



**MILLENNIUM
CHALLENGE
CORPORATION**

REDUCING POVERTY THROUGH GROWTH

CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

We wish to inform the Congress of the intent to provide funding of up to US\$547,009,000 under a Millennium Challenge Compact with the Republic of Ghana.

The attached notification is being sent to the Congress on July 12, 2006. Allocation and obligation of funds may be incurred on or after fifteen days from the date of this notification. MCC intends to obligate pursuant to the authority of Section 605 of the Millennium Challenge Act of 2003 (the "Act") up to Five Hundred Thirty-Six Million Six Hundred and Thirty-Eight Thousand Dollars (US\$536,638,000) at the time the Compact enters into force. These funds will be disbursed in tranches over the course of the Compact's term upon satisfaction or waiver of relevant conditions precedent.

In order to accelerate implementation of the Compact, MCC will obligate Ten Million Three Hundred Seventy-One Thousand U.S. Dollars (US\$10,371,000) of the total amount ("Compact Implementation Funding") at the time of signing of the Compact, pursuant to the authority of Section 609(g) of the Act.

Sincerely,

Frances C. McNaught
Vice President
Congressional and Public Affairs

Enclosure:
As stated

July 12, 2006

CONGRESSIONAL NOTIFICATION

Pursuant to the requirements of Section 515 of Pub. L. 108-447, we wish to notify Congress of the Millennium Challenge Corporation's ("MCC") intent to enter into a Millennium Challenge Compact ("Compact") with the Government of the Republic of Ghana ("GoG"), through which MCC will grant up to Five Hundred Forty-Seven Million and Nine Thousand US Dollars (US\$547,009,000) of FY 2005 Millennium Challenge Account ("MCA") funds. Of this amount, MCC intends to obligate pursuant to the authority of Section 605 of the Millennium Challenge Act of 2003 (the "Act") up to Five Hundred Thirty-Six Million Six Hundred and Thirty-Eight Thousand Dollars (US\$536,638,000) at the time the Compact enters into force. These funds will be disbursed in tranches over the course of the Compact's term upon satisfaction or waiver of relevant conditions precedent. In order to accelerate implementation of the Compact, MCC will obligate Ten Million Three Hundred Seventy-One Thousand U.S. Dollars (US\$10,371,000) of the total amount ("Compact Implementation Funding") at the time of signing of the Compact, pursuant to the authority of Section 609(g) of the Act.

The Compact Implementation Funding is included in the total amount of MCA funds under the Compact and will not represent an incremental increase in the overall MCA funding commitment to the GoG. Specifically, these funds will support, among others:

- 1) Strategic environmental assessments;
- 2) Development of training curriculum for farmer-based organizations, training of extension agents and demonstrations of new farming technology;
- 3) Delineation of land rights and composite maps of community boundaries and parcels;
- 4) Feasibility studies and related environmental assessments with respect to improvements to the national highway, trunk roads, feeder roads, and ferry facilities; and
- 5) Administrative and staff costs of Millennium Development Authority (or other mutually acceptable entity serving as the accountable entity),

Compact Implementation Funding shall be subject to (A) the limitations on the use or treatment of MCC funding set forth in Section 2.3 of the Compact attached hereto, as if such provision were in full force and effect, and (B) any other requirements for, and limitations on the use of, such Compact Implementation Funding as may be required by MCC in writing.

Pursuant to Section 610(a) of the Millennium Challenge Act of 2003 (Section 610(a) Pub. L. 108-199, Division D) (the "Act"), the appropriate Congressional committees were notified of MCC's intent to commence negotiations with the GOG on April 19, 2006. These negotiations have resulted in a mutually agreeable program described herein, which will be formalized in a Compact on substantially the terms and substantially the form of the text of the Compact that is being forwarded with this notification. A summary of key elements of the Compact is set forth in the accompanying "Executive Summary." MCC will provide the final agreed text of the Compact, along with a detailed summary of the text, to the appropriate Congressional committees no later than 10 days after the execution of the Compact, as provided in Section 610(b) of the Act.

**Millennium Challenge Compact between
the United States of America,
Acting through the Millennium Challenge Corporation, and
the Government of the Republic of Ghana**

Executive Summary

Agriculture is the backbone of Ghana's economy: it accounts for approximately 40 percent of the country's gross domestic product ("GDP"), directly employs approximately 60-70 percent of the labor force and generates more than 55 percent of the foreign exchange earnings. The agricultural sector consists of five sub-sectors: crops (other than cocoa) and livestock account for 58 percent of the GDP attributable to the agricultural sector; cocoa for 20 percent; fisheries for 11 percent; and forestry for the remaining 11 percent. The proposed program ("Program") under the MCC Compact with Ghana ("Compact") would operate in five districts in the northern area, six districts in the central Afram Basin area and twelve districts in the southern horticultural belt area, (each area, an "Intervention Zone"). Overall poverty rates in the Intervention Zones are generally above 40 percent. In the northern Intervention Zone, as well as in parts of the central Afram Basin Intervention Zone, the incidence of poverty among the rural population is as high as 90 percent.

The Program aims at reducing poverty by raising farmer incomes through private sector-led agribusiness development. To this end, the Compact focuses on increasing production and productivity of high-value cash and food crops in the Intervention Zones and on enhancing the competitiveness of the country's export base in horticultural and other traditional crops. The Program consists of the following three projects: (i) Agricultural Productivity and Value-Added Development ("Agriculture Project"); (ii) Transportation Infrastructure Development ("Transportation Project"); and (iii) Rural Services Development ("Rural Development Project").

Under the Agriculture Project, approximately 51,000 farm households (after some attrition) are expected to complete a comprehensive program in business organization, productivity and marketing skills training as members of farmer-based organizations ("FBOs"). This training, coupled with the organization of farmers into FBOs, will allow farmers to purchase farming inputs at lower costs and to sell farming products at higher prices owing to increased negotiating power as grouped farmers vis-à-vis their suppliers, distributors and processors, to lower transportation costs, and to increase yields through improved technical practices in on-farm production, water resource management and post-harvest handling.

Second, the Transportation Project is expected to open new economic opportunities for rural households by lowering transportation costs, including travel times, for both individuals and cargo, to markets and social service delivery points. Specifically, widening the National Highway, a principal route from the southern area of the country to the primary sea- and airports, is expected to benefit approximately 150,000 daily users. Upwards of 500,000 people in the surrounding area of Accra, including consumers and agricultural export producers and other users of the highway in the Greater Accra Metropolitan Area, would benefit from the improved operation of the highway. Rehabilitation and upgrading of trunk roads and expansion of the ferry service in the central Afram Basin Intervention Zone are expected to benefit up to 100,000 farm households, most of which are among the rural poor.

Third, the Rural Development Project will invest in basic community services, including basic schools, water and sanitary services, and rural electrification, to complement and support the agricultural investments, enhancing the health and skills, and hence, productivity of the farm labor pool, and to catalyze the participation of other donors. By improving both the community service infrastructure and the local government's capacity to provide related community services and to operate and maintain such infrastructure, the Rural Development Project is expected to benefit several tens of thousands of households, decrease the incidence of disease and the time spent collecting water and fuel, improve school attendance and educational outcomes. Moreover, strengthening the public sector's procurement capacity is designed to improve the delivery of these community services in the Intervention Zones as well as to contribute to the improvements in performance of Ghana's public sector generally. Finally, enhancing the service capabilities of rural financial institutions will reduce the costs and insecurity of transactions, greatly improve the access of the rural poor to credit and savings vehicles, and mobilize these savings for investment in poor districts.

In conclusion, as a first approximation, the Program is anticipated to help directly alleviate the poverty of over 230,000 Ghanaians, and to enhance the livelihoods and welfare of over one million Ghanaians in the aggregate.

Through an act of its Parliament, the GoG created the Millennium Development Authority ("MiDA"), a public corporation that will serve as the accountable entity for the implementation of the Program under the Compact. MiDA will be governed by an independent board of directors, consisting of a chair appointed by the President of Ghana, four representatives of key ministries of the GoG, the chief executive officer of MiDA, two representatives of the private sector, and one representative from the non-governmental organization community. The chief executive officer will manage the day-to-day activities of MiDA, supported by officers in the areas of operations, agriculture, infrastructure, procurement, financial services, land administration, and administration and finance. MiDA will engage line ministries, contractors and consultants for execution of the activities under the Compact while remaining accountable for the successful implementation of the Program. To facilitate this interaction, MiDA will procure the services of a fiscal and procurement agent. As an organ of the GoG, MiDA will be subject to GoG audit requirements, alongside those audit requirements of MCC under the Compact.

Where To Find Key Provisions

Compact:

- Article I: Purpose and Objectives; Term
- Article II: Funding and Disbursement Provisions; Government Resources and Contributions; Limitations on the Use or Treatment of MCC Funding; Refunds
- Article III: Implementation (including procurement, audit, reporting); Government Responsibilities and Assurances
- Article IV: Deliveries and Conditions Precedent to Entry in Force; Conditions Precedent to MCC Disbursement and Re-Disbursement
- Article V: Final Clauses, including Termination and Suspension
- Exhibit A: Definitions
- Exhibit B: List of Certain Supplemental Agreements
- Schedule 2.1(a)(iii): Description of Compact Implementation Funding
- Annex I: Descriptions of the implementation framework and the program elements, including the Agriculture Project (Schedule 1); Transportation Project (Schedule 2); and Rural Development Project (Schedule 3).
- Annex II: Summary of Multi-Year Financial Plan
- Annex III: Description of the Monitoring and Evaluation Plan