



CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

This Congressional Notification outlines the Millennium Challenge Corporation's intent to negotiate a concurrent regional Millennium Challenge Compact with the Government of Côte d'Ivoire for purposes of cross-border energy integration and regional economic growth.

The transmission of this notification to Congress on June 18, 2024, affirms negotiations concerning the proposed Côte d'Ivoire Concurrent Regional Compact may begin on or after 15 days from the date of this notice.

Please find enclosed the notification with supplemental information regarding the proposed compact.

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

Sincerely,

/s/

Aysha House
Vice President
Congressional and Public Affairs

Enclosure: As stated

**MILLENNIUM CHALLENGE CORPORATION
CONGRESSIONAL NOTIFICATION**

June 18, 2024

Pursuant to section 610(a) of the Millennium Challenge Act of 2003, as amended, this notification is (i) to advise you that the Millennium Challenge Corporation (MCC) intends to start negotiations with the Government of Côte d'Ivoire for a concurrent regional Millennium Challenge Compact for the purposes of enhancing economic integration, increased regional trade, and cross-border collaborations and (ii) to initiate Congressional consultation before the start of negotiations.

The proposed concurrent regional compact will seek to assist the Government of Côte d'Ivoire by increasing the net quantity of energy traded by Côte d'Ivoire on the regional electricity market.

Economic Justification

The proposed compact is designed to achieve its objective of increasing the net quantity of energy traded by Côte d'Ivoire on the regional electricity market through one project comprising the following three activities: (i) the Support for the Economic Community of West African States (ECOWAS) Regional Electricity Market Activity, (ii) the Modernizing the Grid Network in Côte d'Ivoire Activity, and (iii) the Support to Côte d'Ivoire on the Regional Electricity Market Activity. A summary of the estimated economic rate of return (ERR), cost-benefit analysis, and impact on beneficiary populations is described below.

MCC undertook an economic cost-benefit analysis (CBA) of the proposed compact program and noted that both institutional and infrastructure elements interact to support enhancing the ability of Côte d'Ivoire to increase the net quantity of energy that it trades on the regional electricity market.

The overall proposed compact program, as an intervention having regional impact, is estimated to have an ERR of 33 percent as a regional intervention and an estimated ERR of 18 percent for Côte d'Ivoire alone. This outcome is rooted in recognition that the proposed interventions will catalyze private sector investment to support the expansion of generation capacity to accommodate domestic as well as foreign demand for electricity. The proposed compact will also allow the Government of Côte d'Ivoire to connect the equivalent of 730,000 households that do not already have access to electricity. The average connected population within five years following the completion of the proposed compact program is estimated to be about 34 million.

SUPPLEMENTAL INFORMATION

Overview

The proposed concurrent regional compact aims to promote economic integration through an increase in the net quantity of energy traded by Côte d'Ivoire on the regional market. This will be achieved through three activities that focus on the regional market structure, physical infrastructure within Côte d'Ivoire, and the institutional environment of the energy sector within Côte d'Ivoire, respectively: (i) Support for the ECOWAS Regional Electricity Market Activity; (ii) Modernizing the Grid Network in Côte d'Ivoire Activity; and (iii) Support to Côte d'Ivoire on the Regional Electricity Market Activity.

Background and Context

Côte d'Ivoire experienced political instability and economic decline throughout the 1990s and 2000s. Between 2012 and 2024, political stability and policy reforms have allowed the economy to recover from years of stagnation, with an average annual GDP growth rate of 8 percent during that period. This progress can be seen in the reduction of the poverty rate as measured by the national poverty line from 46.3 percent in 2015 to 39.5 percent in 2018 to 12 percent in 2023, driven by growth in industries and the services sectors, and lower inflation rates, especially among food items. The Government of Côte d'Ivoire has been a committed MCC partner, instituting reforms that have aimed to move the country toward a more vibrant, robust, and stable economic growth path.

Côte d'Ivoire has the third largest energy system in West Africa. The country has four primary energy sources (hydropower, petroleum, natural gas, and biomass). Its energy sector is relatively robust. As of 2021, the country had installed capacity of 2,269 MW, roughly 61 percent (1,390 MW) of which is generated by thermal power and the remaining 39 percent (879 MW) is generated by hydroelectric dams. Côte d'Ivoire is working to develop and diversify its energy-producing sources, with the objective of obtaining 42 percent of its power from renewable sources by 2030. Côte d'Ivoire's population has a relatively high rate of access to energy: 64 percent access nationwide; 95 percent access in urban areas, and 32 percent access in rural areas. Universal access to electricity by 2025 is a priority of the government. Côte d'Ivoire is already an energy exporter due to its geographic location in West Africa and contributes about 22 percent of the total energy traded in the West African Power Pool (WAPP), which is responsible for developing regional power projects in West Africa.

Compact Eligibility

In December 2018, MCC's Board of Directors ("Board") selected Côte d'Ivoire as eligible to develop a concurrent regional compact to advance regional economic integration and growth. MCC began working with Côte d'Ivoire and Burkina Faso to determine whether there were regional projects that met MCC's investment criteria. However, following the January 2022 coup d'etat in Burkina Faso, MCC terminated Burkina Faso's eligibility to develop a concurrent regional compact. MCC and Côte d'Ivoire then pivoted to develop a regionally-focused compact that could support Côte d'Ivoire's regional economic integration and growth. MCC identified Côte d'Ivoire as a demonstrated leader in the energy sector and a potential regional leader working with the WAPP to help produce, trade, and accelerate reliable energy to Côte d'Ivoire and the region at large.

Compact Overview and Budget

Below is a summary describing the budget and components of the proposed, concurrent regional five-year compact with Côte d'Ivoire. The anticipated budget for the proposed program is up to \$322.5 million, which includes up to \$300 million funded by MCC and the Government of Côte d'Ivoire contributing at least \$22.5 million.

MCC Funding by Compact Components	Total MCC Funding
1. Support for the ECOWAS Regional Electricity Market Activity	\$39,450,000
2. Modernizing the Grid Network in Côte d'Ivoire Activity	\$147,250,000
3. Support to Côte d'Ivoire on the Regional Electricity Market Activity	\$53,700,000
4. American Catalyst Facility for Development (ACFD) Investment (in partnership with DFC)	\$5,000,000
5. Monitoring and Evaluation	\$2,800,000
6. Program Administration	\$51,800,000
MCC Funding	\$300,000,000

Total Program Funding	Amount
Total MCC Compact Funding	\$300,000,000
Government of Côte d'Ivoire Contribution	\$22,500,000
Total Program	\$322,500,000

Proposed Project

The proposed compact is designed to achieve its objective through one project, comprising the following three activities:

- Activity 1:** The Support for the ECOWAS Regional Electricity Market Activity aims to assist regional electricity actors in the operationalization of Phase II – the day-ahead market – of the WAPP regional electricity market. The day-ahead electricity market hosts transactions for buying and selling electricity one day prior to the delivery day. On this market, regional buyers and sellers commit to the wholesale purchase of electricity and submit their bids and offers to a market operator, respectively. The day-ahead market helps to avoid price volatility and produces one financial settlement. This activity is comprised of three sub-activities: (i) improving and reinforcing reliability and market governance, (ii) improving market financial viability, and (iii) reinforcing the operational capacity of regional market actors.
- Activity 2:** The Modernizing the Grid Network in Côte d'Ivoire Activity aims to make targeted investments in power system tools, equipment, and infrastructure in Côte d'Ivoire to meet the technical and market operations requirements needed to fully

participate in the regional day-ahead power market. The activity will focus on upgrades to enhance the reliability and stability of the interconnected system while also catalyzing funding for a pipeline of renewable energy projects to ensure sufficient energy from sustainable sources are available for power trade. This activity comprises two sub-activities. The first sub-activity is dedicated to modernizing and upgrading power system operations tools, real-time monitoring and forecasting tools and capabilities to enhance compliance with future rules. The second sub-activity aims to assist Côte d'Ivoire in expanding its capacity to generate electricity from renewable sources using clean energy technologies.

- **Activity 3:** The Support to Côte d'Ivoire on the Regional Electricity Market Activity aims to improve the regulatory, financial, and operational capacity of Ivorian electricity sector stakeholders, enabling them to optimize their involvement in the newly launched day-ahead regional electricity market. This activity comprises three sub-activities: (i) improving and harmonizing the country's electricity sector regulatory framework in line with regional frameworks and regulations, (ii) improving the financial condition of the Ivorian electricity sector, and (iii) developing Côte d'Ivoire's overall performance in the regional electricity market.

Policy Reform and the Regional Compact

MCC and the Government of Côte d'Ivoire jointly identified the following key policy reform areas to support the sustainability of the proposed compact.

Under the Support for the ECOWAS Regional Electricity Market Activity, through the proposed compact program, a grant will be provided to WAPP to support building institutional and technical capacity. The grant instrument would help give autonomy to the information and coordination center (ICC) and to the operator of the independent regional market system (SMO) within the organizational structure of the WAPP secretariat. This necessary institutional framework adjustment is critical for the independence and operations of the ICC. It would also eliminate a key conflict of interest as the SMO needs to be fully independent from the WAPP secretariat.

Under the Support to Côte d'Ivoire on the Regional Electricity Market Activity, the Government of Côte d'Ivoire is expected to establish, through the appropriate instrument, a transmission tariff to be used for regional transactions, both in existing and new contracts, conforming to sub-regional regulations.

Catalyzing Private Investment

The proposed program will catalyze private sector investment through two facilities: ACFD and the Climate Catalyst Facility (CCF). The \$5 million ACFD funding under the proposed compact program will serve as a blended finance platform. It will be available for U.S. International Development Finance Corporation (DFC) funded projects, in the form of grants, in order to de-risk such projects to make them bankable. The ACFD support through DFC is expected to mobilize up to 10x in private investment, depending on the nature of the project and de-risking mechanism provided. MCC and DFC will continue efforts to raise awareness of this opportunity with U.S. business interests, which so far have been well received. The CCF will provide

project preparation support to catalyze investment in renewable energy independent power producer (IPP) projects, along with blended finance grant support to bring a subset of those IPP projects to financial close. While the facility will target an existing pipeline of projects, U.S. business entities will be encouraged to participate in the call for proposals, to supply equipment for selected projects, or invest in the deals selected for support.

Update on the Sustainability of Côte d'Ivoire's Current Compact

MCC and the Government of Côte d'Ivoire signed the \$524.7 million compact on November 7, 2017. This compact entered into force on August 5, 2019. In February 2022, the MCC Board of Directors approved an amendment to the compact extending the compact term by twelve months until August 5, 2025, and increasing its budget by \$12 million dollars, given the extensive implementation constraints due to the COVID-19 pandemic.

Project #1: Abidjan Transport

The objective of the Abidjan Transport Project is to reduce vehicle operating costs and travel times along targeted road segments, while improving overall pedestrian and vehicle mobility and safety. Significant progress has been made in terms of reforms. Specifically, the Government of Côte d'Ivoire has met their obligation to increase funding to road maintenance and is on track to double road maintenance funding during the life of the compact. The government has also addressed management issues and developed a plan to significantly reduce commercial debt at the road maintenance fund. These actions are aimed at supporting the sustainability of our investments in the rehabilitation of four key transport arteries in Abidjan. Construction is underway on two of the targeted road segments. Technical assistance has been provided to relevant transportation infrastructure agencies to support the development of a comprehensive road asset management system. Road and bridge condition surveys are being conducted and field data will be used to develop maintenance strategies and plans. The first cohort of students in the masters in infrastructure program have completed their degree program designed to improve infrastructure asset management. Also, two additional cohorts are underway and are due to graduate in 2024. A fourth cohort is being recruited, highlighting the sustainability of the program.

Project #2: Skills for Employability and Productivity

The Skills for Employability and Productivity Project is designed to (i) increase the number of years of education received and improve the acquisition of quality, in-demand basic skills, including reading, math, and soft skills, for lower secondary students; and (ii) improve the acquisition of quality, in-demand technical skills and increase job placement rates among graduates of compact-supported technical and vocational education and training centers. In terms of progress, construction is ongoing in 30 “collèges de proximité,” as well as two teacher training centers in Bouake and San Pedro. All 30 of these communities have benefitted from training on reducing gender-based violence and other topics to support secondary school enrollment of girls. A set of school-based activities such as peer education groups, science, technology, engineering and mathematics clubs, and training in gender equitable schools have been tested in six schools and will be rolled out to compact-constructed lower secondary schools. Private sector partners have been selected to operate and maintain three TVET centers under the new private-sector-led model. Two TVET centers are currently under construction. The accreditation system as well as tracer studies are under development (countrywide testing

phase). It's estimated that the Côte d'Ivoire Compact will benefit 11.3 million people in Côte d'Ivoire.