



CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

We wish to inform Congress of our intent to provide funding in an amount not to exceed \$437,024,000 under a Millennium Challenge Compact with the Government of Niger.

This notification is being sent on June 23, 2016.

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

An attached summary describes the projects and other key elements of the planned Compact. If you or your staff would like to arrange a meeting to discuss the Compact, please contact me or Jim Mazarella, Deputy Vice President for Congressional Affairs, at (202) 521-3850.

Sincerely,

/s/

Paul Weinberger
Vice President
Congressional and Public Affairs

Enclosure: As stated

**MILLENNIUM CHALLENGE CORPORATION
CONGRESSIONAL NOTIFICATION**

June 23, 2016

PROGRAM:	Eligible Countries
APPROPRIATIONS CATEGORY:	Fiscal Years 2007 and 2016 Program Funds
OBLIGATION AMOUNT:	\$437,024,000

Pursuant to (i) section 515 of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2006, as carried forward by the Revised Continuing Appropriations Resolution, 2007, and (ii) section 7015(c) and the heading “Millennium Challenge Corporation” of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2016, the Millennium Challenge Corporation (“MCC”) wishes to notify the Congress of its intent to sign a Millennium Challenge Compact (the “Compact”) with the Government of the Republic of Niger, through which MCC will grant up to a total amount of \$437,024,000 to the Government of Niger under the Millennium Challenge Act of 2003, as amended (the “Act”). To accelerate implementation of the Compact, MCC intends to obligate up to \$27,174,000 (“Compact Development Funding”) of the overall grant under section 609(g) of the Act, using fiscal year 2016 funds, when the Compact is signed by the parties. Under section 605 of the Act, MCC intends to obligate up to \$58,000,000 using fiscal year 2007 funds and \$351,850,000 using fiscal year 2016 funds when the Compact enters into force. After the Compact enters into force, Compact Development 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 the total Compact funding.

Compact funding will support increasing rural incomes by improving the sustainable productive uses of natural resources for agricultural production and improving trade and market access for agricultural products.

SUPPLEMENTAL INFORMATION:

Overview of MCC Niger Compact

MCC's Board of Directors ("Board") has approved a five-year, \$437,024,000 Compact with the Republic of Niger aimed at reducing poverty and accelerating economic growth. The Compact seeks to address two major constraints to economic growth in Niger: (i) lack of access to water for productive uses, which inhibits agricultural productivity and household food security; and (ii) institutional and physical barriers to trade, including poor road networks and dilapidated market infrastructure, which create high transaction costs and lower sales volume. The Compact will tackle these constraints with two projects: Irrigation and Market Access and Climate-Resilient Communities. These two projects aim to increase rural incomes both through greater agricultural production and yields, and through increased sales and value for agricultural products.

Compact Overview and Budget

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. Niger has made notable improvements over the past few years, but over 40 percent of the population still lives below the global poverty line of \$1.25 per day. Despite these challenges, the Nigeriens have demonstrated a strong commitment to governance reforms, economic growth, and investing in their people. The Board selected Niger as eligible to develop a Millennium Challenge Compact in December 2012. Niger has consistently passed the MCC scorecard after doing so for the first time in 2012.

Roughly 80 percent of Niger's population lives in rural areas and relies on agriculture for its livelihood. Moreover, over 90 percent of the population relies on a single, three-month, highly capricious rainy season to support agriculture and livestock production. Frequent droughts and floods decimate crops and productive assets, undermining the population's ability to build its resilience and economic security. In addition, sustainable natural resource management is lacking in this fragile environment, and water and pasture resources are frequently over-utilized, causing severe erosion of once productive areas. Agricultural productivity has stagnated due to a lack of access to critical productive inputs such as improved seed, fertilizer, irrigation, and technical assistance.

Water resource management, community-based livestock and climate-resilient agriculture systems are critical to ensure adaptability, improve agricultural productivity, and sustain water and land resources in Niger. The Compact program will seek to raise rural incomes by increasing agricultural and livestock production by boosting production through increases in areas under cultivation and improvements in yields. Through the Compact, MCC will finance critical access to water for crop and livestock productivity, market platforms, and transport infrastructure, while also building the technical capacity necessary to realize projected benefits and sustainably utilize and maintain the infrastructure and natural resource investments.

The budget for the Compact is approximately \$437,024,000, allocated as follows:

Compact Budget Summary

Project/Activity	Total (in US\$)
1. Irrigation and Market Access Project	
1.1 Irrigation Perimeter Development	113,250,000
1.2 Management Services and Market Facilitation	9,142,000
1.3 Roads for Market Access	113,422,000
1.4 Policy Reform	18,750,000
Subtotal	254,564,000
2. Climate-Resilient Communities Project	
2.1 Regional Sahel Pastoralism Support	45,000,000
2.2 Climate-Resilient Agriculture	51,500,000
Subtotal	96,500,000
3. Monitoring and Evaluation	
3.1 Monitoring & Evaluation	12,000,000
Subtotal	12,000,000
4. Program Administration and Oversight	
4.1 MCA-Niger Administration, Program Management Support, Fiscal Agent, Procurement Agent and Financial Audits ¹	73,960,000
Subtotal	73,960,000
Compact Grand Total	437,024,000

1. The Program Administration and Oversight total differs from previous estimates because \$19 million directly relating to the design and supervision of infrastructure projects previously included in the Program Administration budget has been reclassified to the related project budgets to better present the true costs of those projects. The Program Administration and Oversight budget is proportionally higher than in other recent compacts because it includes security infrastructure costs, premium on attracting and retaining talent, and the cost of contracting for Program Management Support.

Project Summaries

Irrigation and Market Access Project (\$254.6 million)

The Irrigation and Market Access Project (“Irrigation Project”) aims to increase rural incomes through improvements in agricultural productivity and sales resulting from modernized irrigated agriculture and flood management systems with sufficient trade and market access. The project will focus its interventions in the Dosso and Tahoua regions. Specifically, the Irrigation Project will support the following activities:

- **Irrigation Perimeter Development Activity:** This activity is designed to rehabilitate the Konni irrigation system and develop new irrigated perimeters in the Dosso-Gaya area. The Konni rehabilitation will restore and secure reliable production capacity on approximately 6,060 acres (2,452 hectares) of an existing large-scale irrigation perimeter. New perimeters will be developed in Ouna-Kouanza and Sia. The rehabilitation component represents improvement on 19 percent of the country’s existing irrigation infrastructure. The new perimeters will increase the area under irrigation in Niger by 20 percent.

- **Management Services and Market Facilitation Activity:** This activity complements the Irrigation Perimeter Development Activity by increasing the productive assets for beneficiaries of the Irrigation Perimeter Development Activity through:
 - Establishing and implementing a framework for land allocation, based on, among other things, (i) development of local land tenure profiles, (ii) participatory development of core local land allocation standards and of a transparent process for undertaking the land allocation, and (iii) completing the land allocation and formalizing land property rights and building capacity for local land governance to address land conflict management and integrated local land use planning;
 - Establishing and empowering single-purpose, self-governing, self-financing nonprofit irrigation water user associations (“IWUAs”) to undertake irrigation management functions in the project intervention areas, including preparatory studies, technical support and capacity building for the newly formed IWUAs; and
 - Strengthening the capacity of beneficiaries, through new or existing savings groups and existing producer and women’s and youth groups, to (i) grow commodities according to market demand and pricing signals, (ii) participate in savings groups to improve business skills and save capital to operationalize their cropping calendars, (iii) increase use of appropriate fertilizers and improved seeds, (iv) monitor and adapt to changing conditions in the environment, (v) participate in producer organizations to improve their negotiation position at the farm gate and in the marketplace, (vi) invest in infrastructure to store and add value to their production, and (vii) increase sales of commodities and processed products.

- **Roads for Market Access Activity:** MCC funding is intended to support improvements to physical market access through targeted road network improvements serving the Dosso-Gaya perimeters and linking irrigation beneficiaries to important consumer markets and regional trade hubs. This activity will support the rehabilitation and gravel upgrade of approximately 116 miles (187 kilometers (km)) of the RN35 road directly serving the Dosso-Gaya perimeters; rehabilitation, upgrade and paving of approximately 51 miles (83 km) of the RN7, the main north-south international trunk road linking the southern region of Niger to the rest of the country; and rehabilitation and gravel upgrade of approximately 23 miles (37 km) of the Sambera rural road that links the Ouna-Kouanza and Sia irrigation perimeters with the RN7.

- **Policy Reform Activity:** This activity aims to promote several major policy reforms directly linked to the success and sustainability of the Compact program through support (i) to 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; (ii) for the development and implementation of natural resource and community land use management plans for the protected areas and nearby communities affected by the Irrigation Project in the Dosso Region; (iii) to the Ministry of Agriculture and Livestock’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; and (iv) to the development of the statistical capacities of the National Institute of Statistics and development of the Government of Niger’s monitoring and evaluation capacities.

Climate-Resilient Communities Project (\$96.5 million)

The Climate-Resilient Communities Project (“CRC Project”) aims to increase incomes for small-scale agriculture-dependent and livestock-dependent families in eligible municipalities 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 will be implemented in partnership with the World Bank through existing project implementation units (“PIUs”) located in the Ministry of Agriculture and Livestock. MCC funding will not be combined with World Bank funds, though the PIUs will oversee both MCC and World Bank-funded activities. The PIUs will use jointly agreed upon operation manuals that will incorporate investment criteria, legal, fiscal, procurement, environmental, social, gender and monitoring and evaluation requirements that comply with MCC standards. To ensure adequate oversight, Millennium Challenge Account-Niger (“MCA-Niger”) will embed staff within these PIUs. Regions of intervention for this project are Tillaberi, Dosso, Tahoua and Maradi.

- **Regional Sahel Pastoralism Support Activity (“PRAPS Activity”):** The PRAPS Activity aims 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 Activity”):** The CRA Activity aims to support the development and implementation of municipality-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 municipalities in four regions.

The activity will include a grant facility that will competitively award grants to women’s and youth groups, cooperative and producers’ groups, and micro-, small-, and medium-sized enterprises. The portfolio of grants managed by the grant facility must meet MCC’s economic rate of return (“ERR”) hurdle rate. Similarly, the municipality-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.

Economic Analysis

The Compact will aim to address Niger’s two major constraints to economic growth through a combination of policy reforms, infrastructure investments, access to training, finance and management services, facilitation of partnerships, and improvements to agricultural and livestock production and market platforms. These activities will enable farming, fishing and pastoral

households in the intervention areas to increase their agricultural and livestock production and in turn, raise their incomes.

The ERR was calculated for each of the Compact's projects. The ERR for the Irrigation Project is estimated at 17 percent. The CRC Project consists of activities to be developed in consultation with local communities and of activities funded through a competitive grant facility. This project (not including the \$12.5 million matching grant facility sub-activity) has an estimated ERR of 14 percent. Because the nature of specific grant proposals cannot be known until they are submitted for review, ERRs will be calculated during grant selection to ensure that the grant portfolio will meet MCC's ERR hurdle rate.

The Compact is expected to reach 489,359 households totaling more than 3.9 million beneficiaries over a twenty-year period.

Overview of the Niger Threshold Program

The Board selected Niger as eligible for threshold program assistance in fiscal year 2007. The \$23 million threshold program was suspended in December 2009 due to concerns about democratic rights in Niger, which were resolved following successful elections in 2011. The Board reinstated the Niger threshold program in 2012 with a reduced budget of \$16.9 million. The threshold program was completed in December 2015.

The primary focus of the first phase of the threshold program, from 2007-2009, 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 the United States Agency for International Development. 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.

Following resumption of the threshold program in 2012, its sole focus was girls' primary education completion and improvement through the Niger Education and Community Strengthening (NECS) program, which built on the IMAGINE program and worked with the same schools.