



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 Côte d'Ivoire.

If you or your staff would like to arrange a meeting to discuss the proposed negotiations with the Government of Côte d'Ivoire, please contact Dan Chaison at (202) 521-3593. This notification is being sent to the Congress on June 21, 2017 and negotiations with Côte d'Ivoire may be started on or after July 6, 2017.

Sincerely,

/s/

James Mazarella
Vice President (Acting)
Congressional and Public Affairs

Enclosure: As stated

**MILLENNIUM CHALLENGE CORPORATION
CONGRESSIONAL NOTIFICATION**

June 21, 2017

Pursuant to (i) the heading "Millennium Challenge Corporation" of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2012, as carried forward by the Further Continuing Appropriations Act, 2013; (ii) the heading "Millennium Challenge Corporation" of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2014; (iii) the heading "Millennium Challenge Corporation" of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2015; (iv) the heading "Millennium Challenge Corporation" of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2016; (v) the heading "Millennium Challenge Corporation" of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2017; and (vi) 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 Côte d'Ivoire for a Millennium Challenge Compact; (2) to initiate congressional consultation before the start of negotiations; and (3) to identify the objectives and mechanisms (attached) to be used for the negotiation of the Compact.

OBJECTIVES AND MECHANISMS TO BE USED FOR THE NEGOTIATION OF THE PROPOSED CÔTE D'IVOIRE COMPACT

Overview

The roughly \$525 million compact proposed by the Government of Côte d'Ivoire addresses two constraints to economic growth – the low level of foundational basic skills and specialized technical skills as well as the barriers to moving goods and people, especially in and around Abidjan, through two projects: the Skills for Employability and Productivity Project and the Abidjan Transport Project.

Background

After passing only five MCC policy indicators in fiscal year 2012, Côte d'Ivoire began a systematic effort to improve its policy performance in order to qualify for MCC funding. In 2014, MCC's Board of Directors selected Côte d'Ivoire for a threshold program, and in 2015, based on continued policy improvement, to develop a compact proposal. Côte d'Ivoire has consistently passed the MCC scorecard since FY 2015, and in FY 2017, the country passed fourteen indicators. The compact now proposed is seen in Côte d'Ivoire as the fruit of a long journey of sustained engagement with MCC and is poised to become a central pillar of the country's relationship with the United States.

Côte d'Ivoire is located in the intertropical coastal zone of West Africa and has a population of 22.7 million people, 41.5 percent of whom are under the age of 14, with a gross national income (GNI) per capita of \$1,420. With five major ethnic groups, a sizeable immigrant population making up a quarter of the population, and more than 60 local languages spoken throughout the country, social cohesion has historically been fragile with deep divisions along national, ethnic, religious, and geographical lines. While Yamoussoukro is the official political capital, Abidjan is the informal seat of government and home to approximately 19 percent of the population, making it the country's critical driver for economic growth.

From independence in 1960 until 1979, Côte d'Ivoire enjoyed strong economic growth and was seen by many as the economic, political, and cultural center of West Africa. However, the country's economy was largely dependent on a few main exports, notably cocoa. When the world market price for cocoa fell sharply in the 1980s, Côte d'Ivoire's economy collapsed. The country struggled with political instability throughout the 1990s and 2000s, including a civil war from 2002 to 2004, and a second civil war from March to April 2011. Since 2012, political stability has allowed the economy to recover from years of stagnation, with gross domestic product (GDP) growth rates averaging nine percent per year over the past five years. Despite this recovery, there is a palpable sense among Côte d'Ivoire's population that the fruits of recent growth have not been widely shared. Moreover, despite some recent diversification, the country remains overly dependent on the same narrow set of exports.

Compact Proposal Overview and Budget

The proposed compact investment is based on the premise that for Côte d'Ivoire to achieve sustainable and inclusive growth—and escape the boom and bust cycle of the past—it must diversify its economy. MCC and Côte d'Ivoire identified two constraints to economic growth that will be addressed by the proposed compact investments: (i) low levels of basic and technical and vocational skills; and (ii) barriers to moving goods and people, especially in Abidjan. The economic analysis identified two additional constraints: the administrative burden and unpredictability of paying taxes; and the lack of access to industrial land. These conceptual roots are strongly aligned with Côte d'Ivoire's own 2016-2020 National Development Strategy. From this, the Ivoirians have focused their compact proposal around addressing the underlying causes of low level of foundational and technical skills in the country as well as the barriers to moving goods and people, especially in and around Abidjan.

The compact proposal seeks to address the selected constraints by investing in two projects: the **Skills for Employability and Productivity Project** and the **Abidjan Transport Project**.

Côte d'Ivoire is committed to implementing these projects in a sustainable manner in order to

- Help resolve critical youth education and unemployment issues;
- Increase the competitiveness of Abidjan as the country's economic growth hub by improving the mobility of goods and people; and
- Diversify its economy while promoting public-private partnerships.

These government priorities, once achieved, are expected to help mitigate lingering socio-political issues as well as allow Côte d'Ivoire to resume its economic preeminence in West Africa and become a desired location for employment intensive industries such as manufacturing or business process outsourcing.

The budget and expected impacts of the compact are preliminarily based on initial due diligence and project appraisal, and are subject to change following compact negotiations. The anticipated budget for the compact is up to \$525 million and is detailed below.

Table 1: Côte d’Ivoire’s Proposed Compact Budget

Component	Total (in US\$)
1. Project #1: Skills for Employability and Productivity Project	
1.1 Activity #1: Secondary Education for Basic Skills	111,300,000
1.2 Activity #2: Demand-Driven Training for Technical Skills	35,000,000
1.3 Project Management	8,650,000
Subtotal	154,950,000
2. Project #2: Abidjan Transport Project	
2.1 Activity #1: Transport Infrastructure	238,720,000
2.2 Activity #2: Transport Planning and Management	30,500,000
2.3 Project Management and Coordination	23,120,000
Subtotal	292,340,000
3. Monitoring and Evaluation (M&E)	
3.1 Monitoring and Evaluation	12,700,000
4. Program Administration and Oversight	
4.1 Program Administration and Oversight	64,750,000
Total Program Budget	524,740,000

Proposed Projects

The Skills for Employability and Productivity Project (“Skills Project”), if approved, seeks to improve the employability of Ivoirians and enhance the productivity of the private sector by improving the quality, relevance, and access, of basic and technical skills in response to private sector demand. The Skills Project is designed to equip those in Abidjan, as well as those in two additional economic hubs, with skills to meet the demands of the private sector in an expanding and diversifying economy. Investments in the regions of Gbêkê in the center-north of Côte d’Ivoire and San Pedro in the west of the country will allow MCC funding to capitalize on opportunities that address the country’s profound gender, socioeconomic and geographic inequalities and disparities related to access to education and technical vocational education and training systems and economic opportunities. The Skills Project is composed of two activities:

- Secondary Education for Basic Skills Activity. The activity seeks to improve the quality of lower secondary education and to improve access to lower secondary schools in the Gbêkê and San Pedro regions in response to the private sector’s needs for a workforce with basic skills as a building block for more refined technical skills. Targeted regional investments include the building of, and support to, 74-84 new lower secondary schools and the creation of two teacher training annexes. These investments will be supported by policy and institutional reforms at the national level in gender, monitoring and evaluation systems, and teacher training to improve capacity and overall governance, equity, and overall system performance.

- Demand-Driven Training for Technical Skills Activity. The activity is intended to develop a new model of partnership in which the management of new technical and vocational education training (TVET) centers is delegated to the private sector to make it more responsive to industry needs. Planned MCC investments include the building of three to four new private sector-driven TVET centers, the development of new quality management and accountability systems for improved sector governance, and the introduction of key quality management and accountability tools to strengthen the Ministry of Environment's capacity to manage for results.

The Abidjan Transport Project if approved, seeks to increase the competitiveness of Abidjan by improving the mobility of goods and people. This project is expected to include infrastructure investments designed to improve traffic fluidity and decongest central corridors of the city linking the Port of Abidjan to points north, west and east. Each of the infrastructure improvements integrates vehicular and pedestrian safety improvements, including a focus on better integration of transport modalities into the geographic area of the proposed investments. The investments are also planned to integrate new pavement design technologies that aim to reduce total lifecycle user costs. This project consists of two activities:

- **Transport Infrastructure Activity:** The activity is designed to invest in the maintenance, rehabilitation, and reorganization of four primary arterials in central Abidjan to improve road surface conditions and reduce congestion. The four major interventions planned include the central Boulevard Valéry Giscard d'Estaing, including its ten intersections; the Boulevards du Port/Vridi/Petit Bassam in the port area and Vridi Industrial Zone; the Boulevard de la Paix; and the Yopougon Express leading out of the port area to points north and west of Abidjan.
- **Transport Management and Planning Activity:** The activity seeks to improve infrastructure asset management skills and the technical capacities needed to support a long-term improvement in road planning and maintenance. Proposed investments include infrastructure asset management education in Abidjan, the development of road asset and safety databases for Abidjan, and traffic management and coordination assistance.

Economic Analysis

The estimated economic rate of return (ERR) for the Skills Project is 10.6 percent over 20 cohorts of students followed for 20 years. ERRs will be calculated prior to investments made in any TVET center to ensure all centers meet MCC's hurdle rate of 10 percent. For the three main interventions of this project, the primary benefits are slightly different: the Teacher Training sub-activity under the Secondary Education for Basic Skills Activity seeks to improve student learning outcomes while the New Secondary Schools sub-activity, also under the Basic Skills Activity, is designed to increase the number of years that students attend school. Both of these benefit streams are expected to increase future lifetime earnings for the participating students. The Demand-Driven Training for Technical Skills Activity obtains benefits through students acquiring specific, market-demanded skills through additional years of schooling, which results in higher employment rates and higher lifetime earnings.

The estimated ERR for the Abidjan Transport Project is 22.6 per cent over 20 years. The projected primary benefits are reduced vehicle operating costs and time savings from improved road surfaces. Improvements to intersections and signalization along the Boulevard Valéry Giscard d'Estaing are also expected to reduce traffic congestion and the frequency of vehicle and pedestrian accidents. While vehicle operating costs and time savings are expected to be the immediate microeconomic benefits of the project, the project is also expected to contribute to the economy of Côte d'Ivoire's largest city by improving access to jobs, goods and social services.

The Compact is expected to benefit at least 11,300,000 people over 20 years, broken out across the Projects as follow:

- The Skills Project, after adjusting for any potential double counting, is expected to benefit up to 2,800,000 individuals over 20 years. The beneficiaries differ across the three main interventions. The Teacher Training sub-activity will produce lower secondary teachers that serve in schools nationwide, providing benefits to their students and the students' households throughout the country. Beneficiaries of school construction under the New Secondary Schools sub-activity will be focused in only two regions (Gbeke and San Pedro). There is likely to be small overlap between beneficiaries for these two sub-activities, but it is accounted for in the final beneficiary estimates. The Demand-Driven Training for Technical Skills Activity is expected to benefit primarily those in Abidjan with up to a quarter of graduates in San Pedro.
- For the purposes of beneficiary analysis, the Abidjan Transport Project investments are broad-based, which spread benefits over a large population instead of targeting specific groups of beneficiaries. Due to the geographic centrality and high traffic volumes of the proposed road segments (27,000 to 85,000 vehicles per day), the entire population of Abidjan is considered beneficiaries. Given such and Abidjan's population growth, the Abidjan Transport Project is expected to benefit nearly 8,800,000 people over 20 years. Because approximately 300,000 Skills beneficiaries are expected to be Abidjan residents, they have been deducted from the total number of compact beneficiaries to avoid double counting.

Policy Reform and the Compact

MCC has identified the following key policy reform areas to support the sustainability of the proposed compact investments, the timing and content of which will be negotiated with the Government of Côte d'Ivoire, and will be included in the future compact document.

In the Skills for Employability and Productivity Project: MCC has identified the need to ensure that the Ivoirians allocate sufficient annual public expenditures for lower secondary education and TVET, including to support and maintain MCC's investments by providing adequate teachers and budgets for secondary schools and operational subsidies for TVET centers. MCC will also seek the development, institutionalization, and operationalization of a national gender policy for the education sector in order to help rectify gender disparities in the Ivoirian education system, which include lower initial access and higher dropout rates for girls as well as pervasive gender based violence. Finally, MCC plans to contribute to the modernization of the country's outdated and ineffective teacher training program and, through the TVET investment, to

help the government transition from an ineffective service provider to being a regulator and financier of training provided in TVET centers that are operated by and for the private sector.

In the Abidjan Transport Project: In order to ensure the sustainability of its investment in the transport sector, MCC has identified the need to increase the amount of revenue going into the existing road fund used to maintain roads; reduce the debt burden currently held by the road fund; and increase road user participation on the oversight and management of the road fund in order to create a more market-oriented entity. MCC also aims to work with the Ivoirians to find both a short-term and a permanent solution to truck parking in and around the Port of Abidjan in order to sustainably address traffic congestion and mitigate higher travel times.