



CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

This Congressional Notification outlines the Millennium Challenge Corporation's intent to sign a concurrent regional compact with the Government of Benin.

The transmission of this notification to Congress on October 6, 2022 affirms that the proposed Benin concurrent regional compact may be signed, and the funds obligated on or after 15 days from the date of this notice. Please find enclosed the notification with supplemental information regarding the proposed compact.

If you or your staff would like to arrange a meeting to discuss the proposed compact with the Government of Benin, or MCC at large, please contact Brian Forni at (202) 521-2631 or ForniBJ@mcc.gov.

Sincerely,

/s/

Aysha House
Vice President
Congressional and Public Affairs

Enclosure: As stated

**MILLENNIUM CHALLENGE CORPORATION
CONGRESSIONAL NOTIFICATION**

October 6, 2022

PROGRAM:	Eligible Countries
APPROPRIATIONS CATEGORY:	Fiscal Year 2022 Funds
OBLIGATION AMOUNT:	\$202,000,000

Pursuant to Division K, Title III under the heading “Millennium Challenge Corporation” of the Consolidated Appropriations Act, 2022 (P.L. 117-103) and section 610(a) of the Millennium Challenge Act of 2003, as amended (“the Act”), the Millennium Challenge Corporation (“MCC”) is notifying Congress of its intent to sign a concurrent Millennium Challenge Compact (the “Compact”) with the Government of Benin (the “Government”), through which MCC will grant an amount not to exceed \$202,000,000 to the Government under the Act. To facilitate implementation of the Compact, MCC intends to obligate up to \$17,020,218 (“Compact Facilitation Funding”) of the overall grant under section 609(g) of the Act, using fiscal year 2022 funds, when the Compact is signed by the parties. Under Section 605 of the Act, MCC intends to obligate up to \$184,979,782 when the Compact enters into force. After the Compact enters into force, Compact Facilitation Funding that is not needed to facilitate implementation of the Compact may be de-obligated, 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.

The Compact seeks to assist the Government in reducing transportation costs along the transport corridor from Cotonou, Benin to Niamey, Niger (the “Corridor”) to reduce poverty through inclusive, sustainable economic growth while increasing regional economic integration, trade, and cross-border collaboration with Niger. The Compact will be implemented in parallel with the Niger concurrent regional compact as part of the Regional Transport Program.

Economic Justification

The overall Regional Transport Program is expected to have an Economic Rate of Return (“ERR”) of 10.7 percent. In addition to road conditions, important market and institutional constraints impacting transport costs along the Corridor include inefficient trucking industries, dysfunctional border crossings and customs processing, weak maintenance regimes, and weak application of regional axle load limit regulations. The Compact therefore includes reforms to address these constraints. While fully understanding and addressing these issues will be time consuming and challenging, the pay-off to unlocking them is expected to be high. The Compact will address these constraints through two projects: the Corridor Infrastructure (“CI”) Project and the Efficient Corridor Operations (“ECO”) Project.

The **CI Project** aims to reduce transportation costs along the Corridor. This project’s Road Rehabilitation Activity is expected to result in vehicle operating cost savings and increased

speeds, leading to time-savings. The installation of road safety infrastructure is also expected to result in reduced accidents and, in turn, reduced mortality and morbidity risk to road users and reduced non-injury related accident damage. These benefits are expected to accrue both to users of the road for trips that would have occurred in the absence of MCC's funding (current traffic level plus "normal" traffic growth), as well as to users of the road for trips expected to occur due to reduced transport costs resulting from MCC's funding ("generated" traffic growth). Overall, the Road Rehabilitation Activity (including 83 km or 52 miles of the Bohicon-Dassa road) has an ERR of 17.5 percent. Roughly 1,240,000 unique road users are expected to directly benefit. This includes approximately 680,000 beneficiaries defined as "poor" and 330,000 beneficiaries defined as "near-poor." Costs and benefits are forecast from the initiation of infrastructure works in 2024 through 2046.

The **ECO Project** emerged from a root cause analysis that identified the key drivers of high freight prices, high and variable freight shipment duration, and rapid road deterioration along the Corridor. The inter-linking investment components are expected to reduce average border transit times, variability in border transit times, accident-related mortalities and morbidities, rents collected by intermediaries, market inefficiencies resulting from imperfect information and unenforceability of agreements, axle overloading and local pollution along the Corridor. The project includes two activities: Freight Sector Operations Improvement and Customs Border Operations Improvement. The ECO Project is not yet sufficiently designed to enable the calculation of an ERR. However, ERRs will be calculated for all project components before the compact enters into force.

SUPPLEMENTAL INFORMATION

Overview of MCC Benin Concurrent Compact

MCC's Board of Directors ("Board") has approved a five-year, \$202,000,000 Compact with the Government aimed at reducing poverty through economic growth, following completion of successful Compact negotiations in August 2022.

The Compact seeks to assist the Government of Benin in reducing transportation costs along the Corridor to reduce poverty through inclusive, sustainable economic growth while increasing regional economic integration, trade, and cross-border collaboration with Niger. The Compact program will achieve this goal through two projects: the CI Project and ECO Project.

Background and Context

Benin is a coastal, West African country that has a current estimated population of 13.3 million people and a tropical climate—hot and humid in the south and semiarid in the north. About 40 percent of Beninese live below the poverty line.

Selection and Eligibility

In December 2018, the Board selected Benin and Niger as eligible to develop concurrent compacts. MCC began working with each country to determine if there were projects that met MCC's compact investment criteria and evaluated the countries' ability to work with MCC. In 2019, 2020, and 2021, the Board reselected both Benin and Niger to continue developing potential concurrent compacts. MCC has focused the development of the concurrent compacts on a potential regional integration transport program between the countries.

Following the initial selection of Benin and Niger for potential concurrent compacts, an MCC team conducted project scans and worked to gather priority projects in the energy and transportation sectors from each country for consideration. It was determined that ideal investment opportunities for MCC's initial concurrent compacts would be cross-border infrastructure projects, with policy and institutional reform ("PIR") components, which collectively have significant political support and otherwise meet MCC's investment criteria. Important market and institutional constraints along the Corridor between Cotonou, Benin and Niamey, Niger include uncompetitive and extractive freight allocation arrangements, inefficient trucking industries, dysfunctional border crossings and customs processing, weak maintenance regimes, and weak application of regional axle load limit regulations. The Compact includes transport infrastructure and PIR aimed at addressing one or more of these constraints.

The Government of Benin has stated clearly that developing this Corridor with Niger is its top priority for a concurrent compact. This investment has a clear link to the MCC investment at the Port of Cotonou in the first Benin compact, as well as to the current MCC compact program in Niger, which is focused on agriculture and roads. The Corridor has a relatively high traffic volume with an average of approximately 1,000 vehicles per day, of which a high percentage are trucks.

Benin passes the MCC scorecard. In Fiscal Year (FY) 2022, it passes 14 of 20 indicators, including the Control of Corruption and Democratic Rights hard hurdles, though it has exhibited a multi-year decline in democratic governance, as seen on the Democratic Rights indicators on the scorecard. While not yet incorporated in Benin's performance on the FY 2022 scorecard, this decline was punctuated by the uncompetitive April 2021 presidential election.

As communicated in MCC's Report on the Selection of Eligible Countries for FY 2022, at the December 2021 meeting, the Board reselected Benin as eligible to continue developing a potential concurrent compact. However, the Board also endorsed MCC's determination to significantly reduce the planned regional investment that would be made in Benin through a concurrent compact in response to these concerns regarding democratic governance.

Compact Overview and Budget

The Compact aims to reduce transportation costs along the Corridor, including vehicle operating costs ("VOCs"), time-related costs, injuries, and deaths as well as costs related to unreliable processes and market inefficiencies. The ECO Project also aims to reduce unreliability costs, which are associated with the lack of confidence in the transportation system's ability to successfully move people or goods from one location to another in an efficient and timely manner, as well as market inefficiency costs.

Below is a summary describing the components of the proposed compact with the Government. The budget and expected impacts are preliminary based on initial due diligence and project appraisal. The anticipated budget for the Compact is up to \$217,150,000, including the Government country contribution.

Benin Concurrent Compact Budget (US\$)

MCC Funding by Compact Component	Amount
1. Corridor Infrastructure Project	\$143,313,000
1.1 Road Rehabilitation Activity	\$139,113,000
1.2 Road Maintenance Activity	\$4,200,000
2. Efficient Corridor Operations Project	\$26,000,000
2.1 Freight Sector Operations Improvement Activity	\$20,555,000
2.2 Customs Border Operations Improvement Activity	\$5,445,000
3. Monitoring and Evaluation	\$1,500,000
4. Program Administration and Oversight	\$31,187,000
Total MCC Funding	\$202,000,000
Government of Benin Contribution	\$15,150,000
Total Compact	\$217,150,000

Statutory Reference Requiring Congressional Notification	Program Funding under Section 605 of the Act (up to)	Compact Facilitation Funding under Section 609(g) of the Act (up to)
Division K, Title III under the heading “Millennium Challenge Corporation” of the Consolidated Appropriations Act, 2022 (P.L. 117-103)	\$184,979,782	\$17,020,218
Total	\$184,979,782	\$17,020,218

Project Summaries

The projects and activities to be completed are described below:

1. Corridor Infrastructure (“CI”) Project

The objective of the *CI Project* is to reduce transportation costs along the Corridor with transportation costs including VOCs, time-related costs, and injuries and deaths.

- **Activity 1 - Road Rehabilitation:** This activity aims to rehabilitate and upgrade approximately 83 km of road between the cities of Bohicon and Dassa with the potential to add complementary traffic mitigation components.
- **Activity 2 - Road Maintenance:** This activity aims to support the newly established *Société des Infrastructures Routières et de l’Aménagement du Territoire (“SIRAT”)* to implement the annual road maintenance program developed by the Ministry of Infrastructure and Transport’s (“MIT”) Direction Générale des Infrastructures de Transport (“DGIT”).

2. Efficient Corridor Operations (“ECO”) Project

The objective of the *ECO Project* is to reduce transportation costs along the transport corridor from Cotonou, Benin to Niamey, Niger including VOCs, time-related costs, injuries and deaths as well as costs related to unreliable processes and market inefficiencies.

- **Activity 1 - Freight Sector Operations Improvement:** This activity intends to promote meaningful reforms intended to impact and improve the efficiency of truck freight sector operations by addressing axle load management, regulatory review and capacity building, freight vehicle regulation, and the organization and establishment of a Corridor Authority.
- **Activity 2 - Customs Border Operations Improvement:** This activity intends to support improvements to the Beninese custom border operations at the Gaya-Malanville crossing between Benin and Niger in order to improve the fluidity of corridor operations.

Policy Reform and the Compact

The PIR identified as critical are focused on the improvement of the road maintenance institutional framework and ensuring untapped sources of maintenance funding can become available.

The following is a preliminary, non-exhaustive, list of the proposed reforms and associated outputs:

- A. Support the newly established SIRAT
 - a. Road maintenance policy formulation, road master planning, periodic maintenance multi-year programming, and annual periodic maintenance project planning.
 - b. Road management systems.
 - c. Road maintenance procedures and processes.
 - d. Road asset management.
- B. Some of these reforms must be adopted by the Government prior to entry into force of the compact and demonstrating continued compliance to the terms and conditions of these reforms will be a condition precedent to subsequent disbursement requests of Compact funding. The project design incorporates technical assistance to ensure the successful implementation of these reforms.

Update and Sustainability of 2015 Benin Compact

MCC’s \$391 million existing compact with the Government of Benin is focused on reforming, expanding, and modernizing the West African country’s power sector. With an additional contribution of \$28 million by the Government of Benin, the compact aims to strengthen the national power utility, attract private sector investment into solar power generation, and fund infrastructure investments in electricity distribution as well as off-grid electrification for poor and unserved households. Major line works and substation construction continue across Benin, including 18 new or expanded substations, installation of more than 50 miles of new underground cabling and the rehabilitation of nearly 500 miles of overhead power lines. The 50 MW solar photovoltaic Independent Power Producer (“IPP”) transaction is nearing commercial

close. If financial close is attained, this would be one of Benin's first successful IPP transactions and could leverage \$50-60 million in private investment. Finally, four of eight mini-grid project developers recently obtained regulatory approvals for 20-year concession agreements and are completing designs. The remaining four mini-grid projects are still under regulatory review. Current projections show this compact is on track to have 10.6 million estimated beneficiaries and \$634 million in estimated net benefits. The compact end date is June 22, 2023.

Update and Sustainability of 2006 Benin Compact

In February 2006, MCC signed a five-year, \$307 million compact with the Government of Benin that aimed to increase investments and private sector activity through the implementation of four projects. These projects increased access to land through more secure and useful land tenure, expanded access to financial services through grants given to micro, small, and medium enterprises, improved access to justice by bringing courts closer to rural populations, and improved access to markets by eliminating physical and procedural constraints hindering the flow of goods through the Port of Cotonou. The MCC compact in Benin entered into force in October 2006 and closed on October 6, 2011. The compact is expected to benefit more than 14 million Beninese over two decades. Among other accomplishments, independent evaluations found that the compact led to a sustained increase in agricultural investments as a result of clear land tenure, reduced import and export costs for port users, increased employment in and around the Port of Cotonou, and improved regional market integration through transport services.