



CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

The Millennium Challenge Corporation intends to provide assistance to the Government of Cabo Verde to facilitate the development and implementation of a regional Millennium Challenge Compact.

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

The attached notification is being sent to the Congress on May 14, 2024.

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**

May 14, 2024

PROGRAM: Eligible Countries
APPROPRIATIONS CATEGORY: Fiscal Year 2024 Program Funds
OBLIGATION AMOUNT: \$10,000,000

Pursuant to Division F, Title III under the heading “Millennium Challenge Corporation” of the Further Consolidated Appropriations Act, 2024 (P.L. 118-47) 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 provide up to \$10,000,000, of which \$750,000 has been obligated though not disbursed, under section 609(g) of the Act for the purpose of facilitating the development and implementation of a regionally-focused Millennium Challenge Compact with the Government of Cabo Verde.

The funds are expected to finance the development of projects and activities, assess the expected impact of the proposed projects and activities, and develop implementation strategies.

SUPPLEMENTAL INFORMATION

Background

Cabo Verde has a long history as a stable democracy in West Africa since its independence from Portugal in 1975 and is a perennial strong performer on the MCC scorecard, particularly on the Control of Corruption and Democratic Rights indicators. Cabo Verde completed a \$110 million compact for port infrastructure, watershed management, agriculture, and private sector development in 2010 and a \$66 million compact for land rights, water, and sanitation in 2017. Cabo Verde's tourism and services-based economy was hit hard during the Covid-19 pandemic, but in 2022 experienced a real GDP growth rate of 17.1%, indicating a strong recovery. Despite this strong recovery, Cabo Verde's economy remains susceptible to future shocks, as the island archipelago lacks many natural resources, and imports many goods.

Cabo Verde's small domestic population of approximately 600,000 is augmented by a substantial diaspora in Europe, Latin America, and the northeastern United States. Nearly twice as many Cabo Verdeans live abroad as reside on the nine inhabited islands of the archipelago, making remittances a key component of the economy. Cabo Verde stands to benefit from a substantial youth bulge, with more than 46% of the population under the age of 25. Youth unemployment remains high as the country has struggled to develop its human capital. While Cabo Verde has made massive strides toward poverty reduction in the last three decades, pockets of poverty remain, particularly in rural areas and among female-headed households. Labor force participation is significantly lower for women than men, reflecting persistent gender norms that dictate women's primary responsibility for domestic tasks and childcare.

Compact Eligibility

In December 2023, MCC's Board of Directors (the "Board") selected Cabo Verde as eligible to develop a regional compact for the purpose of economic integration. This selection was made in recognition of Cabo Verde's clear commitment to democratic governance, consistent, strong passage of the MCC scorecard, successful prior partnerships with MCC, lingering development and poverty reduction needs, and the potential opportunities to strengthen regional economic integration with a committed and engaged former MCC partner.

Sector Prioritization Analysis

The country team is in the preliminary analysis phase of compact development; the team is conducting a sector prioritization analysis to identify cornerstone concepts with potential for regional economic integration, increased regional trade, or cross-border collaboration. This preliminary analysis process includes a private sector opportunities assessment, financial sector analysis, constraints to inclusive growth analysis, and natural capital and climate risks analysis.

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 binding constraints to economic growth as agreed upon by the Government of Cabo Verde and MCC. These funds are expected to finance certain compact development team staffing and salaries, and the development of regionally focused 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 to feasibility studies, social and environmental assessments, baseline surveys, economic impact assessments, technical assistance, transaction advisory services, 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 collaborative and comprehensive manner to reduce implementation risk and increase confidence in the economic justification and technical feasibility of the proposed projects.