



# Millennium Challenge Corporation

Reducing Poverty Through Growth

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**March 14, 2005**

## **CONGRESSIONAL NOTIFICATION**

Pursuant to the requirements of Section 515 of Pub L. 108-199, we wish to notify Congress of the Millennium Challenge Corporation's ("MCC") intent to enter into a Millennium Challenge Compact with the Government of the Republic of Madagascar ("GOM"), through which MCC will grant up to one hundred nine million eight hundred three thousand US Dollars (USD \$109,803,000) of FY 2004 Millennium Challenge Account ("MCA") funds. Although the full amount of these funds will be obligated at the time the agreement enters into force, funds will be disbursed in tranches over the course of the Compact's term upon satisfaction or waiver of relevant conditions precedent. This four-year Compact will implement a program, proposed by the Republic of Madagascar, which will advance Madagascar's progress towards achieving lasting poverty reduction through economic growth. The Program is designed to:

- Increase land titling and land security;
- Increase competition in the financial sector; and
- Improve agricultural production technologies and market capacity in rural areas.

Pursuant to Section 610(a) of the Millennium Challenge Act of 2003 (Section 610(a) Pub. L. 108-199, Division D) (the "Act"), the appropriate Congressional committees were notified of MCC's intent to commence negotiations with the GOM on October 12, 2004. These negotiations have resulted in a mutually agreeable program described herein, which will be formalized in a Compact on substantially the terms of the text of the Compact that is being forwarded with this notification. A summary of key elements of the Compact is set forth in the accompanying "Executive Summary." MCC will provide the final agreed text of the Compact, along with a detailed summary of the text, to the appropriate Congressional committees no later than 10 days after the execution of the Compact, as provided in Section 610(b) of the Act.

**Millennium Challenge Compact between  
The United States of America,  
Acting through the Millennium Challenge Corporation, and  
The Government of the Republic of Madagascar**

**Executive Summary**

The program to be financed under the Compact seeks to reduce the pervasive rural poverty in Madagascar through three program areas proposed by the GOM. Approximately \$36 million of MCA funds will be directed toward land tenure projects, \$36 million toward financial sector projects, and \$17 million toward developing more productive marketing and business investment opportunities in rural areas. The duration of the Compact is four years, during which time MCC will authorize, assuming satisfactory performance and satisfaction or waiver of other requirements, periodic disbursements of funds to an interest-bearing account in Madagascar (some of these funds will be transferred periodically to another interest bearing account for conversion into local currency). A fiscal agent, which will be selected by GOM or the management entity (“MCA-Madagascar”) in a competitive selection, will certify re-disbursements from such accounts for project activities in accordance with agreed conditions.

The fiscal accountability mechanisms, governance structure, and audit and review requirements (including monitoring and evaluation) set forth in the Compact and to be further detailed in ancillary agreements and documents will ensure that appropriate oversight and accountability measures are built into the implementation of the program. In accordance with its Congressional mandate, MCC will only disburse funds consistent with the limitations Congress has placed on the use and treatment of MCA assistance. These limitations are expressly set forth in the body of the Compact. MCC has also retained, through the Compact, approval rights over key agreements and implementation actions, *e.g.* selection of key service providers (such as the fiscal agent and auditor), certain payments, certain procurements, key personnel decisions for MCA-Madagascar, financial plans and budgets, and the monitoring and evaluation plan. Finally, prior to the Compact entering into force, the GOM must, among other things, execute a Disbursement Agreement, a Procurement Agreement, and term sheets in connection with certain ancillary agreements.

As a part of its undertaking, the GOM has agreed that a new entity -- MCA-Madagascar - will be established to manage and oversee the implementation of the program. A Governance Agreement (which is subject to MCC approval) will set out the governance of MCA-Madagascar, including the roles and responsibilities of the Steering Committee (board-like body) and its management. The Steering Committee will consist of government and non-government representatives. The Disbursement Agreement will set out the conditions precedent and other requirements for disbursements from MCC and re-disbursements to any person or entity. Finally, the Procurement Agreement will set forth procurement guidelines for all procurements of goods and services financed with MCC funding, which will support open, fair and competitive procedures for transparent solicitation, awards and administration of contracts to qualified and capable contractors.

## Where to Find Key Provisions

Compact:

- Article I: Objectives
- Article II: Funding and Disbursement Provisions; Government Contributions
- Article III: Implementation (including procurement, audit, reporting);  
Government Responsibilities and Assurances
- Article IV: GOM Deliveries and Conditions Precedent to Entry in Force
- Article V: Final Clauses, including Termination and Suspension

Annex I: Descriptions of the three program elements: (1) Land  
Tenure Project; (2) Finance Project; (3) Agricultural Business  
Investment Project

Annex II: Summary of Multi-Year Financial Plan

Annex III: Description of the Monitoring and Evaluation Plan