



CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

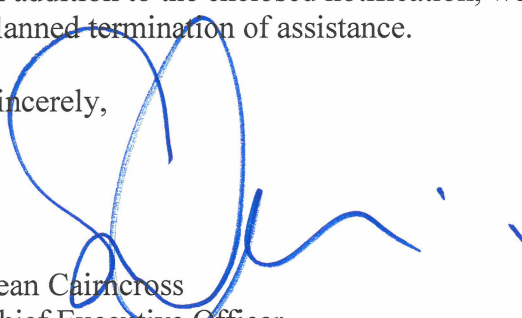
We wish to notify you that the Millennium Challenge Corporation intends to terminate, in part, assistance provided under the Millennium Challenge Compact with the Government of Ghana.

If you or your staff would like to arrange a meeting to discuss the termination of the assistance, please contact Dan Petrie at (202) 521-3583 or PetrieDB@mcc.gov.

The attached notification is being sent to the Congress on November 15, 2019. The assistance may be terminated on or after 15 days from the date of this notification.

In addition to the enclosed notification, we have attached supplemental information regarding the planned termination of assistance.

Sincerely,


Sean Cairncross
Chief Executive Officer
Millennium Challenge Corporation

Enclosure: As stated

MILLENNIUM CHALLENGE CORPORATION
CONGRESSIONAL NOTIFICATION

November 15, 2019

Pursuant to the heading "Millennium Challenge Corporation" of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2012, as carried forward by Title VII of Division F of the Consolidated and Further Continuing Appropriations Act, 2013, the heading "Millennium Challenge Corporation" of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2014, and section 610(a) of the Millennium Challenge Act of 2003, as amended (the "Act"), this is to advise that the Millennium Challenge Corporation ("MCC") intends to terminate, in part, assistance provided pursuant to section 605 of the Act under the Millennium Challenge Compact with the Government of Ghana that entered into force on September 6, 2016 (the "Compact").

After consulting with the MCC Board of Directors and determining that the Government of Ghana has failed to adhere to its responsibilities under the Compact, the Chief Executive Officer of MCC plans to terminate a portion of the assistance under the Compact pursuant to section 611(a) of the Act.

**SUPPLEMENTAL INFORMATION
REGARDING THE PLANNED TERMINATION OF ASSISTANCE IN PART
UNDER THE MILLENNIUM CHALLENGE COMPACT
WITH THE GOVERNMENT OF GHANA**

Background

On September 6, 2016, the \$498.2 million compact between the Millennium Challenge Corporation (MCC) and the Government of Ghana entered into force (the “Compact”). The Compact seeks to create a self-sustaining power sector that will provide reliable and affordable power to nearly 10 million Ghanaians. A key component of the compact program is the introduction of private sector participation into Ghana’s power sector through a 20-year concession arrangement to operate the Electricity Company of Ghana, Ghana’s largest electricity distribution utility. The concession aimed to address one of the most critical constraints to progress in the sector—technical and commercial losses at the Electricity Company.

In addition to \$28.9 million that became available upon compact signing to facilitate implementation of the Compact, the Compact comprises two tranches of funding: \$279.3 million that was made available upon the Compact’s entry into force, and a second tranche of \$190 million that became available on March 1, 2019 (“Tranche II Funding”), when Ghana Power Distribution Services, Ltd. assumed operations and management of the staff and assets of the Electricity Company under a 20-year concession agreement.

Basis for Terminating \$190 million of Compact Funding

On July 30, 2019, the Government of Ghana suspended the concession of the Electricity Company, alleging that part of the financial transaction underlying the concession (a demand guarantee backed by reinsurance) had been fraudulently obtained. The Government of Ghana then proceeded to investigate the alleged fraud. Meanwhile, at MCC’s insistence, a parallel, independent audit of the transaction was conducted by a forensic auditing firm hired by the Government of Ghana’s designated entity for compact implementation, the Millennium Development Authority (“MiDA”). In contrast to the findings of the Government of Ghana’s investigation of the matter, the independent audit concluded that there was no information to suggest fraud in the transaction.

Based on the independent audit findings, MCC concluded that the Government of Ghana’s suspension of the concession was unfounded and that the rights of Power Distribution Services as concessionaire should be restored. MCC communicated this view to the Government of Ghana in numerous discussions in September and October. In these discussions, MCC also stressed that a failure to restore the concession would likely lead to reduction of compact funding by \$190 million, since private sector participation in the Electricity Company is a central basis for the Tranche II Funding, as reflected in the conditions precedent set forth in section 8.1(a) of the Compact that the Government of Ghana had to satisfy before the Tranche II Funding was released.

Despite the results of the independent audit and MCC's repeated warnings, on October 19, 2019, the Government of Ghana informed MCC of its decision to terminate the concession agreement between the Electricity Company and Power Distribution Services.

Section 611(a)(3) of the Millennium Challenge Act of 2003, as amended, provides that the Chief Executive Officer of MCC, after consultation with the MCC Board, may terminate compact assistance in whole or in part for a country if the Chief Executive Officer determines that the country has failed to adhere to its responsibilities under the compact. Under MCC's Suspension and Termination Policy, a compact country "fails to adhere to its responsibilities" under a compact if, among other things, it (i) materially breaches any assurance or obligation in the compact (or any related implementing agreement or document); or (ii) takes (or fails to take) some action that results in grounds for termination or suspension as set out in the compact or relevant agreement. MCC has determined that by terminating the existing concession arrangement, the Government of Ghana materially breached an obligation under the Compact.

Current Compact Program Status

On November 8, 2019, MCC's Board of Directors approved the termination of \$190 million of compact funding. MCC intends to continue to provide the remaining balance of compact funding, which will continue to be managed and implemented by MiDA. It is planned that this funding will continue to support important improvements to the infrastructure of Ghana's southern distribution network, increase reliability and power access in key markets, and advance energy efficiency programs.

Compact activities that would be eliminated as a result of the partial termination of compact funding include (i) changing the governance structure of the utility by bringing in a private sector operator and (ii) infrastructure improvements designed to reduce losses and outages and improve service quality.