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MILLENNIUM CHALLENGE CORPORATION

MCC FR 16-02

Notice of Entering into a Compact with the Republic of Niger

AGENCY: Millennium Challenge Corporation

ACTION: Notice

SUMMARY: In accordance with Section 610(b)(2) of the Millennium Challenge

Act of 2003 (22 U.S.C. 7701-7718) as amended (the Act), and the heading "Millennium

Challenge Corporation" of the Department of State, Foreign Operations, and Related

Programs Appropriations Act, 2015, the Millennium Challenge Corporation (MCC) is

publishing a summary of the Millennium Challenge Compact between the United States

of America, acting through the Millennium Challenge Corporation, and the Republic of

Niger. Representatives of the United States Government and Niger executed the

Compact documents on July 29, 2016. The complete text of the Compact has been

posted at <https://assets.mcc.gov/documents/niger-compact-signed.pdf>.

Dated: August 3, 2016.

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Summary of Millennium Challenge Compact with the Republic of Niger

Overview

Niger, one of the poorest and least developed countries in the world, has consistently ranked last on the United Nations Human Development Index for the past 25 years. This land-locked West African country is almost twice the size of Texas, and two-thirds of the country's land mass is the Sahara Desert, making it one of the hottest and driest countries in the world. Niger has made notable improvements over the past few years, but over 40 percent of the population still lives below the global poverty line of \$1.25 per day. Despite these challenges, the Nigeriens have demonstrated a strong commitment to governance reforms, economic growth, and investing in their people. The MCC Board of Directors (the "Board") selected Niger as eligible to develop a Millennium Challenge Compact in December 2012. Niger has consistently passed the MCC scorecard after doing so for the first time in 2012.

Roughly 80 percent of Niger's population lives in rural areas and relies on agriculture for its livelihood. Moreover, over 90 percent of the population relies on a single, three-month, highly capricious rainy season to support agriculture and livestock production. Frequent droughts and floods decimate crops and productive assets, undermining the population's ability to build its resilience and economic security. In addition, sustainable natural resource management is lacking in this fragile environment, and water and pasture resources are frequently over-utilized, causing severe erosion of once productive areas. Agricultural productivity has stagnated due to a lack of access to critical productive inputs such as improved seed, fertilizer, irrigation, and technical assistance.

Water resource management, community-based livestock and climate-resilient agriculture systems are critical to ensure adaptability, improve agricultural productivity, and sustain water and land resources in Niger. The Compact will seek to raise rural incomes by increasing agricultural and livestock production by boosting production through increases in areas under cultivation and improvements in yields. Through the Compact, MCC will finance critical access to water for crop and livestock productivity, market platforms, and transport infrastructure, while also building the technical capacity necessary to realize projected benefits and to sustainably utilize and maintain the infrastructure and natural resource investments.

The budget for the Compact is \$437,024,000, allocated as follows:

Compact Budget Summary

Component	Total (in US\$)
1. Irrigation and Market Access Project	
1.1 Irrigation Perimeter Development	113,250,000
1.2 Management Services and Market Facilitation	9,142,000
1.3 Roads for Market Access	113,422,000
1.4 Policy Reform	18,750,000
Subtotal	254,564,000
2. Climate-Resilient Communities Project	
2.1 Regional Sahel Pastoralism Support	45,000,000
2.2 Climate-Resilient Agriculture	51,500,000
Subtotal	96,500,000
3. Monitoring and Evaluation	
3.1 Monitoring and Evaluation	12,000,000
Subtotal	12,000,000
4. Program Administration and Oversight	
4.1 MCA-Niger Administration, Program Management Support, Fiscal Agent, Procurement Agent and Financial Audits	73,960,000
Subtotal	73,960,000
Total Program Budget	437,024,000

Irrigation and Market Access Project (\$254.6 million)

The Irrigation and Market Access Project (“Irrigation Project”) aims to increase rural incomes through improvements in agricultural productivity and sales resulting from modernized irrigated agriculture and flood management systems with sufficient trade and market access. The project will focus its interventions in the Dosso and Tahoua regions. Specifically, the Irrigation Project will support the following activities:

- 1. Irrigation Perimeter Development Activity.** This activity is designed to rehabilitate the Konni irrigation system and develop new irrigated perimeters in the Dosso-Gaya area. The Konni rehabilitation will restore and secure reliable production capacity on approximately 6,060 acres (2,452 hectares) of an existing large-scale irrigation infrastructure. New perimeters will be developed in Ouna-Kouanza and Sia. The rehabilitation component represents improvement on 19 percent of existing irrigation infrastructure in the country. The new perimeters will increase the area under irrigation in Niger by 20 percent.

- 2. Management Services and Market Facilitation Activity.** This activity complements the Irrigation Perimeter Development Activity by increasing the productive assets for beneficiaries of the Irrigation Perimeter Development Activity through the following:

- i. Establishing and implementing a framework for land allocation, based on, among other things, (i) development of local land tenure profiles, (ii) participatory development of core local land allocation standards and of a transparent process for undertaking the land allocation, and (iii) completing the land allocation and formalizing

land property rights, and building capacity for local land governance to address land conflict management and integrated local land use planning;

ii. Establishing and empowering single-purpose, self-governing, self-financing nonprofit irrigation water user associations (IWUAs) to undertake irrigation management functions in the project intervention areas, including preparatory studies, technical support and capacity building for the newly formed IWUAs; and

iii. Strengthening the capacity of beneficiaries through new or existing savings groups and existing producer and women's and youth groups to (i) grow commodities according to market demand and pricing signals, (ii) participate in savings groups to improve business skills and save capital to operationalize their cropping calendars, (iii) increase use of appropriate fertilizers and improved seeds, (iv) monitor and adapt to changing conditions in the environment, (v) participate in producer organizations to improve their negotiation position at the farm gate and in the marketplace, (vi) invest in infrastructure to store and add value to their production, and (vii) increase sales of commodities and processed products.

3. Roads for Market Access Activity. MCC funding is intended to support improvements to physical market access through targeted road network improvements serving the Dosso-Gaya perimeters and linking irrigation beneficiaries to important consumer markets and regional trade hubs. This activity will support the rehabilitation and gravel upgrade of approximately 116 miles (187 kilometers (km)) of the RN35 road directly serving the Dosso-Gaya perimeters; rehabilitation, upgrade and paving of approximately 51 miles (83 km) of the RN7, the main north-south international trunk road linking the southern region of Niger to the rest of the country; and rehabilitation and

gravel upgrade of approximately 23 miles (37 km) of the Sambera rural road that links the Ouna-Kouanza and Sia irrigation perimeters with the RN7.

4. Policy Reform Activity. This activity aims to promote several major policy reforms directly linked to the success and sustainability of the Compact through support (i) to develop and build the capacity of the Ministry of Hydraulics and Sanitation and other relevant government entities to implement a new master plan to manage national water resources, (ii) to develop and implement natural resource and community land use management plans for the protected areas and nearby communities affected by the Irrigation Project in the Dosso Region, (iii) to reform the Ministry of Agriculture and Livestock's fertilizer distribution system to allow greater competition and private sector participation to improve availability and affordability of fertilizers, especially to small farmers, and (iv) to develop the statistical capacities of the National Institute of Statistics and development of the Government of Niger's monitoring and evaluation capacities.

Climate-Resilient Communities Project (\$96.5 million)

The Climate-Resilient Communities Project ("CRC Project") aims to increase incomes for small-scale agriculture-dependent and livestock-dependent families in eligible municipalities in rural Niger by improving crop and livestock productivity, sustaining natural resources critical to long-term productivity, and increasing market sales of targeted commodities. The project will be implemented in partnership with the World Bank through existing project implementation units ("PIUs") located in the Ministry of Agriculture and Livestock. MCC funding will not be combined with World Bank funds, though the PIUs will oversee both MCC and World Bank-funded activities. The PIUs will use jointly agreed upon operation manuals that will incorporate investment criteria, legal, fiscal, procurement, environmental, social, gender and monitoring and evaluation

requirements that comply with MCC standards. To ensure adequate oversight, the accountable entity for the Compact, the Millennium Challenge Account-Niger (“MCA-Niger”), will embed staff within these PIUs. Regions of intervention for this project are Tillabéri, Dosso, Tahoua and Maradi.

1. Regional Sahel Pastoralism Support Activity (“PRAPS Activity”). The PRAPS

Activity aims to improve livestock value and sales by conducting a livestock health and vaccination campaign; identifying and undertaking critical upgrades in major transhumance livestock corridors, including water points and pasture improvements; and modernizing local market infrastructure and organization.

2. Climate-Resilient Agriculture Activity (“CRA Activity”). The CRA Activity aims to support the development and implementation of municipality-level investment plans to increase the use of agricultural practices that minimize climate risks, improve the utilization rate of fertilizer and improved/drought-tolerant seeds, increase access to small-scale irrigation, promote land reclamation, protect watersheds from erosion, and establish market platforms to competitively position farmer groups in the marketplace. MCC funds will focus on climate-resilient investment needs, especially small-scale irrigation, in 16 municipalities in four regions.

The activity will include a grant facility that will competitively award grants to women’s and youth groups, cooperative and producers’ groups, and micro-, small-, and medium-sized enterprises. The portfolio of grants managed by the grant facility must meet MCC’s economic rate of return (“ERR”) hurdle rate. Similarly, the municipality-level investment plans will be developed in the first year of Compact implementation, and must also meet MCC’s ERR hurdle rate in order to be funded.

Economic Analysis

The Compact will aim to address Niger's two major constraints to economic growth through a combination of policy reforms, infrastructure investments, access to training, finance and management services, facilitation of partnerships, and improvements to agricultural and livestock production and market platforms. These activities will enable farming, fishing and pastoral households in the intervention areas to increase their agricultural and livestock production and in turn, raise their incomes.

An ERR was calculated for each of the Compact's projects. The ERR for the Irrigation Project is estimated at 17 percent. The CRC Project consists of activities to be developed in consultation with local communities and of activities funded through a competitive grant facility. This project (not including the \$12.5 million matching grant facility subactivity) has an estimated ERR of 14 percent. Because the nature of specific grant proposals cannot be known until they are submitted for review, ERRs will be calculated during grant selection.

On a limited basis, small-scale grants without a full ERR may be awarded if determining a full ERR is deemed to be cost prohibitive. In those cases, each proposal will still undergo a consideration of costs versus benefits to verify its viability. Economists can, for instance, determine the likelihood of a satisfactory rate of return based on looking at similar project profiles. The grant portfolio will have an ERR above MCC's hurdle rate of 10 percent.

The Compact is expected to reach 489,359 households totaling more than 3.9 million beneficiaries over a twenty-year period.

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