



CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

We wish to notify you that the Millennium Challenge Corporation intends to provide assistance to the Government of Mozambique to facilitate the development and implementation of a Millennium Challenge Compact.

If you or your staff would like to arrange a meeting to discuss this assistance, please contact Dan Petrie at (202) 521-3583 or PetrieDB@mcc.gov.

The attached notification is being sent to the Congress on May 13, 2020. The assistance may be provided and funds obligated on or after 15 days from the date of this notification.

In addition to the enclosed notification, we have attached supplemental information regarding the planned assistance.

Sincerely,

/s/

Emily Davis
Vice President
Congressional and Public Affairs

Enclosure: As stated

MILLENNIUM CHALLENGE CORPORATION
CONGRESSIONAL NOTIFICATION
May 13, 2020

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| PROGRAM: | Eligible Countries |
| APPROPRIATIONS CATEGORY: | Fiscal 2020 Program Funds |
| OBLIGATION AMOUNT: | \$750,000 |

Pursuant to section 7015(c) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2020, and section 610(a) of the Millennium Challenge Act of 2003, as amended (the “Act”), this is to advise that the Millennium Challenge Corporation (“MCC”) intends to obligate up to \$750,000 under section 609(g) of the Act for the purpose of facilitating the development and implementation of a Millennium Challenge Compact with the Government of Mozambique.

MCC plans to finance initial expenses required to ensure prompt recruitment of compact development counterparts and to undertake preliminary analysis activities, including the completion of an analysis of constraints to economic growth, public consultations, and detailed assessments of the core problems and underlying root causes of the identified binding constraints.

SUPPLEMENTAL INFORMATION—MCC 609(g) Funding for Mozambique

Background

On December 9, 2019, the Board of Directors of the Millennium Challenge Corporation (MCC) selected Mozambique as eligible to develop a second compact with MCC. The selection reflected Mozambique's newly improved scorecard performance, continued commitment to sector reform, and successful completion of the majority of activities under its first compact. For fiscal year 2020, Mozambique passed 13 out of 20 indicators on the scorecard, including the Control of Corruption and Democratic Rights indicators.

Planned 609(g) Expenses

MCC intends to use section 609(g) funding to finance the Government of Mozambique's initial expenses necessary to ensure timely completion of compact development start-up activities, such as rapid recruitment of full-time compact development staff to prepare initial concept proposals. Such expenses may include, for example, support for public consultations and initial salaries for critical, dedicated technical experts, such as a designated national coordinator; economists; social, gender and private sector experts; monitoring and evaluation expertise; and sector-specific technical experts. Funding for such expenses will ensure that the Government of Mozambique and MCC have early access to the technical expertise needed for the Government of Mozambique to prepare robust project proposals, thereby facilitating the development of an MCC compact.

Update on, and Sustainability of, the 2007 Mozambique Compact

MCC and Mozambique signed a five-year, \$506.9 million compact program in July 2007 to increase the country's economic growth and reduce poverty by funding four project areas: water and sanitation, roads, land tenure, and agriculture. MCC disbursed 90 percent of the compact funds. All activities were completed either by the compact closure date in December 2013 or subsequently with the approximately \$40 million the Government of Mozambique dedicated to finishing work after compact closure, except for a water supply activity that remains incomplete.

- The \$203.6 million Water Supply and Sanitation Project was designed to increase the accessibility, reliability, and quality of water and sanitation services, recognizing that a lack of access to these resources is a barrier to growth and health. As part of the project, water supply and sanitation infrastructure projects were completed in Nampula, Quelimane, Nacala, and Mocuba. The project also financed interventions in rural areas and small towns in Nampula and Cabo Delgado provinces that resulted in an increase in median household water consumption of improved water by 16.7 liters per capita per day and a decrease of 55 minutes in the time spent collecting 20 liters of water.
- The \$176 million Roads Project was designed to improve access to productive resources and markets. As originally designed, the project was to rehabilitate 491 kilometers of high-priority interventions on key segments of National Route 1, which forms the backbone of the country's transportation network. Due to higher than expected costs identified during the preparation of full feasibility studies and detailed engineering designs, MCC and the Government of Mozambique agreed to rescope the activity to two segments totaling 252 kilometers of improved road. At the conclusion of the compact, approximately 90 percent

of the 149-kilometer road segment and 70 percent of the 103-kilometer segment had been completed.

- The \$39 million Land Tenure Services Project was designed to establish more efficient and secure access to land, particularly in the four provinces included in the compact program. The project resulted in the mapping of nearly 8.8 million rural hectares, formalization and distribution of nearly 150,000 urban titles, and establishment of an advisory forum to engage stakeholders in transparent and structured policy discussions relevant to the sector.
- The \$18.9 million Farmer Income Support Project was designed to improve productivity of coconut products and encourage diversification into other cash crops. The project aimed to eliminate biological and technical barriers hindering economic growth among farms and targeted enterprises, while supporting diversification into other cash crops and improved farming practices to assist smallholders and producers to recover lost income. In conjunction with tree removal and replacement, the project assisted farmers in adopting new cropping systems and developing alternative sources of cash income during the seven or more years required for the coconut trees to reach productive age. Meanwhile, the project provided technical support to introduce better practices aimed at increasing crop yields. At its conclusion, more than 8,000 hectares with diseased or dead palm trees were cleared in areas affected by the disease, more than 780,000 disease-resistant seedlings were planted, and more than 15,000 farmers were trained in coconut pest and disease surveillance and control.

MCC estimates that the compact will benefit 2,684,796 Mozambicans and result in an estimated \$121 million in net benefits to Mozambique over 20 years.

MCC commissioned seven performance evaluations of the various projects, three of which are completed¹. Thus far, MCC's independent evaluations found that the Nampula and Nacala City water supply infrastructure are well-maintained and their sustainability is linked to the capacity of the water operator. Furthermore, following compact closure, the Government of Mozambique worked with the World Bank to identify financing and construction opportunities for the Nacala water supply interventions. In June 2019, the World Bank, with co-financing from the Netherlands, agreed to fund an International Development Association grant in the amount of \$75 million to complete the interventions.

¹ To read the Mozambique performance evaluations, please visit <https://www.mcc.gov/our-impact/evaluation-briefs>.