

MILLENNIUM CHALLENGE COMPACT

BETWEEN

THE UNITED STATES OF AMERICA

AND

THE REPUBLIC OF ZAMBIA

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 Zambia (“*Zambia*”). The United States and Zambia are collectively referred to as the “*Parties*” and each individually as a “*Party*.”

Recalling that the Parties concluded an initial Millennium Challenge Compact (which entered into force on November 15, 2013 and expired by its terms on November 15, 2018) that advanced the progress of Zambia in achieving lasting economic growth and poverty reduction, demonstrated the strong partnership between the Parties, and was implemented in accordance with the core policies and standards of the Millennium Challenge Corporation (“*MCC*”);

Recognizing that the Parties are committed to the shared goals of promoting economic growth and the reduction of extreme poverty in Zambia and that assistance under this Compact supports Zambia’s demonstrated commitment to strengthening good governance, economic freedom, and investments in people;

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

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

Recognizing that MCC shall serve as an implementing agency for the United States under this Compact.

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 Zambia (the “*Compact Goal*”). MCC shall provide assistance in a manner that strengthens good governance, economic freedom, and investments in the people of Zambia.

Section 1.2 Project Objectives. The Program consists of the four 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:

- (a) to decrease transportation costs in prioritized agriculture corridors (“*Roads and Access Project Objective*”);

(b) to increase access to finance for investments in electricity, irrigation, logistics, and processing (“*EILP*”) equipment and infrastructure for both men and women-owned agricultural small and medium enterprises (“*Agri-SMEs*”) and project developers across agriculture value chains (“*Asset Finance Project Objective*”);

(c) to improve institutional capacity to facilitate private sector production and trade in grains (“*Agriculture Policy Reform and Institutional Strengthening Project Objective*”); and

(d) to facilitate U.S. International Development Finance Corporation (“*DFC*”) investments in Zambia in the sectors identified as constraints to Zambia’s growth by MCC (“*American Catalyst Facility for Development (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 Zambia, under the terms of this Compact, an amount not to exceed Four Hundred Million and Eight Hundred Thousand United States Dollars (US\$400,800,000) (“*Program Funding*”) for use by Zambia 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 Zambia, under the terms of this Compact and in addition to the Program Funding described in Section 2.1, an amount not to exceed Fifty-Seven Million and Two Hundred Thousand United States Dollars (US\$57,200,000) (“*Compact Facilitation Funding*” or “*CFF*”) under Section 609(g) of the Millennium Challenge Act of 2003, as amended (the “*MCA Act*”), for use by Zambia to facilitate implementation of this Compact, including for the following purposes:

- (i) financial management and procurement activities;
- (ii) administrative support expenses such as staff salaries, rent and associated property improvements, publication costs, costs to hire short-term experts, and the costs of information technology and equipment requirements;
- (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 is subject to the 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 Zambia, may withdraw the excess amount, thereby reducing the amount of 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 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 Zambia, may elect to grant to Zambia 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.

Section 2.3 MCC Funding.

Program Funding and Compact Facilitation Funding, totaling a combined amount of up to Four Hundred and Fifty-Eight Million (US\$458,000,000), are collectively referred to in this Compact as “*MCC Funding*,” which includes any refunds or reimbursements of Program Funding or Compact Facilitation Funding paid by Zambia in accordance with this Compact.

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 Zambia, at MCC’s election, by (a) deposit to one or more bank accounts established by Zambia and acceptable to MCC (each, a “*Permitted Account*”) or (b) direct payment to a third party as payment for an amount owed by Zambia for the implementation of the Program. MCC Funding may be expended only for Program expenditures.

Section 2.5 Interest.

Zambia 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 Country Resources; Budget.

(a) Consistent with the *Country Contributions Policy*, Zambia shall make a contribution, during the period from the signing of this Compact to the end of the Compact

Term, of no less than Thirty-Three Million and Seven Hundred and Fifty Thousand United States Dollars (US\$33,750,000) toward meeting the Project Objectives (the “*Country Contribution*”). The overall allocation of the Country 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 Country Contribution. The Country Contribution shall be subject to any legal requirements in Zambia for the budgeting and appropriation of such contribution, including approval of Zambia’s annual budget by its legislature. At MCC’s request, Zambia shall provide evidence that it has budgeted and appropriated or otherwise ensured that the Country Contribution shall be made available for Program requirements. During implementation of the Program, the Country Contribution may be modified with MCC approval as provided in the *Country Contributions Policy*, provided that the modified contribution continues to advance the Project Objectives. In addition, Zambia shall provide all funds and other resources, and shall take all other actions, that are necessary to carry out its responsibilities under this Compact.

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

(c) Zambia shall not reduce the normal and expected resources that it would otherwise budget for the activities contemplated under this Compact. In addition, unless Zambia discloses otherwise to MCC in writing, MCC Funding shall be in addition to such resources.

Section 2.7 Limitations on the Use of MCC Funding. Zambia 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 Zambia 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 MCC’s 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) Zambia shall ensure that all MCC Funding is free from all taxes, duties, levies, and other similar charges imposed by or in Zambia (whether at the national, local or other

level)¹ (but not fees or charges for services that are generally applicable in Zambia, reasonable in amount and imposed on a non-discriminatory basis) (“*Taxes*”). Without limiting the broad scope of the previous sentence, MCC Funding shall be free from any and all (i) tariffs, customs duties, import taxes, export taxes, and other similar charges on any goods, works or services introduced into Zambia in connection with the Program; (ii) tariffs, customs duties, import taxes, export taxes, and other similar charges on any personal effects, vehicles, equipment, supplies, or other items imported into Zambia by any personnel (including employees and contractors of MCC and any providers of goods, works, or services to the Program) and their families for their own use, which personnel or providers are present in the country to perform work in connection with the Program and are not citizens or permanent residents of Zambia; (iii) 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, (iv) taxes and other similar charges on ownership, possession or use of any property in connection with the Program, and (v) 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 clause (v), Zambia may choose not to extend this exemption to: (1) natural persons who are citizens or permanent residents of Zambia and (2) legal persons formed under the laws of Zambia other than MCA-Zambia II and any other entity formed for the purpose of implementing Zambia’s obligations hereunder.

(b) The mechanisms that Zambia 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 or refund or reimbursement of Taxes by Zambia to MCC, MCA-Zambia II or to the taxpayer. For the avoidance of doubt, the identification (or lack of identification) of Taxes in Annex IV of the Program Implementation Agreement shall in no way limit the scope of the tax-free treatment of MCC Funding required by this Section 2.8. In addition, Zambia 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 MCC may determine is necessary or appropriate to implement the provisions of this Section 2.8.

(c) If a Tax has been paid contrary to the requirements of Section 2.8(a) or Annex IV of the Program Implementation Agreement, Zambia 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 Zambia within thirty (30) days (or such other period as may be agreed in writing by the Parties) after Zambia is notified in writing (whether by MCC or MCA-Zambia 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) Zambia shall not apply any MCC Funding, the Country Contribution, any proceeds thereof or any Program Assets to satisfy its obligations under Section 2.8(c).

¹ This includes regional taxes that have been domesticated by law in Zambia.

ARTICLE 3.
IMPLEMENTATION

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

Section 3.2 Country Responsibilities.

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

(b) In consultation with MCC, Zambia shall designate an entity to be established as an autonomous entity in accordance with the Companies Act, No. 10 of 2017, as the accountable entity to implement the Program and to exercise and perform Zambia’s right and obligation to oversee, manage and implement the Program, including without limitation, managing implementation of the Projects and their Activities, allocating resources, and managing procurements. Such entity shall be referred to herein as “**MCA-Zambia II**,” and shall have the authority to bind Zambia with regard to all Program activities. Zambia hereby also designates MCA-Zambia II to exercise and perform Zambia’s right and obligation to oversee, manage, and implement the activities described in the Compact Development Funding Grant Agreement, dated December 8, 2022, by and between Zambia and MCC (as amended or otherwise modified, the “**CDF Agreement**”). Prior to MCA-Zambia II’s establishment, Zambia hereby designates the Millennium Project Completion Agency-Zambia (“**Compact Development Team**”) to act on behalf of Zambia with respect to the Program and CDF Agreement, and any reference herein or in the Program Implementation Agreement to MCA-Zambia II shall be deemed a reference to the Compact Development Team until such time as MCA-Zambia II is duly established. The Parties note that Zambia remains fully responsible for the performance of its obligations and responsibilities under this Compact notwithstanding the designation made in this Section 3.2(b), and any provision of this Compact, the Program Implementation Agreement or any other Supplemental Agreement obligating MCA-Zambia II to take any action or refrain from taking any action, as the case may be, means Zambia shall cause MCA-Zambia 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) Zambia 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 approves otherwise in writing.

(d) Zambia 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 approves otherwise in writing).

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

(f) Zambia shall retain ownership of any Intellectual Property developed, in whole or in part, with MCC Funding. Zambia hereby grants to the United States 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 such 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 (if any), Zambia 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. Zambia assures MCC that, as of the date Zambia signs this Compact, the information provided to MCC by or on behalf of Zambia 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 Zambia in writing on any matters relating to this Compact, MCC Funding, or implementation of the Program. Zambia 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 such writings are referred to as “**Implementation Letters**.”

Section 3.6 Procurement and Grants.

(a) Zambia shall ensure that the procurement of all goods, works, and services to implement the Program shall be in accordance with the *Accountable Entity Procurement Policy & Guidelines*. Accordingly, the Public Procurement Act No. 8 of 2020 and any other laws or regulations of Zambia regarding procurements shall not apply to procurements to implement the Program. The *Accountable Entity Procurement Policy & Guidelines* include the following provisions, 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 and eligible 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) Zambia 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*.

Section 3.7 Records; Accounting; Access.

(a) Program Books and Records. Zambia 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 adequate to show, to MCC’s satisfaction, the use of all MCC Funding, the Country Contribution, and the implementation and results of the Program (“**Compact Records**”). Compact Records must be maintained for at least five (5) years after the end of the Compact Term or for such longer period, if any, required in connection with any litigation, claims, audit findings, or applicable legal requirements. In addition, Zambia shall furnish or cause to be furnished to MCC, upon its request, originals or copies of such Compact Records.

(b) Accounting. Zambia 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 Zambia’s option and with MCC’s prior written approval, other accounting standards, such as those (i) set by the International Accounting Standards Board, or (ii) then prevailing in Zambia.

(c) Access. Upon MCC’s request, Zambia, 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 Zambia 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 Country Contribution.

Section 3.8 Audits; Reviews.

(a) Program Audits. Zambia shall, on at least an annual basis (or on such other intermittent basis as requested by MCC in writing), conduct, or cause to be conducted, financial audits and review engagements of all Disbursements of MCC Funding and the Country Contribution. The initial audit shall cover the period from signing of this Compact until the initial audit period end date specified in an audit plan developed and implemented by MCA-Zambia II in accordance with the *Accountable Entities Audit Guidelines for Contracted Financial Audits* (the “**Audit Guidelines**”) and the Program Implementation Agreement (the “**Audit Plan**”). Subsequent audits shall cover each twelve-month period thereafter, through the end of the Compact Term, as well as the 120-day period following the expiration of the Compact

Term. All such audits and review engagements shall be performed in accordance with the Audit Guidelines or such other processes and procedures as MCC may direct from time to time. In addition, Zambia 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 the Audit Plan as approved by MCC or as agreed by the Parties in writing.

(b) Audits of Other Entities. Zambia shall ensure that MCC-financed agreements between it and any Covered Provider state that the Covered Provider is subject to audit in accordance with the Audit Guidelines.

(c) Corrective Actions. Zambia shall use its best efforts to ensure that each Covered Provider (i) takes, where necessary, appropriate, and timely corrective actions in response to audits, (ii) considers whether the results of the Covered Provider's audits necessitate adjustment of Zambia'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 Zambia's use of MCC Funding and of the Country 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 approved by MCC, 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 the United States:

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
Telephone: +1 (202) 521-3600
Email:
VPOperations@mcc.gov (Vice President, Compact Operations)
VPGeneralCounsel@mcc.gov (Vice President and General Counsel)

To Zambia:

Ministry of Finance and National Planning
Attention: Minister of Finance and National Planning
Chimanga Road
P.O. Box 50062, RW 10101
Lusaka, Zambia

Tel: +260-211-250-481
Fax: +260-211-253-494

To MCA-Zambia II:

MCA-Zambia II
4th Floor, ZEPRE Building,
Alick Nkhata Road, Mass Media Area
P.O. Box 51290
Tel: + 260-211-256-449
Fax: +260-211-257-432

Section 4.2 Representatives. For all purposes relevant to implementation of this Compact, Zambia shall be represented by the individual holding the position of, or acting as, Minister of Finance and National Planning of the Republic of Zambia, and the United States shall be represented by the individual holding the position of, or acting as, Vice President, Compact Operations of MCC (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). Zambia hereby designates the Secretary to the Treasury of the Government of Zambia and the Chief Executive Officer of MCA-Zambia II as Additional Representatives for Zambia. The United States hereby designates MCC’s Deputy Vice President, Department of Compact Operations (Africa) and Resident and Deputy Resident Country Directors for Zambia 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 effected through an exchange of letters or diplomatic notes.

ARTICLE 5.

TERMINATION; SUSPENSION; EXPIRATION

Section 5.1 Termination; Suspension.

(a) Either Party may terminate this Compact without cause in its entirety by giving the other Party thirty (30) days’ prior written notice. MCC may also terminate MCC

Funding without cause in whole or in part by giving Zambia thirty (30) days' prior written notice.

(b) The United States may, immediately, upon written notice to Zambia, suspend or terminate this Compact and MCC may, immediately, upon written notice to Zambia, suspend or terminate MCC Funding, in each case, 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 Zambia in writing) has occurred, which circumstances include but are not limited to the following:

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

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

(iii) an event or series of events has occurred that makes it probable that any of the Project Objectives is not going to be achieved during the Compact Term or that Zambia 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) Zambia 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 Zambia 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;

(vii) Zambia has engaged in a pattern of actions inconsistent with the criteria used to determine its eligibility for assistance under the MCA Act; and

(viii) Zambia is classified as a Tier 3 country in the United States Department of State's annual Trafficking in Persons Report.

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, the provisions of 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 Zambia 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 that is in violation of the terms of this Compact, then the United States may require Zambia 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 thirty (30) days after Zambia's receipt of MCC's request for repayment. Zambia shall not use MCC Funding, the Country Contribution, proceeds of MCC Funding or the Country Contribution, or any Program Assets 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 (5) years thereafter or (ii) one (1) year after MCC receives actual knowledge of such violation, whichever is later.

Section 5.4 Late Payment Interest. If Zambia fails to pay any amount under this Compact or the Program Implementation Agreement when due (including amounts under Section 2.8(c) and 5.3(a)), Zambia 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. Zambia's responsibilities under this Section and Section 2.7 (Limitations on the Use of MCC Funding), Section 2.8 (Taxes), Section 3.2(f) (Country Responsibilities), Section 3.7 (Records; Accounting; Access), Section 3.8 (Audits; Reviews), Section 5.2 (Consequences of Termination, Suspension or Expiration), Section 5.3 (Refunds; Violation), Section 5.4 (Late Payment Interest), and Section 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 only 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 expressly stated otherwise.

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 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 M&E Policy, 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 Zambia’s responsibilities or contribution of resources required under Section 2.6(a), and (E) does not extend the Compact Term.

Section 6.3 Definitions; Inconsistencies.

(a) Capitalized terms used herein shall have the respective meanings given such terms in Annex V.

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

(i) any Annex and any of Articles 1 through 8, such Articles 1 through 8, 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 in this Compact to activities, obligations or rights existing under or in furtherance of this Compact shall include activities, obligations, and rights 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; Country 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 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.

(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 ministry of Zambia shall be construed to include any successor ministry with the relevant subject matter or sector authority.

(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 (5) 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, including MCC, assumes no liability for any claims or loss arising out of activities or omissions under this Compact. Zambia waives any and all claims against the United States, including MCC, and any current or former officer or employee of the United States, 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. Zambia agrees that the United States, including MCC, and any current or former officer or employee of the United States, including MCC, shall be immune from the jurisdiction of all courts and tribunals of Zambia for any claim or loss arising out of activities or omissions under this Compact.

ARTICLE 7.
ENTRY INTO FORCE

Section 7.1 Domestic Procedures. Zambia shall proceed in a timely manner to complete all of its domestic requirements for this Compact and the Program Implementation Agreement to enter into force, including ratification and domestication of the Compact and the Program Implementation Agreement. The Parties further understand that, consistent with Zambian law, prior to Zambia sending the letter described in Section 7.3, this Compact and the Program Implementation Agreement are to be submitted to and approved by the National Assembly of Zambia.

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 has been signed by the parties thereto;
- (b) Zambia has delivered to MCC:
 - (i) a letter signed and dated by the Principal Representative (or such other duly authorized representative acceptable to MCC) of Zambia, confirming that Zambia 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 (or such other legal representative acceptable to MCC) of Zambia, in form and substance satisfactory to MCC;
 - (iii) complete copies of all decrees, legislation, regulations or other governmental documents relating to Zambia's domestic requirements necessary for this Compact and the Program Implementation Agreement to enter into force, which MCC may post on its website or otherwise make publicly available; and
- (c) MCC has determined that after signature of this Compact, Zambia 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 the United States, acting through MCC, to Zambia in an exchange of letters confirming that the Parties 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 the United States' satisfaction.

Section 7.4 Compact Term. This Compact shall remain in force for five (5) 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.

ARTICLE 8.

ADDITIONAL COUNTRY UNDERTAKINGS

Section 8.1 Developmental Undertakings. The Parties acknowledge the importance of the agricultural reforms under the Agriculture Policy Reform and Institutional Strengthening Project in facilitating and ensuring the sustainable development of Zambia's agricultural value chain. Therefore, Zambia undertakes as follows:

- (a) to prioritize the adoption or amendment, as applicable, and the legal harmonization of the Agricultural Credits Act, Food Reserve Act, and the Agricultural Marketing Bill, by no later than December 2025.
- (b) to provide an annual budget allocation for costs associated with establishing and operating the Agricultural Marketing Council, the Warehouse Licensing Authority, and related entities created as a result of the agricultural policy reforms under the Agriculture Policy Reform and Institutional Strengthening Project.
- (c) to demonstrate annually, barring the occurrence of an exceptional circumstance as determined by MCC and Zambia, through reporting mechanisms as agreed by MCC and Zambia, the avoidance of market distortions through any non-competitive involvement of government entities in the production and marketing of grain and grain products.

Section 8.2 Compliance. The Parties acknowledge that non-compliance with the obligations set forth in Section 8.1 may result in unmet disbursement requirements or the suspension of MCC Funding under the Compact in accordance with Section 3.4(b)(ii) of the PIA, or other outcomes.

SIGNATURE PAGE FOLLOWS ON THE NEXT PAGE

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

Done at Lusaka, Zambia, this 17th day of October 2024, in the English language.

FOR THE UNITED STATES OF AMERICA FOR THE REPUBLIC OF ZAMBIA

/s/

/s/

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

Name: Situmbeko Musokotwane
Title: Minister of Finance and National
Planning

ANNEX I

PROGRAM DESCRIPTION

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

A. PROGRAM OVERVIEW

1. Background and Consultative Process.

(a) Background

Zambia is a landlocked country of approximately 20 million inhabitants and has an economy that has averaged 3.7 percent annual growth over the period from 2011 to 2021. However, this average annual growth masks considerable fluctuations resulting from Zambia's dependence on exporting copper, known for its volatile international price, and recurring droughts that harm its agriculture and energy sectors. Zambia's extensive public borrowing in the recent past has burdened it with debt and constrained its ability to deliver public services and finance future investments.

Zambia has a landmass larger than the state of Texas in the United States; however, the agriculture sector contributes to only 3 percent of Zambia's GDP because agriculture in Zambia is mostly subsistence-based. Agriculture employs more than half of Zambia's population, but the majority of Zambia's labor force remains engaged in low-productivity agriculture and informal services. For example, Zambia has low agricultural maize productivity, with average yields hovering around two metric tons/hectare, well below the eight tons/hectare achieved by the country's leading commercial producers.

The Government of Zambia has recently prioritized private sector-led growth and more market-friendly policies while signaling its intention to diversify its economy beyond copper. As part of this strategy, it has focused on agriculture and agro-processing (AAP), in recognition of its potential for economic growth and poverty reduction. AAP spans on-farm crop production, a suite of value-adding manufacturing activities, including processing, milling, and packaging, and complementary storage, transport, and other marketing services. Critically, the AAP growth path improves the livelihoods and food security of Zambia's poorest citizens, particularly its women and youth, and helps usher the country's broader structural transformation.

The Program aims to address key constraints along Zambia's AAP growth path through a combination of investments in rural road infrastructure, programs to improve access to finance, and agricultural policy reform initiatives.

(b) Consultative Process.

Throughout the compact development process, MCC and the Government of Zambia held consultations with donors and stakeholders, including USAID, the African Development Bank ("*AfDB*"), and the World Bank Group. MCC and the Government of Zambia also conducted consultations with relevant ministries and local government. Furthermore, MCC and the Government of Zambia engaged in collaborative and inclusive consultations with a broad range of financial institutions, and private sector participants in the agriculture and agro-processing

sector, including project developers and agro-processors, to inform the Program's focus and design. Active consultations shall continue throughout the Compact Term to ensure the effective execution of the Program.

2. Description of Program and Beneficiaries.

(a) Program Description

The Program consists of four Projects designed to address key constraints along Zambia's AAP growth path: (1) the Roads and Access Project; (2) the Asset Finance Project; (3) the Agriculture Policy Reform and Institutional Strengthening Project; and (4) the American Catalyst Facility for Development (ACFD) Project.

(b) Intended Beneficiaries.

Under the Roads and Access Project, the Improving Roads Activity's beneficiaries are expected to include all households, including road users, living within access to an improved road, defined herein as within 5 kilometers (km) of access. The total number of beneficiaries ranges from 348,000 to 673,000 people, depending on the selection of roads for improvement. These estimates include both those who use the road and others residing in the 5 km range who may benefit indirectly. It should be noted that road users who do not reside near the road (e.g., transporters, or anyone transiting through the area on the road) will also benefit from the Improving Roads Activity but are not included in these estimates. The Gender Action Learning System ("GALS") program under the Improving Access Activity is anticipated to benefit 100,000 people (considering an average rural household size of 5) assuming that all members of participants' households ultimately benefit from the Activity.

The Asset Finance Project's Agri-SME Asset Financing Activity's beneficiaries shall depend on the combination of small and medium-sized equipment in the overall portfolio. The number of new end users (e.g., farmers and agro-processors) of the EILP equipment ranges from about 8 thousand (100 percent medium-sized equipment) to 27 thousand (100 percent small-sized equipment), and the corresponding total beneficiaries (applying the household size multiplier of five persons per each end user) ranges from 40 thousand to 135 thousand for small and medium-sized equipment, respectively. The Asset Finance Project's Zambia Project Preparation Facility Activity's beneficiaries shall be determined once information on specific applicants for the project preparation assistance and the possible range of project types has been obtained.

The Agriculture Policy Reform and Institutional Strengthening Project shall have manifold effects and benefits which are diffuse in the population and that are difficult to quantify. Detailed analysis of the impact of a maize price increase—an effect of relaxing restrictions on exports which artificially constrain domestic maize prices—shows that net maize sellers gain from the price increase while net buyers lose. However, considering that the former tend to be poorer, there is an overall reduction in national poverty of 0.4 percent from a modest 10 percent increase in the domestic maize price. For net sellers of maize, the reduction in the poverty rate is 1.5 percent; for net consumers (who are more likely to be urban and non-poor), there is a much smaller 0.1 percent increase in poverty.

Neither the CBA nor estimates of ERRs are required for the ACFD Project and, therefore, shall not be conducted.

B. DESCRIPTION OF PROJECTS

Set forth below is a description of each Project that Zambia agrees to implement, or cause to be implemented, using MCC Funding and the Country Contribution to advance the applicable Project Objective. In addition, specific activities to be undertaken within each Project (each, an “*Activity*”) are set forth below.

1. Roads and Access Project

(a) Summary of Project and Activities.

The objective of the Roads and Access Project is to decrease transportation costs in prioritized agricultural corridors. The Project aims to support the broader intention of raising the quantity and value of AAP production and productivity and increasing access to agriculture and agro-processing facilities and domestic/regional markets. The Project’s Activities may be implemented, pursuant to an Implementing Entity Agreement, through the Road Development Agency, the National Road Fund Agency, the Ministry of Local Government and Rural Development, and the National Council for Construction, and other Zambian agencies. This Project shall include three Activities.

(i) Improving Roads Activity

The Improving Roads Activity aims to improve road conditions, quality, access, and climate resilience for selected road segments within the identified agricultural corridors. The Activity aims to do so by conducting feasibility studies for four road segments with a combined length of approximately 675 km and through the design, construction, expansion, rehabilitation, upgrades, and/or strengthening of selected roadways, amounting to a combined length of approximately 338 km. Improving the condition, accessibility, and reliability of road segments should reduce trip durations and vehicle wear and tear, both of which reduce overall costs to road users for moving goods and people over roads. Moreover, investments in improving community connectivity and the resilience of transportation to extreme weather events should increase year-round access to markets and other services (e.g., schools and health clinics), reduce uncertainty in travel times, and reduce the risks of catastrophic crop losses in route, thus enhancing the opportunity and risk profile of AAP producers. The selected roadways shall be grouped into two categories of “primary scope” and “alternate scope,” with the “primary scope” and “alternate scope” consisting of road segments totaling approximately 337 km and 338 km, respectively. The selected primary scope roadways shall include certain segments of the roads designated M12, D103 and M20. The selected alternate scope roadways shall include certain segments of the roads designated D200, D421, D208/209 and D468. The limits and road names along with kilometer lengths are described in the table below.

	Approximate Length (km)	Cumulative Approximate Length (km)
Primary Scope		

M12 – Chipata to Lundazi	180	
D103 – Lundazi to Old Magodi	42	222
M20 – Landless Corner to Mumbwa	116	116
Alternative Scope		
D200 - Kabwe to Mukonchi Mission turnoff	36	
Mukonchi Mission turnoff to Mukonchi centre	12	
D200 - Mukonchi Mission turnoff to D421 turnoff	28	
D421 turnoff to Masansa	101	
Masansa to T2 at Mkushi	42	277
D208/209 (Masansa) to Mpula (T2)	58	
D468 – Luansobe turnoff to Mpongwe	60	60

(ii) Improving Access Activity

The Improving Access Activity aims to create and/or improve connections (physical and non-physical connections) to markets and agricultural activities for rural populations within prioritized agricultural corridors. This shall be achieved through a combination of physical and non-physical improvements and interventions to provide communities better access to the road network, potentially including improvements or construction of access roads, trail bridges and pedestrian amenities, community engagement to address barriers to accessing transport using the GALS methodology, and efforts to improve transport services for smallholder farmers. This intervention shall directly engage poor rural communities within the selected agricultural corridors and boost opportunity for those with limited access to transportation and markets in support of the Improving Roads Activity. This Activity’s interventions may include completing a review of virtual marketplace platforms currently in use for agricultural transport. The platforms should have the goal of using short message service (SMS or text messaging) or online platforms to enable smallholder farmers to obtain information on rates, services and transporters, available freight assignments, as well as sharing farmers’ yields with buyers.

(iii) Strengthening Zambian Road Management Activity

The Strengthening Zambian Road Management Activity aims to improve road asset management, and particularly road maintenance investments in Zambia. This shall be achieved by providing technical assistance, equipment, and capacity building support. The Activity’s aim shall be further achieved through policy, legal, and institutional reforms concerning and involving road sector actors in order to improve planning, prioritization, and the execution of road maintenance at the national level and at the local level in districts where road works are implemented. This Activity shall also seek to improve planning around emergency response during road impassibility events and build the resiliency of the road infrastructure in the face of a changing climate.

(b) Environmental and Social Mitigation Measures.

The Roads and Access Project is considered a Category A project under MCC's Environmental Guidelines in that it has the potential to have significant adverse environmental or social impacts that are sensitive and diverse. The Improving Roads Activity poses environmental and social risks attributable to construction works targeting rehabilitation, upgrades, and maintenance of rural roads and ancillary infrastructure. The Activity also has the potential to cause development impacts in the surrounding areas that may vary by context and may include the need for resettlement, impacts on natural and protected areas, and community health and safety. Compliance with MCC's Environmental Guidelines shall be determined upon the completion of the feasibility studies that shall identify the scope of candidate roads, locations, and interventions. It is expected that most risks can be managed through the implementation of Project and site-specific ESIA's and ESMPs. MCC and MCA-Zambia II shall continue to consult with Zambian institutions (e.g., the Department of Parks and Wildlife and the Department of Forestry) to identify additional due diligence needed to determine which candidate roads may trigger supplemental assessments to better understand the extent of risks and associated mitigation measures for proper management beyond the Compact Term. ESIA scoping reports shall be generated during the feasibility study stage to ensure that the Activity complies with the environmental and social assessment requirements of the Zambian Environmental Management Agency (ZEMA).

The Improving Access Activity's anticipated risks are primarily associated with land acquisition, involuntary resettlement, and human health and safety during rehabilitation, construction, and maintenance of infrastructure components. MCC and MCA-Zambia II shall identify and address potential induced impacts, which may include increased development risks to rural communities from improved access, such as the exploitation of natural resources. As additional due diligence and feasibility studies are completed, MCC and MCA-Zambia II shall work with ZEMA to identify and address risks and impacts through appropriately scaled ESMPs.

The Strengthening Zambian National Road Management Activity is focused on policy and institutional reform (PIR) and technical assistance (TA). Opportunities shall be explored to provide TA and capacity building to several Zambian organizations since the long-term sustainable development of the roads sector shall require effective and functional environmental and social management.

(c) Gender and Social Inclusion.

The Project supports women's empowerment initiatives and enhanced access to roads and transport for women. The Improving Access Activity shall address physical access barriers, such as trail bridges, as well as non-physical barriers (gender norms, economic empowerment, and behavioral patterns). It shall use a gender transformative approach, GALS, to empower women and address gender norms in selected communities alongside project roads. Community-based approaches, including participation in design and maintenance of trails and tertiary roads, and the GALS approach, shall be implemented in selected communities around the main roads improved by the Project. Access to roads and transport promotes gender equality in economic opportunities and access to services, both of which are linked to expanded economic

opportunities for women. The Project shall also address gender and inclusion dimensions of road safety. The Project shall explore promising approaches to expand women's limited access to freight transport and logistics services by expanding access to information and enhancing the capacity of women's associations and organizations in selected communities. The Project shall address the safety challenges women face on transport by taking safety and gender-based violence prevention into account as road improvements are designed and implemented.

(d) Donor Coordination.

MCC and the Government of Zambia conducted consultations with donors and other stakeholders for the design of the Project and shall continue to engage in such consultation during the Compact Term. Various donors are active in the road sector in Zambia, with the World Bank Group, the AfDB, the European Union (EU), and the Japan International Cooperation Agency currently providing the most significant contributions. Donors are active in various aspects of the transport sector, including but not limited to road asset management, bridge asset management and road works contract management. MCC shall continue to participate in the Joint Donor Forum for the Transport Sector, currently coordinated by the AfDB. A smaller number of donors are active in areas related to the Improving Access Activity, particularly a United States-based NGO called Bridges to Prosperity, that is currently developing a rural bridge program through the Ministry of Local Government.

(e) USAID

To the extent relevant, MCC and MCA-Zambia II expect to coordinate with USAID on potential investments relevant to the Project.

(f) Sustainability.

The Project's Activities shall help to ensure road durability, increase access for farmers and community members to markets or other desired destinations, improve road maintenance sector reforms to increase Zambia's road network's level of service, and strengthen the road sector to better face increasing challenges created by climate change.

(g) Policy, Legal, and Regulatory Reforms.

The Strengthening Zambian Road Management Activity shall provide TA, capacity building, and support policy and institutional reforms to improve road asset management through the improvement of planning, prioritization, and the execution of road maintenance. Reforms and TA targeting national and local road sector actors shall improve road asset management through institutional capacity building and improved budgeting and planning. At the local level, the aim of this support is to better position road sector actors to be able to manage road assets through improved budget forecasting, procurement, and the implementation of road management systems. Where necessary, the provision of equipment to support and sustain these reforms may be funded under this Project.

2. Asset Finance Project

(a) Summary of Project and Activities.

The objective of the Asset Finance Project is to increase access to finance for investments in EILP equipment and infrastructure for both men- and women-owned Agri-SMEs and project developers across agriculture value chains. These investments shall contribute to Zambia's Eighth National Development Plan, including climate adaptation actions, by increasing the adoption of irrigation, agro-processing and value addition, grain and produce storage facilities, and investments in alternative energy sources such as solar. The Project shall include two Activities.

(i) Agri-SME Asset Financing (AAF) Activity

The AAF Activity aims to increase access to finance for Agri-SMEs by facilitating the provision of more affordable loan terms and catalyzing patient impact capital. This shall be accomplished by providing performance-based grants to financial service providers (“*FSPs*”) and equipment providers (“*EPs*”) to incentivize increased lending and financing for EILP equipment in the agriculture sector and catalyzing impact investment for agri-enterprises. EPs shall include equipment leasing companies that offer longer term leases (at least one year and subject to further evaluation) for agricultural equipment and equipment suppliers that extend financing to customers purchasing equipment, with terms that allow buyers to pay for the equipment for up to five years. EPs shall not include entities that provide short-term equipment rentals. Under this Activity, both the FSPs and EPs shall provide financing to borrowers and clients. MCC Funding shall not be used by FSPs and EPs to on-lend or provide financing for EILP lending to Agri-SMEs.

Performance-Based Grants to FSPs and EPs

Under this Activity, MCA-Zambia II shall provide a grant to an entity currently operating in Zambia and supporting lending to Agri-SMEs. The grant shall be structured to expand the entity's program to incentivize FSPs lending to Agri-SMEs for EILP equipment and EPs offering financing terms to customers. The entity shall be selected in accordance with MCC's Program Grant Guidelines. The performance-based grants to FSPs shall aim to reduce the high transaction costs and the credit risks associated with serving Agri-SMEs. The performance-based grants to EPs shall support costs of originating EILP equipment financing or leasing including high transaction costs (origination and risk related costs) and the risks related to extending credit to Agri-SME customers. The performance-based grants shall be disbursed to the FSP or EP based on a review of the loan or financing/leasing agreement; the amount of the grant shall correlate with a percentage of the loan/financing amount. Loans or equipment financing or leases extended to women or youth-owned Agri-SMEs or Agri-SMEs located in underserved areas (the definition of which shall be mutually determined by MCC and MCA-Zambia II before performance-based grants are awarded) shall attract grants at the higher end of the percentage range. The grants shall incentivize the extension of more affordable financing and leasing terms. The purpose of the grants shall be to incentivize pools of capital dedicated to supporting the provision of credit for the purchase and leasing of EILP equipment. MCC Funding shall also support the provision of TA to FSPs and EPs and their Agri-SME clients to support increased lending for EILP equipment.

Impact Investment Fund

This Activity shall also fund the establishment of an early-stage patient impact capital funding vehicle, the Impact Investment Fund (Fund), that shall raise funds from domestic and international investors and provide financing for agri-enterprises. The Fund shall make investments with the intention to generate both a financial return and positive, measurable social and/or environmental impact. The patient capital afforded by the Fund shall take the form of debt and/or equity investments that provide flexible repayment terms for debt and longer investment horizons for equity in order to allow agri-enterprises to focus on growth. The Fund shall focus on supporting agri-enterprises that take time to mature and become profitable. MCC Funding shall support the costs associated with the structuring and design of the Fund. Such support shall be provided to an entity that shall design and establish the Fund, and the support shall include the provision of funding for feasibility studies, vehicle structuring, and pipeline development. MCC Funding may also support operational costs of the Fund once the Fund is structured and deemed viable, and is operational. Such operational costs may include the costs associated with monitoring and evaluation activities, administrative activities, and the selection of the fund manager and similar managerial roles, the selection of which, shall be conducted through an open and competitive selection process.

(ii) Zambia Project Preparation Facility (ZAMPPF) Activity

The ZAMPPF Activity aims to increase the number and value of larger EILP infrastructure projects that support agriculture value chains in Zambia that can tap into capital markets and reach financial close. The Activity aims to do so by providing project preparation support, TA, and capacity building support for public and private project developers.

Project Preparation Support

The Activity shall provide technical support to public and private project developers to develop bankable EILP infrastructure projects. The support shall include the provision of preparatory pre-feasibility and feasibility studies, ESIA's, transaction structuring advisory services, and support for project developers during the fundraising process. The Activity aims to support ten EILP infrastructure projects in reaching financial close by the end of the Compact Term.

Technical Assistance and Capacity Building for Public and Private Project Developers

This Activity shall seek to strengthen the capacity of: i) Zambian staff responsible for developing public-private partnerships (“*PPPs*”) to identify, prioritize, develop, and tender bankable PPP projects, as well as coordinate and support private projects; and ii) private project developers to develop and secure financing for EILP infrastructure projects.

The Activity shall also explore opportunities to support the development of a sustainable platform providing project preparation support and connecting projects to financiers,

thereby ensuring that financing continues to reach worthy projects after the end of the Compact Term.

(b) Environmental and Social Mitigation Measures.

The Asset Finance Project complies with MCC's Environmental Guidelines and is considered a Category D project under the guidelines in that it shall involve intermediate facilities that shall use MCC Funding to increase lending and investment in EILP equipment and infrastructure projects. Since there shall be a limited ability to directly manage activities under the financial intermediary arrangement, MCC and MCA-Zambia II shall be required to develop environmental and social performance standards, conditions, and oversight requirements for activities on a case-by-case basis. Risk and impact management shall be addressed through proper scoping and screening requirements that align with Zambian law and relevant MCC guidelines and policies, as well as through an ESMS and a Social and Gender Integration Plan that shall establish the Project-level compliance requirements.

(c) Gender and Social Inclusion.

This Project shall aim to address the barriers of access to credit for the purchase and leasing of EILP equipment and EILP investments, which are more greatly experienced by women and youth in Zambia. The Project aims to do so by providing a higher amount of performance-based grant funding to FSPs and EPs that extend loans, equipment financing or leases to women or youth-owned Agri-SMEs under the terms of the performance-based grants.

(d) Donor Coordination.

MCC and MCA-Zambia II shall coordinate with donors providing support to boost access to finance in the agriculture sector, including the World Bank Group, USAID, United Nations Agencies (e.g., the Food and Agriculture Organization, the International Fund for Agricultural Development, the United Nations Development Programme, and the World Food Program), German Corporation for International Cooperation (GIZ), the AfDB, and the EU. Under the ZAMPPF Activity, MCC and MCA-Zambia II shall collaborate with other donors and stakeholders to identify pipeline projects, additional project preparation funding and other forms of project funding, and capacity building support. The donors and stakeholders may include the DFC, other development finance institutions and multilateral project preparation facilities, the Green Climate Fund, the Tony Blair Initiative, and similar entities.

(e) USAID.

MCC and MCA-Zambia II expect to coordinate with USAID on potential investments relevant to the Project.

(f) Sustainability.

The Project's use of grant funding to incentivize FSPs and EPs to lend to Agri-SMEs for EILP equipment and private investors to finance, design, build, operate, and maintain EILP solutions needed to boost AAP production aims to: i) leverage private capital and expertise to effectively and sustainably deliver such services over the long term, thus sustaining the Project's benefits for the AAP sector, beyond the Compact Term; and ii) to strengthen FSPs' and EPs' capacity to finance EILP solutions in the AAP sector and to enable more Agri-SMEs and project developers

across the AAP sector to finance EILP solutions needed to increase AAP production and productivity.

(g) Policy, Legal, and Regulatory Reforms.

Zambia amended the Public-Private Partnership Act in 2023 and prior to entry into force, MCC Funding may support the strengthening of the PPP legal, policy and regulatory framework, including the development of sector-specific PPP guidance, in coordination with Zambia's PPP Office and an embedded U.S. Department of Treasury advisor.

3. Agriculture Policy Reform and Institutional Strengthening Project

(a) Summary of Project and Activities.

The objective of the Agriculture Policy Reform and Institutional Strengthening Project is to improve institutional capacity to facilitate private sector production and trade in grains. The Project is premised on broader efforts by Zambia and donors to address key policy challenges constraining private sector production and trade in grain markets. The Project shall also provide institutional capacity building support to facilitate the implementation of improved policies, thereby contributing to the achievement of national food security objectives and encouraging more market-led agricultural sector growth.

(i) Ministry of Agriculture Institutional Strengthening Activity

This Activity aims to strengthen the Ministry of Agriculture's capacity to develop and implement reforms. This shall be achieved through the delivery of an efficient export and import permitting system, the development of a plan to establish and help operationalize a warehouse licensing authority as provided by the Agricultural Credits Act, and the establishment of a public-private agricultural marketing council once the Agricultural Marketing Bill is adopted. This Activity shall support the provision of capacity building activities in order to support the implementation of the new legal framework, supported by the Project, including the ability to develop subsequent regulations. TA support shall be provided to the Ministry of Agriculture's different departments responsible for policy and planning (PPD), agribusiness and marketing (ABM), and plant quarantine and phytosanitary service (PQPS) to assess new responsibilities and develop the capacity to deliver improved services. Specific interventions shall include:

Improvement of the export and import permitting system. This Activity shall support the strengthening of operational systems and shall provide TA to enhance the Zambian Electronic Single Window's (ZESW) platform for agricultural trade permits, addressing its current limitations. These limitations include the fact that the current structure of the platform is not aligned with the timing of the Ministry of Agriculture's PQPS system for issuing phytosanitary certificates. In addition, the current system is centralized and does not allow for online booking of inspections, payments, and permit issuance. Under this Activity, the ministry's authorities, as well as the ZESW and the Ministry of Commerce, Trade, and Industry's (MCTI) authorities shall be supported to develop an enhanced and integrated permitting system that is transparent and accountable to the user. The web-based system used to verify the status of one's request shall be expanded to include payments and the online issuance of permits.

Establishment of the Zambia Agricultural Marketing Council. The Agricultural Marketing Bill that shall be adopted shall define the precise role of an agricultural marketing council, a public-private entity intended to make evidence-based recommendations on agricultural marketing and trade. This Activity shall include the provision of TA to develop a detailed design for the council, including its functional scope, organizational and governance structure, medium-term budget, and the overall sustainability strategy. MCC Funding shall support part of the allowable costs, as defined by MCC's *Cost Principles for Government Affiliates*, associated with the establishment of the council and its critical functions. The Ministry of Agriculture shall include the costs associated with the council's civil servant salaries in its budget.

Enhance Crop Forecasts. This Activity shall fund the assessment and implementation of improvements in crop forecasting and production estimates. The Ministry of Agriculture and the Zambia Statistics Agency shall review the methods for crop forecasting, assessing, and implementing cost-effective solutions that may include satellite imagery, artificial intelligence modeling, and post-harvest checks. Enhancements in production forecasting should contribute to the industry's development of more adapted agricultural insurance products.

Other Institutional Strengthening. This Activity shall provide capacity building support for the staff in the PPD, PQPS, ABM, and the Ministry of Commerce, Trade, and Industry to design additional policies and regulations, and plan and execute investment priorities, and for the staff of the ABM to promote private sector entry and competition.

(ii) Food Reserve Agency Institutional Strengthening Activity

This Activity aims to improve the Food Reserve Agency's ("**FRA**") operational capacity in fulfilling its main functions of efficiently managing the strategic grain reserves, encouraging greater involvement of the private sector in grain trading, making timely payment for purchases, and providing an appropriate price stabilization function. This Activity shall also support capacity building activities that enhance collaboration with other entities involved in assessing, monitoring, and analyzing food security, poverty, and vulnerability to strengthen FRA's policy response and mitigation functions. FRA's response to vulnerability assessments shall include the deployment of responsive FRA policies and systems, as well as collaboration and communication with other agencies involved in welfare response. The strengthening of FRA's institutional framework shall be achieved through a combination of procedural changes, operational improvements, systems development, and staff capacity building for: 1) food security and vulnerability response and collaboration; 2) management of strategic grain reserves; 3) upgrading maize purchase modalities; 4) optimizing and streamlining warehouse usage; and 5) mitigating market price volatility.

Food Security Vulnerability Response: This Activity shall support the provision of TA to strengthen FRA's capacity in food security vulnerability response and mitigation functions. This support shall also include improvements in collaboration and communication with other agencies involved in poverty alleviation. FRA possesses at least two instruments that may mitigate the impact of maize and mealie meal price hikes: (1) releasing maize into the market from strategic grain reserves under the FRA's Market Support Program, and (2) allocating grains to the FRA's Community Sales Program. The conditions under which to deploy these instruments shall be

reviewed and clarified with the appropriate agencies. Support shall be provided to strengthen FRA's participation in the comprehensive vulnerability assessment coordinated by the Office of the Vice President's Disaster Management and Mitigation Unit. In addition, FRA's collaboration and communication shall be strengthened to address pricing policies that have an impact on the value of the cash transfer program managed by the Ministry of Community Development and Social Services and may require identifying and including new vulnerable populations. This Activity shall help strengthen FRA's advocacy and capacity to collaborate with these critical institutions. This Activity shall be informed by the analytical framework provided by the International Food Policy Research Institute, which shall be transferred to a suitable Zambian institution for its use for the continued impact assessment of policy and price changes.

Management of strategic grain reserves. The Activity shall provide systems improvements and technical support to ensure real-time management of FRA grain stocks. The process for acquiring grain and selling grain shall be clarified in the amended FRA Act and its subsequent regulations. The amended act or regulations shall stipulate the scope of purchases, method for purchase price determination, and more transparent selling options such as placing positions on the agricultural commodity exchange. The capacity to monitor and manage stocks in real-time is indispensable to this function and shall require the expansion or installation of systems at the satellite depot level, and districts where FRA currently has storage facilities.

Upgrading maize purchase modalities. This Activity shall support upgrades to the FRA procurement system to include the issuance of timely digital payments for purchases. The reforms shall require that FRA purchases focus on smallholder farmers in areas where private sector trading is not viable pursuant to criteria proposed by Zambia and reviewed by MCC and shall be tracked to generate the following data at buying points: the number of farmers, their gender, the number of repeat sellers, the number of transactions, and other relevant data.

Optimizing and streamlining warehouse usage. FRA possesses 962 thousand metric tons of warehousing capacity for which transparent systems shall be developed under this Activity to encourage greater private sector participation in the full logistical chain which includes, among others, transportation, quality control, payment systems, risk management, and general stock management. TA shall be provided to understand the cost structure associated with the FRA warehouse network, as well as transport and storage specifications for the private sector to assume a greater share of these functions. The trade-offs between acquiring new storage facilities versus encouraging the private sector to invest in storage infrastructure shall be explored, and an analytical framework developed so that FRA can develop the capacity to make smart investment decisions in the future.

Mitigating market price volatility. TA shall be provided under this Activity to assist FRA to establish the baselines, triggers and modalities for grain release into the market. A key FRA function is to attenuate significant price fluctuations in maize and mealie meal markets. The amended FRA Act shall allow for the judicious release of strategic grain reserves into the market when price increases exceed a certain band stipulated by the Agricultural Marketing Council. This smart management method shall mitigate some of the initial volatility that a new legal framework may introduce. Over time, open borders, improved incentives for production, and greater access to market intelligence are expected to reduce the price volatility in the market.

(iii) Establishment and Strengthening of Ancillary Agricultural Market Support Institutions Activity

The Establishment and Strengthening of Ancillary Agricultural Market Support Institutions Activity aims to build transparency and trust among grain market players by establishing an independent market observatory that collects timely and accurate data on stocks and prices and conducts relevant market analysis for the benefit of public sector policy makers and private sector economic actors, enhancing crop forecasting, and supporting the commodity exchange.

Establishment of the Market Observatory. Through the provision of a grant, MCC Funding under this Activity shall facilitate the operations of an independent institutional platform for collecting and reporting accurate and timely commodity stock information and generating market intelligence data. Further due diligence and consultation prior to entry into force will determine the structure and governance of this entity. The Agricultural Marketing Act shall be adopted and shall create the Agricultural Marketing Council that shall recognize the authority of, and rely upon the evidence from, the independent market observatory.

Support to the commodity exchange. A grant shall be provided to a commodity exchange with the aim of increasing the operational efficiency of the commodity exchange if it is determined that its business plan assures long-term sustainability and cost-effectiveness. Different institutional configurations are being explored to minimize costs of operations, and funding shall be provided to the option most likely to further the sustainability objectives of the commodity exchange.

(b) Environmental and Social Mitigation Measures.

The Project shall include policy and institutional reform activities and is considered a Category C project under MCC's Environmental Guidelines as it is unlikely to have adverse environmental and social impacts. If certain policies or programs addressed through the Project are identified to have an impact on the environment, human health or safety, specific policy impact studies or the inclusion of training and capacity building may be appropriate. It is not anticipated that the Project shall become high risk for environmental and social factors, and in fact, it may have significant benefits (e.g., more rational use of fertilizers, and support for more efficient and sustainable farming practices). MCC and MCA-Zambia II shall explore opportunities to maximize environmental and safety benefits under this Project while ensuring that they are consistent with MCC's Environmental Guidelines.

(c) Gender and Social Inclusion.

Through the Project's Activities, Zambia's smallholder farmers may benefit from reduced delays in FRA payments. These delays are reported to be extensive – as long as four to six months – and can create substantial hardships for smallholder farmers. The Project contemplates the scaling back of FRA's marketing functions, which is expected to result in a better-operating food security function. The improved stock management systems developed under the Project shall provide visibility on who sells commodities and what commodities they sell to FRA – the data

shall be disaggregated by gender and income groups. Such data and analytics shall allow for better targeting of subsequent Zambian programs.

Although the policy changes supported by the Project shall make markets more predictable and attractive to the private sector, thereby increasing output, there is a potential for short-term consumer price hikes considering the price differentials between Zambia and its neighbors. Due diligence confirms that, due to gains for net maize sellers, price increases shall reduce poverty in rural areas, having a more socially inclusive impact. This poverty reduction effect is expected to be larger than poverty increases among net buyers (predominantly urban households). The Project shall monitor the effects of reforms closely.

Risk mitigation strategies associated with the Project shall include expanding stakeholder engagement to food security advocates, women's groups, and the Ministry of Community Development and Social Services. A robust communication strategy across ministries and stakeholders shall also be critical to manage gender and inclusion risks. The Project supports capacity building across stakeholders to monitor and mitigate poverty and food security effects of maize price changes. The Project shall enhance coordination between the Ministry of Agriculture, FRA, and the Ministry of Community Development and Social Services.

(d) Donor Coordination.

MCC and the Government of Zambia conducted consultations with donors and other stakeholders for the design of the Project and shall continue to engage in such consultation during the Compact Term. The donors and other stakeholders include USAID, the World Bank Group, the EU, GIZ, and other donors and stakeholders. MCC is also a member of the Cooperating Partners Group on Agriculture, Fisheries and Livestock.

(e) USAID.

MCC and the Government of Zambia have engaged closely with USAID throughout the compact development process and program design. USAID and MCC are working closely with a local entity to engage in the consultative process for the proposed legal reforms. MCC and USAID have developed a budget that delineates each agency's budgetary responsibilities; specifically, USAID is utilizing its funding to provide TA related to the legal reforms and MCC is providing due diligence support to the public consultation process.

(f) Sustainability.

The Project aims to make policies in the agriculture and agro-processing sector more predictable and streamlined, improving efficiencies in operations of FRA, and reducing information asymmetries for the benefit of all actors in the sector in the long term. These changes are expected to yield a favorable environment that increasingly relies on market forces to influence production and investment decisions while encouraging entry and competition at all steps of the value chain. The new institutional structure that emerges from the policy reforms is expected to be designed to be cost-effective and factored into the Ministry of Agriculture's budget planning process.

(g) Policy, Legal and Regulatory Reform.

The Project shall support the review and amendment of the 2020 FRA Act with the aim of re-focusing FRA on managing a strategic grain reserve and conducting limited maize price stabilization functions.

The Project shall also support efforts to implement the Agricultural Credits Act, once amended, with the aim of facilitating and triggering the use of commodity inventories as a source of collateral to mobilize agricultural credit. The amended law shall clarify warehouse licensing and inspection requirements and align warehouse receipt issuance mechanisms with those of other domestic sector laws such as the Movable Property (Security Interest) Act.

Furthermore, the Project is premised on the adoption of the Agricultural Marketing Bill. The bill shall seek to establish the Agricultural Marketing Council, a public-private body, which shall advise and make recommendations on agricultural marketing and trade ("***Agricultural Marketing Council***"). Further, the bill shall need to be updated to provide for: transparency, inclusiveness, and predictability in administering and facilitating trade in agriculture commodities; and regulated collection and sharing of information for evidence-based agricultural marketing and trade decision-making.

4. **American Catalyst Facility for Development (ACFD) Project**

(a) Summary of Project and Activities.

The objective of the American Catalyst Facility for Development (ACFD) Project is to facilitate DFC investments in Zambia in the sectors identified as constraints to Zambia's growth by MCC. The ACFD Project aims to enable DFC-led projects, that may not otherwise be viable, to reach financial close. Specific activities to be supported by the ACFD Project shall be agreed to by MCC and MCA-Zambia II in writing after receiving proposals from DFC. The activities supported shall be in sectors identified by MCC as constraints to Zambia's growth.

(b) Environmental and Social Mitigation Measures.

The ACFD Project activities shall be governed by guidelines agreed to by MCC and DFC. The DFC's Environmental and Social Policy and Procedures adopts, as a standard for assessment, review, and management of environmental and social risks and impacts, the IFC Performance Standards, and is generally aligned with the MCC Environmental Guidelines.

(c) Gender and Social Inclusion.

The Parties shall agree in writing to the applicable gender and social inclusion measures for each activity of the ACFD Project as activities are identified.

(d) Donor Coordination.

While DFC shall appraise, oversee, and monitor the ACFD Project's activities, MCC and MCA-Zambia II expect to work closely with DFC during all phases of the ACFD Project, from identifying activities to developing and designing such activities.

(e) USAID.

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

(f) Sustainability.

The Parties shall agree in writing to the sustainability measures for each activity of the ACFD Project as activities are identified.

(g) Policy, Legal and Regulatory Reforms.

The Parties shall agree in writing to any applicable policy, legal, and regulatory reforms for each activity of the ACFD Project as activities are identified.

C. IMPLEMENTATION FRAMEWORK

1. MCA-Zambia II

(a) Independence and Autonomy

MCA-Zambia 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 financial institutions in its own name and hold MCC Funding and the Country Contribution in those accounts, (iv) expend MCC Funding and the Country Contribution, (v) engage contractors, consultants and/or grantees, including, without limitation, procurement and fiscal agents, all in compliance with Section 3.6, and (vi) competitively engage one or more auditors to conduct audits of its accounts. Zambia shall include MCA-Zambia II with respect to Zambia's coordination of bilateral or multilateral development assistance projects related to the Program. The governance of MCA-Zambia II shall be set forth in more detail in the constitutive documents and internal regulations of MCA-Zambia II which must be in form and substance satisfactory to MCC and in accordance with any related MCC policies. MCA-Zambia II's internal operations shall be governed by Articles of Association adopted in accordance with the laws of Zambia ("*Articles of Association*"). The Articles of Association shall be in form and substance satisfactory to MCC. MCA-Zambia II shall be governed by a board of directors (the "*Board of Directors*") and managed by an operations unit (the "*Operations Unit*").

(b) Board of Directors.

The Board of Directors shall have ultimate responsibility for the oversight, direction, and decisions of MCA-Zambia II, as well as the overall implementation of the Program. The Board of Directors shall comprise nine voting members. As of the date hereof, the voting members of the Board of Directors shall include the following representatives:

- Secretary of the Treasury, Ministry of Finance and National Planning – Chair
- Permanent Secretary – Ministry of Finance and National Planning
- Permanent Secretary – Ministry of Agriculture
- Permanent Secretary – Ministry of Infrastructure, Housing and Urban Development

- Chief Executive Officer – Road Development Agency
- Chief Executive Officer - Financial Sector Deepening Zambia
- Representative of Private Sector (Zambia Association of Chambers of Commerce and Industry)
- Executive Director for Civil Society for Poverty Reduction
- Executive Director for Non-Governmental Organization Coordinating Council

The number and composition of voting members may be changed through amendments to and in accordance with MCA-Zambia II's constitutive documents and internal regulations with MCC's approval. The members of the Board of Directors may be represented by alternates appointed pursuant to the Governance Guidelines. Non-government members shall be selected in accordance with the Governance Guidelines. Non-voting members shall be selected in accordance with the Governance Guidelines and shall include the chief executive officer of MCA-Zambia II. In addition, MCC's resident country director in Zambia, or his or her designate, shall serve as an observer of the Board of Directors.

(c) Operations Unit.

The Operations Unit consists of the employees of MCA-Zambia II who have responsibility for the day-to-day activities and implementation of the Program, with the oversight of the Board of Directors. The Operations Unit shall be led by an executive management team (Executive Team) comprising a chief executive officer, deputy chief executive officers, and the directors and officers as agreed between the Parties, and further staffed with additional employees to support the Executive Team and enable the Operations Unit to execute its role and responsibilities. All employees of the Operations Unit shall be selected through an open, competitive, and non-discriminatory recruitment and selection process (or its equivalent), without application of any national preference laws or requirements. The Operations Unit may engage its personnel under a long-term employment contract that extends for the duration of the Compact Term and through the closure period of the Compact. The Operations Unit shall not be subject to the application of the Emoluments Commission Act, 2022.

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, Zambia intends to engage one or more governmental entities of Zambia to assist with implementing one or more Projects or Activities (or a component thereof) (each, an ***“Implementing Entity”***). The appointment of any Implementing Entity shall be subject to review and approval by MCC. Zambia 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 approves otherwise in writing, MCA-Zambia II shall engage a firm with expertise in financial management and reporting to serve as fiscal agent (the ***“Fiscal Agent”***), and a firm with expertise in public procurement and contract administration and management to serve as procurement agent (the ***“Procurement Agent”***). It is expected that the Fiscal Agent and

Procurement Agent, respectively, shall assist MCA-Zambia II to ensure that all Program-related financial management activities and procurements are conducted in strict compliance with the Program Guidelines. 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 MCA-Zambia II and each agent.

ANNEX II
MULTI-YEAR FINANCIAL PLAN SUMMARY

A multi-year financial plan summary (“*Multi-Year Financial Plan Summary*”) for the Program is attached to this Annex II as Exhibit A. By such time as specified in the Program Implementation Agreement, Zambia 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 Country Contribution, 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.

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EXHIBIT A TO ANNEX II
MULTI-YEAR FINANCIAL PLAN SUMMARY

(US\$)								
Component	Compact Facilitation Funding (CFF)	Year 1	Year 2	Year 3	Year 4	Year 5 / Program Closure	Total MCC Funding	Government of Zambia Contribution
1. Roads and Access Project	\$ 33,400,000	\$ 33,610,000	\$ 68,415,000	\$ 106,920,000	\$ 42,745,000	\$ 29,910,000	\$ 315,000,000	\$ 17,750,000
1.1 Improving Roads Activity	\$ 26,300,000	\$ 27,670,000	\$ 64,175,000	\$ 102,680,000	\$ 38,505,000	\$ 25,670,000	\$ 285,000,000	\$ 3,750,000
1.2 Improving Access Activity	\$ 2,900,000	\$ 1,020,000	\$ 2,020,000	\$ 2,020,000	\$ 2,020,000	\$ 2,020,000	\$ 12,000,000	\$ 9,375,000
1.3 Strengthening Zambian Road Management Activity	\$ 4,200,000	\$ 4,920,000	\$ 2,220,000	\$ 2,220,000	\$ 2,220,000	\$ 2,220,000	\$ 18,000,000	\$ 4,625,000
2. Asset Finance Project	\$ 4,000,000	\$ 4,100,000	\$ 8,200,000	\$ 10,250,000	\$ 10,250,000	\$ 8,200,000	\$ 45,000,000	\$ 6,000,000
2.1 Agri-SME Asset Financing Activity	\$ 2,500,000	\$ 2,050,000	\$ 4,100,000	\$ 5,125,000	\$ 5,125,000	\$ 4,100,000	\$ 23,000,000	\$ 5,000,000
2.2 ZAMPPF Activity	\$ 1,500,000	\$ 2,050,000	\$ 4,100,000	\$ 5,125,000	\$ 5,125,000	\$ 4,100,000	\$ 22,000,000	\$ 1,000,000
3. Agriculture Policy and Institutional Strengthening Project	\$ 2,550,000	\$ 4,490,000	\$ 4,490,000	\$ 4,490,000	\$ 4,490,000	\$ 4,490,000	\$ 25,000,000	\$ -
3.1 MoA Institutional Strengthening Activity	\$ 800,000	\$ 2,500,000	\$ 2,500,000	\$ 2,500,000	\$ 2,500,000	\$ 2,500,000	\$ 13,300,000	\$ -
3.2 FRA Institutional Capacity Strengthening Activity	\$ 1,000,000	\$ 1,390,000	\$ 1,390,000	\$ 1,390,000	\$ 1,390,000	\$ 1,390,000	\$ 7,950,000	\$ -
3.3 Establishment and Strengthening of Ancillary Agricultural Market Support Institutions Activity	\$ 750,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 3,750,000	\$ -
4. American Catalyst Facility for Development (ACFD)	\$ -	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 1,000,000	\$ 1,000,000	\$ 8,000,000	\$ -
4.1 American Catalyst Facility for Development (ACFD)	\$ -	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 1,000,000	\$ 1,000,000	\$ 8,000,000	\$ -
5. Monitoring and Evaluation	\$ 450,000	\$ 510,000	\$ 510,000	\$ 510,000	\$ 510,000	\$ 510,000	\$ 3,000,000	\$ -
5.1 Monitoring and Evaluation Activity	\$ 450,000	\$ 510,000	\$ 510,000	\$ 510,000	\$ 510,000	\$ 510,000	\$ 3,000,000	\$ -
6. Program Administration and Control	\$ 16,800,000	\$ 9,040,000	\$ 9,040,000	\$ 9,040,000	\$ 9,040,000	\$ 9,040,000	\$ 62,000,000	\$ 10,000,000
6.1 MCA-Zambia II Program Administration	\$ 13,400,000	\$ 6,520,000	\$ 6,520,000	\$ 6,520,000	\$ 6,520,000	\$ 6,520,000	\$ 46,000,000	\$ 10,000,000
6.2 Fiscal Agent	\$ 1,600,000	\$ 1,180,000	\$ 1,180,000	\$ 1,180,000	\$ 1,180,000	\$ 1,180,000	\$ 7,500,000	\$ -
6.3 Procurement Agent	\$ 1,600,000	\$ 1,180,000	\$ 1,180,000	\$ 1,180,000	\$ 1,180,000	\$ 1,180,000	\$ 7,500,000	\$ -
6.4 Audit	\$ 200,000	\$ 160,000	\$ 160,000	\$ 160,000	\$ 160,000	\$ 160,000	\$ 1,000,000	\$ -
GRAND TOTAL COMPACT PROGRAM								
Total MCC Funding	\$ 57,200,000	\$ 53,750,000	\$ 92,655,000	\$ 133,210,000	\$ 68,035,000	\$ 53,150,000	\$ 458,000,000	\$ -
Total Government of Zambia Funding	\$ 2,787,500	\$ 8,075,000	\$ 4,950,000	\$ 6,825,000	\$ 4,837,500	\$ 6,275,000	\$ -	\$ 33,750,000
Total Program Funding	\$ 59,987,500	\$ 61,825,000	\$ 97,605,000	\$ 140,035,000	\$ 72,872,500	\$ 59,425,000	\$ 491,750,000	

ANNEX III

COMPACT MONITORING & EVALUATION FRAMEWORK

This Annex III outlines the monitoring and evaluation (“*M&E*”) framework for this Compact, which shall be further elaborated in an M&E plan (“*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 the Parties in accordance with the *Policy for Monitoring and Evaluation of Compact and Threshold Programs* (the “*M&E Policy*”). 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 Zambia shall formulate and agree to, and Zambia shall implement or cause to be implemented, an M&E Plan that explains in detail how and what MCC and MCA-Zambia II shall (i) monitor to determine whether the Projects are on track to achieve their intended results (“*Monitoring Component*”), and (ii) evaluate the achievement of intended results for accountability and learning (“*Evaluation Component*”). The M&E Plan shall summarize all Indicators that must be reported to MCC on a regular basis, as well as the Indicators and complementary data to be collected for evaluation of the Program. The M&E Plan shall also include any M&E requirements that MCA-Zambia II must meet in order to receive Disbursements and shall serve as a communication tool so that MCA-Zambia II staff and other stakeholders clearly understand the Project Objectives and Targets that MCA-Zambia 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-Zambia II and on the MCC Website.

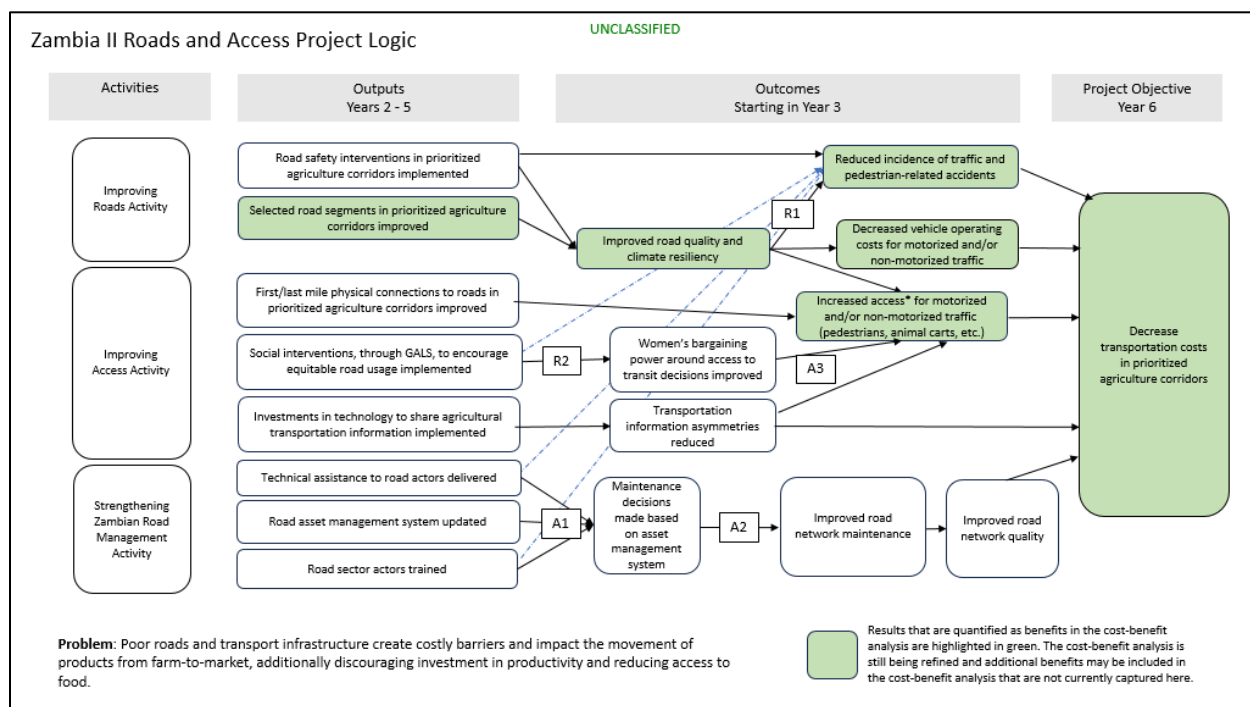
2. Project Logic Diagrams

The M&E approach for each Project is built on the project logic diagram, which illustrates the cause-and-effect theory of how a Project’s interventions work together to achieve the Project Objective and details key intermediate results expected along the way. The project logic diagrams provide a graphical representation of the Project as described in Section B of Annex I of this Compact and of the impacts targeted by the Project as described below in the section titled *Projected Economic Benefits and Beneficiaries*.

Because DFC shall evaluate and monitor the specific activities or interventions under the ACFD Project in accordance with its authorities and the agreements governing its support for such activities, the M&E Policy shall not be applied to those activities and interventions. In addition, MCC and Zambia 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 objective of the Roads and Access Project is to decrease transportation costs in prioritized agriculture corridors. This is expected to be achieved through the fulfillment of three activities: (i) the Improving Roads Activity; (ii) the Improving Access Activity; and (iii) the Strengthening Zambian Road Management Activity. The project logic diagram is as follows:



The M&E Plan shall also outline key assumptions and risks that underlie the accomplishment of the theory of change summarized in the program logics. However, such assumptions and risks shall not excuse any Party's performance unless otherwise expressly agreed to in writing by the other Party. The known assumptions and risks for the Roads and Access Project include:

Assumptions:

A1: Willingness of Zambia to use a new approach for national road management and prioritization.

A2: There is sufficient road maintenance funding.

A3: Women choose to access roads and are able to do so safely.

Risks:

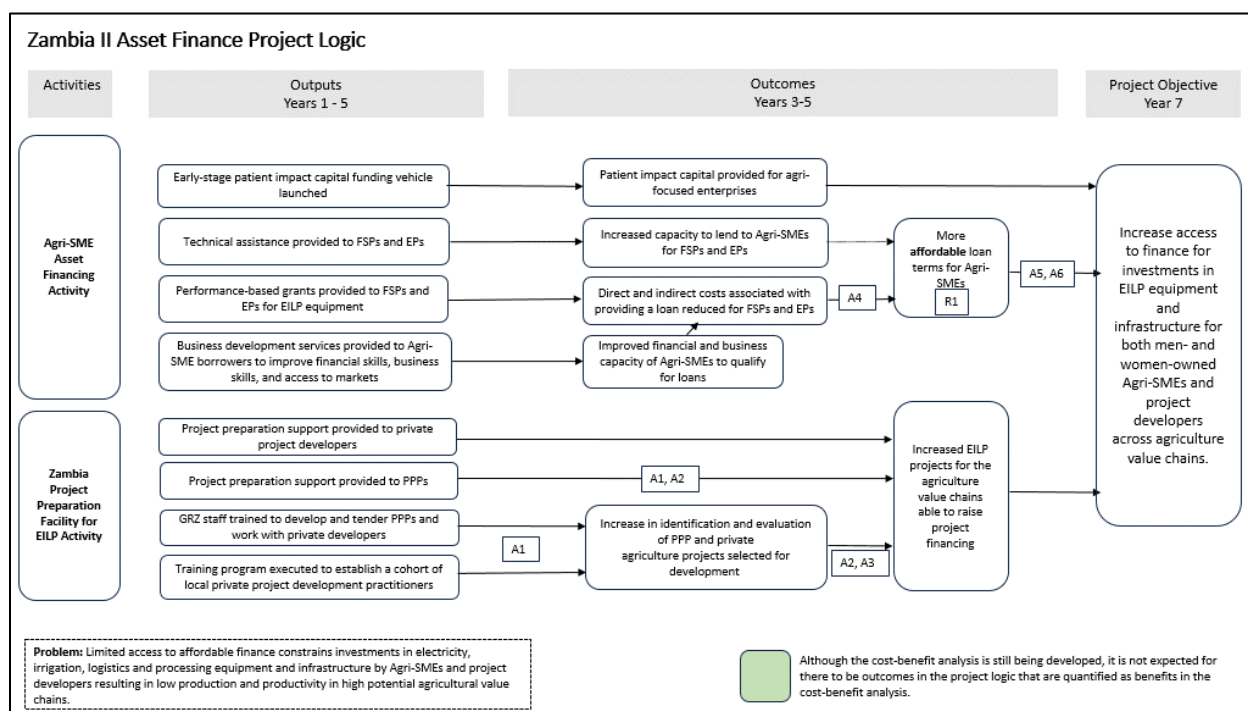
R1: Road usage behavior becomes riskier due to improved quality (e.g., increased traffic and speeds, use of roads as gathering places and business locations, and diversions).

R2: Due to embedded cultural norms and a potential lack of support from community leaders, GALS is not adopted.

R3: Given the disparate population and limited compact budget, there may not be sufficient means to measurably increase access to all targeted populations.

R4: Road improvements from MCC investments are not effectively maintained.

The objective of the Asset Finance Project is to increase access to finance for investments in EILP equipment and infrastructure for both men- and women-owned Agri-SMEs and project developers across agriculture value chains. This is expected to be achieved through the fulfillment of two activities: (i) the Agri-SME Asset Financing Activity; and (ii) the Zambia Project Preparation Facility Activity. The project logic diagram is as follows:



The known assumptions and risks for the Asset Finance Project include:

Assumptions:

A1: Sufficient government resources for Zambia's PPP Office.

A2: Government commitment to finalize PPPs.

A3: Private sector has resources to provide project financing.

A4: Cost savings associated with providing loans and reduced risks are passed from FSPs and EPs to the Agri-SME borrowers.

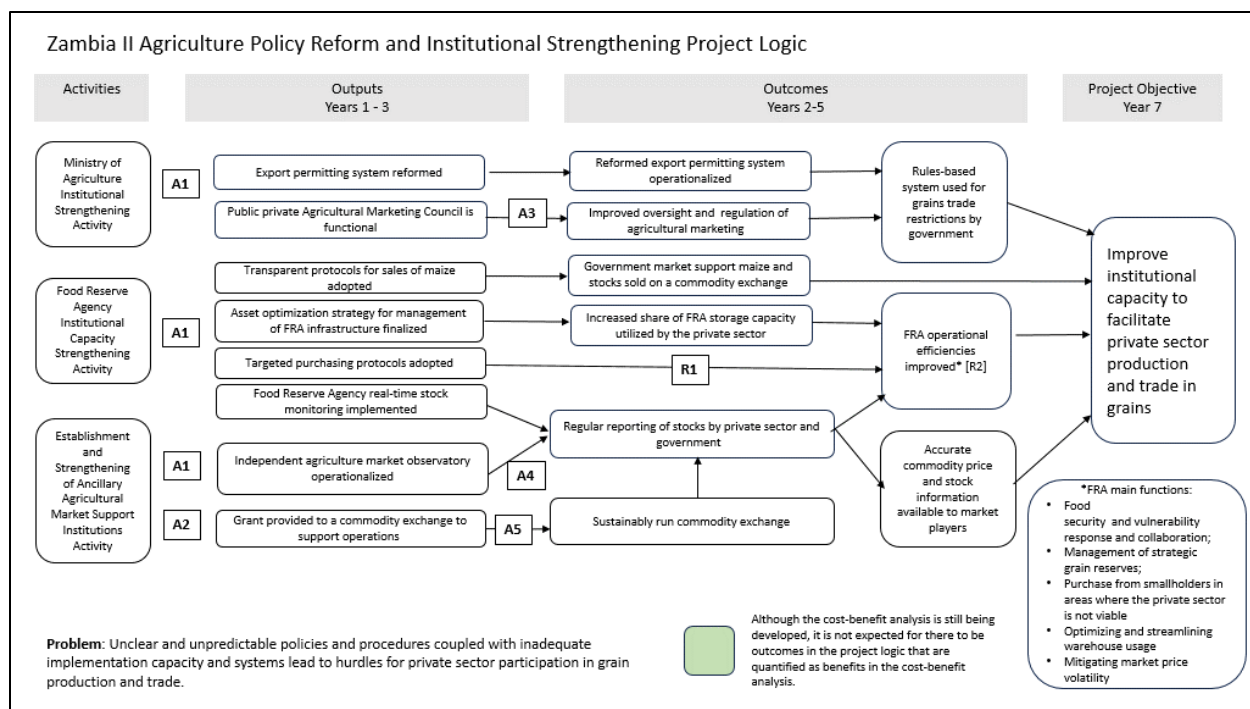
A5: There is a sufficient pipeline of Agri-SME loan applicants.

A6: Low default rate.

Risks:

R1: Economic shocks may reduce FSPs and EPs willingness or ability to provide loans on terms affordable to Agri-SMEs.

The objective of the Agriculture Policy Reform and Institutional Strengthening Project is to improve institutional capacity to facilitate private sector production and trade in grains. This is expected to be achieved through the fulfillment of three activities: (i) the Ministry of Agriculture Institutional Strengthening Activity; (ii) the Food Reserve Agency Institutional Strengthening Activity; and (iii) the Establishment and Strengthening of Ancillary Agricultural Market Support Institutions Activity. The project logic diagram is as follows:



The known assumptions and risks for the Agriculture Policy Reform and Institutional Strengthening Project include:

Assumptions:

A1: An amended FRA Act, an amended Agricultural Credits Act, and the Agricultural Marketing Bill adopted prior to the Compact's entry into force.

A2: Sustainable commodity exchange business plan developed and adopted.

A3: The Warehouse Licensing Authority shall be established and operationalized.

A4: Private and public sectors shall report stocks as mandated by the new Agricultural Marketing Act and the act is sufficiently enforced if compliance is sub-optimal.

A5: There is sufficient willingness of the private sector to trade on the exchange, leading to sufficient volumes of trade passed through the commodity exchange to support operations.

Risks:

R1: Even with a shift to sales on the commodity exchange at market value, Zambia does not have sufficient financial resources to make timely payments for grain purchases.

R2: Changes to the FRA operations risks creating food insecurity among vulnerable urban populations that currently benefit from lower maize prices due to the program.

3. Projected Economic Benefits and Beneficiaries

The economic analysis of compact programs aligns with the theory reflected in the project logic diagrams. It consists of a CBA, which is summarized by an estimated ERR, and a beneficiary analysis. The economic analysis informs the Indicators for each Project and is summarized below.

3.1. Projected Economic Benefits

The CBA is completed to determine whether project costs are justified by the estimated economic benefits that can be directly attributed to the Project. The underlying economic logic of the CBA model(s) follow(s) the project logic diagrams depicted above. Additionally, several of the variables included in the model become key Indicators to monitor the Project(s) and evaluate whether each Project achieved its objective as set forth in Section 1.2 of this Compact, 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, Zambia, another donor, or another entity. These are typically examined over a 20-year period, unless noted otherwise.

The table below provides a summary of the estimated ERRs for the 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, and risks for each of the calculated ERRs.

Project/Activity	Estimated Economic Rate of Return
Overall Compact	16.35% ²
Roads and Access Project	4.9% – 12.8%
Improving Roads Activity	5.0% – 13.3%
Improving Access Activity	20.0%
Strengthening Zambian Road Management Activity	not available (n.a.)
Asset Finance Project	21%
Agri-SME Asset Financing Activity	32%

² Assumes average of low and high road improvement ERRs (4.9 percent and 12.8 percent).

Zambia Project Preparation Facility Activity	10%
Agriculture Policy Reform and Institutional Strengthening Project	102%
ACFD	An ERR is not required per the ACFD Operational Plan

Roads and Access Project

Improving Roads Activity: Road and access infrastructure improvements may improve market opportunities and strengthen linkages among firms and farms in the agricultural value chain. This Activity shall involve the rehabilitation, paving, spot-improvements, periodic maintenance, new and improved drainage structures (e.g., culverts), new and improved water crossings (e.g., bridges), and climate resilience improvements to specific road segments in key agricultural corridors. Anticipated benefits of these investments accrue, first, to users of the improved roads. Per the project logic, improved road conditions, such as paving or repaving that reduce road roughness, can lead to significant decreases in both the costs to operate and maintain vehicles (summarized as vehicle operating cost or VOC) and the time to destination (summarized as time travel savings or TTS), as well as the incidence of traffic-related accidents and fatalities. This in turn reduces travel costs to those who rely on the road for their livelihoods, such as agricultural producers and commuters, raising incomes. Further, an extensive development literature documents a wider set of potential benefits accruing to rural communities, such as agricultural sectoral diversification, off-farm job creation, and local economic growth.

The CBA uses a standard model for economic analysis of road projects, the Highway Development and Management (HDM)-4 model, which makes use of traffic count, road condition, and accident data to model the following benefit streams: reductions in vehicle operating costs, time savings, and reductions in accidents and greenhouse gas emissions. In addition to these standard indicators, consultants gathered detailed origin-destination data, information on weather-related road closures, and information on economic losses from spoilage and damage for the candidate roads. This additional data and information shall be used to augment the HDM-4 model. Economic analyses by MCC is ongoing; at the present time, benefits and hence reported ERRs reflect the narrower set of standard benefits used in HDM-4 modelling.

MCC Funding shall support costs for the Improving Roads Activity (totaling \$315 million) including road improvement works (CAPEX), and design and supervision costs equivalent to 12.4 percent and 10.6 percent of CAPEX, respectively, as well as expenditure for an environment and social consultant, resettlement, and environmental studies. Reflecting the high degree of uncertainty at this stage, a 40 percent contingency is added to the CAPEX funding. In the HDM-4 model, traffic is disaggregated between normal traffic and expected generated traffic. Traffic counts distinguish motorized and non-motorized traffic of different types. Allowing a

staggered construction schedule, these benefits are not assumed to begin to flow until 2029, the third year of the Compact.

The final selection of specific segments from within the “primary” and “alternate” sets of roads for MCC investment shall be made following the completion of feasibility studies. Preliminary estimations based on standard VOC and time savings measures, for a range of alternative combinations of the prioritized roads/segments, result in ERRs ranging from 5.0 percent to 13.3 percent, with 3 of the 4 alternatives slightly above the 10 percent threshold. These ERR estimates should be regarded as indicative of the potential benefits to the Improving Roads Activity but are preliminary. This is because the CBA reflects combinations of “primary” and “alternate” scope road segments and because additional benefit streams noted above have not been included; the latter are expected to lead to increases in the ERRs, all things equal.

The *Improving Access Activity* may enhance rural populations’ connections to agricultural markets through investments in off-the-road networks, trail bridges, pedestrian amenities, or other infrastructure in low-access communities. This Activity shall include two components, each valued at \$6 million of MCC Funding: community engagement to tackle women’s barriers to accessing transport, using the GALS methodology; and an investment to improve access to roads by building footbridges on feeder paths to roads. The economic analysis drew on recent rigorous evaluation studies of both types of interventions which also estimated internal rates of return (IRRs). These studies show very high economic returns in each case (well above MCC’s 10 percent threshold). To make allowances for different contexts and to be conservative, we assume ERRs of 20 percent for GALs and small-scale vehicular bridges and/or pedestrian bridges along feeder roads, trails, and footpaths.

The *Strengthening Zambian Road Management Activity* is designed to improve maintenance practices and thus better maintain road conditions nationally, with benefits to VOC and time savings. The approach for incorporating these benefits into the project CBA is to estimate expected maintenance and road deterioration under business-as-usual levels (the without-project scenario) and road condition under this Activity (the with-project scenario). However, since this Activity is directed at the overall road network, not just the compact-targeted roads, benefits to other roads need to be included as well, based on realistic assumptions about how maintenance shall improve overall. At present, benefits to the Road Management Activity are not included in the CBA model for the Roads and Access Project but shall be in a later iteration. Therefore, maintenance is assumed to follow a business as usual ‘realistic’ pattern under both with and without project scenarios in the Road Improvement Activity ERR above. Since benefits from this Activity are not included in the CBA but the MCC Funding total costs for the Project (\$18 million) are included, the ERR of the overall Project shall be slightly underestimated, all things equal.

Asset Finance Project

The Agri-SME Asset Financing (AAF) Activity: The Asset Finance Project aims to increase access to finance for investments in EILP equipment and infrastructure for both men- and women-owned Agri-SMEs and project developers across agriculture value chains.

Precise identification of targeted organizations, in this case, FSPs and EPs—as well as the portfolio of Agri-SME clients they shall support—shall only be known well into project implementation. Hence, any ERRs shall necessarily be based on extensive due diligence and

multiple assumptions, and have to be regarded as highly tentative. To estimate ERRs for this Activity, one approach would be to gather data on the returns to a sample of FSPs' and EPs' portfolios. However, while for providers that lease or sell equipment, information on portfolios may be available, many or most FSPs under consideration do not have significant AAP lending portfolios, underscoring the very purpose of this Activity, so such data would be lacking. Instead, the analysis focused on the production (and income) benefits to the final borrowers who obtain solar power pump and drip irrigation equipment. Drawing on data and local expertise on irrigation returns in Zambia gathered by consultants, the analysis developed illustrative estimates of project-level income gains to be used as benefits in the CBA.

A key assumption of the CBA model involves how MCC Funding is leveraged. MCC Funding shall reduce risks to FSPs and EPs by subsidizing a portion of the costs of each loan to fund origination costs and first-loss coverage. Of the total MCC Funding, \$23 million, allocated for the Activity, activity management and technical assistance costs account for approximately \$6.5 million, leaving \$16.5 million to serve as leverage for the finance. Based on a literature review and expert consensus, the model assumes a leverage factor of 3.33 that effectively unlocks nearly \$55 million in funds for the purchase of equipment and investments in agri-enterprise activity.

The CBA scenarios involve maize farmers who install irrigation over a certain cultivated area. With the new equipment, the farmer is expected to switch out of maize into a high value crop (HVC): potatoes in the rainy season and tomatoes in the dry season. These outcomes reflect the consensus view of experts on the ground regarding the profit-motive for switching to HVCs and their popularity in Zambian diets. The CBA uses locally obtained information on equipment costs and benefits and multiplies each by the expected number of equipment packages supported (consisting of solar panel and irrigation equipment). Two equipment sizes feature in the analysis: "small" (covering 0.8 hectares) priced at about \$2,200 and "medium" (5 hectares) priced at \$7,500. The model does not assume that a given farmer who obtains equipment under the Program shall necessarily irrigate all of his or her land, but that only the portion covered by the assumed equipment category is irrigated.

The model further assumes:

1. Under the irrigation (with project) scenario, farmers plant a HVC in place of maize in the rainy season on an area equal to their purchased equipment's coverage (e.g., 0.8 or 5 hectares). This pattern, which experts described as essentially universal, does not mean many or most farmers do not continue to grow maize, since other parts of their holdings may not be irrigated. The estimated revenue equals the product of the irrigated area, the irrigated tomato yield, and the per ton price. This revenue is compared against the revenue obtained from planting strictly maize in the rainy season.
2. Costs of production for the new crops (e.g., potatoes and tomatoes) are imputed based on percent margins reported by the Indaba Agricultural Policy Research Institute.
3. All farmers must pay for a borehole to be sited, drilled, piped, and flashed, estimated to cost an average of \$2,400 and included in the CBA.
4. Pumps and drip irrigation kits have an assumed usable life span of five years. While the Project expects users to renew their investments and borrow for additional lifecycles, the CBA presently conservatively excludes these future streams of benefits and costs.
5. Uptake of the finance facility is assumed to be spread over the five years of the Compact's life. While the impact on the ERR of this feature is not significant, it reflects

MCC's and Zambia's understanding that not all equipment loans shall get issued in the first year.

The estimated ERR for this Activity, based on the illustrative irrigation model, is 32 percent. Depending on different equipment scenarios, this value can reach as low as 0.4 percent and as high as 46 percent. Driving these differences are the scale of economies achieved from larger scale equipment and farmers expected to switch away from maize and into higher value horticultural crops. Therefore, to achieve returns that meet or exceed the 10 percent hurdle rate, the project design must ensure an appropriate combination of small and medium borrowers.

The Zambia Project Preparation Facility Activity aims to increase the number of EILP infrastructure projects that support agriculture value chains to reach financial close by providing (i) technical assistance to project developers (e.g., GRZ and private developers) to develop bankable EILP infrastructure projects; and (ii) technical assistance and capacity building for public and private project developers.

Initial market research has identified about 40 EILP projects that may be candidates for support from ZAMPPF, including preparation support to reach financial close for a subset of applicants. Most of these projects involve mini-grid installations and run-of-river hydropower generation but several cover irrigation and logistics. Many are PPPs and some are projects developed by private project developers. Since specific project data is unavailable at this time, it is not feasible to construct a formal CBA model. However, there exists a number of IRR estimates from comparable projects in Zambia or the region that were subjected to feasibility studies. Unlike ERRs, IRRs are purely private returns and do not capture the full economic benefits which are the appropriate measure for the CBA, but by measuring the private returns, they offer a conservative approach to understanding overall returns. From the survey, similar projects, including a suite of agro-industrial zones, solar mini-grid installation, and run-of-river hydropower generation, with IRRs of 7 to 17 percent emerge. This suggests that the ZAMPPF Activity overall can achieve MCC's 10 percent hurdle rate, but this shall depend on the specific projects receiving assistance and the share that go on to be implemented.

Agriculture Policy Reform and Institutional Strengthening Project

For specific elements of the Project, the main expected impacts and benefits shall be the following:

- Technical assistance for more accurate monitoring of the FRA's maize stocks and other actions to increase the FRA's operational efficiency shall permit FRA to hold smaller stocks without compromising access to necessary food supplies during emergencies. The reductions in storage costs translate into fiscal savings for Zambia. From an economic point of view, reductions in excess stockholding fees allows for resources to be moved to other, more productive uses.
- Further, to the extent that these changes encourage FRA to purchase (and sell) less maize, private traders shall play a larger role, with consequent improvements in efficiencies as well as reduced storage losses. Reductions in FRA's sales to millers shall also likely lower prices of processed maize (mealie meal). This is because the FRA-subsidized sales currently are allocated to a small number of large processors, who do not pass along all of the lower costs to consumers. A greater supply of maize in the general

market shall benefit small, local maize processors (hammermills), which can produce mealie meal much more cheaply and competitively.

- More predictable and transparent triggers for FRA purchases and sales of maize shall reduce uncertainty and thus encourage both commercial farmers and private traders to enter the market or increase their participation. This shall increase incomes for producers while reducing maize and processed maize prices for consumers, all things equal.
- Reductions in the frequency of periodic maize export restrictions—and ensuring that any such restrictions are subject to transparent and predictable triggers—shall, by raising potential returns and reducing uncertainty, incentivize the (re-)entry of commercial producers into maize production and export. This shall raise national revenue and incomes as producers can more freely respond to strong regional demand for maize. The relaxation of the restrictions shall also have the effect, all things equal, of increasing the domestic price of maize and other crops covered by the restrictions, as more open trade moves domestic prices more in alignment with higher regional prices. The gap between domestic and international prices of maize is large: it has averaged about 33 percent over the last 25 years. Both higher prices and reduced uncertainty shall incentivize greater maize production and exports, but even prior to any such responses, the higher producer prices shall lead to an increase in net national income, since the currently suppressed domestic price represents a major distortion of the market. While overall income and welfare shall increase, the impact of higher maize prices is, of course, not felt equally: producers shall benefit but consumers shall be impacted negatively—though it is expected that (rules-based) actions, including export limitations and the release of FRA stocks, shall prevent price rises above a maximum limit.

The precise scope across the proposed interventions remains uncertain as is the extent of the proposed reforms' adoption and implementation. Due diligence analysis currently underway shall model in a detailed way the impacts on producers and consumers of different elements of FRA and related reforms and may inform a sophisticated CBA. At this time, the CBA has focused on two key pathways to outcomes for which reasonable data exist: (1) moving toward higher producer prices through reductions in maize export restrictions and (2) reducing the resource costs of FRA storage by reducing the target level of maize stock-holding.

For pathway (1), initial analysis used household survey data to estimate the effect on incomes of potential changes in the domestic price of maize, taking into account that households may be producers or consumers, or both (and if both, may be net producers or consumers). The overall gains are potentially very large. For example, even a modest 10 percent increase in the domestic maize price—well below the change that would equalize domestic and regional prices—representing a modestly improved access to the international market, yields an approximately \$29 million annual gain in national income. These benefits accrue mostly to poorer Zambians inasmuch as they comprise the bulk of Zambia's agricultural producers. Net maize consumers, who are generally more urban and generally have a higher income, experience a net income loss, which is partially mitigated by the fact that maize accounts for a much smaller share of their food budgets.

This estimation assumes no production response on the part of producers or substitution on the part of consumers, i.e., second-order effects. In particular, we expect commercial producers to

re-enter the maize market if removal of export bans and other restrictions (and their unpredictability) ensured their ability to take advantage of the high regional demand for maize and maize products.

For pathway (2), the analysis draws on a 2016 analysis by Chapoto et al.³ that estimated the annual costs to Zambia of maintaining its targeted stock level of 500,000 metric tons of maize. These costs include logistics and storage, re-bagging, and losses of about 10 percent of the value of the stock. Updated to the current 2024 USD value, total costs amount to almost \$25 million annually. The CBA accounts for Chapoto et al.’s assumption that, as a result of better production and stock monitoring (and in the case of MCC’s Program, other measures to improve the efficiency of FRA’s operations), the stocks needed for food security purposes can be reduced by 40 percent to 300,000 MT. Doing so should yield annual reductions in cost of approximately \$9.6 million.⁴

The CBA calculation includes these benefits over 20 years, and program costs of \$25 million plus prorated shares of MCC administration and monitoring and evaluation costs. The combined effects of the two pathways—higher maize prices and reduced FRA storage costs—yield annual net benefits of approximately \$40 million, about three fourths of which are attributable to the price effect and one fourth to the storage reduction effect. The ERR is 102 percent. However, whether these benefits can be realized is unclear as policy reforms are often very difficult to achieve—or, more positively, the reforms may involve other areas of this overall intervention rather than focusing on reducing export restrictions or buffer stock reductions. Therefore, this finding should be regarded as showing benefits that are potentially very large but also highly uncertain.

3.2. Projected Program Beneficiaries

Project/Activity	Estimated Beneficiaries
Overall Compact	375,000 – 808,000
Roads and Access Project	n.a.
Improving Roads Activity	348,000-673,000

³Chapoto, A. et al., 2016. Achieving More with Less: Reform and Scaling Down of Food Reserve Agency and Farmer Input Support Programme and Boosting Social Protection. Zambia Social Science Journal, pp. 25–45.

⁴ The calculation only counts reductions in the costs of resources involved in logistics and storage, which use factors of production that have opportunity costs, and which can be released to other, more productive uses. It does not count the far larger budgetary savings to the FRA from purchasing (not just storing) fewer metric tons of maize. That portion essentially represents a transfer back from the government to taxpayers, not a net gain in income, so is excluded from calculation of benefits.

Improving Access Activity	100,000
Strengthening Zambian Road Management Activity	n.a.
Asset Finance Project	n.a.
Agri-SME Asset Financing Activity	27,000-135,000
Zambia Project Preparation Facility Activity	n.a.
Agriculture Policy Reform and Institutional Strengthening Project	n.a.

Given that there is potential overlap within the Roads and Access Project between the Improving Roads Activity and the Improving Access Activity, the Compact's total beneficiaries (conservatively) counts only the beneficiaries from the former. The lower compact estimate is based on the low estimates for the Asset Finance Project and the Improving Roads Activity, the higher estimate is based on the high estimates of each.

There is an anticipated overlap in beneficiaries across the Improving Roads Activity and the Improving Access Activity so the beneficiaries cannot be added together to estimate total project beneficiaries.

Roads and Access Project

For the *Improving Roads Activity*, beneficiaries are assumed to include all households living with access to an improved road, defined as households located within 5 kilometers of the road. The number of households shall be heavily dependent on which roads are selected for improvement. For the scenarios discussed above, the total number of beneficiaries ranges from 348,000 to 673,000 people. Most of these would be defined as poor, given a rural poverty rate of 78.8 percent.

For the *Improving Access Activity*, beneficiaries are currently only estimated for the GALS intervention, as the necessary information for the footbridges on feeder paths intervention is lacking at this time. The GALS program is estimated to be able to cover 20,000 direct participants. Assuming that all members of participants' households ultimately benefit through higher household incomes, the actual number of beneficiaries could be as high as 100,000 persons (given an average rural household size of 5). However, this is an upper bound since the program shall target both women and men so multiple members of a household may participate.

It should be noted that due largely to how beneficiaries are defined above for the Improving Roads Activity, there shall be a significant overlap of beneficiaries from that Activity and from the Improving Access Activity (though each adds to the total benefits received for such individuals or households). To the extent that the GALS intervention and the development of footbridges on feeder paths are carried out in areas other than those that are the focus of the road improvements, the overlap shall be reduced.

Asset Finance Project

Agri-SME Asset Financing Activity: The number of beneficiaries can be calculated as the number of irrigation packages provided multiplied by average household size (equal to 5 in rural areas according to household survey data), since it can be assumed that all members of the household benefit from the increased farm revenue irrigation makes possible. There is a wide range of potential beneficiaries, depending on the combination of small and medium-sized equipment in the overall portfolio. Thus, the number of new end users on the small EILP ranges from approximately 8 thousand (100 percent medium-sized equipment) to 27 thousand (100 percent small-sized), and the corresponding total beneficiaries (applying the household size multiplier) ranges from 40 thousand to 135 thousand.

ZAMPFF Activity: Given the lack of information on specific applicants for the project preparation assistance and the possible range of project types, the number of potential beneficiaries cannot be estimated as of the date of the Compact.

Agriculture Policy Reform and Institutional Strengthening Project

Detailed analysis by the International Food Policy Research Institute illustrates the poverty and distributional effects of a price increase for producers of maize, described above, which accounts for the bulk of benefits in the ERR. The analysis shows that net maize sellers gain from the price increase while net buyers lose. However, given that the former tend to be poorer, there is an overall reduction in national poverty of 0.4 percent from a modest 10 percent increase in the domestic maize price. With Zambia's population size as of 2022 estimated at 20.02 million, this implies that on net, some 800,800 persons should be lifted above the poverty line. For net sellers of maize, the reduction in the poverty rate is 1.5 percent; for net consumers (who are more likely to be urban and non-poor), there is a much smaller 0.1 percent increase in poverty. Therefore, it can be concluded that this component of the Project is strongly pro-poor, with a net reduction in the poverty rate of at least 0.4 percent and potentially higher for more significant increases in the price of maize realized by producers.

4. Monitoring Component

As defined in the M&E Policy, monitoring is the continuous, systematic collection of data on specified Indicators to measure progress toward the achievement of project objectives and the achievement of intermediate results. The Monitoring Component of the M&E Plan summarizes the monitoring strategy to monitor progress toward achieving the results of this Compact, which requires identifying the (i) Indicators, (ii) definitions of the Indicators, (iii) Baselines and Targets, (iv) sources and methods for data collection, (v) frequency for data collection, (vi) reporting requirements, including the party or parties responsible for collecting, analyzing, and reporting relevant data, along with the process and timeline for reporting on each Indicator to MCC, and (vii) approach to assessing and ensuring data quality. It should be noted that some Indicators continue to be tracked after the Compact Term, as necessary.

4.1. Indicators. The M&E Plan shall measure the results of the Program using quantitative or qualitative variables that provide a simple and reliable means to measure achievement of targeted results (“*Indicators*”).

4.1.1. Definitions.

The M&E Plan shall establish definitions for every Indicator. Indicator definitions should be operationally precise, such that they can be consistently measured across time and by different data collectors. There should be no ambiguity about what is being measured, how to calculate it, what or who the sample is, or how to interpret the results.

4.1.2. Baselines.

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

4.1.3. Targets.

The M&E Plan shall document for each Indicator the expected value and the expected time by which the corresponding result shall be achieved (“*Target*”).

4.1.4. Disaggregation of Indicators.

The M&E Plan shall indicate which Indicators shall be disaggregated by sex, income level, age, and other relevant subgroups to the extent practical and applicable.

4.1.5. Indicator Levels.

The M&E Plan shall include Indicators at the following levels: outcome, output, process, and risk/assumption, as defined in the M&E Policy.

4.1.6. Common Indicators.

MCC’s Common Indicators (as described in the M&E Policy) shall also be included as relevant. Additional guidance on Indicator reporting is contained in the *Guidance on Common Indicators*.

4.1.7. Modifications of Indicators and Targets.

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

4.1.8. Indicator Tracking Table.

MCA-Zambia II must report to MCC on the monitoring of Indicators in the M&E Plan on a quarterly basis using an Indicator Tracking Table (“*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 accordance with the M&E Policy. Additional guidance on indicator reporting is contained in the *QDRP Policy* and the *Guidance on the Indicator Tracking Table*.

The M&E Plan shall contain the monitoring Indicators listed in Table(s) 1.1, 1.2, 1.3, and 1.4.

5. Evaluation Component

While good program monitoring is necessary for program management, it is not sufficient for assessing the achievement of intended results. MCC, therefore, requires the use of evaluation as a complementary tool 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.

5.1. Independent Evaluations. Every Project must undergo a comprehensive, independent evaluation 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.

For each independent evaluation, MCA-Zambia II (or, after the Compact Term, such other entity of Zambia designated to support post-program M&E activities) is expected to review and provide feedback to independent evaluators on the evaluation materials and reports in order to ensure proposed evaluation activities are feasible, and final evaluation products are technically and factually accurate. The results of all evaluations shall be made publicly available in accordance with the M&E Policy.

The following evaluations are planned for the Program:

Roads and Access Project:

The Roads and Access Project is expected to be evaluated through a performance evaluation with quantitative and qualitative components. One component will be economic modeling using the HDM-4 tool to understand the quality and effectiveness of the major road works, first-mile infrastructure, soft-side interventions, and policy and institutional reform on reducing transportation costs along prioritized agriculture corridors. Along with the Indicators listed in Table 1.1, which comprise the results to be measured and/or analyzed by the evaluation, the following questions shall guide the design of the evaluation:

1. To what extent was the Project implemented according to plan (in terms of quantity and quality of outputs)?
2. Did the Project decrease transportation costs in prioritized agricultural corridors in the timeframe and magnitude expected, as documented in the M&E Plan? Why or why not?

Asset Finance Project:

The Asset Finance Project is expected to be evaluated through a performance evaluation relying on quantitative and qualitative methods, including review of FSP and EP administrative data, focus group discussions, and key informant interviews to understand the quality and effectiveness of the grant, patient impact capital, and project preparation support on increasing access to finance. Along with the Indicators listed in Table 1.2, which comprise the results to be measured and/or analyzed by the evaluation, the following questions shall guide the design of the evaluation:

1. To what extent was the Project implemented according to plan (in terms of quantity and quality of outputs)?
2. Did the Project increase access to finance for investments in EILP equipment and infrastructure for both men- and women-owned Agri-SMEs and project developers across agriculture value chains in the timeframe and magnitude expected, as documented in the M&E Plan? Why or why not?

Agriculture Policy Reform and Institutional Strengthening Project:

The Agriculture Policy Reform and Institutional Strengthening Project is expected to be evaluated through a performance evaluation relying on quantitative and qualitative methods, including an enterprise survey, focus group discussions, and key informant interviews to understand the quality and effectiveness of the institutional support provided to the agriculture sector on achieving the Project Objective. Along with the Indicators listed in Table 1.3, which comprise the results to be measured and/or analyzed by the evaluation, the following questions shall guide the design of the evaluation:

1. To what extent was the Project implemented according to plan (in terms of quantity and quality of outputs)?
2. Did the Project improve institutional capacity to facilitate private sector production and trade in grains in the timeframe and magnitude expected, as documented in the M&E Plan? Why or why not?

To facilitate the evaluations, Zambia shall share with MCC any necessary data, documentation, or other information required to assess the achievement of results targeted by the Program. This shall include, but is not limited to, copies of road maintenance records, administrative data from the Government of Zambia PPP Office, Ministry of Agriculture export licensing records and FRA stock and monitoring data. All such information provided by Zambia for evaluation purposes shall be anonymized and/or generalized in reporting, such that sensitive details shall not be made public. More detailed information on required data sources to be provided by Zambia shall be set forth in the M&E Plan.

6. Data Quality Reviews.

Data Quality Reviews (“**DQR**”) are a mechanism to review and analyze the quality and utility of performance information. They cover all data reported in the ITT, and all primary sources that feed into that reporting. DQRs may be conducted internally by MCA-Zambia II and MCC M&E staff, or by a third-party. DQRs should review data against the following standards: accuracy, consistency, timeliness, and transparency. The frequency and timing of DQRs must be set forth in the M&E Plan; however, in addition to a pre-implementation DQR, at least one DQR is required during implementation, and MCC may request a DQR at any time. DQRs should be timed to occur once the ITT reflects several quarters of reporting but early enough in the Compact Term that meaningful remedial measures (if any) may be taken depending on the results of the review.

7. Other Components of the M&E Plan.

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

7.1. Implementation and Management of M&E.

7.1.1. Review and Modification of the M&E Plan.

This section describes the approach to ensuring the M&E Plan is kept as current as possible, including how often the M&E Plan is expected to be reviewed and modified in accordance with the M&E Policy. All major modifications and the justifications therefore are documented in an annex to the M&E Plan and must be submitted to, and approved by, the board of directors of MCA-Zambia II. All M&E Plan modifications, whether major or minor, proposed by MCA-Zambia II must be submitted to MCC for prior written approval.

7.1.2. Post Compact Responsibilities.

Evaluation activities under the M&E Plan are expected to continue beyond the end of the Compact Term and MCA-Zambia II shall identify the individuals and organizations within the Government of Zambia that shall support these activities through completion. This section describes the M&E responsibilities of MCA-Zambia II during the Program’s closure period and of MCC, Zambia, and any other relevant entities after the Program has ended.

7.2. Budget. The budget for implementing the proposed M&E activities for the term of the Program is set forth in Annex II to this Compact. The M&E budget does not include costs for the salaries of the M&E staff at MCA-Zambia II or field visits, both of which are included in the administrative budget of the Program.

8. Responsibility for Developing the M&E Plan.

Responsibility for developing the M&E Plan lies with the M&E Director of MCA-Zambia II with support and input from MCC's M&E and economic staff. MCA-Zambia II's leadership and sector leads, stakeholders of the Government of Zambia, the MCC Resident Country Mission in Zambia, and other MCA-Zambia II and MCC staff (such as cross-cutting leads) shall assist with the development of the M&E Plan. MCC and MCA-Zambia II Project/Activity leads are expected to (i) guide the selection of Indicators for results that do not yet have an associated Indicator, (ii) support the refinement of indicator information, and (iii) review the Baseline and Target for each Indicator.

9. Approval and Implementation of the M&E Plan.

The approval and implementation of the M&E Plan, as modified from time to time, shall be in accordance with the Program Implementation Agreement, any other relevant Supplemental Agreement and the M&E Policy and associated guidance documents. The M&E Plan may undergo peer review within MCC before the beginning of the formal approval process.

Table 1: Indicators

The tables below list the preliminary set of monitoring and evaluation Indicators linked to each result in the project logic diagrams. 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: Roads and Access Project Indicators

Project Logic Result	Indicator	Definition	Unit	Baseline (Year)	Final Target (Year)	ITT Indicator
Outcome Indicators						
Roads and Access Project						
Project Objective: Decrease Transportation costs in prioritized agriculture corridors	(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 Dollars	Value: 0 Year: entry into force (EIF)	Value: to be determined (TBD)** Year: TBD Source: CBA	Non-ITT Indicator
Increased access for motorized and/or non-motorized traffic	(R-17) Travel time	Average amount of time it takes to travel a key route.	Minutes	Value: TBD Year: EIF Source: Origin Destination Survey	Value: TBD** Year: TBD Source: CBA	Non-ITT Indicator

Project Logic Result	Indicator	Definition	Unit	Baseline (Year)	Final Target (Year)	ITT Indicator
Increased access for motorized and/or non-motorized traffic	(R-16) Average daily road users	The average number of road users per day, averaged over different times (day and night) and over different seasons to arrive at an annualized daily average.	Number	Value: TBD Year: EIF Source: Origin Destination Survey	Value: TBD** Year: TBD Source: CBA	Non-ITT Indicator
Improving Roads Activity						
Improved road quality and climate resiliency	(R-9) International Roughness Index	The measure of the roughness of the road surface, in meters of height per kilometer of distance traveled.	Meters per kilometer	Value: TBD Year: EIF Source: Detailed Feasibility Report	Value: TBD** Year: TBD Source: CBA	Non-ITT Indicator
Improved road quality and climate resiliency	TBD This Indicator will be developed when the risks to the selected road segments are known	This Indicator may measure the average number of days a portion of the selected road segments is closed after a weather event causes the road segment to become impassable.	TBD	Value: TBD Year: EIF	Value: TBD Year: TBD	ITT Indicator
Reduced incidence of traffic and pedestrian-related accidents	(R-11) Road traffic fatalities	The number of road traffic fatalities per year on roads constructed, rehabilitated, improved or maintained with MCC Funding.	Number	Value: TBD Year: EIF Source: TBD	Value: Not applicable (N/A) Source: MCC does not set targets for traffic fatalities	ITT Indicator
Reduced incidence of traffic and pedestrian-related accidents	Road traffic crashes	Number of road traffic accidents per year reported to Zambian police on roads constructed, rehabilitated, or improved with MCC Funding.	Number	Value: TBD Year: EIF Source: TBD	Value: N/A Source: MCC does not set targets for traffic accidents	ITT Indicator
Decreased vehicle operating costs for motorized and/or non-motorized traffic	Vehicle operating costs	Total cost of road transport for a vehicle traveling on compact-supported road segments, including fuel consumption, tire consumption, oil and lubricant consumption, parts consumption, labor hours, depreciation, interest, and overhead.	TBD	Value: TBD Year: EIF	Value: TBD** Year: TBD Source: CBA	Non-ITT Indicator

Project Logic Result	Indicator	Definition	Unit	Baseline (Year)	Final Target (Year)	ITT Indicator
Improving Access Activity						
Women's bargaining power around access to transit decisions improved	Proportion of individuals in co-residing couples who report that they can decide by themselves or mostly by themselves to travel outside of the home	This Indicator is expected to be assessed qualitatively through a survey, focusing on increased participation of women in household decisions surrounding movement outside the home. It will be measured in part through the survey question, "Who decides, the majority of the time, in the household or in your couple: whether and how you can travel outside the house?"	TBD	Value: TBD Year: TBD	Value: TBD Year: TBD	Non-ITT Indicator
Transportation information asymmetries reduced	TBD An Indicator will be defined with support of the evaluation management committee	TBD One or more Indicators will be selected to measure information asymmetries following consensus from the evaluation management committee. Possible approaches include a multimarket measure or a probability analysis.	TBD	Value: TBD Year: TBD	Value: TBD Year: TBD	Non-ITT Indicator
Strengthening Zambian Road Management Activity						
Improved road network quality	Road network roughness for paved roads	The share of the paved road network that falls into the following categories of road roughness: poor (IRI>9), fair (4.5<IRI<9), good (IRI<4.5). Additionally, the road network roughness is only calculated for the core road network, which includes the trunk, main, district, urban, and primary feeder roads.	Percentage	Value: Poor: 5 Fair: 8 Good: 87 Year: 2015 Source: Road Condition Report, page 13	Value: TBD Year: TBD	Non-ITT Indicator
Improved road network maintenance	Evidence-based maintenance execution	Number of kilometers of executed maintenance that is supported by a network prioritization (numerator) over total kilometers of road in the core road network (denominator), expressed as a percentage.	Percentage	Value: TBD Year: EIF	Value: TBD Year: TBD	ITT Indicator

Project Logic Result	Indicator	Definition	Unit	Baseline (Year)	Final Target (Year)	ITT Indicator
Improved road network maintenance	(R-30) Percentage of annual maintenance budget spent	Amount of road maintenance budget spent by the road maintenance agency for the year (numerator) out of the amount of road maintenance funds allocated by the central government to the road maintenance agency for the year (denominator), expressed as a percentage.	Percentage	Value: 222.19 Year: 2023 Source: Official Memorandum from NRFA CEO Office	Value: TBD Year: TBD	ITT Indicator
Maintenance decisions made based on asset management system	(R-29) Percentage of annual maintenance budget allocated	Amount of road maintenance funds allocated by the central government to the road maintenance agency for the year (numerator) out of the total amount requested by the national road maintenance agency for the year (denominator), expressed as a percentage.	Percentage	Value: 15.44 Year: 2023 Source: Official Memorandum from RDA CEO Office, July 19th 2024	Value: TBD Year: TBD	ITT Indicator
Maintenance decisions made based on asset management system	Evidence-based maintenance planning	Number of kilometers of the core road network for which network prioritization data is complete (numerator) over total kilometers of road in the core road network (denominator), expressed as a percentage.	Percentage	Value: TBD Year: 2023 Source: TBD	Value: TBD Year: TBD	ITT Indicator
Output Indicators						
Improving Roads Activity						
Road safety interventions in prioritized agriculture corridors implemented	iRAP ⁵ road safety rating	Percentage of kilometers of roads constructed, rehabilitated, or improved with MCC Funding that obtain at least a 3-star (i.e. 3-star or above) rating based on an assessment of the final design produced by the design firm. The rating is assigned not at the level of the road segment but at the level of road users (e.g. vehicle occupants, motorcyclists, pedestrians, and bicyclists) for each road segment.	Percentage	Value: TBD Year: EIF	Value: TBD Year: Compact end date (CED)	ITT Indicator

⁵ iRAP refers to the International Road Assessment Program.

Project Logic Result	Indicator	Definition	Unit	Baseline (Year)	Final Target (Year)	ITT Indicator
Road safety interventions in prioritized agriculture corridors implemented	TBD An Indicator may be developed to measure soft side safety interventions once the scope of this result is further understood	This Indicator may measure the number of safety education and awareness campaigns conducted for drivers and/or pedestrians in accessing the road.	TBD	Value: TBD Year: EIF	Value: TBD Year: CED	ITT Indicator
Selected road segments in prioritized agriculture corridors improved	(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: EIF	Value: TBD Year: CED Source: Feasibility Report	ITT Indicator
Selected road segments in prioritized agriculture corridors improved	(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: EIF	Value: TBD Year: CED Source: Feasibility Report	ITT Indicator
Selected road segments in prioritized agriculture corridors improved	(R-14) Meters of bridges completed	The length of bridges measured along the centerline in meters on which construction of new bridges or reconstruction, rehabilitation, resurfacing or upgrading of existing bridges is complete (certificates handed over and approved).	Meters	Value: 0 Year: EIF	Value: TBD Year: CED Source: Feasibility Report	ITT Indicator
Improving Access Activity						
First/last mile physical connections to roads in prioritized agriculture corridors improved	TBD This Indicator will be defined after due diligence identifying the specific scope of first-mile physical connections is completed	This Indicator is expected to measure the number of first-mile physical infrastructure improvements, which could include foot paths, trail bridges, and other minor infrastructure works.	TBD	Value: TBD Year: EIF	Value: TBD Year: CED	ITT Indicator

Project Logic Result	Indicator	Definition	Unit	Baseline (Year)	Final Target (Year)	ITT Indicator
Social interventions, through GALS, to encourage equitable road usage implemented	GALS training participants	Number of people who have participated in the Compact-funded Gender Action Learning System (GALS) methodology specific to encourage equitable road usage. GALS is a community-led empowerment methodology using specific participatory processes and diagram tools that aims to give women as well as men more control over their lives. "Participation" is defined as attending a minimum number of the GALS community workshops and the specific definition for participation with respect to the road usage component will be developed at a later date.	Number	Value: 0 Year: EIF	Value: TBD Year: CED	ITT Indicator
Social interventions, through GALS, to encourage equitable road usage implemented	Percentage of villages where GALS has been implemented	Number of communities where GALS is implemented as a result of MCC Funding as a percentage of the total number of established communities along the selected road segments in the prioritized agricultural corridors.	Percentage	Value: 0 Year: EIF	Value: TBD Year: CED	ITT Indicator
Investments in technology to share agricultural transportation information implemented	TBD This Indicator will be developed when the specific investments in technology to share agricultural information is known	TBD	Date	N/A	Value: TBD	ITT Indicator
Strengthening Zambian Road Management Activity						
Road asset management system updated	Road asset management system updated	The date on which the road asset management system is updated and has been approved by Zambia's Cabinet. A definition of what is required to be considered "approved" will be added at a later date.	Date	N/A	Value: TBD	ITT Indicator

Project Logic Result	Indicator	Definition	Unit	Baseline (Year)	Final Target (Year)	ITT Indicator
Road sector actors trained	(R-26) People trained in network prioritization	The number of people trained in network prioritization, including prioritization using HDM-4, RED, and HMIS.	Number	Value: 0 Year: EIF	Value: TBD Year: CED	ITT Indicator
Road sector actors trained	TBD An additional Indicator may be developed to monitor the complete scope of road sector trainings once the policy and institutional reform components are further defined	The Compact will support training to a variety of road sector actors which may include contractors, local road authorities, and the Road Development Agency, Ministry of Local Government and Rural Development, Ministry of Finance and National Planning, National Road Fund Agency, Road Transport and Safety Agency, National Council for Construction, or Zambia Environmental Management Agency staff.	TBD	Value: TBD Year: EIF	Value: TBD Year: CED	ITT Indicator
Technical assistance to road actors delivered	TBD An Indicator will be defined once the specific technical assistance to be delivered under the Compact is agreed upon	Technical assistance may include support to local road authorities, the Road Development Agency, Ministry of Local Government and Rural Development, Ministry of Finance and National Planning, National Road Fund Agency, Road Transport and Safety Agency, National Council for Construction, or Zambia Environmental Management Agency.	TBD	Value: TBD Year: EIF	Value: TBD Year: CED	ITT Indicator

* The following Indicators are expected to be disaggregated by the different road segments in which MCC invests. Although baseline data is expected to be available, it is not possible to identify the specific baselines until the specific road segments are known: Road traffic fatalities; Travel time; Average daily road users; International Roughness Index; Kilometers of roads completed; Lane-kilometers completed; Meters of bridges completed. Additionally, the following Indicators will be disaggregated by sex: Road traffic fatalities; Average daily road users; People trained under GALS; People trained in network prioritization. As needed, other disaggregation types may also be included, such as Vehicle type.

** Where noted, outcome-level targets for the Roads and Access Project will be taken from the finalized CBA model, which is expected to be available when the roads segments are selected. The year during which the target will be measured will also be derived from the CBA.

Table 1.2: Asset Finance Project Indicators

Project Logic Result	Indicator	Definition	Unit	Baseline (Year)	Final Target (Year)	ITT Indicator
Outcome Indicators						
Asset Finance Project						
<p><u>Project Objective:</u> Increase access to finance for investments in EILP equipment and infrastructure for both men and women owned Agri-SMEs and project developers across agriculture value chains</p>	Number of loans issued to Agri-SMEs for EILP equipment for agriculture***	The number of loans that financial service providers, equipment suppliers, and equipment leasing companies provided to Agri-SME borrowers for electricity, irrigation, logistics, and processing equipment that will be used to support the agriculture and agro-processing sector.	Number	Value: TBD Year: EIF	Value: TBD Year: TBD	ITT Indicator
<p><u>Project Objective:</u> Increase access to finance for investments in EILP equipment and infrastructure for both men and women owned Agri-SMEs and project developers across agriculture value chains</p>	Value of loans issued to Agri-SMEs for EILP equipment for agriculture	The value of loans that financial service providers, equipment suppliers, and equipment leasing companies provided to Agri-SME borrowers for electricity, irrigation, logistics, and processing equipment that will be used to support the agriculture and agro-processing sector.	US Dollars	Value: TBD Year: EIF	Value: TBD Year: TBD	ITT Indicator
<p><u>Project Objective:</u> Increase access to finance for investments in EILP equipment and infrastructure for both men and women owned Agri-SMEs and project developers across agriculture value chains</p>	EILP projects for agriculture that reach financial close	Number of agriculture or agro-processing projects for electricity, irrigation, logistics, and processing investments that have reached financial close following support from the Zambia Project Preparation Facility (ZAMPPF).	Number	Value: 0 Year: EIF	Value: 10 Year: CED Source: MCC Project Lead, June 2024 email	ITT Indicator
<p><u>Project Objective:</u> Increase access to finance for investments in EILP equipment and infrastructure for both men and women owned Agri-SMEs and project developers across agriculture value chains</p>	Value of financing raised for large EILP infrastructure projects for agriculture	The value of financing raised for PPPs or private sector electricity, irrigation, logistics, and processing infrastructure projects at the time of financial close that will be used to support the agriculture and agro-processing sector.	US Dollars	Value: 0 Year: EIF	Value: 200,000,000 Year: CED Source: MCC Project Lead, June 2024 email	ITT Indicator

Project Logic Result	Indicator	Definition	Unit	Baseline (Year)	Final Target (Year)	ITT Indicator
Agri-SME Asset Financing Activity						
More affordable loan terms for Agri-SMEs	TBD This Indicator will be developed following further due diligence around likely changes to loan terms as a result of planned Asset Finance Project interventions	TBD	Percentage	Value: TBD Year: EIF	Value: TBD Year: TBD	Non-ITT Indicator
Patient impact capital provided for agri-focused enterprises for EILP equipment	Agri-focused enterprises accessing patient impact capital	Number of agri-focused enterprises accessing patient impact capital over the previous calendar year through the early-stage patient impact capital funding vehicle established by the Compact.	Number	Value: 0 Year: EIF	Value: TBD Year: TBD	ITT Indicator
Direct and indirect costs associated with providing a loan reduced for FSPs and EPs	Marginal cost per additional loan provided	The total administrative cost incurred by the FSP or EP to provision a loan to one additional borrower.	US Dollars	Value: TBD Year: EIF	Value: TBD Year: TBD	Non-ITT Indicator
Increased capacity to lend to Agri-SMEs for FSPs and EPs	Default rate	Rate of all loans issued by an FSP or EP over the previous year to an Agri-SME for EILP equipment that is left unpaid by the borrower and declared to be in default. This rate is averaged across participating providers.	Rate	Value: TBD Year: EIF	Value: TBD Year: TBD	ITT Indicator
Improved financial and business capacity of Agri-SMEs to qualify for loans	Loan approval rate	Average success rate of Agri-SMEs for loans for EILP equipment. The numerator is the total number of approved loans, and the denominator is the total number of loan applications submitted to FSPs and EPs over the previous year.	Percentage	Value: TBD Year: EIF	Value: TBD Year: TBD	ITT Indicator

Project Logic Result	Indicator	Definition	Unit	Baseline (Year)	Final Target (Year)	ITT Indicator
Zambia Project Preparation Facility Activity						
Increased EILP projects for the agriculture value chains able to raise project financing	TBD An Indicator will be developed to measure the improved ability of EILP projects to raise project financing with support from the project team	TBD This result is separate from the project objective in that it speaks to the improved ability of EILP projects to receive financing rather than the increase in financing itself.	Number	Value: TBD Year: TBD	Value: TBD Year: TBD	Non-ITT Indicator
Increased EILP projects for the agriculture value chains able to raise project financing	TBD An Indicator will be developed to measure the increase in EILP projects attributable to the training component of this Activity once the training is further defined	TBD	Number	Value: TBD Year: TBD	Value: TBD Year: TBD	Non-ITT Indicator
Increase in identification and evaluation of PPP and private agriculture projects selected for development	Percentage of EILP projects for agriculture that reach commercial close	Number of agriculture or agro-processing projects for electricity, irrigation, logistics, and processing investments that have reached commercial close divided by the total number of projects that have received project preparation support from the Zambia Project Preparation Facility.	Percentage	Value: 0 Year: EIF	Value: TBD Year: TBD	ITT Indicator
Increase in identification and evaluation of PPP and private agriculture projects selected for development	TBD An Indicator will be developed to measure the increase in identification and evaluation of projects attributable to the training component of this Activity once the scope of training is further defined	TBD	TBD	Value: TBD Year: TBD	Value: TBD Year: TBD	Non-ITT Indicator

Project Logic Result	Indicator	Definition	Unit	Baseline (Year)	Final Target (Year)	ITT Indicator
Output Indicators						
Agri-SME Asset Financing Activity						
Early-stage patient impact capital funding vehicle launched	Patient impact capital funding vehicle launched	Number of early-stage patient impact capital funding vehicles launched. The vehicle will be considered launched the first day it provides patient impact capital funding to an early-stage agri-enterprise.	Number	Value: 0 Year: EIF	Value: 1 Year: TBD Source: JDD ⁶ , Section III.D.4., page 60.	ITT Indicator
Performance-based grants provided to FSPs and EPs for EILP equipment	Value of grants provided to financial service providers and equipment providers	Amount disbursed to FSPs, equipment suppliers, and equipment leasing companies as part of a performance-based incentive grant funded by the Compact.	US Dollars	Value: 0 Year: EIF	Value: 11,000,000 ⁷ Year: CED Source: JDD, Section III.C.4., page 53.	ITT Indicator
Performance-based grants provided to FSPs and EPs for EILP equipment	Grants provided to FSPs and EPs	Number of performance-based incentive grants awarded by the entity responsible for grants to FSPs and EPs. A grant will be considered awarded when the first tranche payment is made to the selected FSP or EP.	Number	Value: 0 Year: EIF	Value: TBD Year: EIF+1	ITT Indicator

⁶ JDD refers to the Joint Design Document developed between MCC and the CDT.

⁷ This target differs from the value of funding to serve as leverage in the Agri-SME CBA, as described in the Projected Economic Benefits section of this Annex III, as the Cost-Benefit Analysis also includes funding for technical assistance.

Project Logic Result	Indicator	Definition	Unit	Baseline (Year)	Final Target (Year)	ITT Indicator
Technical assistance provided to FSPs and EPs	TBD An Indicator will be developed once the specific technical assistance to be provided is defined.	TBD	TBD	Value: TBD Year: TBD	Value: TBD Year: TBD	ITT Indicator
Business development services provided to Agri-SME borrowers to improve financial skills, business skills, and access to markets	Agri-SME borrowers trained	Number of Agri-SME borrowers that have received business development skills training. The requirements to be considered "trained" will be defined at a later date.	Number	Value: 0 Year: EIF	Value: TBD Year: TBD	ITT Indicator
Zambia Project Preparation Facility Activity						
Project preparation support provided to private project developers	Private project developers receiving support from the Zambia Project Preparation Facility	Number of private project developers that have been selected for the Zambia Project Preparation Facility (ZAMPPF) pipeline and have received support from the ZAMPPF. Support may include pre-feasibility studies, feasibility studies, and environmental and social impact assessments. Each project will be counted once regardless of the number of people working to develop the project.	Number	Value: 0 Year: EIF	Value: TBD Year: TBD	ITT Indicator
Project preparation support provided to PPPs	PPP project developers receiving support from the Zambia Project Preparation Facility	Number of PPP project developers that have been selected for the ZAMPPF pipeline and have received support from the ZAMPPF. Support may include pre-feasibility studies, feasibility studies, and environmental and social impact assessments. Each project will be counted once regardless of the number of people working to develop the project.	Number	Value: 0 Year: EIF	Value: TBD Year: TBD	ITT Indicator

Project Logic Result	Indicator	Definition	Unit	Baseline (Year)	Final Target (Year)	ITT Indicator
Government of Zambia staff trained to develop and tender PPPs and work with private developers	Government staff trained on PPP project development lifecycle	Number of government staff that have received training on how to develop and tender PPPs and work with private developers. The requirements to be considered "trained" will be defined at a later date. Training will include PPP Office staff and may include other Government of Zambia staff.	Number	Value: 0 Year: EIF	Value: TBD Year: TBD	ITT Indicator
Training program executed to establish a cohort of local private project development practitioners	Private project development practitioners trained	Number of private project development practitioners that have received training on effectively identifying and evaluating projects for development. The requirements to be considered "trained" will be defined at a later date.	Number	Value: 0 Year: EIF	Value: TBD Year: TBD	ITT Indicator

* The following Indicators are expected to be disaggregated by sex or sex of owner: Number of loans issued to Agri-SMEs for EILP equipment for agriculture; Value of loans issued to Agri-SMEs for EILP equipment for agriculture; Agri-SME borrowers trained; Government staff trained on PPP project development lifecycle; and Private project development practitioners trained. Additional disaggregation types, such as an Agri-SME category, are expected to be added as relevant.

** An important element of all MCC-funded grants facilities is that they achieve capital leverage ratio targets. While leverage is not a targeted result of this Project's logic and therefore Indicators tracking leverage are not included in the Indicator Tables, leverage is expected to be calculated using the data reported for value and number of grants provided and value and number of loans issued.

Table 1.3: Agriculture Policy and Institutional Strengthening (AgPIR) Project Indicators

Project Logic Result	Indicator	Definition	Unit	Baseline (Year)	Final Target (Year)	ITT Indicator
Outcome Indicators						
Project Objective: Improve institutional capacity to facilitate private sector production and trade in grains	Agriculture Institutional Environment Index	TBD An independent consultant is expected to develop an index to assess the change in the institutional environment of the agricultural sector that can be attributed to the project investments.	Index	Value: TBD Year: TBD	Value: TBD Year: TBD	Non-ITT Indicator
Ministry of Agriculture Institutional Strengthening Activity						
Rules-based system used for grains trade restrictions by government	TBD This Indicator will be developed when "predictable system" is sufficiently defined	This Indicator is expected to be measured as part of the independent evaluation. The Indicator is likely to assess whether trade decisions are made using the standardized rules-based system and within a specified period of time.	TBD	Value: TBD Year: TBD	Value: TBD Year: TBD	Non-ITT Indicator
Reformed export permitting system operationalized	Days to export permit approval	Average number of days from submission of export permit application materials by agriculture producers, agro-processors, and associations until approved exporting license is issued by the Ministry of Agriculture for the export of grain and agriculture commodities. This Indicator will average the processing times for all export applications submitted in the Compact year. The processing time begins the moment the applicant formally submits their export application materials in the export permitting system and ends the moment the applicant receives and has "in hand" the export permit.	Number	Value: TBD Year: 2023 Source: TBD	Value: TBD Year: TBD	ITT Indicator
Reformed export permitting system operationalized	Export permits issued	Number of export permits issued to agriculture producers, agro-processors, and associations by the Ministry of Agriculture for the export of maize grain and all related maize products during the calendar year.	Number	Value: Maize: 0 Other maize products: 4,971 Year: 2023 Source: MOA Memo from the Permanent Secretary, 6-25-2024	Value: TBD Year: TBD	ITT Indicator

Improved oversight and regulation of agricultural marketing	TBD This Indicator will be defined with support from Millennium Project Completion Agency-Zambia (MPCA-Z) and MCC project leads	This Indicator is expected to measure the improved ability of the Government of Zambia to know actual and predicted levels of grains to better control decision-making around export restrictions.	TBD	Value: TBD Year: TBD	Value: TBD Year: TBD	Non-ITT Indicator
Food Reserve Agency Institutional Capacity Strengthening Activity						
FRA operational efficiencies improved	Budget allocation to FRA	Amount of FRA funds allocated to the FRA's main functions divided by the total FRA budget.	Percentage	Value: TBD Year: TBD	Value: TBD Year: TBD	ITT Indicator
FRA operational efficiencies improved	TBD An Indicator will be developed to measure improvements in the operational performance of FRA following the passage of the FRA Act	TBD	TBD	Value: TBD Year: TBD	Value: TBD Year: TBD	ITT Indicator
Increased share of FRA storage capacity utilized by the private sector	Storage capacity utilized by the private sector	Percent of FRA storage capacity as measured by metric tons that is utilized by the private sector divided by the total FRA storage capacity.	Percentage	Value: 1.19 Year: 2023 Source: FRA Memo from the Executive Director, 5-14-2024	Value: TBD Year: TBD	ITT Indicator
Government market support maize and stocks sold on a commodity exchange	FRA Market Support maize sold on the commodity exchange	Percent of FRA Market Support maize that is sold on the commodity exchange divided by the total amount of FRA Market Support maize sold.	Percentage	Value: 11.47 Year: 2023 Source: FRA Memo from the Executive Director, 5-14-2024	Value: 100 Year: EIF+3	ITT Indicator

Establishment and Strengthening of Ancillary Agricultural Market Support Institutions Activity

<p>Accurate commodity price and stock information available to market players</p>	<p>Percent of market players who have directly or indirectly accessed data released by the agriculture market observatory</p>	<p>The number of government officials, private sector actors, and other market players who access data released by the agriculture market observatory, either directly through the online database or indirectly through intermediary channels. This information is expected to be measured through a survey as part of the independent evaluation.</p>	<p>Percent age</p>	<p>N/A</p>	<p>Value: TBD Year: TBD</p>	<p>Non-ITT Indicator</p>
<p>Accurate commodity price and stock information available to market players</p>	<p>TBD Accuracy and availability of commodity price is expected to be determined by an audit program that will be further defined.</p>	<p>TBD</p>	<p>TBD</p>	<p>Value: TBD Year: TBD</p>	<p>Value: TBD Year: TBD</p>	<p>Non-ITT Indicator</p>
<p>Regular reporting of stocks by private sector and government</p>	<p>Reports made to the agriculture market observatory</p>	<p>Percent of private sector (millers, traders, commercial producers), and government (FRA and others) actors who have provided at least one report per month in the current quarter on the volumes and prices of trades and existing stock inventory divided by the total number of private sector and government actors monitored by the agriculture market observatory.</p>	<p>Percent age</p>	<p>Value: 0 Year: EIF</p>	<p>Value: TBD Year: TBD Target will be set after the legal framework is drafted</p>	<p>ITT Indicator</p>
<p>Sustainably run commodity exchange</p>	<p>Commodity exchange profit and loss projections</p>	<p>The profit and loss projections for the commodity exchange for the upcoming five years. A profit and loss projection will be reported annually based on revenue from commissions on the commodity exchange, operating expenses and other income and expenses.</p>	<p>Kwacha</p>	<p>Value: TBD Year: TBD</p>	<p>Value: 0 Year: TBD Source: MPCA-Z and MCC project leads. Target is P&L projection >0.</p>	<p>ITT Indicator</p>

Output Indicators						
Ministry of Agriculture Institutional Strengthening Activity						
Export permitting system reformed	Export permitting system strengthened	Date the reformed export permitting system is adopted. This definition will be further refined after information communication technology due diligence is completed.	Date	N/A	Value: TBD	ITT Indicator
Public-private Agricultural Marketing Council is functional	Agricultural Marketing Council functional	Date the Agricultural Marketing Council is established and operational. The Agricultural Marketing Council will be considered functional on the date when the first council board meeting with quorum is held.	Date	N/A	Value: TBD	ITT Indicator
Food Reserve Agency Institutional Capacity Strengthening Activity						
Transparent protocols for sales of maize adopted	Market support maize sales protocols adopted	Date on which Zambia's Cabinet approves a regulation that outlines the market support maize sales protocols is obtained. If the regulations are approved in multiple cabinet sessions, this is counted as the date that the final regulation is approved. The protocols must be up to standards acceptable to MCC. This will include market support maize sales required to be made through the commodity exchange.	Date	N/A	Value: TBD Source: TBD	ITT Indicator
Asset optimization strategy for management of FRA infrastructure finalized	Asset optimization strategy is approved	Date on which the asset optimization strategy is approved by the FRA board. The asset optimization strategy must be up to a standard acceptable to MCC including increased usage of infrastructure by the private sector and PPPs.	Date	N/A	Value: TBD	ITT Indicator

Targeted purchasing protocols adopted	Maize purchasing protocols adopted	Date on which the Zambian Cabinet approves regulations that outline the maize purchasing protocols. If the regulations are approved in multiple cabinet sessions, this is counted as the date that the final regulation is approved. The protocols must be up to standards acceptable to MCC. This may include but is not limited to total volume no greater than necessary for national food security, reference price considers market prices, and definition for targeted producers and geographical zones, and protocols for issuing timely payments to producers.	Date	N/A	Value: TBD Source: TBD	ITT Indicator
FRA real-time stock monitoring implemented	Storage facilities with updated real-time stock monitoring system	Number of warehouses and other storage facilities for which complete monitoring system has been installed. The complete monitoring system package will be defined by an information communications technology due diligence consultant.	Number	Value: 0 Year: EIF	Value: TBD Year: TBD	ITT Indicator
FRA real-time stock monitoring implemented	People trained on real-time stock monitoring system	Number of FRA staff and other agricultural workers trained to use the real-time stock monitoring system.	Number	Value: 0 Year: EIF	Value: TBD Year: TBD	ITT Indicator
Establishment and Strengthening of Ancillary Agricultural Market Support Institutions Activity						
Independent agriculture market observatory operationalized	Agriculture market observatory database launched	Date on which the agriculture market observatory database is launched and can be accessed by members of the public. The agriculture market observatory is expected to be an independent interactive data hub that aggregates and releases domestic and regional agricultural market data.	Date	N/A	Value: TBD Target to be defined after due diligence is completed by the end of 2024	ITT Indicator
Grant provided to a commodity exchange to support operations	Commodity exchange grants provided	Total number of grant agreements fully disbursed to the selected commodity exchange.	Number	Value: 0 Year: EIF	Value: 1 Year: TBD Source: MPCA-Z and MCC Project Leads.	ITT Indicator

* The following Indicators are expected to be disaggregated by sex: People trained on real-time stock monitoring system; Agriculture market observatory staff trained.

Table 1.4: American Catalyst Facility for Development (ACFD) Project Indicators

Project Logic Result	Indicator	Definition	Unit	Baseline (Year)	Final Target (Year)	ITT Indicator
Outcome Indicators						
<p><u>Project Objective:</u> Facilitate DFC investments in Zambia in the sectors identified as constraints to Zambia's growth by MCC</p>	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: EIF	Value: 1 Year: CED	ITT Indicator

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. Once the Program Implementation Agreement is signed, each CFF Disbursement shall be subject to all of the terms of the Program Implementation Agreement, except that the only conditions to disbursements of CFF shall continue to be those set forth in this Annex IV.

1. Conditions Precedent to Initial CFF Disbursement.

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

(a) Zambia (or MCA-Zambia II) has delivered to MCC:

- (i) an interim fiscal accountability plan acceptable to MCC;
- (ii) a plan for procurements and grants acceptable to MCC;
- (iii) an interim bid challenge system; and
- (iv) an interim procurement operations manual.

(b) Zambia (or MCA-Zambia II) has hired the MCA-Zambia II Procurement Director or another individual, approved by MCC, to perform the duties of a procurement officer on behalf of Zambia until such time as the MCA-Zambia II Procurement Director has been hired.

2. Conditions Precedent to All CFF Disbursements.

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

(a) Zambia (or MCA-Zambia II) has delivered to MCC a completed Disbursement Request covering the related Disbursement Period in accordance with the QDRP Policy.

(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) Zambia (or MCA-Zambia II) has engaged an entity or individual to provide fiscal agent services, as approved by MCC, until such time as Zambia 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) Zambia (or MCA-Zambia II) has engaged an entity or individual to provide procurement agent services, as approved by MCC, until such time as Zambia provides to MCC a true and complete copy of a Procurement Agent Agreement, duly executed and in full force and effect, and the procurement agent engaged thereby is mobilized.

(e) MCC is satisfied, in its discretion, that (i) no material default or breach of any covenant, obligation, or responsibility of Zambia, MCA-Zambia II, or any other entity of Zambia has occurred and is continuing under this Compact, the Program Implementation Agreement, or any other Supplemental Agreement; (ii) the activities to be funded with such CFF Disbursement are necessary, advisable or otherwise consistent with the goal of facilitating implementation of this Compact and shall not violate any applicable law or regulation; (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 (ninety) 90 days prior to the start of the related Disbursement Period have been reimbursed by Zambia in full in accordance with Section 2.8(c) of this Compact; and (v) Zambia 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, the Program Implementation Agreement, and any other Supplemental Agreement.

(f) For any CFF Disbursement occurring after this Compact has entered into force in accordance with Article 7, MCC is satisfied, in its discretion, that:

(i) MCA-Zambia II has made progress, satisfactory to MCC, on implementing activities for which funding is requested, including progress on each of the Principal Implementation Plans;

(ii) 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);

(iii) MCC does not have grounds for concluding that any matter certified to it in any certificate provided as part of the Disbursement Request is not as certified; and

(iv) each of the Key Staff of MCA-Zambia II remain engaged, or if a position is vacant, MCA-Zambia II is actively engaged, to MCC's satisfaction, in recruiting a replacement.

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

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

ANNEX V DEFINITIONS

Activity has the meaning provided in Part B of Annex I.

AfDB has the meaning provided in Part A(1)(b) of Annex I.

Additional Representative has the meaning provided in Section 4.2.

Agricultural Marketing Council has the meaning provided in Part (B)(3)(g) of Annex I.

Agri-SMEs has the meaning provided in Section 1.2(b).

Articles of Association have the meaning provided in Part C(1)(a) of Annex I.

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

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

Baseline has the meaning provided in paragraph 4.1.2 of Annex III.

Board of Directors has meaning provided in Part C(1)(a) of Annex I.

CBA means Cost-Benefit Analysis.

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

CFF Disbursement has the meaning provided in Annex IV.

Compact has the meaning provided in the Preamble.

Compact Development Team has the meaning provided Section 3.2(b).

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

Compact Goal has the meaning provided in Section 1.1.

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

Compact Term has the meaning provided in Section 7.4.

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

Covered Provider has the meaning provided in the Audit Guidelines.

DFC has the meaning provided in Section 1.2(d).

Disbursement has the meaning provided in Section 2.4

DQR has the meaning provided in paragraph 6 of Annex III.

EILP has the meaning provided in Section 1.2(b).

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

Environmental and Social Impact Assessment or ESIA means a process for analyzing projects for potential risks and impacts, assessing potential significance of those risks and impacts and designing a set of interventions to avoid, manage, mitigate, or monitor the potential environmental and social impacts of a proposed Activity or Project.

Environmental and Social Management Plan or ESMP means a documented plan or strategy specifying the measures that will be taken to ensure that social and environmental impacts, risks, and liabilities identified during the ESIA or other analytical process are effectively mitigated, managed, and monitored during the construction, operation, and closure of the proposed Project.

Environmental and Social Management System or ESMS means a set of policies, procedures, tools, and capacities to identify and manage the environmental and social risks, of the compact activities, which may include environmental and social management plans.

EPs has the meaning provided in Part B(2)(a)(i) of Annex I.

ERR means Economic Rate of Return.

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

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

Fiscal Agent has the meaning provided in Part C(3) of Annex I.

FRA has the meaning provided in Part B(3)(a)(ii) of Annex I.

FSPs has the meaning provided in Part B(2)(a)(i) of Annex I.

GALS has the meaning provided in Part B(2)(b) of Annex I.

Governance Guidelines has the meaning provided in the Program Implementation Agreement.

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

Health and Safety Management Plan means a documented plan or strategy specifying identified hazards and safe work procedures to mitigate, reduce, or control the hazards identified.

IFC Performance Standards means the Performance Standards on Environmental and Social Sustainability of the International Finance Corporation, as amended or otherwise modified from time to time.

Implementation Letters has the meaning provided in Section 3.5.

Implementing Entity has the meaning provided in Part C(2) of Annex I.

Implementing Entity Agreement has the meaning provided in Part C(2) of Annex I.

Indicators has the meaning provided in paragraph 4.1 of Annex III.

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; 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.

ITT has the meaning provided in paragraph 4.1.8 of Annex III.

Key Staff has the meaning provided in the Program Implementation Agreement.

Livelihood Restoration Plan or LRP as required under the IFC Performance Standard 5: Land Acquisition and Involuntary Resettlement means a plan that establishes the entitlements (e.g., compensation, other assistance, etc.) of affected persons and/or communities who are economically displaced by a Project, in order to provide them with adequate opportunity to reestablish their livelihoods.

M&E has the meaning provided in the preamble to Annex III.

M&E Plan has the meaning provided in the preamble to Annex III.

M&E Policy has the meaning provided in the preamble to Annex III.

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

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

MCC has the meaning provided in the Preamble.

MCC Funding has the meaning provided in Section 2.3.

MCC Website means the MCC website at www.mcc.gov.

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

Multi-Year Financial Plan Summary has the meaning provided in Annex II.

Operations Unit has the meaning provided in Part C(1)(a) of Annex I.

Party and Parties have the respective meanings provided in the Preamble.

Permitted Account has the meaning provided in Section 2.4.

PPPs has the meaning provided in Part B(2)(a)(ii) of Annex I.

Principal Representative has the meaning provided in Section 4.2.

Procurement Agent has the meaning provided in Part C(3) of Annex I.

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 Funding has the meaning provided in Section 2.1.

Program Guidelines means collectively the Audit Guidelines, the Environmental Guidelines, the Policy on Accountable Entities and Implementation Structures, the Program Grant Guidelines, the Accountable Entity Procurement Policy & Guidelines, the QDRP Policy, the M&E Policy, the Cost Principles for Government Affiliates Involved in Compact Implementation, the Policy on Program Closure, the Gender and Inclusion Policy, the Operational Requirements and Milestones for Social Inclusion and Gender Integration, the Guidelines for Economic and Beneficiary Analysis, the Standards for Global Marking, the Country Contributions Policy, the Counter-Trafficking in Persons Policy, the Policy on Preventing, Detecting and Remediating Fraud and Corruption in MCC Operations, the Policy on Funding under Section 609(g), and any other guidelines, policies or guidance papers 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.

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

Project(s) has the meaning provided in Section 1.2.

Project Objective(s) has the meaning(s) provided in Section 1.2.

Provider means any natural or legal person who provides goods, works, or services in connection with the Program.

QDRP Policy means the Policy on Accountable Entities' Submission of the Quarterly Disbursement Request Package.

Resettlement Action Plan or RAP means a plan designed to mitigate the negative impacts of the physical or economic displacement of persons caused by project implementation per IFC Performance Standard 5: Land Acquisition and Voluntary Displacement.

Resettlement Policy Framework or RPF means a broad plan or scheme prepared for a Project, based on the principles of IFC Performance Standard No.5, that sets forth and defines the principles, organizational arrangements, and design criteria to be applied to regulate all circumstances regarding resettlement that may occur in implementation of the Project.

Social and Gender Integration Plan means the operational plan that shall ensure that each Project shall benefit structurally excluded groups, including poor people and women.

Stakeholder Engagement Plan 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, as detailed further in IFC Performance Standard No. 1.

Supplemental Agreement means any agreement between (a) Zambia (or any affiliate of Zambia, including MCA-Zambia II) and MCC (including, but not limited to, the PIA and any Implementation Letter), or (b) MCC and/or Zambia (or any affiliate of Zambia, including MCA-Zambia II), on the one hand, and any third party, on the other hand, 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 paragraph 4.1.3 of Annex III.

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

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

USAID means the United States Agency for International Development.