

MILLENNIUM CHALLENGE CORPORATION

[MCC FR 21-05]

Notice of First Amendment to Compact with the Republic of Ghana

AGENCY: Millennium Challenge Corporation.

ACTION: Notice.

SUMMARY: In accordance with the Millennium Challenge Act of 2003, as amended, the Millennium Challenge Corporation is publishing a summary, justification, and full text of the proposed First Amendment to Millennium Challenge Compact between the United States of America, acting through the Millennium Challenge Corporation, and the Republic of Ghana. Representatives of the United States Government and the Government of Ghana plan to conclude the Amendment in June 2021.

(Authority: 22 U.S.C. 7708 (i) (2))

Dated: June 4, 2021.

_____/s/
Thomas G. Hohenthauer,
Acting VP/General Counsel and Corporate Secretary.

Summary of First Amendment to Millennium Challenge Compact with the Republic of Ghana

The Board of Directors of the Millennium Challenge Corporation (“*MCC*”) has approved an amendment (the “*Amendment*”) to the existing US\$308.2 million, five-year Millennium Challenge Compact between the United States of America, acting through MCC, and the Republic of Ghana (the “*Compact*”).

Background

The Compact was signed August 5, 2014 and entered into force on September 6, 2016. The Compact aims to improve Ghana’s power sector through investments that provide more reliable and affordable electricity to Ghana’s businesses and households. Compact projects focus on improving the infrastructure in the country’s southern electricity distribution network, advancing energy efficiency programs, increasing power reliability and access to key markets, and strengthening Ghana’s electricity sector regulatory institutions. The investment strategy is based on an integrated loss management approach to reduce technical and commercial losses in the distribution system, reduce distribution system vulnerability, and reduce the frequency and duration of power outages.

Scope of the Amendment

MCC proposes to extend the term of the Compact for an additional nine-months to June 6, 2022 and to provide additional funding up to \$7,651,395. The term extension is necessary to mitigate implementation delays due to the COVID-19 pandemic and to complete infrastructure projects as originally contemplated. The proposed additional funding will be used to cover additional program administration and related oversight costs associated with extending the Compact’s term.

Justification for the Amendment

In late January 2020, MCC received the first reports from Ghana of COVID-19-related manufacturing delays from equipment suppliers. On March 12, 2020, the Government of Ghana confirmed its first two cases of COVID-19 and later announced measures to prevent and control the virus' spread. These included mandated social distancing, restrictions on foreign national entry to the country, border closures, and partial lockdowns across major cities, including the capital city of Accra, the location of major compact project sites. The impact of these measures was immediate and seriously affected the implementation timeline of compact activities.

Measures to mitigate the spread of COVID-19 led to global supply chain disruptions and restrictions on the movement of technical experts, project management staff, consultants, and contractors locally and internationally, thereby slowing procurements, the delivery of equipment and materials, factory testing and acceptance of key components, installation of equipment at project sites, and physical activity on project sites. In addition, temporary shutdowns of work sites, temporary government office closures, changes in priorities by government implementing entities, and COVID-19 infections among government staff and the consultants and contractors working on the projects have disrupted compact implementation.

Extending the compact term will enable MCC and the Government of Ghana to complete and hand over all ongoing projects to the beneficiary institutions at the required quality, without compromising health, safety, and environmental standards, and will reduce sustainability risks through the necessary attention to testing, commissioning, training of utility operators and technicians, and additional oversight during the commencement of the defects notification periods associated with these projects. As COVID-19 has disrupted program activities and timelines, an extended compact term will maximize long-term results, benefits for the citizens of Ghana, and MCC's return on investment, and benefit the compact program as a whole. The

additional MCC funding is necessary for and will be used to support oversight and other administrative functions during the additional nine months of the compact term.

FIRST AMENDMENT TO MILLENNIUM CHALLENGE COMPACT BETWEEN THE UNITED STATES OF AMERICA, ACTING THROUGH THE MILLENNIUM CHALLENGE CORPORATION AND THE REPUBLIC OF GHANA

FIRST AMENDMENT TO MILLENNIUM CHALLENGE COMPACT

This FIRST AMENDMENT TO MILLENNIUM CHALLENGE COMPACT (this “*Amendment*”), is made by and between the United States of America, acting through the Millennium Challenge Corporation, a United States government corporation (“*MCC*”), and the Republic of Ghana, acting through its government (the “*Government*”) (each referred to herein individually as a “*Party*” and collectively, as the “*Parties*”). All capitalized terms used in this Amendment that are not otherwise defined herein have the meanings given to such terms in the Compact (as defined below).

RECITALS

WHEREAS, the Parties signed that certain Millennium Challenge Compact by and between the United States of America, acting through MCC, and the Republic of Ghana, on August 5, 2014 (as modified, the “*Compact*”);

WHEREAS, Section 7.4 of the Compact provides for a Compact Term of five (5) years after its entry into force;

WHEREAS, the Compact entered into force on September 6, 2016;

WHEREAS, implementation of the compact program has been adversely affected and delayed by the coronavirus pandemic;

WHEREAS, the Parties now desire to extend the Compact Term by an additional nine (9) months (the “*Extension*”), and to increase assistance under the Compact for related administrative and oversight costs, to allow the Government more time to implement and complete the Projects in order to fully achieve the Compact Goal, Project Objectives and Program Objectives; and

WHEREAS, pursuant to Section 6.2(a) of the Compact, the Parties desire to amend the Compact as more fully described herein to memorialize the Extension.

NOW, THEREFORE, the Parties hereby agree as follows:

AMENDMENTS

1. Amendment to Section 2.1.

Section 2.1 (Program Funding) of the Compact is amended and restated to read as follows:

“Section 2.1 Program Funding. Upon entry into force of this Compact in accordance with Section 7.3, MCC will grant to the Government, under the terms of this Compact, an amount not to exceed Three Hundred One Million, Nine Hundred Seventy-Four Thousand, Forty-Six United States Dollars (US\$301,974,046) (“*Program Funding*”) for use by the Government to implement the Program. The allocation of Program Funding is generally described in Annex II.”

2. Amendment to Section 2.2.

Section 2.2(a) (Compact Implementation Funding) of the Compact is amended and restated to read as follows:

“(a) Upon the signing of this Compact, MCC will 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 Thirteen Million Eight Hundred Seventy-Seven Thousand, Three Hundred Forty-Nine United States Dollars (US\$13,877,349) (“*Compact Implementation Funding*”)

under Section 609(g) of the Millennium Challenge Act of 2003, as amended (the “*MCA Act*”), for use by the Government to facilitate implementation of this Compact, including for the following purposes:

- (i) financial management and procurement activities;
- (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, design and other project preparatory 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.”

3. Amendment to Section 7.4.

Section 7.4 (Compact Term) of the Compact is amended and restated to read as follows:

“Section 7.4 Compact Term. This Compact will remain in force for five (5) years and nine (9) months after its entry into force, unless terminated earlier under Section 5.1 (the “*Compact Term*”).”

4. Amendments to Annex II (Multi-Year Financial Plan Summary).

(a) Section 2 of Annex II (Multi-Year Financial Plan Summary) to the Compact is amended and restated to read as follows:

“2. Government Contribution. During the Compact Term, the Government will make contributions, relative to its national budget and taking into account prevailing economic conditions, as are necessary to carry out the Government’s responsibilities under Section 2.6(a) of this Compact. These contributions may include in-kind and financial contributions (including obligations of Ghana on any debt incurred toward meeting these contribution obligations). In connection with this obligation the Government has developed a budget over the Compact Term to complement MCC Funding through budget allocations to the Projects.

The Government initially anticipates making contributions of approximately Twenty-Three Million, Six Hundred Eighty-Eight Thousand, Eight Hundred Fifty-Five United States Dollars (US\$23,688,855 (or 7.5 percent of the amount of MCC Funding provided under this Compact) over the Compact Term. Such contribution shall be in addition to the Government's spending allocated toward the Project Objectives in its budget for the year immediately preceding the establishment of this Compact. The Government's contribution shall be subject to any legal requirements in Ghana for the budgeting and appropriation of such contribution, including approval of the Government's annual budget by its legislature. The Parties may 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. During implementation of the Program, the Government's contributions may be modified or new contributions added with MCC approval, provided that the modified or new contributions continue to advance the Project Objectives.”

(b) Exhibit A to Annex II (Multi-Year Financial Plan Summary) to the Compact is deleted in its entirety and replaced by revised Exhibit A set forth in Annex I to this Amendment.

GENERAL PROVISIONS

1. Further Assurances.

Each Party hereby covenants and agrees, without necessity of any further consideration, to execute and deliver any and all such further documents and take any and all such other action as may be reasonably necessary or appropriate to carry out the intent and purpose of this Amendment.

2. Effect of this Amendment.

From and after the date this Amendment enters into force, the Compact and this Amendment shall be read together and construed as one document, and each reference in the Compact to the “Compact,” “hereunder,” “hereof” or words of like import referring to the Compact, and each

reference to the “Compact,” “thereunder,” “thereof” or words of like import in any Supplemental Agreement or in any other document or instrument delivered pursuant to the Compact or any Supplemental Agreement, shall mean and be construed as a reference to the Compact, as amended by this Amendment.

3. Limitations.

Except as expressly amended by this Amendment, all of the provisions of the Compact remain unchanged and in full force and effect.

4. Governing Law.

The Parties acknowledge and agree that this Amendment is an international agreement entered into for the purpose of amending the Compact and as such will be interpreted in a manner consistent with the Compact and is governed by international law.

ANNEX I

REVISED EXHIBIT A TO ANNEX II TO THE COMPACT MULTI-YEAR FINANCIAL PLAN SUMMARY

Compact Program Tranche I	Current Approved MYFP	Proposed Additional MCC Grant Funds	Revised MYFP
1. ECG Financial & Operational Turnaround Project-Tranche 1			
1.1 Private Sector Participation	6,162,736		6,162,736
1.2 Modernizing ECG Operations	31,186,058	3,076,668	34,262,726
1.3 Commercial Loss Reduction	17,236,519		17,236,519
1.4 Technical Loss Reduction	155,326,548	318,978	155,645,527
1.5 Outage Reduction	354,406		354,406
Subtotal	210,266,267	3,395,646	213,661,914
2. NEDCo Financial & Operational Turnaround Project			
2.1 Private Sector Participation	0		0

2.2 Modernizing NEDCo Operations	1,175,475		1,175,475
2.3 Commercial Loss Reduction	0		0
2.4 Technical Loss Reduction	0		0
2.5 Outage Reduction	0		0
2.6 Tamale Service Area Improvement	0		0
2.7 Commercial Development	0		0
Subtotal	1,175,475		1,175,475
3. Regulatory Strengthening and Capacity Building Project			
3.1 Sector Performance Monitoring Ca	797,672		797,672
3.2 Tariff Review & Regulation	2,057,115		2,057,115
Subtotal	2,854,787		2,854,787
4. Access Project			
4.1 Improve Electricity Supply to MS	78,070		78,070
4.2 Improve Service Delivery/Strength	821,930		821,930
Subtotal	900,000		900,000
5. Power Sector Generation Improvement Project			
5.1 Operationalize "Gas to Power" Plan	0		0
5.2 Facilitate LNG development	0		0
5.3 Strengthen IPP framework	0		0
Subtotal	0		0
6. Energy Efficiency & Demand Side Management Project			
6.1 Development and Enforcement of Standards	4,268,865		4,268,865
6.2 Improve Energy Auditing	3,900,000		3,900,000
6.3 Education and Public Information	1,755,000		1,755,000

6.4 Demand Side Management Infrastructure	12,373,934		12,373,934
Subtotal	22,297,799		22,297,799
7. Monitoring and Evaluation (M&E)			
7.1. Monitoring and Evaluation (M&E)	7,308,437		7,308,437
Subtotal	7,308,437		7,308,437
8. Program Administration and Oversight			
8.1 MiDA Administration	32,373,374	2,898,597	35,271,971
8.2 Fiscal & Procurement Agents	9,763,852	1,345,902	11,109,754
8.3 Audit & Compliance	749,850	11,250	761,100
Subtotal	42,887,076	4,255,749	47,142,825
9. ECG Financial and Operational Turnaround Project-Tranche 2			
9.1 Private Sector Participation	0		0
9.2 Modernizing ECG Operations	2,120,755		2,120,755
9.3 Commercial Loss Reduction	0		0
9.4 Technical Loss Reduction	4,512,055		4,512,055
9.5 Outage Reduction	0		0
Subtotal	6,632,810		6,632,810
TOTAL Program Funding	294,322,651	7,651,395	301,974,046
TOTAL Compact Implementation Funding	13,877,349		13,877,349
TOTAL MCC Funding	308,200,000	7,651,395	315,851,395
Total Government Contributions	23,115,000	573,855	23,688,855
TOTAL COMPACT + GOVERNMENT CONTRIBUTION	331,315,000	8,225,250	339,540,250