



CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

In accordance with section 610(b)(1) of the Millennium Challenge Act of 2003, as amended, this Congressional Notification affirms that the United States of America entered into a Millennium Challenge Compact with the Republic of Mozambique on September 21, 2023 (the “Compact”). We have included a detailed summary of the Compact.

We will identify a link to the Compact and a summary of it in the Federal Register and on the Millennium Challenge Corporation’s (“MCC”) website.

The attached notification is being sent to Congress on September 28, 2023.

If you require a meeting to discuss the Compact with the Republic of Mozambique, or MCC at large, please contact Brian Forni at (202) 521-2631.

Sincerely,

/s/

Aysha House
Vice President
Congressional and Public Affairs

Enclosure: As stated

**MILLENNIUM CHALLENGE CORPORATION
CONGRESSIONAL NOTIFICATION**

September 28, 2023

In accordance with section 610(b)(1) of the Millennium Challenge Act of 2003, as amended (22 U.S.C. 7701 et seq.) (the “Act”), this notification is to advise that the United States of America entered into a Millennium Challenge Compact with the Republic of Mozambique under section 605 of the Act on September 21, 2023 (the “Compact”).

A detailed summary of the Compact follows.

SUMMARY OF MOZAMBIQUE COMPACT

Overview of the MCC Mozambique Connectivity & Coastal Resilience Compact

On September 21, 2023, the United States of America signed a five-year, \$500,000,000 Compact with the Republic of Mozambique (the “Compact”) aimed at reducing poverty through economic growth. The Compact seeks to assist the Government of the Republic of Mozambique (“GRM”) in addressing three major constraints to economic growth: (i) the high cost and unreliability of road freight and passenger transport services that inhibits input and output market development, farm to market linkages, and access to basic public services; (ii) agricultural policy, the legal and regulatory framework, and implementation of the existing framework, which inhibit the equitable and efficient functioning of input markets, vertical coordination of value chains, and input and output market competitiveness; and (iii) agricultural policy, the legal and regulatory framework which has led to an overexploitation of fisheries and depleted economic opportunities for coastal zones. The Compact will address these constraints through three primary projects: (1) the Connectivity and Rural Transport Project (using the Portuguese acronym, the “CTR Project”); (2) the Promoting Reform and Investment in Agriculture Project (the “PRIA Project”) and (3) the Coastal Livelihoods and Climate Resilience Project (the “CLCR Project”).

Background and Context

Mozambique is one of the poorest nations with over 31 million people and a per capita gross national income of \$480. It is a nation facing deep-rooted poverty, armed conflict, and routine climate shocks and stresses. Economic growth has been neither inclusive nor equally distributed across the vast expanse of its territory. Mozambique is, however, endowed with abundant natural resources well-suited for agricultural production—water and vast expanses of fertile and arable land. Mozambique is a member of the Southern African Development Community Customs Union and holds a favorable position for trade as a result of its location between the Indian Ocean and international borders with six growing economies. The potential for improved public and private investment is high.

Mozambique must balance several competing interests, including recently-found oil and gas reserves, a rise in destabilizing and violent insurgency groups led by the Islamic State-Mozambique based in the north, and continued vulnerability to climate shocks, particularly in its populous coastal zone. In partnership with MCC, the GRM has identified the Zambezia province, a highly impoverished area well over 1,000 miles from the epicenter of the conflict in Cabo Delgado, as a target area for investment. In Zambezia, MCC will work to promote inclusive economic growth, climate and coastal resilience, and improved quality of and access to public services and infrastructure.

In December 2019, MCC’s Board of Directors selected Mozambique as eligible to develop a compact. Mozambique has passed the scorecard four years in a row, including in fiscal year 2023.

Project Summaries

The Compact’s three projects are described below:

The objective of the **Connectivity and Rural Transport (CTR) Project** is to reduce the cost of transport in the province of Zambezia and throughout Mozambique. The CTR Project will include a set of investments in arterial routes, including a major bridge, and secondary roads through rural areas to district centers as described below:

- *Licungo Bridge and Mocuba Bypass Activity* – The Licungo Bridge and Mocuba Bypass Activity is the principal activity under the CTR Project and the GRM’s highest priority transport project in Zambezia. The investment will create a new major, high-level bridge, replacing a nearly 80-year-old one, diverting the traffic around the town of Mocuba at a new site across the Licungo River via a 16km bypass.
- *Rural Roads Activity* – This activity will focus on select segments of arterial and secondary routes for inclusion in the Compact to improve access to regional capitals, markets, and social services.
- *Policy and Institutional Reforms on Road Maintenance Activity* – This activity seeks to improve the reliability and adequacy of funding for road maintenance and build capacity for road asset management at the provincial level, as well as to promote gender equity and social inclusion within the transport sector, specifically enhancing opportunities for women and excluded groups in the road sector.

In addition to the above activities, the Compact will support a project-specific program management office to supervise the CTR Project. This project management consultant is necessary to ensure the geographically dispersed construction works in Zambezia are well managed.

The objective of the **Promoting Reform and Investment in Agriculture (PRIA) Project** is to increase agricultural investment as well as the productivity and incomes of smallholder farmers, including female-headed households, and other value chain actors in Mozambique.

This project is organized into two activities:

- *The Reforms Package for Taxation of Agricultural Investment Activity* – This activity is a public financial management activity that includes support for policy and institutional reform of the national taxation framework in the agriculture sector, with a focus on improving consistency and predictability of the value added tax, the corporate income tax, and local tax application within both formal and informal markets.
- *The Zambezia Commercial Aggregator Platform (ZCAP) Activity* – This activity will employ results-based financing (i.e., success payments) and technical assistance to develop and strengthen sustainable market linkages and contracts between commercial agricultural aggregators and smallholder farmers. The ZCAP Activity will prioritize women smallholder farmers and provide tailored training to smallholder farmer households through the ‘Gender Action Learning System’ to redress power imbalances.

The **Coastal Livelihoods and Climate Resilience (CLCR) Project** seeks to increase ecosystem productivity through sustainable increases in fish and shellfish harvests and through non-extractive benefits from sustainable ecosystems, such as carbon credits and coastal protection benefits.

This project is organized into two activities:

- The *Coastal Livelihoods Activity* – This activity will help local communities better manage their fisheries through modernization of practice, improvement to their fishing gear, improved supply chain, and governance of local areas (establishment of no-catch zones to replenish stocks).
- The *Climate Resilience Activity* – This activity will protect and restore critical habitats through co-management with local communities, conservation and creation of protected areas, reforestation initiatives, and through carbon finance opportunities.

Compact Overview and Budget

The Compact program is summarized in the budget table below. The program budget is approximately \$537,500,000, which includes up to \$500,000,000 funded by MCC and a GRM contribution of \$37,500,000.

Table 1: Mozambique Compact Program Budget

Component	Amount
1. Connectivity and Rural Transport Project	\$310,500,000
Activity 1: Licungo Bridge & Mocuba Bypass	\$201,001,000
Activity 2: Rural Roads	\$83,499,000
Activity 3: Road Maintenance Reforms and Access to Women & Youth	\$11,000,000
Program Management Office	\$15,000,000
2. Promoting Reform and Investment in Agriculture Project	\$30,000,000
Activity 1: Reforms Package for Taxation of Agricultural Investments	\$15,000,000
Activity 2: Zambezia Commercial Aggregator Platform	\$15,000,000
3. Coastal Livelihoods & Climate Resilience Project	\$100,000,000
Activity 1: Partnership Climate Resilience	\$56,300,000
Activity 2: Partnership Coastal Livelihoods	\$43,700,000
4. Monitoring and Evaluation	\$7,000,000
5. Program Management and Administration	\$52,500,000
Total MCC Funding	\$500,000,000
Government of Mozambique Contribution	\$37,500,000
Total Compact Program	\$537,500,000