



## CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

We wish to inform the Congress of our intent to provide funding of up to \$275,100,000 for a Millennium Challenge Compact with the Hashemite Kingdom of Jordan.

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 September 16, 2010.

Sincerely,

T. Charles Cooper  
Vice President  
Congressional and Public Affairs

Enclosure:  
As stated

**CONGRESSIONAL NOTIFICATION**  
**September 16, 2010**

<b>PROGRAM:</b>	Eligible Countries
<b>APPROPRATIONS CATEGORY:</b>	Fiscal Years 2009 and 2010 Program Funds
<b>OBLIGATION AMOUNT:</b>	\$275,100,000, using \$50,000,000 of fiscal year 2009 and \$225,100,000 of fiscal year 2010 funds

The Millennium Challenge Corporation (“MCC”) wishes to notify the Congress of its intent to sign a Millennium Challenge Compact (“Compact”) with the Hashemite Kingdom of Jordan (“Jordan”), through which MCC will grant up to a total amount of \$275,100,000 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 \$2,120,000 (“Compact Implementation Funding”) of the overall grant under section 609(g) of the Act, using fiscal year 2009 funds, when the Compact is signed by the parties. MCC intends to obligate up to \$272,980,000 under section 605 of the Act, using \$47,880,000 of fiscal year 2009 funds and \$225,100,000 of fiscal year 2010 funds, 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.

Compact funding will support three projects: (1) a water system restructuring and rehabilitation project; (2) a wastewater system reinforcement and expansion project; and (3) a wastewater treatment plant expansion project, each of which is described along with other key elements of the Compact in the accompanying summary.

## SUPPLEMENTAL INFORMATION

### **MILLENNIUM CHALLENGE COMPACT BETWEEN THE UNITED STATES OF AMERICA, ACTING THROUGH THE MILLENNIUM CHALLENGE CORPORATION, AND THE HASHEMITE KINGDOM OF JORDAN**

The Millennium Challenge Corporation's Board of Directors has approved a five-year, \$275.1 million compact with the Government of Jordan ("GOJ") aimed at reducing poverty and accelerating economic growth (Compact). The Compact includes three integrated water and wastewater projects focused in Zarqa Governorate, one of the poorest and most urbanized areas of the country, and is intended to support: (a) rehabilitation of the water supply network for households and businesses; (b) reinforcement of main sewer lines and expansion of the lateral sewers into neighborhoods that lack access to a proper wastewater collection network; and (c) expansion of the As-Samra Wastewater Treatment Plant, in partnership with a private sector operator that will mobilize half the total cost of construction. These projects: (i) align closely with Jordan's analysis of constraints to growth and other GOJ development plans; (ii) directly support MCC's mission to promote poverty reduction through economic growth; (iii) have reliable economic rates of return; (iv) are technically, environmentally, and socially sound; and (v) can be completed within five years.

#### **I. Program Overview**

The Compact program consists of three tightly integrated infrastructure projects that address critical problems in water distribution, wastewater collection and wastewater treatment. The projects are focused in Zarqa Governorate, home to the country's second and fourth largest cities, Zarqa and Ruseifa, and more than half the country's small-scale industry. A history of neglect coupled with rapid population growth, particularly an influx of refugees from Iraq over the past decade, has strained critical water and wastewater infrastructure throughout the area. Residents continuously complain of sewer main overflows and water pipes made of cheap, flexible tubing that run above ground through city streets, where they are subject to considerable wear and tear.

In combination, the three projects are designed to increase the effective supply of water that reaches household and commercial users throughout Zarqa Governorate. This increase comes from two sources. First, repairs to the reservoirs, pumps, and pipes that make up the water delivery network will reduce the physical loss of water during transmission and distribution, directly increasing the amount of potable water available to end users. Second, greater collection and treatment of wastewater will create an increased supply of high-quality treated wastewater appropriate for use in irrigated agriculture. This treated wastewater is expected to become a substitute for the fresh water currently used in agriculture, allowing fresh water to be directed to higher value uses in urban areas, including Zarqa, before it is collected as wastewater and then treated and reused. This arrangement extends the use of each unit of fresh water.

## **II. Project Descriptions**

### **Water Network Restructuring and Rehabilitation Project (Water Network Project)** *(estimated \$102.57 million)*

At present, an estimated 57 percent of the potable water supplied into the water transmission and distribution network in Zarqa Governorate is lost through physical leaks; additional losses are attributable to administrative mismanagement. The Water Network Project is designed to reduce high rates of water loss through construction and repairs to reservoirs, pump stations and up to 67 km of primary, 927 km of secondary, and 256 km of tertiary pipes, along with replacement of household connections and meters, in the two poorest, most heavily populated water service areas of Zarqa Governorate. The project is also designed to convert the system from high-pressure, periodic distribution to more frequent, gravity-fed distribution that should improve customer service, reduce wear and tear on critical infrastructure, and extend the lifespan of the network. The project includes technical and financial assistance to very poor households to improve plumbing, water storage, sewage connections, and general awareness of best practices for basic sanitation and efficient water use.

### **Wastewater Network Reinforcement and Expansion Project (Wastewater Network Project)** *(estimated \$58.22 million)*

Zarqa Governorate is served by an outdated sewer system that limits the collection of wastewater and endangers public health. The system frequently overflows into city streets and the surrounding environment, relies on pump stations that have insufficient capacity, and serves only 72 percent of the population. The Wastewater Network Project is designed to replace or rehabilitate up to 29 km of undersized trunk lines and expand lateral sewers by up to 140 km in the neighborhoods of East Zarqa and West Zarqa, both of which lack proper sewer connections. The extension of lateral sewer lines is expected to raise coverage rates from 72 percent to about 85 percent of the local population. These new customer connections should also generate additional supplies of wastewater to be treated at the As-Samra Wastewater Treatment Plant and eventually reused in agriculture downstream in the Jordan Valley.

### **As-Samra Wastewater Treatment Plant Expansion Project (As-Samra Expansion Project)** *(estimated \$93.03 million)*

Originally built with support from a USAID grant, the As-Samra wastewater treatment plant is the primary facility for treating wastewater from Amman and Zarqa Governorates. The plant became operational in 2008 and was originally designed to meet the region's treatment needs through 2015 but is already nearing its capacity. Without an expansion to properly handle the region's growing volume of wastewater, the plant could become overloaded, its ability to treat wastewater could deteriorate, and downstream agricultural areas that rely on treated water for irrigation could face serious food safety risks and the loss of markets for agricultural products. The As-Samra Expansion Project is designed to expand the plant's treatment capacity by 97,800 cubic meters per day, an increase of more than one-third, and install upgrades to handle higher suspended solid loads. These improvements should meet the region's wastewater treatment needs through 2025. The proposed expansion will be financed in partnership with the Samra Wastewater Treatment Plant Company Limited (SPC), a private company that built the existing

plant and operates it under a concession from GOJ. Under this arrangement, an MCC grant would cover up to half the cost of construction, while SPC would mobilize debt and equity funding to cover the remaining construction costs, along with project development and design, project management, and interest costs. In this way, the MCC grant will attract private financing, reduce construction costs to MCC, and thereby reduce the role of the public sector in financing the project. MCC's involvement will reduce the cost of capital, allowing lower water and wastewater tariffs to consumers than might otherwise have been necessary. This arrangement may also enhance operational sustainability by transferring some risks related to financing, construction, and operations to the private sector.

### **III. Administration**

The Compact also includes program management and oversight costs estimated at \$18.47 million over a five-year timeframe, including the costs of administration, management, auditing, fiscal and procurement services, and environmental and social oversight. In addition, the cost of monitoring and evaluation of the Compact is budgeted at approximately \$2.81 million.

### **IV. Economic and Beneficiary Analysis**

The Compact projects are expected to have reliable and demonstrable impacts on economic growth and on incomes for residents in Zarqa Governorate and Amman through improved efficiencies in the water distribution network, as well as for a number of farmers in the lower and middle Jordan Valley, who will receive reliable supplies of high quality treated wastewater for use in irrigation.

The Compact projects reflect GOJ's priorities, are endorsed by the Ministry of Water and Irrigation that will implement them, and respond to public demands for improved public administration, investment, and service provision. These are necessary and significant conditions for sustained administrative and political support of MCC's investment and lay the groundwork for effective project implementation. Finally, consistent with MCC's results-focused approach, the Compact allows for careful monitoring of implementation progress and rigorous evaluation of the nature and magnitude of selected project impacts.

Table 1 presents a summary of the economic rates of return and the number of beneficiaries that each Compact project and the Compact program are expected to achieve.

**Table 1: Summary of Economic Impacts**

<b>Project</b>	<b>MCC Project Cost (\$M)</b>	<b>Economic Rate of Return (%)</b>	<b>Beneficiaries</b>
Water Network Project	102.57	19%	1,600,000
Wastewater Network Project	58.22	14%	2,020,000
As-Samra Expansion Project	93.03		
<b>Total Compact</b>	<b>253.82</b>	<b>16%</b>	<b>2,020,000<sup>1</sup></b>