

ANNEX II

FINANCIAL PLAN SUMMARY

This Annex II to the Compact (the "*Financial Plan Annex*") summarizes the Financial Plan for the Program. Each capitalized term in this Financial Plan Annex shall have the same meaning given such term elsewhere in this Compact.

- 1. General.** A Multi-year Financial Plan Summary is attached hereto as Exhibit A (the "*Multi-Year Financial Plan Summary*"). By such time as specified in the Disbursement Agreement, MCA-Madagascar will adopt, subject to MCC approval, a Financial Plan that includes, in addition to the multi-year summary of anticipated estimated MCC Funding and the Government's contribution of funds and resources, an estimated draw-down rate for the first year of the Compact based on the achievement of performance milestones, as appropriate, and the satisfaction or waiver of conditions precedent. Each year, at least 30 days prior to the anniversary of the entry into force of this Compact, the Parties shall mutually agree in writing to a supplemental annual financial plan for the upcoming year of the Program, which shall include a more detailed plan for such year, taking into account the status of the Program at such time and making any necessary adjustments to the Financial Plan (each, a "*Supplemental Financial Plan*").
- 2. Implementation and Oversight.** The Financial Plan shall be implemented by MCA-Madagascar, consistent with the approval and oversight rights of MCC and the Government as provided in this Compact, the Governance Agreement and the Disbursement Agreement.¹
- 3. Estimated Contributions of the Parties.** The Multi-Year Financial Plan Summary identifies the estimated annual contribution of MCC Funding for Program administration and each Project. The Government's contribution of resources to Program administration and each Project shall consist of (i) "in-kind" contributions in the form of Government Responsibilities and any other obligations and responsibilities of the Government identified in the Compact, including contributions identified in the notes to the Multi-Year Financial Plan Summary, and (ii) such other contributions or amounts as may be identified in relevant Supplemental Agreements between the Parties or as may otherwise be agreed by the Parties; *provided*, in no event shall the Government's contribution of resources be less than the amount, level, type and quality of resources required to effectively carry out the Government Responsibilities or any other responsibilities or obligations of the Government under or in furtherance of this Compact.
- 4. Modifications.** The Parties recognize that the anticipated distribution of MCC Funding between and among the various Program activities and Project Activities will likely require adjustment from time to time during the Compact Term. In order to preserve flexibility in the administration of the Program, the Parties may, upon agreement of the Parties in writing and without amending the Compact, change the designations and allocations of funds between

¹ The role of civil society in the implementation of the Compact (including through participation on the Advisory Board and Steering Committee), the responsibilities of the Government and MCC in achieving the Compact Objectives, and the process for the identification of beneficiaries are addressed elsewhere in this Compact and therefore are not repeated here.

Program administration and a Project, between one Project and another Project, between different activities within a Project, or between a Project identified as of the entry into force of this Compact and a new Project, without amending the Compact; *provided, however*, that such reallocation (i) is consistent with the Objectives, (ii) does not cause the amount of MCC Funding to exceed the aggregate amount specified in Section 2.1(a) of this Compact, and (iii) does not cause the Government's responsibilities or overall contribution of resources to be less than specified in Section 2.2(a) of this Compact, this Annex II or elsewhere in the Compact.

5. Conditions Precedent; Sequencing. MCC Funding will be disbursed in tranches. The obligation of MCC to approve MCC Disbursements and Material Re-Disbursements for the Program and each Project is subject to satisfactory progress in achieving the Objectives and on the fulfillment or waiver of any conditions precedent specified in the Disbursement Agreement for the relevant Program activity or Project Activity. The sequencing of Project Activities and other aspects of how the Parties intend the Projects to be implemented will be set forth in the Disbursement Agreement and the applicable components of the Implementation Plan, including Work Plans for the applicable Project, and MCC Disbursements and Re-Disbursements will be disbursed consistent with that sequencing.

6. Objectives; Benchmarks. The Compact Goal, Program Objective and the Project Objectives are identified in Section 1.1 of this Compact. The key expected results of each Project Activity are identified in Schedules 1 to 3 of Annex I. Progress towards achievement of the Compact Goal, the Objectives, and the expected results shall be measured in accordance with the M&E Plan, which is summarized at Annex III. The M&E Plan will include regular benchmarks for measuring progress, including those Compact-, Program- and Project-level performance indicators identified in Annex III, along with the frequency by which such benchmarks will be measured.

EXHIBIT A: Multi-Year Financial Plan Summary

Project	Year 1	Year 2	Year 3	Year 4 ¹	Total
1. Land Tenure Project²					
(a) Support the Development of the Malagasy National Land Policy Framework ³	295 ⁴	759	12		1,066
(b) Improve the Ability of the National Land Service Administration to Provide Land Services	6,823	11,370	1,650		19,844
(c) Decentralization of Land Services	1,727	4,059	1,922	27	7,735
(d) Land Tenure Regularization in the Zones	251	3,685	3,770	159	7,865
(e) Information Gathering, Analysis and Dissemination	645	424	224		1,293
Sub-Total	9,740	20,298	7,579	186	37,803
2. Finance Project⁵					
(a) Promote Legal and Regulatory Reform	888	176			1,064
(b) Reform Sovereign Debt Management and Issuance	723	285			1,008
(c) Strengthen the National Savings Bank	1,505	427			1,932
(d) Provide New Instruments for Agribusiness Credit	2,637	5,289	500		8,426
(e) Modernize National Interbank Payments System	1,000	10,000 ⁶	10,000 ⁷		21,000
(f) Improve Credit Skills Training, Increase Credit Information and Analysis	782	1,546	130		2,458
Sub-Total	7,535	17,723	10,630	0	35,888
3. Agricultural Business Investment Project⁸					
(a) Create and Operate Five Agricultural Business Centers (ABCs)	2,500	2,781	2,888	3,120	11,289
(b) Create National Coordinating Center and Coordinate Activities with Government Ministries and ABCs and Identify the Zones	74	30			104
(c) Identify Investment Opportunities	2,000	3,000	1,090		6,090
(d) Build Management Capacity in the Zones	100	50	50		200
Sub-Total	4,674	5,861	4,028	3,120	17,683
4. Monitoring and Evaluation⁹	305	847	844	1,379	3,375
Sub-Total	305	847	844	1,379	3,375
5. Program Administration and Control					
(a) Program administration	2,297	1,627	1,617	1,612	7,153
(b) Fiscal control, procurement management and audit	2,198	1,891	1,891	1,891	7,871
Sub-Total	4,495	3,518	3,508	3,503	15,024
TOTAL ESTIMATED MCC CONTRIBUTION	26,749	48,247	26,589	8,188	109,773

EXHIBIT A: MULTI-YEAR FINANCIAL PLAN SUMMARY (Notes)

¹ Although most Project Activities will take place from Year 1 through Year 3, the four-year Compact term will allow additional time to ensure that Project Activities are completed. Monitoring and Evaluation, Administrative, Procurement and Control costs are allocated in Year 4 to maintain a consistent level of monitoring and evaluation and Program management to support these activities, but only will be expended for monitoring and evaluation and Program management if the Program delays make the expenditures necessary.

² The Government will provide in-kind contributions in the form of Ministry of Agriculture staff time and resources to work towards the expected results of this Project, which contributions will be more specifically set forth in the relevant components of the Implementation Plan or relevant Supplemental Agreement between the Parties.

³ The Government has provided in-kind contributions in the form of Ministry of Agriculture staff time and responses used for drafting the Land Policy Letter, which serves as the support document for the National Land Policy Framework, which contributions will be more specifically set forth in the relevant components of the Implementation Plan or relevant Supplemental Agreement between the Parties.

⁴ Amounts shown are U.S. Dollars in thousands.

⁵ The Government will provide in-kind contributions in the form of Ministry of Finance and Central Bank staff time and resources to work towards the expected results for this Project, which contributions will be more specifically set forth in the relevant components of the Implementation Plan or relevant Supplemental Agreement between the Parties.

⁶ This amount will be disbursed only upon satisfaction of (i) completion of feasibility cost study satisfactory to MCC, (ii) agreements executed with users regarding fees and charges, and (iii) other conditions set out in the Disbursement Agreement.

⁷ This amount will be disbursed only upon satisfaction of (i) completion of feasibility cost study satisfactory to MCC, (ii) agreements executed with users regarding fees and charges, and (iii) other conditions set out in the Disbursement Agreement.

⁸ The Government will provide in-kind contributions in the form of Ministry of Agriculture and Ministry of Finance staff time and resources to work towards the expected results for this Project, which contributions will be more specifically set forth in the relevant components of the Implementation Plan or relevant Supplemental Agreement between the Parties.

⁹ The Government will provide in-kind contributions in the form of Ministry of Agriculture and INSTAT staff time and resources towards data collection and other monitoring and evaluation functions, which contributions will be more specifically set forth in the relevant components of the Implementation Plan or relevant Supplemental Agreement between the Parties.

ANNEX III

DESCRIPTION OF THE M&E PLAN

This Annex III to the Compact (the "*M&E Annex*") generally describes the elements of the M&E Plan for the Program. Each capitalized term in this M&E Annex shall have the same meaning given such term elsewhere in this Compact.

1. Overview.

In accordance with Section 609(b)(1)(c) of the Act, the Parties contemplate implementing an M&E Plan to regularly assess the progress towards the Compact Goal and Objectives, estimate the magnitude of the economic growth and poverty reduction impacts of the Program, and generally contribute to the overall accountability for the implementation of the Program. As described below, the M&E Plan shall include a monitoring component, which will describe the monitoring methodology and specify the expectations for certain results for each Project and for the Program (the "*Monitoring Component*") and an evaluation component, which will describe the evaluation methodology and focus on the process for estimating the economic growth and poverty reduction impacts of the Program (*i.e.*, the Compact Goal) (the "*Evaluation Component*").

The M&E Plan will consist of multiple parts developed separately for the Program and each of the Project Activities. Subject to satisfaction of other conditions precedent, MCC Disbursements and Re-Disbursements for any Project Activity may be made only after MCA-Madagascar adopts, and MCC approves, the components of the overall M&E Plan related to such Project Activities. As described below in Section 2 of this M&E Annex, the M&E Plan will identify the appropriate performance indicators, targets, and baselines, or a process for the identification of indicators, targets, and baselines, institutions responsible for their measurement; describe intended beneficiaries; identify milestones for progress on policy or legal reforms; set out requirements for periodic performance reporting; identify the assumptions and risks underlying the accomplishment of the Objectives; and set a timeline for program evaluation. Identification of the Zones and collection of additional baseline data is required before the estimated targets can be finalized for certain Project Activities. The Parties will seek to promptly collect and review such data and expect to have this completed for all Program and Project Activities no later than 12 months after the entry into force of this Compact. Shortly thereafter, the Parties expect to have a complete M&E Plan. The Parties expect that the M&E Plan for each Project Activity will be completed prior to MCC Disbursement or Re-Disbursement for the Project Activity.

The Parties anticipate the key terms of the M&E Plan, including estimated indicators and targets, to be as set forth in this M&E Annex, subject to (i) modifications based on (A) identification of the Zones and (B) collection and review of the baseline data and other data; and (ii) the completion and adoption of the final M&E Plan by MCA-Madagascar, subject to MCC approval.

2. Elements of the M&E Plan.

The roles and responsibilities of the relevant parties and Providers in connection with monitoring and evaluation shall be set forth in the M&E Plan, which shall include the following elements for the Program, each Project and Project Activity:

(a) **Monitoring Component.** The Monitoring Component shall set out (i) the expected results of the Program as described under Section 2 of Schedules 1 – 3 of the Program Annex, and (ii) the performance indicators to be used to measure progress at the Compact Goal, Program Objective, Project Objective and Project Activity levels (as described in Section 4 below). The Monitoring Component shall also identify, where appropriate, any additional indicators, baseline data, data sources, reporting requirements, expected timelines, performance targets, policy milestones (including ministry procedural changes) and legal reforms. Exhibit A attached hereto illustrates the M&E Plan in terms of the Compact Goal and Objectives.

(b) **Evaluation Component.** The Program shall be evaluated on the extent to which the interventions contributed to the Compact Goal. The Evaluation Component shall set out a process and timeline for analyzing data collected through baseline data collection and the monitoring process in order to assess the economic impact of the Program. In addition, the M&E Plan may require interim independent evaluations of individual Project Activities, Projects or the Program as a whole prior to the expiration of the Compact. Either MCC or MCA-Madagascar may from time to time request such interim independent evaluations. If an evaluator is engaged by MCA-Madagascar, the evaluator will be an externally contracted independent source, selected by MCA-Madagascar subject to the approval of MCC, following a tender in accordance with the Procurement Guidelines, and otherwise in accordance with any relevant Implementation Letter or Supplemental Agreement. The cost of an independent evaluation may be paid from MCC Funding. In the event MCA-Madagascar requires an interim independent evaluation at the request of the Government, no MCC Funding or MCA-Madagascar resources may be applied to such evaluation, without MCC's prior written approval, if the evaluation is for the purpose of contesting an MCC determination with respect to a Project or to seek funding from other donors. MCC shall engage an independent evaluator to conduct an impact evaluation at the completion of the Program.

(c) **Beneficiaries.** As Zones are identified, the M&E Plan shall be modified to reflect this additional Zone-specific information about the beneficiaries, including, to the extent practicable, disaggregated by gender, income level and age. In accordance with the Evaluation Component of the M&E Plan, MCA-Madagascar shall deliver to MCC information about the characteristics of the beneficiaries of the Program that are inside and outside the Zones.

(d) **Data Quality Reviews.** From time to time, as determined in the M&E Plan or as otherwise requested by MCC, the quality of the data gathered through the M&E Plan shall be reviewed to ensure that data reported are as valid, reliable, and timely as resources will allow. The objective of any data quality review will be to verify the quality and the consistency of performance data across different implementation units and reporting institutions. Such data

quality reviews will also serve to identify where those levels of quality are not possible given the realities of data collection.

(e) **Policy or Legal Reform; Procedural Changes or Regulatory Actions.** The M&E Plan shall identify mechanisms to measure progress on any required changes in government ministry procedures, regulatory actions, policy and/or legal reforms identified as conditions necessary or advisable to achievement of the Objectives.

(f) **Data Collection and Reporting.** The M&E Plan shall establish guidelines for data collection and a reporting framework, including a schedule of activities and responsible parties. Prior to, and as a condition precedent to, any Re-Disbursements with respect to a Project or Project Activity, the baseline data or report, as applicable and as specified in the Disbursement Agreement, with respect to such Project or Project Activity must be completed, in form and manner satisfactory to MCC. With respect to any data or reports received by MCA-Madagascar pursuant to Section 4 of this Annex III or as otherwise set forth in the M&E Plan, MCA-Madagascar shall promptly deliver such reports to MCC along with any other related documents, as specified in this Annex III or as may be requested from time to time by MCC.

(g) **Performance; Transparency.** The M&E Plan shall require MCA-Madagascar to conduct regular Program and Project performance reviews and issue reports on such reviews. Information regarding the Program's performance, including the M&E Plan, and any amendments or modifications thereto, and periodic reports, will be made publicly available on the MCA-Madagascar Website and elsewhere.

(h) **Costs.** A detailed cost estimate for all components of the M&E Plan shall be set forth in the M&E Plan.

(i) **Assumptions and Risks.** The M&E Plan shall identify any assumptions and risks, external to the Program, underlying the accomplishment of the Objectives; *provided, however*, such assumptions and risks shall not excuse performance of the Parties, unless otherwise expressly agreed to in writing by the Parties.

(j) **Modifications.** Notwithstanding anything to the contrary in the Compact, including the requirements of this M&E Annex, the Parties may modify or amend the M&E Plan or any component thereof, including those elements described herein, without amending the Compact; *provided*, any such modification or amendment of a M&E Plan has been approved by MCC and is otherwise consistent with the requirements of this Compact and any relevant Supplemental Agreement between the Parties.

3. Evaluation of Economic Growth and Poverty Reduction Impacts.

The Proposal identified low investment in rural areas as a major cause of low economic growth and poverty in Madagascar. The Program seeks to stimulate such investment through the Land Tenure, Finance, and Agriculture Business Investment Projects. At the termination or expiration

of the Compact Term or shortly thereafter, an impact evaluation will be conducted to determine the extent to which income and productivity were raised by the Program. Specifically, the impact on economic growth and poverty reduction will be measured through the following two indicators (as described in Section 4(a) of this M&E Annex):

1. Household income
2. Land productivity

The evaluation should seek to understand and quantify the causal relationship between the Projects and these goals, including the channels through which the Projects make an impact.

The economic analysis of the Program estimates that it will produce an increase in total investment of approximately 27 percent (27%) of average land values in each region. The analysis further estimates that each dollar of credit invested will, on average, raise crop-related income by approximately 18 cents per year. The analysis yields an overall target of an increase in income equal to five percent (5%) of average land values in each Zone starting in Year 3 of the Program. Once baseline data on average land value and the Zones are identified, targets for increased household income can be established. Therefore, any targets provided herein or in the M&E Plan are estimates only.

In order to support this evaluation, the Program will fund a portion of the annual national household surveys in addition to the annual agricultural productivity and enterprise surveys described below. National data collection for these surveys will allow for a better understanding of the impact of the Program by enabling Program evaluators to compare the households, farms, and enterprises in the Zones to households, farms, and enterprises in other regions with similar characteristics. In addition, national data will produce benefits outside of evaluating the Program. The availability of this data will allow the Government to better plan and carry out its economic development agenda more broadly.

4. Performance Indicators.

(a) **Compact Goal.** It is anticipated that the Compact Goal will be achieved through successful implementation of the Projects as well as with other non-Compact activities or sources of funding. Progress towards the Compact Goal shall be measured in the following manner:

(i) **Indicators.** The performance indicators for the Compact Goal are: (i) increase in household income in each of the Zones ("**Compact Goal Indicator 1**") and (ii) increase in land productivity in each of the Zones, (e.g., agricultural output per hectare) ("**Compact Goal Indicator 2**").

(ii) **Estimated Target.** Following the identification of the Zones and collection and review of baseline data, the Parties will estimate the targets for these indicators and the M&E Plan will specify such estimated targets.

(iii) Baseline. Once baseline data on average land value and the Zones are identified, targets for increased household income can be established. MCA-Madagascar shall ensure that INSTAT (defined below) provides to MCC the baseline data, as specified in the M&E Plan, with respect to Compact Goal Indicator 1 and Compact Goal Indicator 2 no later than the 10 month anniversary following the entry into force of this Compact.

(iv) Frequency and Reporting of Measurement. With respect to Compact Goal Indicator 1, MCA-Madagascar shall obtain, at least on an annual basis or at such other interval agreed to in writing by the Parties, data from the National Institute of Statistics ("*INSTAT*") household survey (including survey report and underlying data), which survey MCA-Madagascar shall provide to MCC. The M&E Plan will specify what surveys or portions thereof will be paid for with MCC Funding. With respect to Compact Goal Indicator 2, MCA-Madagascar shall obtain, at least on an annual basis or at such other interval agreed to in writing by the Parties, data from surveys (including the survey report and underlying data) conducted by the INSTAT with the Republic of Madagascar's Ministry of Agriculture, Livestock and Fisheries (the "*Ministry of Agriculture*"), which survey MCA-Madagascar shall provide to MCC.

(v) Results. Results from the Compact Goal Indicator 1 and Compact Goal Indicator 2 are expected by the end of the Compact Term.

(b) Program Objective. Progress towards the completion of the Program Objective shall be measured in the following manner:

(i) Indicator. The performance indicator for the Program Objective shall be the total new investment made by farms and enterprises in the Zones (the "*Program Objective Indicator*").

(ii) Estimated Target. In order to establish the specific target for the Program, the Agricultural Business Investment Project will identify all five Zones by the first anniversary of the entry into force of this Compact. As a starting point for establishing the estimated target, estimates of the economic growth and poverty reduction impacts of the Program anticipate the Land Tenure Project will increase investment in the Zones by approximately 27 percent (27%) of the total current land value. The analysis assumes that the Finance Project will make sufficient credit available in the Zones to achieve the target.

(iii) Baseline. The baseline for the Program shall be established by the 10 month anniversary of the entry into force of this Compact. The Government shall cause INSTAT to conduct an enterprise survey and INSTAT, working with the Ministry of Agriculture, to conduct an agricultural productivity survey that will collect information on the current level of investment by farms and enterprises. Data collection will occur on a national basis, allowing for comparisons of the Zones with similar regions outside the Zones. MCC provided funding, not reflected in the MCC Funding, for these baseline surveys to commence prior to conclusion of this Compact and continue in the initial period of the Compact Term through assistance for the implementation of the Program and under the administration and management of USAID and U.S. Census Bureau working with INSTAT and the Ministry of

Agriculture. MCA-Madagascar shall ensure that INSTAT and the Ministry of Agriculture provide to MCC this baseline data prior to the MCC Disbursement or Re-Disbursement for any Project Activity to which this baseline data is relevant as specified in the Disbursement Agreement.

(iv) Frequency and Reporting of Measurement. MCA-Madagascar shall obtain, on an annual basis or at such other interval agreed to in writing by the Parties, data from the INSTAT enterprise survey, which measures investment by enterprises, and the Ministry of Agriculture agriculture survey and INSTAT household survey, which both measure investment by farms. MCA-Madagascar shall provide each survey (including survey reports and underlying data) to MCC.

(v) Results. Results from the Program Objective Indicator are expected by the third anniversary of the Compact Term.

(c) Project Objectives. Progress towards the completion of the Project Objectives shall be measured using the indicators identified below.

(i) Land Tenure Objective. Progress towards the completion of the Land Tenure Objective shall be measured in the following manner:

(1) Indicator. The performance indicator for the Land Tenure Objective shall be percentage of targeted hectares within the Zones with a title or certificate (the "*Land Tenure Objective Indicator*").

(2) Estimated Target. The estimated target for the Land Tenure Project is 100 percent (100%) of 250,000 hectares by the end of the Compact Term. A more precise estimate of the number of hectares will be established by the first anniversary of the entry into force of this Compact for the first two Zones and by the second anniversary of the entry into force of this Compact for the remaining three Zones. The Proposal estimated that the Land Tenure Project will title approximately 50,000 hectares in each of the Zones. In order to establish more definitively the target, the Agricultural Business Investment Project will identify the Zones and the Land Tenure Project will identify the areas for titling or land certificates.

(3) Baseline. The baseline for the Land Tenure Project is zero.

(4) Frequency and Reporting of Measurement. In accordance with specifications and requirements as set forth in the M&E Plan, MCA-Madagascar shall obtain, every six months or at such other interval agreed to in writing by the Parties, information regarding the hectares targeted for title or certificate issuance in the Zones from the Ministry of Agriculture (Land Management Department), and report such information to MCC. MCA-Madagascar shall obtain and report to MCC data on the Land Tenure Objective Indicator every six months starting at month 18 following the entry into force of this Compact for the first two

identified Zones and starting at month 24 following the entry into force of this Compact for the remaining three Zones.

(5) Results. The results from the Land Tenure Objective Indicator are expected for the first two identified Zones within 18 months following the entry into force of this Compact and within 25 months following the entry into force of this Compact for the remaining three Zones.

(ii) Finance Objective. Progress towards the completion of the Finance Objective shall be measured in the following manner:

(1) Indicators. The performance indicators for the Finance Project are: (i) the value of new loans; (ii) the number of new loans; (iii) the value of new bank accounts; and (iv) the number of new bank accounts (collectively referred to as the "*Finance Objective Indicators*").

(2) Estimated Target. Estimates of the economic growth and poverty reduction impacts of the Program anticipate that the Land Tenure Project will result in land being used as collateral for increased lending in the Zones, and that the Finance Project will increase the client base of the National Savings Bank by approximately 25 percent (25%). The estimated targets for the Finance Project are (i) an increase of an additional USD \$31 million in lending in the Zones and (ii) an increase of 184,000 savings accounts with a value of USD \$1.8 million. In order to establish the target for loans, the Agricultural Business Investment Project will identify the specific Zones and establish average land value for each Zone. Targets may be revised upon identification of the specific Zones and collection of baseline data.

(3) Baseline. The Parties expect to establish the baseline by the third month following the entry into force of this Compact. To establish the baseline, the Government shall ensure that the Central Bank reports to MCA-Madagascar (or the Government) baseline for loans on a national basis, disaggregated by region. The Government shall ensure that the National Savings Bank reports to MCA-Madagascar (or the Government) on bank accounts by Zone. MCA-Madagascar shall provide to MCC the baseline data, as specified in the M&E Plan, with respect to each of the Finance Objective Indicators prior to the MCC Disbursement or initial Re-Disbursement for any Finance Project Activity.

(4) Frequency and Reporting of Measurement. In accordance with the specifications and reporting requirements of the M&E Plan, MCA-Madagascar shall obtain, every six months commencing at the second anniversary of the entry into force of this Compact or at such other interval as agreed to in writing by the Parties, data and report on the number and value of bank accounts and loans from a source acceptable to MCC and to be selected prior to the adoption of the M&E Plan. MCA-Madagascar shall provide such data and report to MCC.

(5) Results. The results from the Finance Objective Indicators are expected by the second anniversary after the entry into force of this Compact.

(iii) Agriculture Business Investment Objective. Progress towards the completion of the Agriculture Business Investment Objective shall be measured in the following manner:

(1) Indicator. The performance indicator for the Agricultural Business Investment Project is the number of farms and enterprises that adopt new technologies or engage in higher value production ("*Agricultural Business Investment Objective Indicator*").

(2) Estimated Target. A timeline and plan for establishing the target for the Agricultural Business Investment Project shall be determined by the Parties prior to any MCC Disbursement or Re-Disbursement of MCC Funding relating to this Project, except as may be necessary to identify the Zones. The INSTAT/Ministry of Agriculture agricultural survey and the INSTAT enterprise survey will provide information on the farms and enterprises in the Zones. In order to establish the estimated target for the number of farms and enterprises, (i) the Zones must be identified and (ii) data collection related to farms and enterprises must be completed.

(3) Baseline. The baseline for the Agricultural Business Investment Project is zero.

(4) Frequency and Reporting of Measurement. MCA-Madagascar shall obtain, on an annual basis or at such other interval agreed to in writing by the Parties, data from the INSTAT enterprise survey or from the Agricultural Business Centers as agreed in writing by the Parties. The relevant Implementing Entit(y)(ies) shall deliver a report to MCA-Madagascar, and MCA-Madagascar shall deliver such report to MCC, on the recommendations for the selection of Zones three through five following their identification. In accordance with the specifications, reporting requirements and timeframe specified in the M&E Plan, MCA-Madagascar shall obtain data and report on current production methods and crops from a source acceptable to MCC, and MCA-Madagascar shall provide such data and report to MCC. MCA-Madagascar shall obtain and report to MCC data on the Agricultural Business Objective Indicator on at least an annual basis starting at month 24 following the entry into force of this Compact.

(5) Results. The results from the Agricultural Business Investment Objective Indicator are expected by the second anniversary of the entry into force of this Compact.

(d) Project Activity Objectives. The M&E Plan will also include activity-level measures and a timeline for collecting baselines and establishing targets, where applicable, representing interim measures of the progress towards the Project Objectives. These measures and timelines, as well as any additional measures, shall be finalized for each Project Activity (including adoption by MCA-Madagascar of the relevant portion of the M&E Plan and approval by MCC) before any MCC Disbursement or Re-Disbursement for the specific Project Activities; *provided, however*, with respect to the Agricultural Business Investment Project Activity of identifying the Zones, MCC Disbursements or Re-Disbursements may be made, subject to

satisfaction of other conditions precedent in the Disbursement Agreement, even if the activity-level measures, baseline and targets are not set for the entire Project Activity (*i.e.*, the activity described in Section 2(b) of Schedule 3 of Annex I). The M&E Plan shall further specify the plan for measuring and monitoring each of the Project Activities. The estimated targets for these activities will be determined following the identification of the Zones and collection and review of baseline data. Some of the anticipated expected results and key benchmarks for each Project Activity are described in Section 2 of the Schedule for each Project attached to the Program Annex and in this Section 4(d). The targets listed in this Section 4(d) are estimates until the Parties (i) obtain additional information through implementation of the Compact (*e.g.*, all existing land documents are inventoried) and (ii) establish certain baseline data (*e.g.*, average time and cost of property transactions). The table below summarizes certain of the anticipated interim measurements and estimated targets for each Project.

Land Tenure Project Activities	Measures	Estimated Targets
<ul style="list-style-type: none"> ▪ Support the Development of the Malagasy PNF ▪ Improve the Ability of the National Land Service Administration to Provide Land Services ▪ Decentralization of Land Services ▪ Land Regularization in the Zones ▪ Information Gathering, Analysis and Dissemination 	<ul style="list-style-type: none"> ▪ Submission and passage of new legislation that recognizes improved land tenure procedures, documents (certificates) and techniques ▪ Percentage of land documents inventoried, restored, and/or digitized ▪ Percent of land in pilot sites in the Zones that is securely demarcated and registered ▪ Average time and cost required to carry out property transactions at national and local levels 	<ul style="list-style-type: none"> ▪ Land legislation that recognizes improved land tenure procedures adopted by Month 15 ▪ 100% of approximately 800,000 documents inventoried, 300,000 damaged land documents restored and 400,000 of the existing documents digitized ▪ 100% of approximately 250,000 hectares demarcated

Finance Project Activities	Measures	Estimated Targets
<ul style="list-style-type: none"> ▪ Promote Legal and Regulatory Reform ▪ Reform Sovereign Debt Management and Issuance ▪ Strengthen the National Savings Bank ▪ Provide New Instruments for Agribusiness Credit ▪ Modernize National Interbanks Payments System 	<ul style="list-style-type: none"> ▪ Submission, passage, and implementation of new legislation that permit a multi-tiered financial system as recommended by outside experts and relevant commissions ▪ Number of holders of smaller denomination treasury bills ▪ Volume of treasury bill holdings 	<ul style="list-style-type: none"> ▪ Legislation permitting a multi-tiered financial system submitted by Month 5 ▪ Check clearing delay reduced from 45 days to 3 days ▪ Growth rate of volume of funds in the payment system to exceed GDP growth rate ▪ MFI portfolio-at-risk delinquency rate reaches and remains steady at 4-6%

Finance Project Activities	Measures	Estimated Targets
<ul style="list-style-type: none"> ▪ Improve Credit Skills Training, Increase Credit Information and Analysis 	<ul style="list-style-type: none"> ▪ Number of treasury bills held outside of Antananarivo ▪ Check clearing delay ▪ Volume of funds in the payment system ▪ Volume of microfinance institution (MFI) lending in the targeted zones ▪ MFI portfolio-at-risk delinquency rate ▪ Reporting of credit and payment information to a central database 	<ul style="list-style-type: none"> ▪ \$5 million increase in MFI lending in the Zones

Agriculture Business Investment Project Activities	Measures	Estimated Targets
<ul style="list-style-type: none"> ▪ Create and Operate Five ABCs ▪ Create NCC and Coordinate Activities with Government Ministries and ABCs and Identify the Zones ▪ Identify the Investment Opportunities ▪ Build Management Capacity in the Zones 	<ul style="list-style-type: none"> ▪ Zones identified and cost-effective investment strategies developed ▪ Number of farms and enterprises employing technical assistance received ▪ Number of farms/enterprises receiving/soliciting information on business opportunities 	<ul style="list-style-type: none"> ▪ Five Zones identified and cost-effective investment strategies developed by Month 12 ▪ One agribusiness investment strategy developed for each zone ▪ Value of change in marketing and production techniques exceeds costs

5. Implementation of M&E Plan.

(a) **Approval and Implementation.** The approval and implementation of the M&E Plan, as amended from time to time, shall be in accordance with the Program Annex, this M&E Annex, the Governance Agreement, and any other relevant Supplemental Agreement.

(b) **Advisory Council.** The completed portions of the M&E Plan will be presented to the Advisory Council at the Advisory Council's initial meetings and any amendments or modifications thereto or any additional components of the M&E Plan will be presented to the Advisory Council at appropriate subsequent meetings of the Advisory Council. The Advisory Council will have opportunity to present its suggestions to the M&E Plan, which the Steering Committee will take into consideration, as a factor, in its review of any amendments to the M&E Plan during the Compact Term.

(c) **MCC Disbursement and Initial Re-Disbursement for a Project Activity.**

Prior to, and as a condition precedent to, the initial MCC Disbursement or Re-Disbursement with respect to a Project Activity that will be covered by a baseline survey, or the execution of the initial contract for services with any Provider with respect to a Project Activity that will be covered by a baseline survey, a technical review of the baseline survey shall be completed to ensure compliance with standard statistical practices. The Parties shall specify in the Disbursement Agreement the Project Activities that require completion of baseline data collection and technical review of that data as a condition precedent to MCC Disbursement or Re-Disbursement.

EXHIBIT A

MADAGASCAR PROGRAM LOGIC

Madagascar Program Logic

