



## CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

The Millennium Challenge Corporation intends to provide assistance to the Government of Benin to facilitate the development and implementation of its Benin-Niger Regional Roads and Transportation Millennium Challenge Compact.

If you or your staff would like to arrange a meeting to discuss this assistance, please contact Brian Forni at (202) 521-2631 or ForniBJ@mcc.gov.

The attached notification is being sent to the Congress on November 23, 2022. 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/  
Aysha House  
Vice President  
Congressional and Public Affairs

Enclosure: As stated

**MILLENNIUM CHALLENGE CORPORATION  
CONGRESSIONAL NOTIFICATION**

November 23, 2022

PROGRAM:	Eligible Countries
APPROPRIATIONS CATEGORY:	Fiscal Year 2022 Program Funds
OBLIGATION AMOUNT:	\$ 1,380,000

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”), this is to advise that the Millennium Challenge Corporation (“MCC”) intends to obligate up to \$1,380,000 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 Benin.

The funds are expected to finance compact development activities, including but not limited to assessing the expected impact of the proposed compact, furthering design activities, and developing implementation strategies.

## SUPPLEMENTAL INFORMATION

### **Background**

Under section 609(k) of the Millennium Challenge Act of 2003, as amended, the Millennium Challenge Corporation (“MCC”) may enter into a concurrent compact with an eligible country that has entered into and has in effect a MCC compact if at least one of the compacts is or will be for the purposes of regional economic integration, increased regional trade, or cross-border collaborations.

Benin is a coastal, West African country that has a current estimated population of 13.3 million people .

### **Compact Eligibility**

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 Benin and Niger to continue developing potential concurrent compacts. MCC focused the development of the concurrent compacts on a potential regional integration transport program between the countries. In September 2022, the Board approved the Benin concurrent compact, which MCC and Benin plan to sign in December 2022.

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 Cotonou – Niamey transport corridor (“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 proposed concurrent 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”) 2023, it passes 11 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.

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. The concurrent compact with Benin that was approved by MCC's Board in September 2022 reflects this reduced investment.

## **Summary of Compact Projects**

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 vehicle operating costs ("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.

### **2. Efficient Corridor Operations ("ECO") Project**

The objective of the ECO Project is to reduce transportation costs along the Corridor with transportation costs 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 Nigerien custom border operations at the Gaya-Malanville crossing between Niger and Benin, in order to improve the fluidity of corridor operations.

## **Policy Reform and the Compact**

The PIR identified as critical are focused on improving 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:

- Cooperation and coordination between SIRAT and the MIT to implement the periodic road maintenance.
- MIT's *Direction de la Planification, de l'Administration et des Finances*, in collaboration with MIT's *Direction de la Gestion et du Suivi des Infrastructures*, develops a road master plan using the HDM-4 model.
- Road Asset Management Unit prepares and updates (on an annual basis) the 5-year periodic road maintenance plan 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 proposed 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.

## **Assistance to Develop the Compact Proposal**

The proposed assistance, in addition to funds previously notified on April 23, 2020 and February 2, 2022, will be used to assist the Government of Benin in further developing the proposed compact. Specifically, funds would be used to address:

### *Rising Costs:*

The costs of necessary project studies have increased, and more funds are needed to ensure that they can be completed. In addition, the challenges associated with standing up the Benin Accountable Entity and the impact that will have on the overall program implementation plan have resulted in a better understanding of the Program Administration Control funding needs and timing.

### *Road Safety Campaign Study:*

This study will assess the current road safety campaign strategy and staffing in each relevant government department and make recommendations for possible MCC financing.

<b>Compact Development Funding Grant Financial Plan - Benin (US\$)</b>	
<b>Project/Activity</b>	<b>Amount</b>
<b>Corridor Infrastructure Project</b>	<b>\$ 680,000</b>
Road Rehabilitation Activity	\$ 680,000
Road Maintenance Activity	\$ -
<b>Efficient Corridor Operations Project</b>	<b>\$ 350,000</b>
Freight Sector Operations Improvement Activity	\$ 250,000
Customs Border Operations Improvement Activity	\$ 100,000
<b>Program Administration and Control</b>	<b>\$ 350,000</b>
Program Administration Activity	\$ 150,000
Fiscal Agent	\$ -
Procurement Management	\$ 200,000
<b>Total MCC Funding</b>	<b>\$ 1,380,000</b>

### **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.