

ASSISTANCE UNDER THE MILLENNIUM CHALLENGE ACCOUNT

Amount: **\$235.65 million**

Compact Signed: **March 27, 2006**

[Program Status Report – February 2007](#)

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In January 2004, by the [Millennium Challenge Act of 2003](#), the U.S. Government established an entity called Millennium Challenge Corporation (MCC), to provide assistance for global development, in a manner that promotes economic growth, helps eliminate extreme poverty and strengthens good governance, economic freedom, and

investments in people.

In 2005, the [MCC Board of Directors](#) selected 17 out of 64 candidate states as eligible for funding under the Millennium Challenge Account. The selection was made on the basis of a study into all efforts exerted by a state in the areas of *ruling justly*, *democratic governance*, *liberal economy*, and *prosperity for the people*. Armenia was positively assessed for policies of ruling justly, promotion of economic freedoms, and investment in human capital.

As a result, on March 27, 2006 the Millennium Challenge Corporation signed a five-year, \$235.65 million Compact with the Government of Armenia. The Compact focuses on reducing rural poverty through 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 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.

On September 29, 2006 the [Millennium Challenge Compact](#) with Armenia officially entered into force. [Read More](#)

MILLENNIUM CHALLENGE COMPACT- ARMENIA FACT SHEET

On March 27, 2006, the U.S. Millennium Challenge Corporation signed a five-year, \$235.65 million Compact with the Government of Armenia. **The Armenia Compact focuses on reducing rural poverty through sustainable increase in the economic performance of the agricultural sector.**

Armenia seeks to achieve this through a 5-year program of strategic investment in rural roads, irrigation infrastructure and technical and financial assistance to improve the supply of water and to support farmers and agribusinesses. Over one million Armenians live in rural areas and depend on semi-subsistence agriculture. Farmers operate on small plots of land, constrained by poor roads, inadequate irrigation, and an under-developed market. The Program will directly impact approximately 750,000 of these people -- 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:
 - **Infrastructure activity**, 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
 - **Water-to-market activity**, to 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 was also formed to represent the beneficiaries of the Program. The Stakeholders' Committee is 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 oversees and implements the Compact.

MILLENNIUM CHALLENGE ACCOUNT – ARMENIA



MCA-Armenia is a state non-commercial organization established by the Government of Armenia, to manage the implementation of the Armenia's Program of Assistance under the Millennium Challenge Account. It consists of: (1) *the Governing Council*, responsible for the oversight of the MCA-Armenia responsibilities under the Compact, and (2) *the Management Unit*, responsible for the implementation of the Compact. In addition, a *Stakeholders' Committee* is entitled to nominate voting members from Armenian civil society to serve alongside government representatives on the Governing Council. The unique governance structure of the MCA-Armenia helps provide transparent and consultative implementation of the Program.



[Signing Ceremony for Millennium Challenge Corporation's Compact with the Republic of Armenia, Benjamin Franklin Room, Washington, DC, March 27, 2006, Remarks by Secretary of State Condoleezza Rice](#)



KEY DOCUMENTS

[Millennium Challenge Compact between the United States of America Acting Through the Millennium Challenge Corporation and the Government of the Republic of Armenia: signed on March 27, 2006 in Washington; entered into force on September 29, 2006](#)

[Entry into Force Letter, signed by the Minister of Finance and Economy of Armenia on September 29, 2006; Entry into Force Certificate, signed by the Minister of Justice of Armenia on September 29, 2006; Certificate of Incumbency signed by the Prime Minister of Armenia on September 29, 2006](#)

[Disbursement Agreement by and among Millennium Challenge Corporation, the Ministry of Finance and Economy, on Behalf of the Government of the Republic of Armenia and Millennium Challenge Account – Armenia S.N.C.O.: signed on September 26, 2006](#)

[Governance Agreement by and among the Millennium Challenge Corporation, the Staff of the Government of the Republic of Armenia, on behalf of the Government of Armenia and Millennium Challenge Account – Armenia S.N.C.O.: signed on September 26, 2006](#)

[Procurement Agreement Between Millennium Challenge Corporation and Millennium Challenge Account – Armenia S.N.C.O.: signed on September 26, 2006](#)

[Term Sheet for Certain Supplemental Agreements, signed on September 26, 2006](#)