



CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

This Congressional Notification outlines the Millennium Challenge Corporation's intent to negotiate and sign a threshold program grant agreement with the Government of The Gambia.

If you or your staff would like to arrange a meeting to discuss the proposed negotiations with the Government of The Gambia, please contact Brian Forni at (202) 521-2631 or ForniBJ@mcc.gov.

This notification is being sent to the Congress on October 6, 2021, and negotiations with the Government of The Gambia may be started, the threshold program grant agreement signed, and funds obligated 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 threshold program.

Sincerely,

/s/

Aysha House
Vice President
Congressional and Public Affairs

Enclosure as stated

**MILLENNIUM CHALLENGE CORPORATION
CONGRESSIONAL NOTIFICATION**

October 6, 2021

PROGRAM: Threshold
APPROPRIATIONS CATEGORY: Fiscal Year 2018
OBLIGATION AMOUNT: \$25,000,000

Pursuant to Division K, Title III, section 7015(c) and the heading “Millennium Challenge Corporation” of the Consolidated Appropriations Act, 2018; and section 610(a) of the Millennium Challenge Act of 2003, as amended (the “Act”), this notification is to advise you that the Millennium Challenge Corporation (MCC) intends to negotiate and sign an agreement with the Government of The Gambia obligating up to \$25,000,000 of fiscal year 2018 funds for a program of assistance under section 616 of the Act (the “Threshold Program”).

The proposed Threshold Program with The Gambia is designed to support policy and institutional reforms in an area identified as a critical constraint to economic growth and poverty reduction: the unreliable and inadequate supply of electricity in the country.

SUPPLEMENTAL INFORMATION PROPOSED GAMBIA THRESHOLD PROGRAM

Overview

The proposed Gambia threshold program seeks to assist the Government of The Gambia in addressing its major constraint to economic growth: the unreliable and inadequate supply of electricity in the country. The threshold program will address this constraint through two projects: the Power Sector Governance Project and the Power Sector Operations Project.

Background and Context

Selection and Eligibility Overview

The Gambia was selected by the MCC Board of Directors in December 2017 to develop a threshold program. The country's selection followed the November 2016 presidential election in which long-time President Yahya Jammeh was voted out of office in landmark free and fair elections. President Adama Barrow took office in January 2017 in The Gambia's first-ever democratic transition of power and instituted several reforms during his first year in office. While The Gambia failed the scorecard at the time of its selection due to failing the Democratic Rights hard hurdle, MCC's Board expected that its democratic rights scores would improve as a result of its peaceful, democratic transition.

In FY 2019, The Gambia passed the scorecard for the first time since FY 2011 due to newly passing the Political Rights indicator—and thus, the Democratic Rights hard hurdle—and 13 of 20 indicators overall. In FY 2021, The Gambia passed the scorecard, and passed the Civil Liberties indicator for the first time since FY 2009. It has also strengthened its score on the Control of Corruption indicator, rising from the 55th percentile in FY 2018 to the 92nd percentile in FY 2021.

In 2019, The Gambia was listed as Tier 3 on the U.S. Department of State's annual Trafficking in Persons (TIP) Report, preventing MCC from moving forward with program development that year. However, after the Government took steps to strengthen its fight against trafficking, The Gambia was upgraded to Tier 2 Watch List on the 2020 TIP Report and remains there in the 2021 Report. MCC continues to encourage the Government to follow the State Department's recommended actions listed in the annual TIP report to avoid a downgrade to Tier 3.

Summary of Constraints to Growth

- MCC and the Government of The Gambia identified the unreliable and inadequate supply of electricity as a binding constraint to economic growth in the country. The electrical grid in The Gambia is prone to frequent outages as well as historically poor fiscal and operational management at the utility, the National Water and Electricity Company (NAWEC). This constraint forces firms and individual customers to incur high self-generation costs, or even forego consistent electricity access.

Country Context

The Gambia is the smallest country on the African mainland. Except for its Atlantic coastline, the country is surrounded by Senegal and is divided by the Gambia River. In 2021, the population reached approximately 2.5 million, with a majority living in urban areas in the districts surrounding the capital, Banjul. The Gambia is one of the most urbanized countries on the continent with both high internal mobility and external migration, especially to Europe. More than 79% of the population is under 35 and youth unemployment, at 38%, is one of the highest in the region.

Following the democratic ouster of former president Yahya Jammeh in January 2017, The Gambia has moved into a more democratic era that has seen free and fair elections, improvements in civil liberties, and a focus on integrating into the international community. A truth, reconciliation, and reparations commission, launched in 2018, has worked to uncover the crimes that were committed during the Jammeh era.

Electricity services are primarily concentrated in the Greater Banjul Area, though there are efforts underway to install electrical mini-grids in underserved areas outside of the capital. Integration with regional sources of generation and transmission are underway as well.

In recent years, the electrification rate has increased to over 50% and The Gambia has committed to an ambitious goal of achieving universal electrical access by 2025. The Gambia has also committed to reduce CO2 emissions in alignment with the 2015 Paris Accords, with a focus on imports from Senegal, Guinea, and Côte d'Ivoire, and domestic solar generation. While The Gambia has historically relied significantly on heavy fuel oil for its domestic generation, there has been recent progress towards regional integration and the prioritization of renewables.

Program Summary and Budget

The threshold program aims to reduce poverty through economic growth in The Gambia by improving the governance and operations of the power sector. On the governance front, MCC will help The Gambia to develop a more effective, accountable, and transparent power sector via support to NAWEC, the National Assembly, civil society, and the media. Regarding operations, MCC will support NAWEC in improving its capability to operate a power system that is adequate to meet existing and growing demand consistent with The Gambia's stated Nationally Determined Contributions under the 2015 Paris Agreement.

Below is a summary describing the components of the proposed threshold program and the anticipated budget of up to \$25 million.

Table 1: The Gambia Threshold Program Budget

Component	US \$
1. Project #1: Power Sector Governance Project	\$8,400,000
1.1 Activity 1: Building Power Sector Governance Capacity	\$6,800,000
1.2 Activity 2: Accountability and Oversight for the Power Sector	\$1,600,000
2. Project #2: Power Sector Operations Project	\$11,600,000
2.1 Activity 1: Fundamental Change and Building Commitment	\$3,900,000
2.2 Activity 2: Strategic Investment and Consolidating Change	\$7,700,000
3. Monitoring and Evaluation (M&E)	\$1,000,000
4. Program Administration and Oversight	\$4,000,000
Threshold Program Total	\$25,000,000

Proposed Projects

Project #1: Power Sector Governance Project (Governance Project)

The objective of the Governance Project is to develop more effective, accountable, and transparent power sector governance in The Gambia. The Governance Project will use a “learning by doing” adaptive approach in which teams of stakeholders work to identify the underlying causes of regulatory, administrative, and operational challenges, and then work to solve those problems through a disciplined, iterative, and action-oriented approach. The Governance Project will focus on four reform areas: legal and regulatory; policy and planning; NAWEC structure and governance; and external oversight and accountability.

- The first activity, “Building Power Sector Governance Capacity,” will work to provide Gambian power sector stakeholders with the skills, information, and authority needed to use appropriate government processes to solve problems and to drive improved performance of the power sector to increase access to reliable and adequate electricity services for all Gambian citizens.
- The second activity, “Accountability and Oversight for the Power Sector,” will strengthen the ability of public stakeholders such as The Gambia’s Public Utility Regulatory Agency, civil society, the media, and the National Assembly to influence the development, governance, and operations of the power sector to better reflect their interests and needs. A window of opportunity has opened with the democratic transition in The Gambia and increased access to information will improve stakeholders’ understanding of the power sector and strengthen their capacity to influence the Government and NAWEC in a responsible and effective manner.

Project #2: Power Sector Operations Project (Operations Project)

The objective of the Operations Project is for NAWEC to reduce the frequency and duration of outages and improve its capability to operate a power system that is adequate to meet existing and growing demand, in an inclusive manner consistent with The Gambia’s stated Nationally Determined Contributions under the 2015 Paris Climate Accords. The Operations Project is expected to be implemented in two phases, described below in two activities.

- The “Fundamental Change and Building Commitment” activity, the first phase of the Operations Project, will focus on supporting NAWEC to analyze and prioritize problems, clearly identify potential solutions, and take actions to advance those solutions. The activity will then support the Government in assessing the effectiveness of those interventions in order to identify change areas expected to have the greatest potential for achieving the project objective. As the final stage of work in the first phase, MCC will work with the Government in preparing a plan for implementing priority investments via the project’s second phase. This activity will support NAWEC through the use of a facilitation methodology similar to that used on the Governance Project, as well as through embedded advisors to augment NAWEC’s internal capabilities.
- The “Strategic Investments and Consolidating Change” activity, the second phase of the Operations Project, will implement the plan developed in the first phase and will build upon the learning accumulated in the first phase to support ongoing capacity development and change management at NAWEC while scaling up investments to deliver more reliable electricity, better customer service, and improved financial performance.