

**MILLENNIUM CHALLENGE COMPACT**  
**BETWEEN**  
**THE UNITED STATES OF AMERICA**  
**AND**  
**THE REPUBLIC OF MALAWI**

**MILLENNIUM CHALLENGE COMPACT**  
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# MILLENNIUM CHALLENGE COMPACT

## PREAMBLE

This MILLENNIUM CHALLENGE COMPACT (this “*Compact*”) is between the United States of America (the “*United States*”) and the Republic of Malawi (the “*Government*”).

Recognizing that the Millennium Challenge Corporation (“*MCC*”) shall serve as an implementing agency for the United States under this Compact;

Recognizing that the United States and the Government (collectively, the “*Parties*” and each individually, a “*Party*”) are committed to the shared goals of promoting economic growth and the elimination of extreme poverty in Malawi and that MCC assistance under this Compact supports Malawi’s demonstrated commitment to strengthening good governance, economic freedom, and investments in people;

Recalling that the Government consulted with the private sector and civil society of Malawi to determine the priorities for the use of MCC assistance and developed and submitted to MCC a proposal for such assistance to achieve lasting economic growth and poverty reduction; and

Recognizing that the United States wishes to help the Government implement the program described herein to achieve the goal and objectives described herein (as such program description and objectives may be amended from time to time in accordance with the terms of this Compact, the “*Program*”).

The Parties hereby agree as follows:

## ARTICLE 1.

### GOAL AND OBJECTIVES

Section 1.1 Compact Goal. The goal of this Compact is to reduce poverty through economic growth in Malawi (the “*Compact Goal*”). MCC shall provide assistance in a manner that strengthens good governance, economic freedom, and investments in the people of Malawi.

Section 1.2 Project Objectives. The Program consists of the three projects described in Annex I (each a “*Project*” and collectively, the “*Projects*”). The objective of each of the respective Projects (each a “*Project Objective*” and collectively, the “*Project Objectives*”) is to:

- (a) reduce costs of transport in targeted rural areas (the “*AGC Project Objective*”);
  - (b) improve land services (the “*Increased Land Productivity Project Objective*”);
- and
- (c) facilitate DFC investments in Malawi (the “*ACFD Project Objective*”).

**ARTICLE 2.**  
**FUNDING AND RESOURCES**

Section 2.1 Program Funding.

Upon entry into force of this Compact in accordance with Section 7.3, MCC shall grant to the Government, under the terms of this Compact, an amount not to exceed Three Hundred Twenty-Eight Million Eight Hundred Ninety-Six Thousand Two Hundred Fifty United States Dollars (US\$328,896,250) (“**Program Funding**”) for use by the Government to implement the Program. The multi-year allocation of Program Funding is generally described in Annex II.

Section 2.2 Compact Facilitation Funding.

(a) Upon the signing of this Compact, MCC shall grant to the Government, under the terms of this Compact and in addition to the Program Funding described in Section 2.1, an amount not to exceed Twenty-One Million One Hundred Three Thousand Seven Hundred Fifty United States Dollars (US\$21,103,750) (“**Compact Facilitation Funding**” or “**CFF**”) under Section 609(g) of the Millennium Challenge Act of 2003, as amended (the “**MCA Act**”), for use by the Government to facilitate implementation of this Compact, including for the following purposes:

- (i) financial management and procurement activities;
- (ii) administrative activities (including start-up costs such as staff salaries) and administrative support expenses such as rent, computers and other information technology or capital equipment;
- (iii) monitoring and evaluation activities;
- (iv) feasibility, design, and other project preparatory studies; and
- (v) other activities to facilitate Compact implementation as approved by MCC.

The allocation of Compact Facilitation Funding is generally described in Annex II.

(b) In accordance with Section 7.5, this Section 2.2, and other provisions of this Compact applicable to Compact Facilitation Funding shall be effective, for purposes of Compact Facilitation Funding only, as of the date this Compact is signed by the Parties.

(c) Each Disbursement of Compact Facilitation Funding (other than any Disbursement for MCC Contracted Compact Facilitation Funding Activities) is subject to satisfaction of the conditions precedent to such Disbursement as set forth in Annex IV.

(d) If MCC determines that the full amount of Compact Facilitation Funding available under Section 2.2(a) exceeds the amount that reasonably can be utilized for the purposes set forth in Section 2.2(a), MCC, by written notice to the Government, may withdraw

the excess amount, thereby reducing the amount of the Compact Facilitation Funding available under Section 2.2(a) (such excess, the “**Excess CFF Amount**”). In such event, the amount of Compact Facilitation Funding granted to the Government under Section 2.2(a) shall be reduced by the Excess CFF Amount, and the United States shall have no further obligations with respect to such Excess CFF Amount.

(e) MCC, at its option by written notice to the Government, may elect to grant to the Government an amount equal to all or a portion of such Excess CFF Amount as an increase in the Program Funding, and such additional Program Funding shall be subject to the terms and conditions of this Compact applicable to Program Funding.

(f) Without limiting the generality of Section 2.2(a), if the Parties agree in writing, MCC shall directly administer and manage a portion of the Compact Facilitation Funding on behalf of the Government (the “**MCC Contracted CFF Activities**”). Notwithstanding anything to the contrary in this Compact or the Program Implementation Agreement, MCC shall utilize applicable United States Government procurement rules and regulations in any procurements it administers and manages in connection with MCC Contracted CFF Activities and shall disburse Compact Facilitation Funding from time to time for MCC Contracted CFF Activities directly to the relevant providers upon receipt of valid invoices approved by MCC.

### Section 2.3 MCC Funding.

Program Funding and Compact Facilitation Funding are collectively referred to in this Compact as “**MCC Funding**,” and includes any refunds or reimbursements of Program Funding or Compact Facilitation Funding paid by the Government in accordance with this Compact. The total amount of MCC Funding made available under this Compact shall not exceed Three Hundred Fifty Million United States Dollars (US\$350,000,000).

### Section 2.4 Disbursement.

In accordance with this Compact and the Program Implementation Agreement, MCC shall disburse MCC Funding for expenditures incurred in furtherance of the Program (each instance, a “**Disbursement**”). Subject to the satisfaction of all applicable conditions precedent, the proceeds of Disbursements shall be made available to the Government, at MCC’s sole election, by (a) deposit to one or more bank accounts established by the Government and acceptable to MCC (each, a “**Permitted Account**”) or (b) direct payment to the relevant provider of goods, works or services for the implementation of the Program. MCC Funding may be expended only for Program expenditures.

Section 2.5 Interest. The Government shall pay or transfer to MCC, in accordance with the Program Implementation Agreement, any interest or other earnings that accrue on MCC Funding prior to such funding being used for a Program purpose.

### Section 2.6 Government Resources; Budget.

(a) Consistent with the *Guidelines for Country Contributions*, the Government shall make a contribution of no less than Twenty-Six Million Two Hundred Fifty Thousand United States Dollars (US\$26,250,000) over the Compact Term toward meeting the Project Objectives

of this Compact (the “**Government Contribution**”). The yearly allocation of the Government Contribution is generally described in Annex II, and a more detailed allocation shall be described in the Program Implementation Agreement, along with additional terms and conditions applicable to the Government Contribution. The Government Contribution shall be subject to any legal requirements in Malawi for the budgeting and appropriation of such contribution, including approval of the Government’s annual budget by its legislature. During implementation of the Program, the Government Contribution may be modified with MCC approval as provided in the *Guidelines for Country Contributions*. In addition, the Government shall provide all funds and other resources, and shall take all other actions, that are necessary to carry out the Government’s responsibilities under this Compact.

(b) The Government shall use its best efforts to ensure that all MCC Funding it receives or is projected to receive in each of its financial or fiscal years is fully accounted for and identified in its annual budget for the duration of the Program.

(c) The Government shall not reduce the normal and expected resources that it would otherwise receive or budget from sources other than MCC for the activities contemplated under this Compact and the Program.

(d) Unless the Government discloses otherwise to MCC in writing, MCC Funding shall be in addition to the resources that the Government would otherwise receive or budget for the activities contemplated under this Compact and the Program.

Section 2.7 Limitations on the Use of MCC Funding. The Government shall ensure that MCC Funding is not used for any purpose that would violate United States law or policy, as specified in this Compact or as further notified to the Government in writing, including but not limited to the following purposes:

(a) for assistance to, or training of, the military, police, militia, national guard, or other quasi-military organization or unit;

(b) for any activity that is likely to cause a substantial loss of United States jobs or a substantial displacement of United States production;

(c) to undertake, fund or otherwise support any activity that is likely to cause a significant environmental, health, or safety hazard, as further described in the *Environmental Guidelines* and any guidance documents issued in connection with such guidelines (collectively, the “**Environmental Guidelines**”); or

(d) to pay for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions, to pay for the performance of involuntary sterilizations as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations or to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning.

## Section 2.8 Taxes.

(a) Unless the Parties specifically agree otherwise in writing, the Government shall ensure that all MCC Funding is free from the payment or imposition of any existing or future taxes, duties, levies, contributions or other similar charges (but not fees or charges for services that are generally applicable in Malawi, reasonable in amount and imposed on a non-discriminatory basis) (“*Taxes*”) of or in Malawi (including any such Taxes imposed by a national, regional, local or other governmental or taxing authority of or in Malawi). Specifically, and without limiting the generality of the foregoing, MCC Funding shall be free from the payment of (i) any tariffs, customs duties, import taxes, export taxes, and other similar charges on any goods, works or services introduced into Malawi in connection with the Program; (ii) sales tax, value added tax, excise tax, property transfer tax, and other similar charges on any transactions involving goods, works or services in connection with the Program; (iii) taxes and other similar charges on ownership, possession or use of any property in connection with the Program; and (iv) taxes and other similar charges on income, profits or gross receipts attributable to work performed in connection with the Program and related social security taxes and other similar charges on all natural or legal persons performing work in connection with the Program except in the case of this clause (iv): (1) natural persons who are citizens or permanent residents of Malawi and (2) legal persons formed under the laws of Malawi (but excluding MCA-Malawi II and any other entity formed for the purpose of implementing the Government’s obligations hereunder).

(b) The mechanisms that the Government shall use to implement the tax exemption required by Section 2.8(a) for certain principal Taxes are set forth in Annex IV of the Program Implementation Agreement. Such mechanisms may include exemptions from the payment of Taxes that have been granted in accordance with applicable law, refund, or reimbursement of Taxes by the Government to MCC, MCA-Malawi II or to the taxpayer, or payment by the Government to MCA-Malawi II or MCC, for the benefit of the Program, of an agreed amount representing any collectible Taxes on the items described in Section 2.8(a). For the avoidance of doubt, the identification (or lack of identification) of Taxes on Annex IV of the Program Implementation Agreement shall in no way limit the scope of the tax-free treatment required by this Section. In addition, the Government shall from time to time execute and deliver, or cause to be executed and delivered, such other instructions, instruments, or documents, and to take or cause to be taken such other actions as may be necessary or appropriate in the determination of MCC, in order to implement the provisions of this Section.

(c) Unless otherwise specifically provided herein or in the Program Implementation Agreement, if a Tax has been paid contrary to the requirements of Section 2.8(a) or Annex IV of the Program Implementation Agreement, the Government shall refund promptly to MCC (or to another party as designated by MCC) the amount of such Tax in United States Dollars or the currency of Malawi within 60 days (or such other period as may be agreed in writing by the Parties) after the Government is notified in writing (whether by MCC or MCA-Malawi II) that such Tax has been paid. Failure to refund such amount within the specified time shall result in interest accruing on the unpaid amount in accordance with Section 5.4.

(d) The Government shall not apply any MCC Funding, any proceeds thereof or any Program Assets to satisfy its obligations under Section 2.8(c).



**ARTICLE 3.**  
**IMPLEMENTATION**

Section 3.1 Program Implementation Agreement. The Parties shall enter into an agreement providing further detail on the implementation arrangements, fiscal accountability and Disbursement and use of MCC Funding and the Government Contribution, among other matters (the “*Program Implementation Agreement*” or “*PIA*”); and the Government shall implement the Program in accordance with this Compact, the PIA, any other Supplemental Agreement, and any Implementation Letter.

Section 3.2 Government Responsibilities.

(a) The Government has principal responsibility for overseeing and managing the implementation of the Program.

(b) With the prior written consent of MCC, the Government shall designate an entity to be established as a registered trust in accordance with the Trustees Incorporation Act as the accountable entity to implement the Program and to exercise and perform the Government’s right and obligation to oversee, manage, and implement the Program, including without limitation, managing the implementation of the Projects and their Activities, allocating resources, and managing procurements. Such entity shall be referred to herein as “*MCA-Malawi II*,” and shall have the authority to bind the Government with regard to all Program activities. The Government hereby also designates MCA-Malawi II to exercise and perform the Government’s right and obligation to oversee, manage, and implement the activities described in the Compact Development Funding Grant Agreement, dated May 22, 2020, between MCC and the Government (as amended or otherwise modified, the “*CDF Agreement*”). Prior to MCA-Malawi II’s establishment, the Government hereby designates the Malawi Millennium Development Trust (“*MMD*”) to act on behalf of the Government with respect to the Program and CDF Agreement, and any reference herein or in the Program Implementation Agreement to “MCA-Malawi II” shall be deemed a reference to MMD until such time as MCA-Malawi II is duly established. The designation contemplated by this Section 3.2(b) does not relieve the Government of any obligations or responsibilities hereunder or under any related agreement, for which the Government remains fully responsible, and any provision of this Compact, the Program Implementation Agreement or any Supplemental Agreement obligating MCA-Malawi II to take any action or refrain from taking any action, as the case may be, means the Government shall cause MCA-Malawi II to take such action or refrain from taking such action, as the case may be. MCC hereby acknowledges and consents to the designation in this Section 3.2(b).

(c) The Government shall ensure that any Program Assets or services funded in whole or in part (directly or indirectly) by MCC Funding are used solely in furtherance of this Compact and the Program unless MCC agrees otherwise in writing.

(d) The Government shall take all necessary or appropriate steps to achieve each of the Project Objectives during the Compact Term (including, without limiting Section 2.6(a),

funding all costs that exceed MCC Funding and are required to carry out the terms hereof and achieve such objectives, unless MCC agrees otherwise in writing).

(e) The Government shall ensure that the Program is implemented, and that the Government carries out its obligations hereunder, with due care, efficiency, and diligence in conformity with sound technical, financial, procurement, and management practices, and in conformity with this Compact, the Program Implementation Agreement, any other Supplemental Agreement, any Implementation Letter, and the Program Guidelines.

(f) The Government shall retain ownership of any Intellectual Property developed, in whole or in part, with MCC Funding. The Government hereby grants to MCC a perpetual, irrevocable, royalty-free, worldwide, fully paid license (including the right to assign such license) to practice or have practiced on its behalf (including the right to produce, reproduce, publish, repurpose, use, store, modify, or make available) any portion or portions of Intellectual Property as MCC sees fit in any medium, now known or hereafter developed, for any purpose whatsoever.

Section 3.3 Policy Performance. In addition to undertaking the specific policy, legal, and regulatory reform commitments identified in Annex I, the Government shall seek to maintain and to improve its level of performance under the policy criteria identified in Section 607 of the MCA Act, and the selection criteria and methodology used by MCC.

Section 3.4 Accuracy of Information. The Government assures MCC that, as of the date this Compact is signed by the Government, the information provided to MCC by or on behalf of the Government in the course of reaching agreement on this Compact is true, correct, and complete in all material respects.

Section 3.5 Implementation Letters. From time to time, MCC may provide guidance to the Government in writing on any matters relating to this Compact, MCC Funding or implementation of the Program. The Government shall use such guidance in implementing the Program. The Parties may also issue joint writings to confirm and record their mutual understanding on aspects related to the implementation of this Compact, the PIA or other related agreements, including to record any revisions, exceptions, or modifications that are permitted hereunder. All writings referenced in this section are referred to as “**Implementation Letters**.”

Section 3.6 Procurement and Grants.

(a) The Government shall ensure that the procurement of all goods, works and services by the Government or any Provider to implement the Program shall be in accordance with the *Program Procurement Guidelines* (the “**Program Procurement Guidelines**”). The Program Procurement Guidelines include the following requirements, among others:

(i) open, fair, and competitive procedures must be used in a transparent manner to solicit, award, and administer contracts and to procure goods, works, and services;

(ii) solicitations for goods, works, and services must be based upon a clear and accurate description of the goods, works and services to be acquired;

(iii) contracts must be awarded only to qualified contractors that have the capability and willingness to perform the contracts in accordance with their terms on a cost effective and timely basis; and

(iv) no more than a commercially reasonable price, as determined, for example, by a comparison of price quotations and market prices, shall be paid to procure goods, works and services.

(b) The Government shall ensure that any grant issued in furtherance of the Program (each, a “**Grant**”) is awarded, implemented, and managed pursuant to open, fair, and competitive procedures in accordance with the *Program Grant Guidelines* (the “**Program Grant Guidelines**”).

### Section 3.7 Records; Accounting; Covered Providers; Access.

(a) Government Books and Records. The Government shall maintain, and shall use its best efforts to ensure, that all Covered Providers maintain, accounting books, records, documents, and other evidence relating to the Program that adequately show, to MCC’s satisfaction, the use of all MCC Funding and the Government Contribution and the implementation and results of the Program (“**Compact Records**”). In addition, the Government shall furnish or cause to be furnished to MCC, upon its request, originals, or copies of such Compact Records.

(b) Accounting. The Government shall maintain, and shall use its best efforts to ensure, that all Covered Providers maintain, Compact Records in accordance with generally accepted accounting principles prevailing in the United States, or at the Government’s option and with MCC’s prior written approval, other accounting principles, such as those (i) prescribed by the International Accounting Standards Board, or (ii) then prevailing in Malawi. Compact Records must be maintained for at least five years after the end of the Compact Term or for such longer period, if any, required to resolve any litigation, claims or audit findings or any applicable legal requirements.

(c) Access. Upon MCC’s request, the Government, at all reasonable times, shall permit, or cause to be permitted, authorized representatives of MCC, the Inspector General of MCC (“**Inspector General**”), the United States Government Accountability Office, any auditor responsible for an audit contemplated herein or otherwise conducted in furtherance of this Compact, and any agents or representatives engaged by MCC or the Government to conduct any assessment, review or evaluation of the Program, the opportunity to audit, review, evaluate or inspect facilities, assets and activities funded in whole or in part by MCC Funding or the Government Contribution.

### Section 3.8 Audits; Reviews.

(a) Government Audits. The Government shall, on at least an annual basis (or on such other periodic basis as requested by MCC in writing), conduct, or cause to be conducted, financial audits of all disbursements of MCC Funding and the Government Contribution. All such audits shall be performed in accordance with the terms of *The Accountable Entities Guidelines for Contracted Financial Audits* (the “**Audit Guidelines**”) or such other processes and

procedures as MCC may direct from time to time, including without limitation, terms governing the timing of such audits and the periods to be audited. In addition, the Government shall ensure that such audits are conducted by an independent auditor approved by MCC and selected in accordance with the Audit Guidelines. Each audit must be completed, and the draft audit report delivered to MCC, no later than 120 days after the applicable audit period, or such other period as the Parties may otherwise agree in writing. Any changes to the period to be audited shall be included in an audit plan developed and implemented by MCA-Malawi II in accordance with the Audit Guidelines and Program Implementation Agreement and as approved by MCC (the “*Audit Plan*”) or as agreed by the Parties in writing.

(b) Audits of Other Entities. The Government shall ensure that MCC-financed agreements between the Government or any Provider, on the one hand, and an entity defined as a Covered Provider by the Audit Guidelines, on the other hand, state that the Covered Provider is subject to audit in accordance with the Audit Guidelines.

(c) Corrective Actions. The Government shall use its best efforts to ensure that MCA-Malawi II and any other Covered Provider (i) takes, where necessary, appropriate, and timely corrective actions in response to audits, (ii) considers whether the results of MCA-Malawi II’s or any other Covered Provider’s audits necessitate adjustment of the Government’s records, and (iii) permits independent auditors to have access to its records and financial statements, as necessary.

(d) Audit by MCC. MCC shall have the right to arrange for audits of the Government’s use of MCC Funding and the Government Contribution.

(e) Cost of Audits, Reviews or Evaluations. MCC Funding may be used to fund the costs of any audits, reviews or evaluations required under this Compact.

#### **ARTICLE 4. COMMUNICATIONS**

Section 4.1 Communications. Any document or communication required or submitted by either Party to the other under this Compact must be in writing and, except as otherwise mutually agreed by the Parties, in English. All such documents or communication must be submitted to the address of each Party set forth below or to such other address as may be designated by any Party in a written notice to the other Party.

To MCC:

Millennium Challenge Corporation  
Attention: Vice President, Compact Operations  
(with a copy to the Vice President and General Counsel)  
1099 Fourteenth Street NW, Suite 700  
Washington DC 20005  
United States of America  
Facsimile: +1 (202) 521-3947  
Telephone: +1 (202) 521-3600  
Email: VPOperations@mcc.gov (Vice President, Compact Operations)  
VPGeneralCounsel@mcc.gov (Vice President and General Counsel)

To the Government:

Minister of Finance and Economic Affairs  
Attention: Secretary to the Treasury  
(with a copy to the Chief Executive Officer, MCA-Malawi II)  
Ministry of Finance Building  
Capital Hill  
P.O. Box 30049  
Capital City  
Lilongwe  
Malawi  
Facsimile: +265 1789173  
Telephone: +265 1789355/589

To MCA-Malawi II:

Millennium Challenge Account – Malawi II  
Attention: Chief Executive Officer  
Sparc Tower  
Plot Number 13/133  
P.O. Box 51513  
City Center  
Lilongwe  
Malawi  
Telephone: +265 1774303

Section 4.2 Representatives. For all purposes relevant to implementation of this Compact, the Government shall be represented by the individual holding the position of, or acting as, Minister of Finance and Economic Affairs of the Republic of Malawi, and the United States shall be represented by the individual holding the position of, or acting as, Vice President, Compact Operations (each of the foregoing, a “**Principal Representative**”). Each Party, by written notice to the other Party, may designate one or more additional representatives of such Party (each, an “**Additional Representative**”) for all purposes relevant to implementation of this Compact except for amending this Compact pursuant to Section 6.2(a). The Government hereby designates the

Secretary to the Treasury, the Director of Debt and Aid in the Ministry of Finance and Economic Affairs, and the Chief Executive Officer (or equivalent officer) of MCA-Malawi II as Additional Representatives for the Government. The United States hereby designates the Principal Deputy Vice President, Department of Compact Operations for Africa of MCC and the Resident and Deputy Country Directors of MCC for Malawi as Additional Representatives for the United States. A Party may change its Principal Representative to a new representative that holds a position of equal or higher authority upon written notice to the other Party.

Section 4.3 Signatures. Signatures to this Compact and to any amendment to this Compact shall be original signatures appearing on the same page or in an exchange of letters or diplomatic notes.

## **ARTICLE 5.**

### **TERMINATION; SUSPENSION; EXPIRATION**

#### **Section 5.1 Termination; Suspension.**

(a) Either Party may terminate this Compact in its entirety by giving the other Party 30 days' prior written notice. MCC may also terminate MCC Funding in part by giving the Government 30 days' prior written notice.

(b) The United States may, immediately, upon written notice to the Government, suspend or terminate this Compact or MCC Funding, in whole or in part, and any obligation related thereto, if MCC determines that any circumstance identified by MCC, as a basis for suspension or termination (as notified to the Government in writing) has occurred, which circumstances include but are not limited to the following:

(i) the Government fails to comply with its obligations under this Compact or any other agreement or arrangement entered into by the Government in connection with this Compact or the Program;

(ii) any statement, affirmation or assurance of the Government made or deemed made in this Compact, the Program Implementation Agreement, any Supplemental Agreement, or in any certificate or other document delivered in connection with this Compact proves to have been incorrect or misleading as of the date when made or deemed made;

(iii) an event or series of events has occurred that makes it probable that any Project Objective is not going to be achieved during the Compact Term or that the Government is not going to be able to perform its obligations under this Compact;

(iv) a use of MCC Funding or continued implementation of this Compact or the Program violates applicable law or United States Government policy, whether now or hereafter in effect;

(v) the Government or any other person or entity receiving MCC Funding or using Program Assets is engaged in activities that are contrary to the national security interests of the United States;

(vi) an act has been committed or an omission or an event has occurred that would render Malawi ineligible to receive United States economic assistance under Part I of the Foreign Assistance Act of 1961, as amended (22 U.S.C. 2151 *et seq.*), by reason of the application of any provision of such act or any other provision of law; and

(vii) the Government has engaged in a pattern of actions inconsistent with the criteria used to determine the eligibility of Malawi for assistance under the MCA Act.

#### Section 5.2 Consequences of Termination, Suspension, or Expiration.

(a) Upon the suspension or termination, in whole or in part, of this Compact or any MCC Funding, or upon the expiration of this Compact, Section 4.2 of the Program Implementation Agreement shall govern the post-suspension, post-termination, or post-expiration treatment of MCC Funding, any related Disbursements and Program Assets. Any portion of this Compact, MCC Funding, the Program Implementation Agreement, or any other Supplemental Agreement that is not suspended or terminated shall remain in full force and effect.

(b) MCC may reinstate any suspended or terminated MCC Funding under this Compact if MCC determines that the Government or other relevant person or entity has committed to correct each condition for which MCC Funding was suspended or terminated.

#### Section 5.3 Refunds; Violation.

(a) If any MCC Funding, any interest or earnings thereon, or any Program Asset is used for any purpose in violation of the terms of this Compact, then the United States may require the Government to repay to MCC in United States Dollars the value of the misused MCC Funding, interest, earnings, or asset, plus interest thereon in accordance with Section 5.4 within 30 days after the Government's receipt of MCC's request for repayment. The Government shall not use MCC Funding, proceeds thereof or any Program Asset to make such payment.

(b) Notwithstanding any other provision in this Compact or any other agreement to the contrary, the United States' right under Section 5.3(a) to obtain a refund shall continue during the Compact Term and for a period of (i) five years thereafter or (ii) one year after MCC receives actual knowledge of such violation, whichever is later.

Section 5.4 Late Payment Interest. If the Government fails to pay any amount under this Compact or the Program Implementation Agreement when due (including amounts under Sections 2.8(c) and 5.3(a)), the Government shall pay interest on such past due amount. Interest shall accrue on such amount at a rate equal to the then current US Treasury Current Value of Funds Rate, calculated on a daily basis and a 360-day year from the due date of such payment until such amount is paid in full. Any such payment shall first be credited against interest due, and once the interest due amount is extinguished, then payments shall be credited against outstanding principal.

Section 5.5 Survival. The Government's responsibilities under this Section and Sections 2.7, (Limitations on the Use of MCC Funding), 2.8 (Taxes), 3.2(f) (Government Responsibilities), 3.7 (Records; Accounting; Covered Providers; Access), 3.8 (Audits; Reviews), 5.2

(Consequences of Termination, Suspension, or Expiration), 5.3 (Refunds; Violation), 5.4 (Late Payment Interest), and 6.4 (Governing Law) shall survive the expiration, suspension or termination of this Compact, provided that the terms of Section 2.8 shall survive for 120 days following this Compact's expiration.

## ARTICLE 6.

### COMPACT ANNEXES; AMENDMENTS; GOVERNING LAW

Section 6.1 Annexes. Each annex to this Compact constitutes an integral part hereof, and references to "*Annex*" mean an annex to this Compact unless otherwise expressly stated.

Section 6.2 Amendments and Modifications.

(a) The Parties may amend this Compact only by a written agreement. Such agreement shall specify how it enters into force.

(b) Notwithstanding subsection (a), the Parties agree that the Government and MCC may by written agreement, which shall enter into force upon signature, modify any Annex to, in particular, but without limitation: (i) suspend, terminate or modify any Project or Activity, (ii) change the allocations of funds as set forth in Annex II, (iii) modify the implementation framework described in Annex I, (iv) add, change or delete any indicator, baseline or target or other information set forth in Annex III in accordance with the *Policy for Monitoring and Evaluation of Compacts and Threshold Programs*, or (v) add, modify, or delete any condition precedent described in Annex IV; *provided that*, in each case, any such modification (A) is consistent in all material respects with the Project Objectives, (B) does not cause the amount of Program Funding to exceed the aggregate amount specified in Section 2.1 (as may be modified by operation of Section 2.2(e)), (C) does not cause the amount of Compact Facilitation Funding to exceed the aggregate amount specified in Section 2.2(a), (D) does not reduce the Government's responsibilities or contribution of resources required under Section 2.6(a), and (E) does not extend the Compact Term.

(c) The Parties understand that any amendment of this Compact or any modification of any Annex pursuant to this Section 6.2 may be entered into by the Government without the need for further action by the Government (including any parliamentary action), or satisfaction of any additional domestic requirements of Malawi.

Section 6.3 Definitions; Inconsistencies.

(a) Capitalized terms used in this Compact shall have the meanings provided in Annex V.

(b) In the event of any conflict or inconsistency between:

(i) any Annex and any of Articles 1 through 7, such Articles 1 through 7, as applicable, shall prevail; or



(ii) this Compact and any other agreement between the Parties regarding the Program, this Compact shall prevail.

Section 6.4 Governing Law. This Compact is an international agreement and as such shall be governed by international law.

Section 6.5 Additional Instruments. Any reference to activities, obligations or rights undertaken or existing under or in furtherance of this Compact or similar language shall include activities, obligations and rights undertaken by, or existing under or in furtherance of any agreement, document or instrument related to this Compact and the Program.

Section 6.6 References to MCC Website. Unless expressly provided otherwise, any reference in this Compact, the PIA or any other agreement entered into in connection with this Compact, to a document or information available on, or notified by posting on the MCC Website shall be deemed a reference to such document or information as updated or substituted on the MCC Website from time to time.

Section 6.7 References to Laws, Regulations, Policies, and Guidelines; References to Compact Expiration and Termination; Government Successors.

(a) Unless expressly provided otherwise, each reference in this Compact, the PIA, or any other agreement entered into in connection with this Compact, to a law, regulation, policy, guideline or similar document shall be construed as a reference to such law, regulation, policy, guideline or similar document as it may, from time to time, be amended, revised, replaced, or extended, and shall include any law, regulation, policy, guideline or similar document issued under or otherwise applicable or related to such law, regulation, policy, guideline or similar document.

(b) Unless expressly provided otherwise, each reference in this Compact, the PIA, or any other agreement entered into in connection with this Compact, to a Government ministry shall be construed to include any successor ministry with the relevant subject matter or sector authority.

(c) Unless expressly provided otherwise, each reference in this Compact, the PIA, or any other agreement entered into in connection with this Compact, to a policy, guideline, guidance paper, or similar document shall be construed as a reference to an MCC policy, guideline, guidance paper, or similar document relating to the administration of MCC-funded assistance programs, in each case, as such may be posted from time to time on the MCC Website.

(d) Each reference in this Compact, the PIA or any other agreement entered into in connection with this Compact, to the Compact's "expiration" refers to the date on which the Compact Term ends if the Compact is not terminated earlier, which in accordance with Section 7.4 is five years after its entry into force. Each reference in any of the aforementioned documents

to the Compact's "termination" refers to this Compact ceasing to be in force prior to its expiration in accordance with Section 5.1.

Section 6.8 MCC Status. MCC is a United States government corporation acting on behalf of the United States in the implementation of this Compact. The United States Government, including MCC, assumes no liability for any claims or loss arising out of activities or omissions under this Compact. The Government waives any and all claims against the United States Government, including MCC, or any current or former officer or employee of the United States Government, including MCC, for all loss, damage, injury, or death arising out of activities or omissions under this Compact, and agrees that it shall not bring any claim or legal proceeding of any kind against any of the above entities or persons for any such loss, damage, injury, or death. The Government agrees that the United States Government, including MCC, or any current or former officer or employee of the United States Government, including MCC, shall be immune from the jurisdiction of all courts and tribunals of Malawi for any claim or loss arising out of activities or omissions under this Compact.

## **ARTICLE 7.**

### **ENTRY INTO FORCE**

Section 7.1 Domestic Procedures. The Government shall proceed in a timely manner to complete all of its domestic requirements for this Compact and the PIA to enter into force. The Parties understand that this Compact and the PIA, upon entry into force, shall prevail over the laws of Malawi with the exception of the Constitution of Malawi.

Section 7.2 Conditions Precedent to Entry into Force. Each of the following conditions must be met to MCC's satisfaction before this Compact enters into force:

- (a) the Program Implementation Agreement is signed by the parties thereto;
- (b) The Government delivers to MCC:
  - (i) a letter signed and dated by the Principal Representative of the Government, or such other duly authorized representative of the Government acceptable to MCC, confirming that the Government has completed its domestic requirements necessary for this Compact to enter into force and that the other conditions precedent to entry into force in this Section 7.2 have been met;
  - (ii) a signed legal opinion from the Attorney General of Malawi (or such other legal representative of the Government acceptable to MCC), in form and substance satisfactory to MCC;
  - (iii) complete, certified copies of all decrees, legislation, regulations, or other governmental documents relating to the Government's domestic requirements necessary for this Compact and the PIA to enter into force, which MCC may post on its website or otherwise make publicly available; and

(c) MCC determines that, after signature of this Compact, the Government has not engaged in a pattern of actions inconsistent with the eligibility criteria for MCC Funding.

Section 7.3 Date of Entry into Force. This Compact shall enter into force on the date of the letter from MCC to the Government in an exchange of letters confirming that MCC and the Government have completed their respective domestic requirements for entry into force of this Compact and that the conditions precedent to entry into force in Section 7.2 have been met to MCC's satisfaction.

Section 7.4 Compact Term. This Compact shall remain in force for five years after its entry into force, unless terminated earlier under Section 5.1 (the "*Compact Term*").

Section 7.5 Provisional Application. Upon signature of this Compact, and until this Compact has entered into force in accordance with Section 7.3, the Parties shall provisionally apply the terms of this Compact; *provided that*, no MCC Funding, other than Compact Facilitation Funding, shall be made available or disbursed before this Compact enters into force.

**SIGNATURE PAGE FOLLOWS ON THE NEXT PAGE**

**IN WITNESS WHEREOF**, the undersigned, duly authorized by their respective governments, have signed this Compact.

Done at Washington, DC, this 28th day of September 2022.

FOR THE UNITED STATES OF AMERICA      FOR THE REPUBLIC OF MALAWI

/s/

/s/

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Name: Alice P. Albright  
Title: Chief Executive Officer  
Millennium Challenge Corporation

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Name: Hon. Sosten Alfred Gwengwe MP  
Title: Minister of Finance and Economic Affairs

## ANNEX I

### PROGRAM DESCRIPTION

This Annex I describes the Program to be funded with MCC Funding and the Government Contribution during the Compact Term.

#### **A. PROGRAM OVERVIEW**

##### **1. Background and Consultative Process.**

###### **(a) Background.**

Malawi has been a strong and committed MCC partner since 2005. Malawi successfully completed a threshold program in 2008 and its first Millennium Challenge Compact on September 20, 2018. That compact, which was signed on April 7, 2011, and entered into force on September 20, 2013, was designed to reduce poverty and increase economic growth by reducing the cost of doing business in Malawi, expanding access to electricity for the Malawian people and businesses, and increasing value-added production in Malawi. Based on the strength of Malawi's performance on this first compact and the earlier threshold program, as well as the country's sustained positive performance in the policy areas measured by MCC's scorecard, MCC's Board of Directors selected Malawi as eligible to develop a second compact program in December 2018.

Following selection, MCC worked closely with MMD, to develop the Program. Working with MMD, MCC and the Government completed a constraints analysis in 2019. The constraints analysis identified three binding constraints to economic growth in Malawi: (i) lack of a stable macroeconomic environment as reflected in high and volatile inflation; (ii) high price of road freight transport service and barriers to linking farms to markets in rural areas; and (iii) difficulties with access to land for investment due to mismanagement of the estate sector and unclear/uncertain customary land rights, particularly for women smallholder farmers.

Based on consultations with the Government, other donors, the private sector, and civil society, as well as the Government's stated prioritization, MCC and the Government jointly agreed to focus the second compact on the binding constraints pertaining to agricultural markets and land. MCC and the Government further agreed to focus on several root causes contributing to these constraints, such as (i) poor rural infrastructure and policy, (ii) institutional, and regulatory issues affecting the transport sector, (iii) inadequate public resources to support land service delivery, (iv) a costly institutional framework for land administration, (v) outdated and inaccessible land rights records, and (vi) limited incentives on landholders to invest in or transfer land. MCC and the Government have designed a Program that seeks to address the root causes by (1) reducing transport costs in rural areas through measures to improve road conditions, safety, and maintenance across corridor roads connecting farms to markets; and (2) improving land services through measures to increase land-based revenues, address institutional change and increase resources for key services to increase investment in land.

###### **(b) Consultative Process.**

Throughout the multi-year compact development process, MCC and the Government engaged in regular, inclusive consultations with a wide range of stakeholders in order to, inter alia, identify

binding constraints to economic growth, assess underlying root causes or problems driving these binding constraints, identify potential project opportunities, and make informed design decisions for the Projects to better assure the achievement of results and maximize impact.

These consultations included relevant Government ministries and institutions, local communities likely to be impacted by the Program and related local officials, representatives from local and international civil society and non-governmental organizations, private sector leaders, other donors, and U.S. Government partners, such as the U.S. Embassy in Lilongwe, the U.S. Agency for International Development (“*USAID*”), and the U.S. International Development Finance Corporation (“*DFC*”).

In particular, MCC and the Government specifically solicited input from other donors on Program-related studies and project documents. This included consultations with other donors investing in Malawi’s agriculture, land, and transport sectors, such as the World Bank and European donors (such as the European Union (“*EU*”)), which have supported efforts to irrigate land, rehabilitate roads and bridges, and improve the business environment for local entrepreneurs through both transportation connectivity and enhanced trade exchanges.

## 2. Description of Program and Beneficiaries.

### (a) Program Description.

The Program consists of three Projects designed to respond to critical constraints to growth in Malawi, align with the Government’s national development priorities, and lead to poverty reduction and sustainable economic growth in Malawi: (i) the Accelerated Growth Corridors (“*AGC*”) Project, (ii) the Increased Land Productivity Project, and (iii) the American Catalyst Facility for Development (“*ACFD*”) Project.

### (b) Intended Beneficiaries.

The Program is projected to benefit a total of 5,394,000 people, as detailed in the table below.

<b>Project</b>	<b>Projected Number of Beneficiaries (people)</b>
AGC Project	1,179,000
Increased Land Productivity Project	4,215,000 <sup>1</sup>
<b>Total</b> (Note: some individuals may benefit from more than one Project)	5,394,000

The ACFD Project is a combined effort of MCC, DFC, and the Government. While DFC will appraise, oversee, and monitor project activities, MCC and the Government expect to work closely with DFC during all phases of the Project from identifying activities, activity development, and implementation. It is expected that DFC assess and report the benefits of all Project activities using its Impact Quotient system for measuring development impact, which measures the investment’s impact on economic growth, potential job creation, inclusion, and

<sup>1</sup> The aggregate beneficiary total for the Increased Land Productivity Project is less than the summation of the activity-level numbers due to overlap in the beneficiary pools of the two Activities.

innovation. MCC and DFC will collaborate to assess and quantify the benefits of the ACFD Project in a manner that is acceptable to all parties.

## B. DESCRIPTION OF PROJECTS

Set forth below is a description of each of the Projects that the Government shall implement, or cause to be implemented, using MCC Funding to advance the applicable Project Objective. In addition, specific activities that shall be undertaken within each Project (each, an “*Activity*”), including Sub-Activities, are also described.

### 1. Accelerated Growth Corridors Project

#### (a) Summary of Project and Activities.

The objective of the AGC Project is set forth in Section 1.2(a). To accomplish the AGC Project Objective, the AGC Project shall include investments in road infrastructure and policy and institutional reforms, including the decentralization of district road maintenance.

The AGC Project includes the following two Activities:

#### (i) Road Corridor Improvement (“*RCP*”) Activity.

This Activity aims to target investment in physical upgrades and improvements across different classes of roads within four selected corridors to improve rural access by addressing road conditions and reducing transport costs. A “*Corridor*” is an area served by road transport infrastructure, facilitating obtaining of agricultural inputs, and enabling access to markets. A “*Focal Point*” is an existing or potential point within the area of the Corridor that is the focus of agricultural activity including aggregation of produce for collection by traders, a depot for agricultural inputs, other agribusiness, or agro-processing facilities. This Activity includes four Sub-Activities.

#### (A) Corridor Road Works Sub-Activity

This Sub-Activity aims to improve farmers’ access to agricultural inputs and markets by improving the main road sections in specific Corridors. MCC Funding shall be used to upgrade the surface conditions of specific roads in a Corridor (“*Corridor Roads*”) to a paved road standard. The Corridor Roads consist of the following:

Road	Districts (“ <i>AGC Districts</i> ”)/Regions	Length (km)
Mkanda – Mwase (S118)	Mchinji, Kasungu/Central	88.0
Chileka – Likuni (T345/S124)	Lilongwe/Central	53.2
Chamtulo – Mkutumula (T381/T383)	Mangochi, Ntcheu/South	77.1
Euthini – Rumphu (M9, S109)	Mzimba, Rumphu/North	67.0

#### (B) Link Road Works Sub-Activity

This Sub-Activity aims to improve farmers’ access to agricultural inputs and markets by improving the roads connecting Focal Points to Corridor Roads (“*Link Roads.*”) MCC Funding

shall be used to upgrade the surface conditions of the Link Roads to an all-weather gravel road standard.

MCC Funding shall also support the development of up to seven road maintenance camps and equipment at each district center, as well as equipment to each participating district.<sup>2</sup> Camps will be fenced, with basic facilities including stores, an office, workshop, and sanitary facilities. Equipment is to be made available to each participating district for use in road maintenance from the Government's Department of Plant & Vehicle Hire and Engineering Services, and lent to the districts, or by direct provision to the districts.

#### (C) First Mile Road Works Sub-Activity

This Sub-Activity aims to improve farmers' access to agricultural inputs and markets by constructing new roads or improving existing roads that connect smallholder farms to Focal Points. MCC Funding shall be used to construct single lane gravel roads or making spot improvements to roads to enable more reliable and climate-resilient all-weather access.

#### (D) Main Road Maintenance Works Sub-Activity

This Sub-Activity aims to implement maintenance interventions on the main paved roads connecting Corridor Roads to the nearest city. MCC Funding shall be used for pavement repairs, reseals, and reinstatement of road markings, road signs and other road furniture, with necessary improvements for road safety purposes.

#### (ii) Policy and Institutional Reform and Capacity Building (“PIR”) Activity.

This Activity focuses on assistance to the Government to address policy, legislative, institutional, and funding issues to ensure that road transport in AGCs is well-maintained and managed.

#### (A) Competitiveness in Transport Services Sub-Activity

This Sub-Activity aims to support initiatives aimed to increase competitiveness in transport service provision. MCC Funding shall support:

- A review of Malawi's Competition and Fair Trading Commission (“*CFTC*”) legislation to identify any weakness that may undermine the effectiveness of the CFTC in regulating the cost of rural transport services. If necessary, MCC will support a process to update the legislation.
- The establishment of a unit focused on effective transport services (“*Transport Unit*”) within CFTC by providing: i) equipment including desks, chairs, vehicles, and information technology equipment for the Transport Unit, and ii) training for staff of the Transport Unit including in undertaking market diagnostics, performing due diligence and investigations, ensuring legal compliance, and conducting feasibility studies. The scope of work of the Transport Unit, the equipment needs, and the training and capacity

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<sup>2</sup> If the maintenance system developed under the PIR Activity fully outsources maintenance works to private contractors, then graders will not be provided to participating districts.



building program will be defined in a preparatory study to be carried out prior to entry into force of the Compact.

- The establishment of a virtual marketplace platform for freight transport using short message service or on-line platforms to enable smallholder farmers to obtain information on rates and services and transporters to see available freight assignments. MCC support could include: i) investigation of and initial design of a virtual marketplace platform system; ii) negotiation with communication network providers in pilot areas in AGC Districts; and iii) support to the National Logistics Framework which is being implemented by Malawi Confederations of Chambers of Commerce and Industry (“*MCCCP*”).
- The provision of technical assistance to investigate first-mile transport issues and develop local solutions from farm gate to point of first aggregation. MCC will also support the implementation of the most appropriate options in each corridor.

#### (B) Road Maintenance Sub-Activity

This Sub-Activity aims to support initiatives aimed to enhance the operating environment and capacity for road maintenance. MCC Funding shall support:

- A review of the Roads Fund Administration legislation to identify any modifications that may be required to support increased funding for road maintenance and decentralized road management. If necessary, MCC will support a process to update the legislation.
- Technical assistance to encourage and equip civil society and industry organizations to advocate for road maintenance. This technical assistance will be aimed at engaging with MCCCCI, road transport associations, farmers associations, and relevant civil society organizations to address: i) institutional structures in these organization to identify roads advocacy specifically; ii) training of members of these organizations; and iii) provision of information and materials for advocacy in the roads sector.
- Technical assistance to the Roads Authority to i) more comprehensively establish its role as coordinator of the Annual National Roads Program; ii) strengthen the network planning process; and iii) improve the efficiency of implementation of maintenance on the primary and secondary road networks, particularly the Corridor Roads.

#### (C) District Capacity for Road Management Sub-Activity

This Sub-Activity aims to support initiatives aimed to enhance the operating environment and capacity for district road maintenance. MCC Funding shall support:

- A capacity and gap assessment of road management functions and road maintenance planning and operations in each AGC District, including a review of District Council bylaws to ensure coverage for both full execution of road maintenance and possible revenue generation to support that maintenance in the districts.

- Technical assistance and training to build District Councils’ technical capacity for road management including environmental and social management capacity and gender equity in planning and implementation to ensure that the agreed maintenance system is fully operational in the AGC Districts by the end of the Compact.
- Development, with stakeholder groups, of an agreed approach to management of district and community road networks.
- Support to AGC Districts to improve their ability to manage risks, through professional tools like environmental and social impact assessments (“*ESIA*”), resettlement planning, occupational/community health and safety, and organizational capacity enhancements like increasing women’s representation in planning and implementation.
- Review and enhancement of procurement processes for road maintenance contracting.

#### (D) Market Regulation for Inclusive Growth Sub-Activity

This Sub-Activity aims to support stronger and more effective regulation of public gender-based violence in markets and associated transport services by facilitating governance reforms within five to seven District Councils in AGC Districts. MCC Funding shall be used to support:

- Governance reform facilitation services for District Councils to support development of stronger approaches to regulation of gender-based violence in markets and transport services.
- District Councils to lead and manage reform processes, including conducting stakeholder consultations to develop appropriate strategies; implementing new approaches in markets in AGC Districts; and conducting monitoring, evaluation, and learning.

#### (b) Environmental and Social Mitigation Measures.

The RCI Activity poses potentially significant environmental risks from upgrading of secondary roads and expansion of conduits into rural areas to facilitate marketing opportunity. This will require potential expansion of existing routes/paths and potentially installation of new linkage roads. For this reason, the AGC Project is categorized as a Category A project.

Operational impacts include significant social and environmental benefits. A pre-feasibility assessment is incorporating a Strategic Environmental and Social Assessment as part of the criteria for selecting Corridors. Similar to other criteria such as engineering and economic, the environmental and social criteria under the Strategic Environmental and Social Assessment evaluates any environmental and social risks that may cause unacceptable impacts, lead to difficult to manage factors or cause significant delays to the implementation that may undermine the ability to perform construction along these Corridors within the Compact Term. This includes impacts on protected areas or key sensitive sites. These environmental factors are assessed considering the cumulative impacts of working on multiple Corridors. Additionally, the pre-feasibility study includes the development of a programmatic environmental assessment and management plan which is to serve as a planning tool to standardize management of key environmental and social construction-related risks across the corridors as well as a resettlement

policy framework. These tools work to support consistency across the geographically spread corridors.

Climate change risks have been considered and opportunities to integrate adaptation and mitigation opportunities have been identified in initial design. The designs are incorporating climate and updated hydrological modeling using future climate projections to build a robust safety margin into bridges, drainage, and road designs. The pre-feasibility work is also piloting a greenhouse gas (“*GHG*”) emissions calculator. The use of this will provide a baseline of emissions, evaluate material use and trade-offs using GHG emissions, and potentially use the social cost of carbon in the economic rate of return (“*ERR*”) for sensitivity analysis. Additionally, this provides a test case for GHG calculations to be incorporated in design decisions. Enhancing climate resilience, a higher risk to Malawi roads due to increased extreme weather and intense rainfall events projected into the future, is still the primary concern. Climate resilience will translate into the need for higher capacity drainage, raised bridges, and improved surfacing of the roads. While nature-based solutions will be evaluated, most of the climate resilience features will require construction designs requiring more concrete and rebar (e.g., higher emissions). To capture the tradeoff between lower construction costs and greater climate resiliency, the cost-benefit analysis (“*CBA*”) model incorporates climate-resilient benefits related to cost savings and reduced loss of road access following climatic events.

The ESIA developed during detailed design will include an assessment of trafficking in persons risks on the AGC Project. Contractors will be required to develop and implement contractor environmental and social management plans, including counter-trafficking in persons recommendations. The resettlement action plan will ensure that all land provided for the project is compliant with IFC Performance Standard 5 and is consistent with reforms adopted in accordance with the Increased Land Productivity Project.

The PIR Activity is a Category C activity. While the reforms do not have environmental and social impacts, the implementation of the reforms could induce impacts. For that reason, MCC will work with the reform process to evaluate potential environmental, social, resettlement, and health and safety risks. Efforts will be made to develop environmental and social screening and manage environmental/social risks into the reforms to limit induced impact and enhance benefits.

(c) Gender and Social Inclusion.

District capacity-building efforts open the opportunity to advance stronger gender and social inclusion capabilities and more gender equity in the sector. In supporting improved technical staffing of District Councils, the AGC Project will include training or staffing plans which build technical abilities around the management of environmental and social risks and to increase greater gender equity in both planning and procurement.

In contract works, the AGC Project will incorporate a number of measures to increase women’s opportunities to benefit from the project, including via contract targets. If MCC supports efforts to equip local industry players to bid or subcontract on Compact funded works, this should also include explicit gender-equity components.

The trafficking in persons risks of the AGC Project are high. This is based on a) Malawi’s placement on Tier 2 in the State Department’s *2021 Trafficking in Persons Report*; b) the World Bank’s 2018 report of pervasive sexual abuse and exploitation on Malawian roads construction

projects; c) and MCC's own prior experiences with trafficking in persons incidents. The most likely risk of this project is sex trafficking. The AGC Project includes substantial mitigation measures drawn from emerging best practices. These include a sensitization campaign along the Corridors and project-level risk assessments to be conducted in ESIAAs.

(d) Donor Coordination.

MCC and the Government coordinated closely with other donors in the transport sector during the development of the Project. In particular, MCC coordinated with the EU and World Bank. Through this coordination process, MCC and the Government ensured that the AGC Project is complementary to and builds on the work of other donors and that proposed reforms are aligned.

(e) USAID.

MCC coordinated with USAID through the development of the Compact to limit overlap in the agriculture space. Cooperation and coordination with USAID shall continue during Program implementation to promote ongoing information exchange and post-compact sustainability.

(f) Sustainability.

The AGC Project's focus on road maintenance, and on capacity building more broadly, is designed to enhance the sustainability of the RCI Activity. Responsible domestic agencies must have capacity to carry out road management and maintenance activities and access to predictable and sufficient funding streams, with stable funding mechanisms. Additionally, past MCC projects have pointed to the importance of data-driven road maintenance systems informed not by political priorities but rather by comprehensive information on road and traffic conditions. These considerations have been integrated into project design and are reflected in the targeted areas of focus under the PIR Activity.

(g) Policy, Legal, and Regulatory Reforms.

Policy, legal, and regulatory reforms related to the AGC Project are addressed largely through the measures outlined under the PIR Activity, which are designed to strengthen the policy framework and institutional capacity associated with the Project Objective across four main areas: (i) facilitation of competitiveness in transport service provision; (ii) efficient allocation of resources for effective road maintenance; (iii) improvement in the capacity and implementation of roads management and maintenance at the district level; and (iv) regulation of public gender based violence in transport services and corridor-adjacent markets. In furtherance of this objective and the Project, the Government commits to making the financial and human resources at the national and district-levels available for road maintenance; reforming the seed and fertilizer sectors and export measures that negatively impact the agricultural enabling environment, promulgating the Roads Bill, and creating a Transport Unit in the CFTC.

## **2. Increased Land Productivity Project**

(a) Summary of Project and Activities.

The objective of the Increased Land Productivity Project is set forth in Section 1.2(b). To accomplish the Increased Land Productivity Project Objective, MCC Funding shall support

activities to support reform and implementation of reforms to expand land-based revenues, address institutional change, and increase resources for key services to increase investment in land.

(i) Land Administration Resourcing and Institutions Activity.

This Activity aims to support analysis, reform, and implementation of reforms to expand national land-based revenues, address institutional change, and address the land rights records that underpin land institution work.

(A) Reform of Resourcing and Institutions Sub-Activity

This Sub-Activity aims to support reform study, drafting, consultation, adoption, and implementation planning related to:

- national land-based revenue reform, focusing on retention; rationalization of rates—particularly rents; and improvements in revenue management and expenditure approaches to support strategic use of increased financial resources;
- achieving an approach to devolution of land services that is affordable to the Government and financially sustainable; and
- the creation of a land authority, if the Government chooses.

The Sub-Activity also aims to support:

- land rights records organization and analysis as may be agreed between the Government and MCC, including in support of the above reform areas.

The Government will have responsibility for the final decision to pursue work on any or all of the topics included here.

(B) Implementation of Reforms to Resourcing and Institutions Sub-Activity

This Sub-Activity aims to support implementation of selected components of reforms and plans as may be developed and adopted by the Government under the Reform of Resourcing and Institutions Sub-Activity. MCC Funding shall support specific reforms as agreed between MCC and the Government, and may include capital or capacity investments.

(ii) City Council Land-Based Revenue Modernization Activity.

This Activity aims to expand coverage and collection of land-based revenues, as well as to increase resources for key services and increase investment in land. MCC Funding shall support a sequence of activities in up to four cities (Lilongwe, Blantyre, Mzuzu, and Zomba.) Specifically, this includes:

- legal, regulatory, and procedural changes, such as city-level bylaws and ordinances establishing the approach to property mapping and appraisal, to ensure the legal recognition of new approaches and their institutionalization beyond the Compact Term;

- operational work to build the foundations of a higher functioning property tax system, including property discovery—adding to the rolls the high number of developed properties that are missing; digital property mapping; and property valuation, through the deployment of a new, cost-effective, method for mass property valuation;
- property tax automation and new digital systems for managing property-tax related information will also be developed and implemented as appropriate, taking care to support systems and approaches likely to be championed by users and supported with institutional and social behavior change measures to ensure adequate sustainability; and
- improved public budgeting and expenditure management, to ensure that increased revenues are directed to the priority purposes of adequate spending on land-related management and on broader public-facing city services.

(b) Environmental and Social Mitigation Measures.

The Increased Land Productivity Project is classified as a Category C project under the Environmental Guidelines—a project that is unlikely to have adverse environmental and social impacts—but MCC may screen, mitigate, and manage any environmental and social risks that arise in accordance with the Environmental Guidelines and the IFC Performance Standards. There may be a need to provide support to the Government to communicate the public value of new approaches, processes, and requirements. A stakeholder engagement manual may be developed to ensure that benefits of any public-facing components or tasks are clear, and to explain the associated rights and responsibilities of participants and beneficiaries.

(c) Gender and Social Inclusion.

Gender and social inclusion measures are integrated throughout the design of the Increased Land Productivity Project. The primary gender and social inclusion goal in the Land Administration Resourcing and Institutions Activity is to ensure that any reforms, administrative plans, capabilities, processes, or cost estimates that MCC may support both minimize harm and advance social and gender equity. Insofar as MCC supports institutional development, this will mean integrating some features which address social and economic inequalities in Malawi’s land sector. For instance, any support for devolution or a land authority (including development of plans and costing) will include development of institutional measures that can protect smallholder farmer (and especially women’s) land rights, in a manner agreed by the Government and MCC.

(d) Donor Coordination.

MCC and the Government coordinated with and learned from a variety of other donors in the land sector during the development of the Increased Land Productivity Project, and in particular with the World Bank, historically the land sector’s largest development partner. Through this coordination process, MCC and the Government ensured that the Increased Land Productivity Project is complementary to and builds on the work of other donors.

(e) USAID.

MCC consults USAID regularly and has developed relationships at the agency to promote ongoing information exchange and post-compact sustainability.

(f) Sustainability.

The project design ensures sustainable results by limiting substantial capital and systems investments to those areas where the Government has determined to develop and adopt reforms, by calibrating systems investments to viability and adequacy of future use and funding (including through use of MCC land information and transaction system assessment and decision tools), and by relying on change management, political economy, and social behavior change tools in final approaches to implementation. The overall revenue-generation focus of the project also supports adequacy of future financial sustainability.

(g) Policy, Legal, and Regulatory Reforms.

Policy, legal, and regulatory reforms are central to the Increased Land Productivity Project. As such, the project supports the Government to both develop and implement reform. The Land Resourcing and Institutions Activity supports the Government to address and implement reform related to land-based revenues—including to permit retention of rents revenues by the MoL, rationalizing rents by bringing rates into line with market values over time and mandating periodic rate review—and to address institutional change, including to ensure affordable devolution of land services and establish a land authority, if the Government chooses. The City Council Land-Based Revenue Modernization Activity supports City Councils to define, implement and sustainably operate an equitable and publicly accepted strengthened real property tax system at the city level. This includes support to City Council governments to adopt the bylaws and procedures necessary to fully sustain new, more cost-effective methods for property valuation.

### **3. American Catalyst Facility for Development Project**

(a) Summary of Project.

The objective of the ACFD Project is set forth in Section 1.2(c). Specific transactions to be supported by the ACFD Project shall be agreed to by the Parties in writing after proposals submitted by the DFC have undergone the ACFD screening and approvals process. Transactions supported by the ACFD Project shall be consistent with the missions of both MCC and DFC, as well as all applicable statutory requirements and authorities. MCC Funding allocated for the ACFD Project may not be re-allocated to any other budget line in the multi-year financial plan.

(b) Environmental and Social Mitigation Measures.

The Parties shall agree in writing to any applicable environmental and social mitigation measures for each ACFD Project transaction, as such transactions are identified.

(c) Gender and Social Inclusion.

The Parties shall agree in writing to the applicable gender and social inclusion measures for each ACFD Project transaction, as such transactions are identified.

(d) Donor Coordination.

While DFC will appraise, oversee, and monitor ACFD Project transactions, MCC and the Government expect to work closely with DFC during all phases of the ACFD Project from identifying transactions to developing, designing, and implementing such transactions.

(e) USAID.

To the extent relevant, MCC expects to coordinate with USAID on potential investments relevant to its programming as ACFD Project transactions are identified.

(f) Sustainability.

The Parties shall agree in writing to sustainability measures for each ACFD Project transaction, as such transactions are identified.

(g) Policy, Legal, and Regulatory Reforms.

The Parties shall agree in writing to any applicable policy, legal, and regulatory reforms for each ACFD Project transaction, as such transactions are identified.

## C. IMPLEMENTATION FRAMEWORK

### 1. MCA-Malawi II

(a) Independence and Autonomy.

MCA-Malawi II shall have operational and legal independence and full decision-making autonomy, including, *inter alia*, the ability, without consultation with, or the consent or approval of, any other party, to: (i) enter into contracts in its own name, (ii) sue and be sued, (iii) establish bank accounts with a financial institution in its own name and hold MCC Funding and the Government Contribution in those accounts, (iv) expend MCC Funding and the Government Contribution, (v) engage contractors, consultants and/or grantees, including, without limitation, Procurement Agents and Fiscal Agents, all in compliance with Section 3.6, and (vi) competitively engage one or more auditors to conduct audits of its accounts. MCA-Malawi II shall be governed and managed by a board of trustees (the “*Trustees*”) and operations unit (the “*Operations Unit*”), in accordance with the terms of its constitutive documents and internal regulations (the “*Governing Documents*”) (which must be in form and substance satisfactory to MCC) and any related MCC policies.

(b) Trustees.

The Trustees will have ultimate responsibility for the oversight, direction, and decisions of MCA-Malawi II, as well as the overall implementation of the Program. As of the date hereof, it is comprised of nine voting members and one non-voting member, with the voting members being represented by the following:

- (i) One representative from the Ministry of Transport & Public Works;
- (ii) One representative from the Ministry of Finance and Economic Affairs;



- (iii) One representative from the Ministry of Lands (“*MoL*”);
- (iv) One representative from the Department of Economic Planning and Development;
- (v) One representative from the Ministry of Local Government; and
- (vi) Four members representing civil society and the private sector.

The number and composition of voting members may be changed through amendments to and in accordance with MCA-Malawi II’s constitutive documents and internal regulations with MCC’s approval. The Trustees may be represented by alternates appointed pursuant to the Governing Documents. The non-Government representatives shall be selected through a process in form and substance satisfactory to MCC. Other non-voting members may be included as named in the Governing Documents. In addition, MCC’s Resident Country Director in Malawi shall serve as a non-voting observer of the Board.

(c) Operations Unit.

The Operations Unit shall report to the Trustees and have principal responsibility for the day-to-day operations and management of MCA-Malawi II and implementation of the Program. The Operations Unit shall be led by a chief executive officer and will be composed of the directors, officers and other staff as agreed between the Parties and selected after an open, competitive, and non-discriminatory recruitment and selection process (or its equivalent). The officers shall be supported by appropriate additional staff to enable the Operations Unit to execute its roles and responsibilities.

MCA-Malawi II shall develop and implement a SEP for sustaining inclusive public consultation and engagement with the private sector, civil society organizations, and organizations representing women and vulnerable groups, and allow them opportunities to provide advice and input. In addition, MCA-Malawi II may establish one or more stakeholders’ committees (each, a “*Stakeholders’ Committee*”) to promote transparency and ongoing consultation among Compact stakeholders, as well as to further the overall goals and objectives of the Compact. The Stakeholders’ Committee will be identified and operated in accordance with procedures described in the Program Guidelines and the SEP.

## **2. Implementing Entities.**

Subject to the terms and conditions of this Compact, the Program Implementation Agreement, and any other related agreement entered into in connection with this Compact, the Government, acting through MCA-Malawi II (or prior to MCA-Malawi II’s establishment, MMD), intends to engage one or more entities of the Government to assist with implementing any Project or Activity (or a component thereof) (each, an “*Implementing Entity*”). The appointment of any Implementing Entity shall be subject to review and approval by MCC. The Government shall ensure that the roles and responsibilities of each Implementing Entity and other appropriate terms are set forth in an agreement, in form and substance satisfactory to MCC (each an “*Implementing Entity Agreement*”).

### **3. Fiscal Agent and Procurement Agent.**

Unless MCC agrees otherwise in writing, the Government shall engage an individual or firm with expertise in financial management and reporting to serve as fiscal agent (the “***Fiscal Agent***”), and an individual or firm with expertise in public procurement and contract management to serve as procurement agent (the “***Procurement Agent***”). It is expected that the Fiscal Agent and Procurement Agent, respectively, shall help the Government ensure that all Program-related financial management activities and procurements are conducted in strict compliance with the principles, rules, and procedures set out in this Agreement and related MCC policies, procedures, or guidance. The duties of the Fiscal Agent and Procurement Agent, respectively, shall include those set forth in the Program Implementation Agreement as well as those set forth in the respective agreements, each in form and substance satisfactory to MCC, entered into between the Government and each agent.

**ANNEX II**  
**MULTI-YEAR FINANCIAL PLAN SUMMARY**

**I. General.**

A multi-year financial plan summary (“*Multi-Year Financial Plan Summary*”) for the Program is attached to this Annex as Exhibit A. By such time as specified in the Program Implementation Agreement, the Government shall adopt, subject to MCC approval, a multi-year financial plan that includes, in addition to the multi-year summary of estimated MCC Funding and the Government Contribution of funds and resources, the annual and quarterly funding requirements for the Program (including administrative costs) and for each Project, projected both on a commitment and cash requirement basis.

**II. Government Contribution.**

During the Compact Term, the Government shall make contributions, relative to its national budget and taking into account prevailing economic conditions, as are necessary to carry out the Government’s responsibilities under Section 2.6(a) of this Compact. These contributions may include in-kind and financial contributions (including obligations of Malawi on any debt incurred toward meeting these contribution obligations). In connection with this obligation, the Government has developed a budget over the Compact Term to complement MCC Funding through budget allocations to the Program, as further described in the Program Implementation Agreement. The Government shall make a contribution of Twenty-Six Million Two Hundred Fifty Thousand United States Dollars (US\$26,250,000) over the Compact Term, as provided in Section 2.6(a). Such contribution shall be in addition to the Government’s spending allocated toward such Project Objectives in its budget for the year immediately preceding the establishment of this Compact. The Government’s contribution shall be subject to any legal requirements in Malawi for the budgeting and appropriation of such contribution, including approval of the Government’s annual budget by its legislature. The Parties may set forth in the Program Implementation Agreement or other appropriate Supplemental Agreements certain requirements regarding this Government Contribution, which requirements may be conditions precedent to the Disbursement of MCC Funding.

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**EXHIBIT A TO ANNEX II**  
**MULTI-YEAR FINANCIAL PLAN SUMMARY**

(US\$)									
Component	CFF	Year 1	Year 2	Year 3	Year 4	Year 5	MCC Total	Government Total	Total Funding
<b>1. AGC Project</b>									
Road Corridor Improvement Activity	\$7,974,810	\$19,588,476	\$99,647,068	\$61,369,312	\$30,954,770	\$9,463,564	\$228,998,000	\$25,785,039	\$254,783,039
Policy and Institutional Reform and Capacity Building Reform Activity	\$0	\$2,215,576	\$5,317,381	\$5,317,381	\$3,101,662	\$0	\$15,952,000	\$0	\$15,952,000
<b>Subtotal</b>	<b>\$7,974,810</b>	<b>\$21,804,052</b>	<b>\$104,964,449</b>	<b>\$66,686,693</b>	<b>\$34,056,432</b>	<b>\$9,463,564</b>	<b>\$244,950,000</b>	<b>\$25,785,039</b>	<b>\$270,735,039</b>
<b>2. Increased Land Productivity Project</b>									
Land Administration Resourcing and Institutions Activity	\$400,694	\$1,001,735	\$2,103,643	\$3,105,378	\$5,008,674	\$8,414,561	\$20,034,685	\$0	\$20,034,685
City Council Land-Based Revenue Modernization Activity	\$461,446	\$2,153,616	\$2,422,593	\$3,576,209	\$5,768,079	\$9,690,372	\$24,072,315	\$0	\$24,072,315
<b>Subtotal</b>	<b>\$862,140</b>	<b>\$3,155,351</b>	<b>\$4,526,236</b>	<b>\$6,681,587</b>	<b>\$10,776,753</b>	<b>\$18,104,933</b>	<b>\$44,107,000</b>	<b>\$0</b>	<b>\$44,107,000</b>
<b>3. ACFD Project</b>									
American Catalyst Fund for Development Project	\$0	\$0	\$3,000,000	\$3,000,000	\$2,500,000	\$0	\$8,500,000	\$0	\$8,500,000
<b>Subtotal</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,000,000</b>	<b>\$3,000,000</b>	<b>\$2,500,000</b>	<b>\$0</b>	<b>\$8,500,000</b>	<b>\$0</b>	<b>\$8,500,000</b>
<b>4. Monitoring and Evaluation</b>									
Monitoring and Evaluation	\$305,000	\$40,000	\$870,000	\$1,580,000	\$190,000	\$15,000	\$3,000,000	\$0	\$3,000,000
<b>Subtotal</b>	<b>\$305,000</b>	<b>\$40,000</b>	<b>\$870,000</b>	<b>\$1,580,000</b>	<b>\$190,000</b>	<b>\$15,000</b>	<b>\$3,000,000</b>	<b>\$0</b>	<b>\$3,000,000</b>
<b>5. Program Management and Administration</b>									
MCA-Malawi II Administration, Fiscal Agent, Procurement Agent, and Financial Audits	\$11,961,800	\$6,595,467	\$6,628,418	\$6,827,080	\$6,953,865	\$10,476,370	\$49,443,000	\$464,961	\$49,907,961
<b>Subtotal</b>	<b>\$11,961,800</b>	<b>\$6,595,467</b>	<b>\$6,628,418</b>	<b>\$6,827,080</b>	<b>\$6,953,865</b>	<b>\$10,476,370</b>	<b>\$49,443,000</b>	<b>\$464,961</b>	<b>\$49,907,961</b>
<b>TOTAL COMPACT PROGRAM</b>									
Total MCC Funding	\$21,103,750	\$31,594,870	\$119,989,103	\$84,775,360	\$54,477,050	\$38,059,867	\$350,000,000		\$350,000,000
Total Government of Malawi Contribution	\$243,538	\$53,722	\$4,437,684	\$14,808,051	\$6,707,005	\$0		\$26,250,000	\$26,250,000
<b>GRAND TOTAL PROGRAM FUNDING</b>	<b>\$21,347,288</b>	<b>\$31,648,592</b>	<b>\$124,426,787</b>	<b>\$99,583,411</b>	<b>\$61,184,055</b>	<b>\$38,059,867</b>	<b>\$350,000,000</b>	<b>\$26,250,000</b>	<b>\$376,250,000</b>

## ANNEX III

### COMPACT MONITORING & EVALUATION SUMMARY

This Annex III summarizes components of the monitoring and evaluation plan for this Compact (“*M&E Plan*”). The actual structure and content of the M&E Plan, which may differ from those specified in this Annex III, shall be agreed to by MCC and the Government in accordance with the *Policy for Monitoring and Evaluation of Compacts and Threshold Programs* (the “*M&E Policy*”). In addition, the M&E Plan may be modified from time to time as described in the M&E Policy without requiring an amendment to this Annex III. The M&E Plan shall be posted publicly on the MCC Website and updated, as necessary.

#### 1. Objective

MCC and the Government shall formulate and agree to, and the Government shall implement or cause to be implemented, an M&E Plan that explains in detail how and what MCC and MCA-Malawi II shall (i) monitor to determine whether the Projects are on track to achieve their intended results (“*Monitoring Component*”), and (ii) evaluate to assess implementation strategies, provide lessons learned, compare costs to benefits, and estimate the impact of compact interventions (“*Evaluation Component*”). The M&E Plan shall summarize all Indicators that must be reported to MCC on a regular basis, as well as a description of any complementary data to be collected for evaluation of the Program. The M&E Plan shall also include any monitoring and evaluation (“*M&E*”) requirements that MCA-Malawi II must meet in order to receive Disbursements and shall serve as a communication tool so that MCA-Malawi II staff and other stakeholders clearly understand the objectives and targets the MCA-Malawi II is responsible for achieving. The results of M&E activities, measured by monitoring data and evaluations, shall be made publicly available on the website of MCA-Malawi II and on the MCC Website.

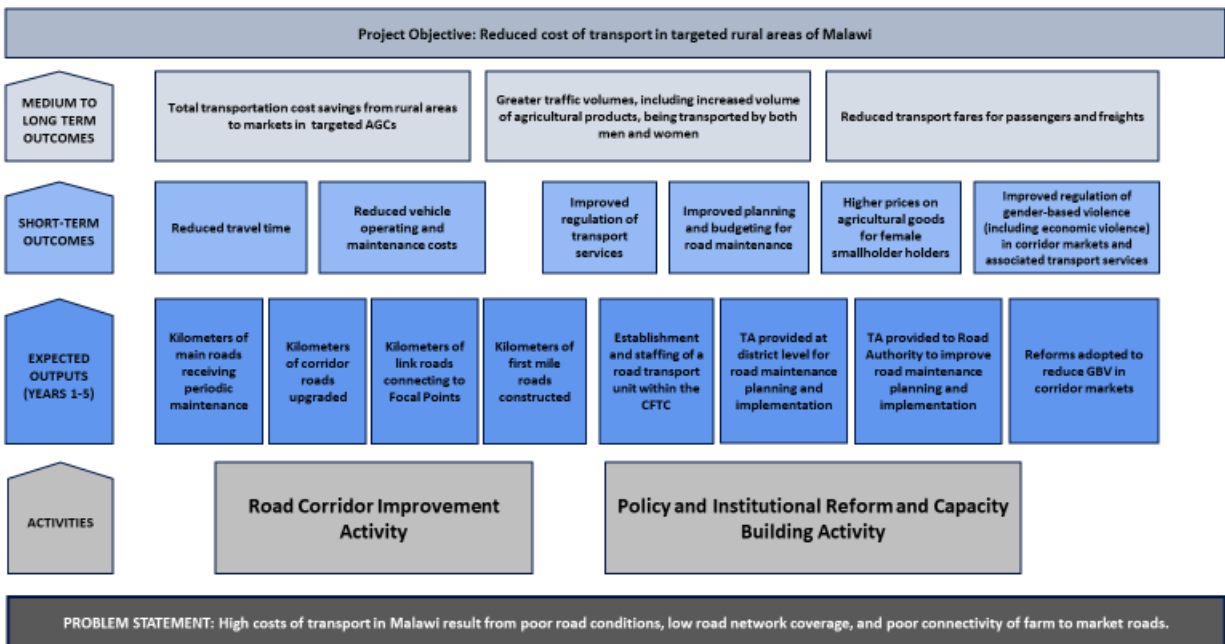
#### 2. Program Logic

The program logic is an explanatory model that demonstrates how specific interventions lead to the expected outcomes, objectives, and goal of a compact program. This model reflects the design and implementation plans of a program, noting planned activities and outputs and the sequencing of results. Additionally, it reflects the economic logic, which forms the basis of the cost-benefit analysis that produces the ERR. Lastly, it notes critical risks and assumptions related to achieving results. The program logic forms the basis of the M&E Plan.

##### 2.1 Logic Models

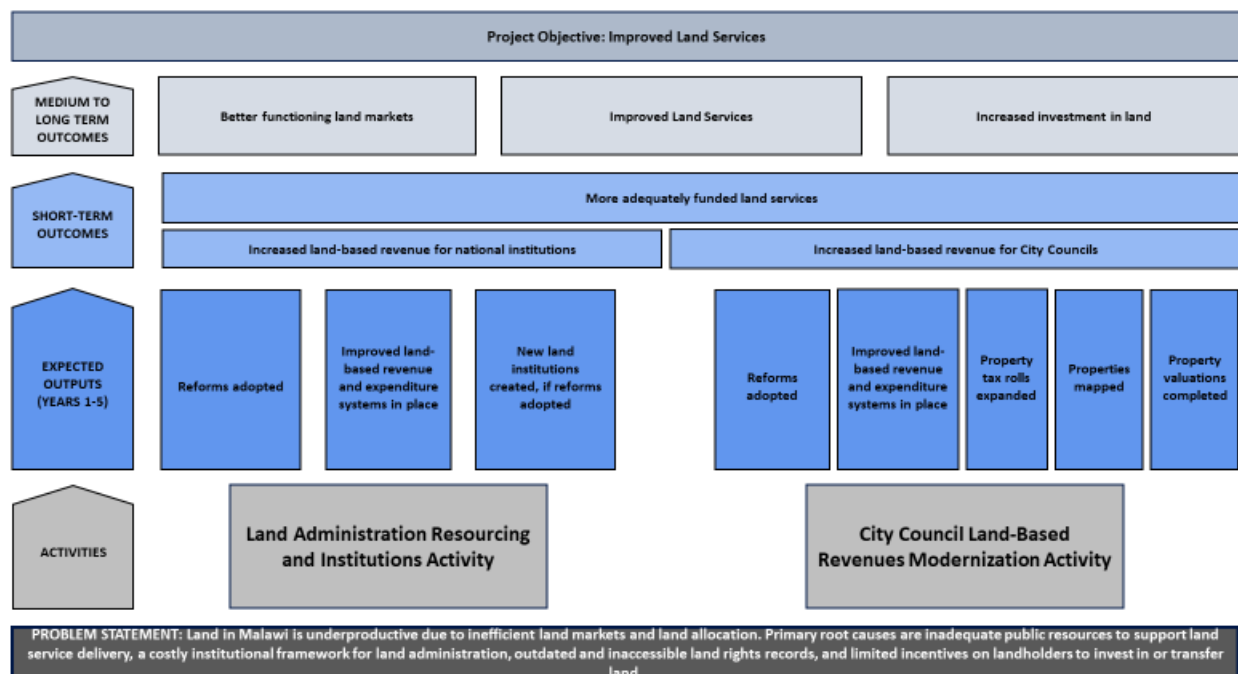
A description of the logic underlying each Project is included below:

## AGC Project



The AGC Project is based on the theory that improving road condition, safety, and maintenance across selected corridor roads will reduce travel time and vehicle operating costs. Additionally, the project will address first mile transportation for smallholder farmers, leading to improved access and connectivity between farms in rural areas to the broader transport network, therefore reducing the barriers linking farms to markets. Further, the project will support policy and institutional reforms to enable strong road planning and maintenance of roads in selected corridors, encourage a more transparent and competitive business environment for transporters, and promote safer conditions for women to move and conduct economic activity along the corridors. These outcomes support the Project Objective of reducing transport costs in targeted rural areas.

## INCREASED LAND PRODUCTIVITY PROJECT



The Increased Land Productivity Project is based on the theory that revenue-oriented investments to increase funding at national and city levels and institute improved expenditure systems will support adequately funded land services, better functioning land markets, and increased investment in land. The project aims to achieve this through two activities that address key challenges in the land sector. The Land Administration Resourcing and Institutions Activity aims to expand national land-based revenues, address institutional change, and clarify and assess the contents of the rights records that underpin land institution work. The City Council Land-Based Revenues Modernization Activity will support expanded coverage and collection of land-based revenues at the city level through the mapping and valuation of properties to increase resources for city councils to invest in land services and other service needs. The two activities will work together to lead to the Project Objective of improved land services, as well as increased investment in land and better functioning land markets, together contributing to greater land productivity.

## 2.2 Projected Economic Benefits and Beneficiaries

### 2.3.1 Projected Economic Benefits

A CBA is completed to determine the cost effectiveness of MCC investments. A threshold of 10 percent is typically used to inform investment decisions.

The underlying economic logic of the CBA model(s) follow(s) the project logic depicted above. Additionally, several of the variables included in the model become key indicators to monitor the Program and evaluate whether the Program reached the intended outcomes, as well as determining its cost effectiveness. Each model includes estimated benefits and the total estimated costs to reach those intended benefits, whether costs are incurred by MCC, another donor, the

Government, or another entity. These are typically examined over a 20-year period, unless otherwise noted.

Table 1 provides a summary of the estimated ERRs across this Compact’s Projects. The text following the table describes the general methodology and logic of the CBA model(s), as well as the key benefit streams, costs, assumptions, risks, etc. for each of the calculated ERRs.

Table 1: Estimated Economic Rates of Return and Beneficiary Counts

<b>Compact Component</b>	<b>Economic Rate of Return (mean ERR)</b>	<b>Project Cost</b>	<b>Probability that ERR is greater than 10%</b>	<b>Beneficiaries (People)</b>
Compact		N/A	N/A	5,394,000
AGC Project	8.0-10.0% <sup>3</sup>	\$244.95 million	N/A	1,179,000
Increased Land Productivity Project	12.8%	\$44.11 million	73%	4,215,000
ACFD Project	N/A	\$8.50 million	N/A	N/A

### AGC Project

#### *Benefit Streams*

The AGC Project is expected to produce a series of benefit streams for both existing and new road users, which include various forms of motorized traffic (vehicle operators and passengers) but also non-motorized traffic such as bicyclists and pedestrians using the rehabilitated corridors. The main benefit streams are vehicle operating cost and value of time savings, which are calculated for existing traffic as well as generated and diverted traffic. Vehicle operating cost savings benefits accrue to users of an improved road. As a road is improved, average speeds on the road increase because roughness of the road decreases, leading to lower fuel costs per trip and less damage to tires, suspension, etc. The Roads Economic Decision model used to estimate road user benefits that are inputs to the CBA model uses vehicle fleet data, traffic per day information, and road quality before and after the road improvements (measured by the International Roughness Index) to assess how improvements impact vehicle damage per trip. Value of time savings, like vehicle operating cost savings, accrue to current and new users of any improved road where average travel speeds increase. As roads become smoother (surface

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<sup>3</sup>The AGC Project-level ERR and the RCI Activity-level ERR do not include benefit streams from two sub-Activities of the RCI Activity, the Link Road Works Sub-Activity, and the First Mile Road Works Sub-Activity, due to outstanding data needs. Data to estimate the benefits of these Sub-Activities are being collected as part of the detailed feasibility study; updated ERRs will be provided—and are expected to improve—after due diligence has been completed but before entry into force of the Compact.



improvement) or the number of lanes increase (road widening), average speeds increase due to both increased possible speeds and decreased congestion on the road. Speed increases lead to less time spent traveling on the improved road. The Roads Economic Decision model uses vehicle fleet data, traffic per day information, and road quality to assess how improvements impact vehicle speeds.

Other benefit streams are explicitly modeled in the AGC Project's CBA model. These include:

**Avoided costs from climate-smart/climate-resilient road design:** Intense rainfall and excessive water flow in rivers—often caused by tropical storms—cause damage to bridges and culverts and make roads impassable. In addition, severe weather events are associated with replacement of bridges and other infrastructure. With climate-resilient infrastructure design in the with-Project scenario, there is a reduced likelihood that road infrastructure will have to be replaced or repaired compared to a scenario in which road upgrading does not include climate resilient design. In addition, indirect benefits of climate-resilient road design included in the CBA model are lower vehicle operating costs and value of time savings associated with road users being able to use the preferred route as a result of upgrading a structure when the original structure would have been washed out or significantly damaged.

**Salvage value of road infrastructure at the end of the Project life:** While MCC roads rehabilitation projects generally assume a 20-year life before replacement is needed, it is expected that some of the infrastructure components from the RCI Activity—primarily culverts that channel water under roads—will have a salvage value at the end of the Project life.

**Reduced traffic fatalities:** While improved roads will allow for higher speeds of travel—which, all things being equal, would increase the incidence of traffic fatalities—the proposed design for the with-Project corridors will include safety elements that are assumed to result in a net reduction of accident rates by 15 percent. The benefits of reduced traffic fatalities are measured using Value of Statistical Life methods consistent with MCC Economic Analysis guidance.

**Reduced greenhouse gas emissions:** Reduced waiting time and congestion related to poor quality roads is associated with increased GHG emissions. Reduced carbon emissions are valued at \$51/ton for carbon, with this value increasing annually by 1.7 percent. While reduced GHG emissions benefits are not used in calculating the AGC Project ERR that is presented in the Compact, these benefits are used in sensitivity analysis (but only marginally increase the AGC Project ERR when considered).

### *Cost Streams*

MCC costs in the AGC Project's CBA model include RCI Activity-level costs of \$229.00 million and PIR Activity-level costs of \$15.95 million. For the Corridor Road Works Sub-Activity, the largest Sub-Activity of the RCI Activity, these costs include works (rehabilitation and upgrading of four corridor roads from earthen to paved), detailed design (3 percent of works costs), construction supervision (5 percent of works costs), ESIA and resettlement action plan preparation (2 percent of works costs), and contingencies (10 percent price contingency and 10 percent other contingency costs, amounting to 20 percent of works costs). Compact

administration and M&E costs are pro-rated to the RCI Activity and the PIR Activity based on their respective shares of Compact-wide Project costs.

Non-MCC costs in the CBA model include operations and maintenance (“*O&M*”) costs for 20 years after completion of road works, where costs of maintaining upgraded roads are relatively higher than the O&M costs would have been for unpaved roads had the RCI Activity not been implemented. The costs used in the CBA model are incremental, which means they net out O&M costs from the without-Project scenario. In calculating incremental O&M costs (and their associated benefits) the CBA model assumes that without the Project, the current level of O&M is maintained for unpaved roads; with the Project, a “best practice” level of O&M is maintained for paved corridor roads and unpaved link and first-mile roads.

### *Cost-Benefit Analysis Summary*

Using data and modeling inputs available at the time of investment approval, the AGC Project-level ERR was estimated at approximately 8.0-10.0 percent, with the range presented reflecting uncertainties around corridor-level traffic data collected as part of due diligence for the Project. However, other factors still being examined at the time of the investment decision—including additional benefits expected to be incorporated into the CBA model once the detailed feasibility study is complete for all Sub-Activities of the RCI Activity—will shift this range, with an updated ERR estimate anticipated prior to the compact entering into force.

### *Activity-level CBA Results*

Because the RCI Activity was the only Activity for which benefit streams were identified for the AGC Project, it is possible to estimate a separate Activity-level ERR for the RCI Activity; the CBA model used to calculate the RCI Activity-level ERR simply removes the costs associated with the PIR Activity. However, like the AGC Project-level ERR, the RCI Activity-level ERR does not include potential benefits from the Link Road Works Sub-Activity and the First Mile Road Works Sub-Activity that will be added to update the ERR calculation before entry into force of the Compact. Given the data available at the time of the investment decision, the ERR for the RCI Activity is estimated at 8.8-10.9 percent.

No separate ERR is estimated for the PIR Activity, nor are any ERRs estimated at the Sub-Activity level, as most Sub-Activities are considered necessary inputs to achieve the primary benefits associated with the road infrastructure improvement. The ERR for the AGC Project is therefore “burdened” by the PIR Activity (as well as the standard burden of compact administration and monitoring and evaluation costs).

### Increased Land Productivity Project

The Increased Land Productivity Project is a policy and institutional reform activity that seeks to improve Malawi’s land governance institutions, especially with respect to the revenues that such organizations rely upon to operate efficiently and effectively.

#### □ **CBA Models:**

The Land Administration Resourcing and Institutions Activity, focuses on increasing land-based revenues and addressing institutional change. The MoL faces resourcing obstacles that impact its

ability to deliver land services. National land-based revenue such as that collected from state leaseholds (ground rent, for example) is remitted to the treasury, and the MoL is funded through annual budget allocations that do not keep pace with the resource needs of the Ministry to provide land services. To address this, the program provides support for revenue-related reforms and their implementation to more adequately fund land-related services, especially those related to land registry transactions. The program also provides resources to support the Government in addressing institutional change, to meet the land administration needs that are key to underpinning Malawi's economic development.

The City Council Land-Based Revenue Modernization Activity is focused on improving the billing, collections, and land valuations that support the ability of Malawi's four largest cities (Lilongwe, Blantyre, Mzuzu, and Zomba) to raise revenue from property taxes in these areas. Ultimately, property tax revenues in these cities are expected to allow Malawi to better mobilize domestic resources to fund priorities, particularly those related to economic development, of its four largest urban centers. Malawi is rapidly urbanizing, and investments that help support continued urban development should help expedite Malawi's structural transformation.

□ **Benefit Streams:**

The benefits for each Activity are largely distinct. Increased revenues collected by government agencies are treated as transfer payments—from the payer to the government entity—that provide resources for economically beneficial activities. That is, if the government entity is constrained from playing its proper functions as a result of a shortfall of financial resources. One such benefit is the sustainability of these functions which is expected to be a major risk for the Increased Land Productivity Project if sufficient revenues are not retained.

Land Administration Resourcing and Institutions Activity:

*Increased number of formal land transactions.* The model attempts to estimate the number of land transactions that result in a change in land use, above the current level of recent, comparable transactions. Under the assumption that the proper counterfactual is an informal land transaction of equivalent hectareage, each new formal transaction is assumed to result in increased productivity equal to the estimate of the productivity gain from formalized land tenure. A fixed fraction of ground rents revenues is assumed to be retained by the MoL to fund the institutional services necessary for additional transactions, signaling increased used of land institution services.

*Reduced tax distortions from revenues remitted to the Treasury.* Any ground rents revenues not retained by the MoL are assumed to be remitted back to the treasury. These revenues do not represent an economic benefit, per se, but instead are assumed to be efficient (e.g., non-distorting) taxes that offset taxes from other sources. Therefore, the economic value of these revenues is assumed to be equal to the Malawi's marginal cost of funds obtained from a literature review.

City Council Land-Based Revenue Modernization Activity:

*Higher property values due to urban economic development.* Revenues collected by city councils are expected to be directed toward improved land services and the economic development for the relevant cities (which are the four largest in Malawi, with a total population currently

estimated at over 2 million residents). Increased city services (especially infrastructure development) are assumed to result in higher property values due to the increased economic development in the affected areas.

□ **Costs:**

The CBA is conducted separately for each of the Increased Land Productivity Project’s activities. Costs included are the compact costs only (both MCC and Government contributions, including compact overhead), totaling \$44.1 million excluding overhead.

### **2.3.2 Projected Program Beneficiaries<sup>4</sup>**

The M&E Plan shall also define the persons or entities expected to benefit from the Program. Beneficiary analysis is an extension of the CBA and seeks to disaggregate the total increase in income to determine specifically which segments of society shall benefit from the Projects and Activities. MCC considers beneficiaries of Projects and Activities to be those people who experience better standards of living as a result of the Project or Activity (as the case may be).<sup>5</sup> For definitional purposes it is important to note that not all MCC project participants are necessarily project beneficiaries. The expected beneficiaries of this Compact over 20 years (unless otherwise noted) are shown above in Table 1. The “Program Overview” section of Annex I presents the projected number of beneficiaries of this Compact. The text below the table provides a description of the beneficiaries.

For the AGC Project, both existing and new road users of the rehabilitated corridors under the RCI Activity, including various forms of motorized traffic (vehicle operators and passengers) but also non-motorized traffic such as bicyclists and pedestrians, are the primary beneficiaries. The estimated population in the catchment area of the four corridor roads—i.e., those who will have access to the improved road infrastructure—is 1.179 million. As further analysis and detailed design is completed before entry into force of the Compact, this beneficiary count may change to include populations in the catchment areas of first-mile infrastructure, link roads, and main roads under periodic maintenance as a result of the AGC Project. While there may be a broader set of beneficiaries from the PIR Activity, these potential benefits and beneficiaries have not yet been considered given the early stage of design of specific policy interventions.

For the Land Administration Resourcing and Institutions Activity, those who utilize the services of land institutions are the primary beneficiaries. Most businesses in Malawi fall into this category with demand for land split more-or-less evenly (by hectarage) between urban and rural areas. We estimate the beneficiaries of strengthened land institutions to be around 2.6 million by year 5 of the Compact. For the City Council Land-Based Revenue Modernization Activity, the combined population of the affected cities (Lilongwe, Blantyre, Mzuzu, and Zomba), estimated to be around 2.9 million by year 5 of the compact, are expected to benefit. While not every plot in each city is likely to be impacted by the economic development of these cities—e.g., infrastructure development in these cities may be highly localized—some amount of benefits spillover due to an increase in property values is nevertheless anticipated city-wide.

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<sup>4</sup> Note Section 609(b)(1)(D) of the MCA Act requires the compact to set forth “an identification of the intended beneficiaries, disaggregated by income level, gender, and age, to the maximum extent practicable.”

<sup>5</sup> As used in this Compact, the term “beneficiary” has the meaning described in the *Guidelines for Economic and Beneficiary Analysis*.

### **3. Monitoring Component**

As defined in the M&E Policy, monitoring is the continuous, systematic collection of data on specified Indicators to provide indications of progress toward objectives and the achievement of intermediate results along the way. To monitor progress toward the achievement of results of this Compact, the Monitoring Component of the M&E Plan shall identify (i) the Indicators (as defined below), (ii) the definitions of the Indicators, (iii) the sources and methods for data collection, (iv) the frequency for data collection, (v) the party or parties responsible for collecting and analyzing relevant data, and (vi) the timeline for reporting on each Indicator to MCC. It should be noted that some Indicators may continue to be tracked after the Compact Term, as necessary.

#### **3.1 Outcome, Output, and Process Indicators.**

The full M&E Plan shall measure the results of the Program using quantitative, objective, and reliable data (“*Indicators*”).

##### **3.1.1 Baselines.**

The full M&E Plan shall establish baselines for every Indicator (each a, “*Baseline*”). An Indicator’s Baseline should be established prior to the start of the corresponding Project, Activity and/or Sub-Activity. Baselines demonstrate that the problem can be specified in measurable terms and are thus a pre-requisite for adequate intervention design. The Government shall collect Baselines on the selected Indicators or verify already collected Baselines where applicable.

##### **3.1.2 Benchmarks and Targets.**

The full M&E Plan shall establish a benchmark for each Indicator that specifies the expected value and the expected time by which the result shall be achieved (“*Target*”).

##### **3.1.3 Disaggregation of Indicators.**

The full M&E Plan shall indicate which Indicators shall be disaggregated by gender, income level, age, and beneficiary types to the extent practical and applicable.

##### **3.1.4 Outcome, Output, and Process Indicators.**

Outcome, output, and process Indicators are all defined in the M&E Policy.

##### **3.1.5 Common Indicators.**

MCC’s Common Indicators (as described in the M&E Policy) shall also be included as relevant.

##### **3.1.6 Revisions to Indicators and Targets.**

Subject to prior written approval from MCC and in accordance with the M&E Policy, the Government may add Indicators or refine the definitions and Targets of existing Indicators.

### 3.1.7 Indicator Tracking Table.

MCA-Malawi II must report to MCC on monitoring Indicators in the M&E Plan on a quarterly basis using an “***Indicator Tracking Table***” or “***ITT***” in the form provided by MCC. No changes to Indicators, Baselines or Targets may be made in the ITT until the changes have been approved in the M&E Plan. Additional guidance on indicator reporting is contained in the *Guidance to Accountable Entities on Quarterly Disbursement Request Package*. In the case that MCA-Malawi II submits a six-month Disbursement Request, the ITT must still be submitted quarterly.

The M&E Plan shall contain the monitoring Indicators listed in Tables 1.1, 1.2, and 1.3 below.

## 4. **Evaluation Component**

While good program monitoring is necessary for program management, it is not sufficient for assessing ultimate results. MCC therefore advocates the use of different types of evaluations as complementary tools to better understand the effectiveness of its programs. As defined in the M&E Policy, evaluation is the objective, systematic assessment of a program’s design, implementation, and results. MCC is committed to making its evaluations as rigorous as warranted in order to understand the causal impacts of its programs on the expected outcomes and to assess cost effectiveness.

### 4.1 Independent Evaluations.

Every Project must undergo a comprehensive, independent evaluation (impact and/or performance) in accordance with the M&E Policy. The Evaluation Component of the M&E Plan shall describe the purpose of the evaluation, methodology, timeline, required MCC approvals, and the process for collection and analysis of data for each evaluation. All independent evaluations must be designed and implemented by independent, third-party evaluators. If the Government wishes to engage an evaluator, the engagement shall be subject to the prior written approval of MCC. Contract terms must be acceptable to MCC and ensure non-biased results and the publication of results.

For each independent evaluation, MCA-Malawi II is expected to review and provide feedback to independent evaluators on the evaluation design reports, evaluation materials (including questionnaires), baseline report (if applicable), and any interim/final reports in order to ensure proposed evaluation activities are feasible, and final evaluation products are technically and factually accurate.

AGC Project: The evaluation is likely to be a performance evaluation that will assess the determinants of overall transport costs in the targeted corridors. The methodology for evaluating the RCI Activity will primarily use modeling, and will rely on data used for HDM-4 modeling of road investments, such as travel time, vehicle operating costs, traffic volumes, and road roughness. In addition, the evaluation will consider mixed methods approaches to evaluating the results of the PIR Activity, which will largely rely on a pre-post methodology.

The evaluation questions are as follows:

- § **Question 1:** To what extent was the project implemented according to plan (in terms of quantity and quality of outputs)?

- § **Question 2:** Did the project achieve its stated objective in the timeframe and magnitude expected, as documented in the M&E Plan? Why or why not?
- § **Question 3:** Did the results of the project justify the allocation of resources towards it? Why or why not?

Specifically, Question 2 shall answer:

Did the AGC Project lead to reduced transport costs in targeted rural areas?

The key Indicators to be measured to answer these questions shall be total transportation cost savings, and average annual daily traffic.

Increased Land Productivity Project: The evaluation will likely be a pre-post performance evaluation for each of the activities under the project, although this will be decided based on further engagement with the Evaluation Management Committee and documented in the full M&E Plan. The evaluation will rely primarily on administrative data, in particular focusing on annual land transaction volumes, to assess achievement of the project objective. The evaluation will also examine revenues and expenditures for land institutions at the national and the city council levels.

The evaluation questions are as follows:

- § **Question 1:** To what extent was the project implemented according to plan (in terms of quantity and quality of outputs)?
- § **Question 2:** Did the project achieve its stated objective of improving land services in the timeframe and magnitude expected, as documented in the M&E Plan? Why or why not?
- § **Question 3:** Did the results of the project justify the allocation of resources towards it? Why or why not?

Dependent on reasonable exposure periods after the implemented project activities, additional evaluation questions focused on other project outcomes included in the M&E plan will be added as part of evaluation planning and preparation where feasible. The key Indicator defined for the Project Objective shall be measured to answer these evaluation questions.

ACFD Project: Because DFC shall appraise, oversee, and monitor the specific activities or interventions under the ACFD Project, the M&E Policy shall not be applied to those activities and interventions. In addition, MCC and the Government expect that DFC shall monitor and evaluate the project activities in accordance with its *Operating Principles for Impact Management* and use its Impact Quotient system and such other measurement tools as DFC may determine.

The M&E Plan shall contain the evaluation Indicators listed in Tables 1.1, 1.2, and 1.3.

The results of all evaluations shall be made publicly available in accordance with the M&E Policy.

## **5. Data Quality Reviews.**

Data Quality Reviews (“**DQR**”) are a mechanism to review and analyze the utility, objectivity, and integrity of performance information. DQRs are to cover a) quality of data, b) data collection instruments, c) survey sampling methodology, d) data collection procedures, e) data entry, storage, and retrieval processes, f) data manipulation and analyses and g) data dissemination. MCC requires that an independent entity conduct the DQR, such as a local or international specialized firm or research organization, or an individual consultant, depending on the size of the program or project under review. The frequency and timing of data quality reviews must be set forth in the M&E Plan; however, MCC may request a DQR at any time. DQRs should be timed to occur before or early enough in the Compact Term that meaningful remedial measures (if any) may be taken depending on the results of the review. The methodology for the review should include a mix of document and record reviews, site visits, key informant interviews, and focus groups.

## **6. Other Components of the M&E Plan.**

In addition to the monitoring and evaluation components, the full M&E Plan shall include the following components:

### **6.1 Data Management System.**

The M&E Plan shall describe the information system that shall be used to collect data, store, process and deliver information to relevant stakeholders in such a way that the Program information collected and verified pursuant to the M&E Plan is accessible and useful to those who wish to use it.

### **6.2 Budget.**

A detailed cost estimate for all components of the M&E Plan.

## **7. Responsibility for Developing the M&E Plan.**

MCC desires to “[refrain] from requesting the introduction of performance indicators that are not consistent with countries’ national development strategies.”<sup>6</sup> For this reason, primary responsibility for developing the M&E Plan lies with the M&E directorate of MCA-Malawi II with support and input from MCC’s M&E and economist staff. The M&E Plan must be developed in conjunction with key stakeholders, including MCA-Malawi II leadership and sector leads, the MCC Resident Country Mission, and other MCC staff (such as cross-cutting leads), as well as external stakeholders, as applicable. While the entire M&E Plan must be developed collaboratively, MCC and MCA-Malawi II Project/Activity leads are expected to guide the selection of Indicators at the process and output levels that are particularly useful for management and oversight of Projects and Activities.

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<sup>6</sup> Busan Partnership for Effective Development Cooperation, Busan Outcome Document, 1 December 2011, p. 5.



## 8. Approval and Implementation of the M&E Plan.

The approval and implementation of the M&E Plan, as amended from time to time, shall be in accordance with the Program Implementation Agreement, any other relevant Supplemental Agreement, and the M&E Policy. All M&E Plan modifications proposed by MCA-Malawi II must be submitted to MCC for prior written approval. The M&E Plan may undergo peer review within MCC before the beginning of the formal approval process. Evaluation activities under the M&E Plan are expected to continue beyond the end of the Compact Term and MCA-Malawi II shall identify the individuals and organizations that shall support these activities through completion.

### Table 1.1: Indicators

The table below lists the preliminary set of monitoring and evaluation Indicators linked to each result in the project logic. Key Indicators that can be reported on at least an annual basis shall be included in quarterly monitoring indicator reports, while Indicators that require survey data or a longer time period to track shall be included in evaluation reports.

**Table 1.1: AGC Project Indicators**

Result	Indicator	Definition	Unit	Baseline	Compact Target	ITT Indicator (Y/N)
<b>AGC Project</b>						
<b>Objective Indicator(s)</b>						
<b><u>Project Objective:</u></b> Reduced costs of transport in targeted rural areas	(R-32) Total transportation cost savings	Total cumulative cost savings for operating a vehicle on the road as a result of the MCC investment, as modelled by HDM-4, and expressed in monetized form.	US\$	Value: 0 Year: 2024 Source: N/A	Value: \$107.54 million Year: 2033 Source: Investment Memo CBA	N
	(R-10) Average annual daily traffic	The average number and type of vehicles per day, averaged over different times (day and night) and over different seasons to arrive at an annualized daily average	Number	Value: 2,128 Year: 2021 Source: Detailed Feasibility Study	Value: 5,699 Year: 2033 Source: Investment Memo CBA	N
<b>Outcome indicators</b>						
<b>All Activities</b>						
Reduced transport fares for passengers and freight	(R-25) Transport fares	Price in US\$ of travel along a particular road for a particular route.	US\$	TBD	TBD	TBD

Result	Indicator	Definition	Unit	Baseline	Compact Target	ITT Indicator (Y/N)
Reduced travel time	(R-17) Travel time	Average amount of time it takes to travel a key route.	Minutes	TBD	TBD	TBD
Improved regulation of transport services	TBD This result requires further clarity to be able to identify an indicator	TBD Will likely relate to CFTC capability in regulating transport services	TBD	TBD	TBD	TBD
Improved planning and budgeting for road maintenance	TBD This result requires further clarity to be able to identify an indicator	TBD Will likely relate to development of annual maintenance plans	TBD	TBD	TBD	TBD
	TBD This result requires further clarity to be able to identify an indicator	TBD Will likely relate to allocation of overall roads budget dedicated to maintenance being increased	TBD	TBD	TBD	TBD
Improved regulation of gender-based violence (including economic violence) in corridor markets and associated transport services	TBD This result requires further clarity to be able to identify an indicator	TBD Will likely relate to District Councils' effectiveness in reducing gender-based violence in corridor markets based on regulatory reforms adopted	TBD	TBD	TBD	TBD
<b>Output Indicators</b>						
<b>RCI Activity</b>						
Kilometers of main roads receiving periodic maintenance	Periodic maintenance	The length of main roads in kilometers receiving periodic maintenance with Compact support.	Kilometers	Value: 0 Year: N/A Source: N/A	Value: 120 km Year: CED Source: Detailed Feasibility Study	Yes

Result	Indicator	Definition	Unit	Baseline	Compact Target	ITT Indicator (Y/N)
					Phase 1 Report	
Kilometers of corridor roads upgraded	(R-13) Lane-kilometers completed	The length of lanes in kilometers on which MCC investment is complete (certificates handed over and approved)	Kilometers	Value: 0 Year: N/A Source: N/A	Value: TBD Year: TBD Source: TBD	Yes
	(R-8) Kilometers of roads completed	The length of roads in kilometers (measured regardless of number of lanes) on which an MCC investment is complete (certificates handed over and approved)	Kilometers	Value: 0 Year: N/A Source: N/A	Value: 285 Year: CED Source: Detailed Feasibility Study Phase 1 Report	Yes
Kilometers of link roads connecting to Focal Points	(R-8) Kilometers of roads completed	The length of roads in kilometers (measured regardless of number of lanes) on which an MCC investment is complete (certificates handed over and approved)	Kilometers	Value: 0 Year: N/A Source: N/A	Value: TBD Year: TBD Source: TBD	Yes
Kilometers of first mile roads constructed	(R-8) Kilometers of roads completed	The length of roads in kilometers (measured regardless of number of lanes) on which an MCC investment is complete (certificates handed over and approved)	Kilometers	Value: 0 Year: N/A Source: N/A	Value: TBD Year: TBD Source: TBD	Yes
<b>PIR Activity</b>						
Establishment and staffing of a Transport Unit within the CFTC	People trained in issues relating to regulating the cost of rural transport services	Number of people trained in issues relating to regulating the cost of rural transport services	Number	Value: 0 Year: N/A Source: N/A	TBD	TBD
	Transport Unit established within the CFTC	Establishment and staffing of a Transport Unit within the CFTC	Date	Value: N/A Year: N/A	TBD	TBD

Result	Indicator	Definition	Unit	Baseline	Compact Target	ITT Indicator (Y/N)
				Source: N/A		
Technical assistance provided at district level for road maintenance planning and implementation	People trained in issues relating to road maintenance planning and implementation	Number of people trained in issues relating to road management functions and road maintenance planning and operations	Number	Value: 0 Year: N/A Source: N/A	TBD	TBD
Technical assistance provided to the Roads Authority to improve road maintenance planning and implementation	People trained in issues relating to road maintenance planning and implementation	Number of people trained in issues relating to roads management, network planning, and maintenance planning and implementation on primary and secondary roads	Number	Value: 0 Year: N/A Source: N/A	TBD	TBD
Reforms adopted to reduce gender-based violence in corridor markets	Reforms adopted to reduce gender-based violence in corridor markets	Number of regulatory measures adopted to prevent or mitigate gender-based violence in corridor markets and associated transport services	Number	Value: 0 Year: N/A Source: N/A	TBD	TBD

**Table 1.2: Increased Land Productivity Project Indicators**

Result	Indicator	Definition	Unit	Baseline	Compact Target	ITT Indicator (Y/N)
<b>Increased Land Productivity Project</b>						
<b>Objective Indicator(s)</b>						
<b><i>Project Objective:</i></b> Improved land services	Number of formal land transactions	Number of annual land transactions at Malawi titles and deeds registries, disaggregated by transaction type, registry type and location, and urban vs. rural.	Number	Value: 13,414 Year: 2021 Source: Annual MoL Transaction Volume Report	Value: 27,500 Year: CED Source: Investment Memo CBA	Yes

Result	Indicator	Definition	Unit	Baseline	Compact Target	ITT Indicator (Y/N)
<b>Outcome Indicators</b>						
<b>All Activities</b>						
Increased investment in land	Investment in land increased	The manner in which this indicator will be calculated as well as the timing of data collection (incl. number of months after completion of Increased Land Productivity Project activities will be established in the Evaluation Design Report for the Increased Land Productivity Project.	TBD	Value: TBD Year: TBD Source: TBD	Value: TBD Year: TBD Source: TBD	No
More adequately funded land services	Resourcing of nationally funded land institutions is sufficient for optimal land service delivery	Share of revenue retained <sup>7</sup> + total central budget allocations/Total optimal operating cost	Percentage	Value: TBD Year: TBD Source: N/A	Value: TBD Year: TBD Source: TBD	No
	Resourcing of city-level land services and other city services is sufficient for optimal land service delivery	Revenue collected <sup>8</sup> /Total optimal land services operating cost	Percentage	Value: TBD Year: TBD Source: TBD	Value: TBD Year: TBD Source: TBD	No
Increased land-based revenue for City Councils	Land-based revenue for City Councils increased	Percent increase in city rate <sup>9</sup> revenue collected in City Councils targeted under the project	Percentage	Value: 0% Year: 2024 Source: N/A	Value: 250% Year: CED Source: Investment Memo CBA	Yes

<sup>7</sup> National land institutions do not retain the revenue they collect; reforms are expected to permit retention of a share of revenues, but not likely 100%. Central budget allocations to the MoL (or other centrally funded land institutions) make up the difference.

<sup>8</sup> City Councils are authorized to keep 100% of the city tax they collect.

<sup>9</sup> City rate is understood in Malawi as equivalent to municipal property tax in the United States.

Result	Indicator	Definition	Unit	Baseline	Compact Target	ITT Indicator (Y/N)
Increased land-based revenue for national government	Land-based revenue collected by MoL increased	Percent increase in ground rent collected by MoL, disaggregated by national collection and collection in any cities and districts specifically targeted by the project	Percentage	Value: 0% Year:2024 Source: N/A	Value: 200% Year: CED Source: Investment Memo CBA	Yes
<b>Output Indicators</b>						
<b>Land Administration Resourcing and Institutions Activity</b>						
Reforms adopted	(L-1) Policy, legal and regulatory reforms adopted	Reform adopted permitting national-level land administration Ministry or entity to retain a share of revenue collected	Date	Value: N/A Year: N/A Source: N/A	Value: Adopted Year: 2025 Source: Condition Precedent	Yes
	(L-1) Policy, legal and regulatory reforms adopted	Reform adopted rationalizing ground rent rates, to align them over time with market value of land	Date	Value: N/A Year: N/A Source: N/A	Value: Adopted Year: 2025 Source: Condition Precedent	Yes
	(L-1) Policy, legal and regulatory reforms adopted	Reform adopted to address the existing national-level arrears of ground rent	Date	Value: N/A Year: N/A Source: N/A	Value: Adopted Year: 2025 Source: Project documents	Yes
Improved land-based revenue and expenditure management systems in place	(L-2) Land administration offices established or upgraded	National institutions adopt and use improved systems for billing, collection, budgeting, and expenditure management, disaggregated by type/function of system	Date	Value: N/A Year: N/A Source: N/A	Value: Adopted Year: CED Source: Project documents	Yes

Result	Indicator	Definition	Unit	Baseline	Compact Target	ITT Indicator (Y/N)
New land institutions created, if reforms adopted	(L-2) Land administration offices established or upgraded	Decentralized land services or a land authority is established, if the Government chooses to adopt agreed reforms	Date	Value: N/A Year: N/A Source: N/A	Value: Adopted Year: CED Source: Condition Precedent	Yes
<b>City Council Land-Based Revenue Modernization Activity</b>						
Property tax rolls expanded	Properties identified and incorporated into City Council tax rolls	Number of newly identified private residential or commercial properties incorporated into City Council city tax rolls	Number	Value: 0 Year: 2024 Source: N/A	Value: 120,000 Year: CED Source: Project documentation	Yes
Properties mapped	Total area mapped	Total area in square kilometers of properties mapped to be used in discovery of new properties to be added to digital tax maps of the City Councils supported under the project	Square kilometers	Value: 0 Year: 2024 Source: N/A	Value: 1,155 Year: CED Source: Project documents	Yes
Property valuations completed	Number of property valuations completed in targeted cities	Total number of property valuations completed under the project	Number	Value: 0 Year: 2024 Source: N/A	Value: 520,000 Year: CED Source: Project documents	Yes
Improved land-based revenue and expenditure management systems in place	(L-2) Land administration offices established or upgraded	City institutions adopt and use improved systems for billing, collection, budgeting, and expenditure management, disaggregated by type/function of system	Date	Value: N/A Year: N/A Source: N/A	Value: Adopted Year: CED Source: Project documents	Yes
Reforms adopted	(L-1) Policy, legal and regulatory reforms	Reforms determined to be necessary to enable or sustain optimal impact of the City Council Land-Based Revenue Modernization	Date	Value: N/A Year: N/A	Value: Adopted Year: 2028	Yes

Result	Indicator	Definition	Unit	Baseline	Compact Target	ITT Indicator (Y/N)
		Activity. The specific reforms may be at city and national levels, and will be identified as part of final project preparations and early implementation.		Source: N/A	Source: Project documents	

**Table 1.3: ACFD Project Indicators**

Result	Indicator	Definition	Unit	Baseline	Compact Target	ITT Indicator (Y/N)
<b>Outcome Indicators</b>						
<b>Project Objective:</b> To facilitate DFC investments in Malawi	ACFD-supported DFC investments that reach financial close	Number of signed legal agreement(s) recording DFC's financial commitment to an ACFD-supported project	Number	Value: 0 Year: 2022	Value: 1 Year: CED	Y



**ANNEX IV**  
**CONDITIONS PRECEDENT**  
**TO DISBURSEMENT OF COMPACT FACILITATION FUNDING**

This Annex IV sets forth the conditions precedent applicable to Disbursements of Compact Facilitation Funding other than any Disbursement for MCC Contracted CFF Activities (each a “*CFF Disbursement*”). Capitalized terms used in this Annex IV and not defined in this Compact shall have the respective meanings assigned thereto in the Program Implementation Agreement. Upon execution of the Program Implementation Agreement, each CFF Disbursement shall be subject to the terms of the Program Implementation Agreement, except that the conditions precedent to each CFF Disbursement shall continue to be those set forth in this Annex IV.

**1. Conditions Precedent to Initial Compact Facilitation Funding Disbursement.**

Unless waived or deferred in writing by MCC, each of the following conditions must be met to MCC’s satisfaction before the Initial CFF Disbursement:

- (a) The Government (or MCA-Malawi II) has delivered to MCC:
  - (i) an interim fiscal accountability plan acceptable to MCC; and
  - (ii) a CFF procurement plan acceptable to MCC.

**2. Conditions Precedent to all Compact Facilitation Funding Disbursements (Including the Initial CFF Disbursement).**

Unless waived or deferred in writing by MCC, each of the following conditions must be met to MCC’s satisfaction before each CFF Disbursement:

- (a) The Government (or MCA-Malawi II) has delivered to MCC the following documents, in form and substance satisfactory to MCC:
  - (i) a completed Disbursement Request, together with the applicable Periodic Reports, for the applicable Disbursement Period, all in accordance with the Reporting Guidelines;
  - (ii) a certificate of the Government (or MCA-Malawi II), dated as of the date of the CFF Disbursement Request, in such form as provided by MCC;
  - (iii) if a Fiscal Agent has been engaged, a Fiscal Agent Disbursement Certificate; and
  - (iv) if a Procurement Agent has been engaged, a Procurement Agent Disbursement Certificate.
- (b) If any proceeds of the CFF Disbursement are to be deposited in a bank account, MCC has received satisfactory evidence that (i) the Bank Agreement has been executed and (ii) the Permitted Accounts have been established.

(c) Appointment of an entity or individual to provide Fiscal Agent services, as approved by MCC, until such time as the Government provides to MCC a true and complete copy of a Fiscal Agent Agreement, duly executed and in full force and effect, and the Fiscal Agent engaged thereby is mobilized.

(d) Appointment of an entity or individual to provide Procurement Agent services, as approved by MCC, until such time as the Government provides to MCC a true and complete copy of the Procurement Agent Agreement, duly executed and in full force and effect, and the Procurement Agent engaged thereby is mobilized.

(e) MCC is satisfied that (i) the activities being funded with such CFF Disbursement are necessary, advisable or otherwise consistent with the goal of facilitating the implementation of this Compact and shall not violate any applicable law or regulation; (ii) no material default or breach of any covenant, obligation or responsibility by the Government, MCA-Malawi II or any Government entity has occurred and is continuing under this Compact or any Supplemental Agreement; (iii) there has been no violation of, and the use of requested funds for the purposes requested shall not violate, the limitations on use or treatment of MCC Funding set forth in Section 2.7 of this Compact or in any applicable law or regulation; (iv) any Taxes paid with MCC Funding through the date thirty (30) days prior to the start of the applicable Disbursement Period have been reimbursed by the Government in full in accordance with Section 2.8(c) of this Compact; and (v) the Government has satisfied all of its payment obligations, including any insurance, indemnification, tax payments or other obligations, and contributed all resources required from it, under this Compact and any Supplemental Agreement.

(f) For any CFF Disbursement occurring after this Compact has entered into force in accordance with Article 7: MCC is satisfied that (i) MCC has received copies of any reports due from any technical consultants (including environmental auditors engaged by MCA-Malawi II) for any Activity since the previous Disbursement Request, and all such reports are in form and substance satisfactory to MCC; (ii) the Implementation Plan Documents and Fiscal Accountability Plan are current and updated and are in form and substance satisfactory to MCC, and there has been progress satisfactory to MCC on the components of the Implementation Plan for any relevant Projects or Activities related to such CFF Disbursement; (iii) there has been progress satisfactory to MCC on the M&E Plan and Social and Gender Integration Plan as defined in the PIA for the Program or relevant Project or Activity and substantial compliance with the requirements of the M&E Plan and Social and Gender Integration Plan (including the targets set forth therein and any applicable reporting requirements set forth therein for the relevant Disbursement Period); (iv) there has been no material negative finding in any financial audit report delivered in accordance with this Compact and the Audit Plan, for the prior two quarters (or such other period as the Audit Plan may require); (v) MCC does not have grounds for concluding that any matter certified to it in the related MCA Disbursement Certificate, the Fiscal Agent Disbursement Certificate or the Procurement Agent Disbursement Certificate is not as certified; and (vi) if any of the officers or key staff of MCA-Malawi II have been removed or resigned and the position remains vacant, MCA-Malawi II is actively engaged in recruiting a replacement.

(g) MCC has not determined that an act, omission, condition, or event has occurred that would be the basis for MCC to suspend or terminate, in whole or in part, this Compact or MCC Funding in accordance with Section 5.1 of this Compact.

## ANNEX V DEFINITIONS

*ACFD* has the meaning provided in Section B.2.a of Annex I.

*ACFD Project* has the meaning provided in Section B.3 of Annex I.

*ACFD Project Objective* has the meaning provided in Section 1.2(c).

*Activity* has the meaning provided in Section B of Annex I.

*Additional Representative* has the meaning provided in Section 4.2.

*AGC* has the meaning provided in Section B.1.a.i of Annex I.

*AGC Districts* has the meaning provided in Section B.1.a.i.A of Annex I.

*AGC Project* has the meaning provided in Section B.1 of Annex I.

*AGC Project Objective* has the meaning provided in Section 1.2(a).

*Annex* has the meaning provided in Section 6.1.

*Audit Guidelines* has the meaning provided in Section 3.8(a).

*Audit Plan* has the meaning provided in Section 3.8(a).

*Bank* means the financial institution approved by MCC to hold MCA-Malawi II's Permitted Account.

*Bank Agreement* means an agreement, in form and substance satisfactory to MCC, between MCA-Malawi II and the Bank that sets forth the signatory authority, access rights, anti-money laundering and anti-terrorist financing provisions, and other terms related to MCA-Malawi II's Permitted Account.

*Baseline* has the meaning provided in Section 3.1.1 of Annex III.

*CBA* has the meaning provided in Section B.1.b of Annex I.

*CDF Agreement* has the meaning provided in Section 3.2(b).

*CED* means Compact end date.

*CFF Disbursement* has the meaning provided in the preamble to Annex IV.

*CFF Disbursement Request* means a Disbursement Request pertaining to CFF.

*CFTC* has the meaning provided in Section B.1.a.ii.A of Annex I.

*Compact* has the meaning provided in the Preamble.

**Compact Goal** has the meaning provided in Section 1.1.

**Compact Facilitation Funding or CFF** has the meaning provided in Section 2.2(a).

**Compact Records** has the meaning provided in Section 3.7(a).

**Compact Term** has the meaning provided in Section 7.4.

**Corridor** has the meaning provided in Section B.1.a.i of Annex I.

**Corridor Roads** has the meaning provided in Section B.1.a.i.A of Annex I.

**Covered Provider** has the meaning provided in the Audit Guidelines.

**DFC** has the meaning provided in Section A.1.b of Annex I.

**Disbursement** has the meaning provided in Section 2.4.

**Disbursement Request** means a request by MCA-Malawi II to MCC for Program Funding or CFF, respectively, submitted in accordance with the Reporting Guidelines.

**DQR** has the meaning provided in Section 5 of Annex III.

**Environmental and Social Management System or ESMS** means a set of policies, procedures, tools, and internal capacity to identify and manage an institution's exposure to the environmental and social risks of its clients, investees, or stakeholders.

**Environmental Guidelines** has the meaning provided in Section 2.7(c).

**ERR** has the meaning provided in Section B.1.b of Annex I.

**ESIA** has the meaning provided in Section B.1.a.ii.C of Annex I.

**EU** has the meaning provided in Section A.1.b of Annex I.

**Evaluation Component** has the meaning provided in Section 1 of Annex III.

**Excess CFF Amount** has the meaning provided in Section 2.2(d).

**Fiscal Agent** has the meaning provided in Section C of Annex I.

**Fiscal Agent Agreement** means an agreement between MCA-Malawi II and the Fiscal Agent, in form and substance satisfactory to MCC, that sets forth the roles and responsibilities of the Fiscal Agent and other appropriate terms and conditions.

**Fiscal Agent Disbursement Certificate** means a certificate of the Fiscal Agent, substantially in the form provided by MCC.

**Focal Point** has the meaning provided in Section B.1.a.i of Annex I.

**Gender Policy** means the MCC Gender Policy (including any guidance documents issued in connection with such policy).

**GHG** has the meaning provided in Section B.1.b of Annex I.

**Governing Documents** has the meaning provided in Section C of Annex I.

**Government Contribution** has the meaning provided in Section 2.6(a).

**Government** has the meaning provided in the Preamble.

**Grant** has the meaning provided in Section 3.6(b).

**IFC** means the International Finance Corporation.

**Implementation Letters** has the meaning provided in Section 3.5.

**Implementing Entity** has the meaning provided in Section C of Annex I.

**Implementing Entity Agreement** has the meaning provided in Section C of Annex I.

**Increased Land Productivity Project** has the meaning provided in Section B.2 of Annex I.

**Increased Land Productivity Project Objective** has the meaning provided in Section 1.2(b).

**Indicator Tracking Table** or **ITT** has the meaning provided in Section 3.1.7 of Annex III.

**Indicators** has the meaning provided in Section 3.1 of Annex III.

**Initial CFF Disbursement** means the first Disbursement relating to CFF.

**Inspector General** has the meaning provided in Section 3.7(c).

**Intellectual Property** means all registered and unregistered trademarks, service marks, logos, names, trade names and all other trademark rights; all registered and unregistered copyrights; all patents, inventions, shop rights, know how, trade secrets, designs, drawings, art work, plans, prints, manuals, computer files, computer software, hard copy files, catalogues, specifications, and other proprietary technology and similar information; and all registrations for, and applications for registration of, any of the foregoing, that are financed, in whole or in part, using MCC Funding; provided however, that Intellectual Property shall not include property forming part of the cultural heritage of any nation state and not placed or intended to be commercially licensed or sold.

**International Accounting Standards Board** has the meaning provided in Section 3.7(b).

**Link Roads** has the meaning provided in in Section B.1.a.i.B of Annex I.

**M&E** has the meaning provided in Section 1 of Annex III.

**M&E Plan** has the meaning provided in the first paragraph of Annex III.

***M&E Policy** has the meaning provided in the first paragraph of Annex III.*

***MCA Act** has the meaning provided in Section 2.2(a).*

***MCA-Malawi II** has the meaning provided in Section 3.2(b).*

***MCC** has the meaning provided in the Preamble.*

***MCC Contracted CFF Activities** has the meaning provided in Section 2.2(f).*

***MCC Funding** has the meaning provided in Section 2.3.*

***MCC Website** means the MCC website at [www.mcc.gov](http://www.mcc.gov).*

***MCCCI** has the meaning provided in B.1.a.ii.A of Annex I.*

***MMD** has the meaning provided in Section 3.2(b).*

***MoL** has the meaning provided in C.1.b.iii of Annex I.*

***Monitoring Component** has the meaning provided in Section 1 of Annex III.*

***Multi-Year Financial Plan Summary** has the meaning provided in Part I of Annex II.*

***O&M** has the meaning provided in Section 2.3.1 of Annex III.*

***Operations Unit** has the meaning provided in Section C of Annex I.*

***Party and Parties** have the meaning provided in the Preamble.*

***Permitted Account** has the meaning provided in Section 2.4.*

***PIR** has the meaning provided in Section B.1.a.ii of Annex I.*

***Principal Representative** has the meaning provided in Section 4.2.*

***Procurement Agent** has the meaning provided in Section C of Annex I.*

***Procurement Agent Agreement** means the agreement that MCA-Malawi II shall enter into with the Procurement Agent, in form and substance satisfactory to MCC, that sets forth the roles and responsibilities of the Procurement Agent with respect to the conduct, monitoring and review of procurements and other appropriate terms and conditions.*

***Procurement Agent Disbursement Certificate** means a certificate of the Procurement Agent, substantially in the form provided by MCC.*

***Procurement Plan** means the plan prepared by MCA-Malawi II for acquiring the goods, works, and consultant and non-consultant services needed to prepare and implement the Compact.*

***Program** has the meaning provided in the Preamble.*

**Program Assets** means any assets, goods, or property (real, tangible, or intangible) purchased or financed in whole or in part (directly or indirectly) by MCC Funding.

**Program Closure Guidelines** means the Program Closure Guidelines (including any guidance documents issued in connection with such guidelines).

**Program Funding** has the meaning provided in Section 2.1.

**Program Grant Guidelines** has the meaning provided in Section 3.6(b).

**Program Guidelines** means collectively the Audit Guidelines, the Environmental Guidelines, the Policy for Accountable Entities and Implementation Structures, the Program Grant Guidelines, the Program Procurement Guidelines, the Reporting Guidelines, the M&E Policy, the Cost Principles for Government Affiliates, the Program Closure Guidelines, the Gender Policy, the MCC Operational Requirements and Milestones for Social Inclusion and Gender Integration, the Guidelines for Economic and Beneficiary Analysis, the Standards for Global Marking, the Guidelines for Country Contributions, the MCC Counter-Trafficking in Persons Policy, the Policy on Preventing, Detecting and Remediating Fraud and Corruption in MCC Operations, and any other guidelines, policies or guidance papers relating to the administration of MCC-funded compact programs, in each case, as such may be posted from time to time on the MCC Website.

**Program Implementation Agreement or PIA** have the meaning provided in Section 3.1.

**Program Procurement Guidelines** has the meaning provided in Section 3.6(a).

**Project** has the meaning provided in Section 1.2.

**Project Objective** has the meaning provided in Section 1.2.

**Provider** means (a) any entity of the Government that receives or uses MCC Funding or any other Program Asset in carrying out activities in furtherance of this Compact or (b) any third party that receives at least US\$50,000 in the aggregate of MCC Funding (other than as salary or compensation as an employee of an entity of the Government) during the Compact Term.

**RCI** has the meaning provided in Section B.1.a.i of Annex I.

**Reporting Guidelines** means the MCC Guidance to Accountable Entities on the Quarterly Disbursement Request Package.

**SEP** means a plan designed to guide consultations and communications with stakeholders of a project throughout the life of the project for the purpose of engaging with stakeholders in a culturally appropriate manner, all as more particularly described in IFC Performance Standard 1.

**Social and Gender Integration Plan** means the plan prepared in accordance with the Gender Policy and the MCC Operational Requirements and Milestones for Social Inclusion and Gender Integration, as further described in the Program Implementation Agreement.



**Stakeholders' Committee** means one or more bodies of representatives from the private sector, beneficiaries, civil society, and local and regional governments established by MCA-Malawi II as part of fulfilling the requirements of any stakeholder engagement plan, and to provide advice and input to MCA-Malawi II regarding the implementation of the Program.

**Supplemental Agreement** means any agreement between (a) the Government (or any Government affiliate, including MCA-Malawi II) and MCC (including, but not limited to, the PIA), or (b) MCC and/or the Government (or any Government affiliate, including MCA-Malawi II), on the one hand, and any third party, on the other hand, including any of the Providers, in each case, setting forth the details of any funding, implementing or other arrangements in furtherance of, and in compliance with, this Compact.

**Target** has the meaning provided in Section 3.1.2 of Annex III.

**Taxes** has the meaning provided in Section 2.8(a).

**Transport Unit** has the meaning provided in Section B.1.a.ii.A of Annex I.

**Trustees** has the meaning provided in Section C of Annex I.

**United States** has the meaning provided in the Preamble.

**United States Dollars or US\$** means the lawful currency of the United States of America.

**USAID** has the meaning provided in Section A.1.b of Annex I.