2013 - 0003

MILLENNIUM CHALLENGE COMPACT

BETWEEN

THE UNITED STATES OF AMERICA
ACTING THROUGH

THE MILLENNIUM CHALLENGE CORPORATION

AND

THE REPUBLIC OF CAPE VERDE

MILLENNIUM CHALLENGE COMPACT

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MILLENNIUM CHALLENGE COMPACT

PREAMBLE

This MILLENNIUM CHALLENGE COMPACT (this "***Compact***") is between the United States of America, acting through the Millennium Challenge Corporation, a United States government corporation ("***MCC***"), and the Republic of Cape Verde ("***Cape Verde***"), acting through its government (the "***Government***") as represented by the Ministry of Finance and Planning. MCC and the Government are referred to in this Compact individually as a "***Party***" and collectively as the "***Parties***." Capitalized terms used in this Compact shall have the meanings provided in Annex V.

Recalling that the Parties successfully concluded an initial Millennium Challenge Compact that advanced the progress of Cape Verde in achieving lasting economic growth and poverty reduction, demonstrated the strong partnership between the Parties, and was implemented in accordance with MCC's core policies and standards;

Recognizing that the Parties are committed to the shared goals of promoting economic growth and the elimination of extreme poverty in Cape Verde and that MCC assistance under this subsequent Compact supports Cape Verde's demonstrated commitment to strengthening good governance, economic freedom and investments in people;

Recalling that the Government consulted with the private sector and civil society of Cape Verde to determine the priorities for the use of MCC assistance and developed and submitted to MCC a proposal consistent with those priorities; and

Recognizing that MCC wishes to help Cape Verde implement a program to achieve the goal and objectives described herein (as such program description and objectives may be amended from time to time in accordance with the terms hereof, the "***Program***");

The Parties hereby agree as follows:

ARTICLE 1.

GOAL AND OBJECTIVES

Section 1.1 Compact Goal. The goal of this Compact is to reduce poverty through economic growth in Cape Verde (the "***Compact Goal***"). MCC's assistance will be provided in a manner that strengthens good governance, economic freedom, and investments in the people of Cape Verde.

Section 1.2 Program Objectives. The objectives of the Program are to reduce the costs upon the economy of inefficiently provided public services and to remove institutional conditions that impede private sector investment (the "***Program Objectives***"). The Program consists of the projects described in Annex I (each a "***Project***" and collectively, the "***Projects***").

Section 1.3 Project Objectives. The objectives of the Projects (each a "***Project Objective***" and collectively, the "***Project Objectives***") are as follows:

(a) The objective of the Water, Sanitation and Hygiene Project is to establish a financially sound, transparent, and accountable institutional basis for the delivery of water and sanitation services to Cape Verdean households and firms by: (i) reforming national policy and regulatory institutions; (ii) transforming inefficient utilities into autonomous corporate entities operating on a commercial basis; and (iii) improving the quality and reach of infrastructure in the sector; and

(b) The objective of the Land Management for Investment Project is to reduce the time required for establishing secure property rights and to establish more conclusive land information in areas of near-term, high development potential in Cape Verde by: (i) refining the legal, institutional and procedural environment to increase reliability of land information, achieve greater efficiency in land administration transactions, and strengthen protection of land rights; (ii) developing and implementing a new land information management system; and (iii) clarifying parcel rights and boundaries on targeted islands with high investment potential.

ARTICLE 2.
FUNDING AND RESOURCES

Section 2.1 Program Funding.

Upon entry into force of this Compact in accordance with Section 7.3, MCC shall grant to the Government, under the terms of this Compact, an amount not to exceed Sixty Two Million Two Hundred Thirty Thousand United States Dollars (US$62,230,000) ("***Program Funding***") for use by the Government to implement the Program. The allocation of Program Funding is generally described in Annex II.

Section 2.2 Compact Implementation Funding.

(a) Upon signing of this Compact, MCC shall grant to the Government, under the terms of this Compact and in addition to the Program Funding described in Section 2.1, an amount not to exceed Four Million United States Dollars (US$4,000,000) ("***Compact Implementation Funding***") under Section 609(g) of the Millennium Challenge Act of 2003, as amended (the "***Act***"), for use by the Government to facilitate implementation of the Compact, including for the following purposes:

(i) financial management and procurement activities (including costs related to agents procured by MCC to provide standby fiscal and procurement agent services, if required);

(ii) administrative activities (including start-up costs such as staff salaries) and administrative support expenses such as rent, computers and other information technology or capital equipment;

(iii) monitoring and evaluation activities;

(iv) feasibility studies; and

(v) other activities to facilitate Compact implementation as approved by MCC.

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

(b) Each Disbursement of Compact Implementation Funding is subject to satisfaction of the conditions precedent to such disbursement as set forth in Annex IV.

(c) If MCC determines that the full amount of Compact Implementation Funding available under Section 2.2(a) exceeds the amount that reasonably can be utilized for the purposes set forth in Section 2.2(a), MCC, by written notice to the Government, may withdraw the excess amount, thereby reducing the amount of the Compact Implementation Funding available under Section 2.2(a) (such excess, the "***Excess CIF Amount***"). In such event, the amount of Compact Implementation Funding granted to the Government under Section 2.2(a) shall be reduced by the Excess CIF Amount, and MCC shall have no further obligations with respect to such Excess CIF Amount.

(d) MCC, at its option by written notice to the Government, may elect to grant to the Government an amount equal to all or a portion of such Excess CIF 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 Implementation Funding are collectively referred to in this Compact as "***MCC Funding***," and includes any refunds or reimbursements of Program Funding or Compact Implementation Funding paid by the Government 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 the Government, at MCC's sole election, by (a) deposit to one or more bank accounts established by the Government and acceptable to MCC (each, a "***Permitted Account***") or (b) direct payment to the relevant provider of goods, works or services for the implementation of the Program. MCC Funding may be expended only for Program expenditures.

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

Section 2.6 Government Resources; Budget.

(a) Consistent with Section 609(b)(2) of the Act, the Government shall make a contribution towards meeting the Program Objectives and Project Objectives of this Compact. Annex II describes such contribution in more detail. In addition, the Government shall provide all funds and other resources, and shall take all actions, that are necessary to carry out the Government's responsibilities under this Compact.

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

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

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

Section 2.7 Limitations on the Use of MCC Funding. The Government shall ensure that MCC Funding is not used for any purpose that would violate United States law or policy, as specified in this Compact or as further notified to the Government in writing or by posting from time to time on the MCC website at www.mcc.gov (the "***MCC Website***"), 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 and social assessment guidelines and any guidance documents issued in connection with the guidelines posted from time to time on the MCC Website or otherwise made available to the Government (collectively, the "***MCC Environmental Guidelines***"); or

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

Section 2.8 Taxes.

(a) Unless the Parties specifically agree otherwise in writing, the Government shall ensure that all MCC Funding is free from the payment or imposition of any existing or future taxes, duties, levies, contributions or other similar charges (but not fees or charges for services that are generally applicable in Cape Verde, reasonable in amount and imposed on a non-discriminatory basis) ("***Taxes***") of or in Cape Verde (including any such Taxes imposed by a national, regional, local or other governmental or taxing authority of or in Cape Verde). Specifically, and without limiting the generality of the foregoing, MCC Funding shall be free from the payment of (i) any tariffs, customs duties, import taxes, export taxes, and other similar charges on any goods, works or services introduced into Cape Verde in connection with the Program; (ii) sales tax, value added tax, excise tax, property transfer tax, and other similar charges on any transactions involving goods, works or services in connection with the Program,

(iii) taxes and other similar charges on ownership, possession or use of any property in connection with the Program, and (iv) taxes and other similar charges on income, profits or gross receipts attributable to work performed in connection with the Program and related social security taxes and other similar charges on all natural or legal persons performing work in connection with the Program except (x) natural persons who are citizens or permanent residents of Cape Verde, (y) social security taxes or other similar charges levied on an employer in connection with hiring employees who are citizens or permanent residents of Cape Verde, and (z) legal persons formed under the laws of Cape Verde (but excluding MCA-Cape Verde II and any other entity formed for the purpose of implementing the Government's obligations hereunder).

(b) The mechanisms that the Government shall use to implement the tax exemption required by Section 2.8(a) are set forth in the Program Implementation Agreement. Such mechanisms may include exemptions from the payment of Taxes that have been granted in accordance with applicable law, refund or reimbursement of Taxes by the Government to MCC, MCA-Cape Verde II or to the taxpayer, or payment by the Government to MCA-Cape Verde II or MCC, for the benefit of the Program, of an agreed amount representing any collectible Taxes on the items described in Section 2.8(a).

(c) If a Tax has been paid contrary to the requirements of Section 2.8(a) or the Program Implementation Agreement, the Government shall refund promptly to MCC (or to another party as designated by MCC) the amount of such Tax in United States dollars or the currency of Cape Verde within sixty (60) days (or such other period as may be agreed in writing by the Parties) after the Government is notified in writing (whether by MCC or MCA-Cape Verde II) that such Tax has been paid.

(d) No MCC Funding, proceeds thereof or Program Assets may be applied by the Government in satisfaction of its obligations under Section 2.8(c).

Section 2.9 Lower Middle Income Countries. Section 606(b) of the Act restricts the amount of assistance that MCC may provide to "lower middle income countries," a term that is defined in the Act and includes Cape Verde. To the extent that MCC determines, in MCC's reasonable discretion, that the amount of Program Funding granted to the Government in this Compact may result in a violation of Section 606(b) of the Act, MCC, at any time and from time to time upon written notice to the Government, may reduce the amount of Program Funding, or withhold any Disbursement of Program Funding, to avoid or remedy such a violation.

ARTICLE 3.
IMPLEMENTATION

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

Section 3.2 Government Responsibilities.

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

(b) The Government will create and designate Millennium Challenge Account - Cape Verde II, as the accountable entity to implement the Program and to exercise and perform the Government's right and obligation to oversee, manage and implement the Program, including without limitation, managing the implementation of Projects and their Activities, allocating resources and managing procurements. Such entity shall be referred to herein as "***MCA-Cape Verde II***," and shall have the authority to bind the Government with regard to all Program activities. The designation contemplated by this Section 3.2(b) shall not relieve the Government of any obligations or responsibilities hereunder or under any related agreement, for which the Government remains fully responsible. MCC hereby acknowledges and consents to the designation in this Section 3.2(b).

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

(d) The Government shall take all necessary or appropriate steps to achieve the Program Objectives and the Project Objectives during the Compact Term (including, without limiting Section 2.6(a), funding all costs that exceed MCC Funding and are required to carry out the terms hereof and achieve such objectives, unless MCC agrees otherwise in writing).

(e) The Government shall fully comply with the Program Guidelines, as applicable, in its implementation of the Program.

(f) The Government will grant to MCC a perpetual, irrevocable, royalty-free, worldwide, fully paid, assignable right and license to practice or have practiced on its behalf (including the right to produce, reproduce, publish, repurpose, use, store, modify, or make available) any portion or portions of Intellectual Property as MCC sees fit in any medium, now known or hereafter developed, for any purpose whatsoever.

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

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

Section 3.5 Implementation Letters. From time to time, MCC may provide guidance to the Government in writing on any matters relating to this Compact, MCC Funding or implementation of the Program (each, an "***Implementation Letter***"). The Government shall apply such guidance in implementing the Program. The Parties may also issue jointly agreed-upon Implementation Letters to confirm and record their mutual understanding on aspects related to the implementation of this Compact, the PIA or other related agreements.

Section 3.6 Procurement and Grants.

(a) The Government shall ensure that the procurement of all goods, works and services by the Government or any Provider to implement the Program shall be consistent with the "MCC Program Procurement Guidelines" posted from time to time on the MCC Website (the "***MCC Program Procurement Guidelines***"). The MCC Program Procurement Guidelines include the following requirements, among others:

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

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

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

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

(b) The Government shall ensure that any grant issued to any non-governmental entity in furtherance of the Program (the "***Grant***") is selected, implemented and administered pursuant to open, fair, and competitive procedures administered in a transparent manner. In furtherance of this requirement, and prior to the issuance of any Grant, the Government and MCC shall agree upon written procedures to govern the identification of potential recipients, the selection and the award of Grants. Such agreed procedures shall be posted on the MCA-Cape Verde II website.

Section 3.7 Records; Accounting; Covered Providers; Access.

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

(b) Accounting. The Government shall maintain and shall use its best efforts to ensure that all Covered Providers maintain Compact Records in accordance with generally accepted accounting principles prevailing in the United States, or at the Government's option and with MCC's prior written approval, other accounting principles, such as those (i) prescribed by the International Accounting Standards Board, or (ii) then prevailing in Cape Verde. 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 to resolve any litigation, claims or audit findings or any applicable legal requirements.

(c) Providers and Covered Providers. Unless the Parties agree otherwise in writing, a "***Provider***" is (i) any entity of the Government that receives or uses MCC Funding or any other

Program Asset in carrying out activities in furtherance of this Compact or (ii) any third party that receives at least US$50,000 in the aggregate of MCC Funding (other than as salary or compensation as an employee of an entity of the Government) during the Compact Term. A "***Covered Provider***" is (i) a non-United States Provider that receives (other than pursuant to a direct contract or agreement with MCC) US$300,000 or more of MCC Funding in any Government fiscal year or any other non-United States person or entity that receives, directly or indirectly, US$300,000 or more of MCC Funding from any Provider in such fiscal year, or (ii) any United States Provider that receives (other than pursuant to a direct contract or agreement with MCC) US$500,000 or more of MCC Funding in any Government fiscal year or any other United States person or entity that receives, directly or indirectly, US$500,000 or more of MCC Funding from any Provider in such fiscal year.

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

Section 3.8 Audits; Reviews.

(a) Government Audits. The Government shall, on an annual basis (or on a more frequent basis if requested by MCC in writing), conduct, or cause to be conducted, financial audits of all disbursements of MCC Funding covering the period from signing of this Compact until the following December 31 and covering each twelve-month period thereafter ending December 31, through the end of the Compact Term. In addition, upon MCC's request, the Government shall ensure that such audits are conducted by an independent auditor approved by MCC and named on the list of local auditors approved by the Inspector General or a United States–based certified public accounting firm selected in accordance with the "Guidelines for Financial Audits Contracted by MCA" (the "***Audit Guidelines***") issued and revised from time to time by the Inspector General, which are posted on the MCC Website. Audits shall be performed in accordance with the Audit Guidelines and be subject to quality assurance oversight by the Inspector General. Each audit must be completed and the audit report delivered to MCC no later than 90 days after the first period to be audited and no later than 90 days after the end of the audit period, or such other period as the Parties may otherwise agree in writing.

(b) Audits of Other Entities. The Government shall ensure that MCC financed agreements between the Government or any Provider, on the one hand, and (i) a United States nonprofit organization, on the other hand, state that the United States nonprofit organization is subject to the applicable audit requirements contained in OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," issued by the United States Office of Management and Budget; (ii) a United States for-profit Covered Provider, on the other hand, state that the United States for-profit organization is subject to audit by the applicable United States Government agency, unless the Government and MCC agree otherwise in writing; and (iii) a non-US Covered Provider, on the other hand, state that the non-US Covered Provider is subject to audit in accordance with the Audit Guidelines.

(c) Corrective Actions. The Government shall use its best efforts to ensure that 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 audit necessitates adjustment of the Government's records, and (iii) permits independent auditors to have access to its records and financial statements as necessary.

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

(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 agreed with MCC, in English. For this purpose, the address of each Party is set forth below.

To MCC:

Millennium Challenge Corporation
Attention: Vice President, Compact Operations
(with a copy to the Vice President and General Counsel)
875 Fifteenth Street, N.W.
Washington, DC 20005
United States of America
Telephone: (202) 521-3600
Facsimile: (202) 521-3700
Email: VPOperations@mcc.gov (Vice President, Compact Operations)
VPGeneralCounsel@mcc.gov (Vice President and General Counsel)

To the Government:

Ministry of Finance and Planning
Attention: Minister of Finance and Planning
(with a copy to the National Director of Planning)
Avenida Amilcar Cabral
P.O. Box #30
Praia, Cape Verde
Telephone: +238 260 7500 / 1
Facsimile: +238 261 3897

To MCA-Cape Verde II:

Upon establishment of MCA-Cape Verde II, MCA-Cape Verde II will notify the Parties of its contact details.

Section 4.2 Representatives. For all purposes of this Compact, the Government shall be represented by the individual holding the position of, or acting as, Minister of Finance and Planning of the Republic of Cape Verde, and MCC shall be represented by any of the individuals holding the positions of, or acting as, the Vice President or Deputy Vice President for Compact Operations (each of the foregoing, a "***Principal Representative***"). Each Party, by written notice to the other Party, may designate one or more additional representatives (each, an "***Additional Representative***") for all purposes other than signing amendments to this Compact. The Government will designate an Additional Representative. A Party may change its Principal Representative to a new representative that holds a position of equal or higher authority upon written notice to the other Party.

Section 4.3 Signatures. Signatures to this Compact and to any amendment to this Compact shall be original signatures appearing on the same page or in an exchange of letters or diplomatic notes. With respect to all documents arising out of this Compact (other than the Program Implementation Agreement) and amendments thereto, signatures may, as appropriate, be delivered by facsimile or electronic mail and in counterparts and shall be binding on the Party delivering such signature to the same extent as an original signature would be.

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 this Compact or MCC Funding without cause in part by giving the Government thirty (30) days' prior written notice.

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

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

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

(iii) 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;

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

(v) an act has been committed or an omission or an event has occurred that would render Cape Verde 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;

(vi) the Government has engaged in a pattern of actions inconsistent with the criteria used to determine the eligibility of Cape Verde for assistance under the Act; and

(vii) the Government or another person or entity receiving MCC Funding or using Program Assets is found to have been convicted of a narcotics offense or to have been engaged in drug trafficking.

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 the Government or other relevant person or entity has committed to correct each condition for which MCC Funding was suspended or terminated.

Section 5.3 Refunds; Violation.

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

(b) Notwithstanding any other provision in this Compact or any other existing agreement to the contrary, MCC's right under Section 5.3(a) for 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 Survival. The Government's responsibilities under this Section and Sections 2.7, 3.7, 3.8, 5.2, 5.3, and 6.4 shall survive the expiration, suspension or termination of this Compact.

ARTICLE 6.

COMPACT ANNEXES; AMENDMENTS; GOVERNING LAW

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

Section 6.2 Amendments.

(a) The Parties may amend this Compact only by a written agreement signed by the Principal Representatives (or such other government official designated by the relevant Principal Representative).

(b) Notwithstanding Section 6.2(a), the Parties may agree in writing, signed by the Principal Representatives (or such other government official designated by the relevant Principal Representative) or any Additional Representative, to modify any Annex to (i) suspend, terminate or modify any Project or Activity, or to create a new project, (ii) change the allocations of funds as set forth in Annex II as of the date hereof (including to allocate funds to a new project), (iii) modify the implementation framework described in Annex I or (iv) add, delete or waive any condition precedent described in Annex IV; *provided that*, in each case, any such modification (A) is consistent in all material respects with the Program Objectives and 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(d)), (C) does not cause the amount of Compact Implementation Funding to exceed the aggregate amount specified in Section 2.2(a), (D) does not reduce the Government's responsibilities or contribution of resources required under Section 2.6(a), and (E) does not extend the Compact Term.

Section 6.3 Inconsistencies. In the event of any conflict or inconsistency between:

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

(b) 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 the principles of international law.

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

Section 6.6 References to MCC Website. 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. 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.

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

ARTICLE 7.
ENTRY INTO FORCE

Section 7.1 Domestic Requirements. The Government shall proceed in a timely manner to complete all of its domestic requirements for each of the Compact and PIA to enter into force as an international agreement.

Section 7.2 Conditions Precedent to Entry into Force. Before this Compact enters into force:

(a) the Program Implementation Agreement must have been signed by the parties thereto;

(b) the Government must have delivered to MCC:

(i) a letter signed and dated by the Principal Representative of the Government, or such other duly authorized representative of the Government acceptable to MCC, confirming that the Government has completed its domestic requirements for this Compact to enter into force and that the other conditions precedent to entry into force in this Section 7.2 have been met;

(ii) a signed legal opinion from the Attorney General of Cape Verde (or such other legal representative of the Government acceptable to MCC), in form and substance satisfactory to MCC;

(iii) complete, certified copies of all decrees, legislation, regulations or other governmental documents relating to the Government's domestic requirements for this Compact to enter into force and the satisfaction of Section 7.1, which MCC may post on its website or otherwise make publicly available; and

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

Section 7.3 Date of Entry into Force. This Compact shall enter into force on the date of the letter from MCC to the Government in an exchange of letters confirming that MCC has completed its 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.

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 Implementation Funding, shall be made available or disbursed before this Compact enters into force.

SIGNATURE PAGE FOLLOWS ON THE NEXT PAGE

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

Done at Praia, Cape Verde, this 10th day of February, in the English language only.

FOR THE UNITED STATES OF AMERICA, acting through THE MILLENNIUM CHALLENGE CORPORATION

Name: Daniel W. Yohannes
Title: Chief Executive Officer

FOR THE REPUBLIC OF CAPE VERDE

Name: Cristina Duarte
Title: Minister of Finance and Planning

ANNEX I
PROGRAM DESCRIPTION

This Annex I describes the Program that MCC Funding will support in Cape Verde during the Compact Term.

A. PROGRAM OVERVIEW

1. Background.

Strategically located at the crossroads of mid-Atlantic air and sea lanes, Cape Verde continues to exhibit one of Africa's most stable and democratic governments. In 2001, Cape Verde embarked on a transformation agenda aimed at building a self-sustaining high growth economy through policy reforms, private sector led growth, infrastructure development, and institutional changes. The Government recognizes that in order to alleviate poverty it must continue to improve performance and accelerate important reforms.

The Government and MCC entered into a Millennium Challenge Compact in 2005 with the objective of increasing agricultural production, improving infrastructure, and developing the private sector. The Parties successfully completed the first compact, representing a new form of partnership with donors for the country. Based on Cape Verde's continued performance on MCC's eligibility criteria and the successful implementation of the first compact, the MCC Board selected Cape Verde as eligible for a second compact in December 2009.

2. Constraints Analysis and Consultative Process.

In January 2010, the Government assembled a task force under the Ministry of Finance and Planning to develop a second compact. The task force conducted a constraints analysis and through extensive consultation with national and local government stakeholders, civil society, and private sector identified both the water and sanitation and land sectors as critical constraints to achieving the country's economic transformation agenda.

3. Program Objective.

The Compact Goal is to reduce poverty through economic growth in Cape Verde. MCC's assistance will be provided in a manner that strengthens good governance, economic freedom, and investments in the people of Cape Verde. The Program Objectives are to reduce the costs upon the economy of inefficiently provided public services and remove institutional conditions that impede private sector investment. The Program consists of the Water, Sanitation and Hygiene Project and the Land Management for Investment Project, as further described in this Annex I.

B. DESCRIPTION OF PROJECTS

Set forth below is a description of each of the Projects that the Government will implement, or cause to be implemented, using MCC Funding to advance the applicable Project Objectives. Specific activities that will be undertaken within each Project (each, an "***Activity***"), including sub-activities, are also described.

1. Water, Sanitation and Hygiene Project.

(a) Background.

Cape Verde is an extremely water-scarce country and relies heavily on desalinization of water, which is an expensive and energy-intensive process. The water, sanitation and hygiene ("***WASH***") sector in Cape Verde is characterized by relatively poor levels of service including intermittent water supply. Domestic water consumption per capita is approximately 35 liters per day, half that of a lower-middle income peer group of countries, and barely above subsistence levels. As a result, Cape Verde has one of the highest water tariffs in Africa and the world. The poor, and particularly female-headed households, are especially vulnerable as only 9 percent of poor households have access to the networked public water supply. Additionally, Cape Verde is not on track to meet its Millennium Development Goal for sanitation. Low levels of water supply, combined with a population in which over 50 percent is without any access to improved sanitation services, results in significant public health problems, including diarrhea, malaria, and dengue.

The WASH sector is marked by dispersed responsibilities across a large number of stakeholders, skewed incentives, a lack of institutional accountability, fragmented and overlapping authority, and conflicting legislation which impedes good planning and efficient operations in the sector. The Government has recently undertaken a number of important preliminary steps to improve the legal and regulatory framework. However, further significant reform and restructuring of the sector are required to ensure that the benefits of planned infrastructure improvements can be achieved.

(b) Summary of Project and Activities.

The objective of the Water, Sanitation and Hygiene Project (the "***WASH Project***") is to install a financially sound, transparent and accountable institutional basis for the delivery of water and sanitation services to Cape Verdean households and firms by: reforming national policy and regulatory institutions; transforming inefficient utilities into autonomous corporate entities operating on a commercial basis; and improving the quality and reach of infrastructure in the sector. The WASH Project is comprised of three Activities as described below.

(i) National Institutional and Regulatory Reform Activity.

The Government is committed to undertaking institutional and regulatory reform activities at the national level to improve planning systems and regulatory processes including tariff setting (the "***National Institutional and Regulatory Reform Activity***"). During the Compact Term, the Government will create a new National Agency for Water and Sanitation ("***ANAS***"), which will be responsible for policy and planning of all water resources, domestic water supply, wastewater, and sanitation. ANAS will be guided by a National Water and Sanitation Council ("***CNAS***"), where core ministries, municipalities, private sector and civil society will be represented and will ensure that sector policies are aligned with overall government policy direction. The Government will also strengthen the existing Economic Regulatory Agency ("***ARE***") to better regulate economic and technical aspects of the WASH sector, including tariff setting. Finally, the General Directorate of the Environment ("***DGA***") will expand its existing functions on environmental protection, to include water and wastewater quality. The Government will support the operational costs for the new and strengthened agencies with its own resources.

MCC will support the design and operationalization of the proposed institutional changes with MCC Funding for the following three sub-activities:

(A) Improve allocation of resources, planning, and coordination. This sub-activity aims to improve the allocation of resources mobilized for the sector, improve the coordination of sector activities and improve sector planning with a clear definition of sector priorities. During the project development process and to facilitate implementation of this Compact, MCC agreed to support the development of a Strategic National Master Plan ("***Master Plan***") and strategic environmental and social assessment ("***SESA***") for the WASH sector. This document will serve as the basis for sector planning, resource allocation, and investment coordination.

Under the Compact, MCC Funding will support:

(1) A review of all relevant legislation, regulations and organizational documents pertaining to the establishment and operations of CNAS, ANAS and the strengthening of ARE and DGA, which will assist the Government in drafting new legislation and regulations for the WASH sector;

(2) Technical assistance, capacity building and training to enable ANAS, CNAS, ARE, and DGA to execute their new roles and responsibilities;

(3) Technical assistance and resources for the integration of gender and social analysis and objectives into national policies, planning, human resources, and budgets, including establishment of a social and gender unit in ANAS, as well as the development of consultative processes, public information strategies, and opportunities for private sector participation; and

(4) Information, education, and communication ("***IEC***") activities focused on: (a) identifying water, sanitation, and hygiene practices that should inform national master planning for the sector; (b) encouraging public input on new regulations and planning; (c) articulating the role of the public in the tariff setting process; and (d) creating a culture of paying for services among water and sanitation users.

(B) Support transparent and fair tariff setting. This sub-activity will support the move to transparent and fair tariff setting, to better reflect the cost of service, and to improve the financial well-being and sustainability of utilities. Tariff support will also include assistance for the formation of appropriate pro-poor tariff policies. Specifically, MCC Funding will assess the current financial state of utilities nationally, and on Santiago particularly, with the goal of identifying the true cost of the existing systemic sector inefficiencies, impacts of these

costs and inefficiencies on cost of service rates, and tariff and regulatory strategies for transitioning to a financially self-sustaining system.

(C) Improve water quality standards and environmental oversight. MCC Funding will support technical assistance to DGA for the development of existing functions on environmental protection, with an emphasis on potable water and wastewater quality, and to develop new water quality and wastewater discharge standards, including appropriate wastewater treatment technologies and associated standards for wastewater reuse.

(ii) Utility Reform Activity.

The Utility Reform Activity will promote the transition of existing service providers to increased financial and administrative autonomy and operation based on commercial principles (the "***Utility Reform Activity***"). MCC will focus its assistance on the Island of Santiago to support the formation of a new, multi-municipal utility that covers all or most of the island ("***Aguas de Santiago***"). The Parties expect that this Activity will create a blueprint for utilities in other parts of the country.

(A) Encourage corporatization of utilities. MCC Funding will support the design and establishment of Aguas de Santiago, including a legal review and the preparation of organizational documents, staffing requirements, position descriptions, internal policies and operating procedures, and a plan for recruiting and transitioning staff to the new utility.

(B) Strengthen management and planning of Aguas de Santiago. MCC Funding will support:

(1) A long-term strategic investment and business plan, capital improvement, and business plans for the water and sanitation sector on Santiago pursuant to the guidance emerging from the Master Plan and SESA. While these plans will be long-term and strategic in nature, they will assess the condition of existing water and sanitation systems and identify any immediate infrastructure and operational needs. The plans will also improve the management of water resources by ensuring an integrated approach to infrastructure planning;

(2) Technical assistance for water sector utility operations and management, including technical, financial, commercial, legal, environmental, investment planning, procurement, contract management, and social and gender practices;

(3) The acquisition and implementation of, and training on, management information systems and identified hardware and software, such as GIS, asset management, billing and customer management systems, and office equipment;

(4) IEC campaigns that include outreach by utilities and/or NGOs. The objective of the IEC campaigns is to improve communication between the utility and its customers, with

a focus on developing an understanding of the cost of services and culture of payment by users, promoting efficient water use and conservation, and other aspects necessary to increase impact and sustainability of the reforms; and

(5) Technical and vocational education and training ("***TVET***") to the staff of Aguas de Santiago to improve their ability to carry out their roles and responsibilities and to any redundant staff to assist their transition to new functions and responsibilities in other government agencies or in the private sector.

(C) Reduce commercial losses in Santiago. Non-revenue water ("***NRW***") at existing municipal water and sanitation entities (known as "***SAAS***") in Santiago is estimated to be approximately 50 percent. MCC Funding will support a NRW study for service providers on Santiago, SAAS, the Water Distribution Agency of Praia ("***ADA***"), and ELECTRA, the national electricity utility with responsibility for water provision in certain municipalities – in order to provide better estimates of the level of losses in each service provider, assess the reductions likely achievable through improved commercial and technical management practices, and identify potential solutions to improve both technical and commercial aspects of NRW management. The study will provide a detailed strategy, and identify specific management actions and physical investments, for reducing NRW. Support from sub-activity (ii)(B) will be provided to improve customer billing databases, asset inventories, and other business operational elements that contribute to high NRW. Subject to prior approval by MCC, MCC Funding may be used to implement priority investments identified in the aforementioned study to reduce NRW losses for Aguas de Santiago under this sub-activity; these may include but are not limited to instituting demand management areas and meter replacement programs.

MCC Funding for the Utility Reform Activity is subject to the following conditions:

(1) Prior to disbursement of Program Funding for the Utility Reform Activity, the SAAS shall have committed to the transition to an independently operated and managed Aguas de Santiago in a memorandum of understanding among MAHOT and the municipalities or such other document acceptable to the Government and MCC; and

(2) Continued support for the sub-activities described in paragraphs (ii)(B) and (ii)(C) above is conditioned on the Government ensuring that Aguas de Santiago has sufficient equity contributions, or other non-reimbursable funding from its shareholders to support its operations and working capital needs, in accordance with the economic and financial viability study undertaken in sub-activity (i)(B) above and satisfactory to MCC.

(iii) Infrastructure Grant Facility.

In order to promote continued national level reform, incentivize and reward utility reform, and improve investment planning, the Parties will support the establishment of an Infrastructure Grant Facility (the "***IGF***") to fund much needed infrastructure and capital improvements in the WASH sector.

MCC will make funds available to the IGF in three tranches as national policy and utility reform conditions have been met. The IGF will provide grants on a competitive basis to utilities that qualify based on continuous improvement on commercialization of operations. Grant applications from qualified utilities will be evaluated based on a set of transparent financial, economic, technical, operational, environmental, and gender and social criteria.

The IGF will provide grants for three categories of projects: Category I – studies and technical assistance; Category II – existing network improvements and off-network improvements; and Category III – network expansion. The categories reflect the level of complexity to implement these projects, and utility applicants will be required to demonstrate incremental progress towards corporatization to be eligible for funding under Categories II and III. Category II and III projects will include financial support for IEC and TVET activities connected to specific infrastructure projects as identified during the design phase. The IGF will have a pool of funds to assist poor and female-headed households to overcome barriers to WASH services.

The eligibility requirements, project selection criteria, and operations and management procedures of the IGF, will be set forth in an operations manual to be approved by the Government and MCC. The Parties expect that the IGF will initially be managed by MCA-Cape Verde II with the support of advisory services as the Parties deem necessary and eventually transferred to ANAS when it is deemed to have sufficient capacity to administer and manage the facility. A technical evaluation panel will carry out detailed evaluations, provide technical assessments, and score proposed projects. An executive committee of the MCA-Cape Verde II Steering Committee will oversee the IGF and approve projects that pass established selection criteria and technical evaluation. The amount of MCC funds allocated for feasibility studies under Category I of the IGF will not exceed 20 percent, unless otherwise agreed by MCC. Each grant will also be subject to MCC no objection.

MCC Funding will also support the development of an environmental and social management framework for the IGF, acceptable to the Government and MCC, to define the guiding environmental and social principles and to create procedures that will be included in the operations manual for assessing proposals against these objectives.

As set forth more specifically in the Program Implementation Agreement, MCC Funding for the IGF will be made available incrementally subject to the achievement of reform milestones.

(A) Prior to making the first tranche of funding available under the IGF: (1) the operations manual for the IGF shall have been approved by MCA-Cape Verde II and MCC; and (2) ANAS shall have been created and CNAS shall have adopted the Master Plan;

(B) Prior to making the second tranche of funding available under the IGF, Aguas de Santiago shall have been created as an independent, corporatized entity that is

subject to the regulatory jurisdiction of ARE and ARE will have in place a tariff mechanism that is based on cost-of-service by rate class and which addresses pro-poor tariffs; and

(C) Prior to making the third tranche of funding available under the IGF, the Government shall make an appropriate matching contribution to the IGF as per the agreed Government contribution schedule in the Program Implementation Agreement.

(c) Beneficiaries.

The Parties expect that together the National Institutional and Regulatory Reform and Utility Reform Activities will initially benefit the approximately 278,000 people living on the Island of Santiago, as a result of reductions in the average cost of water supply and commercial losses by utilities and the incremental growth effect of shifting government resources from less productive to more productive spending. As utility reform extends throughout the other islands during and after the Compact, the entire population of Cape Verde should eventually benefit from these Activities.

The benefits of the IGF will depend on the returns of proposals presented for financing. To be selected, each proposal must demonstrate an expected economic rate of return of at least 12 percent. Based on estimates of potential projects, the Parties expect that the IGF will benefit on average a population of 48,000 (approximately 11,000 households), or just over 10 percent of the population of Cape Verde.

(d) Gender and Social Integration.

The Parties agree to integrate gender and social factors in the WASH Project into each of the core Activities. Gender and social analyses and objectives are currently largely absent from WASH sector policies and planning, despite considerable inequalities in access to water and sanitation. MCC Funding will support technical assistance and resources for the integration of gender and social analysis and objectives into policies, planning, human resources, and budgets, at both the national and utility levels.

Given the central role that women and girls play in water and sanitation at the household level, ensuring that infrastructure investments are selected and designed with due attention to social and gender considerations and appropriate IEC are critical to meeting the ultimate impact objectives of the IGF. Social and gender considerations will thus be embedded in the project selection criteria for the IGF, and the IGF will support IEC activities. Training and employment opportunities for women in the WASH sector will also be promoted through support for TVET activities at national, utility, and IGF levels.

(e) Environmental and Social Assessment.

The National Institutional and Regulatory Reform and the Utility Reform Activities have been classified as Category C projects in accordance with MCC Environmental Guidelines. These Activities are unlikely to have adverse environmental and social impacts. MCC reserves the right, however, to require specific environmental and social impact studies and mitigation measures. As an initial step, MCC has provided pre-Compact funding for a SESA in conjunction with the Master Plan for the Island of Santiago. MCC Funding will also support capacity building at DGA to strengthen Cape Verde's water quality standards and improve environmental oversight.

The IGF has been classified as a Category D project since specific projects and activities will be funded through a facility. Based on the potential pipeline of projects, certain activities may potentially result in adverse environmental and social impacts, if appropriate mitigation measures are not taken. Operational procedures and an environmental and social management framework will be established to ensure that environmental and social risks and impacts are appropriately considered and managed in accordance with the laws and regulations in Cape Verde and MCC Environmental Guidelines.

(f) Sustainability.

The National Institutional and Regulatory Reform and Utility Reform Activities of the WASH Project are specifically targeted at improving the sustainability of the sector by addressing key constraints in the policy and regulatory environment and at the operational level. One of the challenges to maintaining and sustaining the reform process is strong civic engagement. To that end, the Activities include resources for broad-based public consultation and engagement but also focus efforts on ensuring that women and disadvantaged groups are being engaged at the earliest stages of planning all the way through construction.

(g) Donor Coordination.

The WASH Project has and will continue to benefit from coordination among the Parties and other donors. Whereas in the past the sector has been marked by a lack of integration at the Government and donor levels, and whereas the Government has made recent strides in setting the stage for sector reform and donors have responded by improving their internal coordination and their coordination with the Government, the Parties acknowledge that in the context of limited resources improved government management and coordination with its partners is necessary to the successful implementation of the WASH Project. The Parties agree that transparency and coordination are essential elements of meeting the ambitious reform agenda established by the Government.

2. Land Management for Investment Project.

(a) Background.

In Cape Verde, no conclusive source of information about land property exists. Two different land registries each contain partial information about only a limited share of the country's land parcels. Additional records systems hold information about state-owned land. No source contains complete map-based information indicating actual location of a parcel of land over which a right is claimed. Confusion over ownership and boundaries has resulted in unauthorized land sales and the delay or cancellation of public as well as private investment projects and limits the ability of small firms and households to create value and increase incomes through investment in their property. The land rights registration process is time-consuming and costly for all land users, hampering domestic and foreign investment and economic growth. The Government seeks to create a single reliable and more easily accessible source of land rights and land boundaries information in order to strengthen Cape Verde's investment climate and to reduce land rights registration and transaction time and cost.

(b) Summary of Project and Activities.

The objective of the Land Management for Investment Project (the "***Land Project***") is to to reduce the time required for establishing secure property rights and to establish more conclusive land information in areas of near-term high development potential in Cape Verde by: refining the legal, institutional and procedural environment to create conditions for increased reliability of land information, greater efficiency in land administration transactions, and strengthened protection of land rights; developing and implementing a new land information management system; and clarifying parcel rights and boundaries on targeted islands with high investment potential.

(i) Legal and Institutional Foundations Activity.

The Legal and Institutional Foundations Activity (the "***Foundations Activity***") will consist of the two principal sub-activities described below.

(A) Develop legal, institutional, and procedural foundations. Under this sub-activity, MCC Funding will support:

(1) Legal and regulatory analysis, recommendations, and drafting of regulatory texts and procedural manuals for improved operations and coordination by land administration institutions over the long term;

(2) Design of legal, regulatory and procedural tools and manuals enabling implementation and achievement of the objectives of the Rights and Boundaries Activity (described below); and

(3) Stakeholder workshops and public outreach.

(B) Develop and install land information and transaction systems. Under this sub-activity MCC Funding will support:

(1) Technical assistance to computerize and link existing information about land rights and land parcels held in the paper-based Ministry of Justice registry system and in different municipal departments;

(2) Design of a computerized land information system that will be used by the Ministry of Justice's Registry and Notary and by municipal governments to efficiently manage and access information within their area of legal competence;

(3) System programming work consistent with the new institutional and procedural arrangements and data access protocols; and

(4) Installation of the system, acquisition of relevant hardware and software for system operations, training for users, and public outreach.

(ii) Rights and Boundaries Activity.

Building on the Foundations Activity, the Rights and Boundaries Activity (the "***Rights and Boundaries Activity***") will support actual clarification of parcel rights and boundaries in targeted islands with high tourism investment potential, including through capacity building of key institutions.

Subject to the satisfaction of the conditions set forth below, MCC Funding will support: communications; outreach and training, including on topics of environmental and social risk management and planning and geographic information production and management; office-based linking of rights and boundary information where data exists; field-based clarification of boundaries through map consultation and surveying; field-based clarification of rights through consultation of existing records and information gathering and consultation with current occupants; rights adjudication recommendations made based on regulations and procedures agreed as a result of the Foundations Activity; public noticing of rights and boundary claims and requirements/opportunities for submission of or objection to claims; dispute resolution assistance; utilization of a resettlement policy framework tool as needed per International Finance Corporation, Performance Standard 5; registration of rights that can be adjudicated; and inputting of final boundary and rights information into the land information and transaction management system created under the Foundations Activity.

The Rights and Boundaries Activity will cover areas of land claimed or held as private property, as property of the national government, and as property of municipal governments. The Activity will commence as a pilot on the island of Sal and be scaled to up to three other target islands subject to satisfaction of the conditions below. Should the Parties agree that additional funds remain in the Rights and Boundaries Activity after completion of Sal and commitment of sufficient funding (including adequate contingencies) for the three additional islands, the Parties may allocate any remaining funds to implement the Activity on other islands, based on criteria to be agreed by MCC and MCA-Cape Verde II.

MCC Funding for fieldwork and fieldwork-related training under this Activity is subject to the following conditions:

(A) Any new or amended laws or regulatory texts (regulations, ordinances and directives) determined to be necessary under the Foundations Activity, shall have been adopted by the Parliament or the relevant Government ministry and be in full force and effect;

(B) An operations manual for the Rights and Boundaries Activity fieldwork satisfactory to MCC, including environmental and social safeguards and provisions, shall have been completed and adopted by the Ministry of Justice and the Ministry of Environment, Housing and Territorial Management through such instrument as the Parties agree is required to give full force and effect to such manual; and

(C) Prior to disbursement of MCC Funding to implement the Activity on additional islands, the Government shall have completed the activity on Sal island, to a degree satisfactory to MCC, and any modifications to the implementation approach for remaining islands agreed shall have been agreed among MCC, the Government and MCA-Cape Verde II.

(c) Beneficiaries.

Based on estimates of incremental employment opportunities, the Parties expect that at least 3,000 households (approximately 13,000 people) will benefit from increased tourism development as a consequence of project interventions. This number excludes the current population on the islands who are expected to benefit from reduced time and cost of land registration and more conclusive rights and boundaries information. The benefits would be expected to result from cost savings, from increased investment in property, and from increased property values. Additional benefits and beneficiaries will be monitored during the Compact Term.

(d) Environmental and Social Mitigation Measures.

The Land Project has been classified as a Category B project in accordance with MCC's Environmental Guidelines. This is based on a number of risks and potential impacts, which the Parties expect to mitigate through environmental and social (including gender-based) approaches integrated into the Land Project. The Parties will integrate several safeguards into the Rights and Boundaries Activity in an effort to minimize the risk of claimants losing rights given the imprecisions, gaps, and potential for overlaps in existing land rights information. The outreach activities will support increased public awareness, particularly among vulnerable populations, of the types of land rights and the procedures and resources available for formalizing those rights. The procedures developed under the Foundations Activity and the resettlement policy framework will assist stakeholders with dispute resolution, with clarifying links between planning and zoning requirements and rights and responsibilities of rights holders, and with adequate analysis, planning and decision-making in contexts of informal occupation or of secondary rights, particularly for vulnerable groups.

Environmental and social risks related to increased economic development induced by the Land Project will be mitigated by public consultation and outreach, and by the development of tools for improved land administration and for integration of land information. This will help relevant institutions better manage land use and land rights over the long term. The Parties will evaluate ways in which existing environmental and social data, information on legal requirements associated with public lands, protected areas, critical habitats, and encumbrances can be built into land information systems to aid municipal and tourism planning, including integration of social safeguards.

(e) Sustainability.

Institutional and financial sustainability is fundamental to achieving the results of the Land Project. MCC has provided pre-Compact support for detailed analyses of financial sustainability drivers, projected revenue flows, and workforce requirements for the land information management and transaction systems. The Parties will review the findings and recommendations of these studies and agree to modify approaches and methodologies as appropriate, to assure that

system design is commensurate with the Government's capacity to use and maintain the system over the long term.

The Land Project will assure that legal, regulatory, and methodological approaches to collecting and maintaining boundary and rights information over time are consistent with principles of cost-effectiveness and equitable access to land administration services.

(f) Donor Coordination.

The Land Project builds from recent investments in the Government's land sector initiatives by Spain, the Canary Islands, and the World Bank. A portion of the investment from other donors has supported specific land sector studies, including one completed by the Institute for Liberty and Democracy. Additionally, because the Rights and Boundaries Activities is a pilot that can be scaled up and implemented throughout the country, the Government is committed to continued donor coordination to identify additional funding to support rights and boundary clarification on other islands.

C. IMPLEMENTATION FRAMEWORK

1. Overview.

The implementation framework and the plan for ensuring adequate governance, oversight, management, monitoring and evaluation, and fiscal accountability for the use of MCC Funding are summarized below. MCC and the Government will enter into a Program Implementation Agreement, and may enter into such other Supplemental Agreements and Implementation Letters in furtherance of this Compact as the Parties deem necessary, all of which, together with this Compact, set out the rights, responsibilities, duties and other terms relating to the implementation of the Program.

2. MCC.

MCC will take all appropriate actions to carry out its responsibilities in connection with this Compact and the Program Implementation Agreement, including the exercise of its approval rights in connection with the implementation of the Program.

3. MCA-Cape Verde II.

In accordance with Section 3.2(b) of this Compact and the Program Implementation Agreement, MCA-Cape Verde II will act on the Government's behalf to implement the Program and to exercise and perform the Government's rights and responsibilities with respect to the oversight, management, monitoring and evaluation, and implementation of the Program, including, without limitation, managing the implementation of Projects and their Activities, allocating resources, and managing procurements. The Government will ensure that MCA-Cape Verde II takes all appropriate actions to implement the Program, including the exercise and performance of the rights and responsibilities designated to it by the Government pursuant to this Compact and the Program Implementation Agreement. Without limiting the foregoing, the Government will also ensure that MCA-Cape Verde II has 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 Permitted Accounts in a financial institution in the name of MCA-Cape Verde II and hold MCC Funding in such accounts; (iv)

expend MCC Funding; (v) engage a fiscal agent who will act on behalf of MCA-Cape Verde II on terms acceptable to MCC; (vi) engage one or more procurement agents who will act on behalf of MCA-Cape Verde II, on terms acceptable to MCC, to manage the acquisition of the goods, works, and services required by MCA-Cape Verde II to implement the Program; and (vii) engage one or more auditors to conduct audits of its accounts. The Government will take the necessary actions to establish, operate, manage and maintain MCA-Cape Verde II, in accordance with the applicable conditions precedent to the disbursement of Compact Implementation Funding set forth in Annex IV to this Compact.

The Government will create MCA-Cape Verde II as a legally established program management unit under the Ministry of Finance. MCA-Cape Verde II will be formed through a cabinet resolution, which resolution will be included in the Program Implementation Agreement. MCA-Cape Verde II will be created in accordance with MCC's Guidelines for Accountable Entities and Implementation Structures, published on the MCC Website (the "***Governance Guidelines***"), and will be in form and substance satisfactory to MCC. MCA-Cape Verde II, on behalf of the Government, will administer the MCC Funding. MCA-Cape Verde II will consist of the following bodies: a steering committee (the "***Steering Committee***"); a management team (the "***Management Unit***"); and two stakeholders committees (each a "***Stakeholders Committee***" and, collectively, the "***Stakeholders Committees***"). As a recipient of MCC Funding, MCA-Cape Verde II will be subject to MCC audit requirements. MCA-Cape Verde II will be based in Praia, Cape Verde.

(a) Steering Committee.

(i) Composition. The Steering Committee will have ultimate responsibility for the oversight, direction, and decisions of MCA-Cape Verde II, as well as the overall implementation of the Program. The Parties expect that the Steering Committee will initially be comprised of nine voting members consisting of representatives of national and municipal government, civil society and private sector and two non-voting observers. Membership to the Steering Committee is anticipated to include the following voting members: Minister of Finance and Planning; Minister of Environment, Housing and Land Planning; Minister of Justice; Minister of Rural Development; Chief Advisor to the Prime Minister; President of the National Municipalities Association; President of the Chamber of Commerce Association; President of the Tourism Chamber; and President of the Non-Governmental Organization Association. The Steering Committee will also include the following non-voting observers: a representative of the Ministry of External Affairs; and the MCC Resident Country Director. The Steering Committee will be chaired by the Minister of Finance and Planning.

(ii) Roles and Responsibilities. The Steering Committee will be responsible for the oversight, direction, and decisions of MCA-Cape Verde II, as well as the overall implementation of the Program. The Steering Committee will hold regular meetings in accordance with the Governance Guidelines, at a minimum once per quarter. The specific roles of the voting members and non-voting observers will be set forth in the MCA-Cape Verde II Regulations. On at least an annual basis or as otherwise required by the Government, the Steering Committee will report to the Government on the status and progress of the Compact regarding implementation, financial matters, procurements, and other matters identified by the Government.

(b) Management Unit.

(i) Composition. The Management Unit will be led by a competitively selected Managing Director and is expected to be initially comprised of the following full-time officers: Managing Director; Administration and Finance Director; Economist/Monitoring and Evaluation Manager; Water and Sanitation Project Manager; Land Project Manager; Gender & Social Manager; Environment Manager; Policy Reform and Institutional Development Manager; and Procurement Manager. These key officers will be supported by appropriate additional staff to enable the Management Unit to execute its roles and responsibilities. Such additional staff is expected to include: Procurement Specialist; Administrative and Financial Specialist; and Communication Specialist, among others.

(ii) Roles and Responsibilities. With oversight from the Steering Committee, the Management Unit will have the principal responsibility for the day-to-day management of the Program, including those roles and responsibilities specifically set forth in the Program Implementation Agreement. The Management Unit will serve as the principal link between MCC and the Government, and will be accountable for the successful execution of the Program, each Project, and each Activity.

(c) Stakeholders Committees.

(i) Composition. Program beneficiaries will be represented by two project-level Stakeholder Committees composed of representatives from relevant ministries, municipalities, private sector and non-governmental organizations as agreed by the Government and MCC. The two Stakeholders Committees will provide input to the Steering Committee and the Management Unit on matters that relate to the Program, promoting transparency and ongoing consultation.

(ii) Roles and Responsibilities. Consistent with the Governance Guidelines, the Stakeholders Committees will be responsible for continuing the consultative process throughout implementation of the Program. While the Stakeholders Committees will not have any decision-making authority, they will be responsible for, *inter alia*, reviewing, at the request of the Steering Committee or the Management Unit, certain reports, agreements, and documents related to the implementation of the Program in order to provide input to MCA-Cape Verde II regarding the implementation of the Program.

4. Environmental and Social Safeguards.

All of the Projects will be implemented in compliance with the MCC Environmental Guidelines, the MCC Gender Policy, the MCC Gender Integration Guidelines, and the International Finance Corporation's Performance Standards. Any involuntary resettlement will be carried out in accordance with the IFC Performance Standard 5 on Land Acquisition and Involuntary Resettlement in a manner acceptable to MCC. In the case of retrenchments and redundancies resulting from the implementation of the Projects, the Government will ensure that the Projects comply with national labor laws and best practices for managing retrenchment according to the IFC Good Practice Note: Managing Retrenchment. The Government also will ensure that the Projects comply with all national environmental laws and regulations, licenses and permits, except to the extent such compliance would be inconsistent with this Compact.

Specifically, the Government will: cooperate with or complete, as the case may be, any ongoing environmental and social impact assessments, or if necessary undertake and complete any additional environmental and social assessments, environment and social management frameworks, environmental and social management plans, environmental and social audits, resettlement policy frameworks, and resettlement action plans required under the laws of Cape Verde, the MCC Environmental Guidelines, the MCC Gender Integration Guidelines, this Compact, the Program Implementation Agreement, or any other Supplemental Agreement, or as otherwise required by MCC, each in form and substance satisfactory to MCC; ensure that Project-specific environmental and social management plans are developed and all relevant measures contained in such plans are integrated into project design, the applicable procurement documents and associated finalized contracts, in each case in form and substance satisfactory to MCC; and implement to MCC's satisfaction appropriate environmental and social mitigation measures identified in such assessments or plans or developed to address environmental and social issues identified during implementation. Unless MCC agrees otherwise in writing, the Government will fund all necessary costs of environmental and social mitigation measures (including, without limitation, costs of resettlement) not specifically provided for, or that exceed the MCC Funding specifically allocated for such costs, in the Detailed Financial Plan for any Project.

To maximize the positive social impacts of the Projects, address cross-cutting social and gender issues such as human trafficking, child and forced labor, and HIV/AIDS, and to ensure compliance with the MCC Gender Policy and MCC Gender Integration Guidelines, MCA-Cape Verde II, on behalf of the Government, will develop a comprehensive social and gender integration plan which, at a minimum, incorporates the findings of a comprehensive gender analysis, identifies approaches for regular, meaningful and inclusive consultations with women and other vulnerable/underrepresented groups, consolidates the findings and recommendations of Project-specific social and gender analyses and sets forth strategies for incorporating findings of the social and gender analyses into final Project designs, as appropriate ("***Social and Gender Integration Plan***"); and ensure, through monitoring and coordination during implementation, that final Activity designs, construction tender documents, other bidding documents, implementation plans, and M&E plans are consistent with and incorporate the outcomes of the social and gender analyses and Social and Gender Integration Plan.

5. Implementing Entities.

Subject to the terms and conditions of this Compact, the Program Implementation Agreement, and any other related agreement entered into in connection with this Compact, the Government, through MCA-Cape Verde II, may engage one or more entities of the Government to implement or assist in the implementation of any Project or Activity (or a component thereof) in furtherance of this Compact (each, an "***Implementing Entity***"). The appointment of any Implementing Entity will be subject to review and approval by MCC. The Government will 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***").

6. Fiscal Agent.

The Ministry of Finance and Planning will be responsible for assisting MCA-Cape Verde II with fiscal management and ensuring appropriate fiscal accountability of MCC Funding (in such

capacity, the "***Fiscal Agent***"). The duties of the Fiscal Agent will include those set forth in the Program Implementation Agreement and in such agreements or documents as MCA-Cape Verde II enters into with the Fiscal Agent, which agreement shall be in form and substance satisfactory to MCC. If the Fiscal Agent is not able to perform its duties in compliance with MCC standards, MCC may require that MCA-Cape Verde II engage a new fiscal agent to carry out those duties.

7. Procurement.

The Parties expect that a dedicated unit within MCA-Cape Verde II will conduct and certify specified procurement activities in furtherance of this Compact with appropriate staffing and technical assistance support acceptable to MCC (in such capacity, the "***Procurement Agent***"). Once the unit is staffed, and prior to entry into force of the Compact, MCC will assess capability and performance of the MCA-Cape Verde II procurement unit and determine whether staffing is adequate and to what extent, if any, external advisory support is needed. If MCC determines that the MCA-Cape Verde II procurement unit is not able to perform its duties in compliance with MCC standards and guidelines, MCC may require that MCA-Cape Verde II engage additional external advisory support or an external procurement agent to carry out those duties. The roles and responsibilities of the Procurement Agent will be set forth in the Program Implementation Agreement and in such other agreements as MCA-Cape Verde II enters into with each Procurement Agent, which agreement will be in form and substance satisfactory to MCC. Each Procurement Agent will adhere to the procurement standards set forth in the MCC Program Procurement Guidelines and ensure that procurements are consistent with the procurement plan adopted by MCA-Cape Verde II pursuant to the Program Implementation Agreement, unless MCC otherwise agrees in writing.

ANNEX II

MULTI-YEAR FINANCIAL PLAN SUMMARY

This Annex II summarizes the Multi-Year Financial Plan for the Program.

1. General.

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

2. Government LMIC Contribution.

During the Compact Term, the Government will make contributions of at least US$9,934,500 (equal to 15 percent of the amount of MCC Funding committed under this Compact), to carry out the Government's responsibilities under Section 2.6(a) of this Compact. These contributions may include in-kind and financial contributions toward meeting the Program and Project Objectives. In connection with this obligation, the Government has developed a budget of the contributions it anticipates making over the five year term of the Compact. Such contributions will be in addition to the Government's spending allocated toward the Program and Project Objectives in its budget for the year immediately preceding the establishment of this Compact. The Government's contribution will be subject to any legal requirements in Cape Verde for the budgeting and appropriation of such contribution, including approval of the Government's annual budget by its legislature. The Parties shall set forth in the Program Implementation Agreement or other appropriate Supplemental Agreements certain requirements regarding this Government contribution, which requirements may be conditions precedent to the Disbursement of MCC Funding.

EXHIBIT A

MULTI-YEAR FINANCIAL PLAN SUMMARY

(US$ millions)							
Projects	**CIF**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Total**
1. Water, Sanitation and Hygiene Project							
National Institutional and Regulatory Reform Activity							
Utility Reform Activity							
Infrastructure Grant Facility							
Sub-Total	**2.25**	**4.55**	**9.80**	**13.35**	**9.80**	**1.35**	**41.10**
2. Land Management for Investment Project							
Foundations Activity							
Rights and Boundaries Activity							
Sub-Total	**1.16**	**2.70**	**3.69**	**2.57**	**4.56**	**2.58**	**17.26**
3. Monitoring and Evaluation (M&E)							
Sub-Total	**0.09**	**0.22**	**0.31**	**0.26**	**0.30**	**0.21**	**1.39**
4. Program Administration							
Sub-Total	**0.50**	**1.06**	**1.12**	**1.12**	**1.18**	**1.50**	**6.48**
Grand Total	**4.00**	**8.53**	**14.92**	**17.30**	**15.84**	**5.64**	**66.23**

ANNEX III

DESCRIPTION OF MONITORING AND EVALUATION PLAN

This Annex III generally describes the components of the Monitoring and Evaluation Plan ("***M&E Plan***") for the Program. The actual content and form of the M&E Plan will be agreed to by MCC and the Government in accordance with MCC's Policy for Monitoring and Evaluation of Compacts and Threshold Programs as posted from time to time on the MCC Website (the "***MCC Policy for Monitoring and Evaluation of Compacts and Threshold Programs***"). The M&E Plan may be modified as outlined in MCC's Policy for Monitoring and Evaluation of Compacts and Threshold Programs with MCC approval without requiring an amendment to this Annex III.

1. Overview.

MCC and the Government will formulate and agree to, and the Government will implement or cause to be implemented, an M&E Plan that specifies: (a) how progress toward the Compact Goal, Program Objectives and Project Objectives will be monitored ("***Monitoring Component***"); (b) a process and timeline for the monitoring of planned, ongoing, or completed Activities to determine their efficiency and effectiveness; and (c) a methodology for assessment and rigorous evaluation of the outcomes and impact of the Program ("***Evaluation Component***"). Information regarding the Program's performance, including the M&E Plan, and any amendments or modifications thereto, as well as progress and other reports, will be made publicly available on the website of MCC, MCA-Cape Verde II and elsewhere.

2. Program Logic.

The M&E Plan will follow a rationale that describes how proposed Activities are expected to contribute to the achievement of the Project Objectives, Program Objectives and Compact Goal.

The Compact Goal is to reduce poverty through economic growth in Cape Verde. The Program Objectives are to reduce the costs upon the economy of inefficiently provided public services and to remove institutional conditions that impede private sector investment. The Project Objective of the Water, Sanitation and Hygiene Project is to establish a financially sound, transparent and accountable institutional basis for the delivery of water and sanitation services to Cape Verdean households and firms. The outcomes of the Project Activities are: (a) institutions and procedures required for the regulation of corporatized utilities providing water and sanitation services and operating according to commercial principles; (b) the establishment and operation of commercially oriented water utilities; (c) improved cost-effectiveness of services; and (d) improved extent, quality and reliability of services provided. The Project Objective of the Land Management for Investment Project is to reduce the time required for establishing secure property rights and to establish more conclusive land information in areas of near-term high development potential in Cape Verde. The outcomes of the Project Activities are: (a) a reduction in the average time required to establish a clear property right and to complete other land-related transactions; (b) an increase in the reliability of land rights and boundaries information; and (c) an increase in the level of development activity on targeted islands, resulting in higher levels of employment, in response to reductions in lead time to investment. The combined results of the Program are expected to contribute to Cape Verde's own poverty-reduction and economic growth goals as defined in the Cape Verde development strategy.

3. Monitoring Component.

To monitor progress toward the achievement of the impact and outcomes of the Compact, the Monitoring Component of the M&E Plan will identify: (i) the Indicators (as defined below), (ii) the definitions of the Indicators, (iii) the sources and methods for data collection, (iv) the frequency for data collection, (v) the party or parties responsible for collecting and analyzing relevant data, and (vi) the timeline for reporting on each Indicator to MCC.

Further, the Monitoring Component will track changes in the selected Indicators for measuring progress towards the achievement of the Program Objectives and Project Objectives during the Compact Term. MCC also intends to continue monitoring and evaluating the long-term impacts of the Compact after Compact expiration. The M&E Plan will establish baselines which measure the situation prior to a development intervention, against which progress can be assessed or comparisons made (each a, "***Baseline***"). The Government will collect Baselines on the selected Indicators or verify already collected Baselines where applicable and as set forth in the M&E Plan. Gender disaggregated data and indicators will be developed for the full version of the M&E Plan.

(a) Compact Indicators. The M&E Plan will measure the results of the Program using quantitative, objective and reliable data ("***Indicators***"). Each Indicator will have benchmarks that specify the expected value and the expected time by which that result will be achieved ("***Target***"). All Indicators will be disaggregated by gender, income level and age, and beneficiary types to the extent practical and applicable. Subject to prior written approval from MCC, the Government or MCA-Cape Verde II may add Indicators or refine the definitions and Targets of existing Indicators.

(b) Program Goal Indicator. The M&E Plan will contain an indicator related to the Compact Goal that seeks to measure the long-term sustainable performance of the Water, Sanitation and Hygiene Project and Land Management for Investment Project institutions.

(c) Other Indicators. Indicators are used to measure progress toward the expected results throughout the implementation period. Different types of indicators are needed at different points in time and to trace the Program logic. The M&E Plan will contain the indicators listed in Annex III as well as other indicators, including "common indicators," necessary for MCC management oversight and communicating progress towards the achievement of compact results. Common Indicators are used by MCC to measure progress across Compacts within certain sectors and enable MCC to aggregate results across countries for reporting externally to key stakeholders. Common indicators may be specified at all indicator levels (process milestone, output, outcome, objective, and goal).

The M&E Plan indicators should be kept to the minimum necessary for Program oversight, Project management and for measuring and communicating progress toward expected results for planned activities. MCA-Cape Verde II may monitor additional indicators at the Activity level for their own management and communication purposes but these need not be included in the M&E Plan nor reported to MCC, unless requested by an MCC sector lead. MCA-Cape Verde II will compile and update baselines, pending MCC written approval, for key indicators as new data becomes available.

Table 1: Water, Sanitation and Hygiene Project

The following are Indicators and Targets for the monitoring of the Water, Sanitation and Hygiene Project. Common indicators will be revised from their Annex III abbreviated form to conform to the MCC Common Indicator Guidance in the M&E Plan. Disaggregation by urban/rural, gender of head of household and other relevant categories will be identified in the M&E Plan.

Table 1: Water, Sanitation and Hygiene Project					
Result	**Indicator**	**Definition**	**Unit**	**Baseline**	**Year 5 Target**
Objective Level Indicators					
Reduced household cost of water needs	Unit cost of all water consumed by Santiago households	Total cost to consumer should include tariffs paid, connection costs (direct and otherwise), commercial purchases, value of time collecting water and household coping costs (direct and otherwise) due to reliability concerns. Information will be disaggregated, to the extent possible, by gender head of household and income quartiles.	US$/m^3	TBD	TBD[1]
Reduced subsidies to WASH sector	Value of implicit subsidy reduction	TBD	US$	TBD	TBD[2]
Reduced cost of network water delivery	Average recovery price of water for corporatized utilities	Cost of operation + 24 hour supply factor + maintenance investment (c.f., IB-NET definitions and toolkits)	US$/m^3	TBD[3]	Greater than 15% reduction per year within two years of corporatization[4]
Increased population served by corporatized utilities	Service coverage by corporatized utilities	Percentage of national population served by regulated, corporatized utilities	Percentage	TBD[5]	50[6]

[1] Targets will be established based on assumptions of decreasing costs for populations served by regulated, corporatized utilities. Baselines and the manner of calculation will be established in collaboration with an independent impact evaluation firm, and will use a combination of statistically representative surveys.
[2] Indicator and definition to be determined based on further analysis of best available data sources.
[3] Baseline and targets will be established based on inputs from an economic viability study to be financed by the Compact, as well as through the support of technical assistance consultants.
[4] Baseline will be established, and targets verified, based on inputs from the economic viability study.
[5] Electra is the only company regulated by ARE, and currently operates in Praia, Sao Vicente, Boa Vista and Sal. The baseline data will be sourced from the 2010 Census or ARE databases, and shall be included in the M&E Plan.
[6] Target is based on Santiago population as a percent of national population.

Table 1: Water, Sanitation and Hygiene Project					
Result	**Indicator**	**Definition**	**Unit**	**Baseline**	**Year 5 Target**
Activity 1. National Institutional and Regulatory Reform					
Outcome Level Indicators					
Constraints to corporatized water utilities reduced	Satisfactory progress against MCC approved work plan on legal and regulatory reforms	Evaluation by an independent assessment mechanism.[7]	TBD	TBD	TBD
Core functionalities of institutions in place	Indicators of core competencies of ANAS and ARE	TBD prior to entry into force in conjunction with independent assessment mechanism.[8]	TBD	TBD	TBD
Activity 2. Utility Reform					
Outcome Level Indicators					
Sustainable performance of Aguas de Santiago	Operating cost coverage	Total annual operating revenues divided by total annual operating costs	Percentage	TBD	TBD[9]
Improved reliability and quality of network water delivery	Client satisfaction with supply reliability; i.e., continuity of service	Total number of water and waste water complaints per year expressed as a percentage of the total number of water and waste water connections disaggregated by income quartile.	Percentage	TBD[10]	TBD
	Objective measure of supply reliability; i.e., continuity of service	Average hours of service per day for water and wastewater supply on Santiago.	Hours per day	TBD	TBD[11]

[7] Assessment mechanism and strategy to monitor and evaluate the *quality* of reform will be outlined in the M&E Plan, and shall be fully developed by year 1 of Compact implementation. The assessment mechanisms will include a plan detailing reform milestones based on Compact conditions precedent, IGF set-up criteria, and the results of studies performed prior to entry into force, including national legal reform and new institutional environment for WASH sector studies.

[8] Core competency indicators will be determined through a national institutional environment study to be financed by the Compact prior to entry into force. It is expected that the core competencies arising from this design study shall be codified in the appropriate legislative reforms.

[9] Baseline and target will be included in the M&E Plan. Targets will be established using data generated from the economic viability study.

[10] Results from the 2010 Water and Sanitation Survey collected by the National Statistical Institute (INE) show that 36 percent of head of household respondents are either "*very dissatisfied*" (11 percent) or "*dissatisfied*" (25 percent) with the reliability of piped public water in Santiago, whereas 46 percent of respondents indicate that they are either "*satisfied*" (41percent) or "*very satisfied*" (5 percent) with the reliability of piped public water in Santiago. M&E Plan will provide income disaggregation for this indicator.

[11] Non-revenue water study and Santiago infrastructure needs and master plan study, to be financed by the Compact prior to entry into force, will aid in establishing baseline(s), annual targets and end-of-Compact targets as necessary. Targets for increased supply reliability will be based on estimated reductions of technical losses as opposed to increases in water production.

Table 1: Water, Sanitation and Hygiene Project					
Result	**Indicator**	**Definition**	**Unit**	**Baseline**	**Year 5 Target**
	Client satisfaction with water quality	Total number of potable water complaints per year expressed as a percentage of the total number of potable water connections disaggregated by income quartile.	Percentage	TBD[12]	TBD
	Objective measure of water quality	Fecal coliform counts (and/or residual C12) at the water treatment works and points of use (IB-NET)	Number 100ml (and/or mg/l)	TBD	TBD
Operational efficiency of Aguas de Santiago strengthened	Non-revenue water of Aguas de Santiago	Difference between water supplied and water sold (i.e. volume of water "lost") expressed as a percentage of net water supplied	Percentage	50%[13]	40-50% reduction over baseline
	Annual budgets and independent annual audits of participating Santiago municipal water utilities published	Published and audited statements by Aguas de Santiago	Number	0	TBD
Increased access to improved drinking water source	Proportion of population using an improved drinking water source	Proportion of Santiago population (households) using an improved drinking water source. M&E Plan will include disaggregation by income quartile and gender of head of household.	Percentage	86[14]	TBD[15]
Increased access to improved sanitation	Proportion of population using an improved sanitation facility	Proportion of Santiago population (households) using an improved sanitation facility disaggregated by on and off network connections.	Percentage	41 (on-network)	TBD[17]

[12] Results from the 2010 Water and Sanitation Survey collected by INE show that 38 percent of head of household respondents are either "*very dissatisfied*"(18percent) or "*dissatisfied*"(20 percent) with the potability of piped public water in Santiago, whereas 49 percent of respondents indicated that they are either "*satisfied*" (44 percent) or "*very satisfied*" (5 percent) with the potability of piped public water in Santiago. M&E Plan will provide income disaggregation of data for this indicator.

[13] Non-revenue water study financed prior to entry into force will update baseline figure.

[14] Improved sanitation and improved water sources classifications are based on the Joint Monitoring Program for Water Supply and Sanitation by the World Health Organization and UNICEF. Baseline data is sourced from the 2010 Water and Sanitation Survey conducted by the National Statistical Institute (INE) financed through 609(g) resources. Improved water source includes "household connected to the network [public water network, different from the sewer network] using a flush to piped sewer system, flush to septic system, borehole or flush or pour over to somewhere else."

[15] Water consumption survey will be used to establish baseline for the M&E Plan.

[17] Target to be determined based on assumptions of ERR model and information collected through immediate needs assessment study and Santiago master plan to be conducted prior to entry into force.

Table 1: Water, Sanitation and Hygiene Project					
Result	Indicator	Definition	Unit	Baseline	Year 5 Target
		M&E Plan will include disaggregation by income quartile and gender of head of household.[16]		19 (off-network)	
Total water consumption	Residential water consumption	Average water consumption in liters per person per day for Santiago households, disaggregated by income quartile. The M&E Plan will include additional disaggregation based on the gender of head of household[18]	Liters per capita per day	17.1 (quartile 1) 31.7 (quartile 2) 33.0 (quartile 3) 62.7 (quartile 4)	TBD[19]
Activity 3. Infrastructure Grant Facility					
Outcome Level Indicators					
Demonstrated performance as defined under IGF operations manual	TBD for individual investments at signing of grant agreements	TBD	TBD	TBD	TBD

Table 2: Land Management for Investment Project

The following table describes the key Indicators and Targets for the monitoring the Land Management for Investment Project and its relevant components, as further described in paragraph 2(e) of Part B of Annex I.

[16] Improved sanitation and improved water sources classifications are based on the Joint Monitoring Program for Water Supply and Sanitation by the World Health Organization and UNICEF. Baseline is derived from the 2010 Water and Sanitation Survey conducted by the National Statistical Institute (INE). Improved water source includes "household connected to the network [public water network, different from the sewer network] using a flush to piped sewer system, flush to septic system, borehole or flush or pour over to somewhere else."

[18] Baseline derived from the 2010 Water and Sanitation Survey collected by INE. Quartile 1 refers to the lowest income group; quartile 4 refers to the highest income group.

[19] Targets for increased household water consumption will be based on estimated reductions of technical losses as opposed to increases in water production.

Table 2: Land Management for Investment Project					
Result	**Indicator**	**Definition**	**Unit**	**Baseline**	**Year 5 Target**
Objective Level Indicators					
Increased investments	Increased tourism related development in islands with high investment potential	"Level step increase" above trend in total bed capacity and total bed-nights developed on St. Vicente, Sal and Boa Vista.[20]	Percentage	2011-2015 trend: current projections estimate a capacity of approx. 16,200 beds, 3.8 million bed-nights in 2016[21]	Greater than 5% level increase above baseline trends for both bed capacity and bed-nights
Outcome Level Indicators					
Increase the efficiency and cost-effectiveness of land rights registration and transactions	Time elapsed for property transactions	Elapsed time from initiation to completion of a formal property transaction, disaggregated by island.	Days	73[22]	90% reduction over baseline [23]
	Cost for property transactions	Costs to conduct a formal property transaction disaggregated by island.	US$	TBD	TBD[24]
More conclusive rights and boundary information in islands of high investment potential	Parcels incorporated into the land information system.	Parcels incorporated are those with boundaries identified and conclusive rights confirmed or newly registered, disaggregated by island.	Number	0	TBD[25]
	Land rights registered	Parcels with a land rights newly registered at the Ministry of Justice disaggregated by island.	Number	0	TBD[26]

(d) Data Collection and Reporting. The M&E Plan will establish guidelines for data collection and reporting, and identify the responsible parties. For the Water, Sanitation and Hygiene Project, studies that include baseline data financed by the Compact may include: municipal non-revenue water studies, a willingness to pay and barriers to service studies,

[20] Manner of calculation will be specified in the M&E Plan, in collaboration with an independent impact evaluation firm.
[21] Data and targets are linked to the economic analysis and economic rate of return analysis for the project.
[22] Source for baseline is World Bank Doing Business Survey, 2011. The baseline will be updated with more detailed information on time for property transactions compiled through project preparatory studies.
[23] Targets reflect linkages to the economic rate of return analysis. This analysis assumes the target will be achieved by end of Compact year 3.
[24] Targets will be established in the M&E Plan, and will reflect linkages to the Compact economic analysis.
[25] Targets shall be established following the completion of the preparatory geo-referencing activities. Information will be sourced from administrative records of the Registo Predial.
[26] Targets shall be established following the completion of the preparatory geo-referencing activities. Information will be sourced from administrative records of the Registo Predial.

financial and tariff-setting studies, and multiple municipal utility economic viability studies conducted in all nine municipalities on the island of Santiago, in collaboration with municipal water utility authorities. The M&E Plan budget will fund additional household surveys and qualitative studies as necessary. For the Land Management for Investment Project, data may be collected through baseline studies financed by the Compact, tourism receipts, labor statistics, qualitative studies, and information about parcel boundaries and rights refined during the project and held in the databases of the Ministry of Justice and municipal governments. Data collection will support monitoring of plausible additional benefits that may result from project outcomes. Compliance with data collection and reporting timelines will be conditions for Disbursements for the relevant Activities as set forth in the Program Implementation Agreement. The M&E Plan will specify the data collection methodologies, procedures, and analysis required for reporting on results at all levels. The M&E Plan will describe any interim MCC approvals for data collection, analysis, and reporting plans.

(e) Data Quality Reviews. As determined in the M&E Plan or as otherwise requested by MCC, the quality of the data gathered through the M&E Plan will be periodically reviewed to ensure that data reported are valid, reliable, timely, precise and of good integrity. 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 also will serve to identify where those levels of quality are not possible, given the realities of data collection. Impact evaluation consultants will provide additional quality assurance oversight.

(f) Management Information System. The M&E Plan will describe the information system that will be used to collect data, store, process and deliver information to relevant stakeholders in such a way that the Program information collected and verified pursuant to the M&E Plan is at all times accessible and useful to those who wish to use it. The system development will take into consideration the requirement and data needs of the components of the Program, and will be aligned with existing MCC systems, other service providers, and ministries.

(g) Role of MCA-Cape Verde. The monitoring and evaluation of this Compact spans two discrete Projects and multiple Activities and sub-Activities, and will involve a variety of governmental, nongovernmental, and private sector institutions. In accordance with the designation contemplated by Section 3.2(b) of this Compact, MCA-Cape Verde II is responsible for implementation of the M&E Plan. MCA-Cape Verde II will oversee all Compact-related monitoring and evaluation activities conducted for each of the Activities, ensuring that data from all implementing entities are consistent, accurately reported and aggregated into regular performance reports as described in the M&E Plan.

4. Evaluation Component.

The Evaluation Component of the M&E Plan may contain up to three types of evaluations: impact evaluations; project performance evaluations; and special studies. Impact and performance evaluations share a common objective of assessing the likely program effects on key program outcomes; special studies can be conducted to answer any other questions that inform either program implementation, or the design or interpretation of the program evaluations. All of these evaluations will generally employ both qualitative and quantitative survey methods to improve our understanding of study-relevant questions. MCC also expects to continue monitoring and evaluating the long-term impacts of strategically selected components

of MCC Compacts even after Compact expiration. If warranted, components of this Compact may be selected for these special post-Compact evaluations. As needed, MCA and MCC will evaluate the relevance of other areas of research regarding costs and benefits, and determine, given budgetary constraints, how best to allocate time and other resources to pursue them.

The Evaluation Component of the M&E Plan will describe the purpose of the evaluation, methodology, timeline, required MCC approvals, and the process for collection and analysis of data for each evaluation. The results of all evaluations will be made publicly available in accordance with MCC's Policy for Monitoring and Evaluation of Compacts and Threshold Programs.

(a) Impact/Performance Evaluation. The M&E Plan will include a description of the methods to be used to evaluate the impacts of project activities and investments on economic outcomes. Where needed, these will include plans for integrating the evaluation method into Project design. Consultations with stakeholders will help clarify the strategies outlined below, and will help to jointly determine which approaches have the strongest potential for informative and rigorous impact evaluations. The M&E Plan will further outline in detail these methodologies. Final impact evaluation strategies are to be included in the M&E Plan. All evaluation strategies will incorporate procedures for integrating gender and social concerns into its analysis. The following is a summary of the potential impact evaluation methodologies.

(i) Water, Sanitation and Hygiene Project. The evaluation will focus on three main themes: independent reviews and, as warranted, independent specification and estimation of relevant project ERRs; examining the broad institutional benefits of the changes in national policies and utility organization and management; and assessing household-level impacts of program investments and activities. At the household level, the evaluations will focus on the following program impacts on household and individual outcomes: household expenditures on water purchases and coping mechanisms; imputed value of individual time devoted to water gathering and coping; and other household and individual costs attributable to the changing water and sanitation environment.

Institutional level impacts such as reduced operating costs or losses, and increased commercial efficiency may be evaluated using a before-after comparison of utility performance. The consistency of this indicator should be assessed using any historical and current high-frequency indicators, including water supplies, revenue collections, operating costs, etc. Estimates of household and individual costs and benefits should determine patterns across social, economic and demographic groups, including gender analysis.

(ii) Land Management for Investment Project. The evaluation will focus on independent review and, if warranted, re-specification and estimation of project ERRs to account for significant changes in value-added to the economy that might not be adequately approximated in the *ex ante* project analysis. Evaluation of benefits should focus on anticipated economic impacts of tourism-related sector investments plausibly attributable to the reduced time and other costs of securing land rights and to more conclusive rights and boundaries information. If project improvements also broadly reduce the costs of securing land rights and increase the reliability of land information with effects across other sectors and regions, other plausible economic benefits attributable to these outcomes will also be explored. Estimates of such benefits should consider compelling evidence of clearly distinguished patterns across sectors, or across social, economic and demographic groups, including gender analysis.

(b) Special Studies. The M&E Plan will include a description of the methods to be used for special studies, as necessary, funded through this Compact or by MCC. Plans for conducting the special studies will be determined jointly between the Government or MCA-Cape Verde II and MCC before the approval of the M&E Plan. The M&E Plan will identify and make provision for any other special studies, *ad hoc* evaluations, and research that may be needed as part of the monitoring and evaluating of this Compact. Either MCC, MCA-Cape Verde II or the Government may request special studies or *ad hoc* evaluations of Activities, or the Project as a whole, prior to the expiration of the Compact Term. When the Government engages an evaluator, the engagement will be subject to the prior written approval of MCC. Contract terms must ensure non-biased results and the publication of results.

(c) Request for *Ad Hoc* Evaluation or Special Studies. If MCA-Cape Verde II or the Government require an *ad hoc* independent evaluation or special study at the request of the Government for any reason, including for the purpose of contesting an MCC determination with respect to a Project or Activity or to seek funding from other donors, no MCC funding resources may be applied to such evaluation or special study without MCC's prior written approval.

5. Other Components of the M&E Plan.

In addition to the monitoring and evaluation components, the M&E Plan will include the following components for the Program, Project and Activities, including, where appropriate, roles and responsibilities of the relevant parties and providers:

(a) Costs. A detailed cost estimate for all components of the M&E Plan; and

(b) Assumptions and Risks. Any assumption or risk external to the Program that underlies the accomplishment of the Program Objective, Project Objective and Activity outcomes and outputs.

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

The approval and implementation of the M&E Plan, as amended from time to time, will be in accordance with the Program Implementation Agreement, any other relevant Supplemental Agreement and the MCC Policy for Monitoring and Evaluation of Compacts and Threshold Programs.

ANNEX IV

CONDITIONS PRECEDENT

TO DISBURSEMENT OF COMPACT IMPLEMENTATION FUNDING

This Annex IV sets forth the conditions precedent applicable to Disbursements of Compact Implementation Funding (each a "***CIF Disbursement***"). Capitalized terms used in this Annex IV and not defined in this Compact will have the respective meanings assigned thereto in the Program Implementation Agreement. Upon execution of the Program Implementation Agreement, each CIF Disbursement will be subject to the terms of the Program Implementation Agreement.

1. Conditions Precedent to Initial CIF Disbursement.

Each of the following must have occurred or been satisfied prior to the Initial CIF Disbursement:

(a) The Government (or MCA-Cape Verde II) has delivered to MCC:

(i) an interim fiscal accountability plan acceptable to MCC; and

(ii) a CIF procurement plan acceptable to MCC.

2. Conditions Precedent to each CIF Disbursement.

Each of the following must have occurred or been satisfied prior to each CIF Disbursement:

(a) the Government (or MCA-Cape Verde II) has delivered to MCC the following documents, in form and substance satisfactory to MCC:

(i) a completed Disbursement Request, together with the applicable Periodic Reports, for the applicable Disbursement Period, all in accordance with the Reporting Guidelines;

(ii) a certificate of the Government (or MCA-Cape Verde II), dated as of the date of the CIF Disbursement Request, in such form as provided by MCC; and

(iii) if this Compact has entered into force in accordance with Article 7, (A) a Fiscal Agent Disbursement Certificate and (B) a Procurement Agent Disbursement Certificate;

(b) if any proceeds of the CIF Disbursement are to be deposited in a bank account, MCC has received satisfactory evidence that (i) the Bank Agreement has been executed and (ii) the Permitted Accounts have been established;

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

(d) appointment of an entity or individual to provide procurement agent services, as approved by MCC, until such time as the Government provides to MCC a true and complete

copy of the Procurement Agent Agreement, duly executed and in full force and effect, and the procurement agent engaged thereby is mobilized; and

(e) MCC is satisfied, in its sole discretion, that:

(i) the activities being funded with such CIF Disbursement are necessary, advisable or otherwise consistent with the goal of facilitating the implementation of the Compact and will not violate any applicable law or regulation;

(ii) no material default or breach of any covenant, obligation or responsibility by the Government, MCA-Cape Verde II or any Government entity has occurred and is continuing under this Compact or any Supplemental Agreement;

(iii) there has been no violation of, and the use of requested funds for the purposes requested will 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 applicable Disbursement Period have been reimbursed by the Government in full in accordance with Section 2.8(c) of this Compact; and

(v) the Government has satisfied all of its payment obligations, including any insurance, indemnification, tax payments or other obligations, and contributed all resources required from it, under this Compact and any Supplemental Agreement.

3. For any CIF Disbursement occurring after this Compact has entered into force in accordance with Article 7.

MCC is satisfied, in its sole discretion, that:

(a) MCC has received copies of any reports due from any technical consultants (including environmental auditors engaged by MCA-Cape Verde II) for any Activity since the previous Disbursement Request, and all such reports are in form and substance satisfactory to MCC;

(b) the Implementation Plan Documents and Fiscal Accountability Plan are current and updated and are in form and substance satisfactory to MCC, and there has been progress satisfactory to MCC on the components of the Implementation Plan for the Projects or any relevant Activities related to such CIF Disbursement;

(c) there has been progress satisfactory to MCC on the M&E Plan and Social and Gender Integration Plan for the Program or Project or relevant Activity and substantial compliance with the requirements of the M&E Plan and Social and Gender Integration Plan (including the targets set forth therein and any applicable reporting requirements set forth therein for the relevant Disbursement Period);

(d) there has been no material weakness or significant deficiency identified in any financial audit report delivered in accordance with this Compact and the Audit Plan, for the prior audit period which is not being sufficiently addressed in a corrective action plan satisfactory to MCC;

(e) MCC does not have grounds for concluding that any matter certified to it in the related MCA Disbursement Certificate, the Fiscal Agent Disbursement Certificate or the Procurement Agent Disbursement Certificate is not as certified;

(f) if any of the officers or key staff of MCA-Cape Verde II have been removed or resigned and the position remains vacant, MCA-Cape Verde II actively engaged in recruiting a replacement; and

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

ANNEX V
DEFINITIONS

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

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

ADA *has the meaning provided in paragraph 1(b)(ii)(C) of Part B of Annex I.*

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

Aguas de Santiago *has the meaning provided in paragraph 1(b)(ii) of Part B of Annex I.*

ANAS *has the meaning provided in paragraph 1(b)(i) of Part B of Annex I.*

ARE *has the meaning provided in paragraph 1(b)(i) of Part B of Annex I.*

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

Baseline *has the meaning provided in paragraph 3 of Annex III.*

Cape Verde *means the Republic of Cape Verde.*

CIF Disbursement *has the meaning provided in Annex IV.*

CNAS *has the meaning provided in paragraph 1(b)(i) of Part B of Annex I.*

Compact *has the meaning provided in the Preamble.*

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

Compact Implementation Funding *has the meaning provided in Section 2.2(a).*

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

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

Covered Provider *has the meaning provided in Section 3.7(c).*

DGA *has the meaning provided in paragraph 1(b)(i) of Part B of Annex I.*

Disbursement *has the meaning provided in Section 2.4.*

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

Excess CIF Amount *has the meaning provided in Section 2.2(c).*

Fiscal Agent *has the meaning provided in paragraph 6 of Part C of Annex I.*

Foundations Activity *has the meaning provided in paragraph 2(b)(i) of Part B of Annex I.*

Governance Guidelines *means MCC's Guidelines for Accountable Entities and Implementation Structures, as such may be posted on MCC's Website from time to time.*

Government *has the meaning provided in the Preamble.*

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

IEC *has the meaning provided in paragraph 1(b)(i)(A)(4) of Part B of Annex I.*

IGF *has the meaning provided in paragraph 1(b)(iii) of Part B of Annex I.*

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

Implementing Entity *has the meaning provided in paragraph 5 of Part C of Annex I.*

Implementing Entity Agreement *has the meaning provided in paragraph 5 of Part C of Annex I.*

Indicators *has the meaning provided in paragraph 3(a) of Annex III.*

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

Intellectual Property *means all registered and unregistered trademarks, service marks, logos, names, trade names and all other trademark rights; all registered and unregistered copyrights; all patents, inventions, shop rights, know how, trade secrets, designs, drawings, art work, plans, prints, manuals, computer files, computer software, hard copy files, catalogues, specifications, and other proprietary technology and similar information; and all registrations for, and applications for registration of, any of the foregoing, that are financed, in whole or in part, using MCC Funding.*

Land Project *has the meaning provided in paragraph 2(b) of Part B of Annex I.*

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

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

Management Unit *has the meaning provided in paragraph 3 of Part C of Annex I.*

Master Plan *has the meaning provided in paragraph 1(b)(i)(A) of Part B of Annex I.*

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

MCC *has the meaning provided in the Preamble.*

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

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

MCC Gender Policy *means the MCC Gender Policy (including any guidance documents issued in connection with the guidelines) posted from time to time on the MCC Website or otherwise made available to the Government.*

MCC Policy for Monitoring and Evaluation of Compacts and Threshold Programs *has the meaning provided in Annex III.*

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

MCC Website *has the meaning provided in Section 2.7.*

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

Multi-Year Financial Plan Summary *has the meaning provided in paragraph 1 of Annex II.*

National Institutional and Regulatory Reform Activity *has the meaning provided in paragraph 1(b)(i) of Part B of Annex I.*

NRW *has the meaning provided in paragraph 1(b)(ii)(C) of Part B of Annex I.*

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

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

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

Procurement Agent *has the meaning provided in paragraph 7 of Part C 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 MCC Environmental Guidelines, the MCC Gender Policy, the Governance Guidelines, the MCC Program Procurement Guidelines, the Reporting Guidelines, the MCC Policy for Monitoring and Evaluation of Compacts and Threshold Programs, the MCC Cost Principles for Government Affiliates Involved in Compact Implementation (including any successor to any of the foregoing) and any other guidelines, policies or guidance papers relating to the administration of MCC-funded compact programs and as from time to time published on the MCC Website.*

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

Program Objectives *has the meaning provided in Section 1.2.*

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

Project Objective(s) *has the meaning provided in Section 1.3.*

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

Reporting Guidelines *means the MCC "Guidance on Quarterly MCA Disbursement Request and Reporting Package" posted by MCC on the MCC Website or otherwise publicly made available.*

Rights and Boundaries Activity *has the meaning provided in paragraph 2(b)(ii) of Part B of Annex I.*

SAAS *has the meaning provided in paragraph 1(b)(ii)(C) of Part B of Annex I.*

SESA *has the meaning provided in paragraph 1(b)(i)(A) of Part B of Annex I.*

Social and Gender Integration Plan *has the meaning provided in paragraph 3 of Part A of Annex I.*

Steering Committee *has the meaning provided in paragraph 3 of Part C of Annex I.*

Stakeholders Committee(s) *has the meaning provided in paragraph 3 of Part C of Annex I.*

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

Target *has the meaning provided in paragraph 3(a) of Annex III.*

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

TVET *has the meaning provided in paragraph 1(b)(ii)(B)(5) of Part B of Annex I.*

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

Utility Reform Activity *has the meaning provided in paragraph 1(b)(ii) of Part B of Annex I.*

WASH *has the meaning provided in paragraph 1(a) of Part B of Annex I.*

WASH Project *has the meaning provided in paragraph 1(b) of Part B of Annex I.*