



CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

We wish to inform you that the Millennium Challenge Corporation plans to negotiate a Millennium Challenge Compact with the Government of Niger.

If you or your staff would like to arrange a meeting to discuss the proposed negotiations with the Government of Niger, please contact me or Jim Mazarella at (202) 521-3850. This notification is being sent to the Congress on April 7, 2016, and negotiations with Niger may be started on or after April 22, 2016.

Sincerely,

/s/

Paul Weinberger
Vice President
Congressional and Public Affairs

Enclosures: As stated

**MILLENNIUM CHALLENGE CORPORATION
CONGRESSIONAL NOTIFICATION**

April 7, 2016

Pursuant to the heading “Millennium Challenge Corporation” of the Department of State, Foreign Operations, and Related Programs Appropriations Acts, 2016; the heading “Millennium Challenge Corporation” of the Department of State, Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2006; 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 Government of Niger for a Millennium Challenge Compact and (2) to initiate Congressional consultation before the start of negotiations. In addition, we have included supplemental information regarding the objectives and mechanisms to be used for the negotiations of this compact.

SUPPLEMENTAL INFORMATION – PROPOSED NIGER MCC COMPACT

Overview

The proposed Niger Compact (“the Compact”) seeks to assist the Government of Niger (“GoN”) in addressing two major constraints to economic growth: lack of access to water for productive uses, and obstacles to cross-border trade. The Compact will address these constraints through two primary projects: large-scale irrigated agriculture and market infrastructure; and community-based livestock and climate-resilient agriculture.

Background and Context

Niger, one of the poorest and least developed countries in the world, has consistently ranked last on the UN Human Development Index for the past 25 years. This land-locked West African country is almost twice the size of Texas, and two-thirds of the country’s land mass is the Sahara desert, making it one of the hottest and driest countries in the world.

Over the past decade, Niger has experienced volatile GDP performance ranging from negative growth to 12.5 percent. The variations in GDP growth underscore the predominance of agriculture and extractives as the primary sectors affecting Niger’s economy, both subject to commodity price fluctuations. Over 80 percent of the population lives in rural areas and generally relies on agriculture for their primary livelihood. Agricultural productivity has stagnated due to a lack of access to critical productive inputs such as improved seed, fertilizer, irrigation and extension services like technical production trainings. The volatility of the economy is also due to a business environment that favors the informal sector and hinders private sector development and investment. Despite notable improvements made in Niger over the past few years, over 40 percent of the population still lives below the global poverty line, which is less than \$1.25 per day.

Despite these challenges, the Nigeriens have demonstrated a strong commitment to governance reforms, economic growth, and investing in their people. In 2015, for example, Niger completed a \$16.9 million MCC threshold program focusing on strengthening girls’ education, reducing public corruption, streamlining business creation procedures and improving rights and access to land. Niger was selected as eligible by MCC’s Board of Directors to develop a compact proposal in 2012 and has consistently passed the MCC scorecard since then.

Program Overview and Budget

After Niger was selected for compact eligibility in December 2012, the constraints analysis identified the following binding constraints to economic growth and investment: (i) lack of access to water for productive uses, focusing primarily on irrigation for crops and livestock; (ii) barriers to trade, particularly related to time and cost to export; and (iii) government regulation of business, especially concerning the prevalence of the informal sector. The proposed program will directly address the underlying causes of two of the binding constraints: lack of access to water for productive uses, which inhibits agricultural productivity and household food security, and barriers to trade, which create high transaction costs.

The Compact proposal will seek to address these constraints by investing in two primary projects: a **Large-Scale Irrigated Agriculture and Market Infrastructure Project**, and a **Community-Based Livestock and Climate-Resilient Agriculture Project**. The projects will help the GoN finance critical access to water for crop and livestock productivity, market platforms, and transport infrastructure. Water resource management, including irrigation, community-based livestock, and climate-resilient agriculture systems, are essential to ensure improved agricultural productivity, resilience, and sustainability in Niger.

Below is a summary describing the components of the proposed Compact with the GoN. The budget and expected impacts are preliminary based on initial due diligence and project appraisal and are subject to change following Compact negotiations. The anticipated budget for the Compact going into negotiations is \$414 million.

Table 1: Niger Compact Budget

Component	Total (in US\$ Mil)
1. Large-Scale Irrigated Agriculture and Market Infrastructure Project	
1.1 Irrigation Perimeter Development	103
1.2 Management Services, Market Facilitation and Policy	9
1.3 Road Infrastructure for Market Access	84
1.4 Policy Reform	11
Sub-total	207
2. Community-Based Livestock and Climate-Resilient Agriculture Project	
2.1 Regional Sahel Pastoralism Support	45
2.2 Climate-Resilient Agriculture	52
Sub-total	97
3. Monitoring and Evaluation (M&E)	
3.1 Monitoring and Evaluation	12
Sub-total	12
4. Program Administration and Oversight	
4.1 MCA-Niger Program Administration	39
4.2 Project Management	31.5
4.3 Statistical Capacity Building	5
4.3 Fiscal and Procurement Agents	19.5
4.4 Audit	3
Sub-total	98
Total Program Budget	414

Anticipated Projects

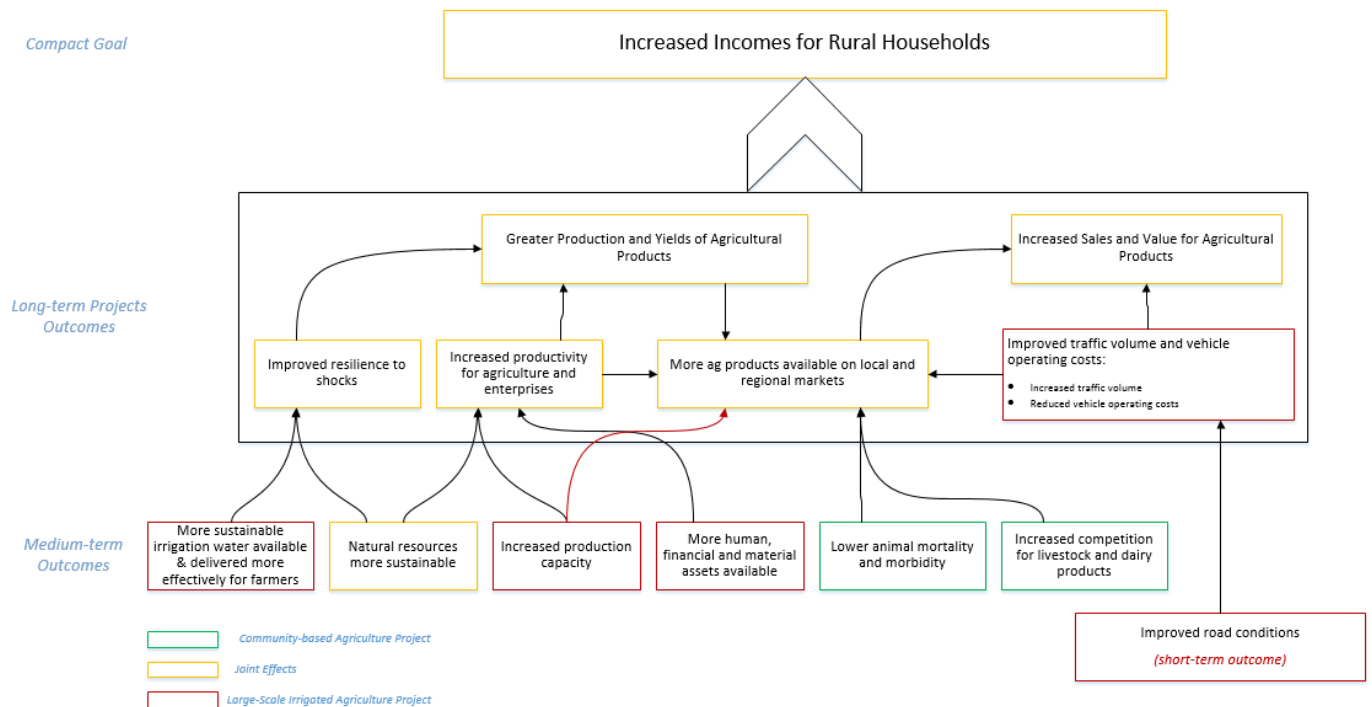
Large-Scale Irrigated Agriculture and Market Infrastructure Project: This project, slated for the Dosso and Tahoua regions, aims to augment rural incomes through the increase and sale of agricultural production resulting from modernized irrigated agriculture systems, improved productivity, and sufficient market access.

- ➔ **Irrigation Perimeter Development Activity:** The objective of this activity is to increase crop production and yields, sustainable fishing, and livestock productivity. The activity aims to rehabilitate approximately 2,450 hectares (ha) of existing large-scale irrigation infrastructure and construct approximately 2,600 ha of new perimeters. The rehabilitation component represents an improvement of 19 percent of existing irrigation infrastructure in the country, and the new perimeters a 20 percent increase in total hectares under irrigation systems.
- ➔ **Management Services, Market Facilitation and Policy Activity:** The objective of this activity is to increase the productive assets for beneficiaries of the Irrigation Perimeter Development Activity through improved water management, land tenure and provision of assistance to enhance farmers' ability to save, invest in yield-increasing practices, effectively manage natural resources, competitively participate in key value chains, and improve household dietary diversity and productive human capital.
- ➔ **Road Infrastructure for Market Access Activity:** The objective of this activity is to improve physical market access through targeted road network improvements serving the Dosso-Gaya perimeters and linking them to important consumer markets and regional trade hubs. This activity will support the upgrading of the RN 35 market road (77 kilometers (km)) directly serving the Dosso-Gaya perimeters, rehabilitation of the RN7, which is a main road linking the southern region to the rest of the country (83 km), and rehabilitation of the Sambera access road (37 km) linking RN35 to RN7.
- ➔ **Policy Reform Activity.** The objective of this activity is to help the Ministry of Hydraulics and Sanitation and other relevant government entities to develop and build capacity to implement a new Master Plan to manage national water resources, including wetlands of international importance, as designated by the Ramsar Convention on Wetlands. The activity also prioritizes the Ministry of Agriculture's reform of the fertilizer distribution system to allow greater competition and private sector participation to improve availability and affordability of fertilizers, especially to small farmers.

Community-Based Livestock and Climate-Resilient Agriculture Project (“Community-Based Agriculture Project”): The proposed project aims to increase incomes for small-scale agriculture- and livestock-dependent families in eligible municipalities (*communes*) in rural Niger by improving crop and livestock productivity, sustaining natural resources critical to long-term productivity, and increasing market sales of targeted commodities. The project is a joint investment with the World Bank and will be implemented by existing project implementation units (PIUs) located in the Ministries of Agriculture and Livestock. MCC funding will not be comingled with World Bank funds, and MCA-Niger will embed staff within these PIUs to ensure adequate oversight. Regions of intervention for this project are Tillabéri, Dosso, Tahoua and Maradi.

- ➔ **Regional Sahel Pastoralism Support Activity (“PRAPS”)**: The objective of this activity is to improve livestock value and sales by conducting a livestock health and vaccination campaign; identifying and undertaking critical upgrades in major transhumance livestock corridors, including water points and pasture improvements; and modernizing local market infrastructure and organization.
- ➔ **Climate-Resilient Agriculture Activity (“CRA”)**: This activity will develop and implement *commune*-level investment plans to increase the use of agricultural practices that minimize climate risks, improve the utilization rate of fertilizer and improved/drought-tolerant seeds, increase access to small-scale irrigation, promote land reclamation, protect watersheds from erosion, and establish market platforms to competitively position farmer groups in the marketplace. MCC funds will focus on climate-resilient investment needs, especially small-scale irrigation, in 16 *communes* in four regions. Current conservative estimates for potential small-scale irrigation investments in MCC-funded *communes* amount to approximately 2,600 ha. The activity will include a matching grant facility which will competitively award grants to women’s and youth groups, cooperative and producers’ groups, and micro, small, and medium enterprises. The portfolio of grants managed by the grant facility will meet MCC’s ERR hurdle rate. Similarly, the *commune* level investment plans will be developed in the first year of Compact implementation, and must meet MCC’s ERR hurdle rate in order to be funded.

Figure 1: Proposed Niger Compact Program Logic



Implementation Strategy

Niger poses particular and unique implementation challenges for an MCC compact. The GoN has limited experience managing extensive and complex development programs within a five-year timeframe. Additionally, security risks are rising in the region.

MCC will take a number of steps to address security and program management capacity concerns in Niger. These steps account for the anticipated additional resources allocated for Compact administration. For infrastructure activities, MCC and MCA–Niger will mitigate completion and security risks by employing construction and program management contractors with experience in insecure environments. For training-, knowledge-, and organization-focused activities, MCC and MCA-Niger will work closely with local service providers with relevant experience and permanent offices in Niger. For the Community-Based Agricultural Project, MCC and MCA-Niger will support and oversee Program Implementation Units (PIUs) in coordination with the World Bank.

Economic Analysis

The estimated economic rate of return (“ERR”) for the Large-Scale Irrigated Agriculture and Market Infrastructure project is 17 percent. The Community-Based Livestock and Climate Resilient Agriculture Project consists of activities to be developed in consultation with local communities and of activities funded through a competitive grant facility and MCC estimates that this project (not including the \$12.5 million matching grant facility sub-activity) has an ERR of 14 percent. These sub-activity ERRs will be calculated but cannot be done in advance because the nature of specific grant proposals cannot be known until grant proposals are submitted for review. MCC will calculate ERRs for the proposals during grant selections and will manage a grant portfolio with ERRs that meet the hurdle rate.

The Compact is expected to reach a total of more than 3.7 million beneficiaries.

Policy Reform and the Compact

MCC has identified four key policy reform areas to support sustainability of proposed Compact investments, the timing and content of which will be negotiated with the GoN. First, an overarching, multi-year national water resource plan will be critical to ensuring managed sustainable access to and suitable use of surface and ground water, including a management plan for the internationally-recognized wetlands, as designated by the Ramsar Convention on Wetlands. Second, formalizing a decree allowing for legal creation of Water Users’ Associations (WUAs) including clear responsibility for operation, maintenance and repair (OM&R) of irrigation systems is vital to long-term functional irrigation systems. The decree will allow freedom for WUA members to determine cropping choices, which is essential to their ability to pay for OM&R, and affirm membership eligibility leadership roles for women within WUA structure. Third, the fertilizer procurement process and pricing policies overseen by the Ministry of Agriculture must be overhauled to allow for broader private sector competition, availability, affordability and choice of fertilizers, especially among smallholder farmers. Finally, allocation of sufficient public expenditures to finance and manage proposed road performance-based maintenance contracts beyond Compact closure will be necessary.

Overview of the Niger Threshold Program

MCC's Board selected Niger as eligible for threshold program assistance in FY 2007. The \$23 million threshold program was suspended after one year in December 2009 due to the former president's actions to remove term limits. A military coup removed the president from power. Niger then took steps through a transitional council to hold successful democratic elections in 2011, after which the threshold program was reinstated with a reduced budget of \$16.9 million, and successfully completed in December 2015.

The primary focus of the threshold program was improving girls' primary school completion rates, while also working to improve control of corruption and streamline business creation and land access procedures. The girls' education program, locally known as IMAGINE, was implemented in 10 departments in Niger with low girls' enrollment and primary school completion rates. Plan International, a nongovernmental organization, was responsible for implementing IMAGINE under the supervision of USAID. The program consisted of constructing 68 primary schools and implementing a set of complementary interventions, including water points, housing for teachers and separate sex latrines, designed to increase girls' enrollment and completion rates. Results from the first independent impact evaluation of the program indicate that for girls, the program increased enrollment by 8 percentage points and attendance by 5.4 percentage points.

MCC is funding an impact evaluation of the Niger Threshold Program that will be completed by January 2017.