Millennium Challenge Corporation
Reducing Poverty Through Growth

Fact Sheet
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Madagascar and Millennium Challenge Corporation:

Building a Dynamic Partnership for Poverty Reduction through Economic Growth

Millennium Challenge Corporation (MCC) and the Republic of Madagascar have signed a four-year, nearly $110 million dollar Compact.

The Millennium Challenge Account (MCA) grant to Madagascar will support a program designed to raise incomes by bringing the rural population from subsistence agriculture to a market economy. The program includes three projects that will work together to help rural Malagasy secure formal property rights to land, access credit and protect savings, and receive training in agricultural production, management and marketing techniques. This integrated three-pronged approach will provide the rural population with the necessary conditions to use the land productively, to build profitable businesses and help ensure environmental sustainability.

Madagascar's Vision

Madagascar was one of sixteen countries—from a pool of sixty-three countries—selected to apply for MCA assistance based on its policy performance in governing justly, investing in citizens, and encouraging economic freedom as measured by 16 objective indicators. Madagascar's Government took advantage of this opportunity by consulting with its citizens, establishing a vision of what they wanted to accomplish, putting a team in place and working with MCC to make that vision a reality.

To understand the priorities of its people, Madagascar's Government held a national workshop, attended by more than 350 people, to describe the MCA and discuss obstacles to economic growth and poverty reduction. The Malagasy government then organized regional consultative workshops to exchange ideas, ran radio and TV broadcasts about the MCA and solicited on-air input. It published newspaper advertisements that announced meetings and called for submission of proposal ideas.

Fighting Poverty

Over 80% of Madagascar's people live on less than $2 a day and, according to the United Nations, it is one of the 27 least developed countries in the world. Two major obstacles to poverty reduction and economic growth in Madagascar are a poorly functioning banking system and a weak land-titling system. These obstacles prevent

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access to credit and essential business services, block rural investment, and stifle the ability of rural families to meet their own aspirations and have a stake in local institutions.

MCC's mission is to fight poverty by helping countries to boost economic growth and opportunity. In the case of Madagascar, MCC funds will help the Malagasy attain:

Secure Access to Property: Formalize the land tenure system (e.g., titling and surveying), modernizing the national land registry, and expanding services to rural citizens;

Access to Credit: Improve a weak banking system to make essential financial services available to rural areas, improve credit skills, and cut delays in payments for goods and services from 45 to 3 days; and

Access to Information: Establish a project that identifies investment opportunities for rural Malagasy in local, regional, or international markets, and trains farmers and other entrepreneurs in production, management, and marketing techniques.

Measuring Results

MCC's compact with Madagascar focuses on a few key measurable indicators of progress towards achieving sustainable growth and poverty reduction. Due to a lack of baseline data and the importance of measuring results to both MCC and Madagascar, the first dime that MCC will spend since its establishment is close to $1 million for baseline surveys of households, farms, and enterprises. The program will use this baseline data and follow-up surveys to track:

- increases in household income,
- increases in agricultural productivity, and
- increases in investment.

Initial economic analysis estimates that household income will increase by five percent of the average land value in each of the targeted areas.

In order to see if progress is being made on these outcomes, MCC and Madagascar have agreed on several interim indicators. The program aims to secure property rights for approximately 250,000 hectares of land, benefiting about 62,000 households, increase lending in the target areas by about $30 million, and significantly increase the number of rural producers that adopt new technologies or engage in higher value production. These indicators, together with others at the individual project activity level, will be used to evaluate the im-

pact of the program outlined in the MCC-Madagascar Compact and to monitor the progress made during its implementation.

Financial Responsibility

MCC and Madagascar have designed a rigorous budget and control system to ensure fiscal accountability. Funds control for the MCA Program will be managed by a separate fiscal agent identified using a competitive process. Madagascar's recently written procurement law will be the basis for governing procurements in the Compact. Disbursements will be made periodically based on performance, projected cash requirements, and compliance with provisions in the Compact and related documents.

Working as Partners

Less than six months after Madagascar submitted its proposal to MCC (October 2004), a development investment deal was reached and approved by MCC's Board. Throughout, MCC engaged and worked cooperatively with the Malagasy as they refined their proposal, consulted with their citizens and with other donors, and determined measurable objectives.

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Millennium Challenge Corporation (MCC), a United States government corporation designed to work with some of the poorest countries in the world, is based on the principle that aid is most effective when it reinforces good governance, economic freedom, and investments in people that promote economic growth and elimination of extreme poverty