



CONGRESSIONAL NOTIFICATION

Pursuant to section 7057(c) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2009 (Pub. L. 111-8, Division H), and section 610(a) of the Millennium Challenge Act of 2003, as amended, this notification is (1) to advise you that the Millennium Challenge Corporation (“MCC”) intends to start negotiations with the Republic of Senegal for a Millennium Challenge Compact and (2) to initiate the 15-day consultation period before the start of negotiations. Members of MCC’s staff are available to meet with you to discuss the planned negotiations.

If you or your staff would like to arrange a meeting, please contact Ellona Fritschie or me at (202) 521-3850.

This notification is being sent to the Congress on June 8, 2009 and negotiations with the Republic of Senegal may be started on or after June 22, 2009.

Sincerely,

James Mazarella
Acting Vice President
Congressional and Public Affairs

SUPPLEMENTAL INFORMATION

MCC COMPACT DEVELOPMENT WITH THE REPUBLIC OF SENEGAL

June 8, 2009

Subject to approval by MCC's Board of Directors, MCC anticipates signing a compact with Senegal in FY 2009. After a lengthy compact development process, the current estimated cost of worthy projects proposed by the government of Senegal (GoS) exceeds the likely budget available, requiring the GoS and MCC to select by the end of June a subset of projects based on the results of detailed studies underway, available funds, estimated economic returns and beneficiary impact, costs, and implementation risks.

MCC first selected Senegal as eligible for MCC compact assistance in 2004 but Senegal's current proposal is based on concept papers submitted to MCC in July 2008. The concept papers were the result of a rigorous constraints analysis that identified strong growth potential in the agricultural sector, limited by poor road transport networks, and a comprehensive, ongoing consultative process.

Program Overview and Budget

Senegal's concept papers described ten potential investments in road transportation, irrigation and water resources management, energy, and judicial reform. Following an internal MCC peer review of the concept papers, four projects were selected for further development. The remainder lacked strong economic rationales, had high implementation risks, or both. The four projects that are being developed for possible MCC compact assistance include rehabilitation of key segments of National Road #2 (RN2) and National Road #6 (RN6), and two irrigation and water resources management projects, Delta and Podor, in the Senegal River Valley.

The GoS is currently undertaking a number of detailed feasibility studies that MCC will augment with 609(g)-financed engineering designs, environmental and social impact assessments, and other preparatory work. By completing more of the project and implementation preparatory work prior to compact signing, MCC should have a greater degree of confidence at compact signing that the projects can be completed during the five-year compact term and will be funded appropriately. These studies are ongoing or will begin shortly and will inform the final scope and costs of the compact to be submitted to MCC management and MCC's board of directors for approval. Information in this memorandum is preliminary and therefore subject to verification and revision.

The following table outlines estimated costs and benefits by project and administrative costs.

Proposed Compact Components	Preliminary Cost Estimates (US\$ million)	Preliminary Estimated Economic Rates of Return	Preliminary Estimated Number of Beneficiaries
National Road #2 (RN2)	\$140 - \$175	12% - 15%	876,000
National Road #6 (RN6)	\$204 - \$255	12% - 15%	1,100,000
Delta Irrigation and Water Resource Management Project	\$69 - \$86	12% - 20%	79,000
Podor Irrigation Project	\$53 - \$66	12% - 20%	32,000
Administration: Accountable Entity, M&E, Audit Services	\$42 - \$52	N/A	N/A
Proposed Compact Total	\$507 - \$634	N/A	N/A

Road Rehabilitation Projects

Project Rationales and Descriptions

The proposed rehabilitation of the RN2 will support economic growth and poverty reduction in a primarily agricultural and agricultural processing area of Senegal by reducing transportation costs and time. The project also will provide reliable, year-round access to markets, schools, and hospitals, including during the rainy seasons. The RN2 is a strategic road, connecting Dakar harbor to Mauritania and Mali and to southern cities in Senegal, and its improvement is expected to stimulate domestic and trans-border traffic and commerce. The project would rehabilitate and upgrade up to 429 km of road, from Richard Toll to Bakel, and replace or upgrade associated structures, such as bridges and culverts, to eliminate flooding and improve road safety.

Similarly, the proposed rehabilitation of the RN6 will support economic growth and poverty reduction in a poor agricultural area of Senegal (the Casamance region) by reducing transport costs and time, and by improving access to markets and social services. It is the only road available to transport local agricultural products from Casamance to the rest of Senegal, and also links Senegal with Guinea Bissau, Guinea-Conakry, and Mali. The project contemplates the rehabilitation and upgrading of up to 331 km of road between Ziguinchor to Manda-Douane, and replacing or upgrading associated structures.

Project beneficiaries include commercial and household users of transport services within and outside the area and transport operators. In particular, farming households near the road will benefit from easier access to markets for their rice and vegetables. Much of this commerce is expected to involve or employ the local poor.

Irrigation and Water Resource Management Projects

Project Rationales and Descriptions

The **Delta** project area is situated at the northwestern section of Senegal, which supplies a substantial amount of agricultural products throughout the country, including Dakar. The proposed project will increase farmer incomes by expanding land under cultivation by up to 8,000 hectares and by restoring up to 12,000 hectares of unutilized lands, principally by expanding and improving existing irrigation systems. The proposed investment will involve: (i) dredging, recalibrating and raising the levies for four northern channels and two southern channels; (ii) recalibrating and constructing associated hydraulic infrastructure for the northern and southern channels; and (iii) rehabilitating and extending drainage canals and constructing an associated pumping station.

The objective of the **Podor** project is to develop main infrastructure (primary and secondary irrigation canals, and drainage ditches, dikes, and pumping stations) to increase irrigated land in up to five areas, namely N'Gallenka, Podor, Gamadji, Wawa and Sinthiou Gandé. The Podor project could develop up to 10,000 hectares of irrigable land, although financial and time constraints suggest a more modest increase. The project also will rehabilitate an unpaved access road, the R40. This road will allow for the distribution of agricultural products from the new irrigated areas in Podor and will link the isolated villages in the area to the neighboring larger villages located on the RN2 road.

Both irrigation projects would benefit from the proposed rehabilitation of RN2, which provides access to local, regional and international markets.

Delta project is expected to increase the area under irrigation by as much as 20,000 hectares. Under normal cultivation conditions, irrigated areas are projected to produce net incomes (gross margins) of approximately US\$1,500 per hectare. This would mean that, on average, a household of 12 persons cultivating five hectares could receive an incremental income of about US\$7,500 each year, or about US\$1.70 per person per day. This would represent a doubling of income for approximately half of the households expected to participate in the activity. Compared to the population in the Delta region, the headcount incidence of poverty is higher in the Podor region, and a larger share of poor households is expected to benefit.

Partnership Strategy

As part of a rigorous analysis of constraints to economic growth, MCC and our Senegalese counterparts completed a comprehensive review of existing government, private sector, and donor investment strategies throughout the country. The GoS specifically targeted projects for investment that complemented its own development strategy, as well as the poverty reduction strategy championed by the World Bank. Indeed, a number of donors, including the United States Agency for International Development (USAID), the United States Department of Agriculture (USDA), the European Union, the World Bank Group, the Agence Française de Développement (AFD), the African Development Bank (AfDB), the Japanese Investment and Cooperation Agency (JICA), the development agency of the Korean government, and numerous

nongovernmental organizations, have targeted the Senegal River Valley and the Casamance region as the areas of the country with the most potential for economic growth. MCC's counterparts have engaged in robust coordination and consultation with all of these donors both to inform them of the development of the MCC program, and to identify areas for collaboration. MCC and its counterparts are working particularly closely with the World Bank in the Delta project; with USAID, USDA, AFD, and JICA throughout the Senegal River Valley; and with USAID, USDA, and AfDB in the Casamance.