

CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

We wish to inform you of the intent to provide funding of up to \$15,095,000 for the purpose of facilitating the development of a Millennium Challenge Compact with the Government of Moldova and the implementation of the compact, if one is concluded.

The attached notification is being sent to the Congress on July 10, 2008. Obligation of funds may be incurred on or after fifteen days from the date of this notification.

Attachment 1 "Relevant Background on Moldova" provides background information on Moldova that is relevant to this notification.

Sincerely,

A handwritten signature in black ink, appearing to read "Matthew K. McLean". The signature is stylized and written in a cursive-like font.

Matthew K. McLean
Vice President
Congressional and Public Affairs

Enclosure:

As stated

ATTACHMENT 1

RELEVANT BACKGROUND ON MOLDOVA

Moldova was recently reclassified by the United States Department of State's Office to Monitor and Combat Trafficking in Persons ("G/TIP") as a Tier 3 country in the 2008 Trafficking in Persons Annual Report, and was given a 60-day Action Plan by G/TIP in early June to address the issues raised by its classification. The Millennium Challenge Corporation ("MCC") is implementing a two-phased approach to the provision of 609(g) funding for the development of a Millennium Challenge Compact between MCC and Moldova (the "Compact"). This approach will provide a strong incentive for the Government of Moldova ("GoM") to rapidly improve its performance on combating human trafficking while continuing to make progress on the development of the Compact.

Phase 1 activities (approximately \$5,305,000) will provide technical analysis necessary to determine the feasibility and prioritization of MCC investment in the proposed projects. Phase 2 activities (approximately \$9,790,000), consisting of further detailed design studies and implementation support activities that are tentatively planned to commence in the fall after Phase 1 activities end, will be contingent on the GoM's near-term actions on trafficking and Moldova's reclassification as Tier 2 Watch List by G/TIP. MCC will use this phased and measured engagement with the GoM to leverage Moldova's performance on trafficking in persons. If Moldova remains classified as a Tier 3 country, MCC will not fund further studies for the Compact. MCC has communicated this position to the GoM.

Moldova has proven to be a strong MCC country partner since first becoming eligible for MCC threshold program assistance in November 2005 and then becoming eligible for compact assistance in November 2006. Moldova's threshold program is expected to end in March 2009. This program, focused on combating corruption, has linkages to the proposed Compact. GoM efforts to prevent and control corruption in the Customs Service will improve trade flows through international borders that would be serviced by all five of the roads proposed for rehabilitation, as well as improve the ability of agricultural enterprises to export high-value-added agricultural products. The efforts undertaken under the threshold program to strengthen the monitoring capacity of civil society and mass media will increase incentives for the GoM to combat corruption and effectively implement the Compact. MCC is planning to include requirements to continue monitoring Moldova's performance on relevant threshold program indicators in the monitoring and evaluation plan for the Compact.

MCC's initial assessment of Moldova's Compact proposal resulted in the elimination of two proposed components which were considered to have insufficient impact on poverty reduction and economic growth. MCC currently estimates that the cost of the remaining proposed Compact components, the Road Rehabilitation and the Transition to High Value Agriculture projects, will range between \$350 and \$700 million, depending upon the roads selected for rehabilitation and the final design and size of the agriculture project.

**MILLENNIUM CHALLENGE CORPORATION
CONGRESSIONAL NOTIFICATION**

July 2, 2008

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| PROGRAM: | Eligible Countries |
| APPROPRIATIONS CATEGORY: | FY 2008 Program Funds |
| OBLIGATION AMOUNT: | \$15,095,000 |

In accordance with section 615(c) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2008 (Div. J, P.L. 110-161), this is to advise that the Millennium Challenge Corporation ("MCC") intends to obligate up to \$15,095,000 in FY 2008 MCC program funds under section 609(g) of the Millennium Challenge Act of 2003, as amended (the "Act"), for the purpose of facilitating the development of a Millennium Challenge Compact ("Compact") with the Government of Moldova ("GoM") and, if a Compact is concluded, the implementation of such Compact.

The GoM submitted a proposal for MCC support on February 28, 2008. MCC funding will be provided for the activities in two phases, with the first phase ("Phase 1") of activities beginning by the end of September 2008. Funding for the second phase ("Phase 2") activities will be contingent upon the GoM's actions to combat trafficking in persons and upon the results of Phase 1 studies.

MCC intends to fund in-depth studies for two proposed projects, rehabilitating five segments of roads leading to international borders (the "Roads Rehabilitation Project") and supporting the transition to higher-value-added agriculture through increased access to irrigation water and equipment and post-harvest handling (the "Transition to High-Value Agriculture" or "THVA Project"). The studies will help MCC refine the program of investments to be included in the Compact. MCC also intends to support early preparations for implementation through a grant to the GoM.

Phase 1 Activities

Under Phase 1, MCC will finance pre-design studies of the roads and the centralized irrigation systems proposed for rehabilitation. MCC will provide funds to assess the proposed THVA Project. These studies will help to guide the GoM and MCC in completing the design of the proposed THVA Project. The studies include a horticulture value chain and market analysis, focused on market barriers to and opportunities for post-harvest investments; an analysis of institutional capacity of, design issues around, and alternatives to the GoM's irrigation authority and existing water users associations, to ensure sustainability of operations and maintenance of rehabilitated irrigation systems; and an analysis of constraints to and costs of accessing agricultural credit, including registering and recording security interest in collateral; as well as trade facilitation issues relating to the export of Moldovan products.

Phase 2 Activities

Under Phase 2, MCC will finance detailed design studies of the roads and the centralized irrigation systems that the Phase 1 studies have concluded have sufficient potential impact to merit such studies.

MCC will also fund a grant to the GoM to support early preparations for Compact implementation. These preparations include initial funding for the Procurement Advisor/Agent and Fiscal Agent contracts; funding for a Monitoring and Evaluation Advisory Support contract to help define indicators for the monitoring and evaluation of the projects during the life of the Compact, as well as to help review projects for impact evaluation opportunities; and funding for the establishment and staffing of the accountable entity, so that detailed implementation planning and start-up activities can occur before the Compact is signed and thereby support a seamless transition from Compact development to Compact implementation.