin (GoB) began its compact development efforts. An economic constraints analysis undertaken by the GoB, with extensive private sector and civil society consultation from February to July 2012, identified an inadequate business environment and lack of access to electricity as the two binding constraints. In addition, the GoB completed complementary private sector analysis, which pointed to diversified agribusiness as a key growth opportunity for Benin, while the social and gender analysis performed by the GoB emphasized the high concentration of poverty and important role women play in agriculture and agribusiness. Agribusiness was therefore identified as an engine of growth and a path for poverty reduction.

In keeping with the preliminary analysis, the GoB submitted to MCC a concept paper for a proposed compact program focusing on improving the enabling environment for agribusinesses by addressing policy issues impacting the agribusiness sector, inadequate electricity infrastructure in rural areas, and inadequate road networks. Currently, high transaction costs, asymmetric information, and a poor regulatory environment constrain investment in and market share capture by formal agribusiness, and limit the ability of informal agribusinesses to transition to formal agribusinesses. Women and the poor are disproportionately affected by each of these constraints.

The objective of the program proposed by the GoB is to unlock growth potential of agribusiness through increased competitiveness and market share capture by reducing high transaction costs and asymmetric information, and improving the regulatory environment. The program is focused in two target regions selected through criteria including: (i) prevalence of high-potential value chains, (ii) infrastructure gaps and (iii) poverty reduction potential. The target regions comprise a northern zone and a southern zone representing approximately 30% of the country's population. The effort to spur growth is focused on existing agribusinesses and new enterprises interested in investing in Benin's agriculture sector.

MCC-Approved 609(g) Activities

MCC assessed the concept proposals from the GoB, which incorporated consultations with the private sector and civil society, and as a result of that assessment, MCC intends to fund preparatory activities to further develop the GoB's proposal into projects that may justify compact funding. The proposed projects include:

- **Agribusiness Environment Project:** This proposed project aims to reduce the cost of doing business for agribusinesses, and to reduce barriers to formal market entry through

tax policy reforms, better enforcement of contracts, and potential activities to improve the capacity of agricultural value chain actors.

- **Enabling Infrastructure Project:** This proposed project aims to support agribusinesses through improvements to the supply (quality and quantity) of electricity and the electricity distribution network, as well as potential investments in rural roads that connect key markets in order to reduce post-harvest losses.

In order to assist the GoB to further develop the proposed compact investment, MCC intends to fund pre-feasibility and feasibility studies to support design of these activities, along with an assessment of data quality to provide necessary data to assess the investment.