



**MILLENNIUM
CHALLENGE
CORPORATION**

REDUCING POVERTY THROUGH GROWTH

CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

We wish to inform the Congress of our determination to amend the four-year Millennium Challenge Compact with the Republic of Madagascar, which was signed on April 18, 2005, to extend its term for a single additional year and to make certain technical corrections. This amendment will not change the scope or total amount of funding obligated for the Compact program, which was originally notified to Congress as an amount of up to \$109,733,000.

If you or your staff would like to arrange a meeting, please contact Ellona Fritschie (Contact for Senate) or Ven Neralla (Contact for House) at (202) 521-3850. This notification is being sent to the Congress on June 05, 2008.

Sincerely,

James Mazarella
Acting Vice President
Congressional and Public Affairs

Enclosure:
As stated

**MILLENNIUM CHALLENGE CORPORATION
CONGRESSIONAL NOTIFICATION**

June 05, 2008

PROGRAM:	Compact Country
APPROPRIATIONS CATEGORY:	FY 2004 Program Funds
OBLIGATION AMOUNT:	\$109,773,000

In accordance with section 609 (i)(1) of the Millennium Challenge Act of 2003, as amended (the *Act*, Pub. L. 108-199, Division D), this is to advise that the Millennium Challenge Corporation (*MCC*) has made a determination to amend the four-year, \$109,773,000 Millennium Challenge Compact with the Republic of Madagascar signed on April 18, 2005 (the *Compact*) to extend its term by one year, and to make certain technical corrections to the Compact. The amendment will not change the scope or total amount of funding previously obligated for the Compact program and, in accordance with section 609(j) of the Act, will not extend the duration of the Compact beyond five years.

A detailed summary of the proposed extension of assistance under the Compact follows.

**AMENDMENT TO MILLENNIUM CHALLENGE COMPACT
BETWEEN
THE UNITED STATES OF AMERICA, ACTING THROUGH
THE MILLENNIUM CHALLENGE CORPORATION
AND
THE GOVERNMENT OF THE REPUBLIC OF MADAGASCAR**

The Board of Directors of the Millennium Challenge Corporation (*MCC*) has approved an amendment (the *Amendment*) to the existing approximately \$109.8 million, four-year Millennium Challenge Compact between the United States of America, acting through MCC, and the Government of the Republic of Madagascar (the *Compact*).

Background

The Compact was signed April 18, 2005, entered into force on July 27, 2005 and, under its original terms, would have terminated on July 26, 2009. It is the only compact entered into by MCC with a four-year rather than a five-year term. The main objectives of the Compact consist of raising incomes in rural areas by increasing land rights security and improving land administration capacity, expanding the financial sector, and increasing investment in farms and other rural businesses in five high-potential geographic zones. The extension of the Compact term is intended to allow a more complete achievement of the Compact's goals and enhance the sustainability of the investments being made under the Compact.

Scope of the Amendment

The Amendment extends the term of the Compact for a single additional year without making changes to either the scope of program activities or the level of funds currently obligated under the Compact. The Amendment also conforms the Compact's administrative winding up provision to the related provision in other compacts that have been entered into since the Compact was signed. Finally, the Amendment updates information with respect to the title of the MCC principal representative under the Compact.

Reasons for the Amendment

The Government of Madagascar is unlikely to achieve all of the project objectives as defined in the Compact by its original termination date in July 2009. While MCC's and the Government of Madagascar's efforts continue to keep Compact objective realization moving forward and are resulting in increased disbursement rates, the time allotted for implementation of several major contracts is insufficient to reach certain targets. In certain cases, MCC was not willing to allow construction contracts to be entered into absent a five-year term for the Compact. With an extension of one year to the term of the Compact, the likelihood of achieving project objectives will improve substantially, and the probability of sustaining these activities once Compact funding ceases will increase.

The fifth year extension will better position the Government of Madagascar to fully implement the Compact's planned activities, achieve the targets set forth in the Compact's monitoring and evaluation plan, and ultimately better allow for the sustainable poverty reduction impact contemplated by the Compact.

Examples of the implementation activities that will be supported by the additional year of the Compact term include the following.

A. Land Tenure Project

The extended term will provide the Compact's Land Tenure Project time to better implement activities related to the modernization and decentralization of land services and information gathering and dissemination in Madagascar. One component of these activities is the construction of decentralized land offices in beneficiary communities and the rehabilitation or new construction of regional Land Administration offices. The fifth year will reduce the risk that planned construction will not be completed and provide time for an adequate guarantee period following the completion of construction. The extended term will also help ensure the sustainability of the reforms achieved and implemented through the Land Tenure Project by allowing additional time for the provision of adequate technical assistance to strengthen the institutional and human resource capacity of the land services providers at the regional and local levels.

B. Finance Project

The amended Compact term will provide the time necessary to allow the largest activity in the Finance Project – the creation of a national payment system – to be more effectively completed. The additional year will provide the time necessary to build the Central Bank of Madagascar's technical capacity to operate and sustain the system. The extended Compact term will also allow adequate time for the construction of the new branches for the Madagascar National Savings Bank contemplated by the Compact, a critical activity aimed at providing low-cost savings accounts to the people of four districts in rural Madagascar where such accounts currently are unavailable.

C. Agriculture Business Investment Project (ABIP)

The one-year extension of the Compact term will provide ABIP time to broaden and deepen its activities related to increasing farm and small business revenue and investment opportunities. It will provide an opportunity for farmers to work with project staff to adopt improved production techniques during additional crop production cycles. In addition, it will provide time for an adequate guarantee period following the completion of the construction of the agricultural business centers that will serve as regional hubs for post-Compact technical assistance. The additional year will also allow the agricultural business centers to further test and strengthen their operational model to better ensure that delivery of services to farmers, associations and rural small enterprises can be sustained into the future.

A copy of the full text of the Amendment is included with this summary.

AMENDMENT

TO

MILLENNIUM CHALLENGE COMPACT

BETWEEN

THE UNITED STATES OF AMERICA

ACTING THROUGH

THE MILLENNIUM CHALLENGE CORPORATION

AND

THE GOVERNMENT OF THE REPUBLIC OF MADAGASCAR

**AMENDMENT TO
MILLENNIUM CHALLENGE COMPACT**

This AMENDMENT TO MILLENNIUM CHALLENGE COMPACT (this "*Amendment*") is made by and between the United States of America, acting through the Millennium Challenge Corporation, a United States Government corporation ("*MCC*"), and the Government of the Republic of Madagascar (the "*Government*") (referred to herein individually as a "*Party*" and collectively, the "*Parties*"). All capitalized terms used in this Amendment that are not otherwise defined have the meanings given to such terms in the Compact.

RECITALS

WHEREAS, MCC and the Government signed the Millennium Challenge Compact by and between the United States of America, acting through the MCC, and the Government, on April 18, 2005 (the "*Compact*");

WHEREAS, the Compact currently provides for a Compact Term of four years from the date of the Compact's entry into force, July 27, 2005;

WHEREAS, pursuant to the Compact, MCC grants to the Government, subject to the terms and conditions of the Compact, MCC Funding in an amount not to exceed One Hundred Nine Million Seven Hundred and Seventy-Three Thousand United States Dollars (US\$109,773,000) during the Compact Term to enable the Government to implement the Program and achieve the Objectives outlined in the Compact;

WHEREAS, to better facilitate the proper implementation and achievement of certain of the Objectives, MCC and the Government wish to extend the Compact Term for one additional year; and

WHEREAS, pursuant to Section 5.3 of the Compact, the Parties desire to amend the Compact as set forth in this Amendment;

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements set forth herein and in the Compact, the Parties hereby agree as follows:

1. Amendment to Section 1.3.

Section 1.3 of the Compact is amended by deleting the last sentence in its entirety and replacing it with the following:

"This Compact shall remain in force for five years from the date of entry into force of this Compact, unless earlier terminated in accordance with Section 5.4 (the "*Compact Term*")."

2. Amendment to Section 5.1.

Section 5.1 of the Compact is amended by replacing the notice information for MCC with the following:

“To MCC:

Millennium Challenge Corporation
Attention: Vice President for Compact Implementation
(with a copy to the Vice President and General Counsel)
875 15th Street, N.W.
Washington, DC 20005
United States of America
Facsimile: (202) 521-3700
Email: VPImplementation@mcc.gov (Vice President for Compact Implementation);
VPGeneralCounsel@mcc.gov (Vice President and General Counsel).”

3. Amendment to Section 5.2.

Section 5.2 of the Compact is amended by deleting the words “Vice President for Country Relations” and replacing them with “Vice President for Compact Implementation.”

4. Amendment to Section 5.4(e).

Section 5.4(e) of the Compact is amended by deleting the text of the section in its entirety and replacing it with the following:

“All MCC Funding shall terminate upon the expiration, suspension, or termination of this Compact; *provided, however,* that MCC Funding may be used, in compliance with this Compact and any relevant Supplemental Agreement, to pay for (i) reasonable expenditures for goods, works and services that are properly incurred under or in furtherance of this Compact before the expiration, suspension or termination of this Compact, and (ii) reasonable expenditures (including administrative expenses) properly incurred in connection with the winding up of the Program within one-hundred and twenty (120) days after the expiration, suspension or termination of this Compact, so long as the request for payment of any expenditures otherwise in accordance with this Section 5.4(e) is submitted within sixty (60) days after such expiration, suspension or termination.”

5. Further Assurances.

Each Party hereby covenants and agrees, without necessity of any further consideration, to execute and deliver any and all such further documents and take any and all such other action as may be reasonably necessary or appropriate to carry out the intent and purpose of this Amendment.

6. Effect of this Amendment.

From and after the date this Amendment enters into force in accordance with Section 8 of this Amendment, the Compact and this Amendment shall be read together and construed as one

document, and each reference in the Compact to the "Compact," "hereunder," "hereof" or words of like import referring to the Compact, and each reference to the "Compact," "thereunder," "thereof" or words of like import in any Supplemental Agreement or in any other document or instrument delivered pursuant to the Compact or any Supplemental Agreement, shall mean and be construed as a reference to the Compact, as amended by this Amendment.

7. Limitations.

Except as expressly amended by this Amendment, all of the provisions of the Compact remain unchanged and in full force and effect.

8. Entry into Force of this Amendment.

This Amendment shall enter into force upon its signature by each of the Parties.

SIGNATURE PAGE BEGINS ON THE NEXT PAGE.

IN WITNESS WHEREOF, the undersigned, duly authorized by their respective governments, have signed this Amendment as of the dates indicated below their signatures.

FOR MILLENNIUM CHALLENGE
CORPORATION, ON BEHALF OF THE
UNITED STATES OF AMERICA

FOR THE GOVERNMENT OF THE
REPUBLIC OF MADAGASCAR

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/ s /

Name: Darius Mans
Title: Vice President for Compact
Implementation
Date: _____

Name: Armand Panja Ramanoelina
Title: Minister of Agriculture, Livestock
and Fisheries
Date: _____

**SIGNATURE PAGE TO AMENDMENT TO MILLENNIUM CHALLENGE COMPACT
BETWEEN THE UNITED STATES OF AMERICA
ACTING THROUGH THE MILLENNIUM CHALLENGE CORPORATION
AND THE GOVERNMENT OF THE REPUBLIC OF MADAGASCAR**