



## CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

We wish to inform the Congress of our intent to provide funding of up to US\$262,000,000 for a Millennium Challenge Compact with the Republic of Moldova.

Obligation of funds may be incurred on or after 15 days from the date of this notification.

The attached notification is being sent to Congress on December 8, 2009.

Sincerely,

James Mazzearella  
Vice President (Acting)  
Congressional and Public Affairs

Enclosure:  
As stated

**CONGRESSIONAL NOTIFICATION**  
**December 8, 2009**

<b>PROGRAM:</b>	Eligible Countries
<b>APPROPRATIONS CATEGORY:</b>	Fiscal Years 2004 to 2010 Program Funds
<b>OBLIGATION AMOUNT:</b>	\$262,000,000

The Millennium Challenge Corporation (“MCC”) wishes to notify the Congress of its intent to sign a Millennium Challenge Compact (“Compact”) with the Republic of Moldova (“Moldova”), through which MCC will grant up to a total amount of \$262,000,000 under the Millennium Challenge Act of 2003, as amended (the “Act”). In order to accelerate implementation of the Compact, MCC intends to obligate up to \$8,000,000 (“Compact Implementation Funding”) of the overall grant under section 609(g) of the Act, using fiscal year 2004 funds, when the Compact is signed by the parties. MCC intends to obligate up to \$254,000,000 under section 605 of the Act when the Compact enters into force. After the Compact enters into force, Compact Implementation Funding that is not needed to accelerate implementation of the Compact may be deobligated, and up to an equivalent amount of funding may be obligated under section 605 of the Act. Such funding is included in the total amount of MCC funds under the Compact and will not increase total Compact funding. As indicated in the attached Table I, MCC will obligate up to \$50,000,000 from funds appropriated for fiscal year 2010 and the remainder from funds appropriated for prior fiscal years.

Compact funding will support two projects: (1) transition to high value agriculture and (2) road rehabilitation, each of which is described along with other key elements of the Compact in the accompanying summary.

Table I

<b>Statutory Reference Requiring Congressional Notification</b>	<b>Funding (up to)</b>
Section 515 of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2004	\$90,688,880
Section 515 of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2005	\$16,391,598
Section 515 of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2006	\$8,461,925
Section 515 of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2006, as carried forward by the Revised Continuing Appropriations Resolution, 2007 (P.L.110-5)	\$923,110
Section 615 of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2008	\$8,966,006
Sections 7015(c) and 7057 of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2009	\$86,568,481
Sections 7015(c) and 7057 of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2009, as carried forward by the Continuing Appropriations Resolution, 2010, as amended (Division B of Public Law 111-88)	\$50,000,000
<b>Total</b>	<b>\$262,000,000</b>

## SUPPLEMENTAL INFORMATION

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

The Millennium Challenge Corporation's Board of Directors has approved a five-year, \$262 million compact with the Republic of Moldova aimed at reducing poverty and accelerating economic growth ("Compact"). The Compact is intended to enable improved agricultural productivity and to expand access to markets and services through critical infrastructure investments in the irrigation and road sectors, and 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, low value crop production, low water tariff revenue, and underinvestment in irrigation system maintenance, contributing 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 organizations 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 organizations; (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) of 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 timeframe, 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 non-commercial owners of private motorized transport