



CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

We wish to inform you that the Millennium Challenge Corporation intends to obligate up to \$1,355,000 to facilitate the development of a Millennium Challenge Compact with the Government of Cape Verde.

The attached notification is being sent to the Congress on April 28, 2011. Obligation of funds may be incurred on or after 15 days from the date of this notification.

Sincerely,

T. Charles Cooper
Vice President
Congressional and Public Affairs

Enclosure:

As stated

**MILLENNIUM CHALLENGE CORPORATION
CONGRESSIONAL NOTIFICATION**

April 28, 2011

PROGRAM:	Eligible Countries
APPROPRIATIONS CATEGORY:	FY 2011 Program Funds
OBLIGATION AMOUNT:	\$1,355,000

Pursuant to section 7015(c) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2010 (Pub. L. 111-117, Division F), as carried forward by the Full-Year Continuing Appropriations Act, 2011 (Pub. L. 112-10, Division B), this is to advise that the Millennium Challenge Corporation (“MCC”) intends to obligate up to \$1,355,000 under section 609(g) of the Millennium Challenge Act of 2003, as amended, for the purpose of facilitating the development of a Millennium Challenge Compact (“Compact”) with the Government of the Republic of Cape Verde.

MCC plans to fund project development and appraisal activities in two proposed areas: (1) water, sanitation and hygiene and (2) property rights. The funds are expected to finance activities necessary for MCC to assess the impact of the proposed investments, develop detailed design and implementation strategies, and develop opportunities for leveraging MCC resources with private and other funding sources.

SUPPLEMENTAL INFORMATION

MCC 609(g) Funding for Cape Verde

Background

Cape Verde was selected by the MCC's Board of Directors in December 2009 to develop a compact proposal, which, if approved, will be the country's second. The selection reflected Cape Verde's impressive performance on MCC policy indicators, a strong track record in implementing the first compact, and MCC's opportunity to further reduce poverty and generate economic growth in Cape Verde.

Cape Verde is an important model of democratic governance in West Africa, as well as an African success story in achieving growth and poverty reduction in a resource-poor state. While the country has a small population of 506,000, the country's strategic location and regional role make it a significant partner for the United States.

Cape Verde advanced to lower middle income status in 2008, a result of sustained economic and policy progress over the last 15 years. The "MCC effect" has facilitated accelerated policy reform in Cape Verde in order to gain and then retain eligibility as a lower middle income country. Cape Verde was one of the 10 most-improved economies cited in the 2011 World Bank/International Finance Corporation "Doing Business" report. Yet Cape Verde still faces significant development challenges, with 40 percent of Cape Verdeans living on less than \$2 per day.

Cape Verde has made significant progress toward developing an innovative potential second compact that addresses critical constraints to growth. The government has financed a core team to conduct a constraints analysis, develop concept papers, conduct outreach and develop the proposed projects.

The planned 609(g) activities will facilitate full project design and assessment of the proposed project investments (described below).

Water, Sanitation and Hygiene Project: The objective of this project is to support growth in Cape Verde by partnering with the private sector and the government to change the regulatory structure, and address infrastructure limitations and financing barriers in the water and sanitation sector. One of the critical constraints to growth in Cape Verde is the extreme scarcity and high cost of water for domestic, commercial, and industrial uses, and Cape Verde currently relies on bilateral donor support in this sector. The capital of Praia is illustrative of the types of problems faced by the sector: water losses are extremely high (*e.g.*, over 40 percent), and only 1 percent of water is treated and reused. Serious health problems, including diarrhea, malaria, and dengue fever have been identified as a consequence of poor water supply, sanitation hygiene, inadequate drainage, and solid waste management. The poor are especially vulnerable, as only 9 out of every 100 poor households have access to the networked public water supply.

This project would focus on strengthening opportunities for engaging the private sector and transitioning the government away from bilateral donor support. Significant investments in water management and wastewater collection, treatment, and reuse are required. Subject to

contributing to extreme scarcity and poor levels of water supply and sanitation services: (1) the first component will address the legislative and regulatory environment, necessary institutional and human capacity strengthening, advance the engagement of the private sector, and increase public awareness through social marketing; (2) the second component will improve the poor state of physical infrastructure by financing projects at the municipal level that incentivize policy reform, support demand-driven investment planning and increase participation of the private sector and nongovernmental organizations.

MCC proposes to fund 609(g) activities that will support integrated project design and economic analysis, including developing estimates of beneficiary impact and compact design work related to social and gender integration and environmental management. The activities will also include support for advisory services in private sector engagement and institutional reform, as well as a survey of water, sanitation and land access to inform decisions regarding project viability and design.

Property Rights Project: The project would target reduction of transaction costs and reduction of investment constraints generated by unreliable land rights information, lack of legally secure land rights, and time and cost to users of existing procedures. Cape Verde's current system for registering and managing property rights is unreliable, and procedures to register rights are costly and time-consuming. Without a reliable and efficient property rights system, effective economic development planning and facilitation of investment linked to land use are also constrained. With private investment in Cape Verde increasing, this project builds on significant momentum to address property rights constraints among the government, private sector, and nongovernmental organization stakeholders.

Subject to final project development and due diligence, the project is expected to address necessary policy and institutional reforms, finalize an appropriate technical and operational solution for clarification of land rights and for modernization of mapping and registration systems, and pilot the approach to clarifying, registering, and managing land rights in both high-value investment locations and peri-urban or rural areas where the poor are more directly impacted.

The project has the opportunity to adopt innovative approaches in partnering with the private sector, and MCC is seeking to leverage its funding through the private sector and other donors. The proposed 609(g) activities will support detailed design approaches to institutional and sustainability issues, and assessing the distribution of benefits by gender and income category.