MILLENNIUM
CHALLENGE CORPORATION
UNITED STATES OF AMERICA

CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

We wish to inform you of the intent to provide up to $13,340,000 to facilitate the development and implementation of a Millennium Challenge Compact with the Government of the Hashemite Kingdom of Jordan.

The attached notification is being sent to the Congress on April 27, 2009. Obligation of funds may be incurred on or after fifteen days from the date of this notification.

Sincerely,

James Mazzarella
Acting Vice President
Congressional and Public Affairs

Enclosure:
As stated

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MILLENNIUM CHALLENGE CORPORATION
CONGRESSIONAL NOTIFICATION
April 27, 2009

PROGRAM:	Eligible Countries
APPROPRIATIONS CATEGORY:	FY 2006 Program Funds
OBLIGATION AMOUNT:	$13,340,000

In accordance with section 515 of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2006 (Pub. L. 109-102), this is to advise that the Millennium Challenge Corporation ("MCC") intends to obligate up to $13,340,000 in MCC program funds under section 609(g) of the Millennium Challenge Act of 2003, as amended, for the purpose of facilitating the development and implementation of a Millennium Challenge Compact ("Compact") with the Hashemite Kingdom of Jordan.

The funds will finance activities needed for Compact development, including three feasibility studies and environmental and social impact assessments for the water and wastewater network projects, technical assistance to establish a performance-based management contract for the operations and maintenance of water and wastewater services, and technical advisors to help negotiate an expansion of an existing wastewater treatment plant.

SUPPLEMENTAL INFORMATION

MCC / Jordan 609(g) Request

Background

On April 15, 2009, the MCC Chief Executive Officer (Acting) approved up to US $13.34 million of funding under Section 609(g) of the Millennium Challenge Act of 2003, as amended, to assist the Government of Jordan (GOJ) with further development of proposed investment projects.

Justification

Prior to the selection of investment projects, the GOJ completed a detailed analysis of key constraints to economic growth (Constraints Analysis) and an analysis of drivers that influence key sectors of Jordan's economy (Sector Analysis). The GOJ also conducted a broad consultative process comprised of meetings with national civil society organizations and NGOs in Amman and large, town-hall style meetings in each of Jordan's twelve governorates. All of these inputs supported the selection of water as a priority for investment.

In November 2008, the GOJ submitted a tightly integrated Concept Paper for consideration by MCC. The Concept Paper proposed four interrelated investment projects in water and wastewater that, working together, would increase the effective supply of water in populous, urban areas. The investment projects are focused on Zarqa, one of the poorest governorates in Jordan and where three in ten households consume less than 75 liters of water per capita per day (lpcd)[1] – substantially below the 100 lpcd that the World Health Organization considers the minimum required to meet consumption needs. Preliminary economic and beneficiary analyses for the projects suggest a combined economic rate of return (ERR) of 15 percent and a potential to directly benefit as many as 190,000 households.

Consistent with MCC's new Compact Development approach, the proposed investment projects will require further preparation to meet MCC's standards for Compact signature. 609(g) funding will be used to procure the feasibility studies and environmental and social impact assessments (EIAs) that MCC will need when making investment decisions prior to signing a Compact (see Annex 1). Based on lessons learned from the implementation of Compacts with other countries, MCC expects the early investment of 609(g) funds to reduce implementation and impact risks by enhancing project development and ensuring greater confidence in the Compact budget, timeline, and disbursement forecasts.

As the GOJ and MCC get closer to Compact signing, MCC may approve the use of additional 609(g) grant funds to expedite the establishment of a solid Compact management structure and to facilitate project implementation.

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[1] GFA Consulting Group. *Socio-Economic Baseline Survey in the Water Supply and Sanitation Sector*. August 2008.

Project Details

Project Summaries

P1: Restructuring and Rehabilitation of Zarqa Water Network (US $91 million)
The water transmission and distribution network in Zarqa suffers from substantial disrepair, with an estimated 54 percent of total water supply lost to physical issues such as leaking pipes and administrative issues such as uncollected bills. The tertiary network consists of cheap, flexible pipes that run above ground through residential streets and are subject to puncture, wear and tear, accounting for the majority of the 10,000 leaks reported in the overall network each year.

The P1 project is intended to reduce the high levels of "non-revenue" water by: (1) rehabilitating existing groundwater wells and pumps; (2) rehabilitating household connections and upgrading portions of the transmission and distribution system, as necessary to support the conversion from high pressure to gravity-fed supply; and (3) improving management over the operations and maintenance of water and wastewater services in Zarqa through the use of a performance-based contract. The 609(g) grant will provide funding for feasibility studies and environmental and social impact assessments (EIAs) as well as technical assistance to design the performance-based management contract.

P2: Expansion and Rehabilitation of Zarqa Wastewater Network (US $55.5 million)
The wastewater collection system in Zarqa is limited in reach. Only 72 percent of the population is currently connected to the central wastewater collection system, and the limited carrying capacity of existing trunk lines prevents the expansion of service. Preliminary hydraulic analysis suggests that up to 50 km of existing trunk lines servicing Zarqa will become overloaded by 2012.

The P2 project is intended to improve wastewater services for the growing population of Zarqa by rehabilitating and upgrading existing trunk sewer lines that are reaching capacity and extending lateral sewer lines into neighborhoods that are not currently connected to the network. The improved service from P2 will directly benefit over 21,000 households and will raise connection rates in Zarqa and Ruseifa from 72 percent to over 90 percent. The 609(g) grant will provide funding for a feasibility study and EIA.

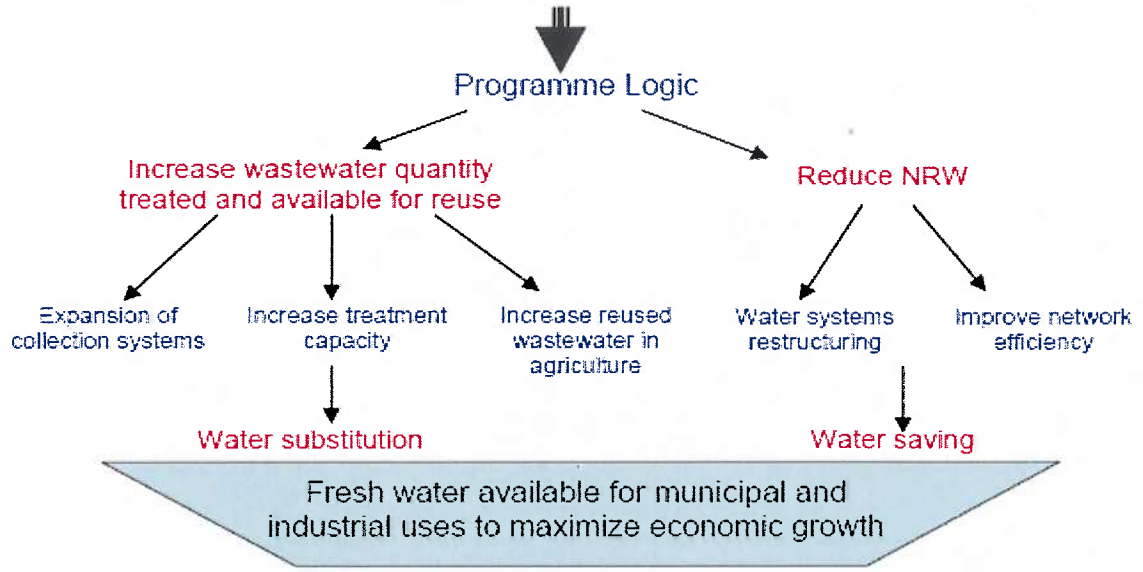
P3: Expansion of Wastewater Treatment Capacity at As Samra (US $167.9 million)
Wastewater from Zarqa and neighboring Amman flows to the As Samra Wastewater Treatment Plant, which is rapidly approaching its treatment capacity of 267,000 cubic meters per day. The objective of project P3 is to increase treatment capacity by nearly 60 percent by negotiating an expansion with the existing project company, which currently operates the plant under a Build-Operate-Transfer (BOT) scheme. The 609(g) grant will provide funding for a transaction advisor to advise the GOJ on issues related to (a) negotiating the BOT expansion agreement with the existing project company and (b) achieving financial closure between the existing project company and lenders.

P4: Construction of Conveyor Pipeline (Fully Funded by GOJ: ~ US $30.0 million)
The P4 project involves construction of a conveyor pipeline to carry up to 25 million cubic meters per year of treated wastewater originating from the As-Samra Wastewater Treatment

Plant to parts of the agriculturally rich North Jordan Valley. This would be the third such pipeline in the Jordan Valley, where existing strategy calls for the maximum use of treated wastewater in irrigation. This treated wastewater would be used as a substitute for an equivalent volume of freshwater from the King Abdullah Canal, which would be made available to Amman, Zarqa and neighboring cities via existing infrastructure. The GOJ has agreed to fund this project in full as part of its commitment to the success of the proposed program (see Annex 3 for additional contributions). Although there is no longer any role for MCC funding, MCC will continue to view this project as an integral part of the overall program logic.

Program Rationale and Logic

The proposed projects are bound by a tight logic that focuses on increasing the effective supply of water to household and commercial users in populous urban areas. The increase in supply comes from two sources, as the diagram below indicates.



First, reductions in physical leaks and other forms of non-revenue water directly increase the amount of water that flows through the pipes and reaches end users. Second, the expansion of wastewater collection and treatment generates high-quality treated wastewater that can act as a substitute for fresh water that is currently used in agriculture. Such substitution allows freshwater to be diverted to household and commercial users in the cities, and after treatment, to farmers in the Jordan Valley downstream. This approach enhances economic growth because it makes high-quality water available to the parts of Jordan's economy that add the most value, including individual households, small businesses in urban areas, and the vibrant service sector.

Annex 1: Details of 609(g) Grant and Preparatory Studies

Study/Activity	Budget (millions)	Procurement and Contract Management	Start of Contract	Term of Contract
P1: Restructuring and Rehabilitation of Zarqa Water Network (US $8.98 million)				
P1-A: Feasibility Study and Environmental and Social Impact Assessment (EIA) for Well Rehabilitation	$3.73	GOJ	09/2009	8 months
P1-B: Feasibility Study and EIA for Zarqa Water Network Rehabilitation	$3.17	GOJ	09/2009	8 months
P1-C: Technical Assistance for Establishment of Public Company and Performance Based Management Contract	$2.08	GOJ	09/2009	6 months
P2: Expansion and Rehabilitation of Zarqa Wastewater Network (US $2.06 million)				
P2: Feasibility Study and EIA for Upgrading and Extending the Zarqa Wastewater Network	$2.06	GOJ	09/2009	6 months
P3: Expansion of Wastewater Treatment Capacity at As Samra (US $2.30 million)				
P3: Transaction Advisor for Negotiated Expansion of As Samra Wastewater Treatment Plant	$2.30	GOJ	09/2009	10 -16 months
P4: Construction of Conveyor Pipeline (No Cost to MCC – Fully Funded by GOJ)				
P4: Feasibility Study, EIA, and Detailed Designs	$0.35	GOJ	12/2008	5 months
Analysis of Benefits and Poverty Impact (No Cost to MCC – Fully Funded by GOJ)				
Beneficiary Study to Inform Project Design and Ensure Maximum Benefit to the Poor	$0.64	GOJ	07/2009	5 months
Total Cost to MCC	**$13.34**			

Annex 2: Expected Contribution to Program by the Government of Jordan

Activity/Study/Resource	Budget (millions)
Fully funded MCA-Jordan core team within Office of the Prime Minister	$2.10
Comprehensive beneficiary study of water use among poor households in the project area to inform project design and ensure maximum benefit to the poor	$0.64
Feasibility study, EIA, and detailed designs for the P4 construction of a conveyer pipeline for treated wastewater	$0.35
Construction of the P4 conveyor pipeline to provide a mechanism for substituting treated wastewater for freshwater currently used in irrigation – an important part of ensuring the program logic of the MCC investments	$30.00
Four experienced engineers from the Ministry of Water and Irrigation to advance project refinement, draft terms of reference, and manage contracts under the 609(g) Agreement	
Two experienced procurement professionals within the Government Tenders Directorate to manage at least five large procurements under the 609(g) Agreement	
Total GOJ Contribution	**> $33.09**