



CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

In accordance with section 610(b)(1) of the Millennium Challenge Act of 2003, as amended, we wish to inform you that the Millennium Challenge Corporation entered into a Millennium Challenge Compact with the Republic of Moldova on January 22, 2010. We have included a detailed summary of the Compact and a copy of the text of the Compact.

In addition, we will publish the detailed summary and the text of the Compact in the Federal Register and on MCC's website.

The attached notification is being sent to the Congress on January 28, 2010.

Sincerely,

James Mazarella
Vice President (Acting)
Congressional and Public Affairs

**MILLENNIUM CHALLENGE CORPORATION
CONGRESSIONAL NOTIFICATION**

In accordance with section 610(b)(1) of the Millennium Challenge Act of 2003, as amended (22 U.S.C. 7701 *et seq.*) (the “*Act*”), this is to advise that the Millennium Challenge Corporation (“*MCC*”) entered into a Millennium Challenge Compact with the Republic of Moldova under sections 605 and 609(g) of the Act on January 22, 2010 (the “*Compact*”).

A detailed summary of the Compact and a copy of the text of the Compact follow.

SUPPLEMENTAL INFORMATION

SUMMARY OF MILLENNIUM CHALLENGE COMPACT BETWEEN THE UNITED STATES OF AMERICA, ACTING THROUGH THE MILLENNIUM CHALLENGE CORPORATION, AND THE REPUBLIC OF MOLDOVA

The five-year Millennium Challenge Compact with the Republic of Moldova (“Compact”) will provide up to \$262 million to reduce poverty and accelerate economic growth. The Compact is intended to improve agricultural productivity and to expand access to markets and services through investments in critical infrastructure in the irrigation and road sectors, and through capacity-building in the high value agriculture sector (“Program”).

Transition to High Value Agriculture Project (\$101.77 million)

The Transition to High Value Agriculture Project (“THVA Project”) seeks to (i) increase rural incomes by stimulating growth in high value agriculture (“HVA”) and (ii) act as a catalyst for future investment in HVA production by establishing a successful model that contributes to a conducive institutional and policy environment for irrigated agriculture. Agriculture has been the backbone of the Moldovan economy, though, following the collapse of the Soviet Union, Moldova lost its position as a key exporter of fresh produce, and its extensive irrigation systems and post-harvest cold chain fell into disrepair. Today, the country's agricultural sector suffers from poor water service, production of low-value crops, low water-tariff revenue, and underinvestment in maintenance of the irrigation system, all of which contribute to high rates of rural poverty. However, with its fertile soils, relatively long growing season, and proximity to both European Union and former Soviet markets, Moldova has many of the necessary conditions to regain competitiveness in HVA. The THVA Project supports the government of Moldova's national strategy to increase land under irrigation and to upgrade the cold chain to facilitate the transition to HVA. The set of four reinforcing and integrated activities include:

Centralized Irrigation System Rehabilitation: Rehabilitation of up to 11 large irrigation systems servicing an area of approximately 15,500 hectares located along the Prut and Nistru rivers that will provide reliable water needed for HVA crops, as well as improve food security through enhanced grain production.

Irrigation Sector Reform: Provision of technical assistance and capacity-building to:

- (i) support the establishment of water user associations able to manage and operate the rehabilitated irrigation systems and the legal transfer of responsibilities for operations and maintenance of repaired irrigation systems to water user associations;
- (ii) improve water resource management by the government, including the establishment of a modern water-rights system; and (iii) ensure the legal and institutional framework needed for irrigation sector sustainability and further private and donor investment.

Access to Agricultural Finance: Establishment of financing facilities that will support HVA-related investment by farmers and rural entrepreneurs.

Growing HVA Sales: Provision of technical assistance to farmers and rural entrepreneurs to better access HVA markets and support the shift to HVA at the production and post-harvest level, in an activity undertaken jointly with, and administered by, the United States Agency for International Development.

Road Rehabilitation Project (\$132.84 million)

The Road Rehabilitation Project seeks to (i) increase the income of the local population through reduced cost of transport and reduced costs of goods and services; (ii) reduce losses to the national economy resulting from the deteriorated road conditions; and (iii) reduce the number of road accidents through improved traffic conditions. Specifically, the project will support the rehabilitation of the M2 road, which is part of an arterial highway connecting Chisinau, the Moldovan capital, to the Ukrainian border and beyond to Kyiv, the Ukrainian capital. This route serves as a significant link between Moldova and Ukraine for private, passenger, and commercial traffic, and has been prioritized by the government of Moldova in its National Development Strategy and Land Transport Infrastructure Strategy with the long-term goal to provide an efficient transport system that facilitates opportunities for trade in domestic and international markets and the mobility of its citizens. The existing M2 segment is a paved two-lane road that is extremely deteriorated. Compact funding will support the rehabilitation of 93 kilometers, beginning at the city of Sarateni at the southern end, passing near the city of Soroca, and ending at the junction with the R7 road west to Drochia at the northern end; construction (or reconstruction) or associated structures such as bridges and culverts; and improvement in road safety along the rehabilitated corridor. In addition, the Compact will fund a feasibility study, environmental and social impact assessment, detailed design work, and a resettlement action plan for the road segment continuing on to the Ukrainian border at the town of Otaci. These studies can be used by the government of Moldova to seek funding from other donors, or to plan investments with its own resources.

Administration

The Compact also includes program management and oversight costs estimated at \$23.85 million over a five-year time frame, including the costs of administration, management, auditing, fiscal and procurement agent services and environmental and social oversight. In addition, the cost of monitoring and evaluation of the Compact is budgeted at approximately \$3.54 million.

Intended Beneficiaries and Expected Results

The THVA Project is expected to benefit approximately 32,000 households (or approximately 124,000 individuals), with an average total benefit over 20 years equal to 170 percent of the beneficiaries' current annual income. Beneficiaries include owners or shareholders of farming enterprises; farmers or owners of land; and laborers employed in the operation of enterprise farms within the command areas where MCC will rehabilitate the irrigation systems, as well as producers and intermediaries investing in and working in the HVA sector. The economic

analyses indicate an economic rate of return of approximately 12.7 percent.

The Road Rehabilitation Project is expected to benefit approximately 78,000 households (or approximately 302,000 beneficiaries) over the next 20 years, with an economic rate of return of approximately 19 percent. Beneficiaries include users and owners of motorized vehicles utilizing the road including local agricultural and other producers and buyers, providers and users of passenger transport services, and noncommercial owners of private motorized transport.