



Armenia and Millennium Challenge Corporation: Building a Dynamic Partnership for Poverty Reduction through Economic Growth

The Millennium Challenge Corporation has signed a five-year, \$235.65 million Compact with the Government of Armenia.

Today, over one million Armenians live in rural areas and are dependent on semi-subsistence agriculture. Farmers are operating on small plots of land and are constrained by poor roads, inadequate irrigation, and an under-developed market economy.

The Armenia Compact is focused on one goal: the reduction of rural poverty through a sustainable increase in the economic performance of the agricultural sector. Armenia plans to achieve this goal through a five-year program of strategic investments in rural roads, irrigation infrastructure and technical and financial assistance to improve the supply of water and to support farmers and agribusinesses. The Program will directly impact approximately 750,000 people, or 75% of the rural population, and is expected to reduce the rural poverty rate and boost annual incomes.

Rural Road Rehabilitation

The Compact includes a \$67 million project to rehabilitate up to 943 kilometers of rural roads, more than a third of Armenia's proposed Lifeline road network. When complete, the Lifeline road network will ensure that every rural community has road access to markets, services, and the main road network. Under the Compact, the Government of Armenia will be required to commit additional resources for maintenance of the road network.

Improved Irrigation

The Compact also includes a \$146 million project to increase the productivity of approximately 250,000 farm households (34% of which are headed by women) through improved water supply, higher yields, higher-value crops, and a more competitive agricultural sector. This project consists of two activities:

- An infrastructure activity that aims to increase the amount of land under irrigation by 40% and will improve efficiency by converting from pump to gravity-fed irrigation, reducing water losses and improving drainage; and

- A water-to-market activity that will improve the efficiency of water delivery to farmers and boost farm productivity and profitability through technical assistance and credit support.

Administrative and monitoring and evaluation costs of the Program are budgeted at approximately \$23 million.

Engaging Civil Society

In preparing its proposal for Millennium Challenge Account assistance, Armenia engaged in a comprehensive consultative process that reached out to a broad cross-section of constituents, including rural community members, NGOs and the private sector. Meetings were held outside of city centers to seek input on potential program components and various media outlets were used to reach remote areas. To increase transparency, the Government of Armenia sponsored a process that resulted in three NGOs being named as observers to the Government's MCA Board of Trustees – an inter-governmental body, chaired by the Prime Minister, and responsible for overseeing the Compact development process. Going forward under the Compact, a Stakeholders' Committee will be formed to represent the beneficiaries of the Program. The Stakeholders' Committee will be entitled to nominate voting members from Armenia's NGO sector to serve alongside the government's representatives on the Governing Council of MCA-Armenia, the entity that will be established to oversee and implement the Compact.

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Millennium Challenge Corporation (MCC), a United States government corporation designed to work with some of the poorest countries in the world, is based on the principle that aid is most effective when it reinforces good governance, economic freedom, and investments in people that promote economic growth and elimination of extreme poverty

