



CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

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

The transmission of this notification to Congress on October 6, 2022 affirms that the proposed Niger 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 Niger, 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 Years 2021 and 2022 Funds

OBLIGATION AMOUNT: \$302,000,000

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 (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 Niger (the “Government”), through which MCC will grant an amount not to exceed \$302,000,000 to the Government under the Act. To facilitate implementation of the Compact, MCC intends to obligate up to \$13,950,884 (“Compact Facilitation Funding”) of the overall grant under section 609(g) of the Act, using fiscal year 2021 funds, when the Compact is signed by the parties. Under Section 605 of the Act, MCC intends to obligate up to \$288,049,116 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 Niamey, Niger to Cotonou, Benin (the “Corridor”) to reduce poverty through inclusive, sustainable economic growth while increasing regional economic integration, trade, and cross-border collaboration with Benin. The Compact will be implemented in parallel with the Benin concurrent regional compact as part of the Regional Transport Program.

Economic Justification

The overall Regional Transport Program is estimated to have an economic rate of return (“ERR”) of 10.7 percent. In addition to 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 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 127 km or 79 miles of the Niamey-Dosso road) has an ERR of 10.9 percent. 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." 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.

SUPPLEMENTAL INFORMATION

Overview of MCC Niger Concurrent Compact

MCC's Board of Directors ("Board") has approved a five-year, \$302,000,000 Compact with the Government aimed at reducing poverty through economic growth, following completion of successful Compact negotiations in July 2022.

The Compact seeks to assist the Government of Niger 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 Benin. The Compact program will achieve this goal through two projects: the CI Project and ECO Project.

Background and Context

Niger, a landlocked country twice the size of Texas, faces the uncertainties of having Violent Extremist Organizations 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 percent per year) are limited, and 44 percent of the Nigerien population lives 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 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 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 initial Niger compact signed in 2016, 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 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 \$317,000,000, including the Government country contribution.

Niger Concurrent Compact Budget (US\$)

MCC Funding by Compact Component	Amount
1. Corridor Infrastructure Project	\$181,330,215
1.1 Road Rehabilitation Activity	\$157,012,348
1.2 Road Maintenance Activity	\$24,317,867
2. Efficient Corridor Operations	\$70,349,500
2.1 Freight Sector Operations Improvement Activity	\$21,030,000
2.2 Customs Border Operations Improvement Activity	\$49,319,500
3. Monitoring and Evaluation	\$1,500,000
4. Program Administration and Oversight	\$48,820,285
Total MCC Funding	\$302,000,000
Government of Niger Contribution	\$15,000,000
Total Compact	\$317,000,000

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, 2021 (P.L. 116-260)	\$286,049,116	\$13,950,884
Division K, Title III under the heading “Millennium Challenge Corporation” of the Consolidated Appropriations Act, 2022 (P.L. 117-103)	\$2,000,000	
Total	\$288,049,116	\$13,950,884

Project Summaries

The projects and activities to be completed are:

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 127 km of the *Route Nationale 1* road between the cities of Niamey and Dosso crossing the regions of Tillabéri and Dosso.
- **Activity 2 - Road Maintenance:** This activity aims to implement policy and institutional reforms in order to assist the *Agence de Maîtrise d’Ouvrage Délégué de*

l'Entretien Routier (“**AMODER**”) to better undertake periodic road maintenance by improving the quality of the road maintenance work, optimizing the budget for such maintenance work, reducing the road maintenance funding gaps, and improving the coordination of planning and selection of roads for periodic maintenance as well as the road maintenance framework maintained by the Ministry of Equipment’s *Direction de Gestion des Réseaux Routiers* (“**DGSR**”).

2. Efficient Corridor Operations (“ECO”) Project

The objective of the **ECO Project** is to reduce transportation costs along the transport corridor from Niamey, Niger to Cotonou, Benin including vehicle operating costs, 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 Nigerien custom border operations at the Gaya-Malanville crossing between Niger and Benin, in order to improve the fluidity of corridor operations. Additionally, this activity may include the construction of approximately 8 km bypass road in Gaya, Niger.

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:

- 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 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 the 2016 Niger Compact

MCC's \$442.6 million existing 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 high levels of fertilizer availability 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. The compact received a one-year extension and an additional \$5.6 million in February 2022 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.