



MILLENNIUM CHALLENGE CORPORATION

[MCC FR 18-03]

Notice of Entering into a Compact with the Republic of Côte d'Ivoire

AGENCY: Millennium Challenge Corporation.

ACTION: Notice.

SUMMARY: In accordance with Section 610(b)(2) of the Millennium Challenge Act of 2003, as amended, and the heading "Millennium Challenge Corporation" of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2017, the Millennium Challenge Corporation (MCC) is publishing a summary of the Millennium Challenge Compact between the United States of America, acting through MCC, and the Republic of Côte d'Ivoire. Representatives of MCC and Côte d'Ivoire signed the compact on November 7, 2017. The complete text of the compact has been posted at:

<https://www.mcc.gov/resources/doc/compact-cote-divoire>.

Dated: November 15, 2017.

Jeanne M. Hauch,
Vice President and General Counsel,
Millennium Challenge Corporation.

SUMMARY OF THE CÔTE D'IVOIRE COMPACT

Overview of MCC Côte d'Ivoire Compact

MCC has signed a five-year, \$524,740,000 compact with the Government of Côte d'Ivoire that is aimed at reducing poverty and accelerating economic growth. The compact seeks to address two binding constraints to economic growth in Côte d'Ivoire: (i) low levels of basic, technical, and vocational skills; and (ii) barriers to moving goods and people, especially in Abidjan. The compact will address these constraints through two projects designed to support the diversification of the Ivoirian economy in its drive for emergence: (i) the Skills for Employability and Productivity Project ("Skills Project"); and (ii) the Abidjan Transport Project.

Background and Context

After passing only five MCC policy indicators in fiscal year 2012, Côte d'Ivoire began a systematic effort to improve its policy performance in order to qualify for MCC funding. As a result of those efforts, Côte d'Ivoire has consistently passed the MCC scorecard since FY 2015, and in FY 2017 the country passed 14 indicators. In FY 2015, MCC's Board of Directors selected Côte d'Ivoire for a threshold program and in FY 2016, based on continued policy improvement, for development of a compact proposal. The compact is seen in Côte d'Ivoire as the fruit of a long journey of sustained engagement with MCC and is poised to become a central pillar of the country's relationship with the United States.

Côte d'Ivoire is located in the coastal zone of West Africa and has a population of 22.7 million people, 41.5 percent of whom are under the age of 14, and a gross national income per capita of \$1,420. With five major ethnic groups, a sizeable immigrant population making up a quarter of the population, and more than 60 local languages spoken throughout the country, social cohesion has historically been fragile with deep divisions along national, ethnic, religious, and geographical lines. While Yamoussoukro is the official capital, Abidjan is the informal seat of government and home to approximately 19 percent of the population, making it the country's critical driver for economic growth.

From independence in 1960 until 1979, Côte d'Ivoire enjoyed strong economic growth and was seen by many as the economic, political, and cultural center of West Africa. However, the country's economy was largely dependent on a few main exports, notably cocoa. When the world market price for cocoa fell sharply in the 1980s, Côte d'Ivoire's economy collapsed. The country struggled with political instability throughout the 1990s and 2000s, including a civil war from 2002 to 2004, and a second civil war from March to April 2011. Since 2012, political stability has allowed the economy to recover from years of stagnation, with gross domestic product growth rates averaging nine percent per year over the past five years. Despite this recovery, there is a palpable sense among Côte d'Ivoire's population that the fruits of recent growth have not been widely shared. Moreover, despite some recent diversification, the country remains overly dependent on the same narrow set of exports.

Compact Overview and Budget

The compact is based on the premise that for Côte d'Ivoire to achieve sustainable and inclusive growth—and escape the boom and bust cycle of the past—it must diversify its economy. MCC and Côte d'Ivoire identified two constraints to economic growth that will be addressed in the compact: (i) low levels of basic, technical, and vocational skills; and (ii) barriers to moving goods and people, especially in Abidjan. The compact will address these constraints through the Skills and Abidjan Transport Projects. Côte d'Ivoire is committed to implementing these projects in a sustainable manner in order to

- resolve critical youth education and unemployment issues;
- increase the competitiveness of Abidjan as the country's economic growth hub by improving the mobility of goods and people; and
- diversify its economy while promoting public-private partnerships.

The compact is expected to allow Côte d'Ivoire to resume its economic preeminence in West Africa and become a desired location for employment-intensive industries such as manufacturing and business process outsourcing, as well as help mitigate lingering socio-political issues.

The budget for the compact is detailed below:

Table 1: Côte d'Ivoire's Compact Budget Summary

Component	Total (US \$)
1. Skills Project	154,950,000
1.1 Secondary Education Activity	111,300,000
1.2 Technical and Vocational Education and Training Activity	35,000,000
1.3 Project Management	8,650,000
2. Abidjan Transport Project	292,340,000
2.1 Transport Infrastructure Activity	238,720,000
2.2 Transport Management and Planning Activity	53,620,000
3. Monitoring and Evaluation	12,700,000
3.1 Monitoring and Evaluation Activities	12,700,000
4. Program Administration and Oversight	64,750,000
4.1 Program Administration and Oversight	64,750,000
Total Program Budget	524,740,000

Project Summaries

Skills Project (\$154,950,000)

The Skills Project aims to (i) to increase the number of years of education received and improve the acquisition of quality, in-demand basic skills, including reading, math, and soft skills, for lower secondary students; and (ii) to improve the acquisition of quality, in-demand technical skills and increase job-placement rates among graduates of compact-supported technical and vocational education and training (TVET) centers. The Skills Project is designed to equip those in Abidjan, as well as in two additional economic hubs, with skills to meet the demands of the private sector in an expanding and diversifying economy. Investments in the regions of Gbêkê, in the center-north of Côte d'Ivoire, and San Pedro, in the west of the country, will allow MCC funding to capitalize on opportunities to address the country's profound gender, socioeconomic, and geographic inequalities and to improve access to basic education, technical vocational training, and economic opportunities more broadly. The Skills Project is composed of the following two activities:

- **Secondary Education Activity:** This activity aims to increase access to lower secondary education in two regions of Côte d'Ivoire and improve the access to, and quality of, secondary education and the governance of the sector. MCC funding will support the building of, and support to, approximately 74-84 new lower secondary schools in the rural and peri-urban areas of the Gbêkê and San Pedro regions. This funding will be supported by policy and institutional reforms at the national level in gender, monitoring and evaluation systems, and teacher training to improve capacity and overall governance, equity, and system performance.
- **Technical and Vocational Education and Training Activity:** This activity aims to develop a new TVET model of partnership that provides training to students in the skills and knowledge in demand by the private sector. This TVET model will be implemented through sustainable training centers developed and managed through a public-private partnership with industries in Côte d'Ivoire. The activity will be implemented with a goal of catalyzing a shift within the training system towards better identifying and meeting the training needs of the private sector. MCC funding will support the building of up to four new private sector-driven TVET centers, development of a quality management and accountability systems for improved sector governance, and introduction of key quality management and accountability tools to strengthen the Ministry of Environment's capacity to manage for results. MCC funding will also support the necessary revisions to legislation and regulations to accommodate the TVET model. The TVET centers will be required to develop a gender and social inclusion policy and action plan that describes key social and gender considerations, strategic approaches, and expected outcomes.

Abidjan Transport Project (\$292,340,000)

The Abidjan Transport Project aims to reduce vehicle operating costs and travel times along targeted road segments, while improving overall pedestrian and vehicle mobility and safety. MCC funding will support infrastructure works designed to improve traffic fluidity and decongest central corridors of the city linking the Port of Abidjan to points north, west, and east, as well as integrate new pavement design technologies that aim to reduce total lifecycle user costs. This project consists of two activities:

- Transport Infrastructure Activity: The Transport Infrastructure Activity aims to rehabilitate up to 32 kilometers of critical roadway and adjoining infrastructure in the central corridor of Abidjan to (i) improve overall travel times, traffic movement, and road safety; (ii) integrate multi-modal transport planning; and (iii) reduce household transport costs and increase revenue for businesses.
- Transport Management and Planning Activity: This activity aims to build the technical and managerial capacity of Côte d'Ivoire's road-transport-related agencies in the areas of infrastructure asset-management techniques, and long-term road planning and maintenance. MCC funding will include the following: (i) the creation, development and institutionalization of a graduate education program in infrastructure asset management; (ii) the development of a road asset inventory and database, as well as a road safety database for Abidjan; (iii) traffic management and coordination assistance; and (iv) the development and expansion of a program that provides routine cleaning, upkeep and maintenance of the road and bridge network in Abidjan.

Economic Analysis

The estimated economic rate of return (ERR) for the Skills Project is 10.6 percent over 20 years. The project seeks to improve student learning outcomes and increase the number of years that students attend school. Both of these benefits are expected to increase future lifetime earnings for the participating students. The Technical and Vocational Education and Training Activity is expected to result in students acquiring specific, market-demanded skills through additional years of schooling, which results in higher employment rates and higher lifetime earnings.

The estimated ERR for the Abidjan Transport Project is 22.6 percent over 20 years. While vehicle operating costs and time savings are expected to be the immediate microeconomic benefits of the project, the project is also expected to contribute to the economy of Côte d'Ivoire's largest city by improving access to jobs, goods, and social services.

Overall, the compact is expected to benefit at least 11,300,000 people over 20 years. Approximately 300,000 Skills Project beneficiaries are expected to be Abidjan residents and therefore also beneficiaries of the Abidjan Transport Project; accordingly, they have been deducted from the total number of compact beneficiaries to avoid double counting.

Policy Reform and the Compact

MCC and Côte d'Ivoire have agreed on several policy reform areas to support the sustainability of the compact program. In the Skills Project, Côte d'Ivoire will allocate sufficient annual public expenditures for lower secondary education and TVET to support and maintain MCC's investments by providing adequate teachers and budgets for secondary schools and operational subsidies for TVET centers. Côte d'Ivoire will also develop, institutionalize, and operationalize a national gender policy for the education sector in order to help rectify gender disparities in the Ivoirian education system. Finally, MCC plans to contribute to the modernization of the country's outdated and ineffective teacher training program and, through the TVET investment, help the government transition from being an ineffective service provider to being a regulator and financier of training provided in TVET centers that are operated by and for the private sector.

In the Abidjan Transport Project, MCC's assistance will be accompanied by reforms designed to improve the governance and financial sustainability of Côte d'Ivoire's road maintenance fund. In particular, Côte d'Ivoire will increase the amount of revenue allocated to the road fund over the life of the compact, reduce the debt burden currently held by the road fund, and increase road user participation in the governance structure of the road fund in order to create a more market-oriented entity. Côte d'Ivoire has also agreed on mechanisms to eliminate illegal truck parking in the zone around the Port of Abidjan, which is expected to contribute significantly to the reduction of traffic congestion in this important area of the city.

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