



## CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

The Millennium Challenge Corporation intends to provide assistance to the Government of the Republic of Zambia to facilitate the development and implementation of a Millennium Challenge Compact.

The attached notification is being sent to Congress on September 12, 2022. The assistance may be 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. 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.

Sincerely,

/s/

Aysha House  
Vice President  
Congressional and Public Affairs

Enclosure: As stated

**MILLENNIUM CHALLENGE CORPORATION**  
**CONGRESSIONAL NOTIFICATION**  
September 12, 2022

PROGRAM:	Eligible Countries
APPROPRIATIONS CATEGORY: Funds	Fiscal 2019, 2021, 2022 Program
OBLIGATION AMOUNT:	\$12,000,000

Pursuant to Division K, Title III under the heading “Millennium Challenge Corporation” of the Consolidated Appropriations Act, 2022 (P.L. 117-103); Division K, Title III under the heading “Millennium Challenge Corporation” of the Consolidated Appropriations Act, 2021 (P.L. 116-260); Division F, Title III under the heading “Millennium Challenge Corporation” of the Consolidated Appropriations Act, 2019 (P.L. 116-6); 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 \$12,000,000 under section 609(g) of the Act to provide assistance to the Government of the Republic of Zambia (“Government of Zambia”) for the purpose of facilitating the development of a Millennium Challenge Compact with the Government of the Zambia.

MCC plans to use these funds to finance compact development activities, including but not limited to feasibility studies, social and environmental assessments, baseline surveys, economic impact assessments, and design activities, as well as the establishment of the structures necessary for compact implementation.

## SUPPLEMENTAL INFORMATION

### **Background**

Zambia, located in Southern Africa, is landlocked by neighboring Angola, Botswana, the Democratic Republic of Congo, Malawi, Mozambique, Namibia, Tanzania, and Zimbabwe. Since independence from Britain in 1964, Zambia has been considered a stable democracy with successful elections every five years, including the recent peaceful transition of power in 2021. Zambia has a population of nearly 20 million composed of over 70 different ethnicities. The country is one of the youngest in the world, with a median age of 16.9 years, and one of the highest population growth rates in the world—almost 6 children per woman—resulting in the population doubling close to every 25 years.

During the decade prior to 2011, Zambia was one of the world's fastest growing economies. Since then, Zambia's economic development has consistently declined. While Zambia is resource-rich, it had a poverty rate of over 50 percent in 2020 and one of the highest rates of income inequality in the world. Zambia has high rates of urbanization but relatively low population density, and high-levels of government debt (debt-to-GDP ratio reached 118%) continue to negatively impact economic recovery.

### **Compact Eligibility**

In December 2021, MCC's Board of Directors selected Zambia as eligible to develop a compact as a result of its strong performance on the MCC scorecard and the Government of Zambia's commitment and action to sustain prior compact investments. Zambia's peaceful presidential election and transition in 2021 highlighted the country's renewed commitment to strengthening economic and democratic governance. The compact will be designed to support the Government of Zambia's efforts to address the country's pressing development challenges and pursue critical economic and democratic governance reforms.

### **Constraints Analysis**

In collaboration with the Government of Zambia, MCC identified agricultural inputs and policies, poor roads and transport, and low access to and reliability of electricity as they relate to the agriculture and agro-processing value chain as binding constraints to economic growth. Zambia's low agricultural productivity suppresses rural incomes, stalls growth along the agriculture value chain, and harms the country's trade balance. This is worsened by market-distorting agricultural and energy policies. Energy policies that produce unreliable power in urban areas and inaccessible power in rural areas disrupt storage, processing, and irrigation of produce, imposing costs along the value chain and discouraging investment in the agriculture sector.

The Zambian economy struggles from a lack of diversification and dependency on mining, especially copper. Poor roads and transport infrastructure create costly barriers and impact the movement of products from farm-to-market, additionally discouraging investment in

productivity and reducing access to food. Zambia's trade with neighboring countries is inhibited by poor road conditions that add time and costs. MCC will complete the root cause analysis of the binding constraints in the coming months, leading to a focus on potential sectors for MCC investment.

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

Funds will be used for the development and design of a compact that will address the root causes of Zambia's binding constraints to economic growth, as agreed upon by the Government of Zambia and MCC. These funds are expected to finance the development of projects and activities that will be defined through the compact development stages of preliminary analysis, problem diagnosis, and project definition. Compact development activities include costs related, but not limited to, feasibility studies, social and environmental assessments, baseline surveys, economic impact assessments, and design activities, as well as the establishment of the structures necessary for compact implementation. Funding these activities reflects MCC's commitment to preparing projects in a comprehensive manner to reduce implementation risk and increase confidence in the economic justification and technical feasibility of the proposed projects.

### **Update on and Sustainability of the 2012 Zambia Compact**

MCC previously partnered with the Government of Zambia from 2013-2018 to implement a \$355 million compact focused on urban water, sanitation, and drainage infrastructure and strengthening the Zambian government's capacity to effectively manage the water and sanitation sector. The compact was a single project that was divided into two activities—the infrastructure activity and the institutional strengthening activity. MCC and the Zambian government rehabilitated a water treatment plant along the Kafue River—which, at the time, provided 40 percent of Lusaka's clean water—and built nearly 150 miles of water and sewage pipelines. The compact funded the upgrade and expansion of key sewage treatment ponds, supporting an estimated 156,000 residents—which is roughly eight times more than its previous capacity for 18,000.

At compact closure, the Government of Zambia established the Millennium Project Completion Agency to complete any outstanding efforts. The compact is on track to benefit 1.2 million people over 20 years. Given the positive impact from a hybrid solar-powered water system supported by MCC's first compact, the Lusaka Water and Sewage Company installed two small solar pumping water systems in 2021 and plans to install additional systems, expanding access to a reliable source of water to homes and businesses in additional communities.