



## CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

This Congressional Notification outlines the Millennium Challenge Corporation's intent to negotiate a concurrent Millennium Challenge Compact with the Government of Niger for the purposes of enhancing regional economic integration, increased regional trade, and cross-border collaborations.

The transmission of this notification to Congress on July 5<sup>th</sup>, 2022, affirms negotiations concerning the proposed Niger Concurrent Regional Compact may begin on or after 15 days from the date of this notice.

Please find enclosed, the notification along with supplemental information regarding the proposed compact.

If you or your staff would like to arrange a meeting to discuss the proposed negotiations with the Government of Niger, 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**

July 5, 2022

Pursuant to Division K, Title III under the heading “Millennium Challenge Corporation” of the Consolidated Appropriations Act, 2021 (P.L. 116 - 260); 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, this notification is (1) to advise you that the Millennium Challenge Corporation (MCC) intends to start negotiations with the Government of Niger for a concurrent Millennium Challenge Compact for the purposes of enhancing regional economic integration, increased regional trade, and cross-border collaborations and (2) to initiate Congressional consultation before the start of negotiations.

The proposed concurrent compact will seek to assist the Government of Niger in addressing the high cost of transport and travel time along the transport corridor from Cotonou, Benin to Niamey, Niger (Corridor) to reduce poverty through inclusive, sustainable economic growth while increasing regional economic integration, trade, and cross-border collaboration with Benin.

**Economic Justification**

The overall Regional Transport Program is estimated to have an economic rate of return (ERR) of at least 10.7%. In addition to the road conditions, important market and institutional constraints impacting transportation 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 proposed concurrent compact includes reforms to address these constraints. While fully understanding and addressing these issues will be time consuming and challenging, the pay-off to unlocking these constraints is expected to be high. The concurrent 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 Segment Rehabilitation Activity is expected to result in vehicle operating cost savings and increased speeds, leading to time-savings. The Niamey – Dosso Road Segment Rehabilitation Activity (127km or 79 miles) has an ERR of 10.9%. The installation of road safety infrastructure also is 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 absence of MCC’s investment (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 investment (“generated” traffic growth). Roughly 740,000 unique road users are expected to directly benefit. This includes approximately 510,000 beneficiaries defined as “poor” and 150,000 beneficiaries

defined as “near-poor.”<sup>1</sup> 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 project 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 concurrent compact enters into force. If all investment components that are not yet fully designed have an ERR above 10% once fully designed, the concurrent compact estimated ERR will be equal to or greater than 10.6%.

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<sup>1</sup> These beneficiary categories are defined based on the levels of consumption per day (in 2011 purchasing price parity international dollars) with the poor consuming less than \$3.20 and near-poor consuming between \$3.20 and \$5.50.

## SUPPLEMENTAL INFORMATION

### **Overview**

The proposed concurrent compact will seek to assist the Government of Niger in addressing the high cost of transport and travel time along the transport corridor from Cotonou, Benin to Niamey, Niger (Corridor) to reduce poverty through inclusive, sustainable economic growth while increasing regional economic integration, trade, and cross-border collaboration with Benin. The compact program will achieve this goal through two projects: the Corridor Infrastructure (CI) Project and the Efficient Corridor Operations (ECO) Project.

### **Background and Context**

Niger, a landlocked country twice the size of Texas, faces the uncertainties of having ISIS on multiple borders. Security remains a principal concern of the Government of Niger and imposes an increasingly heavy burden on its national budget. Niger's harsh climate, state-dominated economy, and low education rates are additional development challenges. Resources to cope with the world's highest fertility rate (6.9 children per woman) and fastest population growth (3.7% per year) are limited, and 44% of the Nigerien population lives below the poverty line.

In December 2018, MCC's Board of Directors (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 Niger and Benin 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 Niger and Benin 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 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 concurrent compact includes transport infrastructure and PIR aimed at addressing one or more of these constraints.

The Government of Niger has successfully met significant PIR commitments in the 2016 Niger Compact, demonstrating its commitment to the compact's goals and strong partnership with MCC.

In addition, Niger consistently passes the MCC scorecard. In Fiscal Year 2022, it passes 12 of 20 indicators, including the Control of Corruption and Democratic Rights hard hurdles. Niger's

scorecard and policy performance reflects the country’s recent democratic progress, which led to credible legislative and presidential elections in December 2020 and February 2021. These elections, and the subsequent democratic transition in April 2021—Niger's first ever transfer of power between democratically elected presidents—are not yet reflected on the MCC scorecard.

### Compact Overview and Budget

The proposed concurrent compact projects aim to reduce transportation costs along the Corridor. Each project targets reducing vehicle operating costs (VOCs), time related costs, and injuries and deaths. 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.

Table 1 presents an approximate budget for the proposed concurrent compact based on initial due diligence and appraisal.

Below is a summary describing the components of the proposed concurrent compact with the Government of Niger. The budget and expected impacts are preliminary based on initial due diligence and project appraisal. The anticipated budget for the proposed concurrent compact is up to \$317 million, including the Government of Niger country contribution.

**Table 1: Niger Concurrent Compact Budget (million in US\$)**

<b>MCC Funding by Compact Components</b>	<b>Total MCC Funding</b>
<b>1. Corridor Infrastructure Project</b>	<b>\$181,330,215</b>
1.1 Road Segment Rehabilitation Activity	\$157,012,348
1.2 Road Maintenance Activity	\$24,317,867
<b>2. Efficient Corridor Operations</b>	<b>\$70,349,500</b>
2.1 Freight Sector Operations Improvement Activity	\$21,030,000
2.2 Customs Border Operations Improvement Activity	\$49,319,500
<b>3. Monitoring and Evaluation</b>	<b>\$1,500,000</b>
<b>4. Program Administration and Oversight</b>	<b>\$48,820,285</b>
<b>MCC Funding</b>	<b>\$302,000,000</b>

<b>Total Compact Funding</b>	<b>Amount</b>
Total MCC Funding	\$302,000,000
Government of Niger Contribution	\$15,000,000
<b>Total Compact</b>	<b>\$317,000,000</b>

## Proposed Projects

The proposed concurrent compact's two projects are described below:

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

- **Activity 1 - Road Segment Rehabilitation:** This activity intends to support the rehabilitation of approximately 127 kilometers of road between the cities of Niamey and Dosso along the Corridor.
- **Activity 2 - Road Maintenance:** This activity intends to support PIR associated with the improvement of road maintenance work quality, and the reduction of road maintenance funding gaps.

The objective of the **ECO Project** is to reduce transportation costs along the Corridor. These include VOCs, time related costs, unreliability costs, market inefficiency costs, and injuries and deaths.

- **Activity 1 - Freight Sector Operations Improvement:** This activity intends to support the review of the regulatory environment in Niger with the goal to make meaningful reforms that will positively impact and improve the efficiency of truck freight sector operations. These include axle load management, regulatory review and capacity building, freight vehicle regulatory enforcement, and support for the organization and establishment of a Corridor Authority.
- **Activity 2 - Customs Border Operations Improvement:** This activity intends to support improvements associated with the existing custom border operations at the Gaya-Malanville crossing, which directly relate to the fluidity of corridor operations, with additional support in capacity building. Additionally, traffic improvements in Niger may include the construction of a new bypass road around Gaya, which would specifically address delays at the border once freight trucks cleared customs.

## Policy Reform and the Concurrent Compact

The PIR identified as critical are focused on the improvement of 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:

- Creation of an incentive road maintenance matching fund.
- Creation of a core Road Asset Management Unit (RAMU), staffed with sufficient capacities within the Ministry of Infrastructure, with the prerogatives of planning and programming periodic road maintenance and road improvements.
- Development of a road master plan and preparation of a 5-year periodic road maintenance plan, updated annually, by RAMU using a model such as HDM-4.

- Establishment of data-driven and economic-based periodic road maintenance planning and programming procedures.

Some of these reforms must be adopted by the Government of Niger prior to entry into force of the concurrent 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 2016 Niger Compact**

MCC's \$442.6 million compact with the Government of Niger is addressing two major constraints to economic growth and investment in Niger: lack of access to water for productive uses, and physical access and institutional barriers to trade. The compact is increasing rural incomes by improving the sustainable productive use of natural resources for agricultural production and improving trade and market access for agricultural products. The compact includes investments in irrigation infrastructure and management systems, climate-resilient agricultural production, upgraded roads to improve market access, and management of natural resources, while seeking to empower entrepreneurs and smallholder producers. In addition to these activities, MCC has supported the Government of Niger in rolling out an important reform to the market for fertilizers which has led to higher levels of fertilizer available for Nigerien farmers in 2021 than in any year prior, despite the impacts of COVID-19. The compact has the potential to benefit approximately 3.9 million people.

The compact was signed July 29, 2016, and entered into force on January 26, 2018, with a compact end date of January 26, 2024 (due to a one-year compact extension granted due to the negative impacts of COVID-19).

### **2008 Niger Threshold Program**

Niger's \$16.9 million threshold program was designed to assist Niger improve its performance on the policy areas of Control of Corruption, Land Rights, Business Start-Up and Girls' Primary School Education. To address these, the threshold program focused on improving the quality of and access to education for girls and improving local governance and reducing corruption through increased civil society engagement, improved business start-up procedures and tax codes, and revised trade laws.

Niger's threshold program entered into force in September 2008 and closed September 2013. During implementation, in December 2009, the Board suspended the Niger threshold program due to political events that were inconsistent with the criteria used to determine a country's eligibility for MCC assistance. The program was reinstated on June 24, 2011, in recognition of the country's return to democratic rule after free and fair elections and a constitutional referendum.