



CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

We wish to inform you that the Millennium Challenge Corporation plans to negotiate a Millennium Challenge Compact with the Government of the Hashemite Kingdom of Jordan.

If you or your staff would like to arrange a meeting to discuss the proposed negotiations with Jordan, please contact Ellona Fritschie (for the Senate) or Erin Kolodjeski (for the House of Representatives) at (202) 521-3850. This notification is being sent to the Congress on July 8, 2010, and negotiations may be started on or after July 22, 2010.

Sincerely,

T. Charles Cooper
Vice President
Congressional and Public Affairs

Enclosure:
As stated

**MILLENNIUM CHALLENGE CORPORATION
CONGRESSIONAL NOTIFICATION**

July 8, 2010

Pursuant to section 7057(c) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2009 (Pub. L. 111-8, Division H), the heading “Millennium Challenge Corporation” of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2010 (Pub. L. 111-117, Division F), and section 610(a) of the Millennium Challenge Act of 2003, as amended, this notification is (1) to advise you that the Millennium Challenge Corporation intends to start negotiations with the Government of the Hashemite Kingdom of Jordan for a Millennium Challenge Compact and (2) to initiate the 15-day consultation period before the start of negotiations.

A statement of the objectives and mechanisms to be used for the negotiations of the Compact is attached.

SUPPLEMENTAL INFORMATION

Overview

The MCC Board of Directors first selected Jordan as eligible for Compact assistance in FY 2007. Over the subsequent year, the Government of Jordan (GOJ) completed a detailed analysis of major constraints to economic growth and an analysis of drivers that influence priority sectors of Jordan's economy, as well as a broad consultative process with the private sector, civil society organizations and citizens throughout the country. Through this process, the need to address the country's severe water shortages emerged as a key priority for MCC investment. Consistent with this priority, the GOJ submitted concept papers proposing several projects in water, sewage and sanitation in November 2008 and signed a 609(g) Agreement for MCC financial assistance in further developing those projects in June 2009.

Following completion of detailed feasibility studies related to the proposed projects, MCC wishes to enter into Compact negotiations with the GOJ.

Program Overview and Budget

The GOJ concept papers detailed four major projects related to the rehabilitation of the water distribution system and expansion of the capacity for collecting and treating wastewater with a focus on Zarqa Governorate. Following an initial assessment, MCC agreed to further examine three of the projects and to provide funding under Section 609(g) of the Millennium Challenge Act of 2007, as amended, to support feasibility studies, environmental and social assessments, and other technical assistance. These studies provide the information needed to inform the final scope and costs of the projects that MCC wishes to negotiate as part of a Compact.

The following table outlines estimated costs and beneficiaries of the proposed projects, as well as administrative costs. Information in this memorandum is preliminary and therefore subject to further verification and revision, and the availability of funds.

Proposed Compact Components	Preliminary Cost Estimates (millions of US\$)	Preliminary Estimated Economic Rates of Return	Preliminary Estimated Number of Beneficiaries
Zarqa Governorate Water System Restructuring and Rehabilitation	\$104.3	20%	1,302,883
Zarqa Governorate Wastewater System Reinforcement and Expansion	\$61.7	13%	1,802,940
As-Samra Wastewater Treatment Plant Expansion	\$88		
Administration: Accountable Entity,	\$21	N/A	N/A

Monitoring and Evaluation, Audit Services			
Proposed Compact Total:	\$275	N/A	N/A

Program Rationale and Logic

Jordan is the world’s fifth most water poor country, with renewable freshwater resources that total only 150 cubic meters per person per year – a situation exacerbated by rapid population growth, urbanization and other factors. On a per capita basis, available fresh water supplies are expected to decline significantly over the next fifteen years, driving up costs and impacting household expenditures and industrial productivity.

The three projects that comprise Jordan’s proposed Compact are bound by a tight logic that focuses on increasing the effective supply of water to households and commercial users by reducing water losses and expanding the collection, treatment, and reuse of wastewater. The proposed projects would reduce annual losses in the delivery of freshwater, permitting more efficient management of scarce resources, and supporting the expanded use of recycled water in the economy.

The projects also help address basic human needs in the Zarqa region, which has poverty rates above the national average. Nearly two in five families in the region receive less than 80 cubic meters of water annually through the distribution network, a quantity low enough to cause concerns about basic health and sanitation. The projects will be designed to increase the quantity of water supplied to these poor households and help reduce pressures on household expenditures among the poor.

Zarqa Governorate Water System Restructuring and Rehabilitation

The water transmission and distribution network in Zarqa Governorate suffers from substantial disrepair, with parts comprised of cheap, flexible pipes that run above ground through residential streets, where they are subject to puncture, wear and tear. Nearly 10,000 leaks are reported each year, and up to 54 percent of the water supply is estimated to be lost.

The proposed Water System Restructuring and Rehabilitation project is designed to reduce the high levels of water loss by repairing and upgrading key portions of the transmission and distribution system, in many places including household connections. In addition to the large-scale investment in infrastructure, the project may include direct assistance to poor households to improve plumbing, water storage, sewage connections, and general awareness of best practices for sanitation and water efficiency.

Zarqa Governorate Wastewater System Reinforcement and Expansion

The wastewater collection system in Zarqa Governorate is limited in reach. At present, only 72 percent of the population has a proper connection to the sewage network. The limited carrying capacity of existing sewer lines prevents further expansion of service, and preliminary hydraulic analyses suggest that up to 50 km of additional trunk lines in the region will become overloaded within two years.

The proposed Wastewater System Reinforcement and Expansion project is designed to rehabilitate and upgrade sewer main lines that are reaching capacity and to extend new lateral lines into neighborhoods that are not currently connected to the sewer network. This would improve wastewater services for the growing population of Zarqa, prevent harmful overflows of raw sewage, and capture additional quantities of wastewater for eventual reuse for secondary purposes, as appropriate.

As-Samra Wastewater Treatment Plant Expansion

Nearly all wastewater from Zarqa and neighboring Amman flows to the As-Samra Wastewater Treatment Plant, which was constructed in 2007 on a build-operate-transfer (BOT) basis with a private sector sponsor and limited grant financing from USAID. The plant serves as a key link in a cycle of collecting, treating and reusing wastewater in Jordan but is rapidly approaching its treatment capacity of 267,000 cubic meters per day.

The proposed As-Samra Wastewater Treatment Plant Expansion project is designed to increase the treatment capacity of the existing As-Samra wastewater treatment plant by up to an additional 100,000 cubic meters per day. This expansion would be financed on a BOT basis in partnership with the current private sector sponsors.

Partnership Strategy

The proposed Jordan program provides a number of opportunities for MCC to collaborate with partner organizations, both public and private. Throughout project development, MCC has benefitted from close ties with other donors and the valuable lessons learned from previous experience in Jordan's water sector. The Compact program would build on the work of USAID, the German donor agencies (GTZ and KfW), the Japan International Cooperation Agency (JICA), the Swedish International Development Cooperation Agency (SIDA), and the European Union. MCC has actively engaged with these and other donors to coordinate efforts and advance certain reforms in the water sector. In project implementation, MCC is exploring opportunities to include private sector participation.